FOCUS ON GUYANA'S NATIONAL BUDGET 2014

AMAILA FALLS

RUNNING WATER

DRY STONE

28 March 2014

Ram & McRae

Chartered Accountants
Professional Services Firm

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About this Publication

Focus on Guyana's National Budget 2014 represents the twenty-fourth 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 our 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)*.

Other publications by the Firm, some 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 – 2013
- Plainly Business (formerly Business Page) (column/blog by Managing Partner available on *www.chrisram.net*)
- Value Added Tax and Excise Tax Handbook which includes annotated copies of the legislation
- Annual Tax Planner

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 offer a wide range of services include audit and assurance, accounting, tax, payroll, corporate/legal and other business support services.

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.

Accēdō Inc., a service company of Ram & McRae, was established in 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.

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, CMA
Rakesh, who is also the Firm's Chief Executive Officer, has over seventeen years' experience in audit and accounting and serves on the Technical Committees of the Institutes of Chartered Accountants of Guyana and the Caribbean. He ensures that the firm has a broad array of skills and expertise to meet the challenges faced by our varied clientele.

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. These persons include Savitri Gobin, Ravee Ram, Jermaine McPherson, Chetram Singh, Caren English, Kaziah Seunandan, Chateram Ramdihal, Coleen Heeralal, Cleaveland Gilkes, Alexis Barry, Shirlon Benjamin and Glennis Rudder.

Christopher Ram, Robert McRae and Rakesh Latchana

March 28, 2014

Pre-Budget Comments

Days before the Budget, the Ministry of Finance gave some insight into it with a statement in which the Minister said that the 2014 Budget would continue to promote the People's Progressive Party/Civic (PPP/C)'s commitment to accelerate economic growth and social development…. [and] "will emphasise macroeconomic stability through the continued creation of investment opportunities, expanding and upgrading physical infrastructure, improving the quality of social services, and strengthening institutional and regulatory environments."

Once again, the days leading up to the presentation of Budget 2014 were characterised by the usual acrimonious exchange of words among the principal political players. Perhaps the most acrimonious was between former PNC Finance Minister Carl Greenidge and current Junior Finance Minister Bishop Juan Edghill. In a Kaieteur News article days before the Budget, Mr. Greenidge had threatened that the Opposition would "be meticulous in the scrutinising of the budget and its format and its level of consistency with the laws of the Constitution. One would expect to see that the Parliament takes action where necessary. We will see cuts because I am sure that some parts [of the Budget] will be unconstitutional". Continuing, Mr. Greenidge said "If not, then it may very well be a nasty or bloody war when it is presented to the Parliament. This situation could have been prevented, if only the interest of the people were seen as paramount."

Bishop Edghill responded to Mr. Greenidge by interpreting his words as meaning, "nothing that is said in the National Assembly in the debate, or nothing that is said during the time of response to questions in the Committee of Supply, will satisfy him, because his position is already prejudiced, it's already determined even before having the necessary information."

APNU Member of Parliament Jaipaul Sharma, also in the Kaieteur News, predicted that Budget 2014 "might very well be a good budget. It might include a lot of things for the poor and ordinary people and we expect to see things for the poor and ordinary such as a large increase in salary, increase in the threshold, old age pension and public assistance."

As is its practice, Ram & McRae carried out a mini-survey of the business community representatives and trade unionists to ascertain their expectations of the Budget by putting before them a small number of questions.

Asked about their wishes on the corporate tax rates, six of the eight respondents said that they would like to see a reduction, with the remaining two were comfortable with them staying the same. No respondent expressed a desire for an increase. On the issue of personal income taxes an even greater majority eighty-eight percent (88%) expressed a wish for a decrease in the rate while sixty-three percent (63%) expressed the hope that the personal allowance of six hundred thousand dollars per annum or fifty thousand dollars per month would be increased with the remaining thirty-seven (37%) wishing for it to remain the same.

On the question of product taxes, sixty-three percent (63%) wanted taxes on alcohol products to remain the same while a significant minority, thirty-seven percent (37%), was hoping for an increase. The situation on taxes on tobacco products was identical in reverse, with sixty-three percent (63%) wishing that the taxes on those products would be increased and while thirty-seven percent (37%) wanted it to remain the same.

Sixty-three percent (63%) of the private sector leaders would like to see an increase in the national minimum wage with the balance wishing the current levels of thirty-five thousand dollars ($35,000) would remain the same. They were evenly split, 50/50, on the issue of unifying the public sector and the private sector minimum wage. Indeed, one prominent private sector leader, suggested that the private sector minimum wage should be higher than the public sector minimum wage because of the greater level of benefits received by public sector employees.

Ask to comment on the forty hour, five day work week, introduced in 2013, seventy-five percent of respondents recommended that the law be revisited while the remainder expressed satisfaction with the law.

Ask whether the government should borrow to finance public expenditure, fifty percent (50%) said that existing policies should remain the same, thirty-seven percent (37%) said that borrowing should be cut and only thirteen percent (13%) were in favour of an increase.

On the issue of concessions for businesses the wish list was extensive, with a preference for differential corporate tax rates as well as electricity subsidies for the manufacturing sector, tax relief and duty free concessions for businesses in value added and tourism development, and tax holidays for new start–up businesses. One respondent questioned the slothfulness of the Tax Review Committee appointed more than two years ago while another one wanted brakes to be put on the Chinese invasion of businesses in Guyana.

Finally, fifty-seven percent (57%) said that they were consulted directly or indirectly prior to the Budget, with the remaining claiming that they had not been.

Outside of the Survey, some private sector leaders complained that the Government had acted improperly when it revised the Property Tax regime without addressing a corresponding issue in the Capital Gains Tax.

We also canvased the opinion of representatives of the two major union groups: the Trade Unions Congress (TUC) of Guyana and the Federation of Independent Trade Unions of Guyana (FITUG). The TUC said that it had not been consulted and had low expectations of Budget 2014. Pointedly, it expressed the view that the government would continue its discriminatory practice of withholding funds from the Critchlow Labour College, justifying it on the TUC's refusal to concede four board positions to FITUG.

FITUG reported that its representatives had met with the Minister and proposed the following:

1. Income Tax reform: an increase in the personal allowance to $720,000 per annum and the re-introduction of progressivity in tax rates at 20% and 30%
2. Value-Added Tax: an expanded zero rated list, specifically housing development and building materials
3. Old Age Pension: An increase to $15,000 per month
4. Pensioners' GPL Subsidy: An increase to $24,000 per month
5. Introduction of an Unemployment benefit
6. Wage increases: Higher percentages to lower-paid workers (up to $80,000 per month)

The FITUG representative reported that the FITUG team took confidence from the response by the Finance Minister who expressed satisfaction with some of the submissions and "promised to examine them positively". It seems that FITUG's confidence might have been inspired.

Introduction

Budget 2014 was delivered on Monday March 24, just one week before the constitutional deadline and almost three months into the fiscal year. Under the theme *A Better Guyana for All Guyanese,* which was apparently copied from the theme of the 2011 APNU elections manifesto, *A Good Life for All Guyanese,* the Budget Speech was just two minutes short of three hours.

The Minister presented a budget strong on subsidies but weak on ideas and job-creation, one in which he spent considerable time justifying increasing resources to keeping sugar workers on GuySuCo's payroll rather than produce cane and sugar. In an interesting logic, Central Government now seems willing to assume responsibility for garbage collection rather than to concede the right of citizens to local government elections. Citizens of Georgetown must pay the City Council rates & taxes to pay salaries to persons no longer required to carry out their basic functions, and pay taxes to Central Government to collect garbage.

In considering the merits of the Budget, the first point to note is that the Budget is not complete or compliant with the Constitution. The diversion of monies from the Consolidated Fund to myriad slush funds, including to NICIL of which the Minister of Finance is Chairman, and the abuse of dormant accounts has been refined into an art form, a violation of the Constitution.

Thumbing its collective nose at the country, the Government has withdrawn the constitutional right of public servants to negotiations through their recognised unions and put in place a bloated army of contract workers whose pay bill jumped by 55% in the two years from 2012 to 2014.

While the Minister regales the National Assembly with numbers, tucked away in Appendix 1 to the Budget Speech are data showing that each year more than thirteen thousand Guyanese prefer to seek that better life elsewhere. With new data, most likely from the incomplete 2012 census, the estimate of the total population for the last five years was revised downwards, with a cumulative drop of 47,400 or 6.3% at the end of 2012.

As a percentage of the National Budget, both education and health continue to decline. Both the Infant and Under 5 mortality rates declined from 5 years ago while 7.6% of the population is now considered overweight.

The most troubling data however are the cases of serious crimes, an increase from 3,760 in 2012 to 4,204 in 2013, with murders increasing over the same period from 139 to 155. These are frightening statistics that raise the question whether the Government can provide the most basic need of the citizens, security.

As noted under Legislation (see page 15), the Mortgage Interest Relief which was announced in last year's presentation and which should have been available to first time homeowners shortly thereafter is still to be fully implemented, the result of resistance of the refund mechanism from the lending institutions.

Some statistics are just too good to be true – a 76% hotel occupancy defies all empirical evidence while visitor arrivals of 200,122 reported in paragraph 4.36 of the Budget Speech is contradicted by statistics sourced to the Bureau of Statistics which reported arrivals at 157,800, a difference of a not insignificant 26.8%. Reluctantly one has to question the reported 0.9% change in the Consumer Price Index (inflation rate), aided by a strange group described as "footwear and repairs" which fell by 14.2%. Other than the two words rhyme, it is not easy to understand the link between them.

Last year the Minister of Finance failed to explain how the $4.4 billion voted in the 2013 Budget for Revision of Wages and Salaries, or 17.1% of the prior year wage bill, was utilised when only 5% was paid. His response in Budget 2014 is to rename the line item to a more amorphous term Other Employment Costs.

That it is that easy to rename budgetary line items in use for decades to favour a Minister shows the control which he exercises over public sector accounting and auditing.

As summarised under Budget Measures (see page 31), a number of subsidies have been announced along with a 5% increase in Old Age pensions. In an essay Pro-Poor Policies (see page 48) to which the Women's Organisation Red Thread contributed, the women show that the National Minimum Wage pronounced into law fixed last year is nearly $25,000 less than the cost of a basket of food recommended by the Carnegie School of Home Economics.

The presentation of the 2013 figures bares the meaninglessness of the excitement with which each Budget, whatever its contents, is dubbed "the biggest budget ever". The 2013 budget at $208.8 billion was touted as the biggest ever. It turned out to be $175.8 billion, almost the entire difference attributable to a shortfall in Capital expenditure.

A word about our cover pictures: A few months after the Privatisation Unit had released a report assuring that there is enough water for sufficient all year round Amaila Power Generation and the project sponsor Sithe Global had walked, the Kaieteur News published a photograph showing the bone dry Amaila Falls.

Highlights

2013 Facts

- Growth in Real GDP of 5.2% compared to a target of 5.3% and actual rate of 4.8% in 2012. Non-sugar GDP grew by 6.3%.
- Overall balance of payments deficit of US$119.5 million compared with a surplus of US$32.9 million in 2012.
- The 91-day Treasury bill rate remained constant at 1.45%.
- Inflation rate of 0.9% compared with a target of 4.3% and actual rate of 3.5% in 2012.
- Depreciation of the Guyana dollar to the US dollar by 0.86%. Average market mid-rates for US$ depreciated by 0.85% with the Pound Sterling and Euro depreciating by 2.77% and 4.99% respectively, to December 2013. The market mid-rate for the Canadian dollar appreciated by 2.35%.
- Current Revenue of $136.5 billion compared with $130.2 billion in 2012, an increase of 4.8% and a shortfall of $26.3 billion or 16.1% from budgeted.
- A 5% salary increase to all public servants and members of the disciplined services.
- Introduction of a national minimum wage of $35,000 per month.
- Reduction of the personal income tax rate from 33⅓% to 30%.
- Exports and imports contracted by 2.8% to US$1.4 billion and 7.5% to US$1.8 billion respectively.
- Current account deficit of US$425.3 million (2012: US$366.7 million); and net inflows on the capital account of US$314.8 million (2012: US$418.3 million). Overall fiscal deficit of $27 billion compared to $27.6 billion in 2012 and budgeted amount of $29.1 billion.
- Total external reserves at year end for Bank of Guyana of US$776.9 million, a fall from US$862.2 million in 2012.

2014 Targets

Size of the Budget: *$220Bn, 25.1% increase*

- Inflation rate of 5%.
- Growth in Real GDP of 5.6%, with the non-sugar economy growing by 5.2%.
- Balance of payments overall deficit of US$21.9 million.
- Capital account to register a surplus of US$426.2 million while Current account to register a deficit of US$448.1 million.
- Current revenue of $168.2 billion, an increase of 23.2%, including GRIF inflows of $18.6 billion.
- Overall fiscal deficit of the Central Government at $32.4 billion, 4.9% of GDP in 2014.

- Overall deficit of the non-financial public sector at $34.6 billion or 5.2% of GDP.
- Overall deficit of financial operations from $31.6 billion to $37.5 billion.
- Capital expenditure to increase by 61.9% to $81.2 billion.
- Value added and excise taxes of $65.8 billion, an increase of 6.7%. Customs and trade taxes of $13.7 billion expanding by 3.9%.

See more in 2014 Policy Issues and Targets on page 19.

Ram & McRae's Comments

1. Growth at the half-year stage was 3.9% while the inflation at the same stage was 0.2%.

2. Many members of the public and the Parliamentary opposition are not convinced about the utilisation of $4.4 billion under Revision of Wages and Salaries (now renamed Other Employment Costs – see Introduction on page 5) which was the equivalent of approximately 15.5% of Total Wages and Salaries for 2013.

3. The National Minimum Wage has attracted interest and resistance with some employers flouting the regulations.

4. The rise in projected inflation rate from under 1% to 5% has not been explained.

5. The policy of debt financing continues although the national debt is not unsustainable.

Review 2013

Sectoral Performance

INDUSTRY	Budget 2014 %	Revised 2013 %	Half Year 2013 %	Budgeted 2013 %	Actual 2012 %
Agriculture, Fishing and Forestry	**5.2**	**2.3**	**4.2**	**3.7**	**3.7**
Sugar	15.6	(14.4)	(32.5)	10.1	(7.8)
Rice	1.1	26.9	25.1	4.3	5.0
Other Crops	5.0	4.2	2.0	4.2	5.3
Livestock	3.3	4.3	1.9	4.0	14.4
Fishing	2.2	(6.5)	(8.8)	2.0	15.5
Forestry	3.3	5.0	34.7	(5.6)	(4.3)
Mining and Quarrying	**2.8**	**8.0**	**17.9**	**3.0**	**14.8**
Bauxite	11.5	(11.0)	24.4	6.5	12.5
Other	1.4	12.0	25.3	2.3	6.2
Manufacturing	**7.1**	**8.0**	**5.9**	**4.4**	**2.4**
Sugar	15.6	(14.3)	(32.5)	10.1	(7.8)
Rice	1.0	26.9	25.1	4.3	5.0
Other Manufacturing	8.5	5.4	2.5	3.0	4.2
Electricity and Water	**7.2**	**5.6**	**5.3**	**4.0**	**5.7**
Construction	7.5	22.6	6.6	10.0	(11.0)
Wholesale and Retail Trade	4.5	(0.9)	9.0	6.5	6.7
Transportation and Storage	8.4	4.0	(8.8)	7.8	18.9
Information and Communication	4.2	5.9	3.1	4.5	4.2
Financial and Insurance Activities	11.8	11.2	9.1	12.0	13.8
Public Administration	0.0	2.5	0.0	0.0	1.4
Education	4.0	3.5	1.4	3.5	2.2
Health and Social Services	3.8	4.0	1.9	4.4	3.1
Real Estate Activities	9.0	5.6	1.2	4.0	4.5
Other Service Activities	7.6	(3.0)	3.4	8.0	4.0

Source: Annual budget speeches and Half Year reports.

The Table shows the sectors in which the economy is divided for purposes of arriving at the Gross Domestic Product; by what percentage they are expected to grow in 2014; how the Sectors performed in 2013 compared with how they were expected to perform in 2013, their first half year in 2013 and their actual performance in 2012.

The Global Economy

The Minister estimated growth in global output of 3% in 2014 compared to 3.5% in 2013. He singled out the BRICS (Brazil, Russia, India, China and South Africa) and emerging economies as drivers of Global Growth but did not acknowledge that all of those countries have been experiencing a slowdown. Among the BRICS and emerging economies, China continued to lead with growth of 7.7% in 2013, while growth in India remained at a steady pace of 4.4%. Among the advanced economies, the Euro area recorded negative growth of 0.4%. The United States recorded growth of 1.9% and economies of Japan, United Kingdom and Canada recorded growth of 1.7%.

Growth in Latin America and the Caribbean amounted to 2.6% in 2013 and is projected at 3.2% in 2014.

The Domestic Economy

	Target 2014	Revised 2013	Target 2013	Actual 2012
Real GDP Growth	5.6%	5.2%	5.3%	4.8%
Inflation Rate	5.0%	0.9%	4.3%	3.5%

Source: Annual Budget Speeches and National Estimates

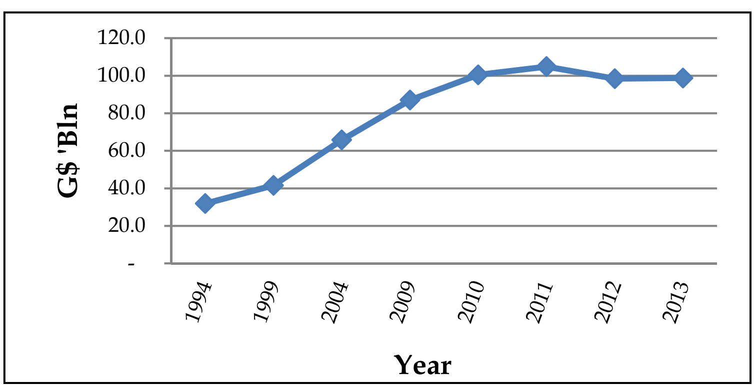
Per Capita GDP

Year	US$
2009	2,358.7
2010	2,619.5
2011	3,017.5
2012	3.347.3
2013	3,496.3

Source: 2014 Budget Speech

Domestic Debt

The Minister announced that domestic debt increased by 5.7% in 2013 but the total he gave was less than 1% higher than 2012. This increase was attributed to the monetary operations of the Bank of Guyana. Domestic debt decreased by 6.2% in 2012. The growth in the domestic bonded debt from 1994 to 2013 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 2013 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
2005	1.214

Year	US$Bn
2006	1.043
2007	0.719
2008	0.834
2009	0.933
2010	1.043
2011	1.206
2012	1.359
2013	1.246

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

Balance of payments

The balance of payments showed a deficit of US$119.4 million in 2013, compared to US$32.9 million surplus in 2012. The balance on the Current Account was $425.3 million, slightly better than projections but inflows on Capital Account amounted to $314.8 million compared with projections of $509.5 million. In 2014, the capital account is projected to register a surplus of US$426.2 million reflecting higher capital inflows and foreign direct investment.

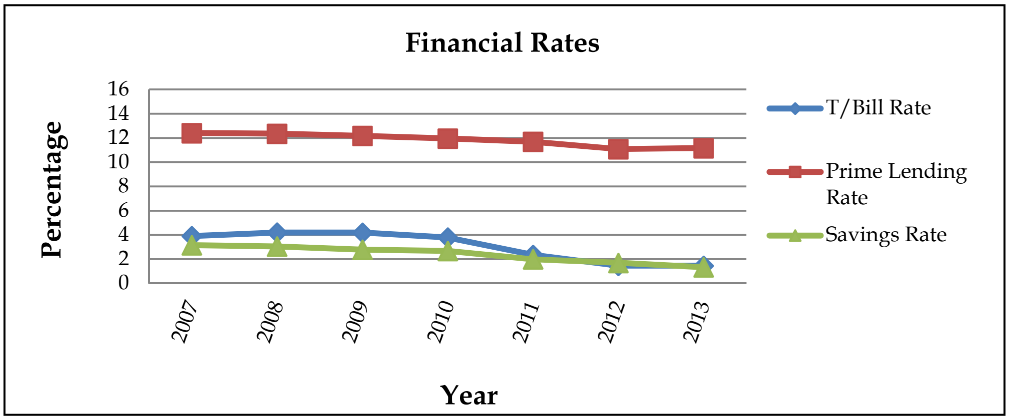
Balance of Payments Stated in US$ Mn	**Budget** **2014**	**Revised** **2013**	**Budget** **2013**	**Actual** **2012**
CURRENT ACCOUNT	**(448.1)**	**(425.3)**	**(451.9)**	**(366.7)**
Merchandise trade (net)	(575.2)	(471.4)	(663.0)	(581.3)
Services (net)	(257.4)	(307.1)	(239.4)	(204.6)
Transfers	384.5	353.2	450.4	419.2
CAPITAL ACCOUNT	**426.2**	**314.8**	**509.5**	**418.3**
Capital Transfers	18.8	7.3	24.2	29.3
Non - financial public sector (net)	90.3	70.9	130.5	90.4
Private capital	345.0	217.7	395.2	363.6
Short term capital	(27.9)	18.9	(40.3)	(65.0)
Errors and Omissions	**-**	**(8.9)**	**-**	**(18.7)**
Overall balance	**(21.9)**	**(119.4)**	**57.6**	**32.9**

Source: Estimates of the Public Sector (Vol. 1 pg. 494)

Banking and Interest Rates

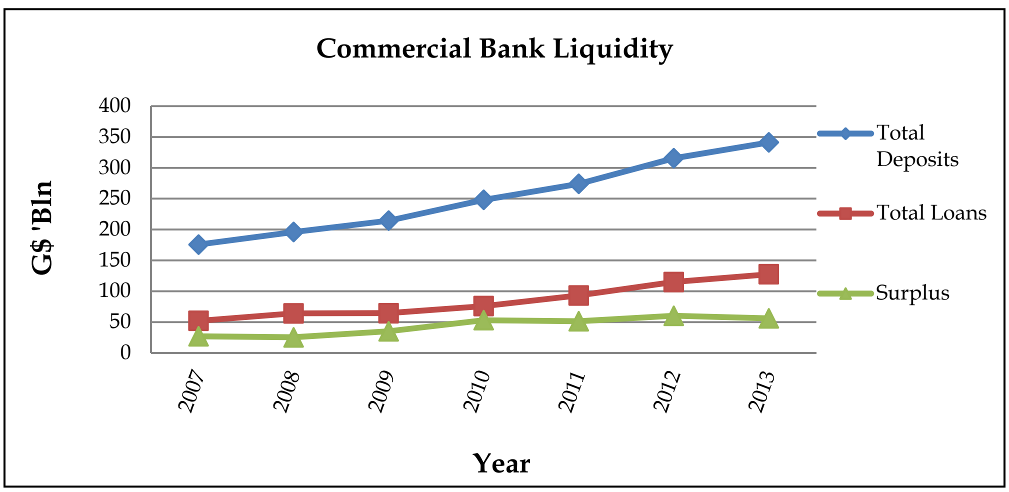
There was continued decline in the 91-day Treasury bill rate to 1.45% and the small savings rate from 1.69% to 1.33%. Interestingly, the weighted average prime lending rate increased from 11.08% to 11.16%.

The following table shows the widening 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 0.86% (see Highlights on page 7 for changes in market rates for the US dollar and other currencies).

Ram & McRae's Comments

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

Description	2013	2012	Change	
Bauxite (tonnes)	1,970,435	2,213,972	1,259,750	(11.0)
Gold (ounces)	481,087	438,645	42,442	9.7
Rice (tonnes)	535,439	422,057	113,382	26.9
Sugar (tonnes)	186,770	218,070	(31,300)	(14.4)
Diamonds (carats)	63,808	40,668	(4,474)	56.9

Source: 2013 and 2014 Budget Speeches

2. Sugar continues to be a major drag on the economy falling by 14.4% in 2013 while other losers were fishing 6.5%, bauxite 11% and sugar manufacturing 14%. In terms of GDP rice gained 26.9% in the fields and in the factories while construction - to which we drew attention in 2013 - recorded a 22.6% gain, and financial and insurance activities was the other sector to report double digit gains.

3. The 22.6% gain in construction appears to have been a correction of an error since 2012 had mysteriously recorded an 11% decline. Had there not been this connection, the growth in Real GDP in 2013 would likely have been less than 5%.

4. On the balance of payments a budgeted overall balance of US$57.6Mn turned out to be US$119.4Mn deficit almost entirely accounted for by a shortfall in private capital of US$178Mn. The commercial banks continue to enjoy stability and strength even as their lending rates remain relatively high.

5. Over the past 9 months the exchange rate of the Guyana Dollar has been declining, reaching as high as $214 to US$1, and on the day the Speech was presented purchasers of US$ were required to pay an exchange rate of approximately $210 to US$1. We understand that the Bank of Guyana has been using part of it reserves to support the Guyana Dollar a policy that could be harmful in the medium term. See In defence of the Exchange rate of Commentary and Analysis (page 42).

6. Gross international reserves of the Bank of Guyana at 31 December 2013 amounted to $776.9 million equivalent to 3.9 months of imports. As at 31 December 2012, the reserves stood at $862.2 million, the equivalent of 4 months.

2013 Legislation

The following Table shows by number the principal and subsidiary legislation done in 2013.

Type of Legislation	Passed	Relevant to Business Community	Appendix Reference
Acts	12	1	A1
Regulations issued	9	2	A2
Orders made	38	3	A3

Ram & McRae's comments

The twelve Acts passed and assented to in 2013 is the lowest since 2001 under the Jagdeo Presidency, a year that Ram & McRae had described the Parliament as the Hard(ly) Working Parliament. We understand that the National Assembly has spent significant time during the year in addressing the Anti-Money Laundering and Countering the Financing of Terrorism (Amendment) Bill. We understand too that President Ramotar had threatened - quite irresponsibly in our view - not to assent to any Bill that did not have the support of his Party.

None of these we think constitute valid reasons for the low output of the National Assembly. Two years after the 2011 elections the parliamentary opposition appears not to have formulated a legislative agenda, either as individual parties or jointly. But the failure does not belong to the Opposition parties alone. Surely the Minister of Legal Affairs Mr. Anil Nandlall can find a raft of existing legislation that screams out for amendments and new legislation that should be put on the statute books.

The practice that began under Mr. Jagdeo of assenting to Bills well outside the constitutionally mandated twenty-one days infected seven of the twelve Bills eventually assented to by President Ramotar.

A number of Bills were passed but are languishing either on the desk of the Attorney General or of the President in what seems a policy of frustration and confrontation between the Opposition-controlled Legislature and the Executive.

In apparent violation of the Appropriation Act of 2013 the Minister of Finance allocated moneys to National Communications Network and also to the CJIA Expansion Project. Consequently when Supplementary Appropriation Bills were brought to the House for approval, the sums of $1,628 million and $217.2 million were again rejected. This compounds an earlier situation where the Minister had spent moneys out of the Contingencies Fund which were not replenished.

Under a Motion recently passed in the National Assembly, the Minister is required to appear before the Committee of Privileges. The Minister is Chairman of NICIL which has been violating Article 216 of the Constitution that requires all public moneys to be placed in the Consolidated Fund for which the Minister has principal responsibility. It appears that the Minister is emboldened by an Audit Office which has softened its concerns about the regular abuse of the Contingencies Fund.

If the country's financial management continues on its current trajectory, then there will be no need for the Fiscal Management and Accountability Act or indeed financial provisions in the Constitution.

Regulations

Only two of the nine Regulations had business implications, but at least one was intended to have a major impact. The Mortgage Interest Relief Regulations were published on November 09, 2013 but the financial institutions have balked at the imposition of the regulations onerous obligations. Accordingly the benefits announced one year ago are still not being enjoyed by homeowners. Budget 2013 had projected that the measure would have cost the Treasury some $800 million.

If that number is nearly accurate, then the cost to the Treasury in 2014 would be around $1,600 million, something not alluded to by the Minister.

Orders

There were thirty-eight orders made in 2013. Of these twenty-two were made under the 'Public Corporations Act', five under the Mining Act and the remainder under miscellaneous Acts. The Alternative Dispute Resolution Act 2010 was brought into operation May 10, 2013 and the Access to Information Act 2011 was brought into operation on July 1, 2013, with former Attorney General Mr. Charles Ramson appointed Commissioner of Information at a salary of $1 million per month.

The major Order passed affecting the business sector was the National Minimum Wage Order 2013. The wage was set at two hundred and two dollars ($202) per hour or Thirty five thousand ($35,000) per month, less than the public sector minimum wage of $39,540 at the end of 2013. The major concern regarding this order is that many employers reportedly are paying their employees less than the prescribed minimum but so far, none has been prosecuted. Controversially the Order sets a 40 hours/5 day normal work week which has led to representations being made to the government but without any satisfactory resolution.

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.

Last year we noted that however many matters of details are addressed, roads built or loan agreements signed, unless the fundamental challenges facing the country are confronted, the rapid advances required by our country after decades of mis-governance will never materialise. Accordingly, in 2012 Focus we expanded the section Unfinished Business to include a sub-section called National Business.

Prior Year Issues

Let us start with some good news. The Office of Ombudsman was finally filled with the swearing in of former Justice Winston Moore, several years after the last holder demitted office. With no budgetary allocation in 2013, the Office has had a slow start but hopefully will pick up with the allocation of $35 million in the 2014 Budget.

The state of the Laws of Guyana made some last lap strides with the publication in February 2014 of a 2010 Edition of the Laws of Guyana, thirty-seven years since the last update. The revision was carried out under an IDB-funded Modernisation of the Justice Administration Systems project.

The price per set of $825,000 therefore seems both unjustifiable and exorbitant to all but practising lawyers and corporate Guyana. If the citizens are expected to know and obey the laws of the Country they have a right to know what those laws are. The laws of almost every country are available on the internet and there is no reason why Guyana should be an exception.

Law Reform

Law reform is of course different from law revision and requires considerable more work of a policy nature. Hopefully now that the law revision project is complete, the Attorney General will turn his attention to the following matters, all of which were promised in earlier years.

- **Review of the Companies Act, 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 provisions.

- Introduction of laws to regulate Non-governmental Organisations, Charities and not-for profit companies. Provisions in the earlier Companies Act for companies limited by guarantee and companies without share capital have been repealed and not replaced forcing lawyers use all creative skills to circumvent these lacunae.

- The recent threat by the Ministry of Labour to strike off roughly two hundred Co-operatives suggests that the existing legislation may be too onerous. The Co-operative Societies Act and the Friendly Societies Act which dates back to 1948 and 1894 respectively should be reviewed if such entities are to develop without strangulating statutory rules.

- **Action plan based on the Labour Market Study as addressed in the Draft 2005 PRSP Progress Report –** Surely with the need to realign available skills with the market needs, such a survey should be accorded high priority. For the first time, Guyana seems to be a large importer of labour, with our private hospitals and construction now dominated by non-Guyanese. We need to put our people to work but first we must train them not only for the low-level jobs but those requiring skills and paying adequate remuneration. This should be a priority of the Ministry of Labour.

 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 laying idle.

Hopefully, 2014 will see the court becoming a reality.

 Review of tax exemptions and establishment of a tax court – Following his election, President Ramotar had 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. More than two years after, there is no word whether the Committee has completed its work and submitted a report, despite the resounding call by private sector respondents to Ram & McRae's mini pre-budget survey for reform in this area.

 Judicial Reform – Earlier this year and responding to calls by Guyanese Caribbean Court of Justice Madame Desiree Bernard for an increase in the number of judges, the Attorney General introduced legislation to increase the number of judges to twenty. It is unclear how the government proposes to attract practising attorneys to take up judicial position, often at significant financial sacrifice.

While Ram & McRae believes that the number of judges needs to be increased, we consider that attention must to be paid to the conditions under which judges work and the rules under which the Guyana courts operate. Guyana is probably the only country in the region that still uses what were known as the Rules of the Supreme Court. Draft new Rules have been around for some years now and some decisive action needs to be taken on this matter.

What became embarrassingly plain earlier this year with the resignation of a recently appointed Court of Appeal Judge is that the Judicial Service Commission itself may not even have been properly constituted and had itself become a problem.

Judicial reform and the enforcement of justice are complementary. The Government needs to act on the recommendations of the **Disciplined Forces Commission Report** completed several years ago. The dysfunction is palpable with poor investigating capacity leading to too many guilty persons escaping justice. The price society pays is that justice is meted out in the streets with contract killings becoming increasingly frequent.

 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 – The Audit Office has long lost its independence and its annual reports often lack imagination, initiative and penetrative investigation that is so badly needed in a country that ranks so poorly for perceived corruption. Issues of conflicts of interest and too few professionally qualified staff still exist while the audit capabilities in ministries and departments are either non-existent or dangerously weak.

 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 has, so far, been received.

 Passed in 2010, the **Judicial Review Act** has still not been bought into operation.

 In 2012, sums amounting to $79,619,478 withdrawn by the Minister of Finance from the **Contingencies Fund** were not reimbursed by the National Assembly. With no precedent for this, the amount seems to be left in limbo.

National Issues

 Every oath taken by the President, Ministers and Members of parliament speaks of obedience to the Constitution. It must be a national shame that these very persons ignore important provisions and mandatory requirements of the Constitution. President Ramotar has added to the list laws passed by the National Assembly to which he has refused to give his assent or return them to the Speaker with his reasons – as required by the Constitution.

His party has failed to nominate persons to the Public Procurement Commission over a period of twelve years while the citizens have been deprived of their constitutional right to local government elections, also guaranteed by the Constitution.

 Also outstanding is a reform of the Guyana Elections Commission (GECOM), the existing model of which, called the [President] Carter Model, was intended to be used for the 1992 elections only. One can only assume that both the PPP/C and APNU are quite happy with the status quo.

 On the constitutional issues, the parliamentary opposition and especially the APNU must take much of the blame. It campaigned on a platform that committed to constitutional changes but has failed to deliver on that commitment. It must realise that the Constitution places too much power in the hands of the President and the Executive. It has failed to play its part in fixing the problems of the judiciary and seems out of ideas on dealing with two acting appointments at the top of the judiciary on which the Constitution requires the agreement of the Leader of the Opposition.

We believe therefore that the Constitutional Reform Commission should be constituted forthwith.

 Legislation to reform the telecommunications sector continues to be delayed while the Anti-Money Laundering and Countering the Financing of Terrorism Act is stalled owing to Government intransigents.

2014 Policy Issues and Targets

Policy issues

Once again, 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 2014 budget the Minister committed the government to continuing the policy environment which prevailed in recent years. He identified as the policy agenda that the Government '…will continue to be guided by the philosophy and principles outlined in [its] Manifesto and by the pillars identified in [the] first budget speech of the current term'. These were 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 discussed:

1. LCDS: Government continues to forge ahead with its 'innovative climate resilient and low carbon approach to economic development' and continues a number of initiatives including establishment of a Reducing Emissions from Deforestation and Forest Degradation (REDD+) framework, developing a Monitoring, Reporting and Verification (MRV) System and funding development under the Amerindian Development Fund and the Micro and Small Enterprise Development project. The Amerindian Land Titling project commenced while new projects including development of a National Climate Resilience Strategy and Action Plan were announced.

2. Modernising the sugar and rice sectors due to their relevance to the national economy.

3. Leveling the proverbial playing field in the ICT industry to increase competition and lower the cost of related services to the end user.

4. Developing strategies to address cross border travel through multi – destination packaging, group travel and temporary importation of vehicles for recreational purposes and the development of event standards.

5. Equipping young people with technical vocational education training skills

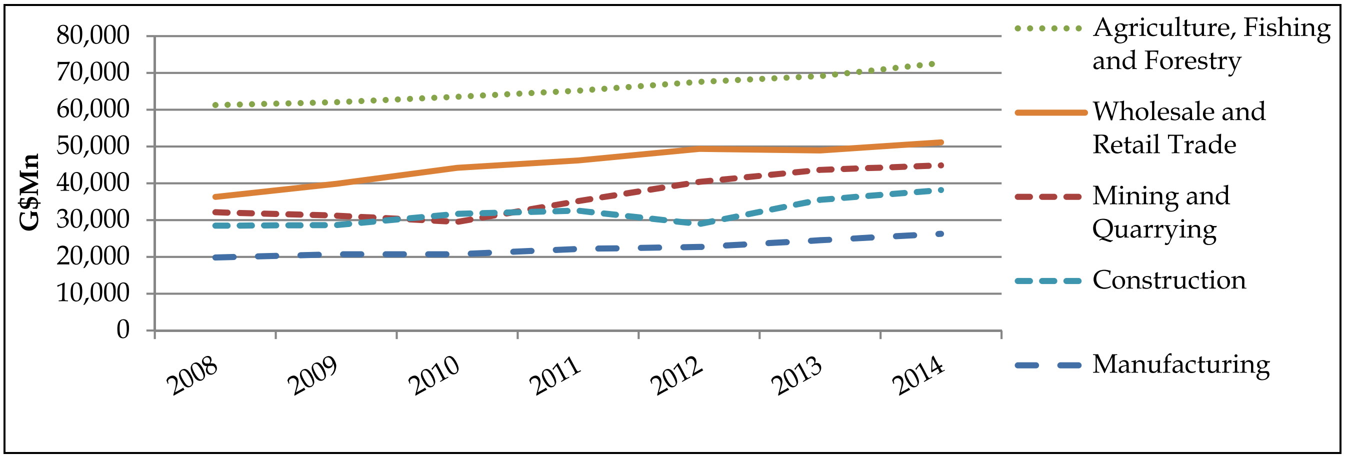
6. Strengthening our justice system.

7. Preserving Guyana's sovereignty and territorial integrity.

8. Passing the amendments to the Anti-Money Laundering and Countering the Financing of Terrorism Act and bringing a revised Insurance Act and a new Pensions Act to the National Assembly.

Targets

Overall real growth is projected at 5.6% in 2014 with the non-sugar economy and the sugar economy projected to grow by 5.2% and 15.6% respectively. A graph of contribution to GDP at 2006 prices by various sectors is as follows:



Source: Estimates of the Public Sector

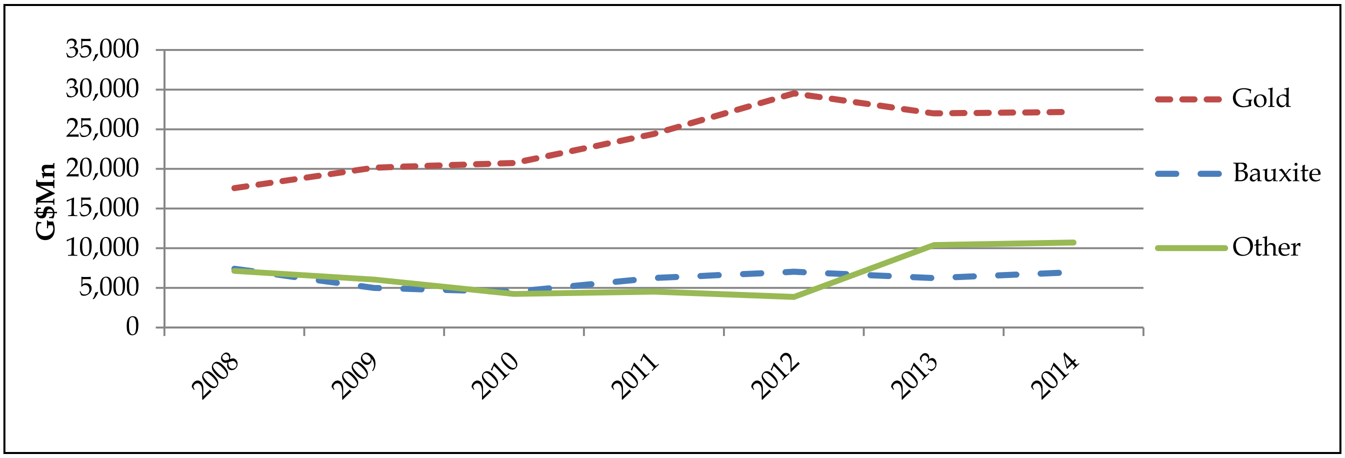
The primary industry groups are addressed separately below. In the other sectors, Finance and Insurance Activity recorded the highest average growth of 11.6% over the five years to 2013. Growth in 2014 is expected to be 11.8%. The Construction sector recorded average growth of 0.8% for the five years to 2012 and jumped 22.6% in 2013. Growth is expected at 7.5% in 2014. Information and Communication increased from 4.2% in 2012 to 5.9% in 2013. The average growth for the five years to 2012 was 5.1% compared to 4.4% to 2013. This sector is expected to grow by 4.2% in 2014.

Agriculture, Fishing and Forestry

Source: Estimates of the Public Sector

The Agriculture, fishing and forestry sector improved in 2013 recording a 2.3% growth in comparison with 3.7% in 2012. Growth of 5.2% is projected for 2014. The average growth for the five years to 2013 was 2.5%. "Other Crops" remains number one at 25% of total output of this industry group while Sugar and Rice represented 16% and 17% respectively in 2013. Rice is also leading in this industry with average contribution to GDP of 7.14% followed by livestock with 6.34%. Livestock had a poor performance in 2013 of 4.3% compared to 14.4% in 2012. Average growth in 2014 is projected at 3.3%.

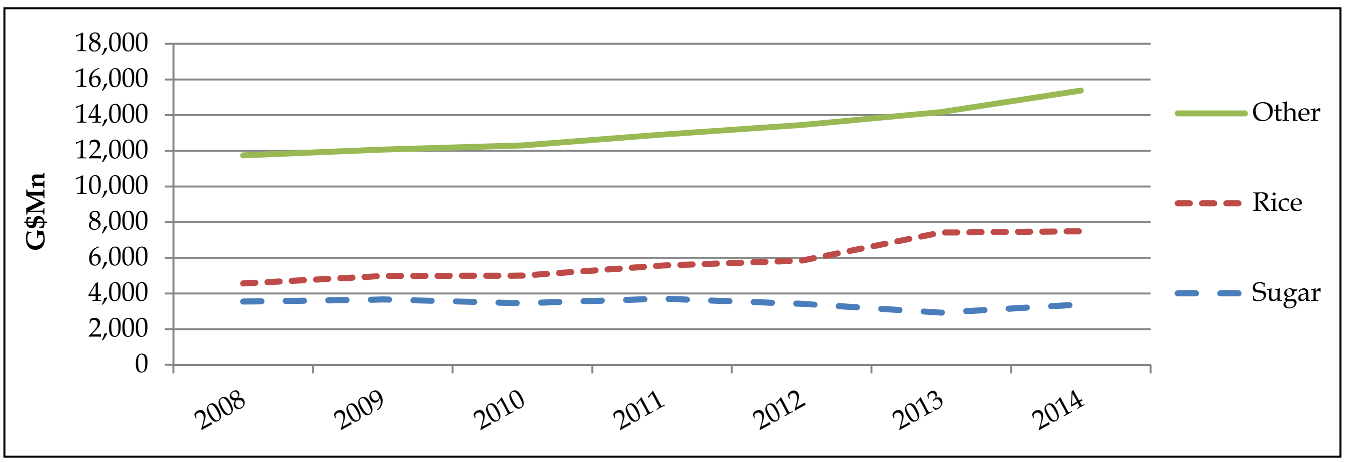
Mining and Quarrying



Source: Estimates of the Public Sector

Gold is budgeted to grow by 0.7% in 2014. Gold declined by 8.5% for 2013 after registering growth of 20.8% in 2012. The Bauxite sector is expected to grow by 11.5% in 2014. The sector was expected to contract by 0.2% in 2012 but revised growth was actually 12.5%. A decline in the growth rate of 11% was recorded for 2013.

Manufacturing



Source: Estimates of the Public Sector

An 8.5% growth is projected for 2014 in Other Manufacturing while a 15.6% growth is expected in Sugar Manufacturing.

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 2014 is projected at 5% compared with an actual of 0.9% in 2013. Food inflation in 2013 was 0.1% with the three years to 2013 registering 3.98%. Prices for Transport and communication increased in 2013 at a rate of 6.4% compared to a decrease of 0.8%

in 2012. Medical and Personal Care inflation in 2013 was 3.8%. Footwear and repairs registered a 14.1% deflation.

Balance of Payments

The Minister projects a deficit of US$21.9 million on the overall balance of payments compared with US$119.5 million in 2013. On the trade side, merchandise exports are projected to decrease by 0.37% to US$1,370.8 million while merchandise imports are projected to increase by 5.34% to US$1945.9 million. With net imports of services at US$257.4 million, and private transfers of US$384.5 million, a net deficit of US$448.1 million is projected on the current account.

The capital account is projected to have a surplus of US$426.2 million in 2014 (US$314.8 million in 2013). In this account, a net inflow of US$435.3 million is expected from medium and long term capital while a net outflow of US$27.9 million is expected on short term capital.

Ram & McRae's comments

1. There is a lack of consistency in the Minister's presentation as items included under Budget Measures could have easily been discussed under Sectoral Developments and the Agenda for 2014. A proper analysis of the spending plan cannot be done without looking at both sections.

2. See comment on growth in construction under Review 2013 (page 9).

3. There is a need for additional data on the components of GDP as for example Bauxite is the only sub-sector shown separately under Mining and Quarrying with gold, diamond and others being presented as one.

4. Similarly, the combination of Footwear with Repairs in the inflation data is not useful.

5. The country continues to be starved for inflation and unemployment data. Inflation is measured monthly but only announced in the Minister's Half Year and Full Year presentations. Unemployment seems never to attract attention in the Minister's Budget presentation.

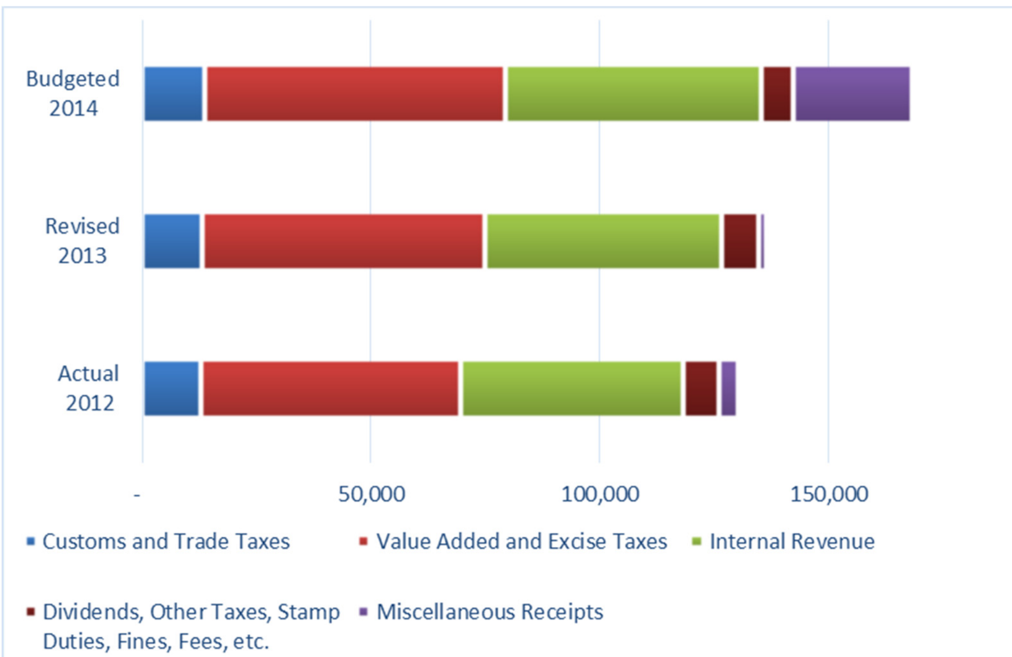
The Government of Guyana Financial Plan 2014

The Government's projected Financial Plan for 2014 is summarised and tabled on page 27 of this Publication. The current balance projects a surplus of $34,291 million, an increase of $18,359 million or 115% over 2013. After capital receipts and expenditure, the plan projects an overall deficit of $37,536 million compared to a deficit of $31,551 million in 2013, 69.2% of which is financed by external borrowing.

The main elements of the 2014 Plan are:

Total current revenues are projected to increase by $31,696 million to $168,190 million or by 23%. Of this, the Guyana Revenue Authority is expected to bring in revenues of $135,255 million or 80.4%, of total revenue an increase of $8,745 million, or 7% over 2013.

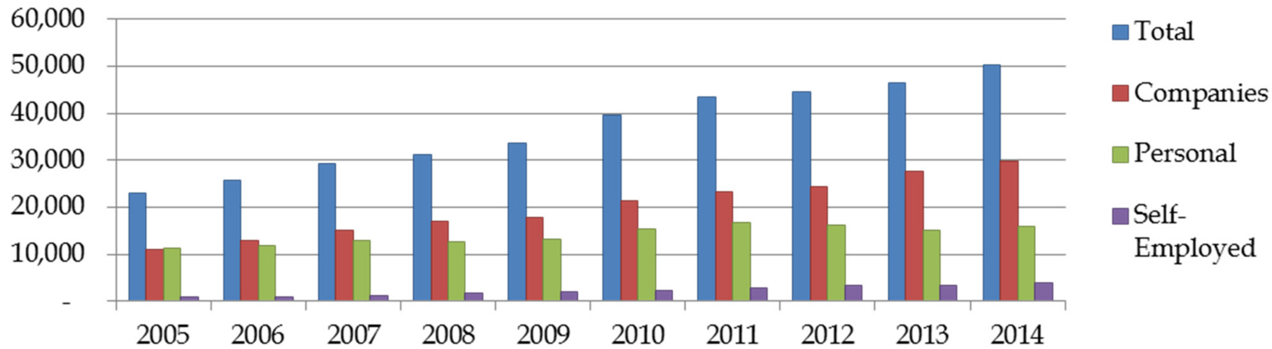
Analysis of current revenue by type



Source: National Estimates (G$ millions)

Of the GRA's collections, the Internal Revenue is projected to bring in $55,791 million compared with $51,675 million in 2013, an 8.0% increase while Value-Added and Excise Taxes are expected to earn $65,770 million compared to $61,659 million in 2013, an increase of 7%. These could be compared to 7% and 9% increases respectively in 2013. Collections by the Customs and Trade Administration are anticipated to be $13,694 million, an increase of $519 million or 4% compared to a 2.4% increase in 2013.

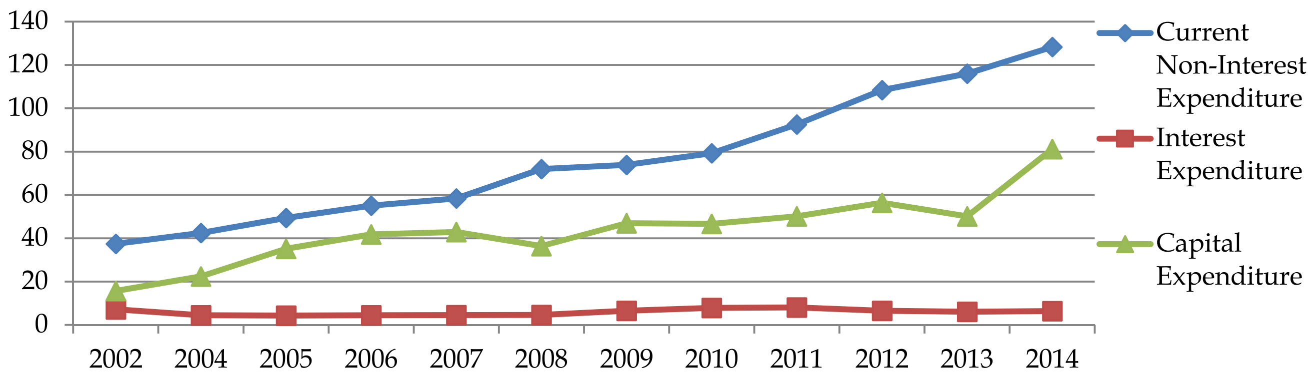
Analysis of internal revenue by type



All amounts shown are actual except 2013 and 2014 being revised and budgeted respectively (G$ millions)

Total Current non-interest expenditure is projected to increase by $12,345 million from $115,948 million to $128,293 million for 2014. Personal emoluments of $42,965 million represent an increase of 11.6% or $4,476 million over the revised figures for 2013.

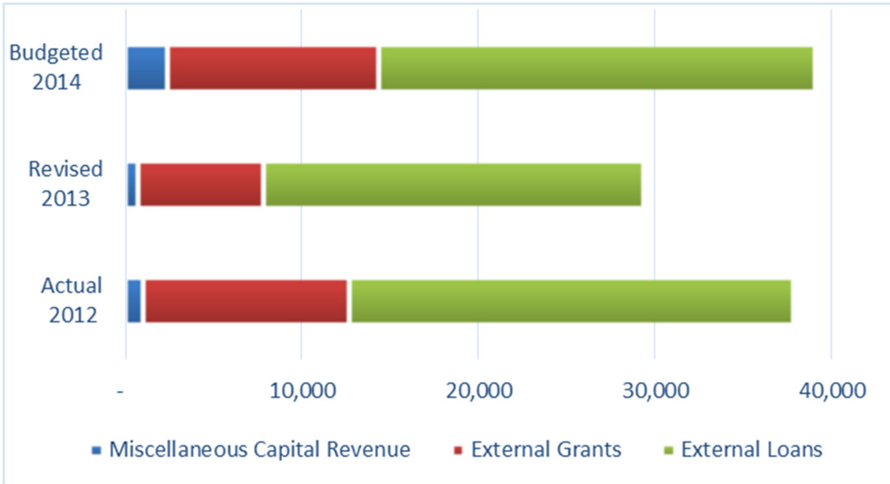
Expense trends from 2002 to 2014



All amounts shown as actual except 2013 and 2014 being revised and budgeted respectively (G$ millions)

Capital revenue and grants in 2014 are projected to increase by $6,522 million to $14,320 million of which HIPC and MDRI will contribute $2,381 million while Project and Programme funds are also projected to increase by $4,853 million.

Analysis of capital revenue by type



Source: National Estimates (G$ millions)

Capital expenditure of $81,194 million represents an increase of $31,049 million or 61.2% over 2013 of $50,144 million. The big ticket items of capital expenditure include the ICT project on which a further $3,463 million will be spent in 2014; $3,850 million on upgrading and expanding the electrification system; $18,564 million for LCDS projects and $6,550 million for the CJIA expansion project. China is providing the financing for the ICT, the electrification and the CJIA projects. The Estimates indicated that $8,259 million has already been advanced by the Chinese.

We also address the allocation of current and capital expenditures in Who Gets What in 2014 on page 28.

Interest expenditure is projected to increase by 21.5% or $991 million. Domestic interest is projected to decrease by $180 million or 10.3%, while interest on external debt is projected to increase by $1,171 million or 40.9%.

The principal element of debt repayments is projected at $4,954 million (2013: $5,138 million), made up of domestic debt repayments of a projected $35.4 million (2013: $1,010 million), while external debt repayments are projected to increase to $791 million. During 2014, domestic and external debt service as a percentage of current revenue decreased to 2.9% in comparison with 3.8% in 2013 revised.

The projected overall deficit of $37,536 million is proposed to be financed by external borrowings of $25,956 million and from domestic sources of $11,580 million.

Ram & McRae's Comments

1. Once again the Minister is engaging in deficit financing even as he speaks of fiscal sustainability. As one leading Private Sector representative suggested in our Budget Survey, we should be borrowing only if the Projects to be financed will provide either savings in expenditure or increases in revenue. Guyana is increasingly becoming dependant in China for Budgetary support and must certainly consider the adverse effect of a strengthening Chinese Renminbi against the Guyana Dollar. Projects financed out of Chinese Funds are not subject to Guyana's Procurement rules and there may therefore be considerable hidden costs including Chinese Labour and Material.

2. The projected growth in Internal Revenue may be difficult to achieve. The drag on the Mortgage Interest Relief in 2013 carries over to 2014 with potential credits, applying the Minister's 2013 estimates, amounting to $1,600 million.

3. Both the revenue and Capital Expenditure are premised on close to $20 billion dollars receivable from REDD+ Funds. A similar sum was Budgeted but not received in 2013 and hence the apparent significant increases in 2014 over 2013 latest Estimate.

4. Personal emoluments represent 25.5% of current revenue excluding REDD+ funds and 33.5% of total non-interest current expenditure.

5. Much of the employment cost is in respect of contract employees who are projected to receive or to account for $1,811 million over 2013.

6. We draw attention to the substantial sums being paid in subsidies and, further sums paid under some rather poorly defined arrangements - over $25 billion.

7. Financing of the deficit from domestic debt is expected to decrease by 50% to $11,580 million but the financing by external debt is expected to grow by 297% to $25,956 million.

8. Venezuela is now Guyana's fastest growing foreign creditor owing to the facilities we enjoy under the Petro Caribe Agreement.

9. Excise tax on the import of motor vehicles fell by $601 million or 6% over the 2012 revenue. With all the vehicles being put on the road, this decline raises serious questions. We note as well that excise taxes on alcoholic beverages fell during the same period by $42 million. There was a shortfall of $119 million in tobacco collections over the Budgeted revenue.

10. Net property tax was 38% over the previous year and 23% over Budget 2013. This is a whopping increase in a year before the new Property tax charges take effect for most companies.

Financial Operations of Central Government (Accounting Classification)

Particulars	Budget 2014	Revised 2013	Budget 2013	Actual 2012	Budget 2012	Actual 2011	Actual 2010
CURRENT REVENUE	**168,190.3**	**136,494.8**	**162,777.6**	**130,228.6**	**146,863.6**	**120,916.1**	**107,875.5**
1.1 Guyana Revenue Authority	135,255.2	126,509.8	125,735.9	118,334.0	116,823.8	111,409.0	100,958.8
1.1.1 Internal Revenue	55,790.9	51,674.6	50,449.7	48,621.7	47,213.1	47,244.2	43,323.3
1.1.2 Customs & Trade	13,694.4	13,175.9	14,035.5	12,862.9	12,896.1	11,117.8	9,272.1
1.1.3 Value Added and Excise Taxes	65,770.0	61,659.3	61,250.7	56,849.4	56,714.6	53,046.9	48,363.3
1.3 Other	32,935.1	9,985.0	37,041.7	11,894.6	30,039.7	9,507.1	6,916.6
CURRENT EXPENDITURE	**128,292.8**	**115,947.7**	**112,491.8**	**108,379.1**	**107,092.5**	**92,546.6**	**78,506.8**
2.1 Personal Emoluments	42,965.2	38,489.0	39,408.1	34,793.9	34,753.7	31,345.8	28,367.4
2.2 Other Goods and Services	41,822.6	37,528.2	38,612.1	34,175.6	35,434.6	33,688.3	26,811.4
2.3 Transfer to the Private Sector	43,504.9	39,930.5	34,471.6	39,406.6	36,904.2	27,512.5	23,328.0
INTEREST EXPENDITURE	**5,606.4**	**4,615.1**	**5,639.4**	**5,219.5**	**5,360.7**	**6,471.3**	**6,058.4**
3.1 Internal	1,568.9	1,748.8	2,220.1	2,587.2	2,749.3	4,041.8	3,959.8
3.2 External (Cash)	4,037.5	2,866.3	3,419.3	2,629.2	2,611.3	2,429.6	2,098.6
CURRENT BALANCE	**34,291.2**	**15,932.0**	**44,646.4**	**16,633.0**	**34,410.4**	**21,898.1**	**23,310.4**
CAPITAL REVENUE & GRANTS	**14,320.3**	**7,798.8**	**12,335.8**	**12,676.8**	**15,393.7**	**12,640.2**	**11,081.6**
5.1 Grants	14,320.3	7,798.8	12,335.8	12,676.8	15,393.7	12,640.2	10,911.8
5.1.1 HIPC & MDRI	2,381.4	713.3	1,229.5	1,044.0	1,562.8	1,044.5	1,457.2
5.1.2 Project and Programme	11,938.9	7,085.5	11,106.2	11,632.8	13,830.9	11,595.7	9,454.6
5.2 Other (inc. Sale of Assets)	-	-	-	-	-	-	169.8
CAPITAL EXPENDITURE	**81,193.6**	**50,144.2**	**85,659.0**	**56,441.5**	**75,756.7**	**50,116.3**	46,658.4
DEBT REPAYMENT	**4,953.9**	**5,137.5**	**5,050.2**	**4,637.8**	**4,571.5**	**4,966.8**	**8,230.2**
7.1 Internal	35.4	1,010.4	1,009.9	1,010.7	1,010.5	1,010.1	4,979.0
7.2 External (Cash)	4,918.5	4,127.1	4,040.3	3,627.0	3,560.9	3,956.6	3,251.2
OVERALL BALANCE	**(37,536.0)**	**(31,550.9)**	**(33,727.1)**	**(31,769.5)**	**(30,524.0)**	**(20,544.7)**	(20,496.5)
TOTAL FINANCING	**37,536.0**	**31,550.9**	**33,727.1**	**31,769.5**	**30,524.0**	**20,544.7**	**20,496.5**
9.1 External	25,956.4	8,749.1	27,627.3	30,043.3	22,807.3	15,223.5	15,427.5
9.2 Domestic	11,579.6	22,801.8	6,099.7	1,726.2	7,716.7	5,311.2	5,069.0
Total Domestic and External Debt Service as a % of Current Revenues	**6.3**	**7.1**	**6.6**	**7.6**	**6.8**	**9.5**	**13.2**

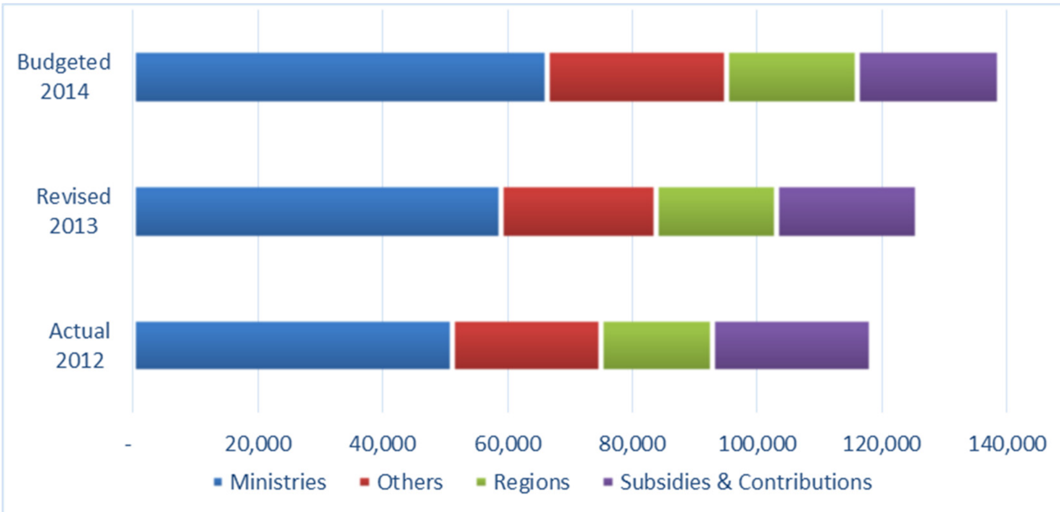
Source: Estimates of the Public Sector 2011to 2014 (G$ millions)

Who Gets What in 2014

Current Non-Interest Expenditure

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

Analysis of expenditure by type of disbursing agency



Source: National Estimates (G$ millions)

Central Government's non-interest current expenditure (employment costs, statutory expenditure and other charges) for the year is budgeted at $128.3 billion which is 10.6% more than budget 2013. The Ministries/ Departments with the most significant allocations are:

Ministries/Departments	Budget 2014		Revised 2013		Budget 2013		% Inc./ (Dec)
	G$Mn	%*	G$Mn	%*	G$Mn	%*	
Ministry of Finance	21,778	16.98	20,908	18.03	20,778	18.47	4.16
Ministry of Education	11,687	9.11	9,041	7.80	9,134	8.12	29.27
Ministry of Agriculture	10,317	8.04	9,467	8.16	4,443	3.95	8.98
Ministry of Labour, Human Services and Social Security	9,641	7.51	8,928	7.70	9,002	8.00	7.99
Ministry of Home Affairs	9,398	7.33	8,320	7.18	8,453	7.51	12.96
Ministry of Health	8,844	6.89	7,237	6.24	7,352	6.54	22.21
Guyana Defence Force	7,273	5.67	6,688	5.77	6,786	6.03	8.75
Georgetown Public Hospital Corporation	5,310	4.14	4,895	4.22	4,918	4.37	8.48
Ministry of Foreign Affairs	3,321	2.59	3,051	2.63	2,988	2.66	8.85
Guyana Elections Commission	3,184	2.48	1,489	1.28	3,306	2.94	113.83
* Percentage of total current non-interest expenditure							

The regions with the most significant allocations are:

Region	Budget 2014		Revised 2013		Budget 2013		%
	G$Mn	%*	G$Mn	%*	G$Mn	%*	Inc./(Dec)
No. 6 East Berbice/Corentyne	4,056	19.24	3,758	20.20	3,785	19.46	7.16
No. 4 Demerara/Mahaica	3,319	15.74	2,958	15.90	3,003	15.44	10.51
No. 3 Essequibo Islands/West Demerara	2,934	13.92	3,048	16.39	2,751	14.14	6.67
No. 2 Pomeroon Supenaam	2,235	10.60	2,059	11.07	2,062	10.60	8.42
No. 10 Upper Demerara/ Upper Berbice	1,980	9.39	1,803	9.69	1,806	9.28	9.64
No. 5 Mahaica/Berbice	1,663	7.89	1,526	8.20	1,530	7.87	8.67
* Percentage of total regional allocation							

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

Ministries/Departments	Budget 2014	Revised 2013	Budget 2013	Difference	
	G$Mn	G$Mn	G$Mn	G$Mn	%
Ministry of Finance	21,778	20,908	23,783	870	4.16
Ministry of Education	11,687	9,041	9,134	2,646	29.27
Ministry of Agriculture	10,317	9,467	4,443	850	8.98
Ministry of Home Affairs	9,398	8,320	8,453	1,078	12.96
Ministry of Health	8,844	7,237	7,352	1,607	22.21
Guyana Elections Commission	3,184	1,489	3,306	1,695	113.83

Capital Expenditure

Central Government's capital expenditure for the year is budgeted at $81.1 billion which is 61.9% above revised 2013 and 36.8% of total 2014 expenditure. The Ministries/Departments with the most significant capital expenditure allocations compared with the latest estimates for 2013 are:

Ministries/Departments	Budget 2014		Revised 2013		Budget 2013		%
	G$Mn	%*	G$Mn	%*	G$Mn	%*	Inc./(Dec)
Ministry of Finance	22,301	27	5,020	10	24,793	29	(10.05)
Ministry of Public Works	19,876	24	12,605	25	18,512	22	7.37
Ministry of Housing and Water	8,464	10	6,178	12	6,476	8	30.70
Ministry of Agriculture	5,440	7	5,416	11	6,547	8	(16.91)
Office of the Prime Minister	4,383	5	6,206	12	10,644	12	(58.82)
Office of the President	3,847	5	3,219	6	5,321	6	(27.70)
Ministry of Home Affairs	2,391	3	1,821	4	1,761	2	35.78
Ministry of Education	2,222	3	1,616	3	2,243	3	(0.94)
* Percentage of total capital expenditure							

Highlights from Ministers' Speech

The Minister in his speech highlighted the following allocations:

Educational facilities	$32.9Bn	Public safety and security	$19.5Bn
Health facilities	$21.5Bn	Roads and bridges	$13.7Bn

Power sector	$7.7Bn	Water supply system	$2.5Bn
Air and river transport	$7.6Bn	Sea defence structures	$1.9Bn
Drainage and irrigation	$6.9Bn	Agriculture sector	$1.5Bn
Support to the sugar industry	$6.0Bn	Information technology	$1.1Bn
Housing	$4.4Bn	Sanitation	$0.5Bn

Ram & McRae's Comments

1. We had drawn attention to the spending proposed by the Guyana Geology and Mines Commission in 2013. Combined with the Guyana Gold Board, a total of $27,798 million was spent under the heading "other operating expenses" over the last two years and an additional $6,255 million is budgeted for 2014. We remain concerned over the lack of parliamentary scrutiny to which these and other bodies are subject.

2. Expenditure on roads will amount to $12.9 billion. Several road projects are planned after housing areas have been developed leading to substantial frustration for citizens. And even when these projects are approved, there is significant slothfulness that is evident - without fear of penalty.

3. $6.6 billion is budgeted for the CJIA extension and is likely to face problems in light of parliamentary stalemate on the expansion project.

4. Unbelievably the Estimates contain a provision of US$80 million equity contribution to the Amaila Falls Hydropower Project.

Budget 2014 Measures

Chapter 6 of the 2014 Budget Speech contains twenty-two paragraphs covering 13 measures and their justification. The cost of the measures, a significant portion of which represents actual or disguised subsidies, amount to $19,218 million. We now look at those measures and offer our comments.

1. Support to the Sugar Industry

An amount of $6,000 million has been allocated to Guyana Sugar Corporation to help achieve the reversal of the fortunes the company "so badly needs". The justification offered by the Minister is tangible support for the 18,000 workers of the company.

Meanwhile, taxpayers have been left in the dark for far too long on what the Minister refers to as the "soon-to-be-appointed new board of directors and senior management." We may never see a detailed analysis of the outcome under the 2009-2013 Turnaround Plan. On the other hand, the Minister made no mention of the2013-2016 strategic plan which was reported to have been finalised and submitted to the Parliamentary Sectoral Committee on Economic Services.

In the past four years the sums allocated to the company amounted to a staggering $15,300 million.The Minister noted in his speech that "Government transferred a total of US$195 million to GUYSUCO over the period from 2005 to 2013 in support of its various restructuring and turnaround initiatives. This exceeds the total of €110.1 million equivalent to US$145.9 million received from the EU…"

2. Rice Industry

$500 million will be injected in the rice sector, which has prospered under the Petro Caribe Agreement with Venezuela, to help the sector increase competitiveness and resilience. The Minister gave no details on how this money will be spent and whether payments will be made direct to farmers. Rice farmers protested the National Assembly on the day of the Ministers Budget presentation and a test of their satisfaction would be whether they return during the budget debates.

3. Other Agriculture

$200 million will be provided to the sector to promote increased and diversified food production which includes the acquisition of planting material and breeding stock for distribution to farmers.

Unless there is a well-defined and executed mechanism, the allocation to these two agricultural sub-sectors (rice and other agriculture) can be used selectively and improperly. Given the tendency of the Government to help their constituencies, there must be real fear whether these are truly economic initiatives which will enhance production and productivity.

4. Rural Enterprise Development

$1,000 million was provided for the emergence of entrepreneurial ventures in rural communities with an emphasis on small businesses and labour intensive activities.

Again, the Minister gave no indication how this project will be executed. There are some real risks associated with this allocation and unless it is properly defined, the National Assembly find it difficult to justify the approval of this initiative. We believe that such allocations without any proper controls invite irresponsibility and attendant corruption.

5. Tourism Development

The Minister announced that the Government will "commence making a US$4 million investment for the establishment of a hospitality institute to … produce world class personnel for [the] industry."

Whether intended or not, this is convoluted language which needs to be clarified at in the Committee of Supply stage. A total of $55 million has been included under Capital Expenditure of the Ministry of Education as "Provision for Hospitality Institute and Institutional Strengthening – CDB". Of this amount, only $5 million is local funding while $50 million appears to be coming from the CDB.

6. Port Georgetown

A special purpose entity is proposed to execute a project for the dredging of the mouth of the Demerara River. An allocation of $100 million to allow for preparatory work of technical and other assessments has been proposed.

7. Support to the Guyana Power and Light Inc.

$3,700 million has been allocated to the national power company to support capital expenditure. This is on top of $11,200 million injected in 2013.

Apparently the Minister does not consider it necessary to inform the National Assembly of the financial performance of GuySuCo and GPL in 2013 and whether the $6,000 million and the $3,700 million will allow the companies to return to profitability. We are left to wonder whether these subventions will be required for several years to come.

8. Linden Electricity

The Linden Electricity subsidy will continue in 2014 with $3,200 million being provided to meet the cost of maintaining the electricity subsidy in Linden and Kwakwani. It appears that the Government has abandoned all hopes of regularising the situation or to offer any incentives to promote efficiency and cost-savings.

9. Old Age Pensions (OAP)

The Minister announced a $625 per month increase in Old Age Pensions, moving the amount from $12,500 to $13,125 per month from May 1, 2014. This represents a 5% increase over 2013.

10. OAP Electricity Assistance Programme

The Government has also decided to increase the Electricity subsidy to pensioners from $20,000 per annum to $30,000 per annum, or $2,500 per month meet their obligations to GPL for electricity charges incurred.

11. Hinterland Roads

$1,000 million was allocated for the rehabilitating of critical interior arteries including the Linden to Lethem road.

12. Clean Up Campaign

$1,000 million has been earmarked for the implementation of a Clean Up My Community action plan/Clean Up My Country initiative for which $500 million will be dedicated to immediate efforts to clean up the capital city.

Seems that the Government is proposing to enter into garbage collection rather than strengthen local government institutions. This can hardly be the way to resolve the crisis in local government and at City hall.

13. Education Grants

A cash grant of $10,000 will be provided to the parents of every child attending a nursery, primary, or secondary school in the public education system which will total cost of $2,000 million annually.

Overall comments

It is most disappointing that this is the best the Minister of Finance could come up with for the economic advancement of the country. It is a spending list not reflective of the Minister's calibre. An analysis of the proposed expenditure is as follows:

	Measure	**Budget**	
		($ Million)	**%**
Economic	Support to sugar	6,000.0	37.5
	Rice	500.0	3.1
	Other agriculture	200.0	1.2
	Guyana Power & Light	3,700.0	23.1
	Tourism	5.0	0.0
	Port Georgetown	100.0	0.6
	Hinterland Roads	1,000.0	6.2
	Total	**11,505.0**	**71.8**
Social	Linden Electricity	3,200.0	20.0
	Rural Development	1,000.0	6.2
	Education Grants	2,000.0	12.5
	Old Age Pension	212.5	1.3
	Electricity Assistance Programme	300.0	1.9
	Total	**6,712.5**	**21.9**
Other	Clean Up Campaign	1,000.0	6.2
	Total	**19,217.5**	**100.0**

The measures announced represent 8.73% of total budgeted expenditure for 2014. The Minister does not explain what happens to the surpluses realised by other public corporations, all of which are held as subsidiaries of NICIL. One must ask whether the surpluses are transferred to that entity while the deficits are funded by the Consolidated Fund.

The Minister it seems is inviting, or rather daring the parliamentary opposition to slash many of the allocations which clearly have not risen to the level that deserves being labelled "projects".

It is unbelievable too that the Minister tabled not a single idea on taxation or identify specific measures to move the economy forward. This menu of spending will have a difficult time winning support.

Commentary and Analysis

In this section of Budget Focus 2013, we identified and discussed what we considered eight pressing issues not only with budgetary implications but also having wider social, economic and constitutional relevance. The issues were:

- 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

Amaila collapsed when Sithe Global, the investor, walked away from the Project after the APNU withheld its support. In what was one of the most dramatic pieces of photojournalism in Guyana that we can recall, the Amaila Falls, the main source of water, ran stone dry in October 2013.

Focus had cautioned about Guyana's dependency on Venezuela for generous credit facilities on oil purchases and as a market for Guyana's rice. That country continues to simmer with a number of persons killed in street demonstrations against the Government of Nicolás Maduro, Chavez's successor.

The NIS and the University of Guyana continue to hang in but days before Budget 2014, the unions representing the main bodies of employees at UG took the unprecedented step of taking the University to Court not only for failing to pay over statutory deductions from employees' earnings but for repeated late payment of salaries. On a more positive note, the World Bank's US$10 million project to upgrade the Science Department finally got underway, albeit several years late.

Disappointingly, despite all the talk by the parliamentary opposition, they failed to make any progress on having a Parliamentary Budget Office, a principal function of which would be strengthening fiscal accountability and budgetary analysis. It failed too to have either its own, or one of four Parliamentary Legal Counsel now housed in the Chambers of the Attorney General, relocated to the National Assembly.

The absurdity of the absence of such an officer meant that the National Assembly had to rely on the Chambers of the Attorney General to draft the parliamentary amendment changing the deadline for local government elections from "December 31, 2014" to "August 1, 2014".

Readers will recall that at the date of the last Budget, the Court had only delivered a preliminary ruling. On 29 January 2014, Chief Justice (ag.) Mr. Ian Chang handed down his final decision, controversially ruling that the National Assembly could disapprove the entire Budget but not any Agency, Programme or line item of which they disapproved.

Focus 2014 has therefore identified the decision as a key item for discussion along with the following:

- Muri in the context of the Public Trust Doctrine
- CLICO
- The Exchange Rate
- Flooding
- Guyana's international rankings
- Surviving on the Minimum Wage
- Why Guyana has failed

What MURI Taught Us

During 2013 the country learnt that the Minister of Natural Resources and the Environment Mr. Robert Persaud under powers granted to him under the Mining Act had in December 2012 granted to MURI BRASIL VENTURES INC., a company with a capital of … permission to carry out over a three year period Geological and Geophysical Surveys over 2,200,000 acres of land and the automatic right to eighteen Prospecting Licences for Rare Earth Elements, Bauxite, Limestone, Nephelene Syenite, Gold, Diamonds and Granite Stones." For this generous concession and even more generous guarantee, the company over the three year period would have paid to the Government the grand sum of eighty-five thousand United States Dollars.

Faced with intense media scrutiny, the company's two principals, both with strong ties to members of the ruling party, quickly gave up the Permission. Thanks to the media, Guyana got lucky on this occasion. But the law that allowed a Minister the power to grant exclusive licences to strategic parts of the country – the Mining Act 1989 – remains fully intact, open to abuse and ministerial excesses with practically no oversight. Despite the clear usurpation of the powers vested in the Guyana Geology and Mines Commission (GGMC) and the Minister's unlawful guarantee of any, much less eighteen Prospecting Licences to MURI, the relevant parliamentary oversight body saw no wrong done.

This Mining Act in its present form is open to the most serious of abuses by the Minister who is also the subject Minister for the GGMC. Under the GGMC Act, the Minister appoints all thirteen members of the Commission, approves their remuneration and allowances and they are bound to carry out any directions given by him of "a general character as to the policy to be followed by the Commission in the performance of its functions."

Operating under such a framework, directors who owe their office and earn influence with the Minister may be clouded in their judgment and consider themselves unable to question the judgment or decisions of their Minister. Indeed, there is nothing in the Act that gives them any right to challenge a decision by the Minister, however mistaken they may think it is.

That Act screams out for amendments. As it is, the Act can allow for the carving up of Guyana without even a notification in the Gazette or a newspaper. In fact, there is an increasing awareness that a country's natural resources are held by one generation in trust for those coming after. Lakota Sioux: "*We didn't inherit the earth from our ancestors; we borrow it from our children.*" The public trust doctrine is the legal embodiment of this principle.

One California case has suggested how the public trust doctrine will expand: "*The preservation of ... lands in their natural state, so that they may serve as ecological units for scientific study, as open space, and as environments which provide food and habitat for birds and marine life, and which favorably affect the scenery and climate of the area.*"

Our legal system - based on English common law - includes the public trust doctrine as part of its jurisprudence. The State is the trustee of all natural resources which are by nature meant for public use and enjoyment. Public at large is the beneficiary of the sea-shore, running waters, airs, forests and ecologically fragile lands. The State as a trustee is under a legal duty to protect the natural resources. These resources meant for public use cannot be converted into private ownership.

Article 149J of the Constitution not only guarantees to everyone the right to an environment that is not harmful to health or well-being. It also imposes on the State the duty to protect the environment for the benefit of present and future generations by legislative and other measures to prevent pollution and ecological degradation; promote conservation and secure sustainable development and use of natural resources while promoting justifiable economic and social development.

There is too an economic dimension to the use of non-renewable resources. Let us take an example: Omai came, extracted 3,300,000 ounces of gold and paid royalties thereon. None of that money was set aside to create a fund, undertake any research or promote the country's store of knowledge. As we consider whether an area is open or closed and how we use the income from non-renewable resources, let us remember Article 149J of the Constitution and the interests of those who come after us.

Ram & McRae also advocates that the annual surplus made by the Guyana Geology and Mines Commission be transferred to the Consolidated Fund, subject to control of the National Assembly rather than being under the formal or indirect control of a Minister and his appointees.

Clico Life & General Insurance (SA) Limited: Serial Violations

History will remember the rise and fall in Guyana and the Caribbean of Clico, the insurance giant, as the US equivalent of Enron in the United States of America. The difference is that in the USA, those responsible were convicted and imprisoned. In Trinidad and Tobago, former Central Bank Governor described the financial debacle which engulfed the Clico parent as a massive fraud on the people and the Central Bank took action to have persons charged for fraud.

In Guyana, no one has been held accountable, no doubt because the then President was part of the violations of the law that cost billions to the country's Treasury, the workers' National Insurance Scheme and the company's policy holders. Five years after the collapse of the company, no one knows who were treated preferentially in having their monies returned to them when financial disaster seemed imminent. That information is secured closely among a handful of people while the persons who most suffered in the Clico fiasco have had to suffer in silence. Not least among them is the National Insurance Scheme that is still owed more than five billion dollars by the company.

Efforts to ascertain basic information about the management and financial affairs of the company leading up to its demise were seen as high treason. As is well known, this Firm's Managing Partner was prevented by no less a person than the then President of Guyana from asking a question at a meeting of policy holders of the company. That meeting set in train a further pattern of conduct that violated the Insurance Act, the Companies Act and possibly the country's criminal code. Perhaps because the process was led by the country's President, the law was ignored. Or perhaps it is the impunity with which the Government operates. The truth or the law it seems was of no importance to policyholders or creditors faced with the possibility of a complete loss of their money. The saga has been well recorded in Business Page contributions by the Firm's Managing Partner.

Sadly, we can report that the illegalities have continued even under a liquidation which by law must be supervised by the Court which ordered the appointment of a Liquidator. So concerned was our Managing Partner at the continuing improprieties by those engaged in the company's liquidation that he wrote to the Court pointing out the illegalities. We now share with the public the concerns he raised in the appropriate forum. All section references are to the Companies Act, 1991.

Section 366 (1) requires the involvement of the Official Receiver when the court has made a winding up order or appointed a provisional liquidator. *Our understanding is that that Office has played no part in the process.*

Section 366 (5) provides for a statement to be available to creditor or contributory. *Apparently this was not done*.

Section 367 provides that a report must be done by the Official Receiver after receipt of the statement of the company's affairs. *Not done.*

Section 370 requires the Official Receiver by virtue of his office to be liquid at or during any vacancy. *We are aware that during the period of the liquidation, the Liquidator has indeed been out of the country on numerous* *occasions. Apparently, in those circumstances, the Liquidator delegates his functions to some other person who may have some conflicting obligations.*

Section 371 requires the Liquidator to give Official Receiver access to books and facilities for inspecting the books and documents of the company. *Our understanding is that the Official Receiver has been left out of the entire process.*

Section 375(1) (c) provides that the liquidator may with the sanction of the court or of the committee of inspection appoint an attorney-at-law or other agent to assist him in the performance of his duties. *It seems that the Liquidator appointed an attorney-at-law as well as other persons in breach of this sub-section. The records show that more than one hundred million dollars have been paid for Legal and Professional Fees to unnamed persons between 2010 and 2013.*

Section 375 (1) (d) provides that the liquidator may with the sanction of the court or of the committee of inspection pay any classes of creditors in full if the assets are remaining in his hands will suffice to pay in full the debts and liabilities of the company which rank for payment before, or equally with, the debts or claims of the first-mentioned creditors. *Certain creditors were paid in full while others have lost or are likely to lose a portion of their claims.*

Section 376 (1) provides for the exercise and control of the liquidator's powers by resolutions of the creditors or contributories at a general meeting or by a committee of inspection. *From the available evidence, the creditors or contributories were never afforded the opportunity to exercise any control over the liquidator.*

Section 379 provides for half-yearly receipt and payment statements to be sent to the Registrar accompanied by a statutory declaration. *The public records indicate that over the period September 10, 2010 to March 2014, only two statements were ever submitted to the Registrar.*

Section 379 (3) requires the Registrar to have the statements audited and for the submission of such vouchers and information as the Registrar may require and for the right of the Registrar to inspect any books or accounts kept by the Liquidator. *This has not been done.*

Section379 (4) provides that when the accounts have been audited, one copy thereof shall be filed and kept by the Registrar, and the other copy shall be delivered to the court for filing, and each copy shall be open to the inspection of any creditor or of any person interested. *Because 379 (3) has not been complied with, there was nothing to file with the Court or be open to inspection by any person.*

Section 380 provides for the exercise of control by the Registrar over the Liquidator. *The Registrar has failed to "take cognisance of conduct of Liquidator".*

Guyana is the only Caribbean country affected by Clico that took not a single step to protect its integrity and reputation and the financial interest of the public. Ram & McRae can only wonder whether there is anyone who is interested in addressing the lawlessness that has happened so far or in preventing the further debasement of the laws.

Budget Cuts Decision

The decision of the Chief Justice in the Constitutional case ***AG of Guyana v Raphael Trotman and David Granger No. 216 W 2012*** (the Budget Cuts case) is likely to feature prominently as the Estimates move to the Committee of Supply for detailed consideration. A publication of this nature may not be the ideal forum for a thorough discussion of the case and we will therefore make it as brief as possible even as we try to explain the decision. The salient facts are as follows:

On March 30, 2012, the Minister of Finance presented to the National Assembly the Estimates for 2012, as required under Article 218 of the Constitution of Guyana. In keeping with the Standing Orders of the National Assembly, the Estimates were referred to a Committee of Supply, made up of all the members of the Assembly but not sitting as the Assembly. In that forum, on April 25 and 26, opposition members Messrs. Ramjattan and Greenidge proposed certain amendments reducing a number of line items in the Estimates in accordance with Standing Order 76. The proposed amendments were carried and when the National Assembly resumed the Minister of Finance presented to the National Assembly an Appropriation Bill "as amended" and this was unanimously approved by the National Assembly and assented to by the President. Having voted for the Appropriation Bill that included the "cuts", the Attorney General on behalf of the Government on June 4, 2012 then approached the Constitutional Division of the Court to declare the cuts unconstitutional.

In a ruling delivered in two parts, the court with Chief Justice (ag.) Ian Chang sitting as the sole judge ruled that the cutting of the Budget violated the Constitution.

A striking feature of the two decisions is the absence of any explanation or statement of the principles of interpretation applied by the court in arriving at its decision. The court resisted the arguments by counsel for the defendants that interpretation of constitutional provisions require a broad approach, avoiding the 'the austerity of tabulated legalism', as well as an interpretation that leads to an absurdity. It seems strange that the court would rule that the National Assembly can cut the entire budget but not an ill-conceived project!

The preliminary ruling states the central premise on which the AG for the Government founded his challenge of unconstitutionality of the cuts is Article 218 (1) and (2) of the Constitution read in the light of Article 1 thereof. In the Affidavit of Dr. Roger Luncheon supporting the Application for the Order, Article 1 was cited to support the doctrine of the separation of powers which inhere in a democratic state. Article 1 states that Guyana is indeed in such a state "in the course of transition from capitalism to socialism".

In that preliminary ruling, the Chief Justice stated that "simply put, the Attorney-General has submitted that, in conferring a power of approval or disapproval of the Minister's Estimates of Expenditure, Article 218 has not conferred on the National Assembly an implied additional power to substitute its own estimates…." In fact the affidavit by Dr. Luncheon introduced the possibility of disapproval with the words "which by necessary implication includes disapproval".

Yet, the Court did not so interpret Article 222A which also contains the word "approved". In fact the Court expressly called on the Minister of Finance to make money available for the non-existent Ethnic Relations Commission! On page 14 of the preliminary decision the Court proceeded to assign to the National Assembly an oversight or gate keeping function of approval or non-approval stating that "it is inconceivable that the National Assembly as a national institution would cripple executive governance by non-approval of any estimates of expenditure". In fact the Constitution is clear about the wide law-making powers of the National Assembly which have been seriously restricted by this decision.

We remind the Court that the National Estimates contain thousands of line items including some for less than fifty thousand dollars. Does the Court seriously believe that if one of those mini-items was cut the government would be crippled? We doubt it. The irony of the decision is that it is non-approval that would lead to crippling, not any reduction consistent with peace, order and good government.

Even more strange, having assigned to the National Assembly a gate keeping function – what can and cannot pass – the Court then decides that no, you either let all out or none out! That is not how gatekeepers function.

But those are not the only contradictions. The court cautioned against recourse to other jurisdictions and then cited a decision from an Australian case to support its own ruling. Another contradiction in the decision is the statement that final non-approval of the estimates of expenditure by the National Assembly does not appear to be an option contemplated by the Constitution. Yet that is exactly the argument advanced by the Attorney General and apparently received the support of the Court.

Interestingly the preliminary ruling deemed ultra vires the addition of the words "unavoidable and unforeseen need" as pre-requisites for the use of the Contingencies Fund. The court has opened a hornet's nest and will therefore struggle to justify the benefits which President Jagdeo signed for himself under the Former Presidents (Benefits and Other Facilities). Article 181 (2) of the Constitution allows former presidents only gratuities.

In the final ruling, the Court "saw it fit to declare that the National Assembly through the [Committee of Supply] has acted unlawfully and unconstitutionally in purporting to reduce or cut the Estimates of Expenditure…" We therefore wonder whether the Court clearly distinguished between the decisions of the Committee which is internal to the National Assembly and that of the Assembly itself.

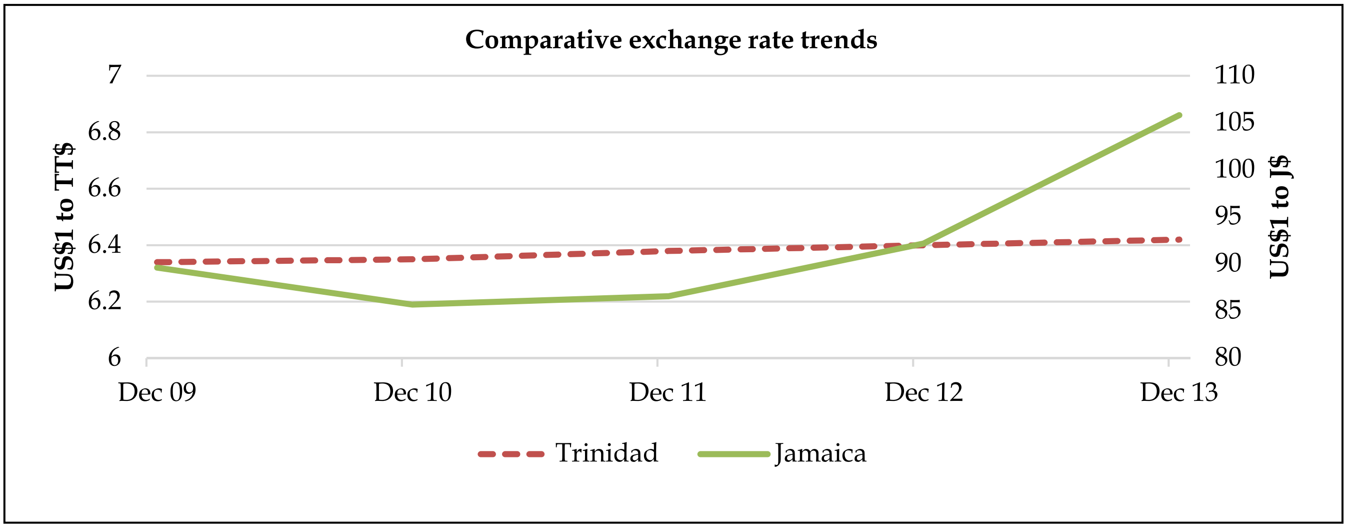
In the preliminary ruling, the Court found "that the act of the National Assembly in cutting or reducing the estimates of expenditure … was outside its constitutional remit." For reasons set out in the decision, the court nevertheless concluded that "the Appropriation Bill laid before and passed by the National Assembly and to which the President assented was not unconstitutional."

Most surprisingly, the Court failed to revisit this and other issues in its final ruling and the preliminary ruling in this regard therefore stands. We therefore believe that any action by the Government to expend sums not approved under the Appropriation Act is unjustified and illegal.

We think the final ruling is wrong and that it will be overturned on appeal. Importantly, the decision has brought into the open the appropriateness of a single judge determining important matters arising out of the Constitution. That concern is certainly not helped when one considers that that Judge and well as the country's Chancellor of the Judiciary are both acting appointees.

In Defence of the Exchange Rate

One of the remarkable features of the Guyana Dollar over the past ten years has been its stability. While the same can be said for Barbados and the OECS countries, their currencies are pegged to the United States Dollar. The Trinidad and Tobago Dollar has also enjoyed stability but Jamaica is very different as the following graph shows:



Source: Bank of Guyana Reports

Recent trends raise some concern whether the Guyana Dollar can maintain that stability and whether the statement by the Minister of Finance that key exchange rates remained stable throughout the year. At the end of the year, the Guyana Dollar was being traded against the US Dollar at $206.25 compared to $204.5 a year ago. This may not seem a significant movement but it is among, if not the highest decline for the past ten years. And it is the official Bank of Guyana rate – not reflective of the market rate that reportedly reached as high as $214. Indications are that the Government which sees everything through political lens, is concerned about the recent trend.

The Minister reported that transactions on the domestic foreign exchange market contracted by 5.8 percent to US$6.4 billion, which seems hardly consistent with the reported growth in the economy. What we do know is that the exchange rate was under pressure for most of 2013 as a result of currency shortages resulting in both the bank and non-bank cambios experiencing increases in their buying rates and passing those increases on in their selling rates.

There is ample room for rational speculation but in official circles the explanation is attributed entirely to the falling price of gold despite higher production levels in 2013. The tightness in the foreign exchange market was also due in part to lower foreign exchange earnings from sugar attributed to lower production, and lower remittances. The part that was left unsaid was the high quantity of gold that we had on hand and from which we surely suffered losses due to the falling prices.

Conventional wisdom too is that the value and volume of transactions by the non-bank cambios are declining. We believe that such a view ignores the substantial amounts of undocumented transactions. We believe therefore that predictions of the demise of the non-bank cambios are grossly exaggerated and, in fact, that they contribute to the rate stability.

While theories abound – including the uncertainty over the amendments to the "Anti-Money Laundering Act" and the role of the Chinese and their own style of business and savings – one fact is known: the Bank of Guyana regularly intervenes in the foreign exchange market with a view to defending the exchange rate. Reports are that the Bank of Guyana injected some US$162 million from its foreign reserves into the foreign exchange market during last year.

We predict that in the near term there will be further pressure on the Guyana Dollar with the Bank of Guyana continuing its intervention. No doubt, at some point the Bank of Guyana will have to decide whether such a course can be pursued indefinitely. While Ram & McRae does not believe that such a change in policy is imminent, it does believe that businesses will have to pay closer attention to their foreign currency exposure and take action to minimise losses due to any decline in the exchange rate.

The Insurance Threat

The Insurance Association of Guyana (IAG), a group representing insurance companies and brokers, has decided to increase premiums for flood insurance both on businesses and households in the country. The optimist will take some comfort from the fact that the companies – which are responsible for in excess of 90% of insurance business in Guyana – did not deliver on a threat they made in November last year to discontinue offering flood insurance coverage to businesses and homeowners.

The announcement suggests that the actual increases to be publicised shortly will be temporary – until the "Industry is satisfied that meaningful action is being taken by the relevant authorities and the citizenry to correct the deficiencies" in water and flood management. The industry it seems is convinced that weaknesses in flood control compound the threats from nature attendant on the consequences of global warming. Because of its unique characteristics, the insurance industry does not operate on the strict calendar cycle and usually takes at the very least a medium term view of risks. Businesses would be advised against being too optimistic that premiums once increased will soon return to the existing levels. Indeed, if meaningful action by the unnamed "relevant authorities" is not taken and the value of insurance claims continues to exceed the premiums received, further increases in premiums will be inevitable.

The possibility cannot be discounted that increased premiums will discourage homeowners and businesses from seeking or continuing coverage or that the frequency of floods will make the risk of coverage one that the insurance companies and their re-insurers are unwilling to take. In either case, that would be regrettable and perhaps catastrophic, threatening the very existence of businesses which at least have the benefit of tax deductibility of the premium paid. The homeowner has none and is therefore at greater risk.

Flooding is now part of the psyche of Guyanese, with the spectre of an event on the scale of the 2005 Great Flood still haunting many. One of the tragedies of that Flood is that the Government refused to hold a Commission of Inquiry which would have established the causes of the Flood and hopefully made some useful recommendations to prevent a recurrence. The culture of fact finding in an open, objective forum is something that this country has abandoned at a great cost.

The IAG has largely blamed the poor upkeep of drainage facilities and the culture of dumping garbage in drains and canals as the main causes of the frequent flooding especially of Georgetown and its environs. Engineers and other experts in water management will probably argue that the problems are in fact more fundamental. Additionally, global warming causes not only rising sea levels but also more erratic, adverse weather patterns.

The drainage system designed in the early to mid-nineteenth century is gravity based. Unfortunately, over the past several decades, the system has fallen into disrepair due to neglect. Causes of the general deterioration of the system are many and the result has been an increased vulnerability to flooding of increasingly populated areas. Factors which contribute to flooding include poor maintenance, damaged water control structures, back-filling of canals, uncontrolled development and filling, and backfilling of the conservancy water storage areas due to sedimentation and accumulation of vegetation.

Older Guyanese will recall that even when Georgetown was a much smaller place and before the dawn of the era of Styrofoam containers and plastic bottles, there were far more canals and other waterways that served as holding ponds for water during the wet season and reservoirs during the dry season. East Street, Main Street, Mandela Avenue and Independence Boulevard (Punt Trench Dam) and the Railway Embankment were all active waterways. The outflows were always well-maintained, the kokers serviced on a strict schedule and the river de-silted on a periodic basis.

Though important, and for some existential, flooding is more than just insurance. Agriculture and especially rice and sugar, is carried out mainly on the coastal strip where flooding is most serious. Flood threats to this sector would have both economic and social implications with grave health threats from overflowing latrines and drains.

Ram & McRae spoke with some of the country's engineers about solutions and it was surprising how frequently the term "not rocket science" came up in the discussions. Unfortunately everyone seems to address the symptoms rather than the causes. We were advised by one of them that the last occasion that the outfalls were dug was in 1994, twenty-years ago. He wondered how many persons actually understand or are aware of the network of canals and drains leading out to the river and the sea.

Another suggested that what was needed was a study of water flows on the coastal belt, and other areas prone to flooding. The country needs to build a database and have reliable systems for predicting the weather, informing when the holding areas should be emptied in advance of expected rainfalls. The recommendation was that drains and canals should be cleaned and maintained not as an event but on a continuous basis.

Ram & McRae believes that a major workshop on Flood Control should be convened bringing together the collective experience and expertise of our engineers, including those living abroad. We are sure the insurance community of Guyana would be willing to participate. The steps agreed to may even persuade them to postpone their threats, real and justified as they may be.

International Rankings

"Doing Business 2014", an annual World Bank Publication, shows that out of 189 countries surveyed, Guyana ranks 115th. In his Budget Speech, the Minister referred to the "Guyana's Doing Business Action Plan." Focus applauds the Government and the Minister for having taken the 'bull by the horns' to create an easier process of transacting business in Guyana.

The Minister also alluded to one area of improvement which was already in play - the establishment of the Credit Bureau in Guyana in 2013 designed to facilitate faster decisions by lending institutions and goes on to discuss specific areas to be addressed using the survey results as a marker.

While we applaud the Minister for paying close attention to the World Bank publication, we would like to draw attention to other indices, equally widely circulated, some of which portray Guyana in a less than favorable light. Indeed, to many investors and consultants, those indices may be their first portal to the country, creating that proverbial first impression.

The following table shows the Guyana's score and ranking on a selected set of popular indices:

Transparency International

Year	Score	Country Rank
2011	2.5/10	134 of 183
2012	28/100	133 of 176
2013	27/100	136 of 177

Index of Economic Freedom

Year	Score	Country Rank
2012	51.3/100	137 of179
2013	53.8/100	129 of 184
2014	55.7/100	121 of 78

Doing Business

Year	Score	Country Rank
2013	57.70/100	113 of 184
2014	58.03/100	115 of 189

Press Freedom Index *

Year	Score	Country Rank
2012	19.5/100	58 of 179
2013	27.08/100	69 of 179
2014	-	67 of 180

Global Competitiveness Index

Year	Score	Country Rank
2011-2012	3.7/7	109 of 142
2012-2013	3.7/7	109 of 139
2013-2014	3.77/7	102 of 148

Human Development Index

Year	Score	Country Rank
2011	0.628/1	104 of 169
2012	0.632/1	119 of 187
2013	0.636/1	118 of 187

**** Countries with lower scores are regarded as more free.***

The landscape created by these indices requires that concerted and systematic efforts be made to improve the country's ratings. Regardless of the Government's opinion on Transparency International and the methodology used in compiling the Corruption Perceptions Index (CPI), we cannot afford to ignore the results. It is not without significance that the Georgetown Chamber of Commerce and Industry's Attitudinal Survey 2014 produced results not unlike the CPI. Guyana must therefore seek to improve its rating on each and every one of these indices instead of constantly attacking the results. The opportunities for improvement exist and can be excellent advertisement for the country.

Each Index serves a different purpose. But Doing Business and TI's Corruption Perception Index are undoubtedly the two most significant for investors. Good scores may reduce the cost of capital and enhance our national competitiveness. For sure, enhancement has no downside.

We believe that there is a relationship between these two indices as we believe that corruption fuels many of the problems which lead to a low Doing Business Score. Take the public servant who collects an extra $1,000 to process a document faster – does the Minister believe that the processing time could be improved without addressing the factors that drive corruption? Or does he realise that processes are deliberately slowed to ensure that only those paying up would get good service. We therefore believe that a focus on the Doing Business Index in isolation will therefore not bring about the desired results.

The Human Development Index produced by the United Nations shows Guyana climbing the ranking to 118, one spot over the previous year of 119 (the ranking fell from 104 to 119 in 2012 due to the addition of net participating countries). With significant investments in Education and Health Care, the country's ranking ought to be better. .

Finally, it must not be turned into an irony that the country's strongest showing lies in its level of freedom of the press, which from time to time incurs the wrath of the politicians. We believe that Guyana should rank higher on each and every one of these indices and call on the Minister to commit resources to ensure that all factors affecting our ranking are addressed.

We could begin with the establishment of the Public Procurement Commission and the Integrity Commission and strengthen the capabilities of the Police to carry out fraud investigations.

Pro-poor Policies

There were two recent occasions when the cost of living, or rather the cost of maintaining a family, came to the fore. The first was when the Government set the National Minimum Wage at $202 per hour or $35,000 per month; the second the announcement by the Minister of an increase in the Old Age pension from $12,500 to $13,125 per month. Whenever the question comes up, the parties are speaking from different positions, or worlds.

Some years ago, we asked the Carnegie School of Home Economics to construct a basket of recommended goods for a family of two adults and two children. At December 2013, the basket would cost the family $59,972, exceeding the minimum wage by just under $25,000. If only one is earning at the minimum wage, that family will not be able to pay for the basic basket.

The challenge facing any society is how to minimise poverty which exists even in a relatively well-performing economy. Wintress White, a member of Red Thread, once responded to an assertion by a government Minister that the country's macroeconomic fundamentals were strong by saying that her microeconomic fundamentals weren't doing so well. She explained that she wasn't just objecting to the government's statement. Rather she was concerned at the failure of government, opposition and independent commentators to evaluate the economy's success or failure in terms of the daily lives of poor families, the hidden costs of poverty and the invisible labour it imposes on the women who run poor households.

Red Thread showed the basket to a small group of women whose households range in size from one adult and one teenager to three adults and one teenager. It was clear that the spending pattern of the Ram & McRae's family is vastly different from Red Thread's group. There is no what we would call economies of scale, no money to buy in quantities or freezer to store them. The inevitable result is that their food costs more; ten tennis rolls bought one at a time cost more than a bag of ten tennis rolls.

But the issue is not whether a family of four can eat on the minimum wage, but whether it can live on the minimum wage. The basket of goods contains only food; it does not include soap, bleach, disinfectant, basic toiletries like tooth brushes, toothpaste, toilet paper, sanitary napkins, for example. And outside the items people buy in shops and markets there are the other big money items that have to be paid for: housing, transport, education, health care, water and light, to start with.

In every household surveyed the regular expenditure is way higher than the regular income and in each household both income and expenditure are much, much higher than the minimum wage. Red Thread argues that if the decision-makers and the rest of what is called society took the trouble to find out from the majority of families making up poor households, their real workdays (with their multiple jobs), their real incomes (including via barrels), and their real expenditures (including for education and health services), we might begin to understand many of the social problems we face.

When exposed to the real families who have to live on or below the minimum wage the scale of the challenges facing the country assumes a stark complexion. Policy makers need to stop thinking only of macro-economic fundamentals and consider the plight of the poor in surviving on what they earn.

The fact that a cash grant of $10,000 per year is regarded as a budget measure of some note suggests the scale of the problem faced by those on the minimum wage and by our society. These across-the-board interventions may be easier to manage but like the Old Age pensions, they do not help those most in need. There needs to be a better way.

In the final analysis however, the poorer households need jobs paying wages that can buy not only the basket of goods of Carnegie but to live at a reasonable standard. They would not be helped by handouts or by accident but by pro-poor policies.

The Importance of Institutions

It may come as a shock to younger Guyanese that around the time Guyana attained Independence, we were at the same level of development as Singapore. Guyana compared well with Mauritius and was admired across the Caribbean. Sixty years or so later, many of those countries have moved far ahead while very few Guyanese would be happy with the progress made in the nearly fifty years of Independence. There have been many studies undertaken and books written seeking to explain why some countries develop faster than others, even among those sharing common borders, ethnic background and culture. The intriguing question is the subject of a very popular book *Why Nations Fail* by Daron Acemoglu of the Massachusetts Institute of Technology and James A. Robinson from Harvard University. It would offer interesting lessons to our political leaders.

There are perhaps two central features of this book: The first is that critical junctures can have a major impact on a nation. It all depends on what happens during the critical juncture and its outcome. Guyana's entire Independence struggle was based on the rejection of everything British, good and bad. The notion of a strong and independent "civil service" was regarded as bureaucratic and fuelled by a "colonial mentality". The practice of responding to national issues with fact-finding Commissions of Inquiry was abandoned as the power elite assumed they knew all the answers. Compare how often the British investigated the sugar industry and within days of the Great Flood they would have set up a Commission to look into the causes and to make recommendations.

The public service lost its best people and with it its independence, its institutional capacities and critical thinking. The first migration wave had begun taking with it the some of the best intellectuals and entrepreneurs. This was compounded during the events of the late fifties and sixties with the country's division into two main ethnic camps leading - some say inevitably - to open conflicts and hostilities and internal migration not previously witnessed in the country. Again, those who could afford it chose external migration. During the Cold War, Guyana for better or worse chose policies which the USA and the UK found threatening and responded to by destabilising the country. The scars of that era have never been eradicated.

The second feature is the type of institutions the society or the ruling class imposes. Acemoglu and Robinson divide these into two types, the first being inclusive institutions which foster political, economic and property rights of the majority. The other type - extractive institutions - limit individual political and economic rights and allow a privileged few that rule the nation. The experience in Guyana is that at the highest level we chose the extractive over the inclusive: the paramountcy of the party that then allowed a few to hijack power and the national resources for themselves, their families, friends and supporters. Control became more important than efficiency or fairness as witnessed at the University of Guyana and other important state institutions. We have created paper institutions not designed to work, such as the Integrity Commission, the Public Procurement Commission and the Judicial Service Commission.. Perhaps the most extractive institution of all is the 1980 Constitution designed for and exploited by those with autocratic tendencies. That Constitution allows laws that concentrate powers in the hands of a few with all appointees being made with political considerations prominent.

Academics also agree that there are tools and techniques for fixing failed states but that there is no template that is universally acceptable. Indeed Singapore with its benign dictator Lee Kuan Yew and China ruled by the Communist Party are examples often cited to rebut the institution model of Acemoglu and Robinson.

As we confront the prospect of a nasty war over Budget2014 we should read the book by another two authors Ghani and Lockhart, *Fixing Failed States*. For them the rule of law is preeminent: everyone is equal before the eyes of the law. The contradiction inherent in the 1980 Constitution is that it proclaims the rule of law and then invests in one person, control over the supreme organs of democratic power. The supreme contradiction or irony with the Constitution is that the party that made its repeal their battle cry are now its greatest advocate and defender.

But since this Focus is on Budget 2014, it is instructive to consider the authors' six components of National Accountability System:

- Sizeable amounts of State funds are siphoned off for illegitimate purposes, and many thousands of separate accounts are maintained.

- The challenge should be to make the budget function as the chief instrument of policy making, goal setting, and monitoring of results.

- Procurement is often viewed as a backroom function. Yet this sub-function is at the heart of corruption. The way in which goods and services are procured and contracts are written and monitored may allow for significant monies to be siphoned off and contractors not to complete their projects.

- The challenge is to create auditing and accounting conventions and practices that can act as accountability mechanisms for domestic expenditure.

- Projects may look good on paper, but, unless they translate into successful implementation they will not reduce poverty, or realise their expected returns.

- Parliamentary and international oversight, as well as citizen monitoring of the budget, must all play an important part. The importance of a Parliamentary Budget Office and meaningful consultations cannot be over emphasised

These issues are so eerily similar to Guyana as to make one wonder whether Guyana formed part of their research. That Guyana is not included among the many countries and states referred to in the book suggests that the problems of accountability are universal and with modifications to local conditions, so are the solutions.

If we begin fixing our institutions, we will be on the way to fixing the country.

Conclusion

Budget 2014 is a huge disappointment; it seems to contain only a shopping list for Expenditure, while offering to do nothing on employment creation and addressing the critical issues of corruption and better public sector financial management. Indeed, there is growing evidence that the country's financial management is under serious threat, despite regular warnings. Despite the usual grandiloquence there is no real evidence of a central theme or the direction in which the Government proposes to take the country.

The Budget paid very little attention to job creation and none to the National Insurance Scheme (NIS), which is still reeling from the disaster of CLICO. Dr. Ashni Singh is not only the Minister responsible for the NIS but was also the Minister responsible for CLICO's oversight when it collapsed. It is all the more troubling that there is such little interest in what is an equally badly executed liquidation (see discussion under Commentary and Analysis).

Little was said about the Amaila Falls Hydropower Project and how the need for the low-cost energy will be met. Concerns that there may be backroom moves to resuscitate the project under the radar cannot be discounted even as the Government announces a study into the feasibility of hydropower from Mazaruni and the consideration of windpower from Hope Beach.

Indeed Ram & McRae finds it hard to understand the G$16,000 million allocated for equity contribution to the Amaila Falls Hydropower Project. We believe that item alone makes this Budget incapable of approval, or in common parlance, Dead on Arrival.

It was a budget driven by subsidies and handouts with the Guyana Sugar Corporation (GuySuCo) and Guyana Power and Light, Inc. (GPL) continuing to be major beneficiaries while the Government resists calls for a review of their operations. It seems irresponsible for GuySuCo to be allocated any further budgetary support until it complies with the law relating to the tabling of annual accounts and reports.

In this edition of Budget Focus 2014, we reviewed the decisions by the Court in what is being called the "Budget Cuts Case". We believe that the court fell into error and therefore welcome the decision by the Speaker to appeal the decision of the one-man constitutional court. The National Assembly now proceeds to have the Estimates examined by the Committee of Supply which the court stripped of any real purpose and function, prompting one seasoned commentator to describe the process as "high farce".

Meanwhile, the National Assembly itself has been stymied in its work by the Executive and the President who appears to treat the opposition as an obstacle rather than a partner in progress. If there is no progress on resolving the impasse over the Anti-Money Laundering and Countering the Financing of Terrorism amendments, all the projects by the Minister of Finance could be placed at risk. We therefore join in appealing to everyone to put Guyana first.

Ram & McRae predicts that the Government will have a difficult time to persuade the parliamentary opposition to support certain budgetary allocations for projects and initiatives that appear to have received inadequate planning; or to allow the spending on NCN from which so much of the country is shut out; or to finance some of the government's pet projects.

There is a belief that the PPP/C is unwilling to function without a clear majority which would allow it to have its unhindered way in the Assembly. Cynics might even suggest that the 2014 Budget was designed to invite a rejection of the Budget and justify returning to the polls and forestalling long delayed and much feared local government elections.

Appendix A1: Acts Passed in 2013

Legislation	Title	Description	Date Passed	Date of assent	Bill
2 of 2013	Sexual Offences (Amendment) Act 2013	Amends Sections 4, 74 and the First Schedule of the Sexual Offences Act	January 3, 2013	February 27, 2013	26 of 2012
3 of 2013	Business Names (Registration) (Amendment) Act 2013	Amends the Principal Act to change the date for re-registration from January of each year to the anniversary date of the first registration.	January 3, 2013	February 5, 2013	27 of 2012
4 of 2013	Deeds and Commercial Registries Authority Act 2013	To establish a Deeds and Commercial Registries Authority as a corporate body outside of the traditional public service.	January 3, 2013	May 31, 2013	28 of 2012
5 of 2013	Supplementary Appropriation (No. 3 for 2012) Act 2013	Authorises supplementary provisions for the Ministry of Agriculture $500 million and Ministry of Housing $1.500 Million.	January 10, 2013	February 5, 2013	1 of 2013
8 of 2013	Local Authorities (Elections) (Amendment) Act 2013	Postpones Local Government Election of councillors of local democratic organs for the 16th consecutive year.	February 7, 2013	February 27, 2013	3 of 2013
9 of 2013	Supreme Court of Judicature (Appeal) (Amendment) Act 2013	Amends Section 6 of the Court of Appeal Act and Paragraph (a) of Sections 71 of the High Court Act.	February 7, 2013	February 27, 2013	6 of 2013
11 of 2013	Appropriation Act 2013	Provides for the sum of $162,990,238,875 approved under the amended Budget for the year 2013.	April 24, 2013	May 2, 2013	10 of 2013
12 of 2013	Fiscal Enactments (Amendment) Act 2013	To amend the Income tax Act by reducing the rate of personal income tax to 30% and to introduce Mortgage Interest Relief for first-time homeowners; and to amend the Property tax rates and brackets and move the valuation date for Property tax purposes to 1 January 2011 from 1 January 1991.	April 24, 2013	May 16, 2013	11 of 2013
15 of 2013	Municipal and District Councils (Amendment) Act 2013	Amends the Principal Act to revise provisions pertaining to Municipal Councils and to update various fines, fees and charges.	August 7, 2013	November 6, 2013	19 of 2012

Legislation	Title	Description	Date Passed	Date of assent	Bill
16 of 2013	Fiscal Transfers Act 2013	Provides for the Objective Criteria for the allocation of Resources to Local Authorities and for matters connected therewith.	August 7, 2013	November 6, 2013	20 of 2012
18 of 2013	Local Government Commission Act 2013	Establishes the Local Government Commission, as provided for the Commission's functions and procedure and for connected and incidental purposes.	August 7, 2013	November 6, 2013	13 of 2012
19 of 2013	Supplementary Appropriation (No. 1 for 2013) Act 2013	Authorises the payment of $5,954,396,702 for current expenditure and $6,429,712,996 for capital expenditure.	December 12, 2013	December 18, 2013	18 of 2013

Passed and assented: 12
No. out of time: 07
Billed passed but not assented.

Appendix A2: Principal Orders Made in 2013

Order No. &Title	Principal Legislation	Nature of Order	Date of Order
5 of 2013 National Minimum Wage Order 2013	The Labour Act (Cap. 98:01)	To fix the private sector minimum wage at $202 per hour or $1,616 per day or $8,080 per week or $35,000 per month as the case may be.	May 20, 2013
6 of 2013 Alternative Dispute Resolution Act 2010 (Commencement) Order 2013	Alternative Dispute Resolution Act 2010	To set May 10, 2013 as the date on which this Act was brought into force.	May 9, 2013
14 of 2013 Access to Information Act 2011 (Commencement) Order 2013	Access to Information Act 2011	To set July 1, 2013 as the date on which this Act was brought into force.	July 9, 2013

Appendix A3: Regulations Issued in 2013

Regulation No. & Title	Principal Legislation	Description	Date
4 of 2013 The Income Tax (Mortgage Interest Relief) Regulations 2013	Income Tax Act (Cap. 81:01)	Provides mortgage interest relief to first time homeowner's equivalent to 30% (the tax rate) on mortgage interest paid.	October 7, 2013
5 of 2013 Wireless and Telegraphy (Amendment) Regulations 2013	Post and Telegraph Act (Cap. 47:01)	Amends the structure of fees payable by operations under the Act.	October 17, 2013

Appendix B: Selected Socio - Economic Indicators

ITEM		2013	2012	2011	2010	2009
1	**National Accounts Aggregates (2006 Base)**					
1.1	Growth Rate of Real GDP	5.20	4.80	5.40	4.40	3.30
1.2	GDP at current basic prices (US$M)	2,611.30	2,506.80	2,265.10	1,970.10	1,776.60
1.3	GNP at current basic prices (US$M)	2,639.80	2,530.80	2,255.80	1,982.90	1,759.70
1.4	Per Capita GDP (US$)	3,496.30	3,347.30	3,017.50	2,619.50	2,358.70
1.5	Per Capita GNP (US$)	3,534.40	3,379.30	3,005.00	2,636.50	2,336.20
1.6	Gross National Disposable Income (US$M)	3,227.50	3,182.90	2,879.90	2,644.30	2,324.00
1.7	Private Consumption as % of Gross Domestic Expenditure	74.20	70.30	69.80	68.30	65.70
1.8	Public Consumption as % of Gross Domestic Expenditure	11.20	10.30	11.80	11.80	13.00
2	**External Trade and Finance (US$M)**					
2.1	Bal of Payments Current Account Balance	(425.30)	(366.70)	(372.20)	(247.40)	(230.60)
2.2	Imports of Goods and Non- Factor Services (G&NFS)	(2,347.70)	(2,523.10)	(2,204.80)	(1,762.90)	(1,451.80)
2.3	Exports of Goods and Non- Factor Services (G&NFS)	1,540.60	1,713.20	1,426.40	1,133.00	938.50
2.4	Resource balance	(807.00)	(809.90)	(778.30)	(629.90)	(513.30)
2.5	Imports of G&NFS/GDP(%) at 2006 Base	89.90	100.60	97.30	89.50	81.70
2.7	Exports of G&NFS/ GDP (%) at 2006 Base	59.00	68.30	63.00	57.50	52.80
2.8	Net International Reserves of Bank of Guyana	751.20	825.20	749.70	724.40	569.40
2.9	External Public Debt Outstanding	1,246.50	1,358.60	1,205.60	1,040.30	931.60
3	**Prices, Wages and Output**					
3.1	Rate of Inflation (% change in Urban CPI)[1]	0.90	3.50	3.30	4.50	3.60
3.2	Public Sector Monthly Minimum Wage in G$ (e.o.p)	39,540.00	37,657.00	35,864.00	33,207.00	31,626.00
3.3	% Growth Rate	5.00	5.00	8.00	5.00	6.00
3.4	Electricity Generation (in MWh)	711.00	690.50	645.20	627.40	602.00
4	**Population & Vital Statistics**					
4.1	Mid- Year Population ('000)	746.90	748.90	750.70	752.10	753.20
4.2	Population Growth Rate (e.o.p)	(2.70)	(1.50)	(1.90)	(1.50)	(1.00)
4.3	Net Migration ('000)	(13.50)	(13.40)	(13.40)	(13.60)	(13.30)
4.4	Visitor Arrivals ('000)	157.80	176.60	156.90	151.90	141.30
4.5	Crude Birth Rate (per 1,000 persons)	18.50	18.40	18.80	19.00	18.90
4.6	Crude Death Rate (per 1,000 persons)	6.60	6.90	6.90	7.00	5.90
4.7	Crude Marriage Rate (per 1,000 persons)	NA	6.40	6.10	5.40	5.60
4.8	Infant Mortality Rate (per 1,000 live births)	12.90	13.80	14.40	14.70	10.80
4.9	Under 5 Mortality Rate (per 1,000 live births)	15.80	16.20	17.90	18.20	14.30
5	**Health and Education**					
5.1	Public Expenditure on:					
5.1.1	Education as % of National Budget	13.60	13.80	15.20	15.30	15.70
5.1.2	Health as % of National Budget	8.50	8.90	9.00	9.40	9.90
5.2	Number of Physicians Per Ten Thousand Population	9.50	7.70	7.00	6.80	5.90
5.3	Number of Nurses per Ten Thousand Population	15.30	14.20	13.00	10.10	12.80
5.4	Number of Hospitals Beds per Ten Thousand Population	25.40	25.40	25.20	25.00	25.10
5.5	Low birth-weight babies (<2,500g.) as a % of live births	8.90	9.60	9.30	10.90	10.10
5.6	Severely Malnourished	0.20	0.30	0.30	0.50	0.20
5.7	Moderately Malnourished	2.00	2.20	2.70	2.10	5.50
5.8	Overweight	7.60	5.70	4.90	3.70	2.30
6	**Immunisation Coverage**					
6.1	1 year olds Immunised against DPT/(Pentavalent) (%)	98.00	97.40	92.60	95.00	98.00
6.2	1 year olds Immunised against MMR, Yellow Fever (%)	97.50	99.10	97.40	94.50	97.00
6.3	1 year olds Immunised against Polio (%)	97.50	97.40	93.30	94.80	97.00
6.4	1 year olds Immunised against TB, BCG (%)	97.80	98.00	97.40	97.60	98.00

	ITEM	2013	2012	2011	2010	2009
7	**Crime**					
7.1	Reported Serious Crimes[2]	4,204.00	3,760.00	3,789.00	3,574.00	3,557.00
7.2	of which: Murder	155.00	139.00	130.00	140.00	117.00
8	**Exchange Rates**					
8.1	G$ to US$	206.25	204.50	203.75	203.50	203.25
9	**Interest Rates**					
9.1	Commercial Banks' Lending Rate[3]	11.16	11.08	11.68	11.95	12.17
9.2	Small Savings Deposit	1.33	1.69	1.99	2.67	2.78
9.3	Three Months Time Deposits	1.09	1.39	1.83	2.28	2.32
9.4	Treasury Bill Rate (91 days)	1.45	1.45	2.35	3.78	4.18
10	**Debt**	355,890.63	379,761.90	349,437.20	311,672.70	276,679.65
10.1	External Public Debt (G$M)[4]	257,090.63	286,300.00	244,500.00	211,183.20	189,632.25
10.2	Public Domestic Debt (G$M)	98,800.00	93,461.90	104,937.20	100,489.50	87,047.40

1: Rate of inflation in 2010 is presented under the New Series with base year December 2009, while for 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

NA: Not Available

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