

FOCUS ON

2007

BUDGET



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RAM & McRAE
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About this Publication

Focus on Guyana's National Budget is an annual publication of **Ram & McRae** and highlights, reviews and comments on the major issues surrounding and raised in the National Budget. **Focus 2007** is the seventeenth in the series which is circulated among politicians, the business community, the country representatives and international agencies operating in Guyana.

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 legislation (and advice thereon) including:

- **Consolidated Tax Laws of Guyana** (comprising Income Tax (in Aid of Industry), Income Tax, Corporation Tax, Property Tax, Capital Gains Tax, Revenue Authority and Financial Administration & Audit Acts, and the double taxation treaties signed by Guyana). These are also available individually along with the **Tax Act, Cap. 80:01**.
- **Value Added Tax and Excise Tax Acts, 2005**
- **Companies Act, 1991**
- **Securities Industry Act, 1998**
- **Insurance Act, 1998**
- **NIS Act, Cap. 36:01**
- **Mining Act, 1989**
- **Petroleum (Production) Act, Cap 65:05**
- **Petroleum (Exploration & Production) Act, 1986**
- **Petroleum (Production) Act, Cap 65:05**
- **Termination of Employment & Severance Pay Act, 1997**
- **Trade Union Recognition Act, 1997**
- **Dealers in Foreign Currency (Licencing) Act, 1989 and Foreign Exchange (Miscellaneous Provisions) Act, 1996**
- **Bank of Guyana Act, 1998 and Financial Institutions Act, 1995**
- **Money Laundering (Prevention) Act, 2000**
- **Securities Industry Act, 1998**
- **Insurance Act, 1998**

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

- Handbook on the Companies Act, 1991 (originally published in 1998 and currently being revised)
- The Annual Guyana Business Outlook Survey 1995-2007 (except 1998)
- Guyana Investors Information Package
- Focus on Guyana's National Budget 1991 - 2006
- Business Page (weekly column in the *Sunday Stabroek* up to August 20, 2006)

During 2006, the firm published the hugely popular "Value Added Tax and Excise Tax Handbook" which includes annotated copies of the legislation. Copies of this Handbook are available at the firm's office in Waterloo Street.

About Ram & McRae

Established in 1985, **Ram & McRae** has distinguished itself in the field of professional services both in Guyana and abroad. Our client focus, commitment to professionalism and our 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 which ensures that our clients benefit from business ideas, opportunities and solutions that place them in leadership positions in their industry.

Our partners

Christopher Ram, FCCA, ACMA, ACIS

Managing Partner and founder of the firm with overall responsibility for quality assurance aspects of the engagement, Christopher has in excess of thirty years experience in senior positions in international auditing firms and was Financial Consultant to a regional government for several years.

Robert V. McRae, CPA, BSc., FLMI

Robert has more than thirty 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 Latchana, ACCA

Rakesh was admitted to the partnership on January 1, 2006 bringing the number of partners to three with a broad array of skills and expertise and equipping the Firm for the challenges faced by our varied clientele, the Caribbean Single Market and Economy and the introduction of Value Added Tax in Guyana.

Acknowledgements

The Partners of Ram & McRae are truly grateful to have been once again afforded the opportunity to contribute to society through this publication. We would sincerely like to thank those members of staff who provided us with the will and strength to produce this publication in such a short period of time including Irzad Zamal, Shivanie Mangal, Dharshanie Persaud, Timolyn Daniels, Cleavland Gilkes, and Donna Dublin.

Christopher Ram, Robert McRae and Rakesh Latchana

Pre-Budget Comments

Once again the announcement of the date for the presentation of the National Budget was made not by the Minister of Finance but by President Jagdeo some days before the Budget. To make matters worse, the Minister of Finance, whose appointment immediately after the 2006 National Elections was well received by all segments of the society and indeed even among his parliamentary colleagues, broke with tradition and practice and did not even invite submissions or comments from stakeholders – including business, labour and the consumer representatives. It is therefore difficult to understand the Minister's statement at an interview at the Ministry of Finance on the day before the Budget that the 'consultative process with various stakeholders has played an integral role in the formulation of the budget.'

Taken by surprise as they were, none of the stakeholders sought to record their dissatisfaction with the courtesy extended to them, despite in the case of one private sector body, a decision by its members that not only should its members' displeasure be communicated to the Minister but that a reminder that its submission for the 2006 Budget was ignored by his predecessor.

The State-owned Guyana Chronicle in an editorial one day before the Budget predicted that the Value Added Tax (VAT) which it claimed 'has had less than a seamless introduction in January of this year' would be addressed by the Minister. That newspaper also 'expected that in his budget presentation, the Minister would comprehensively address some of the problems that have arisen with the implementation of VAT' In fact the Minister did none of these, spent a mere one paragraph on the VAT, and instead of acknowledging the problems the Minister took credit for anticipating 'these challenges'.

The anonymous Kaieteur News columnist Peeping Tom on Budget Day referred to the 'mediocrity that has characterised previous PPP Budgets', although it was very unlikely that the Peeper could be referring to Asgar Ally's Budgets which coincided with periods of unprecedented and unrepeatable growth.

Interestingly, the Peeper admitted to not believing in increasing the threshold offering as the reason that 'all this does is shift the tax burden to others ...' Calling for some form of expenditure control the Peeper described the public service as bloated and recommended that the Government should reduce the number of buildings and consolidate services.

Apparently the Peeper does not accept the continual concerns about the level of corruption which significantly increases public expenditure or the vast increase in the number of Ministries and huge increase in the number of consultants and advisers many of whom are paid tax-free United States dollars.

Ram & McRae's comments

The public continues to show a lack of interest in the National Budget which is later followed by a long debate in which point-scoring seems to be the principal objective and the Government ignores even the most constructive contribution. This lack of interest now extends to the private sector, the leaders of which seem to believe that leadership is an opportunity to help one's own business interest. Indeed in this regard they behave no differently from the politicians who they criticise behind closed doors but in whose presence their deference borders on obsequiousness.

Many of these leaders were intimidated by the reaction of the President at the opening of the Guy-Expo 2006 responding to the Chairman of the Private Section Commission who had dared to raise the issue of reduction of the high rates of direct taxes within the context of the introduction of the VAT at the rate of 16% - effectively the highest in the Caribbean.

Leadership is of course made of sterner stuff and those in the private sector must recognise that they get only the respect they deserve. They must also recognise that the politicians know all those who pay 'secret commissions' to public officials to clear their under-invoiced or under-declared goods and who cheat on taxes while complaining about corruption. These persons do a dis-service to those they claim to represent and to the country.

It is time that the private sector cleans up its own house even as it calls on the Government to be taken seriously. We can only repeat what we said last year: As part of their own commitment to transparency it would be useful for the leaders of private sector organisations to disclose to their membership any benefits or concessions received from the Government of the day.

Introduction

As the then Minister of Finance, Saisnarine Kowlessar rose to present the 2001 budget to the National Assembly, he noted that the Government had “developed a comprehensive economic development strategy for implementation over the next five years.” He noted that the Government “envisage that by 2006, we will have a very robust, diversified economy that is both capable of withstanding adverse external shocks and competing effectively within the new globalised environment.”

Five years have passed and as a new Minister in a new term of Office for the PPP/Civic Government rose to present the 2007 Budget under the theme “Building a Modern and Prosperous Guyana”, it became clear that the development targets were not achieved. The floods of 2005 and 2006 have no doubt tested our ability to withstand shocks but with annualised growth of 0.93% from 2001 to 2006, Guyana is not where it should have been. Yet, in the midst of a resource-sapping brain drain, this Minister believes that “the stage has been set for accelerated development in Guyana over the next five years.”

Despite the 2001 commitment to diversify the economy, the traditional sectors of Sugar, Rice, Mining and Quarrying still feature prominently in GDP. From 2001 to the budgeted position in 2007, Transport & Communication and Engineering & Construction stand out as major growth areas but little or no movement has been seen in Livestock, Other Agriculture, Forestry, Manufacturing or Other services as shown in the table below:

Gross Domestic Product at 1988 Prices by Industrial Origin

Sectors	Actual	Revised		Budget	% of Total		Change	
	2001	2005	2006	2007	2001	2007	2001 to 2007	
	\$Mn	\$Mn	\$Mn	\$Mn	%	%	\$Mn	%
Total	5,474	5,478	5,734	6,016	100	100	543	10
Sugar	880	761	802	881	16	15	1	0
Rice	199	168	189	198	4	3	(1)	(1)
Livestock	119	129	125	128	2	2	9	8
Other Agriculture	281	288	308	308	5	5	27	10
Fishing	165	161	154	157	3	3	(8)	(5)
Forestry	195	199	221	232	4	4	37	19
Mining & Quarrying	652	426	331	342	12	6	(310)	(48)
Manufacturing	309	346	360	375	6	6	66	21
Distribution	427	483	532	553	8	9	126	30
Transport & Communication	506	629	692	761	9	13	255	50
Engineering & Construction	461	533	597	627	8	10	166	36
Rent of Dwellings	94	104	114	117	2	2	23	24
Financial Services	293	315	340	355	5	6	62	21
Other Services	204	228	246	261	4	4	57	28
Government	689	708	722	722	13	12	33	5
Rounding		-	1	(1)	-	-	-	-

Source: Estimates, Current and Capital Revenue and Expenditure, 2007

What would have troubled the Minister had he looked, was that the contribution to GDP of the key sectors is lower than when the 1997 Budget was presented by then Finance Minister Bharrat Jagdeo.

This first budget presentation of Minister of Finance Dr. Ashni Singh fell slightly below the G\$100

Bln mark and is 2.9% lower than that of 2006, the only budget ever to exceed the mark. The main aspects of the Speech are set out on page 9.

This is 'legacy term' for President Jagdeo and many might have expected bold initiatives by the new Minister. They might have expected too an honest assessment of the problems that confronted Dr. Singh on his assumption of office and the Government with its renewed mandate. In both regards the presentation disappointed and similar to earlier Budgets, there were no bold ideas, new initiatives or any significant cause for hope.

The Budget was presented in a period when significant issues such as the effects of the implementation of Value-Added Tax, casino gambling and continued high criminal activities are on the minds of Guyanese. With Guyana preparing to host the Summit of the Rio Group of Countries and the first ever Cricket World Cup in the Caribbean, the year 2007 promises to be an exciting one.

The Budget introduces no major measures and, with growth and inflation projected at 4.9% and 5.2% respectively, it does not inspire confidence that Guyana will return to the high growth seen in the early 90's anytime soon.

The Budget continues to be presented early in the year albeit nothing was said as to why the commendable target date of 8 December 2006 was not achieved. In a release by Government Information Agency (GINA) then, the Minister expressed satisfaction with the progress made to date and noted that no delay in the presentation of the 2007 budget was anticipated.

The absence of the meaningless consultations which served as window dressing in previous years was notable. Instead, in an interview with GINA, the Minister noted his preference for "a long-term, more comprehensive engagement, rather than one-off consultations." Is this a reference to the Annual Summit that has been held once in close to ten years?

Real growth of 4.7% and inflation at 4.2% were reported for the year 2006. This is a surprisingly good, and perhaps questionable performance given the reported first half figures of 0.4% and 3.4% respectively. Well into the third quarter the prediction was that "in the second half of 2006 the economy is projected to continue growing at a modest rate" and that inflation at the end of the year is expected to be lower than the 8.2% reported in 2005.¹ Sugar and rice returned growth figures but these were not sufficient to reverse the losses of 2005. The mining and quarrying sector continued its downward spiral falling 22.4% in 2006 in addition to the 17.7% loss in 2005. Bauxite declined by 9.2% while the gold and diamond sectors declined by 25.3% and 7.5% respectively.

The only tax measure in the Budget is the increase in the personal allowance from \$300,000 to \$336,000, an increase of 12%. Placed in a historical and regional context, the allowance is not attractive and is likely to continue to lead to evasion.

The introduction of VAT and Excise Tax as a replacement for Consumption and five other taxes was hailed by the Minister as the 'centrepiece' of Governments efforts in the area of tax reform. With no corresponding changes in the levels of direct taxation, one must wonder whether the introduction of VAT and Excise Tax is programmed as part of wider tax reform or whether the country is taking a piecemeal approach.

¹ Bank of Guyana 2006 Half Year Report

Surprisingly, very little was said about the impact of Value-Added Tax and the estimates of revenue from its introduction. With significant zero-rating done in January 2007, the income estimates from VAT is either overstated or was incorrectly assessed to be revenue neutral when introduced. Revenue from VAT, Excise Tax and Consumption Tax in 2007 is budgeted at \$25.5Bln compared to \$24.3Bln which was collected from the taxes replaced in 2006.

The current account deficit deteriorated from US\$167.1Mn to US\$181.4Mn, a decline of 8.6%. The Minister projects narrowing the deficit by 3.5% to US\$175Mn and seems to mistakenly attribute this projection to "an anticipated rise in merchandise imports." With merchandise exports expected to be US\$625Mn compared to imports of US\$930Mn, increases of 3.9% and 5.1% respectively, one would expect that the current account deficit would deteriorate as higher imports lead to higher deficits. Total domestic and external debt service as a percentage of Current Revenue is projected to decrease from 12.5% in 2006 to 11.6% in 2007.

Significant investments in infrastructure, education, health, sport and other areas were announced. The Skeldon Sugar Factory Modernisation Project, Guyana National Stadium, an Olympic-size swimming pool, a \$400Mn shelter for the homeless, and the establishment of a Family Court and a Child Protection Agency are among the projects announced. Regarding the critical area of security, a total allocation of \$9.3Bln has been made and projects will include the strengthening of intelligence gathering, forensic and investigative capabilities of the Guyana Police Force, the establishment of a Special Weapons and Tactics (SWAT) team and the passage of stronger anti-money laundering legislation. A \$5Bln Justice Sector Reform Strategy is also proposed.

One would have expected as well that the Minister would have commented on the conclusion of the IMF programme under which our economic policies were largely framed by IMF technocrats. Astoundingly, the country has re-applied for further IMF supervision but this too was not discussed in the presentation.

Speech Highlights

Size of the Budget: \$99.96Bln, 2.9% decrease

2006 Facts

- Growth in real GDP of 4.7% compared to a target of 4.3% and contraction of 3% in 2005
- Overall balance of payments surplus improved from US\$8.1Mn in 2005 to US\$44.9Mn
- The 91-day Treasury bill rate increased from 3.74% in 2005 to 4.15%
- Inflation rate of 4.2% compared to a target of 6.3% and 2005 rate of 8.3%
- Depreciation of the Guyana Dollar by 1.13% to \$203.67 at year end compared to \$200.94 in 2005
- Increase in Current Revenue collections by 11.1% from G\$56.1Bn in 2005 to G\$62.4Bn
- Minimum public sector wage which was \$24,828 per month in 2005 not announced
- Growth in sugar, rice and forestry of 5.5%, 12.4% and 11% respectively. Decline in diamonds, gold and bauxite of 7.6%, 25.3% and 9.2% respectively. Growth of 4% and 12% in Manufacturing and Engineering and Construction respectively.
- Exports valued at US\$602Mn compared to imports of US\$885Mn resulting in a trade imbalance of US\$283Mn up from US\$114.2Mn in 2005
- Current account deficit of US\$181.4Mn (2005 US\$167.1Mn) and net inflows on the capital account of US\$244.1Mn (2005 US\$180.6Mn)

Financial Targets - 2007

- Inflation of 5.2% with growth in Real GDP of 4.9%
- Current revenue of \$64.9Bln, an increase of 4% over 2006
- Balance of payment surplus of US\$41Mn
- Current expenditure of \$62.8Bn, an increase of 1.1% over 2006
- Overall deficit of non-financial sector to decline from \$20.4Bn (11.3% of GDP) to \$18.9Bn (9.7% of GDP)
- Increase in overall deficit after grants to \$19.5Bn or 10% percent of GDP
- Estimated total expenditure of \$99.96Bn, 2.9% less than in 2006
- Capital expenditure decrease of 12.2% to \$36.7Bn

Budget Measure

- Increasing personal allowance from \$300,000 to \$336,000 per annum

Review 2006

Economic Targets

Item	2007	2006		2005		2004	
	Budget %	Actual %	Budget %	Actual %	Budget %	Actual %	Budget %
Real GDP growth	4.9	4.7	4.3	(3.0)	2.2	1.6	2.5
Sugar	9.8	5.5	28.0	(24.4)	3.9	7.6	8.6
Rice	4.6	12.4	4.5	(14.1)	12.1	(8.3)	1.4
Livestock	2.0	NA	(3.0)	NA	5.5	2.0	2.0
Forestry	5.0	11.0	4.0	6.0	4.0	0.5	0.5
Mining and Quarry	3.6	(22.4)	(15.4)	(17.7)	(24.9)	(6.6)	(3.0)
- Gold	2.5	(25.3)	(40.0)	(26.3)	(39.5)	(7.3)	(5.5)
- Diamonds	4.5	(7.6)	(5.0)	(19.8)	2.1	3.0	1.8
- Bauxite	0.2	(9.2)	77.6	6.0	51.7	(12.4)	(10.5)
Manufacturing	4.0	4.0	2.0	2.0	4.0	-	1.5
Engineering and construction	5.0	12.0	4.5	9.5	6.5	4.0	3.0
Services	NA	NA	NA	4.6	NA	2.3	NA
- transport and communication	10.0	10.0	4.0	9.5	7.0	3.5	3.0
- distribution	4.0	10.0	4.0	8.5	5.9	NA	2.0
- rent of dwellings	2.0	NA	1.5	4.5	4.8	NA	1.5
Financial Services	4.3	8.0	2.0	6.5	5.5	1.0	1.0
Other Services	6.0	NA	2.0	8.0	4.8	1.6	1.6

NA Not available

Source: Annual budget speeches

2006 Global Facts

The global economy grew by 5.1% in 2006, continuing a solid and broad-based growth for three consecutive years. Even more remarkable is the fact that the forecast growth was only 3.2%. Despite the huge cost of the War in Iraq and sharp political divisions at home, the US economy moved along at a healthy rate of 3.4%. China and to a lesser extent India steamed along at 10% and 8% respectively while the Euro countries led by Germany under Angela Merkel, and Japan all reported improved economic performance.

It seems that economic growth is contagious and many countries which are often pigeon-holed as problem cases such as Chad, Maldives, Angola and Equatorial New Guinea are ranked among the fast growing economies in the world. However, a large number of developing countries remain

highly vulnerable to the vicissitudes of commodity prices and the volatility of international financial markets. Many of these complain about the policies which are forced on them by the international financial institutions including the IMF and World Bank.

The international economic forecasts highlight the need for greater employment growth, which has not kept pace with output growth.

The world economy is expected to decelerate in 2007, mainly dragged by a projected slowdown of the United States. Growth in Europe and Japan, meanwhile, will not be sufficient for these economies to act as locomotives of global growth. Sustained high growth in China, India and a few other major emerging economies seems to have engendered synergy among developing countries so that growth may be less inequitably disturbed an orderly adjustment of global imbalances.

The Global Economy

2006 Local Facts

	Target 2007	Actual 2006	Target 2006
Real GDP growth	4.9%	4.7%	4.3%
Inflation rate	5.2%	4.2%	6.3%
Current account deficit of the balance of payments	US\$175Mn	US\$181.4Mn	US\$198Mn

The Domestic Economy

There was an increase of 4.7% in real GDP from a negative growth of 3% in 2006 against a projected 4.3%. Half-year performance reported by the Bank of Guyana was 0.4% suggesting that the economy must have experienced outstanding growth in the four months following the August 28 General Elections. It always helps with the credibility of numbers if those presenting them offer some insights for any noticeable changes particularly in light of modest growth predicted by the Bank of Guyana.

The main factors on both the positive and negative sides resulting in the annual outturn were as follows: Sugar production grew by 5.5% to reach 260,000 tonnes, a shortfall of 55,000 tonnes attributed to the effect of 2005 floods compounded by exceptional rainfall in 2006. Despite losing 12,000 acres in the first crop due to flooding, rice output increased by 12% while the forestry sub-sector which has been receiving much publicity and exposure has expanded by 11%, which according to the Minister is the highest growth in recent years.

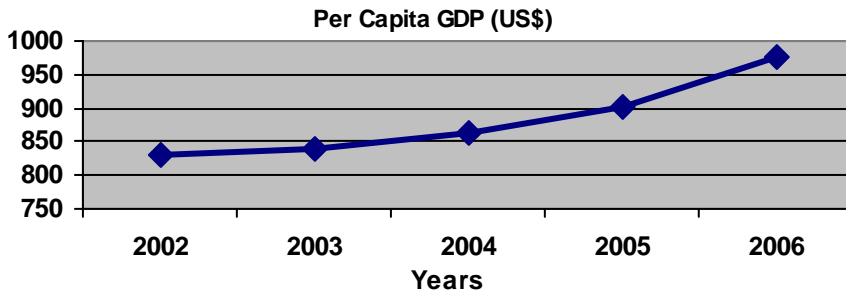
Mining and quarrying fell by some 22.4% as bauxite suffered further setbacks including the temporary closure of Omai Bauxite Mining Inc. in late 2006. Spurred by increased gold prices local miners increased their declaration by 23.1% but the closure of Omai Gold Mines Ltd. in late 2005 caused a net fall in declaration of 23%.

The manufacturing sector doubled the 2% growth recorded in 2005 which the Minister attributed to growing optimism and confidence in the business community and more questionably 'the conduciveness of the policy environment'.

Strong growth (12%) was seen in the engineering and construction sector as a result of the

construction of hotels, residential accommodation and extensive infrastructural works. The Minister also reported double digit growth in telecommunications with an upsurge in cellular telephone and internet services, which however must also be adversely affected by the internet telephone services, and a similar growth in distribution (10%). Finally, financial services rose by 8% attributed to strong growth in private sector credit.

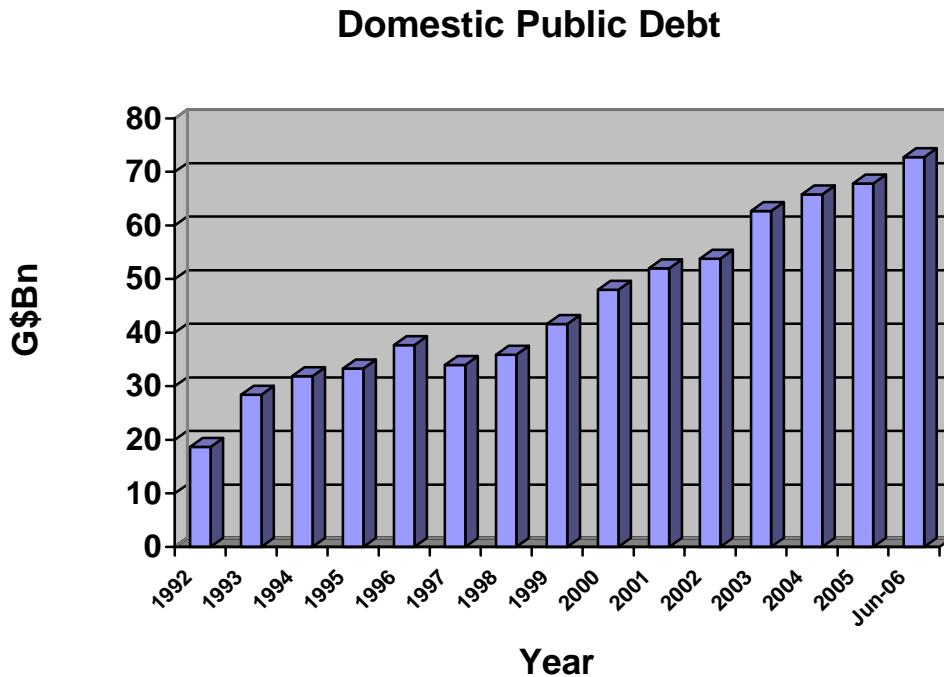
Per capita GDP for 2006 was US\$974.9 compared with US\$902.6 in 2005 (Per Capita GDP is the total output produced inside a country during a given year divided by the total population). The mid-year population is reported at 760,000, an increase of 0.3%.



Source of information – Bureau of Statistics

Debt

The growth in the domestic debt from 1992 to June 2006 is shown in the following graph:



Source of information – BOG Statistics – All shown at December except 2006.

With the consistent deficits arising from Government expenditure far exceeding revenues, the stock

of domestic debt which consists of government treasury bills, debentures, bonds and the CARICOM loan has been increasing annually and now represents 287.44% more than the level of the debt in 1992. The major holders of the outstanding treasury bills are the commercial banks with the National Insurance Scheme and the other financial intermediaries holding the remainder.

Foreign debts

The Government has continued to benefit from debt relief and completed the Paris Club debt relief process with an agreement with Japan and with non-Paris Club bilateral creditors including a debt cancellation with Cuba! and is continuing negotiations with members of the CARICOM Multilateral Clearing Facility for relief of US\$29.2 million.

During the year, net external borrowing amounted to \$20.8Bn while interest payments declined by \$198Mn to \$7.1Bn.

The current account on the balance of payment reflected a surplus of US\$44.9Mn in 2006, an increase of US\$36.8Mn over 2005.

Balance of Payments Stated in US\$Mn	Budgeted	Half Year	Revised	
	2007	2006	2006	2005
CURRENT ACCOUNT	(175.00)	(96.40)	(181.40)	(149.90)
Merchandise trade	(305.00)	(158.30)	(283.70)	(234.60)
Services (net)	(90.00)	(43.90)	(113.80)	(81.90)
Transfers	220.00	105.70	216.10	166.60
CAPITAL ACCOUNT	235.00	106.00	244.10	180.60
Capital Transfers	80.00	28.90	89.10	52.10
Non - financial public sector	50.00	28.20	70.00	66.70
Private capital	123.00	75.00	100.00	76.80
Short term capital	(18.00)	(26.10)	(15.00)	(15.00)
Errors and Omissions	(19.00)	27.70	17.80	(22.60)
Overall balance	41.00	37.30	44.90	8.10

Source of information - *Estimates of the Public Sector*

The reported private transfers representing remittances and in-kind transfers amounted to US\$216 million, US\$24 million more than the export earnings from rice and sugar combined!

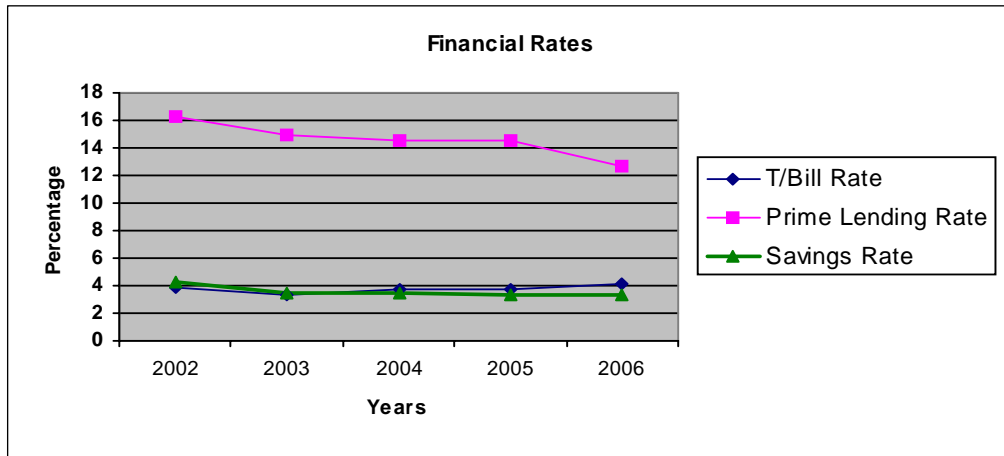
Public Sector Investment

Despite the constant complaint of absorptive capacity and shortage of skills, the Public Sector Investment Programme (PSIP) disbursed approximately \$31.8Bn in 2006, slightly lower than the G\$32.5Bn in 2005.

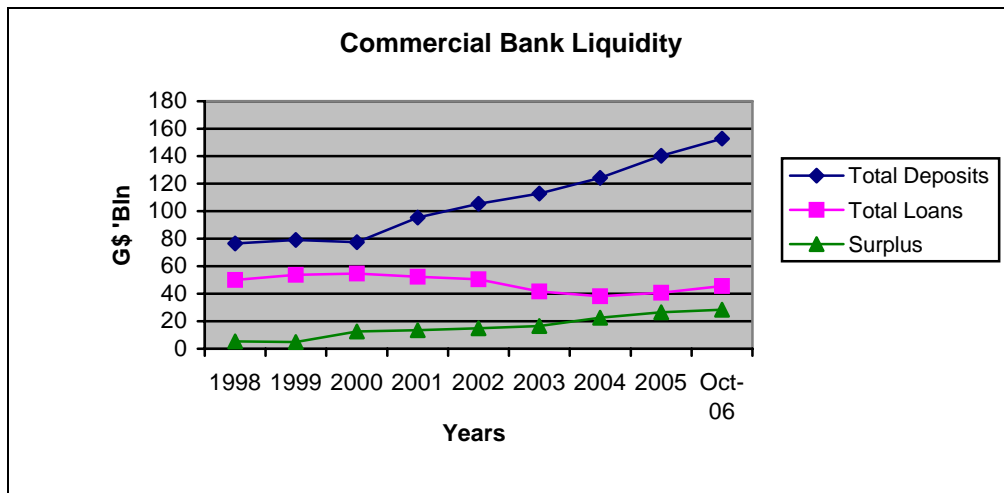
Banking and Interest Rates

91-day treasury bills rates increased from 3.74% to 4.16% and the small savings rate remained unchanged at 3.38%. Additionally, the weighted average lending rate increased from 10.06% to 12.73%.

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



Source of information – BOG Statistics



Source of information – BOG Statistics

The Exchange Rate

According to the Minister there was a slight depreciation in the value of the Guyana dollar to the US dollar of 1.13% to G\$203.67 per US dollar.

Domestic Credit

Net domestic credit increased by 7.5% to \$42.9B while credit to the private sector grew by 17.9% to \$61.8B. Credit to the mining sector expanded by 176%, manufacturing 36.1% and real estate by 34.6%.

Ram & McRae's Comments**Interest spread**

Interest rate spreads in Guyana considerably exceed those in the leading Caribbean economies and indeed Guyana is second only to Suriname. There is a high degree of concentration both within industry and related parties. The concentration is most vividly demonstrated when the amount of credit disbursed to the top three borrowers was almost 20%. In the 2007 Business Outlook Survey carried out by this firm, interest rate was ranked as the second most important financial issue confronting businesses.

Remittances

The Minister reported but did not analyse the growing importance of remittances and in kind transfers, a phenomenon that is now considered a critical international financial issue as well as an important social factor in the country. These, as we noted above, exceed the earnings of sugar and rice, two of the pillars of the Guyana economy for more than 100 years. Given the significance, a better way to mobilise and utilise these resources for both personal and national development would appear to be long overdue.

Forestry

Despite the historic growth in the forestry sector, the major player Barama continues its merry loss-making for a record seventeen years while the Government continues to extend to it incentives that probably run into tens of millions! Imagine Trinidad & Tobago giving the oil companies tax holidays and incentives for exploiting its exhausting natural reserves. Had we had a Freedom of Information Act or proper statistics coming out of the Guyana Revenue Authority citizens would have been able to ascertain the revenues and cost of our extra-ordinary generosity to the sector.

Guyana is once again in danger of becoming an economic colony with its bauxite, rice, gold, timber, forestry, commerce and finance increasingly under foreign control. While diversified ownership has to be seen as part of globalisation, Guyana has to make sure that it receives an equitable share of its natural and national resources. We have seen how dependence on a single company, OMAI, could have such a substantial impact on the sector in which it operates and indeed on the entire economy.

Our economic managers are in something of a dilemma when it comes to the domestic debt. On the one hand, it helps to play a role in monetary management and the control of the exchange rate while on the other, it acts as something of a moral hazard to financial institutions that may be less inclined to explore and develop potential lending opportunities. But that is no excuse for failure to be proactive.

2006 Legislation

There were some thirty (30) Bills published in the Official Gazette during 2006 most of which were debated and passed by the National Assembly. Unfortunately several of those are lying at the Office of the President awaiting assent.

Because of the uncertainty surrounding the status of these, we hesitate to publish as we usually do, a comprehensive list of the Acts and instead, we summarise hereunder the more important Acts.

The Berbice River Bridge Act 2006 which provides for the ostensibly privately financed Berbice River Bridge. In fact a significant portion of the funds will come indirectly from the National Insurance Scheme whose financing is itself a matter of comment elsewhere in this Focus.

The Amerindian Act

This Act was passed over the objections of the representative Amerindian organizations. It provides for the recognition and protection of the collective rights of Amerindian Villages and Communities, the granting of land to Amerindian villages and Communities and the promotion of good governance within Amerindian Villages and Communities

Caribbean Community (Movement of Factors) Act

This is one of the more significant developments in the long march towards the CARICOM Single Market and Economy (CSME) which is due to create a single economic space by January 1, 2008. The Act provides for the movement of skills and the right of establishment by residents of one member State in any other member State.

Very few Guyanese businesses and professionals appear to have taken advantage of these rights while businesspersons from neighbouring countries are becoming increasingly prominent and active in Guyana.

The Competition and Fair Trading Act

This Act is intended to promote, maintain and encourage competition and to prohibit the prevention, restriction or distortion of competition and the abuse of dominant positions in trade; to promote the welfare and interests of consumers; and to establish a Competition Commission.

The ICC World Cup West Indies Act

This and a number of other pieces of legislation were necessary to meet Guyana's commitment to co-host the ICC Cricket World Cup West Indies 2007.

It is quite disturbing the casual approach not only to the way legislation is drafted and reviewed at the technical level but also the uninformed manner in which the National Assembly dissects and debates legislation. The stories are too many of Members of Parliament voting for or against a piece of legislation not having read it but based purely on political considerations.

How many members of either side of the floor know the distinction between a zero-rated and an exempt item and did they know for example that by the passage of Financial Administration and Audit Act they have given a blanket authority to the Minister of Finance to vary the rates of certain products without the need even for publication?

Many persons would argue that imposing or varying a tax is a power which may be exercised only by the legislative body and that to entrust it even to a member of the legislative acting in his capacity as an executive is an invitation to abuse.

Worse still one section of the VAT Act allows the Commissioner General to set a penalty, an issue to which attention has been drawn but ignored.

The failure by the President to assent to legislation passed by the National Assembly other than in a manner prescribed by the Constitution is a serious development that goes to the core of the rule of law.

What are the Parliamentary Management Committee, the Attorney General, the Speaker and the Clerk of the National Assembly doing about this development?

This failure compounds the state of our laws. Guyana badly needs law reform and consolidation, an exercise which last took place more than thirty years ago - a sad reflection on a country that claims a commitment to the rule of law.

Unfinished Business

Every year, Focus tracks the implementation of the key issues and policies identified in previous Budget Speeches. While there have been some noticeable improvements, several difficult and complex issues are often left hanging. In this section, we consider those issues outstanding from previous years and offer some comments thereon:

- **Household Budget and Living Conditions Survey** - The Statistical Bureau was to conduct a Household Budget and Living Conditions Survey started during 2005. The Minister announced that this was continuing. This is rather long for any exercise of this nature and it is possible that by the time the Survey is completed, it may have to be started all over again.
- **The Skeldon Modernisation Project** - Scheduled for completion in 2007.
- **Feasibility work to be done for alternative generations of energy form wind, solar, hydro and biological sources** - in progress but with setbacks.
- **Freedom of Information Act** - This was referred to in the Draft 2005 PRSP Progress Report but does not appear to be a priority despite its potential for enhancing accountability. Indeed an initiative by the AFC to introduce such an Act is being stymied by the Government.
- **The Deeds Registry Act** - No progress.
- **Review of the Companies Act, 1991, the Partnership Act, the Business Names (Registration) Act and the Friendly Societies Act** - No progress.
- **Action plan based on the Labour Market Study as addressed in the Draft 2005 PRSP Progress Report** - There is no indication whether this has been done.
- Full implementation of the **Fiscal Management and Accountability Act** - Not done.
- **Establishment of a family court** - committed several years ago - repeated this year.
- **Review of tax exemptions** - During 2006, the Government and GRA were so occupied with elections and Value Added Tax, no attention was made to the wider issue of tax reform. Tax reform has been on the agenda for several years with legislation being passed within the last three years providing a framework for addressing the widespread tax evasion. There has not been a review/report on the review of the costs and benefits arising from present tax exemptions with the assistance of the Caribbean Technical Assistance Centre.
- **Reform of judiciary** - there is now so much uncertainty about key positions such as Chancellor and Chief Justice, acting appointments and vacancies that the courts again seem over-whelmed.
- **Tabling legislation on bankable property rights** - The Minister should tell the nation whether this proposal has been shelved.
- **Bank of Guyana Reform** - Consultations were conducted in 2003 on the feasibility of the implementation of a deposit insurance scheme and a report was submitted, but there was no mention made by the Minister in the Budget speech 2006.

- **Amendments to the Anti Money Laundering Legislation** - Bill still to be presented.
- **National Drug Strategy Master Plan** - still being implemented
- **The Institutional Strengthening Project in the Office of the Auditor General.** More money being spent but results uncertain.

2007 Policy Issues and Targets

In outlining **Vision 2011: the Agenda for 2007 and the Medium Term**, the Minister announced the embarking on a process of modernising the economy pursuing a macroeconomic stability characterised by low inflation and interest rates, improved balance of payments and strengthened international reserves. Observers will note that these are broadly the same IMF policies set out by PNC Finance Minister Carl Greenidge and every Finance Minister since 1989.

For all of this Guyana ranks 111 out of 125 countries in competitiveness and for Dr. Singh to premise the next five years on the same goals suggests that those for 2001-2006 were not achieved.

In introducing the Targets for 2007 on page 48 of his Speech, the Minister expressed confidence about the achievement of the policies, programmes and targets but conditioned these by the caveat 'once there are no significant adverse developments at home or abroad.' He noted that the 2007 Budget aimed at supporting private sector investment and broad based growth in order to protect real incomes.

Real GDP Growth - 4.9%

- The projected growth of 4.9% is still below the projections in the last Poverty Reduction Strategy Paper.
- Despite the heavy preferential price cuts the country had enjoyed in sales to the protected EU sugar market, sugar production is expected to reflect improved results during 2007 and completion of the Skeldon Modernisation Project. As a result a 24% improvement in the total national production is projected despite the fact that the flagship Skeldon Project is not scheduled to produce until February 2008.

This is an extremely ambitious project and the Government has to ensure that there is no slippage and that the market exists not only for the product but also to supply the labour which is so vital to the industry.

The Minister claimed that the Government's foresight in the preparation of a Strategic Action Plan may have saved the 'sector from oblivion'. He announced that Guysuco was expected to spend on its capital programme some \$11.7 billion in 2007 which would not only see a significant increase in the volume of production but also the export of some 10 megawatts of power to the national grid by June 2007.

Other than production volume increases, the Minister gave no indication of the level and timing of returns which the nation can expect from this massive investment.

- Growth in the rice sector is projected to decelerate to 4.6% after an increase of 12.4% in 2006 and despite the launch of a \$3 billion Rice Competitiveness Project for the rehabilitation of pumps, improvement to drainage and irrigation structures and the provision of financial and technical assistance.
- Livestock and the forestry sectors are projected at 2% and 5% respectively. Despite all the generous concessions being given to the major players in the forestry sector and the record performance in 2006, that sector too is slated for lower growth.

- Bauxite through private investments is expected to give signs of renaissance in the industry through the setting up of a large scale bauxite alumina plant. Bauxite is projected to grow by 0.2%.

After the high expectations only two years ago, the bauxite sector is once again facing some uncertainty and may even have been one of the reasons for the President's recent trip to Russia. We have had bitter experiences placing too much hope in mega-investors and not recognised that such operators generally find the concept of win/win entirely alien. Guyana simply has to find another way to benefit from the exploitation of its resources if we are not to remain a long term poor. We can no longer simply justify lop-sided relationships because of the creation of jobs - that is not a favour but rather the exploitation of another of our resources.

- Engineering and construction is anticipated to grow by 5% driven by the construction of the Berbice River Bridge expected by 2008 and restarted construction works done on the Takatu River Bridge linking Guyana with Brazil. Other rehabilitation work will be done on roads in urban, regional and community roads and resurfacing of the Demerara Harbour Bridge to be done in 2007.

Statements emanating from top Government leaders suggest some ambivalence to the Brazil-Guyana link and the heavy economic and other costs that have already been incurred. Brazil is not only a major trading opportunity but a strategic neighbour as well.

- In spite of the good performance expected by bauxite and gold declaration by small miners, the mining sector would continue to feel the effects of the lost contribution of Omai Gold Mines Limited which has seen gold fall by 25.3% in 2006 and 26.3% in 2005. This sector has however been projected to reflect growth over the next year.
- Tourism is expected to make a major contribution to GDP growth over the next five years.

The Minister carefully avoided any reference to Casinos in discussing the tourism sector. Indeed in his sectoral review of 2006 he did not mention tourism's contribution and in discussing projections he referred to tourism products such as 'leisure', events and sports tourism and nature-based tourism.' Was the omission of 'casinos' accidental and what does major contribution in fact mean? There will be a huge challenge to fill all those rooms once World Cup cricket is over. That surely warranted attention.

- Strong growth is also expected in Transportation and Communications and Distribution along with a few other sub-sectors.
- The search for oil resources continue with five companies. One of which will be involved in offshore exploration, anticipated in the latter half of 2007.

The search for oil has excited all our Finance Ministers over the past two decades and no doubt Dr. Singh hopes that under his watch the country will make the strike. But he needs to be cautious - only a couple of years ago, the air buzzed with the prospect of an on-shore oil find on the Corentyne.

- The Minister announced the intention to exploit alternative power sources to facilitate high power demands required by the country in order to achieve its prospect of a sustainable macroeconomic economy. He announced feasibility studies being carried out on potential wind energy from Orealla, solar generation at Capoey Village, diesel generation at Madhia, and hydro generation at Barima River and Cheung River. He also reported that general feasibility studies of the hydropower sites will be conducted at the Cheung River and Eclipse Falls. The co-generation project at Skeldon utilising bagasse would result in another 10MW of power being available to GPL by June 2007.

He also announced the signing of a Memorandum of Understanding for a hydro-power project at Amalia Falls in the Potaro Region which will provide cheap renewable source 'for the next hundred years'. That project is also tied to a Power Purchase Agreement for the supply of 25 MW of power by mid-2007.

In fact, we understand that the PPA was for delivery by March 2007 but that the 'preferred investor' has been unable to raise the funds to bring the second-hand equipment from Mexico. That does not give much cause for confidence about the hydro-power project.

Monetary Policy & Inflation

The Minister announced that the rate of inflation for 2007 is expected to be 5.2%.

Given the impact on prices following the introduction of VAT, the inflation target seems unrealistic. Unfortunately the Minister gave no indication whether the estimate was before or after the VAT price surge. If the financial plans and targets are based on this inflation expectation, then the Minister may find that he will have to make significant adjustments to Expenditure during the year.

It would be unrealistic for example to expect public servants to accept - or in the case of the teachers, to honour, the agreement which binds them to low increases over five years - if the price surge does not quickly revert to pre-VAT levels.

Balance of Payment

The Minister expects the balance of payments situation to remain almost identical with 2006 and one wonders whether there will be any windfall from the billions invested for World Cup Cricket and if so, where this is reflected. The performance of the Balance of Payments is one of the factors that can affect the exchange rate but not surprisingly, the Minister does not indicate what assumptions he has made about the exchange rate which has declined in 2006 not only in relation to the United States Dollar but more significantly against other currencies.

Revenue and Expenditure

Revenue is expected to grow by 4.1% to \$64.9Bn with Customs and Trade Taxes increasing by 9.3% and an increase in other revenue of 4.6%.

Current expenditure is expected to rise by 1.1% to \$55.7Bn which was as a result of payment of 9.5% increase in personal emoluments. A marginal decline has been projected for other goods and services while interest payments are proposed at \$5.4Bn.

Capital expenditure is expected to decrease to \$36.7Bn or by 12% while grant financing is expected to decrease by 20.5%. The overall deficit is programmed to be \$18.9Bn or 9.7% of GDP.

For a discussion of these, please refer to *The Government of Guyana Financial Plan 2007* section of this Report.

Other issues

Judiciary and security: -Implementation of the Justice Sector Reform strategy in 2007 at a total cost of \$5B .

Particularly among those who have had experience with the courts, public confidence in the judiciary is extremely low and does little for respect for the rule of law. A large percentage of businesses are not confident that property rights would be respected by the courts and consider the court system an obstacle to their businesses.

Public Sector Reform: -Expenditure of \$248Mn to improve and strengthen the functions and capacity of the Audit Office of Guyana and the Guyana Revenue Authority to properly administer the recently implemented Value Added Tax and Excise Tax.

It has become clear that availability of quality personnel is a major consideration in the effectiveness of both the Audit office and the Guyana Revenue Authority. The problem may however be more than training and the perceived politicisation of these offices has to be removed if they are to properly execute their mandate.

Crime: -Reformation of the security and defense sector at a cost of \$9B in setting up of a Special Weapons and Target Unit (SWAT).

-Implementation of the National Drug Strategy Master Plan and the reorganisation of the Customs Anti Narcotics Unit (CANU).

One of the uncertain matters with respect to crime is whether the President would persist in his appointment of Mr. Bernard Kerrick and how soon the Government will move to confirm Mr. Henry Greene or appoint someone else as Commissioner of Police.

The Government of Guyana Financial Plan 2007

The table on the page 27 presents a summary of the Government's projected Financial Plan for 2007. Once again, we note that certain prior year figures and specifically interest expenditure are re-stated in a subsequent year without any explanation. The annual restatement of these numbers involving the domestic debt is a troubling indication that this debt which is reaching alarming proportion is not receiving the attention it demands.

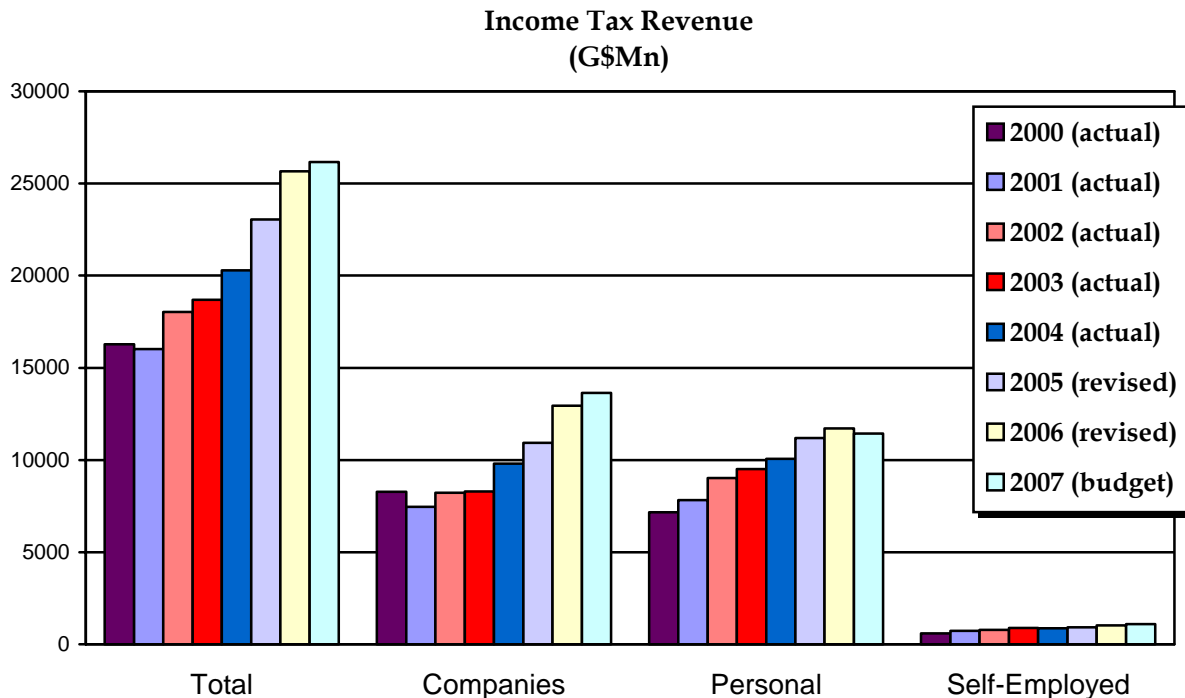
The 2007 Plan projects a current balance of G\$3.8Bn, an improvement of \$1.042Bn in the revised 2006 results.

The main elements of the 2007 Plan are:

Current revenues are projected to increase by G\$2.5Bn to G\$64.9Bn for 2007 from G\$62.3Bn in 2006. The Guyana Revenue Authority is expected to bring in revenues of \$60.81Bn or 94% of current revenue. The GRA's collection will therefore increase by some \$ 2.4Bn, or 3.7% over 2006.

Of the GRA's collections, the Internal Revenue is expected to bring in G\$30.1Bn compared with G\$30.4Bn, a decrease of 1% or G\$299Mn. This however, is more than compensated by collections by the Customs and Trade Administration of G\$30.6Bn, an increase of G\$2.6Bn or 9.3% from 2006.

This is the first time in several years that collections by the Customs and Trade Administration will exceed that of Internal Revenue. The question is whether this reversal is in any way affected by the introduction of the Value Added Tax and therefore of relevance whether or not the VAT is in fact revenue - neutral.

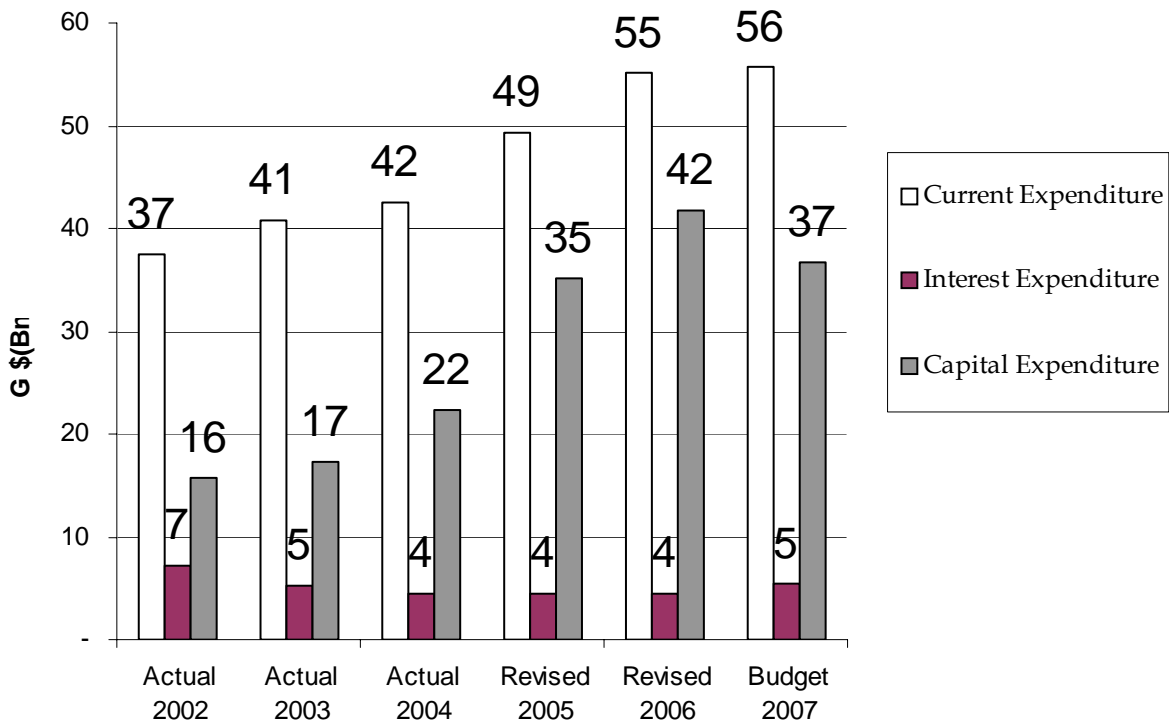


Total Current non-interest expenditure is projected to increase by G\$0.6Bn from G\$55.1Bn to G\$55.7Bn for 2007 as compared with revised 2006 figures. Personal emoluments of G\$21.9Bn

represents a 9.5% or G\$1.9Bn increase over 2006 actual. Wage increases to public sector employees have averaged 5.5% and the 9.5% increase must therefore reflect either an increase in the workforce or increases to segments in the workforce.

Interest expenditure is projected to increase by 20.5% or G\$918.3Mn from G\$4.5Bn in 2006 to G\$5.4Bn in 2007, with domestic debt showing an increase of \$1Bn while interest on external debt is projected to decrease by \$80Mn.

Expenditure Trend from 2002 to 2007



Capital revenue and grants are projected at G\$12Bn, representing a G\$3.1Bn or 21% decrease over the record G\$15.1Bn for 2006. HIPC funds are projected at \$2.8Bn or \$ 1Bn less than 2006 while Project and Program funds will have a more significant \$2.1Bn.

Capital expenditure of G\$36.7Bn represents a decrease of G\$5.1Bn or 12.2% over 2006 latest estimates of G\$41.8Bn.

For a further analysis of current and capital expenditures, please refer to page 28 - 'Who Gets What'.

Debt repayment is projected at G\$2.1Bn (2006 - G\$3.5Bn) made up of domestic debt repayments of a modest G\$52Mn (2006 - G\$1.1Mn) while external debt repayment is projected at \$2.06Bn.

There is an overall balance of G\$23Bn which will be financed by a combination of domestic and external borrowings.

During 2007, domestic and external debt service as a percentage of current revenue is projected at

11.6% compared with the revised budget for 2006 of 12.6%.

Ram and McRae's Comments

1. Once again we find the enormous disparity between the taxes paid by employed persons whose taxes are deducted by their employers and those taxes paid by the self employed. It is surely time that this injustice is dealt with and some equity and fairness restored to the system.

Additional spending in 2006 over the budgeted current expenditure of \$3.026Bn was more than compensated for by an unbudgeted increase in revenues of \$3.825Bn. However with interest expenditure of \$418Mn less than budget, the current balance was \$1.2Bn better than budget.

2. While company taxes was expected to increase by 7% and personal taxes decreased by a similar percentage, company taxes in reality increased by 19% while personal income tax increased by 5%.

Ten years ago the taxes paid by companies far exceeded personal taxes. With many businesses operating with illegally obtained funds, the company form is no longer the preferred option whether on Regent Street, Pitt Street or Sheriff Street. With no need for audits, the banks anxious to lend and weak regulatory controls, the traditional reasons for incorporation no longer exist.

3. In the whole debate on VAT the question of the rate and the revenue potential was hotly discussed and the meaning of revenue neutrality debated. It was never explained for example, what was the base year for the establishment of revenue neutrality and how all the subsequent changes including the restoration of the Travel Voucher Tax and the Premium Tax, the zero rating of items and inventory credit affect this nebulous concept of revenue neutrality.

Based on the estimates presented however, it appears reasonable to conclude VAT is not revenue neutral, but will bring in more than \$1Bn in additional revenues.

It is worth noting as well that despite the long lead time for the preparation and implementation of VAT, the Estimates do not include any revenues from interest and penalties either on the VAT or the Excise tax.

4. The Government continues to run up significant deficits, which are only partly financed by grants. It must therefore borrow substantial sums from domestic and external sources which carry up the debt burden.
5. In 2006, debt service as a percentage of Current Revenue turned out to be marginally lower than the 15% that had been budgeted, largely on account of lower external debt service or possibly debt relief.

Financial Operations of Central Government (Accounting Classification)

Particulars	Budget	Revised	Budget	Actual	Actual	Actual
	2007	2006	2006	2005	2004	2003
CURRENT REVENUE	64,907.6	62,356.6	58,531.1	56,152.3	51,664.4	45,390.4
1.1 Guyana Revenue Authority	60,819.7	58,446.7	54,796.7	52,980.80	48,286.40	41,526.70
1.1.1 Internal Revenue	30,188.6	30,417.8	27,566.9	27,199.70	24,747.60	22,386.50
1.1.2 Customs & Trade	30,631.1	28,028.9	27,229.8	25,781.10	23,538.80	19,140.10
1.2 Sugar Levy	-	-	-	-	-	-
1.3 Other	4,087.9	3,909.9	3,734.4	3,171.5	3,378.0	3,863.7
CURRENT EXPENDITURE	55,698.1	55,108.0	52,082.3	49,390.9	42,462.2	40,822.0
2.1 Personal Emoluments	21,986.4	20,085.2	20,439.1	18,538.6	17,321.9	16,341.1
2.2 Goods and Charges	18,194.6	19,483.6	17,106.2	17,089.3	12,987.2	11,117.4
2.3 Transfer to the Private Sector	15,517.1	15,539.2	14,537.0	13,763.0	12,048.1	10,097.7
2.4 Transfer to the Public Sector	0.0	0.0	0.0	0.0	105.0	3,265.8
INTEREST EXPENDITURE	5,402.7	4,484.4	4,902.9	4,370.4	4,481.2	5,310.9
3.1 Domestic	3,615.5	2,618.4	2,829.4	2,934.4	2,949.6	2,966.3
3.2 External (Cash)	1,787.2	1,866.0	2,073.5	1,436.1	1,531.7	2,344.6
CURRENT BALANCE	3,806.8	2,764.2	1,545.9	2,390.9	4,721.0	(742.5)
CAPITAL REVENUE & GRANTS	12,026.20	15,141.40	15,183.90	9,360.10	7,788.50	4,994.40
5.1 Grants	12,026.20	15,141.40	15,183.90	9,341.10	7,769.50	4,983.00
5.1.1 HIPC	2,822.80	3,820.90	4,436.60	2,783.2	3,566.6	2,338.7
5.1.2 Project and Programme	9,203.40	11,320.50	10,747.40	6,557.9	4,202.8	2,644.3
5.2 Other (inc. Sale of Assets)	0.0	0.0	0.0	0.0	19.0	11.4
CAPITAL EXPENDITURE	36,697.50	41,806.40	42,014.40	35,143.2	22,416.7	17,292.5
DEBT REPAYMENT	2,114.20	3,452.50	3,872.80	2,171.90	3,553.40	2,484.70
7.1 Internal	51.90	1,143.40	1,099.40	34.6	34.2	49.8
7.2 External (Cash)	2,062.30	2,309.10	2,773.40	2,137.3	3,519.2	2,434.9
OVERALL BALANCE	(22,978.70)	(27,353.30)	(29,157.30)	(25,564.10)	(13,460.70)	(15,525.30)
TOTAL FINANCING	22,978.70	27,353.30	29,157.30	25,564.10	13,460.70	15,525.30
9.1 External	18,156.40	17,007.90	18,289.60	17,599.7	12,806.9	11,596.7
9.2 Domestic	4,822.30	10,345.40	10,867.70	7,964.4	653.8	1,928.6
9.3 Divestment (net)	0.00	0.00	0.00	0.00	0.0	2,000.00
Total Domestic and External						
Debt Service as a % of Current						
Revenues	11.6	12.7	15.0	11.7	15.6	17.2

Who Gets What In 2007

Current Non-Interest Expenditure

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

Central Government's non-interest current expenditure (employment costs and other charges) for the year is budgeted at G\$53.601Bn which is 1% more than revised 2006. The Ministries/ Departments with the most significant allocations are:

Ministries/Departments	2007		Revised 2006		% Inc./ (Dec)
	\$ (Mn)	%*	\$ (Mn)	%*	
Ministry of Finance	11,307	17.87	12,782	20.99	(11.54)
Ministry of Education	4,997	7.90	4,739	7.78	5.44
Ministry of Home Affairs	4,794	7.58	4,319	7.09	10.99
Guyana Defence Force	3,523	5.57	3,267	5.36	7.85
Ministry of Health	2,667	4.22	2,355	3.87	13.24
Ministry of Labour, Human Services & Social Security	2,509	3.97	2,375	3.90	5.64
Georgetown Public Hospital Corporation	2,427	3.84	2,252	3.70	7.78
Ministry of Foreign Affairs	2,163	3.42	1,941	3.19	11.44
Office of President	1,463	2.31	1,365	2.24	7.17
* Percentage of total current expenditure					

As in the previous year, the Ministry of Finance, Ministry of Education, Ministry of Home Affairs and Guyana Defence Force receive the most significant allocations. Separate allocations are provided for the Ministry of Foreign Trade and International Cooperation and the Ministry of Amerindian Affairs. It is unfortunate that the Ministry with the greatest need and promise – Human Services – is the recipient of the smallest increase. The regions with the most significant allocations are:

Region	2007		Revised 2006		% Inc./ (Dec)
	\$ (Mn)	%*	\$ (Mn)	%*	
No.6 East Berbice Corentyne	2,082	18.95	1,898	18.96	9.69
No.4 Demerara/Mahaica	1,766	16.08	1,633	16.32	8.17
No.3 Essequibo Islands/West Demerara	1,704	15.52	1,556	15.55	9.53
No.2 Pomeroon/Supenaam	1,135	10.33	1,073	10.72	5.74
No.10 Upper Demerara/Berbice	1,081	9.84	998	9.97	8.31
No.5 Mahaica/Berbice	951	8.66	859	8.58	10.69
* Percentage of regional allocation					

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

Ministries/Departments	2007	2006	Difference	%
	\$ (Mn)	\$ (Mn)	\$ (Mn)	Inc/(Dec)
Ministry of Housing and Water	486	359	127	35.28
Ministry of Finance	11,307	12,782	(1,475)	(11.54)
Ministry of Health	2,667	2,355	312	13.24
Ministry of Education	4,997	4,739	258	5.44
Ministry of Home Affairs	4,794	4,319	475	10.99
Ministry of Labour, Human Services and Social Services.	2,509	2,375	134	5.64
Ministry of Foreign Affairs	2,163	1,941	222	11.44
Ministry of Public Works and Communications	501	609	(108)	(17.66)

Capital Expenditure

Central Government's capital expenditure for the year is budgeted at G\$36.698Bn which is 12% below revised 2006 and 37% of total 2007 expenditure. The Ministries/ Departments with the most significant capital expenditure allocations are:

Ministries/Departments	2007		2006		% Inc./(Dec)
	\$ (Mn)	%*	\$ (Mn)	%*	
Ministry of Finance	9,372	25.54	15,894	37.83	(41.03)
Ministry of Public Works & Communications	7,417	20.21	8,050	19.16	(7.86)
Ministry of Housing and Water	4,096	11.16	3,606	8.58	13.58
Ministry of Agriculture	3,696	10.07	3,111	7.40	18.81
Ministry of Health	2,549	6.95	1,184	2.82	115.29
Ministry of Local Gov't & Regional Development	1,898	5.17	2,168	5.16	(12.48)
Ministry of Education	1,749	4.77	2,064	4.91	(15.27)
Ministry of Labour, Human Services & Social Security	962	2.62	1,246	2.97	(22.79)

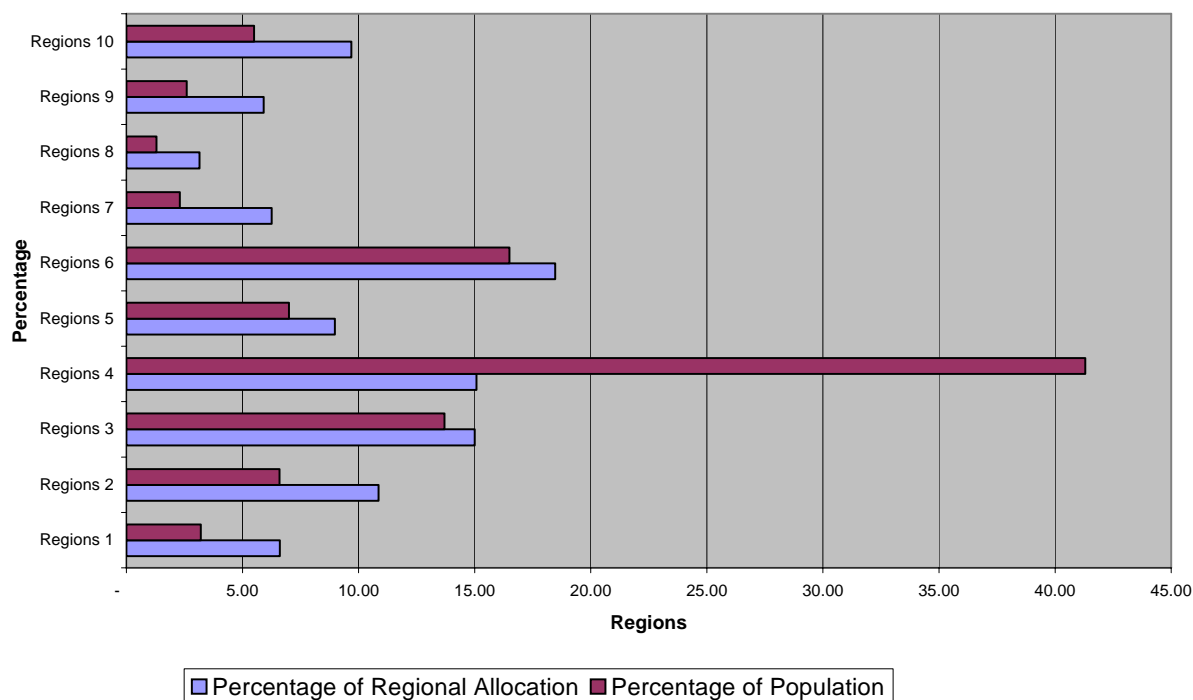
* Percentage of total capital expenditure

Regional Allocations

Region 6 (East Berbice/Corentyne) whose share of the country's population is 16.5% based on the 2002 Census Report received approximately 18.47% of the total current expenditure amount allocated to the regions. The situation regarding the total expenditure allocation is similar to previous year with Region 3 (Essequibo Islands/West Demerara) whose share of the population is 13.7% receiving 15% of the regional allocation. Region 4, which has 41% of the country's population receives 15.07% of the total expenditure allocated to the regions.

The regional allocation is however of limited use only as Region 4's allocation is distorted by the range of costs such as education and health which are charged to respective ministries while in the other regions such costs are accounted for in the regional budget.

Percentage of Regional Allocations to Population Totals



Highlights from Ministers' Speech

The Minister in his speech highlighted the following allocations:

Area	2007 \$Mn
Education Sector	15,600
GUYSUCCO Capital programme	11,700
Health Sector	10,000
Security sector	9,300
Roads and bridges	9,240
Agriculture sector	4,800
Rice Competitiveness Project	3,000
Water and Sanitation Sector	2,900
Sea Defence and Drainage	2,300
Poverty Reduction	1,860
Housing Sector	1,700
Justice Sector	1,000
Youth, Sport and Culture	689
Air and River Transport	400
Elderly and Social Protection	400
Programme for Manufacturing Sector	164
Guyana Tourism Authority	66
Lethem Complex for Immigration, Customs, Police and Health	38

Ram & McRae's Comments

The total funds voted within the Ministry of Finance amounts to approximately G\$22.31Bn or 22.32% of the total budget. In 2006 the total fund voted to the Ministry of Finance represented 27.86% of the total budget.

2007 Budget Measures

▪ *Income tax*

The only measure announced in the Budget Speech was an increase in the income tax threshold from \$300,000 to \$336,000 effective from January 2007. The income tax rate remains at 33⅓%.

Ram & McRae's Comments

Income Tax

The increasing of the threshold results in savings of \$12,000 per annum for those earning above \$336,000 per annum (\$28,000 per month). This equates to tax savings of \$1,000 per month. Employers could immediately adjust for the increase since they are unlikely to have remitted PAYE for January.

With inflation optimistically projected at 5.2% for 2007, the real increase is \$20,400 (the 2006 threshold of \$300,000 adjusted for projected inflation is \$315,600) or additional spending power of \$567 per month, for those persons who earn more than \$28,000 per month.

The threshold has still not caught up with inflation if measured from 1997. In that year, the threshold was \$216,000 and adjusted for inflation would be \$367,747 or \$31,747 higher than the new threshold.

As pointed out in our 2006 Budget Focus, the IMF in 2002 proposed a three tier personal allowance tax reform programme under which by 2005 the tax threshold should have been increased to \$300,000, with 20% applying to taxable income between \$300,000 and \$552,000, and 35% applying to the remainder.

In both the above cases therefore, there is a deficit against taxpayers even as the Government has continued to collect increasing amounts of taxes from the wage-earner while signally failing to enforce legislation that would have required the self-employed to make a fairer contribution to the tax burden.

No additional relief is provided for the impact on the cost of living caused by the introduction of VAT, which in the immediate aftermath of its introduction saw a dramatic increase in the cost of goods and services. Even allowing for a reduction and stabilisation of prices following the additional list of zero-rated items, the increase in the threshold will not compensate for the likely increase in the cost-of-living.

Consequently, the position of persons with low or no income will be worse off.

Regional context

The Budget contained no measures in respect of the tax rates applicable to Companies which had been called for by the private sector and no increases for pensioners or others in receipt of public assistance. Put into a regional context, Guyana will continue to rank as the highest taxed nation as shown in the following table:

	Guyana	Jamaica	Trinidad	Barbados	Antigua
Personal Allowance (G\$)	336,000	572,582	1,837,800	2,193,975	2,600,280
Rate(s) of income tax	33½%	25%	25%	20%/35%	10% to 25%
Corporate tax rate	35%/45%	33½%	25%	25%	30%

Sources: Budget speeches of regional finance ministers, *Doing Business* (a World Bank publication), *Budget Analyses* by Ernst & Young Caribbean.

Additional allowances are granted by other CARICOM countries for education, dependants, housing, etc. making Guyana's personal allowance even less attractive.

With the implementation of the Caribbean Single Market and Economy and particularly with the passage of the Caribbean Community (Movement of Factors) Act 2006 that allows the free movement across the region, the high level of migration of skilled persons is likely to continue, with consequences for all employers including the government.

Valued Added Tax and Excise Tax

The most significant tax measures for the year 2006 were the subsidiary legislation to facilitate the introduction of Value-Added and Excise Taxes from January 1, 2007. The principal legislation was assented into law in 2005, and the first set of regulations published in October 2005 but it was soon discovered that these had not met the statutory requirements and new ones issued in January 2006.

In the elections season, VAT received no prominence and little attention and in December 2006, approximately two weeks before implementation, changes were made to rescind the decision to remove two of the eight taxes slated for removal; to significantly change the lists of zero-rated and exempt items; and to introduce transitional measures in respect of closing inventory. Changes in excise tax rates for vehicles and petroleum products and extension of the beneficiaries for lower rates were also done at the time of the VAT amendments.

Less than one month into implementation, additional and significant changes in legislation were introduced by the Minister including a change in the method of how future changes will be made, and doubling the list of zero-rated items.

In the Budget Speech, the Minister attributed these significant changes weeks before and after implementation to "transitional challenges ... symptomatic of such a major change in the tax system" which he claimed were "anticipated".

Three days before implementation was scheduled and then again less than three weeks into implementation, the Minister altered the rates of Excise Tax on petroleum products under the authority given to him under section 6 (1 D) of the Financial Administration and Audit Act (FAAA) We have commented elsewhere on the inadequate attention given to the passage of legislation but suffice it to wonder why and whether the Minister can effect changes to the Excise Tax Regulations

under the FAAA when the Excise Tax Act requires “an affirmative resolution of the National Assembly” in respect of “rates specified by regulations”.

It is perhaps the surreptitious manner in which such subsidiary legislation can be made that we had in the space of a couple of weeks the following changes in the rates of Excise Tax in respect of petroleum products.

	19-01-2006	14-12-2006	29-12-2006	18-01-2007
Motor spirit (gasoline)	25%	50%		60%
Diesel oil	3%	50%	25%	40%
Gas oil (other than Diesel oil)	3%		7.76%	40%

Commentary and Analysis

Introduction

The Budget was the first by Dr. Ashni Singh and the first since the PPP/C was returned for a fourth successive term since 1992. The 2006 general elections defied all the predictions of violence and its attendant consequences for businesses. Anticipating such disruptions, businesses were reluctant to invest prior to the elections.

However buoyed by the peaceful elections, businesses in their response to Ram & McRae's 2007 Business Outlook Survey expressed unprecedented confidence for 2007 while Clive Lloyd, writing in *The Economist* 'The World in 2007' predicted that the World Cup 2007 would bring a 'massive windfall for the Caribbean.'

There is therefore a huge potential dividend from these events and the massive private and public expenditure for the Cricket World Cup which can hardly be regarded as reflected in the 4.9% projected growth rate - a mere 0.2% more than the growth in an elections year.

This would be one occasion when achieving a projection would be a major disappointment.

Guyana's economic condition is however of a more fundamental nature and goes back to the way the country is governed. Focus now looks at some of the major issues.

Constitutional Commissions

Seventeen years after the same mantra about macro-economic stability, we still learn about the economy we would like to create. Guyana's problem however is less one of economics and more one of governance. Key provisions of the Constitution are violated or ignored by the very persons who take an oath to uphold and defend it.

Following Herdmanston, it was agreed that new constitutional structures need to be established not only to prevent abuses but to foster peace and development. Here is a list of the various constitutional bodies that are yet to be operationalised:

1. The Rights Commissions (Human Rights Commission, Indigenous People's Commission, Women and Gender Equality Commission, Rights of the Child Commission);
2. The ERC is partially composed. To be complete, it requires the addition of the chairpersons of the other rights commissions. This is in addition to the ERC not having the Ethnic Relations Tribunal;
3. The Local Government Commission;
4. Public Procurement Commission;
5. The four Standing Sectoral Committees have been established. However, the crucial and vital Standing Committee on Constitutional Reform is not composed according to the provisions of the Constitution (i.e. to include members of civil society); nor does it function as it was designed to do by the CRC.

6. The Constitutional Offices of Ombudsman has been vacant for some time.

Strict respect for the Constitution is the foundation on which a successful Guyana economy can be built.

The Judiciary

While the Government dithers on the judiciary, that important arm of the state suffers from a serious crisis of confidence among the population. The impasse over the appointment of a Chancellor since the departure of Ms. Desiree Bernard to take up an appointment as a judge of the Caribbean Court of Justice has revolved around President Jagdeo's refusal to accept that as the most senior judge, Justice Claudette Singh, ought rightfully to be appointed as the Chief Justice. In the books of the Government however she committed the unforgivable sin of ruling against the PPP/C on an elections petition.

Meanwhile the majority of judges are acting appointments while over in the Attorney General's Office the positions of Solicitor General and Deputy Solicitor General have been vacant for so long that it is as though these positions are now redundant.

Once again the Government has promised a Family Court which would no doubt compliment the excellent work being done by new Human Services Minister Ms. Priya Manickchand. While the idea of a Tax Court has now been all but abandoned the Commercial Court has been taking on revenue matters but until one of the big fishes is hauled before that court it remains to be seen whether its jurisdiction over revenue issues will be questioned by the top lawyers.

It has now been more than thirty years since the laws of the country have been consolidated and lawyers and the citizens face a Herculean task in ascertaining the law on a particular matter. What is the significance of the aphorism "ignorance of the law is no excuse" when it is practically impossible to even ascertain what the law is?

Is it outside the influence of senior members or friends of the PPP/C such as Speaker Ralph Ramkarran, Ashton Chase, Attorney General Doodnauth Singh and former Attorney General Bernard DosSantos to convince the President that the existing state of affairs is wholly unacceptable?

Focus repeats the following statement it made last year: *'With the emphasis on rights and the obligations of the state, many people would consider a Constitutional Court of paramount importance. It is more than just idle platitude that a right delayed is a right denied.'*

Accountability

Even as the Minister gave impressive sounding numbers he must have realised that there have been serious lapses in the presentation of reports including the Auditor General's Report on the national accounts for the year 2005 and those of the Guyana Revenue Authority for 2004 and 2005. The Minister would also not wish to repeat the failure by his predecessor to publish a mid-year report on the economy as required under Fiscal Management and Accountability Act.

He would also be aware that the Government has failed to table the annual reports of the various state entities as required by law. That tabling is extremely important as they make those documents

into public records.

The Minister must be also aware that leader of the Alliance for Change (AFC) has been trying to get a Freedom of Information Bill tabled in Parliament. He has an excellent opportunity to show his independence and professionalism by joining with the AFC in co-sponsoring the Bill. After all, this is one of the campaign pledges by the PPP/C.

Corruption

Perceptions of corruption have stuck on this Administration not only in international league tables but among those who have to deal with various arms of the Government. The Government's rejection of the uncomplimentary ranking of Guyana by Transparency International as being one of the more corrupt countries in the world (ranked 121 out of 163 in 2006) seems to convince no one and separate independent surveys done among the business community reinforce the conviction that corruption is indeed prevalent.

In the 2007 Business Outlook Survey done by Ram & McRae, respondents place corruption as one of the major difficulties facing businesses. Another survey was even more specific with respondents noting that it costs in excess of 10% in various payments to win contracts and troublingly, notes that corruption is pervasive within all the regulatory and executive agencies.

The Minister of Finance cannot be unaware that his Ministry plays a key role in the consideration and award of contracts and that any attempt to stamp out corruption has to begin at his Ministry and in the Customs and Trade Administration of the GRA for which he has portfolio responsibility. If he is truly committed to deal with corruption then he should press his bosses and colleagues for the setting up of the National Procurement Commission and the strengthening of the ineffective Integrity Commission.

The fight against poverty and for development goes hand in hand with the fight against corruption since corruption favours individuals with money and connections. Corruption tends to distort the allocation of economic benefits leading to a less equitable distribution of income. In addition corruption may deter foreign investment, lower economic growth, bring about a loss of tax revenue, lower the quality of public infrastructure and also affect the composition of government expenditure.

The National Insurance Scheme

Attention has been consistently drawn to the state of the National Insurance Scheme, the last Actuarial Study for which was done as at December 31, 2001 and which showed that the Scheme's viability was under stress and required certain urgent remedial action. Not only has that not been done making the commencement of the 2004 Study all the more difficult, but the Minister in language that was both ambiguous and misleading sought to assure the House by reference to a 'review of the functioning of the Scheme as well as its investment strategy'.

In fact, the terms of reference of the Reform Committee are yet to be determined and the TUC has confirmed that no meeting of the Committee has yet taken place. The statement by the Minister, whose portfolio includes the NIS and therefore imposes on him a duty to know the facts, suggests that the Government is not taking the NIS too seriously and is content that its cash inflows allow it to meet its cash obligations.

One of the fundamental problems of the NIS is that of governance, the lack of autonomy of the Board and the political control which can be exerted by the Government through Dr. Roger Luncheon who has chaired the Board since 1992. Until the issue of governance including the appointment of members of the Board is addressed Ministers of Finance would always have difficulties speaking about the NIS.

The labour movement needs to press for urgent action on the state of the NIS and for the commencement and acceleration of the 2004 Actuarial Review if we are to avert a crisis in the Scheme.

And finally on the NIS, the statistics on contributions contradict the statements from the Government on employment numbers.

Statistics obtained from the National Insurance Scheme (NIS) show the number of active employees registered by the Scheme in 2006 at 117,230, compared to the all time high of 127,079 in 1996. Even more significantly there was a significant drop in the number of active self-employed contributors, 7,365 in 2005 compared to 16,424 in 1997, and practically no increase in the number of employers submitting contributions for their employees.

It is either our statistics are wrong or there is massive evasion of the NIS laws as well, the latter being more likely given the number of high profile names published as defaulters. Surely the Minister would want to ascertain the real situation before committing himself to spending billions on training when he does not have sufficient data on his training target.

VAT and Excise Taxes

The implementation of the VAT is one of the major challenges being faced by the Minister. During the election season VAT was taken off the front burner which was a blessing indeed. But now those problems have to be confronted and dealt with not at the level of the GRA but at the political level as well.

It is a serious error to confuse VAT with tax reform as this Minister is doing. The system is rife with inequity, exemptions, favouritism and inadequate administration. It has perhaps escaped attention that the GRA has revenue that exceeds Guysuco, Banks DIH and DDL combined. Yet its governance structures do not match any one of these. The Board, the membership of which is appointed almost entirely by the Minister of Finance, has been largely silent in all the public discussions on VAT.

Even at this late stage the Government has to find a way to deal with tax reform even if that means fundamental changes to the new taxes. There is still the issue of all those items that were charged at 0% or 10% under Consumption Tax that are now taxed at 16%. The piecemeal approach taken by the Minister ought not to continue.

He can still call in the stakeholders and listen to their pleas and advice.

Casino Gambling

The Minister did not once mention casino gambling even as he spoke of the new kinds of tourists that the country will be trying to attract. While the President was prepared to defy the National

Assembly on the sexual orientation issue in response to the religious community, he has now rushed through the National Assembly, and against the pleas of all the religious leaders, legislation that will allow for the granting of licences for the operation of casinos.

The informal and illegal segments of this economy account conservatively for about 40% of 'business' activities. We have no exchange controls, non-bank cambios operate as a law unto themselves, the Government continues to promise anti-money laundering legislation and the casino gambling legislation by the Government is weak, contains no safeguards and delegates all powers to political appointees.

As if the objections of large segments of the population, a weak or non-existent regulatory framework, the experiences around the Caribbean and widespread criminality in the society were not enough, we have no real legislation to deal with financial contributions to political parties. The experiences from the region and around the world suggest that casinos can take criminality to a new level and whole political classes can be bought out.

Even as we court investments from the Russians and other new breed of economic powerhouses from that region, we cannot afford to overlook the role that some of them have played in casino gambling in countries in the region.

What kind of logic drives us to spend hundreds of millions on sugar and bridges and schools and hospitals and Cricket World Cup if we are prepared to treat the issue of Casino Gambling as one where the popular voice can to be ignored? Casino Gambling takes the country to another plane and requires far more consideration.

The outlook

How realistic are the objectives set in the Budget? This is the Minister's first full year at the helm and he should not be judged by the standards of his predecessors. He is only one among many and he cannot be held accountable for the performance of his colleagues although he needs to use the purse strings to keep them in line.

The Budget is largely a statement of spending proposals and that itself should make its achievement relatively easy given the modest growth projections. One threat will come with the wage negotiations for public sector employees in the light of the inflationary price spike following VAT's introduction. Unless there is an immediate reversal, there will be intense pressure on the Government to make compensatory wage increases not only for those represented by the Public Service Union but by teachers and the unions in the sugar industry.

Conclusion

The Budget did not address most of the serious issues facing the country, the Minister preferring to look at or define a rosy picture. That may be acceptable politically but does not allow for the solution of problems. He ought not to ignore for example, that on the Global Competitiveness Index, Guyana was ranked 111 out of 125 compared to our CARICOM counterparts Suriname at 100, Trinidad at 67, Jamaica at 60 and Barbados at 31. To show where we really are in the rankings, it is useful to note the identity of the countries which were ranked below Guyana, namely Lesotho, Uganda, Mauritania, Zambia, Burkina Faso, Malawi, Mali, Zimbabwe, Ethiopia, Mozambique, Timor-Leste, Chad, Burundi, and Angola.

In the Country highlights, this is what the report stated:

“A lack of sound and credible institutions remains a significant stumbling block in many Latin American countries. Bolivia (97), Ecuador (90), **Guyana (111)**, Honduras (93), Nicaragua (95) and Paraguay (106) achieve low rankings overall and, in particular, are among the worst performers for basic elements of good governance, including reasonably transparent and open institutions. These countries all suffer from poorly defined property rights, undue influence, inefficient government operations, as well as unstable business environments. Perceived favouritism in government decision-making, an insufficiently independent judiciary, and security costs associated with high levels of crime and corruption makes it difficult for the business community to compete effectively.”

The Index, albeit simple in structure, provides a holistic overview of factors that are critical to driving productivity and competitiveness, and groups them into nine pillars. This is where Guyana stands out of 125 countries on those pillars:

Basic Requirements	
Institutions	115
Infrastructure	104
Macro economy	121
Health and primary education	75
Efficiency Enhancers	
Higher education and training	114
Market efficiency	106
Technological readiness	101
Innovative Factors	
Business sophistication	97
Innovation	116

The report also included a Business Competitiveness Index

Guyana's BCI ranking	114
Quality of the national business environment ranking	115
Company operations and strategy ranking	111

While this Budget is a disappointment given the huge expectations which the country held out for the Minister, he has been in the job for just a matter of months. He will soon find out however that a Budget has to address the real issues and not simply be a spending list.

Selected Socio - Economic Indicators

Appendix 1

ITEM	2006	2005	2005	2004	2003	2002
		(revised)				
1 National Accounts Aggregates						
1.1 Growth Rate of Real GDP	4.7	1.9	(3.0)	1.6	(0.6)	1.1
1.2 GDP at factor cost (US\$M)	741.2	683.6	644.6	652.7	631.0	617.8
1.3 GNP at factor cost (US\$M)	698.1	663.5	624.3	621.1	588.4	562.8
1.4 Per Capita GDP (US\$)	974.9	902.6	857.3	868.6	840.2	829.2
1.5 Per Capita GNP (US\$)	918.2	875.6	830.3	826.5	783.5	755.4
1.6 Gross National Disposable Income (US\$M)	1,032.0	931.6	790.8	795.2	763.7	705.2
1.7 Private Consumption as % of Gross Domestic Expenditure	47.5	55.3	53.7	49.2	44.8	45.1
1.8 Public Consumption as % of Gross Domestic Expenditure	18.2	20.3	21.1	21.8	23.7	21.1
2 External Trade and Finance (US\$M)						
2.1 Bal of Payments Current Account Balance	(181.4)	(167.1)	(167.1)	(70.0)	(60.6)	(106.7)
2.2 Imports of Goods and Non- Factor Services (G&NFS)	(1,103.2)	(984.5)	(981.2)	(854.5)	(743.8)	(758.9)
2.3 Exports of Goods and Non- Factor Services (G&NFS)	748.8	698.9	694.6	749.9	669.6	667.2
2.4 Resource balance	(354.4)	(285.7)	(286.6)	(104.6)	(74.2)	(91.7)
2.5 Imports of G&NFS/GDP(%)	148.8	144.0	152.2	130.9	117.9	122.8
2.7 Exports of G&NFS /GDP (%)	101.0	103.2	107.8	114.9	106.1	108.0
2.8 Net International Reserves of Bank of Guyana	222.3	160.5	160.5	136.6	176.1	183.7
2.9 External Public Debt Outstanding	920.6	1,094.0	1,100.4	1,071.2	1,084.6	1,246.7
3 Prices, Wages and Output						
3.1 Rate of Inflation (% changed in Urban CPI)	***4.2	8.3	8.3	5.5	4.9	7.1
3.2 Public Sector Monthly Minimum Wage in G\$ (e.o.p)	26,069.0	24,828.3	24,828.0	23,204.0	22,099.0	21,047.3
3.3 %Growth Rate	5.0	7.0	7.0	5.0	5.0	5.0
3.4 Electricity Generation (in M.W.H)	534.6	528.4	528.4	514.9	488.9	512.7
4 Population & Vital Statistics						
4.1 Mid- Year Population ('000)	760.2	757.6	751.9	751.4	751.0	750.7
4.2 Population Growth Rate (e.o.p)	0.3	0.3	0.1	0.1	0.8	0.2
4.3 Net Migration ('000)	NA	NA	NA	NA	NA	NA
4.4 Visitor Arrivals ('000)	113.5	116.6	116.5	121.9	100.9	104.3
4.5 Crude Birth Rate (per 1,000 persons)	NA	NA	NA	23.1	25.8	23.5
4.6 Crude Death Rate (per 1,000 persons)	NA	NA	NA	NA	7.3	7.3
4.7 Crude Marriage Rate (per 1,000 persons)	6.1	4.8	NA	NA	NA	NA
4.8 Infant Mortality Rate (per 1,000 persons)	18.4	22.8	NA	24.7	21.6	22.1
4.9 Under 5 Mortality Rate (per 1,000 live births)	NA	NA	NA	NA	NA	NA
5 Health and Education						
5.1 Public Expenditure on:						
5.1.1 Education as % of National Budget	13.0	13.7	13.7	15.5	14.4	18.2
5.1.2 Health as % of National Budget	9.0	7.5	7.5	9.5	8.9	8.8
5.2 Number of Physicians Per Ten Thousand Population	4.9	4.3	4.3	4.2	4.1	4.6
5.3 Number of Nurses per Ten Thousand Population	13.1	34.0	34.0	34.0	14.0	10.5
5.4 Number of Hospitals Beds per Ten Thousand Population	24.8	43.5	43.5	43.6	43.6	42.4
5.5 Low birth-weight babies (<2500g.) as a % of live births	NA	11.8	NA	11.6	11.9	11.5
5.6 Severely Malnourished	NA	0.6	NA	1.0	0.6	0.7
5.7 Moderately Malnourished	NA	7.0	NA	9.3	8.8	9.3
5.8 Overweight	NA	4.7	NA	5.2	4.7	3.9
6 Crime						
6.1 Reported Serious Crimes	2,376.0	2,808.0	2,808.0	3,450.0	2,941.0	3,470.0
6.2 of which: Homicides	153.0	125.0	125.0	131.0	206.0	142.0
7 Exchange Rates						
7.1 G\$ to US\$	203.7	NA	200.9	200.4	194.3	191.8
8 Interest Rates						
8.1 Prime Lending Rate	14.5****	NA	14.5*	14.5	14.9	16.3
8.2 Small Savings Deposit	3.4	NA	3.4	3.4	3.5	4.3
8.3 Three Months Time Deposits	NA	NA	2.63**	2.6	2.8	3.7
Treasury Bill Rate	4.2	NA	3.7	3.8	3.4	3.9
Public Domestic Debt (G\$M)	72,817.8****	NA	67,754.3	65,849.8	62,662.2	53,794.0

NA Not Available

* as at October 2005

** as at September 2005

*** is the Rate of Inflation in (Georgetown)

**** as at June 2006