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REVIEW OF  
**GUYANA BUDGET 2020**

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# REVIEW OF GUYANA BUDGET 2020

Jack A. Alli, Sons & Co.  
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## OVERVIEW

The Minister of Public Works, Honourable Bishop Juan Edghill, presented the 2020 Budget on 09 September 2020. The previous budget was presented twenty-one months earlier on 26 November 2018. The lengthy interval was due to the holding of general elections on 02 March 2020 and the ensuing delays, which resulted in the declaration of results in early August 2020.

Budget 2020 projects total expenditure of G\$329.5 billion (US\$1.584 billion) while total revenue is estimated at G\$253.7 billion (US\$1.220 billion). The budget deficit for 2020 is estimated at G\$75.9 billion (US\$365 million).

## PERFORMANCE OF NATIONAL ECONOMY IN 2019

Budget 2019 had projected that the national economy would have grown by 4.6 percent. However, actual growth for 2019 was 5.4 percent, with non-oil growth of 4.3 percent. The gross domestic product at current prices was US\$5.026 billion in 2019 compared to US\$4.675 billion in 2018, while per capita GDP in 2019 was estimated at US\$6,553 compared to US\$6,120 in 2018.

The contributions to gross domestic product of the major sectors, as measured at 2012 prices, are reflected in the table below.

Sectors	% of 2019 GDP	% of 2018 GDP
Agriculture, Fishing and Forestry	25	26
Mining and Quarrying	16	15
Manufacturing	6	5
Services:		
Wholesale and Retail Trade	7	8
Construction	7	7
Administrative and support services	6	6
Financial and Insurance Activities	5	5
Public Administration	4	4
Transportation and Storage	4	4
Information and Communication	2	2
Other	18	18

Source - Budget Speech 2020

The agriculture, fishing and forestry sector contracted by 0.5 percent on account of declines in sugar, livestock and forestry. Rice and other crops were estimated to have grown by 8.8 percent and 0.3 percent, respectively, while the fishing industry also grew by 0.7 percent. The strong performance of the rice industry was due to larger hectares under harvest as well as higher yields.

The mining and quarrying sector expanded by 10.6 percent reflecting growth in gold of 3.0 percent, bauxite of 1.7 percent and other mining and quarrying of 7.3 percent. The performance of the gold industry was largely driven by small and medium scale operators as the two large scale mines encountered operational setbacks in 2019. Sand mining and stone quarrying also grew in the year while diamond declarations declined by 11.5 percent from the previous year.

## OTHER KEY INDICATORS

The official US Dollar exchange rate ended 2019 at G\$208.50, unchanged from December 2018. The market mid-rate of the US Dollar was G\$214.7 compared to G\$213.2 in December 2018. Inflation for 2019 was 2.1 percent, compared to 2.0 in 2018.

## BALANCE OF PAYMENTS AND PUBLIC DEBT

The balance of payments is expected to end in a deficit of US\$48.9 million for 2019, compared to a deficit of US\$132.2 million for 2018. The main contributors are highlighted below.

Account	2019 US\$mIn	2018 US\$mIn
<b>Current Account</b>		
Merchandise		
Gold	876.6	766.8
Rice	222.7	186.1
Bauxite	127.0	128.2
Sugar	27.8	27.1
Timber	33.7	33.3
Other Exports	279.2	235.7
Fuel & Lubricants	(490.7)	(515.9)
Other Imports	(2,528.4)	(1,894.3)
Current – Services (Net)	(932.2)	(897.4)
Current – Transfers	581.5	491.7
<b>Total Current Account Deficit</b>	<b>(1,802.7)</b>	<b>(1,438.8)</b>
<b>Total Capital Account Surplus</b>	<b>1,766.6</b>	<b>1,299.9</b>
<b>Errors and Omissions</b>	<b>(12.8)</b>	<b>8.0</b>
<b>Overall Balance</b>	<b>(48.9)</b>	<b>(132.2)</b>

Source – Budget Speech 2020

Gold, rice and bauxite continued to represent the major export-earning industries for Guyana in 2019, with

stronger performances in the year from the gold and rice sectors in particular. Non-fuel import payments grew over the prior year due to increased imports for the growing oil and gas sector. The net services deficit also grew due to higher payments for transportation and other business services. Other current account transfers increased over 2018 due to higher inflows of workers' remittances and other in-kind transfers.

The capital account surplus increased significantly over the prior year due to the higher foreign direct investments in the growing oil and gas sector. Foreign direct investments in 2019 amounted to US\$1.7 billion.

The overall balance of payments deficit was funded by debt relief and forgiveness of US\$96.4 million, resulting in an increase in net foreign assets of US\$47.5 million.

Net international reserves at the Bank of Guyana on 31 December 2019 was US\$575.9 million compared to US\$528.4 million at the prior year end.

Total public debt amounted to US\$1.69 billion at the end of 2019 with external debt accounting for US\$1.30 billion of the total outstanding. The debt to GDP ratio at 2019 year-end was 32.6 percent.

## BUDGET REVENUE PROJECTIONS FOR 2020

Of the total projected revenue for 2020 of G\$254 billion (US\$1.220 billion) in Budget 2020, G\$226 billion (US\$1.089 billion) is from current sources while G\$27 billion (US\$131 million) is from capital sources.

The major sources of current revenue are summarized in the table below.

Form of Current Revenue	2020 Budget G\$bln	2019 Budget G\$bln
Value-added tax	52.6	54.3
Corporation tax	33.7	44.5
Excise tax	32.0	45.2
Personal income tax	33.3	29.2
Import duty	19.9	21.8
Withholding tax	32.6	14.9
Other tax revenue	10.3	13.7
Transfers from statutory and non-statutory bodies	2.4	2.3
Rent, royalties and land development schemes	3.5	5.7
Bank of Guyana profits	1.5	2.1
Other current revenue	4.7	4.6
	226.5	238.3

Source - Budget Estimates 2020

Some of the significant fiscal measures announced in Budget 2020 are:

- Removal of 25 percent corporation tax on private corporate educational and health care facilities
- Reversal of previous amendment to the VAT Act that resulted in exporters of certain items having to absorb VAT on purchases of goods and services
- Classification of the following items as zero-rated for VAT purposes:

- medical, dental, hospital, optical and paramedical services
- water and electricity services
- locally produced sand, stones, concrete blocks, plywood, logs and lumber of a type and quality used in construction and housing
- capital equipment and machinery used in the mining, forestry, agriculture and manufacturing industries
- all-terrain vehicles used in the mining, forestry, agriculture and manufacturing industries and by Toshaos from Amerindian communities
- uncooked bird's eggs
- uncooked fresh, chilled or frozen chicken
- hatching eggs
- poultry feed or ingredients for poultry feed
- packaging material for use in the poultry industry
- fertilizers
- agro-chemicals
- pesticides
- river and land crossing services to hinterland regions
- services of transporting passengers or goods by air, river or land from one place in Guyana to the hinterland regions
- Classification of mobile phones as exempt for VAT purposes
- Increase in the mortgage relief ceiling to G\$30 million from G\$15 million
- Reversal of land lease fees across all sectors and water charges to 2014 rates
- Reversal of land taxes and drainage and irrigation charges to 2014 rates
- Reversal of policy restricting importation of used tyres and vehicles more than 8 years old
- Reduction of license fee by 50 percent for any license increased after 2014
- Exemption to register and pay license fees for excavators, bulldozers and other vehicles used in the mining industry
- Tax concessions on investments in agro-processing facilities, cold storage and packaging

Capital revenue is projected to be received principally through external loans of G\$19.6 billion (US\$94.4 million) and external grants of G\$7.6 billion (US\$36.3 million). Significant funds are expected from external loan arrangements with the Government of the People's Republic of China of G\$6.0 billion (US\$28.7 million) and the Inter-American Development Bank of G\$5.4 billion (US\$26.0 million).

## BUDGET EXPENDITURE PROJECTIONS FOR 2020

Budget 2020 projects total expenditure of G\$329 billion (US\$1.584 billion) compared to G\$301 billion (US\$1.446 billion) in 2019. The allocations to capital and current expenditure are shown in the table below.

Expenditure	2020 Budget G\$bln	2019 Budget G\$bln
Current	257	231
Capital	72	69
	329	300

Source – Budget Speech 2020

The table on the next page analyses the allocation of total expenditure across responsible agencies, with comparative allocations from Budget 2019.

Responsible Authority	2020 Budget G\$bln	2019 Budget G\$bln
Ministry of Finance	41	36
Ministry of Public Infrastructure / Works	31	35
Ministry of Education	20	22
Ministry of Agriculture	15	14
Ministry of Social Protection / Human Service and Social Security	23	18
Ministry of Public Security / Home Affairs	25	22
Ministry of Public Health / Health	38	25
Guyana Defence Force	14	14
Regional Authorities	50	45
Other Authorities	55	51
Public Debt	17	18
	329	300

Source – Budget Estimates 2020

Some significant expenditure items announced by the Minister are highlighted below.

- With respect to infrastructure and ICT development:
  - › Completion of the Cheddi Jagan International Airport project
  - › Completion of the East Coast Demerara Highway
  - › Resurfacing of East Coast Railway Embankment Road
  - › Construction of new road from Golden Grove to the Hope Canal
  - › First phase of Ogle – Diamond by-pass road, stretching from Ogle to Haags-Bosch
  - › Liberalisation of the telecommunications sector, and subvention to National Data Management Authority for bandwidth expansion and improved connectivity
  
- With respect to agriculture and hinterland development:
  - › Allocation of G\$3 billion to GuySuCo
  - › Drainage works at Mahaica/Mahaicony/Abary Agricultural Development Authority
  - › Drainage works of farmlands located at West Watooka, Linden
  - › Allocation of G\$800 million to the Amerindian Development Fund and G\$800 million to the Hinterland Roads Programme
  
- With respect to national security:
  - › Construction of police stations at Cove and John, Brickdam, Matthew's Ridge, Leonora, Lethem, Whim, Albion, Parika, Wismar and Mahdia
  - › Acquisition of fifty vehicles for the Police
  - › Continued works on Mazaruni and Georgetown prisons, and commencement of works on Lusignan prison
  
- With respect to education, youth and children:
  - › Expansion of the Learning Channel to respond to closure of schools
  - › Establishment of a radio station dedicated to education delivery
  - › Retrofitting of schools with necessary infrastructure to respond to COVID-19 on re-opening
  - › Provision of G\$15,000 cash grant for school children effective January 2021 and a doubling of the uniform voucher allowance to G\$4,000 per child

- With respect to healthcare and social security:
  - › Redevelopment of West Demerara, Suddie and Bartica hospitals
  - › Completion of the Infectious Diseases Hospital at Liliendaal
  - › Procurement of PPE for central government workers in response to COVID-19
  - › Provision of G\$25,000 per household relief for COVID-19
  - › Increase in Old Age Pension effective 01 January 2021 to G\$25,000 from G\$20,500

## PROJECTED PERFORMANCE OF NATIONAL ECONOMY IN 2020

It is projected that the national economy will grow by between 48.4 percent and 51.2 percent in 2020, while the non-oil economy is expected to contract by between 1.4 percent and 4.3 percent. The overall growth projection is driven primarily by the petroleum sector while the non-oil decline is expected to result from the slowdown in economic activity due to COVID-19 and protracted elections process.

The performance of the economy for the first half of 2020 reflected growth of 45.6 percent, largely due to the petroleum sector. With production commencing from the Liza field, daily oil production for 2020 is expected to be 87,000 barrels per day. The gold industry is expected to benefit from higher prices in 2020 but the overall performance will be hampered by the operational challenges faced by the two large scale mines. The bauxite industry is expected to contract by between 40 to 51 percent due to lower world demand.

Rice production is expected increase in 2020 with second crop forecasts anticipated to be 2 to 3 percent higher than the previous crop. Overall, the agriculture, forestry and fishing sector is expected to decline by between 0.1 to 2.3 percent in 2020.

All other major sectors are expected to contract due to the impact of COVID-19 public health measures.

The balance of payments position is expected to record a lower deficit of US\$21 million. Export earnings are expected to increase by 58.4 percent, mainly due to the exports of crude oil in 2020. Growth is also expected in export earnings from gold and rice in 2020. Import payments are expected to decline by 22.6 percent due to the lower fuel price and dampened economic activity in 2020.

Inflation is expected to vary between 0.49 to 0.54 percent, largely due to the decline in fuel and power costs.

### *Author's Note*

*Budget 2020 was prepared in Guyana Dollars. For purposes of this article, United States Dollar equivalent amounts have been determined by applying an exchange rate of G\$208 to US\$1 and have been rounded to the nearest million in most cases. Figures in tables may not sum to the total due to rounding.*



