



REVIEW OF GUYANA BUDGET 2021

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OVERVIEW

The Senior Minister in the Office of the President, Honourable Dr. Ashni Singh, presented the 2021 Budget on 12 February 2021. The previous budget was presented five months earlier on 09 September 2020. The short interval between Budget presentations was due to the late delivery of the 2020 Budget caused by the holding of national elections on 02 March 2020 and the ensuing delays resulting in the declaration of results in early August 2020.

Budget 2021 was presented under theme “**A Path to Recovery, Economic Dynamism and Resilience**”. It projects total expenditure of G\$383 billion (US\$1.837 billion) while total revenue is estimated at G\$307 billion (US\$1.472 billion). The budget deficit for 2021 is estimated at G\$76 billion (US\$365 million).

PERFORMANCE OF NATIONAL ECONOMY IN 2020

Budget 2020 had projected that the national economy would have grown by between 48.4 percent and 51.2 percent in 2020, while the non-oil economy was expected to contract by between 1.4 percent and 4.3 percent. However, actual growth for 2020 was 43.5 percent, with the non-oil economy contracting by 7.3 percent. The contraction of the non-oil sectors was attributed to the impacts of the COVID-19 pandemic and the protracted delay in the conclusion of the national elections process.

National Output

The gross domestic product at current prices was US\$4.904 billion in 2020 compared to US\$4.475 billion in 2019, while per capita GDP in 2020 was estimated at US\$6,855 compared to US\$6,539 in 2019.

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

Sector	% of 2020 GDP	% of 2019 GDP
Petroleum	37	2
Agriculture, Fishing and Forestry	18	25
Mining and Quarrying	8	14
Manufacturing	4	6
Services:		
Real Estate	5	7
Construction	5	7
Wholesale and Retail Trade	4	7
Administrative and support services	4	6
Financial and Insurance Activities	3	5
Other	12	21

Source – Budget Speech 2021

The petroleum sector expanded significantly in 2020 with the first full year of production from the Liza offshore oilfield.

The agriculture, fishing and forestry sector is estimated to have grown in 2020 by 4.1 percent on account of growth in rice, other crops and livestock, offsetting declines in sugar, forestry and fishing. Rice and other crops were estimated to have grown by 4.8 percent and 6.6 percent, respectively, while the livestock industry grew by 5 percent. The strong performance of the rice industry was attributed to larger hectares under harvest. The sugar industry was negatively impacted by factory downtime and flooding of some fields during the November – December rainfall.

Within the mining and quarrying sector, the gold industry declined by 7.8 percent due to the lower output from the two large scale operators and notwithstanding the increase in output from small and medium scale operators. All other mining and quarrying subsectors are estimated to have contracted in 2020 due to depressed market conditions, supply chain disruptions and the impact of COVID-19 restrictions.

Balance of Payments

The balance of payments recorded a surplus of US\$60.6 million in 2020 compared to a deficit of US\$48.9 million for 2019. The main contributors are highlighted on the next page.

Account	2020 US\$mIn	2019 US\$mIn
Current Account		
Merchandise		
Crude Oil	1,064.1	0
Gold	979.2	876.6
Rice	243.2	222.7
Bauxite	73.3	127.0
Sugar	24.1	27.8
Timber	27.1	33.7
Other and Re-exports	175.8	279.2
Fuel & Lubricants	(395.2)	(506.7)
Other Imports	(1,677.4)	(3,533.3)
Current – Services (Net)	(1,824.7)	(932.2)
Current – Transfers	658.1	581.5
Total Current Account Deficit	(651.7)	(2,823.7)
Total Capital Account Surplus	720.9	2,744.6
Errors and Omissions	(8.6)	30.2
Overall Balance	60.6	(48.9)

Source – Budget Speech 2021

Overall, the current account of the balance of payments reflected an improved deficit position of US\$0.6 billion compared to a deficit of US\$2.8 billion in 2019. Guyana benefitted in 2020 from the first full year of crude oil sales. Additionally, despite the decline in gold production, the high world price resulted in an improved contribution from the gold industry in 2020. The non-fuel import payments declined significantly in 2020 reflective of lower non-oil activity. The performance of goods was offset by the increased deficit on the net services account which grew to US\$1.8 billion from US\$0.9 billion in 2019 because of increased payments for business services. The capital account of the balance of payments declined from US\$2.7 billion in 2019 to US\$0.7 billion in 2020 due mainly to increased capital outflows from private enterprises offsetting foreign direct investment.

The balance of payments surplus resulted in an increase in net international reserves at the Bank of Guyana to US\$680.6 million as of 31 December 2020, compared to US\$575.9 million at the prior year end.

Public and Guaranteed Debt

Total public and guaranteed debt amounted to US\$2.59 billion at the end of 2020 with external debt and internal debt amounting to US\$1.32 billion and US\$1.27 billion, respectively. The debt

(including guaranteed debt) to GDP ratio at 2020 year-end was 47.4 percent. The increase of US\$825 million from the end of 2019 arose from the inclusion in 2020 of the NICIL \$30 billion bond and the Government's overdraft with the Bank of Guyana as domestic debt. The NICIL bond is guaranteed by the Government of Guyana.

BUDGET REVENUE PROJECTIONS FOR 2021

Of the total projected revenue for 2021 of G\$307 billion (US\$1.472 billion) in Budget 2021, G\$266 billion (US\$1.276 billion) is from current sources while G\$41 billion (US\$197 million) is from capital sources.

The major sources of current revenue of G\$266 billion are summarized in the table below.

Form of Current Revenue	2021 Budget G\$bln	2020 Budget G\$bln
Value-added tax	53.6	52.6
Corporation tax	38.2	33.7
Excise tax	40.1	32.0
Personal income tax	37.9	33.3
Import duty	21.2	19.9
Withholding tax	37.4	32.6
Other tax revenue	13.7	10.3
Transfers from statutory and non-statutory bodies	3.4	2.4
Rent, royalties and land development schemes	3.3	3.5
Bank of Guyana profits	2.5	1.5
Other current revenue	14.8	4.7
	266.1	226.5

Source – Budget Estimates 2021

The fiscal measures announced in Budget 2021 are:

1. Value-added tax:

- Restoration of several food and household items as zero-rated for VAT purposes, that were classified as zero-rated up to May 2015 and then reclassified as standard-rated or exempt. Impacted items include basic wheaten flour, basic breads, oats, unflavoured cracker biscuits, cooking oil, locally produced bedsheets and pillowcases, toothbrushes, among others.
- Classification of certain construction materials as zero-rated for VAT purposes, including:
 - Stone imported for construction and housing from CARICOM

- Locally produced pre-stressed concrete piles
 - Locally fabricated mild steel beams for building construction
 - Locally manufactured roofing
 - PVC products for building construction
 - Removal of VAT on data for residential and individual use.
 - Restoration of the zero-rated status for VAT in relation to imported goods and works and services purchased by a budget agency of the Government.
2. Import duties:
- Reduction in import duty on industrial grade cement from 15% to 5%.
 - Removal of import duty on ATVs for use in the hinterland.
3. Capital gains tax:
- Restoration of previous provision that exempts sale of assets that were owned for more than 25 years from capital gains tax.
4. Other:
- Increase in low-income mortgage ceiling from G\$10 million to G\$12 million.
 - Increase in lending ceiling of the New Building Society from G\$12 million to G\$15 million.
 - Increase in Old Age Pension from G\$20,500 to G\$25,000.
 - Increase in Public Assistance monthly payment from G\$9,000 to G\$12,000.
 - Cash grant of G\$15,000 per child to be given to parents of children in the public school system.
 - Reduction in water tariffs by 5%.

Capital revenue of G\$41 billion is expected to be received principally through external loans of G\$30.6 billion (US\$146.8 million) and external grants of G\$10.4 billion (US\$49.9 million). The Inter-American Development Bank is expected to provide project loans and balance of payment support loans amounting to G\$10.5 billion (US\$50.5 million) and G\$11.9 billion (US\$56.9 million), respectively.

BUDGET EXPENDITURE PROJECTIONS FOR 2021

Budget 2021 projects total expenditure of G\$383 million (US\$1.837 billion) compared to G\$329 billion (US\$1.578 billion) in 2020. The table on the next page analyses the allocation of total expenditure across responsible agencies, with comparative allocations from Budget 2020.

Responsible Authority	2021 Budget G\$bln	2020 Budget G\$bln
Ministry of Finance	45	41
Ministry of Public Works / Public Infrastructure	40	31
Ministry of Health / Public Health	39	38
Ministry of Social Protection /Human Service and Social Security	30	23
Ministry of Education	25	20
Ministry of Home Affairs / Public Security	24	25
Ministry of Agriculture	19	15
Ministry of Housing and Water	13	4
Guyana Defence Force	15	14
Regional Authorities	54	50
Other Authorities	56	51
Public Debt	23	17
	383	329

Source – Budget Estimates 2021

Some of the policy and expenditure priorities highlighted in the Budget 2021 Presentation are as follows.

- With respect to the petroleum sector:
 - Amendment of the Petroleum Act
 - Development of a model Petroleum Sharing Agreement
 - Exploring a revised petroleum fiscal regime
 - Advancement of a local content policy and associated legislation
 - Advancement of the Petroleum Commission Bill
 - Building capacity of GRA to meet the needs of the sector
- Planned developments in road networks linking the following corridors
 - Timehri to the East Coast of Demerara
 - Schoonord to Parika on the West Coast of Demerara
 - Parika to Goshen
 - Timehri to Bartica
- Budgetary allocations for the road link between Linden and Mabura and four-lane highway between Eccles and Mandela Avenue.
- Bridging of the Demerara and Corentyne Rivers.
- Gas-to-shore pipeline to a location along the West Bank of Demerara by 2023.
- Resuscitation of efforts to augment national power grid with hydropower from the Amalia Falls.
- Expansion of the Low Carbon Development Strategy into a comprehensive development strategy, and the initiation of process to access US\$135 million earned under the forest

- partnership between Guyana and Norway.
- Budgetary allocation to further upgrade and modernise the Cheddi Jagan International Airport.
- Budgetary allocation for critical capital works at GuySuCo.

PROJECTED PERFORMANCE OF NATIONAL ECONOMY IN 2021

It is projected that the national economy will grow by 20.9 percent in 2021, with the non-oil sectors and oil sector expected to grow by 6.1 percent and 46.7 percent, respectively. This positive outlook is however premised on the ability to gradually lift COVID-19 restrictions and fully re-open the economy.

Apart from the continuing petroleum activity, it is projected that the gold, bauxite and other mining industries will recover in 2021. The quarrying industry is expected to benefit from the resumption of public construction works, along with private sector investment in infrastructural projects. All major industries in the agriculture, forestry and fishing sector are expected to grow in 2021.

The balance of payments position is expected to record a surplus of US\$60 million with higher export receipts on all commodities, including crude oil exports projected to increase by US\$1 billion. The capital account is expected to decline to a deficit of US\$6 million reflecting higher outflows of private enterprises, net of foreign direct investments.

Inflation is projected at 1.6 percent, reflecting expectations of increased economic activity as COVID-19 restrictions are lifted, compared to 0.9 percent in 2020.

Author's Note

Budget Estimates 2021 were prepared in Guyana Dollars. For purposes of this article, United States Dollar equivalent amounts have been determined by applying an exchange rate of G\$208.5 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.