FOCUS ON GUYANA'S NATIONAL BUDGET 2013

CHALLENGES CHOICES

28 March 2013

Ram & McRae

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Professional Services Firm

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About this Publication

Focus on Guyana's National Budget 2013 represents the twenty-third edition of this **Ram & McRae** annual publication which highlights, reviews and comments on the major issues surrounding and raised in the National Budget. Each year, Budget Focus is circulated among politicians, the business community and the country representatives of international agencies operating in Guyana. But most importantly for us and the general public, is the wide circulation made possible by the publication, in the *Stabroek News*, of an abridged but comprehensive version of Focus. We thank the publishers for making this possible.

The contents of this publication are not intended to take the place of the text of the Budget Speech or of a professional advisor. This analysis is prepared and distributed on the understanding that **Ram & McRae** is not engaged in rendering professional services to the reader. If financial or other expert assistance is required, please contact the Firm.

Ram & McRae also offers the public a unique compilation of Guyana's tax and business-related legislation (and advice thereon) including:

- Consolidated Tax Laws of Guyana *(comprising Income Tax, Corporation Tax, Property Tax, Capital Gains Tax, Tax, Income Tax (in Aid of Industry), Revenue Authority, Financial Administration and Audit, and Investment Acts, and the double taxation treaties signed by Guyana)*.
- Value Added Tax and Excise Tax Acts 2005
- Companies Act 1991
- Securities Industry Act 1998
- Insurance Act 1998
- Bank of Guyana Act 1998
- Financial Institutions Act 1995
- Dealers in Foreign Currency (Licensing) Act 1989 and Foreign Exchange (Miscellaneous Provisions) Act 1996
- NIS Act Cap. 36:01
- Mining Act 1989
- Petroleum (Production) Act Cap 65:05 and Petroleum (Exploration & Production) Act 1986
- Termination of Employment & Severance Pay Act 1997
- Trade Union Recognition Act 1997

Each publication includes relevant subsidiary legislation.

Other publications by the Firm, most of which are available on our website, are:

- Handbook on the Companies Act 1991 (out of print)
- Guyana Business Outlook Survey 1995-2010 (except 1998)
- Guyana Investors Information Package
- Focus on Guyana's National Budget 1991 – 2012
- Business Page (weekly column by Managing Partner in the *Sunday Stabroek* and available on *www.chrisram.net*)
- Value Added Tax and Excise Tax Handbook which includes annotated copies of the legislation
- Annual Tax Planner
- Monthly Tax Supplement

Accēdō Inc., a service company of Ram & McRae, was established on February 18, 2012 by the partners of the firm to offer a wide range of Human Resources services to bring potential employees and employers in contact with each other.

Services offered by Accēdō include:

- Search and Selection/Recruitment
- Outsourcing
- Temporary Staff
- Work Permits and Visas
- Compensation and Benefits Surveys
- HR Consultancy

These are complemented by the services offered by Ram & McRae including Payroll Preparation and Management, Paymaster (payroll software), Individual and Expatriate Taxation, etc.

accēdō
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About Ram & McRae

Established in 1985, **Ram & McRae** has distinguished itself in the field of professional services. Our client focus, commitment to professionalism, and continuous search for excellence, are the sources of our unchallenged reputation among professional firms.

We have secured a premier place in the provision of taxation and advisory services to local and international business operators. Our continuing relationship with international partners provides us with access to worldwide resources and ensures that our clients benefit from business ideas, opportunities and solutions that place them in leadership positions in their industry.

Our partners

Christopher L. Ram, FCCA, ACMA, ACIS, LLB, LEC
Managing Partner and founder of the firm with overall responsibility for quality assurance aspects of the engagement, Christopher has in excess of thirty-five years' experience in senior positions in international auditing firms. He was Financial Consultant to a regional government for several years where he was integrally involved in Budget preparation and Chairman of the National Insurance Board. Christopher is also a practising Attorney-at-law.

Robert V. McRae, CPA, BSc., FLMI
Robert has more than thirty-five years' experience in the areas of audit, accounting and insurance in Guyana and the United States of America. Robert also practises as a Certified Public Accountant in New York.

Rakesh V. Latchana, FCCA
Rakesh was admitted to the partnership on January 1, 2006 bringing the number of partners in the firm to three. He has over seventeen years' experience in audit and accounting; and ensures that the firm has a broad array of skills and expertise to meet the challenges faced by our varied clientele. Rakesh became Chief Executive Officer of the firm on January 1, 2010.

Acknowledgements

The Partners of Ram & McRae are truly grateful to have been again provided the opportunity to contribute to society through this publication. We sincerely thank those members of staff who worked so assiduously to produce this publication in such a short period of time and whose humour under stress made it all possible. These persons include Savitri Gobin, Christopher Ravendra Ram, Jermaine McPherson, Chetram Singh, Caren English, Kaziah Seunandan, Shamela John, Julieann King-DeHearte, Cleveland Gilkes, Alexis Barry, Shirlon Benjamin and Glennis Rudder.

Christopher Ram, Robert McRae and Rakesh Latchana

March 28, 2013

Pre-Budget Comments

Even more than in 2012, the period leading up to the 2013 Budget presentation was dominated by trading blame over non-consultations between the Minister of Finance, Dr. Ashni Singh and Shadow Finance Minister Mr. Carl Greenidge. The exchange was sharp and pointed and appears to have arisen from the inability of the two top finance persons to agree on a time and agenda for a single meeting. Of course the fact that the exchange was taking place in February/March suggests that abuse was more important than substance, since any meeting at that stage would be coming too late in the Budget cycle which began as early as July 2012.

We remind all our politicians, and particularly those in Government, that the right to be consulted is not exclusive to parliamentary or political parties. Indeed while neither Article 13 nor 149 C of the Constitution – the consultation Articles mentions political parties, the sharpness and persistence of the exchanges testified to the political behemoths' views of democracy.

In the Kaieteur News of March 22, columnist Alan Fenty raised Article 13 but negatively: that a leading constitutional expert has questioned its effectiveness given the fractious nature of civil society.

The line in the sand in the contretemps between the PPP/C and the APNU was drawn by Mr. David Granger, the PNC/R and APNU Leader who said that the APNU will exercise what it considers its right to cut items from the Estimates, a position supported by Mr. Khemraj Ramjattan of the Alliance for Change (AFC). The AFC which with the APNU controls a slim majority in the National Assembly announced that it would not take part in eleventh hour talks on the Budget with Dr. Singh because it would be nothing more than a "government photo-op."

The AFC did however communicate its wish list to the Government, a repeat of their 2012 request which on that occasion was met with disdainful silence. Once again it asked for a 10 percent increase in salaries for public servants; an increase in Old Age Pension to $15,000 per month; the reduction of VAT rate and the Berbice River Bridge toll; and the reinstatement of the subvention for the Critchlow Labour College.

For this Focus, we sought a comment on expectations on the Budget from a senior member of the Georgetown Chamber of Commerce and were referred to a four page Proposal to the Government on the 2013 Budget by the Private Sector Commission (PSC).

Except for a call for the review of the tax rate and the removal of property tax on individuals including high income earners, the proposals are for the government to do everything at taxpayers' expense essentially for the benefit of the business community. The PSC would like the government to build more roads, construct every bridge, develop every airstrip and finance every Harbour Crossing; to set up paper and plastic recycling centres; to provide export marketing support; and to grant further and increased tax relief for energy.

And when the government has done all of this and dredged the harbour to reduce the cost of incentives-facilitated export of the country's natural resources, the PSC is offering a private-public sector model in which the taxpayers bear the cost and the risk and businesses receive all the rewards. Just like the Kingston Marriott.

While calling for multi-billion dollar public expenditure, the PSC ignores the implications for the public debt, servicing of which in the final analysis is borne by taxpayers. In 2012 the overall balance was a deficit of $31.75 billion, up from $20.5 billion in 2011. The PSC knows that no private sector company would be viable with such results. That they find them acceptable for the government is selfish, irresponsible and unpatriotic.

The PSC claims dubiously that the government double- and treble- taxes persons but ignores the hundreds of millions exempted legally from taxation and the billions creamed off by the private sector in tax evasion and money laundering practices. The PSC tells the government that the personal allowance has reached an acceptable level and should stay at this level for a number of years.
The document is silent on tax reform on which the private sector has been given a lead role, on reducing or controlling public expenditure, or on more disciplined and responsible public finance management. Instead, a more urgent priority for the PSC is the further lowering of corporate tax rates which will result in higher distributable profits and increased tax-free dividends.

The document also restates the views of the PSC on the nature and function of taxation, making it clear that the PSC believes in the virtues of regressive taxation. It confidently advises the government that VAT is a "more equitable and preferred taxation system going forward."

Offering a different view, non-resident Guyanese Dr. Asquith Rose and Harish Singh recognised that taxation as an important tool in redistributing income and narrowing the inequality gap while citizen activist Jinnah Rahaman called for the Budget to address the plight of the poor.

It is clear that the PSC sees tax equity through very different prisms from Rose, Singh and Rahaman.

We canvassed from four individuals the budget expectations of their organisations: two from the business community and two from labour. Interestingly both business officials spoke only on condition of anonymity, quite unlike their labour counterparts. Both businesspersons supported their umbrella organisation's call for a reduction of the corporate and personal tax rates and praised VAT as a sacred cash cow. One interesting call was for a tax credit to ease the pain of low wages while both agreed that the NIS needs serious reform with one blaming the government for the plight of the NIS.

One of these officials supported a progressive personal tax structure and a subsidy for the Berbice Bridge Company to make crossing more affordable, drawing comparison with the Linden electricity tariff. The official expressed the hope for a People's budget that would raise the quality of life for all Guyanese.

Mr. Komal Chand, a member of the leadership of the Federation of Independent Trade Unions of Guyana (FITUG) as well as the Guyana Agricultural and General Workers' Union (GAWU) said these Organisations hope for a reduction of VAT by 2% and an increase in the tax threshold from $600,000 to $720,000 per annum. He called for the adoption of the recommendations in the Eight Actuarial Report on the NIS - minus the raising of the pensionable age. Mr. Chand did not expect any action on the Linden subsidy, tax reform or a national minimum wage which he strongly supports.

Mr. Lincoln Lewis, General Secretary of the Trade Union Congress (TUC) which met with the Minister of Finance as part of a joint TUC/FITUG delegation to consult on the Budget told Focus that the labour leaders raised with the Minister issues ranging from Income Tax Reform beginning with the reduction in VAT; a tripartite approach to the Social issues affecting Guyanese; one Consolidated Fund; the restoration of the Critchlow Labour College subvention and the need for the security of the people to be treated as a developmental issue.

Mr. Lewis told Focus he did not expect anything to come from the consultation.

Not surprisingly, with Guyana's increasing dependence on Venezuela for its oil supplies and sale of rice the implications of the death of Venezuelan President Hugo Chavez received media attention from the Government and editorials. Chavez was personally responsible for the launch of the PetroCaribe Agreement under which Guyana purchases fuel from that country on very generous concessionary terms. The withdrawal of that facility, either by Venezuela or Guyana when Amaila comes on stream will have huge cash flow implications for Guyana.

For a more extensive discussion on the implications of Chavez's passing, please see Commentary and Analysis on page 40.

Introduction

Budget 2013 was presented on March 25, 2013, under the theme Overcoming Challenges Together Accelerating Gains for Guyana. It provides for total expenditure of $208.8 billion, 19.6% over the revised 2012 amount.

With his familiarity with numbers and facility with language the Minister revels on this particular stage. He used his opening remarks to throw down the gauntlet, accusing the "opposition with its one seat majority of consuming valuable legislative time and effort in futile, unproductive, and oftentimes counterproductive pursuits".

Except for pensioners, the 2013 Budget was clearly not a pro-poor budget. Indeed immediately after the presentation a senior private sector official called gloating that this was the year for business and the middle class. That was not without justification. After regaling his colleagues with the stellar performance of the economy, the Minister chose to address the financial plight of the NIS by offering to subsidise the additional 1% NIS contribution rate of certain employers and employees.

The mortgage interest relief for first-time owners of homes with mortgages of up to $30 million is designed for higher income taxpayers while the reduction of the income tax rate from 33⅓% to 30% will benefit all taxpayers. After resisting for several years the reintroduction of personal allowances for single mothers the Minister finds it possible to do it for persons who can afford a $30 million mortgage.

There was plenty of money to go around, even if it creates another huge deficit to be financed by borrowings. $99 million is budgeted for the non-existent Ethnic Relations Commission while the NCN gets $81 million. The projected overall balance is $33 billion after budgeting for the receipt of $20 billion of Norway Money. In the past when the Ministry did not receive the money it budgeted to receive, it plugged the hole with money from the several dormant accounts held mainly with the Bank of Guyana. But even they will dry up.

The estimates confirm that the Minister has ignored Act 3 of 2012 which reflected a number of cuts to the Estimates of Expenditure including subsidies to NCN and allocations for contracted workers within the Office of the President. Indeed, instead of a reduction in the number of contract employees in the Office of the President the number continues to increase - from 144 in 2011 to 156 in 2012 and now projected at 171 in 2013.

Very little of the budgeted Norwegian Money was received in 2011 and 2012 and the 2013 Budget remains optimistic to the tune of $20 billion. Since the Guyana Norway MOU was for the years 2010-2015 the question must now be raised about any of the US$250 million undisbursed when the MOU expires.

In 2012 the economy expanded by 4.8% compared to a projected 4.1%. The Bank of Guyana had reported growth in the first half of 2012 of 2.8% over June 2011 and had projected full year 2012 growth of 3.8%. Something really great happened in the second half of that year.

Almost everything grew at dizzying speed: rice 5%, other crops 5.3%, fisheries 15.5%, gold 20.8%, sand 76.5%, wholesale and retail trade 6.7%, transport and storage 18.9%, finance and insurance 13.8%, domestic credit 10.6%, imports 11.7%. And inflation was 3.5%. So how is it that tax revenues increased by only 6%?

The Minister also referred to the 205,000 persons who have benefitted from tax measures in the past two years. If we add the forty thousand employees who are below the threshold, the number of employed persons would approach 245,000. Again the question has to be asked - why give a subsidy to the NIS which at December 31, 2012 was collecting contributions from only 116,000 active employees, considerably less than half.

The Estimates provide for a belated Environmental Study of the Amaila Access Road project while there has been no final license for the hydroelectric project either. In Commentary and Analysis on page 37, we have identified a number of dangers about this project which Dr. Ashni Singh described as a flagship project. We think there are far too many uncertainties surrounding the project which need to be addressed.

UG has not done well in this Budget and in this its 50th year will struggle to meet its obligations to its employees and for statutory deductions. It is a salutary lesson for the new Vice-Chancellor and the reform-minded members of the UG Council.

A provision of approximately 13% of last year salaries is made for 2013 even as questions persist on how the 2012 provision was accounted for.

NICIL, the Minister's parallel budget was not even mentioned but the Airport project which we neither need nor can afford is now projected to cost US$153 million. The Chinese who are financing the project have already taken out US$25 million as mobilisation.

There is inadequate information on the statutory bodies which control huge sums but the Geology and Mines Commission (GGMC) whose Minister tabled some long outstanding annual reports of the GGMC just before the Budget Speech will more than double its "Other Operating Expenses", from $3.0 billion to $7.0 billion.

On the front cover of this Focus are photographs of three challenges we identified facing Guyana and three showing the choices we made.

Highlights

2012 Facts

- Growth in real GDP of 4.8% compared to a target of 4.1% and actual rate of 5.4% in 2011.
- Overall balance of payments surplus of US$12.4Mn compared with a deficit of US$15Mn in 2011.
- Decline in the 91-day Treasury bill rate from 2.35% in 2011 to 1.45%.
- Inflation rate of 3.5% compared with a target of 4.6% and actual rate of 3.3% in 2011.
- Depreciation of the Guyana dollar to the US dollar by 0.37%. Average market mid-rates for US$ depreciated by 0.14% with the Canadian dollar and Pound Sterling depreciating by 2.79% and 1.96% respectively, to December 2012. The market mid-rate for the Euro appreciated by 0.72%.
- Current Revenue of $130.2Bn compared with $120.9Bn in 2011, an increase of 7.7%.
- A 5% across the board increase to all public servants and members of the disciplined services.
- Exports and imports expanded by 23.6% to US$1.5Bn and 11.7% to US$2Bn respectively.
- Current account deficit of US$394.8Mn (2011: US$372.2Mn); and net inflows on the capital account of US$428.5Mn (2011: US$373.2Mn). Overall fiscal deficit of $27.6Bn compared to $16.4Bn in 2011.
- Total external reserves at year end for Bank of Guyana of US$862.2Mn, up from US$798.1Mn in 2011.
- Signing of first "debt compensation agreement" with Venezuela, reducing the PetroCaribe debt by US$100.8Mn, which is equivalent to the value of rice and paddy shipped from December 2009 to July 2011.

2013 Targets

Size of the Budget: *$208.8Bn, 19.6% increase*

- Inflation rate of 4.3%.
- Growth in Real GDP of 5.3%, with the non-sugar economy growing by 5%.
- Balance of payments overall surplus of US$57.6Mn.
- Capital account to register a surplus of US$509.5Mn.
- Current revenue of $162.8Bn, an increase of 24.9%, including GRIF inflows of $20Bn.
- Overall fiscal deficit of the Central Government at $29.1Bn.
- Overall deficit of the non-financial sector to decline to 4.4% of GDP and totalling $28Bn.
- Overall deficit of financial operations from $31.8Bn to $33.7Bn.
- Capital expenditure to increase by 51.8% to $85.7Bn.

- Value added and excise taxes of $61.3Bn, an increase of 7.7% and customs and trade taxes of $14Bn, expanding by 9.1%.

See more in 2013 Policy Issues and Targets on page 21.

Review 2012

Sectoral Performance

INDUSTRY	Budget 2013 %	Revised 2012 %	Budgeted 2012 %	Half Year 2012 %	Actual 2011 %
Agruculture, Fishing and Forestry	**3.7**	**3.7**	**2.7**	**(2.2)**	**2.7**
Sugar	10.1	(7.8)	5.7	(33.4)	7.1
Rice	4.3	5.0	2.6	1.1	11.0
Other Crops	4.2	5.3	4.0	2.0	5.7
Livestock	4.0	14.4	4.9	12.8	5.8
Fishing	**2.0**	**15.5**	5.0	**13.8**	(5.3)
Forestry	(5.6)	(4.3)	(8.2)	(10.3)	(9.3)
Mining and Quarring	**3.0**	**14.8**	**1.8**	**16.4**	**19.2**
Bauxite	6.5	12.5	(0.2)	41.9	38.0
Gold	2.6	20.8	2.9	13.1	17.7
Other	(0.2)	(14.6)	(1.2)	(1.5)	6.3
Manufacturing	**4.4**	**2.4**	**3.9**	**(2.2)**	**6.8**
Sugar	10.1	(7.8)	5.7	(33.4)	7.1
Rice	4.3	5.0	2.6	1.4	11.3
Other Manufacturing	3.0	4.2	4.0	3.0	4.9
Electricity and Water	**4.0**	**5.7**	**3.5**	**5.3**	**2.1**
Construction	10.0	(11.0)	6.3	(8.8)	2.8
Wholesale and Retail Trade	6.5	6.7	6.5	11.6	4.5
Transportation and Storage	7.8	18.9	9.5	20.2	14.2
Information and Communication	4.5	4.2	3.0	3.0	1.5
Financial and Insurance Activities	12.0	13.8	8.0	5.0	9.7
Public Administration	0.0	1.4	0.0	0.0	0.6
Education	3.5	2.2	1.8	1.2	6.7
Health and Social Services	4.4	3.1	5.7	2.4	3.8
Real Estate Activities	4.0	4.5	2.0	1.0	1.6
Other Service Activities	8.0	4.0	0.5	3.5	0.5

Source: Annual budget speeches and Half Year reports.

The Table shows the sectors in which the economy is divided; by what percentage they are expected to grow in 2013; how the Sectors performed in 2012 compared with how they were expected to perform in 2012, their first half year in 2012 and their actual performance in 2011.

The Global Economy

The Minister estimated growth in global output of 3.5% in 2013 compared to 3.2% in 2012. He said that much of global performance will be influenced by developments in the United States, in particular in relation to the pace of fiscal consolidation which, if excessive, could prove harmful to US and global growth prospects. Among the BRICS (Brazil, Russia, India, China and South Africa) and emerging economies, China continued to lead with growth of 7.8 percent in 2012, while growth in India slowed to 4.5 percent. Among the advanced economies, the Euro area and the United Kingdom both recorded negative growth of 0.4 percent and 0.2 percent respectively, offset by modest growth of 2.3 percent and 2 percent in the United States and Japan respectively.

Growth in Latin America and the Caribbean amounted to 3% in 2012 and is projected at 3.6% in 2013.

The Domestic Economy

	Target 2013	**Revised 2012**	**Target 2012**	**Actual 2011**
Real GDP Growth	5.3%	4.8%	4.1%	5.4%
Inflation Rate	4.3%	3.5%	4.6%	3.3%
Current account deficit of the balance of payments	US$451.9Mn	US$394.8Mn	US$325.6Mn	US$372.2Mn

Source: Annual Budget Speeches and National Estimates

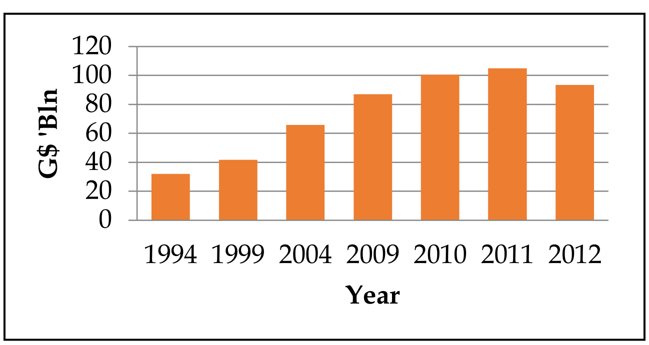
Per Capita GDP

Year	**US$**
2007	1,984.5
2008	2,260.3
2009	2,308.5
2010	2,513.9
2011	2,868.7
2012	3,148.0

Source: Annual Budget Speeches

Domestic Debt

While the Minister made no reference to the stock of domestic debt, at June 30, 2012 the Bank of Guyana reported a 9.35 decline in the debt levels due to a contraction in the stock of outstanding government treasury bills. The growth in the domestic bonded debt from 1994 to 2012 is shown in the following graph:



Source: BOG Statistics.

The above graph includes only central government borrowing and therefore excludes any borrowings by public corporations and non-interest bearing debt, such as the Special Issue of Government of Guyana Securities by the Bank of Guyana.

External Debt

The movement in the external debt from 1997 to 2012 is shown in the following table:

Year	US$Bn
1997	1.513
1998	1.507
1999	1.211
2000	1.193
2001	1.197
2002	1.247
2003	1.199
2004	1.188

Year	US$Bn
2005	1.214
2006	1.043
2007	0.719
2008	0.834
2009	0.933
2010	1.043
2011	1.206
2012	1.359

Source: BOG Statistics and Budget Speech – All shown at December 31

Balance of payments

The current account on the balance of payment returned a surplus of US$12.4Mn in 2012, compared to US$15Mn deficit in 2011. This improved performance was due to higher export earnings and transfers, outweighing the projected increase in import commodity prices. In 2013, the capital account is projected to register a surplus of US$509 million reflecting higher capital inflows and foreign direct investment.

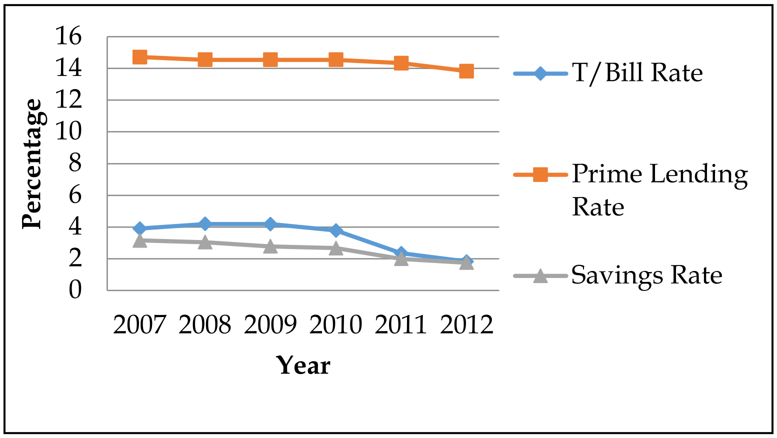
Balance of Payments Stated in US$ Mn	**Budget** **2013**	**Revised** **2012**	**Budgeted** **2012**	**Actual** **2011**
CURRENT ACCOUNT	**(451.9)**	**(394.8)**	**(325.6)**	**(372.2)**
Merchandise trade (net)	663.0	(581.9)	(655.4)	(641.4)
Services (net)	239.4	(232.1)	(168.8)	(145.4)
Transfers	450.4	419.2	498.6	414.6
CAPITAL ACCOUNT	**509.5**	**428.5**	**462.0**	**373.2**
Capital Transfers	24.2	29.3	40.4	30.1
Non - financial public sector (net)	130.5	90.4	85.9	67.7
Private capital	395.2	373.7	360.9	307.8
Short term capital	(40.3)	(65.0)	(25.2)	(32.3)
Errors and Omissions	**-**	**(21.3)**	**-**	**(16.0)**
Overall balance	**57.6**	**12.4**	**136.4**	**(15.0)**

Source: Estimates of the Public Sector (Vol. 1 pg. 491)

Banking and Interest Rates

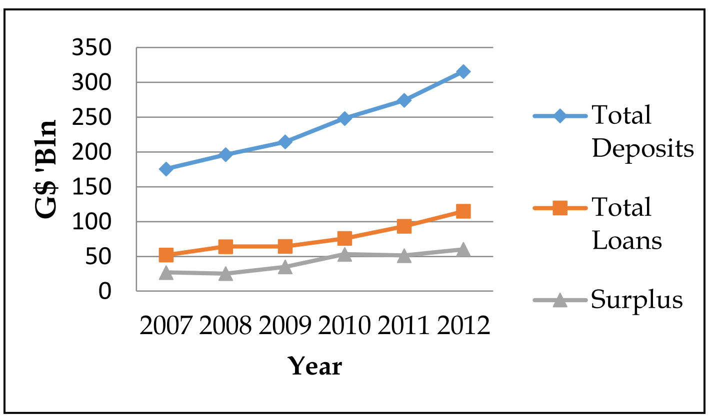
There was continued decline in the 91-day Treasury bill rate to 1.45%, the weighted average prime lending rate to 11.08% and the small savings rate from 1.99% to 1.69%.

The following table shows the spread earned by the commercial banks as the financial rates continue to decline.



Source: BOG Statistics

The commercial banks have generally reported significant profits as most borrowers pay rates that are higher than the prime lending rate while the banks' effective borrowing rate is lower than the savings rate as most demand deposit accounts earn no interest. Despite the spread, both loans and deposits have continued an upward trajectory.



Source: BOG Statistics

The Exchange Rate

There was a slight depreciation in the value of the Guyana dollar to the US dollar by 0.37%.

Ram & McRae's Comments

1. The output for several sectors stands out in comparison with the prior year as follows:

Description	2012	2011	Change	
Bauxite (tonnes)	2,213,972	1,818,399	395,573	21.75%
Gold (ounces)	438,645	363,083	75,562	20.81%
Rice (tonnes)	422,057	401,904	20,153	5.01%
Sugar (tonnes)	218,070	236,506	(18,436)	(7.80%)
Diamonds (carats)	40,668	52,273	(11,605)	(22.20%)

Source: 2012 and 2013 Budget Speeches

2. With gold prices falling from a high of US$1,794.10 per oz. in October 2012 to just above US$1,600 at the time the budget was presented, the Minister may soon find it necessary to review his expectations for 2013.

3. The performance in Rice is driven by the agreement with Venezuela (see Commentary and Analysis). Any changes to the Agreement would have several consequences, including balance of payments, international reserves and the rice sector which benefits from special prices.

4. Manufacturing output grew by 2.4 %, much slower than the 6.8% realised in 2011. Investment in this sector is affected by the high cost of power and manufacturers will no doubt be looking forward to completion of the Amaila Falls project.

5. Population Growth is reported at 1.5% compared with an average of 0.3% in the preceding four years (Appendix B - 4.2).

6. A surprise GDP indicator is the 11% decline in the construction sector. This is immensely counter-intuitive and the Minister's explanation that it was due to a slower than anticipated start up in public sector construction projects is not convincing. Chinese investors and contractors are increasingly involved in every sector and the danger is that they are part of the under-reported economy. This seems evident from import data, NIS statistics and possibly income tax as well. Tax revenues do not reflect the reported performance let alone the unreported performance.

2012 Legislation

Ten out of thirty-one Bills tabled in the National Assembly during 2012 became law having been passed by the National Assembly and assented to by the President. Of the ten, four were Appropriation Acts authorising expenditure from the Consolidated Fund, one to postpone local government elections for the 15th time, three others amended existing legislation and one was procedural - to place the Official Gazette online.

That means that only one single piece of substantive legislation was passed for the entire year!

The one Act of interest to the business community was the Income Tax (Amendment) Act. This increased the personal income tax threshold from four hundred and eighty thousand dollars to six hundred thousand dollars with effect from the year of income January 2012.

Other than the ten (10) Bills which became law, five Bills were referred to Select Committees; two were withdrawn and two were not read. Bill No. 7 for a Supplementary Appropriation of $79,619,478 requested by the Ministry of Finance was rejected.

Orders

A record number of one hundred and ninety eight (198) Orders were made as subsidiary legislation. Of these one hundred and forty nine (149) dealt with the vesting and sale of state properties by the opaque National Industrial and Commercial Investment Limited (NICIL). Five of the Orders increased the minimum wages paid to employees in sectors ranging from hotels and bars to the vanishing aerated water factories and from sawmills to timber grants.

By Order No. 21 of 2012, the services offered by the Berbice and Demerara Harbour Bridges are now brought under the Essential Services Arbitration Act. One amendment was made to Schedule I of the VAT Act to zero-rate certain energy saving goods.

Regulations

Nine Regulations were published during the year. Of these only two had any significance to the business community: Regulation 6 of 2012 under the Mining Act No. 20 of 1988 which dealt with matters such as subletting of claims and Regulation 7 of 2012 dealing with the 2012 Census published under the Statistics Act Cap. 19:09.

Ram & McRae's comments

Bill No. 7 - Supplementary Appropriation (No. 5 for 2011) Bill 2012 - is particularly interesting. The full sum of $79,619,478 was paid out of the Contingencies Fund on items ranging from the Specialty Hospital to security equipment. The National Assembly rejected, not for the first time, the request for reimbursement by the Minister of Finance, leaving the Contingencies Fund in deficit. The Public Accounts Committee should ask the Auditor General to investigate and advise on this matter.

Cynically, the Broadcasting Act, passed on September 27, 2011 was brought into force on August 28, 2012, long after the airwaves were carved out among the family and friends of the ruling party.

Census 2012 has been completed and the data is being processed. It is expected that the Report will be available in early 2014. Ram & McRae looks forward to the Report for both information and analyses.

Once again the Telecommunications Bill was introduced and then deferred.

The Minister surprisingly made no mention of progress on the proposal by the Ministry of Labour to take steps in 2013 to define a national minimum wage. The public sector monthly minimum wage at the end of 2012 was $37,657.

On the basis of output, this was the worst-producing parliament in the history of Guyana, quite unlike what was expected following the 2011 elections. The parliamentary opposition is hamstrung in the legislation it can bring to the National Assembly. It cannot for example introduce legislation that raises revenue or commits public expenditure. But there are so many Bills Opposition Members could have introduced in the National Assembly which the Government would have difficulty not supporting: on the Constitution, on the Companies Act, on Corruption, on NICIL, on any number of ills affecting Guyana. If each of the opposition MPs had brought just one Bill to the floor of the National Assembly the country would have been so much better off and they would have tested the President's threat not to give his assent to any Bill not supported by his party.

Bad as the Opposition was, the Government was worse. It has resources of money, people and access to skills. What it lacked was ideas, commitment and a sense of country. The Government seems content to run the country without an effective legislature.

Unfinished Business

In this section, we highlight issues and pronouncements from earlier years which remain unresolved. Of course it is not always easy to determine whether subsequent omission is any indication that the issue has been dropped or simply not completed.

We are conscious that the principal focus (pardon the word) is on the Budget. We are now painfully aware that we can fix as many problems as we like, build as many roads, or sign dozens of bilateral and multilateral agreements, but if we do not fix the bigger issues then all the micro-problems, the roads and the agreements will not be sufficient to advance our country and its people. We have therefore expanded in this part the section called National Business which we introduced last year.

Prior Year Issues

- **Review of the Companies Act 1991, The Partnership Act, The Business Names (Registration) Act and The Friendly Societies Act**

  - Our experience with the Companies Act suggests a number of areas for amendments, including insolvency legislation. A related issue is that of the administration and human resources within the Deeds Registry and its capacity to administer the several Acts which it oversees. We believe too that some attention needs to be paid to the human resource issues in that office.

  - In the absence of modern NGO or Charity Legislation many persons have sought to use the Companies Act for non-profit organisations, moving away from the Friendly Societies Act which dates back to 1894 and was last amended forty years ago.

- **Law Reform** is required to ensure that existing legislation is kept under regular review and new legislation is introduced. The Laws of Guyana were last revised in 1973 and a revision project which began four years ago is incomplete. The Minister of Legal Affairs has announced that this will be completed this year.

- **Action plan based on the Labour Market Study as addressed in the Draft 2005 PRSP Progress Report** – The question of Guyana's labour force was placed in the spotlight when the Labour Minister claimed that no locals had the qualifications to work on the Kingston Hotel being built for the Government. But labour is more than an economic issue: it is also a social issue touching on poverty. Anecdotal evidence is no substitute for statistics. There should be no further delay in completing this Study.

- **Establishment of a family court** – May 2010 was the date set to be the first inauguration. First it was the building, then it was the Rules. Both have been completed. Surely anyone reading the newspapers would know how important it is to have this court operating. It is also a waste of money to have buildings and assets lying idle. The Minister now promises to bring this court into operation in 2013.

- **Review of tax exemptions and establishment of a tax court** – Following his election, President Ramotar announced a three man tax review committee made up of two persons from the private sector, including the Chairman of the committee, and one from the public sector. It is beginning to appear that neither the Government nor the private sector really wants any kind of tax review, let alone reform.

- **Judicial Reform** – The appointment of additional judges and magistrates in 2012 is welcome. But our courts also need to have more training and resources to enhance the administration of justice. And we need both law revision and law reform. Too many of our laws are antiquated.

Judicial reform and the enforcement of justice require a competent Police Force and a strong Office of Director of Public Prosecution, areas which have received insufficient attention recently.

It is time to bring the new Rules of Court into operation. Guyana is now the only country in the region to be sticking with the modified old Rules.

- **National Drug Strategy Master Plan –** There has been no mention of this plan while the drug kings (and queens?) are never pursued.

- **The Institutional Strengthening Project in the Audit Office–** In 2012 the Office was weakened with the confirmation of an unqualified accountant as its head. Meanwhile issues of conflicts of interest and too few professionally qualified staff persist. Audit capabilities in ministries and departments are either non-existent or dangerously weak.

  Developments this year in the Audit Office make stronger internal audit capabilities of the ministries, departments, agencies and regions even more necessary.

- Negotiations began in 2005 on a **Double Taxation Treaty** with Kuwait and in 2010 we heard that Guyana was finalising this agreement. We have also heard about discussions for treaties with India (since 2004), the Seychelles, Syria, Jordan and Cyprus (the latter three since 2009). No update is ever received.

- In 2008 we heard about the possibility of establishing an **offshore financial sector.** Again, no update.

National Issues:

- There is continued failure to address several of the articles of the Constitution mentioned in our 2012 Focus including a Local Government Commission, Local Government Financing and Elections, the appointment of an Ombudsman and the appointment of a Public Procurement Commission.

- The events in the National Assembly since the November 2011 general elections, make the establishment of Constitutional Reform Commission to deal with the following issues a priority:

  - Matters such as the powers of the President; the electoral system; the role of the National Assembly at a time when the holder of an electoral post is defining and limiting that role; deciding who and how public moneys can be allocated and spent.
  - The resolution of acting appointees such as the Chancellor and Chief Justice.
  - The Public Procurement Commission
  - The Ombudsman
  - Local Government Elections which have been postponed for sixteen straight years
  - Legislation to give effect to Article 76 and Article 77(a) for the allocation of resources to local democratic organs and raising of revenues by local democratic organs.

- Bringing the Access to Information Act and the Judicial Review Act into operation.

- This year saw a novel development whereby sums amounting to $79,619,478 withdrawn by the Minister of Finance from the Contingencies Fund were not reimbursed. This cannot be left unaddressed.

- A recent issue is that of assenting of Bills passed by the National Assembly. The Constitution requires that Bills passed be sent by the Clerk to the President for assent. After the controversy arose the Clerk announced that he was seeking legal advice.

2013 Policy Issues and Targets

As expected, the section of the Budget Speech from which this is taken takes up the largest part of a very long speech.

In introducing the 2013 budget the Minister committed the government to continuing the policy environment which prevailed in 2012. He identified as the policy agenda that the Government '…will continue to be guided by the seven prerequisites outlined last year, namely, a strong democracy, reliable and efficient institutions of state, long term macroeconomic stability, economic diversification and growth, expanded physical infrastructure, high quality social services, and environmental responsibility and sustainability'.

The following principal issues were announced:

1. The Government is committed to continue the LCDS of which the Amaila Falls Hydropower Project was described as a flagship.

2. Ensuring the viability and profitability of the rice and sugar sectors remains policy priorities.

3. The Government is considering necessary policy and institutional frameworks for the petroleum sector.

4. Legislation will be introduced for amendments to the Anti-Money Laundering Act; a revised Insurance Act; a new Pensions Act; and reviewing legislation governing credit unions, with the aim of bringing them also within the supervisory perimeter of the Bank of Guyana. Licensing and establishment of a credit bureau is noted as imminent.

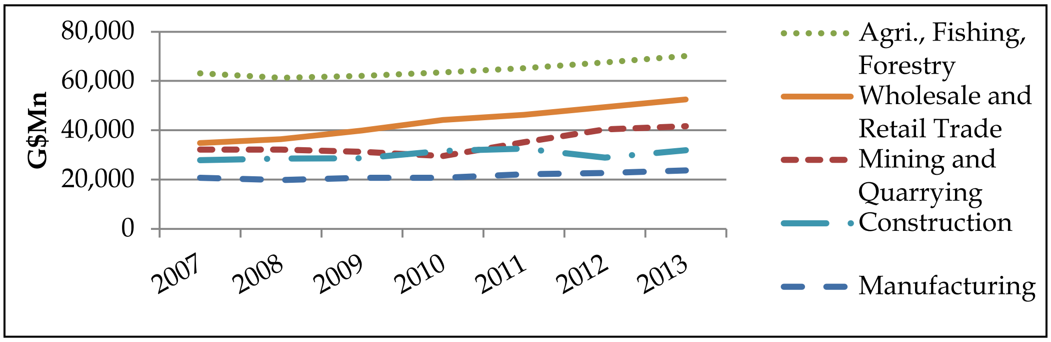
5. The National Competiveness Council will spearhead the work to implement an action plan to address ten policy areas of the business environment out of sixty issues which have been identified.

6. Every Budget Agency will be mandated to improve processing times for delivery of services to the public and to institute more client friendly systems.

7. Strengthening the internal audit capability within central government and ensuring greater oversight for actions taken when recommendations are made for improvement.

Targets

Overall real growth is projected at 5.3% in 2013 with the non-sugar economy and the sugar economy projected to grow by 5% and 10.1% respectively. A graph of contribution to GDP at 2006 prices by various sectors is as follows:

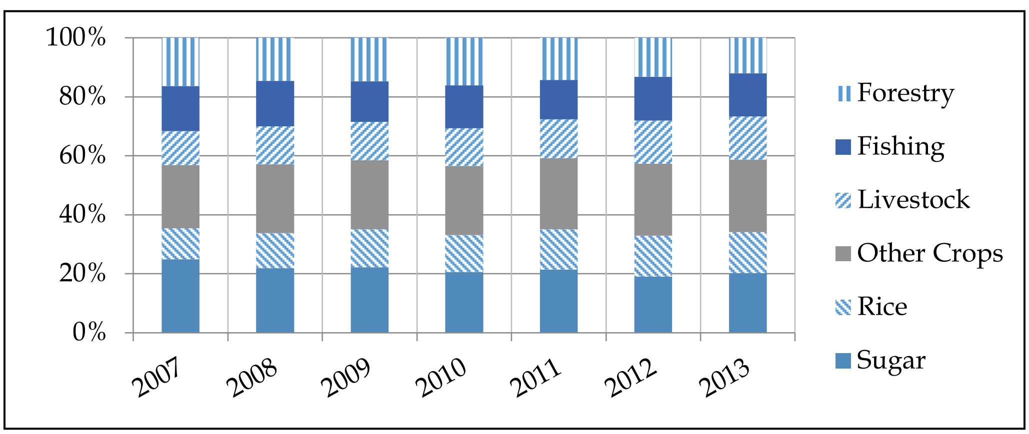


Source: Estimates of the Public Sector

Over the five year period following 2007, there has been negligible performance in the primary industry group(s) Agriculture, Fishing and Forestry; Mining and Quarrying; and Manufacturing) with their contribution to GDP falling from 67.23% to 58.72%. This declining performance is predicted to continue in 2013 with contribution to GDP budgeted at 57.24%.

The primary industry groups are addressed separately below. In the other sectors, Finance and Insurance Activity recorded the highest average growth of 11.31% to 2012. Growth in 2013 is expected to be 12%. The Construction sector recorded 0.78% average growth for the five years to 2012. The sector contracted by 11.0% in 2012 but is expected to grow by 10.0% in 2013. Growth in 2011 was 2.8%. Information and Communication increased from 1.5% in 2011 to 4.2% in 2012. The average growth for the five years to 2011 was 9.82 compared to 5.1 to 2012. This sector is expected to grow by 4.5% in 2013.

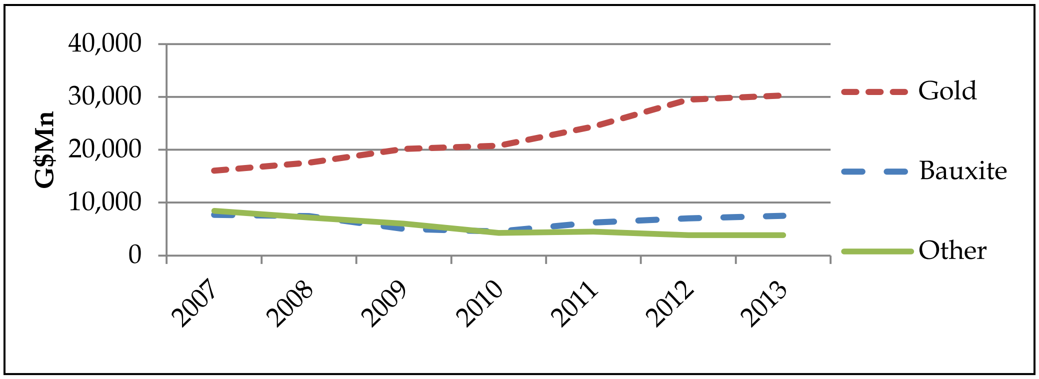
Agriculture, Fishing and Forestry



Source: Estimates of the Public Sector

The Agriculture, fishing and forestry sector improved in 2012 recording a 3.7% growth in comparison with 2.7% in 2011. Growth of 3.7% is projected for 2013. The average growth for the five years to 2012 was 1.37%. "Other Crops" remains number one at 24% of total output of this industry group while Sugar and Rice represented 19% and 14% respectively in 2012. Rice is also leading in this industry with average contribution to GDP of 7.14% followed by livestock with 6.34%. Livestock had a strong performance in 2012 of 14.4% compared to 5.8% in 2011. Average growth in 2013 is projected at 4.0%.

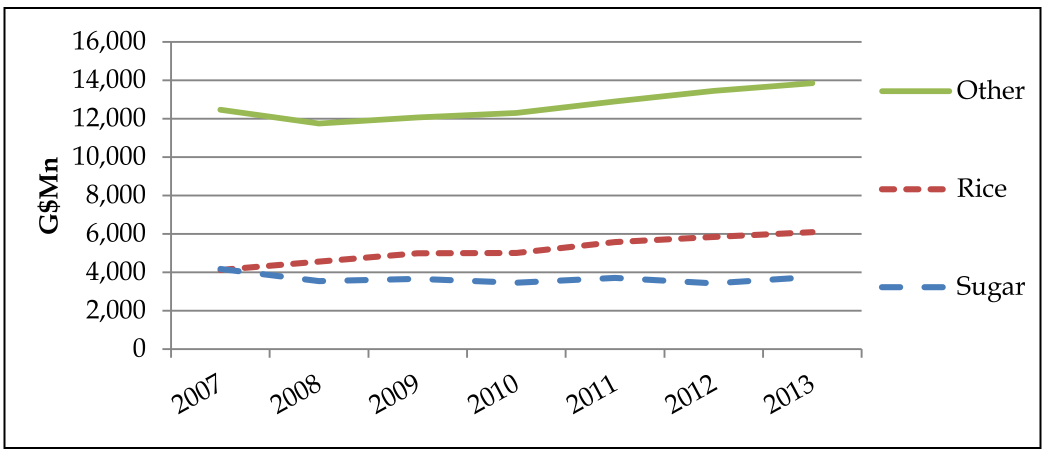
Mining and Quarrying



Source: Estimates of the Public Sector

Gold is budgeted to grow by 2.6% in 2013. Gold was expected to grow by 2.9% in the 2012 budget but revised growth in 2012 was 20.8%. The Bauxite sector is expected to grow by 6.5% in 2013. The sector was expected to contract by 0.2% in 2012 but revised growth was actually 12.5%.

Manufacturing



Source: Estimates of the Public Sector

A 3% growth is projected for 2013 in the Manufacturing sector (other than sugar and rice).

Monetary Policy & Inflation

The Minister noted that monetary policy will continue to be aimed at price and exchange rate stability, and expansion in credit to the private sector.

The rate of inflation (Urban Consumer Price Index – Georgetown) for 2013 is projected at 4.3% compared with an actual of 3.5% in 2012. Food inflation in 2012 was 9.5%. Prices for Transport and communication fell in 2012 and recorded deflation in prices of 0.8% compared to inflation of 10.2% in 2011. Medical and Personal Care inflation in 2012 was 10.3%. Over the two years 2011 and 2012, food inflation was 5.98%.

Balance of Payments

The Minister projects a surplus of US$57.6Mn on the overall balance of payments compared with US$12.4Mn in 2012. On the trade side, merchandise exports are projected to increase by 6.93% to US$1,492.4Mn while merchandise imports are projected to increase by 8.98% to US$2,155.3Mn. With net imports of services at US$239.4Mn, and private transfers of US$450.4Mn, a net deficit of US$451.9Mn is projected on the current account.

The capital account is projected to have a surplus of US$509.5Mn in 2013 (US$428.5Mn in 2012). In this account, a net inflow of US$525.7.8Mn is expected from medium and long term capital while a net outflow of US$40.3Mn is expected on short term capital.

Ram & McRae's comments

1. Four sub-sectors are projected to record double-digit growth in 2013. Three of these are sugar - field and factory, construction and financial and insurance activities. Despite the threats and challenges which plague the Skeldon Factory and the labour force availability at the Demerara estates the Government seems wedded to an unrealistic notion that no structural changes are required to make the Guyana Sugar Corporation viable.

2. The Minister's projections seem to take for granted that the oil and the rice agreements that Guyana has with Venezuela will continue without modification in 2013. This assumption is probably realistic in the short term.

3. Instead of announcing how much will be spent on the National Health Strategic Plan 2008-2012 it would have been more helpful if the Minister indicated whether the National Assembly would be told of the achievements of the Plan.

4. The Minister did not indicate a policy of job creation or whether the Government will act on the Public Procurement Commission and legislation addressing corruption including whistleblowing protection.

5. In view of the stated reasons for the exclusion of Guyanese from employment on the Kingston Marriot, the Minister was expected to announce how the Government intends to accelerate training to bring the Guyana labour force up to international standards.

6. Much of the content of this section of the Minister's presentation was either irrelevant or meaningless and should be dispensed with. The Minister did not even attempt to link his speech with key sections of the Estimates to enable his colleagues to follow what he is talking about.

7. In view of the significant revenues of the state which accrued to entities like NICIL, Guyana Forestry Commission, GGMC and the Guyana Gold Board it would seem that the Minister of Finance has a duty to present to the National Assembly full and relevant details affecting each of them. Indeed, it is our view that the surpluses after expenses should be paid into the Consolidated Fund as "moneys belonging to Guyana".

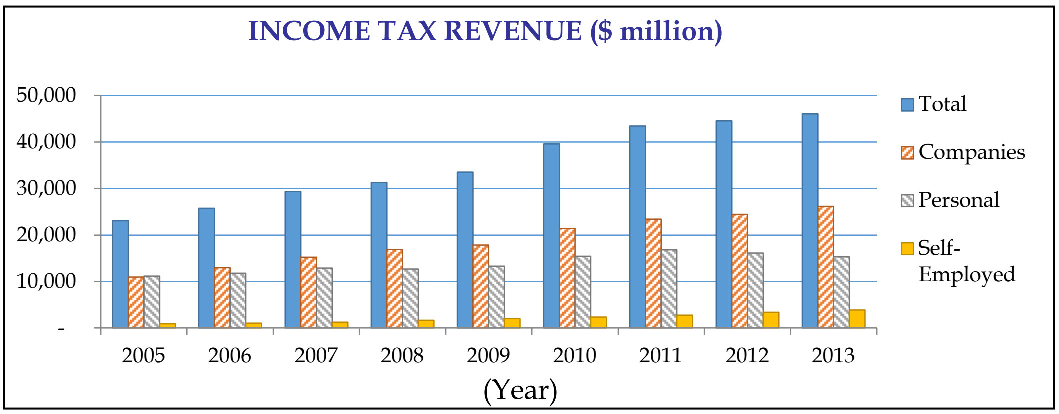
The Government of Guyana Financial Plan 2013

The Government's projected Financial Plan for 2013 is summarised and tabled on page 25. The current balance projects a surplus of $44.6 billion, an increase of $28 billion over the prior year actual. This apparently improved position is due to non-receipt of LCDS money. After capital receipts and expenditure, the plan projects an overall deficit of $33.7 billion compared to a deficit of $31.8 billion in 2012.

The main elements of the 2013 Plan are:

Total current revenues are projected to increase by $32.5 billion to $162.8 billion or by 25% (see comment 1 below). Of this, the Guyana Revenue Authority is expected to bring in revenues of $125.7 billion or 77.2%, an increase by $7.4 billion, or 6.3% over 2012.

Of the GRA's collections, the Internal Revenue is projected to bring in $50.4 billion compared with $48.6 billion in 2012, a 1.0% increase while Value-Added and Excise Taxes are expected to earn $61.3 billion compared to $56.8 billion in 2012, an increase of 7.7%. Collections by the Customs and Trade Administration are anticipated to be $14 billion, an increase of $1.2 billion or 9%over 2012.

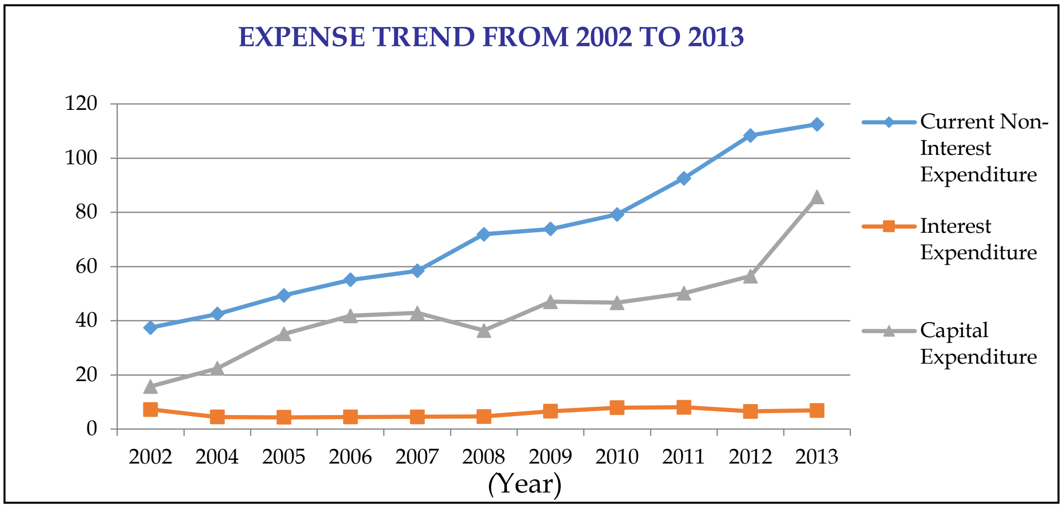


All amounts shown are actual except 2012 and 2013 being revised and budgeted respectively

Total Current non-interest expenditure is projected to increase by $4.1 billion from $108.4 billion to $112.5 billion for 2013. Personal emoluments of $39.4 billion represent an increase of 11.7% or $4.6 billion over the revised figures for 2012.

In 2013, capital revenue and grants are projected to decrease by $341 million to $12.3 billion of which HIPC and MDRI will contribute $1.2 billion while Project and Programme funds are also projected to decrease by $527 million.

Capital expenditure of $85.7 billion represents an increase of $29.2 billion or 51.8% over 2012 of $56.4 billion. The big ticket items of capital expenditure include the ICT project on which a further $4.9 billion will be spent in 2013; $10.3 billion on upgrading and expanding the electrification system and $20 billion for LCDS projects; and $5.3 billion for the CJIA expansion project. China is providing the financing for the ICT, the electrification and the CJIA projects. The Estimates indicate that $4.5 billion has already been advanced to the Chinese.



All amounts shown as actual except 2012 and 2013 being revised and budgeted respectively

We also address the allocation of current and capital expenditures in Who Gets What in 2013 on page 29.

Interest expenditure is projected to increase by 8% or $420 million. Domestic interest is projected to decrease by $367 million or 14%, while interest on external debt is projected to increase by $787 million or 30%.

The principal element of debt repayments is projected at $5.0 billion (2012 actual – $4.6 billion), made up of domestic debt repayments of a projected $1 billion (2011 actual - $993 million), while external debt repayments are projected to increase to $4.0 billion. During 2012, domestic and external debt service as a percentage of current revenue remained at 3.1% in comparison with 3.1% in 2012.

The projected overall deficit of $33.7 billion is proposed to be financed by external borrowings of $27.6 billion and from domestic sources of $6.0 billion.

Ram & McRae's Comments

1. Revenue from personal income taxes is set to decrease by 5.5% while collections from the self-employed are set to increase by 15.9%. It is our belief that significant evasion of taxes occurs with the self-employed and better administration of this area would result in a windfall of revenue that could in turn be used to further reduce the rate of the tax to 25% as currently seen in certain Caribbean islands.

2. The changes proposed to the rate and tax brackets of the property tax will have no effect on 2013. We anticipate a significant increase in such taxes in 2014 as a result of the rebasing of property values to January 1, 2011. This rebasing will result in the private sector incurring significant expenditure for professional valuators in 2013.

3. The Minister made no mention of the proposed clampdown on the use of Styrofoam containers, presumably through increased taxation, or the amendment to the law in respect of Environment Tax tabled in the National Assembly during 2013. Collections from the environment tax are expected to increase by a minor 5.3% and we hope that some of these funds could be used to keep the capital city clean.

4. The Minister chose not to disclose or discuss the domestic debt which at December 31, 2012 stood at $93,461.9 million or roughly US$450 million. If this is added to the external debt of $1.359 million, the total government debt is US$1,809 million, over 70% of GDP. Many economists regard this as a danger sign. If the government is aware of this the best they are doing about it is juggling the rice sales and the PetroCaribe petroleum debt.

5. Average cost of borrowing on domestic debt is 2.38% which is considerably higher than the current Treasury Bill rate and suggests some scope for reduction. Average cost of external debt is 1.7% but Amaila debt is at 8.5%.

6. Ram & McRae is unaware of the feasibility studies on the several capital projects to be financed and would hope that the National Assembly request such information before the debate on the estimates begins.

Financial Operations of Central Government (Accounting Classification)

Particulars	Budget 2013	Revised 2012	Budget 2012	Actual 2011	Budget 2011	Actual 2010	Actual 2009
CURRENT REVENUE	**162,777.6**	**130,228.6**	**146,863.6**	**120,916.1**	**112,048.4**	**107,875.5**	**94,890.0**
1.1 Guyana Revenue Authority	125,735.9	118,334.0	116,823.8	111,409.0	104,356.9	100,958.8	89,084.9
1.1.1 Internal Revenue	50,449.7	48,621.7	47,213.1	47,244.2	44,137.3	43,323.3	36,721.1
1.1.2 Customs & Trade	14,035.5	12,862.9	12,896.1	11,117.8	10,001.2	9,272.1	7,692.0
1.1.3 Value Added and Excise Taxes	61,250.7	56,849.4	56,714.6	53,046.9	50,218.6	48,363.3	44,671.8
1.3 Other	37,041.7	11,894.6	30,039.7	9,507.1	7,691.5	6,916.6	5,805.5
CURRENT EXPENDITURE	**112,491.8**	**108,379.1**	**107,092.5**	**92,546.6**	**87,651.0**	**78,506.8**	**73,852.2**
2.1 Personal Emoluments	39,408.1	34,793.9	34,753.7	31,345.8	31,523.2	28,367.4	26,170.4
2.2 Other Goods and Services	38,612.1	34,175.6	35,434.6	33,688.3	31,271.3	26,811.4	25,889.1
2.3 Transfer to the Private Sector	34,471.6	39,406.6	36,904.2	27,512.5	24,856.5	23,328.0	21,792.6
INTEREST EXPENDITURE	**5,639.4**	**5,219.3**	**5,360.7**	**6,471.3**	**6,719.5**	**6,058.4**	**4,907.7**
3.1 Internal	2,220.1	2,587.2	2,749.3	4,041.8	3,798.5	3,959.8	3,305.7
3.2 External (Cash)	3,419.3	2,632.0	2,611.3	2,429.6	2,921.0	2,098.6	1,602.0
CURRENT BALANCE	**44,646.4**	**16,630.2**	**34,410.4**	**21,898.1**	**32,027.9**	**23,310.4**	**16,130.5**
CAPITAL REVENUE & GRANTS	**12,335.8**	**12,676.8**	**15,393.7**	**12,640.2**	**15,419.5**	**11,081.6**	**16,689.0**
5.1 Grants	12,335.8	12,676.8	15,393.7	12,640.2	14,831.8	10,911.8	16,689.0
5.1.1 HIPC & MDRI	1,229.5	1,044.0	1,562.8	1,044.5	1,567.9	1,457.2	1,636.5
5.1.2 Project and Programme	11,106.2	11,632.8	13,830.9	11,595.7	13,264.0	9,454.6	15,052.6
5.2 Other (inc. Sale of Assets)	-	-	-	-	587.7	169.8	-
CAPITAL EXPENDITURE	**85,659.0**	**56,441.5**	**75,756.7**	**50,116.3**	62,142.5	46,658.4	**46,990.3**
DEBT REPAYMENT	**5,050.2**	**4,620.2**	**4,571.5**	**4,966.8**	**4,917.1**	**8,230.2**	**2,553.4**
7.1 Internal	1,009.9	993.2	1,010.5	1,010.1	1,009.9	4,979.0	1,010.1
7.2 External (Cash)	4,040.3	3,627.0	3,560.9	3,956.6	3,907.2	3,251.2	1,543.3
OVERALL BALANCE	**(33,727.1)**	**(31,754.7)**	**(30,524.0)**	**(20,544.7)**	19,612.2	(20,496.5)	**(16,724.2)**
TOTAL FINANCING	**33,727.1**	**31,754.7**	**30,524.0**	**20,544.7**	**19,612.2**	**20,496.5**	**16,724.2**
9.1 External	27,627.3	30,043.3	22,807.3	15,223.5	31,949.0	15,427.5	19,824.7
9.2 Domestic	6,099.7	1,711.4	7,716.7	5,311.2	(12,336.7)	5,069.0	(3,100.6)
Total Domestic and External Debt Service as a % of Current Revenues	**6.6**	**7.6**	**6.8**	**9.5**	**9.2**	**13.2**	**7.9**

Source: Estimates of the Public Sector 2010 to 2013

Who Gets What in 2013

Current Non-Interest Expenditure

In this section we consider how the budgeted expenditure is allocated among the principal Ministries, Departments, Regions and Programmes.

Central Government's non-interest current expenditure (employment costs, statutory expenditure and other charges) for the year is budgeted at $112.5Bn which is 5.04% more than budget 2012. The Ministries/ Departments with the most significant allocations are:

Ministries/Departments	2013		Revised 2012		2012		% Inc./ (Dec)
	$ (Bn)	%*	$ (Bn)	%*	$ (Bn)	%*	
Ministry of Finance	23,783	21.14	22,653	20.90	20,946	19.56	4.99
Ministry of Education	9,134	8.12	8,155	7.52	8,201	7.66	12.00
Ministry of Home Affairs	8,453	7.51	7,922	7.31	7,694	7.18	6.70
Ministry of Agriculture	4,443	3.95	7,621	7.03	7,179	6.70	(41.70)
Ministry of Health	7,352	6.54	6,509	6.01	6,626	6.19	12.95
Guyana Defence Force	6,786	6.03	6,403	5.91	6,324	5.90	5.98
Office of the Prime Minister	1,199	1.07	6,195	5.72	6,201	5.79	(80.65)
Ministry of Labour, Human Services and Social Security	9,002	8.00	6,162	5.69	5,550	5.18	46.09
Georgetown Public Hospital Corporation	4,918	4.37	4,453	4.11	4,466	4.17	10.44
Guyana Elections Commission	3,306	2.94	1,114	1.03	2,798	2.61	196.77
Ministry of Foreign Affairs	2,988	2.66	2,682	2.47	2,646	2.47	11.41
* Percentage of total current non-interest expenditure							

The regions with the most significant allocations are:

Region	2013		Revised 2012		2012		% Inc./(Dec)
	$ (Bn)	%*	$ (Bn)	%*	$ (Bn)	%*	
No. 6 East Berbice/Corentyne	3,785	19.46	3,508	12.60	3,524	12.65	7.90
No. 4 Demerara/Mahaica	3,003	15.44	2,754	9.89	2,755	9.89	9.07
No. 3 Essequibo Islands/West Demerara	2,751	14.14	2,549	9.15	2,517	9.04	7.90
No. 2 Pomeroon Supenaam	2,062	10.60	1,909	6.86	1,868	6.71	7.97
No. 10 Upper Demerara/ Upper Berbice	1,806	9.28	1,668	5.99	1,717	6.16	8.27
No. 5 Mahaica/Berbice	1,530	7.87	1,416	5.08	1,393	5.00	8.07
* Percentage of total regional allocation							

Significant changes from the previous year's latest estimates are provided for in the following Ministries/ Departments:

Ministries/Departments	Budgeted 2013 $ (Bn)	Revised 2012 $ (Bn)	Budget 2012 $ (Bn)	Difference $ (Bn)	% Inc/(Dec)
Office of the Prime Minister	1,199	6,195	6,201	(4,996)	(80.65)
Ministry of Agriculture	4,443	7,621	7,179	(3,178)	(41.70)
Ministry of Public Works	1,887	1,598	1,565	289	18.09
Ministry of Health	7,352	6,509	6,626	843	12.95
Ministry of Education	9,134	8,155	8,201	979	12.00
Ministry of Home Affairs	8,453	7,922	7,694	531	6.70
Ministry of Finance	23,783	22,653	20,946	1,130	4.99

Capital Expenditure

Central Government's capital expenditure for the year is budgeted at $85.6Bn which is 51.7% above revised 2012 and 40.9% of total 2013 expenditure. The Ministries/Departments with the most significant capital expenditure allocations compared with the latest estimates for 2012 are:

Ministries/Departments	2013		Revised 2012		2012		% Inc./(Dec)
	$ (Bn)	%*	$ (Bn)	%*	$ (Bn)	%*	
Ministry of Finance	24,793	29	5,230	9	23,074	30	374.05
Ministry of Public Works	18,512	22	14,279	25	17,706	23	29.64
Office of the President	5,321	6	4,043	7	7,340	10	31.61
Ministry of Agriculture	6,547	8	5,841	10	6,836	9	12.09
Ministry of Housing and Water	6,476	8	8,368	15	6,569	9	(22.61)
Ministry of Education	2,243	3	3,052	5	2,655	4	(26.51)
Office of the Prime Minister	10,644	12	6,727	12	2,025	3	58.23
Ministry of Home Affairs	1,761	2	1,807	3	1,874	2	(2.55)
* Percentage of total capital expenditure							

Highlights from Ministers' Speech

The Minister in his speech highlighted the following allocations:

Educational facilities	$28.7Bn	Housing	$3.1Bn
Health facilities	$19.2Bn	Water supply system	$2.7Bn
Public safety and security	$17.5Bn	e-Government	$2.0Bn
Roads and bridges	$12.6Bn	Sea defence structures	$1.9Bn
Power sector	$11.2Bn	Agriculture sector diversification	$1.9Bn
Drainage and irrigation structures	$6.5Bn	Support to the sugar industry	$1.0Bn
Air and river transport	$5.3Bn	Sanitation	$600M

Ram & McRae's Comments

1. Proceeds from the R.E.D.D. Investment Fund were a mere $839 million compared to a budget of $18.4 billion in 2012. The Minister now provides for $20 billion, the drawdown of which depends on Government's ability to meet its obligations.

2. Expenditure of non-budgetary funds continues to be significant with the administration allocating monies for major contracts, social and other developments. The construction of the Marriot Hotel is a key non-budgetary project. Other entities that engage in large amounts of public expenditure without parliamentary scrutiny and approval are the Guyana Forestry Commission; the Geology and Mines Commission; the Central Housing and Planning Authority; and the Lottery Commission.

   The Guyana Geology and Mines Commission, which increased its bank balance by $5.7Bn over the last two years, plans to expend over $7 billion as "other operating expenses", up from $3 billion in 2012.

3. More recently the President has announced that twenty-seven Amerindian communities will receive a $5Mn grant each to execute economic ventures, provide employment and promote sustainable development. The programme is being funded by the Norwegian Government through the Guyana REDD+ (Reducing Emissions from Deforestation and Forest Degradation) Investment Fund - GRIF.

4. Again a huge sum is being voted for GECOM for which no justification was offered.

5. Expenditure on the CJIA Modernisation Project is projected at $5.35 billion on top of $4.32 billion spent in 2012 - a mobilisation advance.

Budget 2013 Measures

1. Support to the Sugar Industry

$1 billion to support the company's transformation plans on top of $39.5 billion which the Minister notes was injected to recapitalise the industry and to support its operations over the years.

2. Support to the Guyana Power and Light Inc.

$5.8 billion will be provided to support the company's cash flow requirements while $5.4 billion will be provided to support key projects. This is on top of $6 billion injected in 2012.

3. Linden Electricity

$2.9 billion will be provided to meet the cost of maintaining the electricity subsidy in Linden and Kwakwani which the Government unsuccessfully tried to remove in 2012.

4. (a) Old Age Pensions

Increase from $10,000 per month in 2012 to $12,500 per month from May 1, 2013.

(b) OAP Electricity Assistance Programme

Assistance of up to $20,000 per annum to each old age pensioner to pay GPL for electricity charges incurred. A similar scheme is already in place with GWI.

5. National Insurance Scheme

A 1 percentage point increase in the contribution rate for both employed and self-employed contributors with the Government meeting both the employer's and the employee's share of the increase where employed persons had income of not more than $50,000 per month. The increase is effective June 1, 2013 and is expected to generate $890 million in revenue for the Scheme per annum.

6. Property Tax on Companies

With effect from year of assessment 2014, companies will be charged at the following rates: the first $10 million of net property will be taxed at zero percent, the next $15 million of net property will be taxed at 0.5 percent, and the remainder of net property will be taxed at 0.75 percent.

The valuation date for the purposes of the property tax will be revised from January 1, 1991 to January 1, 2011.

7. Property Tax on Individuals

With effect from year of assessment 2014, individuals will be charged at the following rates: the first $40 million of net property will be taxed at zero percent, and the remainder of net property will be taxed at 0.75 percent.

The valuation date for the purposes of the property tax will be revised from January 1, 1991 to January 1, 2011.

8. Mortgage Interest Relief

With effect from year of income 2013, first time home owners who are holders of mortgage loans of up to $30 million granted to them by commercial banks or the building society will be permitted to deduct the interest they pay on such mortgages from their taxable income for the purposes of personal income tax. In other words, that portion of taxable income used by a first-time home owner to pay interest will be exempt from personal income tax.

9. Personal Income Tax

Reduction in the rate of income tax paid by individuals from 33⅓% to 30 percent but no increase in the income tax threshold.

Ram & McRae's Comments

Subsidy to GuySuCo in 2013 at $1 billion compares with $4 billion in 2012. Whether this amount will meet the requirements of the ailing Corporation depends on the entity achieving its 2013 production target.
The National Assembly should insist that the Minister present up-to-date financial statements.

Linden

The amount of the subsidy in 2012 was $2.66 billion and the Budget is presented on the basis that the current arrangement will stay in place.

Old Age Pensions

A 25% increase in OAP would be welcomed by pensioners but we believe that age should not be the only consideration in the granting of this pension. Too many retired businesspersons and even re-migrants with the means to live a comfortable life unfairly collect this benefit. The Government should discourage this impropriety.

Electricity rebate

The Speech suggests that the payment of the assistance will be made to the pensioners. We anticipate a less cumbersome arrangement such as that which operates with GWI where the money is paid to the company which credits the account of the pensioner. The presence of others in the household who benefit from this subsidy or the fact that some accounts end up in credit does not factor in the allocation making the assistance more of a subsidy to the utility.

National Insurance Scheme

The 1 percentage point increase in the NIS contribution rate to be borne by the employer and employee amounts to a 7.7% increase in the amounts payable. For workers earning under $50,000 per month, the Government is actually subsidising and rewarding employers who pay their employees a barely living wage. The Minister did not indicate how the system will operate and will probably add to the recordkeeping nightmare of the NIS with repercussions for the employees for benefits purposes. This also means that there will now be two rates of NIS placing additional administrative workload on employers.

The Minister did not mention the increase in the NIS ceiling for employees that became effective March 1, 2013. The ceiling increased by 5% with insurable earnings being set at $150,628 (monthly) and $34,760 (weekly).

Property Tax

The exemption for individuals at $40 million means that the majority of individuals who probably do not file Property Tax returns or pay property tax now will be exempt from paying the tax.

The downside is that the value of properties is moved from 1991 to 2011 and is likely to result in significantly higher property values and consequently higher taxes. There is also an administrative obligation to revalue all assets, raising the possibility of undue pressure on our limited number of valuation officers to provide a convenient value. We expect strong resistance from the business community to these proposals. We also think that there is need for the GRA to employ its own valuation officer.

The Minister did not indicate whether the rate for filing of Property Tax Returns (currently $1.5 million for individuals and $0.5 million for companies), or the exemptions such as $100,000 for household furniture would change. Neither did he indicate whether the new valuation date would apply for Capital Gains Tax purposes.

In our view, sufficient advantage was not taken of this opportunity to reform the application of the property tax.

Mortgage Interest Relief

Like the property tax and the NIS changes, we will have to wait on the draft legislation to understand how the relief would apply. It appears to be one in which refunds would have to be issued by the Revenue Authority and we are not confident that they have the capacity to adequately manage the review and refund process in a timely manner.

We hope that the process would be one in which cheques are sent to the taxpayer or their accounts are credited at a commercial bank or set-offs are granted against other liabilities as opposed to the system used in 2012 where taxpayers were asked to visit the Authority's Offices to uplift payments between $500 and $1,000.

Personal income tax

For persons earning up to $50,000 there is no benefit. For every $10,000 earned above $50,000 the tax saving is $333 per month. For anyone to save $3,000 per month the person must earn $140,000 per month.

Commentary and Analysis

Choosing the topics for inclusion in this part of Budget Focus has its own challenges. It is one of identifying pressing issues which combine budgetary implications and wider social, economic and constitutional relevance. There are no firm written criteria guiding the process which easily extends for the entire budget cycle and is only closed by the presentation of the Budget.

Some problems it seems never go away: those that are intractable, challenging, and politically sensitive like subsidies. Note how the government always promises but always avoids tax reform, the NIS and constitutional issues. Free from the considerations that deprive politicians and public commentators of honest discussion on such issues Ram & McRae in Focus 2013 selected, added to, deleted and finally settled on the following:

- Amaila Falls Hydro Project
- Chavez
- Parliamentary Budget Office
- The Travails of the NIS
- China and Guyana
- The Rise of Inequality
- University of Guyana
- Budget Cuts

We believe all are important. But for its sweeping constitutional significance with relevance to the democratic polity, we highlight the commentary on a decision of the Chief Justice (ag.) on the constitutionality of the cuts by the National Assembly of certain line items in the 2012 Budget. In what the Chief Justice described as views which are not final in "a matter merely in its preliminary stage" his ruling has been taken as setting aside a most sacred right, function and duty of the National Assembly to control the Consolidated Fund, the public purse, the people's money.

The view was expressed within a one-judge Constitutional Court, a situation which is probably unique to Guyana. The principal defendants in the matter brought by the Attorney General were Raphael Trotman and David Granger, respectively Speaker and Leader of the Opposition of the National Assembly. It seems neither chose to instruct their attorneys to pursue the matter to finality, leaving the matter in the limbo of confusion.

While we emphasise the interim nature of the decision, the standing of the court gives its rulings, however preliminary, considerable weight. This was no private law matter but one of great constitutional import: it represented a drastic devaluation of the role of the elected representatives of the people. Unfortunately, the matter was not taken to finality and both the defendants and the court might reflect on the warning by US law professor John C. Eastman that "The lesson they [judges] should draw is that when [judges] are moving beyond the clear command of the Constitution, [they] should be very hesitant about shutting down a political debate."

Ram & McRae is of the view that the decision reflects a dangerous threat to the country's nascent democracy. US Supreme Court Justice Anthony M. Kennedy is reported to have said that "A democracy should not be dependent for its major decisions on what nine unelected people from a narrow legal background have to say."

While in Guyana recourse is available to the Court of Appeal and the Caribbean Court of Justice, no efficient justice system must rely for its jurisprudence mainly on appeals. We consider a system in which major decisions are taken by a single Judge acting in a higher capacity as needing immediate review.

Amaila Falls Hydro – A disaster in the making

Introduction

Generations of Guyanese in this Land of Many Waters have been enchanted by the dream of Hydro-electric power with its assumed potential for lower electricity charges. Up to recently, the Burnham administration had come closest to the dream, spending millions of dollars on an entity called the Upper Mazaruni Development Authority (UMDA) as part of a grand project to develop a Hydro facility. Nothing came of this huge expense.

The idea of hydro-electric power was revived under the Jagdeo administration which settled on a 165 MW facility at Amaila Falls at a cost of about US$840 million (excluding interest). The concept for this project is that the operator will sell power to the Guyana Power and Light under a Power Purchase Agreement for a period of 20 years, after which ownership of this facility - built on a BOOT Model - will revert to the Government.

A smaller facility at Kato is also being funded by the Government.

Amaila has had its own blight with a disastrous road project awarded to favoured "investor", Mr. Fip Motilall by the ubiquitous NICIL to build an access road to the site. NICIL made the award to Synergy despite publicly expressed concerns that the company did not have the experience, skills training, capability, human resources nor equipment and tools to undertake such a task.

Motilall inevitably had to be fired and the contract divided up among local contractors. The most recent available information is that the local contractors who have replaced Motilall have also not performed well and that Chinese contractors are being considered to complete the project.

October 2013 is the date to which the contract price of the hydro-electric power plant extends. If the roads are not completed, the price will have to be renegotiated.

The Deal itself

As with the road itself, the Marriot deal, the Specialty Hospital, the New Timehri Airport Extension, etc. official information on the Amaila Project is still unavailable. Information has to be gathered from such disparate sources as the press, comments from PM Hinds and spokespersons from Sithe Global –a main participant in the project.

This unavailability of documentation on what is obviously the largest ever investment in the history of Guyana –approximately US$840 million (excluding interest) – is truly mind blogging. It speaks of the persistent perception that the Government does not think it necessary to inform, let alone consult, Guyanese but that it has a divine right to do as it pleases and Guyanese should be thankful.

This is what is "known" so far:

i.	Approximate Capital cost of Project	US$840 million (excluding interest)
	Breakdown as follows:	
	Chinese Source	US$413 million
	IDB (Proposed)	US$175 million

Sithe Global	US$152 million
Government of Guyana	US$100 million
Total	**US$840 million**

ii. Recent reports have shown an increase in the Chinese sources contribution to approximately $506 million US.

iii. There is no report of the IDB funding being approved.

iv. Sithe claims to have already "invested" over US$11.1 million since 2009 on various expenses including over $1 billion Guyana dollars in "environmental work".

v. Acquisition costs of Motilall's "licence" is US$12 million.

vi. Return on investment for Sithe -19% guaranteed on US$28.8 million per annum on US$577.6 million over 20 years. Not bad at all.

vii. Interest on Chinese investment of approximately 8.5% or US$42.5 million per annum or US$850 million over 20 years.

viii. Interest on Chinese Funding plus Guaranteed Rate of Return on Sithe already adds up to US$1,427 million.

ix. Excluding other interest (IDB GOG) the total project is now at a sum in excess of US$2,200 million for 165 megawatts or US$13.3 million per megawatt as compared to approximately US$1 million for 1 megawatt of Wartsila Power.

x. Under normal circumstances a 165 megawatt Hydro Facility would come in at about US$320-360 million. But this is Guyana where nothing is normal so the total cost (principal + interest) is about six times the normal.

Not only is the cost exorbitant, there are other major concerns as well:

i. Financial closure has not been achieved because the China Development Bank is asking IDB to share some of the financial risks.

ii. A study has been commissioned for a Corporate Development Plan for GPL to consider and make recommendations on action necessary to operate within the framework of a viable hydroelectricity power purchase agreement.

iii. The Power Purchase Agreement which Sithe Global is insisting on is a take-or-pay which means that GPL is buying power that it does not currently need.

iv. GPL is hoping that all the companies and Linden not currently on the National Grid will return.

v. Unless GPL can bring down losses to below 20% the power purchase will not be viable.

vi. To achieve ii. and iv. will require financing of approximately US$250 million.

vii. Not all consumers will be served by hydroelectric power.

viii. No formal approach has been made to the Public Utilities Commission for rates. The estimate is that tariffs will not be reduced for several years, in the absence of any subsidies.

Amaila, the most expensive project ever undertaken in Guyana, is full of risks and uncertainties. It has the potential to render GPL insolvent. Before pronouncing further on this project, Ram & McRae would need to see all the questions answered.

Chavez

His funeral attracted an eclectic mix of international mourners: Iranian President Mahmoud Ahmadinejad, Ecuadorean President Rafael Correa, center-right presidents of Chile and Colombia, Belarusian President Alexander Lukashenko, President Donald Ramotar of Guyana, Brazil's former leader, Luiz Inacio Lula da Silva, Oscar winner Sean Penn and U.S. civil rights leader Rev. Jesse Jackson. For Guyana it was a more bilateral affair: a century old border controversy between an oil producing giant with a population 27.7 million and a neighbour with about 775,000 persons and equally important for Guyana, the beneficiary of the generous oil facility extended by Venezuela to mainly more than a dozen Caribbean countries.

In his 2007 Budget Speech Minister of Finance Dr. Ashni Singh announced that the Government had signed a bilateral agreement with Venezuela allowing the Government to secure a part of its oil supplies in a manner that stabilises the country's balance of payments position in face of high and rising prices for crude oil and petroleum products.

A reciprocal feature of the wider PetroCaribe initiative facilitated exports from the PetroCaribe beneficiaries into the Venezuelan markets. In Guyana's case a rice exportation agreement was signed in 2011 that saw 30,000 tonnes of white rice at the cost of US$800 per metric tonne and 50,000 tonnes of paddy at the cost of US$480 per metric tonne going to Venezuela, well above international prices.

In the nature of Chavez, there is much flexibility under the PetroCaribe Agreement which he pioneered. In his Budget Speech of 2012, the Minister of Finance reported what was in effect a set-off arrangement of oil for rice although he described it as "an agreement on the procedure for the cancellation of a significant portion of Guyana's oil debt." The Minister said that the debt compensation agreement would result in the cancellation of Guyana's oil debt to Venezuela equivalent to the value of rice shipped, which amounted to US$143.4 million at the end of 2011, thus contributing to an overall reduction of Guyana's debt stock at the end of 2012.

Guyana with a tendency to take any credit facility available is keen on ensuring that the arrangements with Venezuela continue. Of all the foreign heads that went to Chavez's funeral our own President Ramotar stayed the longest, earning special mention from acting President Maduro. Ramotar realises how important it is to strike a deal with Venezuela for the current year in which rice production is expected at historical levels. The quantity of rice sold depends on the value of oil imported: in 2012 two-thirds of Guyana's bumper crop of 422,000 tons of rice was exported to Venezuela. If a deal on rice is not reached there will be double problems for Guyana: no preferential price for rice and no setoff for oil.

Obligations to Venezuela rose by 52.7 percent or G$99 million to G$287 million at the end of 2011 and accounted for 23.7 percent of total external debt compared to 18 percent one year before. At June 30, 2012, Guyana's total bilateral obligations of US$638 million represented 49.1 percent of total external debt, or amounted to, 36.7 percent more than the end-June 2011 level. In the same period, obligations to Venezuela increased by 69 percent or US$151 million to US$368 million.

Even if PetroCaribe survives Chavez there it is unlikely that it will do so in its current form. If that happens, Guyana should neither be caught by surprise nor without options. The reports are that Venezuela has been facing shortages of many goods, including hard currency forcing Mr. Maduro to devalue the bolivar by 32% in February. A big chunk of Venezuelan aid goes to Cuba where doctors had tried in vain to cure Chavez's cancer. Jamaica is another major beneficiary.

Faced with its own domestic challenges Venezuela and its new President will have to decide whether and to what extent it can continue to finance PetroCaribe. And to then decide which countries it will prefer. President Ramotar made sure he stood in line and waved. That Maduro acknowledged him is a plus.

The question is whether that will be enough. Even with the closer trade relationship friendship between Guyana and Venezuela over the past dozen years there was little acknowledgment of the border controversy between the two countries. Let us not be complacent: if Chavez did not seek to settle it his successor is unlikely to be able to do so. It is something of which we must be mindful.

Introducing the Parliamentary Budget Office

It was the APNU that raised the establishment of a Parliamentary Budget Office in its 2011 Elections manifesto. It is an idea whose time has come and whose value has been proven. It is perhaps of more than passing significance that of the three countries that have most recently introduced such an office did so in the context of minority governments: In Australia, the Australian Greens and independent members of Parliament insisted in coalition negotiations with Prime Minister Gillard that such an office be set up. In Canada the key motivations for the Canadian PBO were a public demand for transparency and accountability; a series of high-profile government projects going significantly over cost; and a succession of minority governments that seems to have changed the relationship between the executive and the parliament over time.

The establishment of the UK *Office for Budget Responsibility* in 2010 formed part of the Liberal Democrat-Conservative coalition's programme for government, in which deficit reduction was described as 'the most urgent issue facing Britain'. And in the Eurozone (European Monetary Union), the European Commission (EC) has proposed that independent fiscal institutions are mandatory within every member state by European regulation as part of a major push towards tightening fiscal governance to support the currency.

However the mechanism, the motivation seems to be the same: the creation of an independent fiscal institution, housed in the legislature or outside government altogether, tasked with strengthening fiscal accountability and budgetary analysis. Such independent fiscal institutions can be used to 'reinforce fiscal governance and has as their main focus the purpose of constraining both the executive and the legislature in respect to spending'.

The necessity is born out of experience. As the budget process becomes more complex, the detailed and lengthy budgetary documents are largely incomprehensible without specialised training. An independent fiscal institution may be able to explain to the public the budget process and disseminate its analysis to the public so it is in a better position to evaluate the financial decisions taken by the executive, and frame their electoral choices accordingly.

But Guyana has its own imperatives for such an Office. The overall culture of accountability in Guyana is depressingly low; the Audit Office is racked by human resource and ethical challenges; the Parliamentary accounting oversight body not only has a limited role but is merely another arena where parliamentary battles are waged; and professionalism and quality are sadly lacking.

These factors are an ideal set of circumstances justifying a PBO which, properly staffed, can assist the National Assembly in the discharge of all matters within its jurisdiction. While it is premature to delve into details before the principle is accepted some duties and functions which the PBO can undertake to facilitate the work of the National Assembly include:

(1) Preparing or analysing information with respect to the budget, appropriation bills, and other bills authorising or providing new budget authority or tax expenditures;

(2) Preparing or analysing information with respect to revenues, receipts, estimated future revenues and receipts, and changing revenue conditions;

(3) Preparing position papers requested by the Speaker, Committee Chairs, the Leader of the House and the Leader of the Opposition;

(4) Undertaking analyses of reports tabled in the National Assembly.

Countries which have established PBO's have done so by way of legislation with the funding for the bodies coming from sums allocated by the legislature. Of course an effective National Assembly requires more than a PBO. It also requires having the Government's Chief Parliamentary Counsel where he belongs: attached to and working for the National Assembly.

The events of the past year including the uncooperative conduct of the government make the case most compelling. The APNU should strenuously pursue its campaign promise.

The Travails of the NIS

Repetitive though it might be, we just cannot afford to ignore the state and prospects of the National Insurance Scheme as it continues some of the toughest challenges it has faced in its 44 years history. The Eighth Actuarial Report and recommendations as at December 31, 2011 published several months ago makes for depressing reading. Some of the recommendations of the Actuary when compared to the measures announced in the 2013 budget speech and by the NIS are as follows:

Area	Recommendation	Announcement
1. Contribution rate	Increase from 13% to 15% no later than January 2013	Increase from 13% to 14% with effect from June 2013
2. Wage ceiling	Increase to $200,000 per month	Increase to $150,628 per month from March 2013
3. Pension increases	Freeze for two years or until the contribution rate is increased and finances improve	No announcement
4. Pension age	Move up from 60 to 65 in a phased manner	No announcement
5. Old age benefit provisions	Make changes such as revision of the pension accrual rates so that the maximum 60% benefit is attained after 40 years of contributions instead of 35	No announcement

The reaction of many stakeholders to the actuary's recommendations was mainly negative. The lessons of similar responses, with nothing more, to the inaction on the Sixth and Seventh Reports for 2001 and 2006 respectively were clearly missed. The NIS receives its funds from three sources: employers, employees and investment income. Its expenses are mainly on benefits and administrative expenses. The performance of each of these has contributed to the current crisis. The situation with the Scheme is now so critical that dealing with the problems facing one and leaving the problems facing the others for later will not work. In fact, expenditure in 2010 represented 96% of income, up from 94% in the prior year.

In a five-page Draft Position Paper published in December last year the PSC rejected six of the principal recommendations of the Actuary. It called on the Board and Management of the NIS to implement the recommendations of the Report that will impact upon the efficient and effective functioning of the Scheme before placing any further financial burdens on employees and employers.

Among the specific concerns of the PSC were the absence of any follow-through on the unanimous parliamentary resolution was passed in 2009 guaranteeing state support for the recovery of the NIS investment in CLICO, and the minimal changes in the Board of Directors within the last 10 years and with the Chairmanship over the last 20 years.

And in an unusual act of cooperation the Guyana Public Service Union (GPSU) and the umbrella labour body Guyana Trades Union Congress (GTUC) jointly announced their rejection of the proposals made by the Actuary, blaming the government for the state of the NIS.

Among other recommendations made by GPSU/GTUC as reported by the Stabroek News were "the de-politicisation of the NIS Board—which has been chaired by Dr Roger Luncheon for the last two decades—in favour of persons of "competence" and *bonafide* stakeholders; revisiting the investment policies and portfolios with a view of safeguarding and insuring workers' money; and examining the impact on the Caricom Free Movement of Skills that allows for the transfer of NIS contributions."

Taking the seriousness out of the crisis was the Chairman of the Board Dr. Roger Luncheon who told a press conference that as at November 15, 2012 the scheme is healthy. Touching on prior reviews and recommendations he sought to exonerate the Government from any responsibility for failure to implement those recommendations and noted that a recommendation is not an instruction. Without offering any details or rationale for the choices he told the media that the Board made the decision to eliminate some of the recommendations and the decision not to eliminate others. That everyone knows of course that it is the Cabinet and not the Board which decides on the fate of actuarial recommendations makes Dr. Luncheon's statement about the state of the Scheme and the responsibilities of the Board versus the Government appear an excursion into fantasy.

There is no easy option with the NIS. It is in a financial mess. As is its administrative structure which is still mainly what it was forty-four years ago. To address the former without drastic action on the second as the Actuary has sought to do will not suffice.

The problems facing the NIS are multi-faceted and defy over-simplified solutions. But there are some big steps that can be taken. Ram & McRae suggests the following in addition to addressing the recommendations of the Actuary:

- Years ago when debt relief was available we recommended that the Scheme be re-financed out of those funds. That was before the Scheme lost $5 billion in CLICO. Some special funding mechanism needs to be identified.

- The Board should pursue CLICO Guyana and Trinidad and Tobago. There is enough evidence of wrongdoing both here and in Trinidad to offer the possibility of recovery.

- The administrative and governance structure needs to be revamped immediately.

- Strengthen the internal audit function to identify and root out fraud.

- Make a realistic assessment of the big debtors, including the University of Guyana and pursue them in the courts if necessary. Have the PSC help in this regard.

One of the recommendations Ram & McRae rejects is the raising of the pensionable age. The actuary ignored the fact that life expectancy among poorer folks is much lower than among the better off. If the pensionable age is increased to 65, the average working male at the lower end of the socio-economic ladder will not live to receive a pension.

The announced 1 percentage point increase in contribution rate is the equivalent of a 7.8% increase in contributions. The Minister devised an interesting model of financing part of that increase: a subsidy by the Government.

China and Guyana

There is a certain uneasiness if not fear about the increasing prominence and self-assurance about the rapid growth of the Chinese not only in Guyana but in the rest of the Caribbean and very particularly Africa. Books and articles on China are becoming an industry in itself. With its BRIC partner India, China shares the distinction of being one of two oldest surviving civilisations in the world. Top diplomatic Henry Kissinger likes to quote Lucian Pye, the American political scientist that China is "a civilisation pretending to be a nation-state." Indeed it even pretends to be a Third World country.

China's uniqueness lies in its tradition of taking a long view of history although there is some question about the authenticity of the story that Zhou Enlai when asked what liberals should think of the French Revolution of 1789 responded that it was "too soon to tell". For centuries China saw itself as an isolated kingdom whose territorial claims stopped at the water's edge, and even in the era when China led the world in nautical technology it never sought to acquire overseas colonies, venture abroad to convert barbarians to Confucian principles or Buddhist virtues. Except for its heavy hand on Taiwan, Tibet and neighbouring islands, it still does not.

Any serious discussion on China is complicated by the nature of that society. It is far from being an open society so that much is left to informed speculation. One thing about China: it usually gets what it wants and its diplomatic skills are legendary. It is dangerous then for Guyana, a country with at best a blurred foreign policy to run headlong into a relationship with China in which it is clearly the junior partner.

A handful of political leaders have bowed to some unusual and unreasonable demands from the Chinese: insisting that only Chinese workers will be employed on a construction site; that it must have a television channel; and that the local laws must be translated into "Chinese". Only for the Chinese has Guyana practically dispensed with the laws on residence, citizenship and nationality.

As the staff of Ram &McRae pored over the various appendices to the 2013 Budget Speech some interesting features surfaced. Population growth which averaged 0.3% in the past ten years has jumped 1.5% in 2012. Nothing suggests that Guyanese have suddenly become so fertile. Our staff noted that the Budget shows that the construction sector in which the Chinese are becoming the dominant players reflected a decline of 11% in 2011! Corresponding statistics show otherwise. There is strong evidence that the Chinese have not added to the NIS roll of contributors or indeed to the tax revenues of the country.

Guyana has had its fair share of bad experiences with Chinese contractors. Skeldon Sugar factory is a monument of more than Chinese capacity to do poor construction work: it reflected too their determination to avoid liability when things go wrong. That factory and the Moco-Moco mini-hydroelectricity power plant should warn us that friendship is one thing: the country's interest is another.

China can build great buildings but also some of the worst. The walls in a hospital in Angola began cracking soon after its opening; a Chinese-built road in Zambia was swept away by rains. Chinese have a poor record on the environment and towards local workers and are known to ignore unions even where they are mandatory or pretend to speak no English. As a result it has run into some headwinds with leading Africans including South Africa President Zuma and Nigeria Central Bank Governor Lamido Sanusi.

China is a rich, powerful country with a successful record of buying loyalty from the local politicians and officials. China and its products cannot be avoided, wherever one goes. It also makes its demands: no support for Taiwan, Tibet, resolutions critical of China, etc. It stood up successfully to the British on Hong Kong and against the Americans on the value of its currency.

Were it not for China many Guyanese might still not be able to afford some of the clothes and shoes they wear or furnish the houses they live in. In the past two years China has given more loans to poor countries, mainly in Africa, than the World Bank. China has money but not to burn. Even on Amaila on which China will make hundreds of millions, the Chinese Ex-Im Bank is seeking IDB cover before it commits itself.

But China's businesspersons whether they are state operatives or private investors are hardnosed and go for tough bargains, especially when the have the upper hand. Even when they lend money they take their share out first. They have already paid themselves a big chunk of the money for the airport expansion project, even before Guyanese are convinced of the viability of the project. The deals we have struck with the Chinese reflect poorly on our negotiators. They have failed us.

Finally, Guyana now appears to have no foreign policy, let alone a China policy. But the least we should do is hold China to its stated policy of having mutually respectful relationship with Third World countries. And to heed the words of Sanusi: "China is no longer a fellow underdeveloped economy — it is the world's second-biggest, capable of the same forms of exploitation as the West."

The Rise of Inequality

While US President Barack Obama may have intended his remarks about inequality to be that in the USA he could have been speaking of anywhere when he said, "over the last few decades, the rungs on the ladder of opportunity have grown farther and farther apart, and the middle class has shrunk." That widening inequality is often the result of the choices governments make in how they allocate resources, their perception of reality and their own personal circumstances. It is also the result of a powerful and troubling shift in market rewards for a small minority relative to the rewards available to most citizens.

It is unfortunate that there is a paucity of quality and relevant statistics even on the most basic of information. On the few occasions when stats are available they are suspect. No one, not even the Minister of Finance believes the only indicator of employed persons in Guyana. The National Insurance Scheme has only 116,000 active employees in 2012. The Minister of Finance in his Budget Speech suggested that it is more than twice that number. The Minister says hotel occupancy is 75%. The industry says he is joking. And one would look in vain to find how much taxes are contributed by the various sectors in the economy.

Even in the absence of data, evidence all around points to the wide disparity of income levels in the society. We live in a society where a $2,500 per month increase in pensions is a cause for celebration. That is the equivalent of $80 per day and can buy nothing.

The Economic Recovery Programme was absolutely necessary to reverse the decline in Guyana's economy in the eighties. Inevitably it was expected to benefit some more than others. When the individual elements are disaggregated the winners and losers became very apparent. The Estate Tax was one of the first of the taxes to go followed by a drastic reduction of the marginal tax rates. Those whose income derived from capital such as shares or deposits were taxed at a lower rate than their employees. Adam Smith's theory of tax equity was discarded as was the notion that one of the objects of taxation was the redistribution of income.

It is a feature of our tax system that it allows dining at the top restaurant as a non-tax benefit but the meal allowance to the junior staff is taxable. That all expenses paid motor vehicle and driver provided to the manager is tax free but the $4,000 per month travel allowance to get the driver home in the evening is taxable. The capital gain on the sale of one's house is taxable but not the profits from disposing of shares in public companies. And if a self-employed accountant buys books for $1 million that is tax-deductible but not if a single mother buys a $500 book for her child.

The government has for close to twenty years resisted the pleas for the restoration of personal allowances to reflect particular circumstances. It just never seems fair that a single person in his twenties is entitled to the same personal allowance as a person with several children. The government would not budge. Yet under the influence of the private sector the same Government has reversed its 20 year policy for persons who can own a house valued at more than fifty million.

It is not that society should penalize success. In fact success should be rewarded. But the opportunity available to anyone should not be based on the fortunes of one's parents. Prior to the ERP we had the parallel market and economy. Now we have parallel everything: the chances of a child attending St. Sidwells making it up the ladder are infinitely smaller than a child attending Marian Academy. A person attending a public health facility will not receive the same quality of treatment as a person going to a private hospital.

Much is made of how much is spent on the health sector but it is clear that the individual who benefitted most is the supplier of the drugs; the same is true of the contractors who receive the contracts to build the schools, roads and bridges.

It is no coincidence that the rise of inequality has been accompanied by the loss of the collective rights of the workers. After all, wealth leads to influence and power and often those at the bottom rung are pushed off or out. The widening really started by the government's privatisation programme when it chose to sell public property to individuals friends and controlled companies. Now it is by way of contracts to individuals.

It is late in the day but not too late to try. We have seen how the tax system can help the better off. Let us now make it help those at the lower rungs of the ladder.

The government must discontinue facilitating inequality by rewarding the wealthy with special concessions. It must strive for pro-fairness, pro-growth tax reform and avoid, especially in a period of sharply rising inequality, providing tax changes that do nothing for those at the bottom. Most importantly it must ensure that quality education is available to all and that there is a decent national minimum wage.

50th Anniversary Crisis

When the University of Guyana (UG) was established in 1963 by statute under the premiership of Dr. Cheddi Jagan it was designed to provide a place of education, learning and research of a standard required and expected of a university of the highest standard. Fifty years on, according to a recent consultancy for "the Review and Enhancement of the Regulatory Framework and Operational Processes, Systems and Structures at the University of Guyana "by Trevor Hamilton and Associates, financed by the Caribbean Development Bank, the institution is facing a multitude of problems, ranging from governance to maintenance, from teaching to administration, from research to finance. In what the authors describe as a Revised Draft Final Report they make twenty-seven recommendations to address not only the serious financial problems facing the University and its two campuses but also its entire structure and operations with their multitude of deficiencies, weaknesses and shortcomings.

Like the National Insurance Scheme the problems of the University have festered and worsened as the recommendations of successive initiatives seem to have been considered too dire for attention. The report by Hamilton and Associates reminds us that the University of Guyana has been the subject of two major studies over the past sixteen years. Both of those studies - the Presidential Commission on UG (1996) and the 2009-2012 Strategic Plan - have sought to determine the imperatives for improving UG's effectiveness, efficiency and governance and capacities and gave the Government, the Council and the Executive the necessary strategies and resources to fulfil them.

The publication of the report follows closely on the highly publicised comment by recently appointed Vice Chancellor and Principal Jacob Opadeyi that if the University is to be rebranded a high quality tertiary institution, its administrators must, among other things, find ways to increase the "ridiculously low" tuition fees currently paid by students.

V-C Opadeyi added that there is an economic cost attached to running the University and in a display of either courage or naiveté argued that that cost "should not be borne by government subventions". With the best intention in the world, Professor Opadeyi might wish to familiarise himself with the directive principle in Article 27 of the Guyana Constitution that *"Every citizen has the right to free education from nursery to university as well as at non-formal places where opportunities are provided for education and training".*

Ram & McRae is mindful that the government must allocate its limited resources carefully, fairly and efficiently in the interest of all its citizens. But if the Directive Principles in the Constitution were placed there tautologically or cosmetically they would not be reinforced by Article 39 which requires Parliament, the Government, the courts and all other public agencies to be guided in their discharge of their functions by those principles.

The report is comprehensive but far too conservative. In suggesting that the statutes of the University are similar to those of the University of the West Indies, the authors could only be talking about form and not substance. To suggest that the Council needs only minor modifications to make it even more broad-based is to show a complete unfamiliarity with the politicisation from which the University has suffered since the days of Walter Rodney.

Even as the authors sought to show deference to those responsible for the University's governance, they have been damning on the structure and operations over which they have presided. For example they find that the HR system is extremely inadequate; that the quality assurance system needs to be more robust; that there are seven major gaps in the teaching, research and learning process; that the library, ICT and student services have some major deficiencies; that the management and systems for examinations lack basic manuals and proper administration; that there is no overarching fiscal framework to align government's fiscal support; that the Maintenance line staff have major skills deficiencies. Might we add that this diagnosis is hardly a good reference to any of the students who will soon be graduating from the institution.

With such formidable deficiencies it is hardly surprising that the University is facing acute financial difficulties. To put it bluntly the University is insolvent (current assets of G$133 million dollars, current liabilities of G$670 million dollars at July 31, 2012). It stays afloat and in business by, among other things, avoiding its obligations to pay over moneys it collects as a trustee under the tax and social security laws.

The Hamilton Report is no different or better than those that have preceded it. It is politically correct to a fault. The reality is that the government appears unconvinced of the virtues of a top quality tertiary institution which it can only control with a heavy political hand while the private sector engages more in cocktail jokes about the quality of UG's graduates than in supporting it with their time, their money and their goodwill.

The University did not need another study. The problems are palpable from the time one enters the Turkeyen campus. Facilities are practically non-existent and the part-time law lecturers refer to their stipend as gas money, having to use their own personal resources for research. It is not the way to run a secondary school, let alone a University.

The test of the Government's seriousness would have been whether it would provide the funds to erase the $1 billion accumulated deficit. And enough money to bring the University up to an acceptable standard to make the goal set fifty years ago a medium term possibility. Budget 2013 includes $1.250 billion - net of student loans - for specific items: feasibility studies, rehabilitation of labs, internet access, development of online programmes, etc. The accumulated deficit is therefore likely to increase.

We are not sure of the wisdom of investing $50 million to establish online programmes when so many of the programmes currently offered lack accreditation and are in dire need of review.

Budget 2013 allocation is inadequate and an unfortunate response to Hamilton. Providing the people for a competitive economy and stemming the rate at which graduates emigrate require a more creative approach to the challenges facing education generally as well as the University of Guyana. Raising fees will not solve that bigger problem.

The Budget Cuts and Confusion

For several decades, the Standing Orders of the National Assembly preserved and protected by successive Constitution shave given to the National Assembly control over spending proposed by the Minister of Finance. But in 2012 following the historic November 2011 elections in which the PPP/C government lost the majority in the National Assembly the stage was set for the opposition in the Assembly to assert its powers over the Budget.

Under the Standing Orders, following the presentation of the Motion for the approval of the Estimates by the Minister of Finance, the National Assembly adjourns for not less than two days. Upon resumption the Motion is debated for five days after which the National Assembly constitutes itself into a Committee of Supply to consider, amend, increase, decrease or approve the Estimates.

This process, hallowed by constitutional principles and parliamentary practices, was followed strictly by the Committee as it perused the 2012 Estimates. Using the procedures set out in the Standing Orders, a number of heads of expenditure were cut. When the National Assembly resumed on April 26, 2012 the Finance Minister reported to the reconvened National Assembly that "the Committee of Supply considered the Estimates of Expenditure for the financial year 2012 and approved of them as amended" (emphasis added). The National Assembly then voted for the Motion by way of Act No 3 of 2012 which was assented to by the President on April 30, the day on which all spending authority would have expired.

On June 4, 2012, the Attorney General brought an action in the Constitutional and Administration Division of the High Court against the Speaker and the Leader of the Opposition. The Attorney General sought ten (10) declarations that the cuts were "an abrogation of the doctrine of separation of powers, unconstitutional, unlawful, null, void and of no legal effect". By way of Affidavit, the Attorney General also sought an interim order that the Minister of Finance be at liberty to make advances from the Contingencies Fund to restore the cuts.

In a decision delivered on July 18, 2012 the Chief Justice (ag.) wrote that the court (and the decision) was concerned with the ex parte application. For clarity the court also closed its written decision with the words "Since the matter is in its preliminary stage and there is no final determination, the views expressed at this juncture are not final."

In an argument that defied common sense, let alone logic the Attorney General sought to convince the Court that in making any amendments, the Assembly was proposing new Estimates. Unfortunately, having delineated the scope of its decision, the Court in what in law is referred to as *obiter dicta* (remarks made in the course of a decision that are not binding) responded that the Constitution clearly does not give the National Assembly the power to determine the estimates for its own approval. On page 14 of the decision the court assigned to the National Assembly as its only constitutional responsibility in respect of expenditure "an oversight or gatekeeping function of approval or non-approval".

The court further added (page 15) that "it does appear to the court that it is the Minister of Finance who must revise the Estimates and not for the National Assembly to cut or reduce the estimates of expenditure……" and that if the National Assembly were to cut or reduce the estimates of expenditure this would mean that those estimates would be as determined by the National Assembly and not by the Minister. Apparently the court is of the opinion that the National Assembly could reject the entire estimates of expenditure but not any programme or line item in the Estimates. Drawing inspiration from the Australian constitution the court states in what is described as a summary, that the "act of cutting or reducing the estimates of expenditure presented by the Minister was unconstitutional".

Fortunately, what saved the day for the Opposition was the fact that it was the Minister himself who had presented the revised Motion, which was voted on by the National Assembly and assented to by the President.

But it seems that much damage has been done and that the Minister of Finance, by various means, has restored all the cuts made by the National Assembly, apparently on the advice of the Attorney General. This raises serious financial management and constitutional issues requiring investigation by the National Assembly followed by action against the Attorney General and the Minister of Finance if violations have occurred.

With regards to the 2013 Budget, if the National Assembly agrees to recognise the provisional decision of the Court, there will be no need for it to reconstitute itself as a Committee of Supply. The opposition should simply give notice of its rejection of the Estimates to the Speaker, who must then rule that the Minister must go back and return with new Estimates.

Alternatively, the Speaker may rule that the court gave no final decision on the application by the Attorney General on the 2012 cuts and that until such time the National Assembly will proceed with its business in accordance with the Constitution and the Standing Orders.

The uncertainty caused by the omission surfaced again around Budget Day. On March 18 the Guyana Chronicle quoted the Attorney General as declaring that "any attempts to cut the Budget this year, by the combined Opposition, will again bring it in conflict with the Constitution." And fellow Attorney-at-Law and MP Khemraj Ramjattan was in the press on Budget Day claiming the right as an MP to vote on budgetary allocations. They both cannot be right on this issue.

The Court having given a provisional ruling on a matter brought before it has a duty to set a date for hearing at which the attorneys for the parties would address the Court. This uncertainty has lingered for far too long.

Conclusion

The Budget contained several of the proposals made to the Minister by the Private Sector Commission. It was a budget about inputs rather than outputs: billions spent but no expected results stated. It is an incomplete budget. It does not include all the moneys belonging to the Government. It does not include all the expenditure either.

Tax revenues do not reflect inflation and real growth in most sectors of the economy. Some figures stretch credulity, or perhaps are self-serving. To justify the US$58 million on the Marriot the Minister claimed that hotel occupancy is 75%. That is wishful thinking. On the other hand the reported decline of 11% in the performance in the construction sector is not supported by other information offered by the Minister such as the 76% increase in sand production.

It is full steam ahead with Amaila hydro despite the exorbitant capital cost and punitive financing charges by the Chinese contractor and fund providers. There are some serious and possibly fatal uncertainties about the project.

The country's debt to GDP ratio is climbing inexorably. It is now around 75% and the country is still borrowing huge sums as it runs huge deficits. The overall balance as a percentage of revenues in 2012 was $31.8 billion. In 2013 it is expected to be $33.7 billion, to be financed from borrowings. The country is approaching the point where borrowings can cause growth to suffer.

The country's international reserves measured against imports declined from 4.2 months in 2011 to 4.0 months in 2012. The country has become heavily dependent on Venezuela for its oil imports and China for foreign direct investment.

Growth is still heavily dependent on the State which proposes to invest $85 billion on capital expenditure in 2013. Yet the Estimates indicate that private investment will exceed public investment for the first time in four years. That is doubtful.

The Minister announced some tax measures that are designed to help mainly the persons who earn well above average. For these persons the tax system will see the return of a relief other than the personal allowance. There is no relief for the person who earns less than $50,000.

A novel attempt is made to address the crisis in the NIS. It involves in part the Government subsidising the employer. This can only be a partial solution.

But the Budget fails to address the major problems facing public financial management: the diversion of state funds from the Consolidated Fund to NICIL; public funds not being placed in the Consolidated Fund; the strain on the Consolidated Fund of GuySuCo and Guyana Power and Light; the Procurement Commission and the Integrity Commission; tax evasion; tax reform and VAT; the public debt; loans being negotiated without any disclosure or accountability; smuggling and the parallel economy; and job creation.

After a week's recess the National Assembly will meet to debate and consider the Estimates. The Government restored the cuts made to the 2012 Estimates. The Government seems willing to fight for its right to grant a subsidy to NCN or appoint any number of Contract Employees. The next three weeks will be long and bitter.

Appendix A1: Acts Passed in 2012

Legislation	Title	Description	Date Passed	Date of assent	Bill
Act No. 1 of 2012	Supplementary Appropriation (No. 4 for 2011) Act 2012	Provides for the issue of $5,632,329,416 from the Consolidated Fund for the year 2011.	March 15, 2012	April 2, 2012	Bill No. 1 of 2012
Act No. 2 of 2012	Local Authorities (Elections) (Amendment) Act 2012	Postpones Local Government Election for the 15th consecutive year.	March 15, 2012	April 2, 2012	Bill No. 2 of 2012
Act No. 3 of 2012	Appropriation Act 2012	Appropriates the revised sum of $158,763,907,009 as Budget 2012.	April 26, 2012	April 30, 2012	Bill No. 3 of 2012
Act No. 4 of 2012	Income Tax (Amendment) Act 2012	Increases the personal allowance for individuals from $480,000 to $600,000.	April 26, 2012	April 30, 2012	Bill No. 4 of 2012
Act No. 5 of 2012	Motor Vehicles and Road Traffic (Amendment) Act 2012	Amends Section 18 of the Motor Vehicles and Traffic Act relating to the renewal of motor vehicle licences on the anniversary of the date of the registration of the motor vehicle.	June 27, 2012	July 23, 2012	Bill No. 5 of 2012
Act No. 6 of 2012	Summary Jurisdiction (Procedure) (Amendment) Act 2012	Amends Section 8 of the Summary Jurisdiction (Procedure) Act relating to traffic ticket and also inserts new section 8A dealing with disqualification of licenses.	June 27, 2012	July 23, 2012	Bill No. 6 of 2012
No Act	Supplementary Appropriation (No. 5 for 2011) Bill 2012	Provides for the issue of $79,619,478 from the Consolidated Fund for the year 2011.	Read for the first time on June 14, 2012		Bill No. 7 of 2012
No Act	Office of the Clerk of the National Assembly Bill 2012 (Private Member's Bill)	Provides for the responsibilities and authority of the Clerk and Deputy Clerk of the National Assembly and the establishment and administration of an independent Office of the Clerk of the National Assembly.	Read for the second time on August 9, 2012		Bill No. 8 of 2012
Act No. 9 of 2011	Official Gazette Act 2012	Provides for the Official Gazette to be published also in electronic form.	August 2, 2012	August 31, 2012	Bill No. 9 of 2012

Act No. 10 of 2012	Civil Law (Rights of Persons in Common Law Union) Act 2012	Grants to a Common Law spouse of more than five years the same rights as a married person.	July 12, 2012	July 20, 2012	Bill No. 10 of 2012
Act No. 11 of 2012	Supplementary Appropriation (No. 1 for 2012) Act 2012	Provides supplementary provision of $11,942.7 million from the Consolidated Fund.	August 9, 2012	August 29, 2012	Bill No. 14 of 2012
Act No. 12 of 2012	Supplementary Appropriation (No. 2 for 2012) Act 2012	Provides supplementary provision of $2,570.9 million from the Consolidated Fund.	December 20, 2012	January 2, 2013	Bill No. 30 of 2012

Appendix A2: Principal Orders Passed in 2012

Order No. & Title	Principal Legislation	Nature of Order	Date of Order
Order No. 20 of 2012 Fiscal Management and Accountability (Amendment of Schedule) Order 2012	Fiscal Management and Accountability Act 2003 (Act No. 20 of 2003)	Amends the Schedule to the Act by removing two Budget Agencies, substituting three agencies and creating a new Ministry.	March 30, 2012
Order No. 21 of 2012 Essential Services Arbitration (Amendment of Schedule) Order 2012	Essential Services Arbitration Act (Cap. 54:01)	Brings under the Principal Act the services provided by the Demerara Harbour Bridge Corporation and the Berbice Bridge Company Inc.	April 16, 2012
Order No. 24 of 2012 The Labour (Conditions of Employment of Certain Workers) (Minimum Rate of Wages) (Amendment) Order 2012	The Labour (Conditions of Employment of Certain Workers) Act 1978 (No. 18 of 1978)	Increases the Minimum wages of employees of Hotels, Guest houses, Discotheques, Night clubs and Liquor restaurants; Retail Spirit Shops; Liquor Stores and Restaurants	May 4, 2012
Order No. 29 of 2012 Printing Trade Workers Wages Council Wages Regulations (Amendment) Order 2012	The Wages Council Act (Cap. 98:04)	Increases the minimum wages to workers in the printing trade.	May 4, 2012
Order No. 30 of 2012 Aerated Water Factories Wages Council Wages Regulation (Amendment) Order 2012	The Wages Council Act (Cap. 98:04)	Increases the minimum wages to workers in the aerated water factories.	May 4, 2012
Order No. 31 of 2012 Sawmill Workers Wages Council Wages Regulation (Amendment) Order 2012.	The Wages Council Act (Cap. 98:04)	Increases the minimum wages to workers in Sawmills.	May 4, 2012
Order No. 32 of 2012 Timber Grant Workers Wages Council Wages Regulation(Amendment) Order 2012	The Wages Council Act (Cap. 98:04)	Increases the minimum wage payable to timber grant workers.	May 4, 2012

Order No. 177 of 2012 Broadcasting Act 2011 (Commencement) Order 2012	Broadcasting Act 2011 (No. 17 of 2011)	Sets August 28, 2012 as the commencement date of the Broadcasting Act 2011.	August 24, 2012
Order No. 178 of 2012 The Value Added Tax (Act No. 10 of 2005) Value Added Tax (Amendment of Schedule 1) Order 2012	The Value-Added Tax Act 2005 (No. 10 of 2005)	Amends Schedule 1 Paragraph 2A(r) of the VAT Act to extend the range of renewable and low energy products zero-rated for VAT purposes.	August 27, 2012

Appendix A3: Regulations Issued in 2012

Regulation No. & Title	Legislation	Description	Date
Regulation No. 1 of 2012 Annual Registration of Medical Practitioners – Late Registration Fee Regulations 2012	The Medical Practitioners Act (Act No. 16 of 1991)	Prescribes a later registration fee for all medical practitioners.	Undated but published in the Official Gazette on February 25, 2012
Regulation No. 2 of 2012 Annual Registration of Allied Health Professions 2012	The Allied Health Professions Act (Act No. 5 of 2010)	Prescribes the registration fee, annual licence fee and late registration fee for Allied Health Professionals.	Undated but published in the Official Gazette on March 24, 2012
Regulation No. 3 of 2012 Adoption of Children Regulations 2012	Adoption of Children Act 2009 (Act No.18 of 2009)	Regulations to facilitate the operation of the Adoption of Children Act 2009.	May 29, 2012
Regulation No. 4 of 2012 Status of Children Regulations 2012	Status of Children Act (Act No. 19 of 2009)	Regulations to facilitate the operation of the Status of Children Act 2009.	May 29, 2012
Regulation No. 5 of 2012 Custody, Contact, Guardianship and Maintenance Regulations 2012	Custody, Contact, Guardianship and Maintenance Act 2011 (Act No. 5 of 2011)	Regulations to facilitate the operation of the Custody, Contact, Guardianship and Maintenance Act 2011.	May 29, 2012
Regulation No. 6 of 2012 Mining (Amendment) Regulations 2012	The Mining Act (Act No. 20 of 1989)	Amend ascertain provisions of the Principal Mining Regulations.	June 29, 2012
Regulation No. 7 of 2012 Statistics (Population and Housing Census) Regulations 2012	The Statistics Act (Cap. 19:09)	Provides for the Population and Housing Census for 2012 under the Statistics Act Cap. 19:09.	August 14, 2012
Regulations No. 8 of 2012 The Music and Driving Licences(Fee) (Amendment) Regulations 2012	The Music and Driving Licences Act (Cap. 23:03)	Amends regulation 2 of the Principal Regulations by increasing the fee for the issuance of a certificate of safety from the Chief Fire Officer to $2500.00.	September 7, 2012
Regulations No. 9 of 2012 Immigration (Amendment) Regulations 2012	The Immigration Act Cap. 14:02	Amends regulation 8 of the Principal Regulations dealing with the various ports of entry by substituting paragraphs (a) to (g) with paragraphs (a) to (i).	September 24, 2012

Appendix B: Selected Socio - Economic Indicators

	ITEM	2012	2011	2010	2009	2008
1	**National Accounts Aggregates (2006 Base)**					
1.1	Growth Rate of Real GDP	4.80	5.40	4.40	3.30	2.00
1.2	GDP at current basic prices (US$M)	2,506.80	2,265.10	1,970.10	1,776.60	1,731.90
1.3	GNP at current basic prices (US$M)	2,505.60	2,255.80	1,982.90	1,759.70	1,717.10
1.4	Per Capita GDP (US$)	3,148.00	2,868.70	2,513.90	2,308.50	2,260.30
1.5	Per Capita GNP (US$)	3,146.40	2,856.80	2,530.20	2,286.60	2,241.00
1.6	Gross National Disposable Income (US$M)	3,157.70	2,879.90	2,644.30	2,324.00	2,176.60
1.7	Private Consumption as % of Gross Domestic Expenditure	70.30	69.80	68.30	65.70	70.30
1.8	Public Consumption as % of Gross Domestic Expenditure	10.30	11.80	11.80	13.00	11.60
2	**External Trade and Finance (US$M)**					
2.1	Bal of Payments Current Account Balance	(394.80)	(372.20)	(247.40)	(230.60)	(321.40)
2.2	Imports of Goods and Non- Factor Services (G&NFS)	(2,504.00)	(2,204.80)	(1,762.90)	(1,451.80)	(1,648.80)
2.3	Exports of Goods and Non- Factor Services (G&NFS)	1,689.90	1,426.40	1,133.00	938.50	1,013.40
2.4	Resource balance	(814.10)	(778.30)	(629.90)	(513.30)	(635.40)
2.5	Imports of G&NFS/GDP(%) at 2006 Base	99.90	97.30	89.50	81.70	95.20
2.7	Exports of G&NFS/*GDP* (%) at 2006 Base	67.40	63.00	57.50	52.80	58.50
2.8	Net International Reserves of Bank of Guyana	825.20	749.70	724.40	569.40	298.80
2.9	External Public Debt Outstanding	1,358.60	1,205.60	1,040.30	931.60	833.50
3	**Prices, Wages and Output**					
3.1	Rate of Inflation (% change in Urban CPI)[1]	3.50	3.30	4.50	3.60	6.40
3.2	Public Sector Monthly Minimum Wage in G$ (e.o.p)	37,657.00	35,864.00	33,207.00	31,626.00	29,836.00
3.3	% Growth Rate	5.00	8.00	5.00	6.00	5.00
3.4	Electricity Generation (in MWh)	690.50	645.20	627.40	602.00	569.20
4	**Population & Vital Statistics**					
4.1	Mid- Year Population ('000)	796.30	789.60	783.70	778.70	766.20
4.2	Population Growth Rate (e.o.p)	1.50	0.30	0.30	0.20	0.40
4.3	Net Migration ('000)	8.00	8.60	(4.20)	(6.40)	(18.80)
4.4	Visitor Arrivals ('000)	176.60	156.90	151.90	141.30	129.60
4.5	Crude Birth Rate (per 1,000 persons)	18.40	18.80	19.00	18.90	19.60
4.6	Crude Death Rate (per 1,000 persons)	6.90	6.90	7.00	5.90	6.50
4.7	Crude Marriage Rate (per 1,000 persons)	6.40	6.10	5.40	5.60	4.20
4.8	Infant Mortality Rate (per 1,000 live births)	13.80	14.40	14.70	10.80	14.00
4.9	Under 5 Mortality Rate (per 1,000 live births)	16.20	17.90	18.20	14.30	17.30
5	**Health and Education**					
5.1	Public Expenditure on:					
5.1.1	Education as % of National Budget	13.80	15.20	15.30	15.70	15.50
5.1.2	Health as % of National Budget	8.90	9.00	9.40	9.90	9.30
5.2	Number of Physicians Per Ten Thousand Population	7.70	7.00	6.80	5.90	5.10
5.3	Number of Nurses per Ten Thousand Population	14.20	13.00	10.10	12.80	12.60
5.4	Number of Hospitals Beds per Ten Thousand Population	25.40	25.20	25.00	25.10	21.00
5.5	Low birth-weight babies (<2,500g.) as a % of live births	9.60	9.30	10.90	10.10	11.00
5.6	Severely Malnourished	0.30	0.30	0.50	0.20	0.30
5.7	Moderately Malnourished	2.20	2.70	2.10	5.50	5.90
5.8	Overweight	5.70	4.90	3.70	2.30	3.30
6	**Immunization Coverage**					
6.1	1 year olds Immunized against DPT/(Pentavalent) (%)	97.40	92.60	95.00	98.00	93.00
6.2	1 year olds Immunized against MMR, Yellow Fever (%)	99.10	97.40	94.50	97.00	95.00
6.3	1 year olds Immunized against Polio (%)	97.40	93.30	94.80	97.00	93.00
6.4	1 year olds Immunized against TB, BCG (%)	98.00	97.40	97.60	98.00	96.00

	ITEM	2012	2011	2010	2009	2008
7	**Crime**					
7.1	Reported Serious Crimes[2]	3,760.00	3,789.00	3,574.00	3,557.00	3,868.00
7.2	of which: Murder	139.00	130.00	140.00	117.00	158.00
8	**Exchange Rates**					
8.1	G$ to US$	204.50	203.75	203.50	203.25	205.25
9	**Interest Rates**					
9.1	Commercial Banks' Lending Rate[3]	11.08	11.68	11.95	12.17	12.35
9.2	Small Savings Deposit	1.69	1.99	2.67	2.78	3.04
9.3	Three Months Time Deposits	1.39	1.83	2.28	2.32	2.34
9.4	Treasury Bill Rate (91 days)	1.45	2.35	3.78	4.18	4.19
10	**Debt**	420,308.43	392,830.00	311,683.20	276,632.25	246,089.53
10.1	External Public Debt (G$M)[4]	286,300.00	244,500.00	211,183.20	189,632.25	171,116.93
10.2	Public Domestic Debt (G$M)[5]	134,008.43	148,330.00	100,500.00	87,000.00	74,972.60

1: Rate of inflation in 2010 is presented under the New Series with base year December 2009, while for 2008 to 2009 data is presented under the Old Series with Base Year December 1994.

2: The category 'Reported Serious Crimes' now includes the reclassification of certain offences.

3: The average prime lending rate actually used by commercial banks applicable to loans and advances.

4: Amount denoted in US$- converted using exchange rate in 8.1

5: Amount is stated as at June 30, 2012.

Source: Bureau of Statistics, Ministry of Finance and BOG Statistics