



## CALENDAR OF KEY ECONOMIC EVENTS

October 2007

*This feature presents a summary of local events of economic interest covered in the two daily newspapers, Stabroek News and the Guyana Chronicle.*

---

### **OCTOBER**

*The Guyana Rice Development Board (GRDB) announced that it has suspended the licenses of the country's largest exporter of rice –Mahaicony Rice Mills - owing to its non-compliance with regulations for weighing paddy. The GRDB said the mill was given enough time to comply with new regulations issued on April 28, 2007. The regulations make it mandatory for scales with capacity in excess of two metric tones to be fitted with an electronic display to show their weight in kilogrammes.*

*The Minister of Agriculture turned the sod to signal construction of a \$50M seed paddy facility at Lesbeholden, Black Bush Polder, Corentyne, Berbice. The food security project, first of its kind in Region Six (East Berbice/Corentyne), is being undertaken with funding from the Governments of Guyana and Italy. Accordingly, similar ventures are planned in other producing areas to bolster production of the grains in the Region. He said farmers need to fully*

*realize the potential of their farm lands, so as to become more competitive. He added, through the project now on stream, it is expected that yield per acre would improve and the building should be completed by the middle of December.*

*Government as part of its commitment to advance agriculture is exploring ways to improve various farming areas including the front lands of Black Bush Polder, Region 6 to re-develop agricultural activities. Already close to \$16M in drainage and irrigation works have been completed in the area using Government's excavators that were procured at a cost of about \$30M.*

*Discussions were also held on the need for repairs to a sluice which is not functioning properly due to erosion. Regional Chairman, Zulifikar Mustapha indicated that funds will be made available in the 2008 budget to carry-out the work.*

*Farmers also spoke about the need for improvement to a dam that provides*

access into the farmlands. It was agreed that farmers will utilize their equipment with two drums of fuel to be provided by the Ministry of Agriculture to improve the dam.

*The Guyana Forestry Commission (GFC)* has responded to a number of allegations made by the Forest Products Association (FPA) by inviting the body to make formal presentations on these so that they can be dealt with in the interest of maintaining partnerships in advancing the forestry sector.

The FPA, the statement said, is acutely aware that unfounded statements like these can and will only result in enormous and irretrievable damage to the industry which represents a capital investment commitment of G\$160B and which last year contributed some G\$ 360B to Guyana's Gross Domestic Product. The sector also provided a means of livelihood for close to 100,000 persons, the statement said.

*The Guyana Lumber and Timber Company (GLTCI) Inc* has submitted its Environmental Impact Assessment (EIA) to the Environmental Protection Agency (EPA) for a forestry operation in the Cuyuni.

The 40,000 hectare operation will be located at Kartabu Triangle on the right bank of the Cuyuni River. However, the concession will be fully approved only after the EPA grants an Environmental Permit for the operations. The Guyana Forestry Commission (GFC) will also have to carry out due diligence on the investor, an area that it has been found wanting in the past. The summary said that subject to consultations with the GFC, GLTCI contemplates an annual

production of 180,000 cubic metres of timber covering about 30 species. The company projects an annual turnover of US\$2M and major increases in spin-off businesses contributing indirectly to the volume of businesses within the Kartabu Triangle.

The company said that to achieve this, it will invest US\$1.5M over the next five years and recruit 75 Guyanese over the next three years.

*A new fund being developed by the World Bank* would pay developing countries hundreds of millions of dollars for protecting and replanting tropical forests, which store huge amounts of carbon that causes climate change.

The Forest Carbon Partnership Facility (FCPF), announced by the World Bank on Thursday, will be part of U.N. climate change negotiations in Bali in December to shape a global agreement for when the Kyoto Protocol expires in 2012. The new facility would provide financial incentives to reduce greenhouse gas emissions from deforestation.

Unlike the Kyoto Protocol, which offers economic credits for replanting destroyed forests but excludes intact standing tropical forests, the World Bank facility could cover all tropical forests.

The fund initially will have \$300 million to finance emission reductions and help prepare countries with the necessary tools to monitor the forests.

*Hydropower facility actual implementation could be closer* now that the potential investor seems likely to receive the US\$371 million financing necessary for the project. Synergy Holdings Inc President said some

multinational lending institutions had expressed an interest in financing the 100-megawatt hydropower facility at Amaila Falls, Kuribrong River.

Some 70% to 75% of the financing is expected to come from multinational lending institutions like the European Investment Bank (EIB), the World Bank and the Inter-American Development Bank (IDB). He said the project's investors could be termed "a consortium of multilaterals."

*Government's objective to accelerate the country's agricultural development* is moving forward with more than \$70M being invested to re-open large lands for farming activities at the Cozier agricultural scheme, Region Two (Pomeroon/Supenaam), the Government Information Agency (GINA) reported. Located in the backlands of Somerset and Berks, Essequibo Coast, the Cozier scheme was established more than a decade ago but many farmers had abandoned their plots because the surrounding waterways were clogged with silt.

*Water Management efforts at the East Demerara Water Conservancy (EDWC)* will soon benefit from a US\$5M grant for a study of the overall system and acquisition of technical data which will be used for enhancing the agricultural irrigation, drainage, potable water supplies and dam security.

"In the context of climate change this will be a major project because climate change is a reality and we have to be able to deal with the reality of it both in the long and the short term, particularly in our water management systems," Persaud said.

*Malaysia-based Petra Group has announced a US\$130M plan* to develop plantations of Jatropha (known locally as physic nut) here, and build a bio-diesel refinery involving another Caribbean country

The project could generate sales of bio-diesel of US\$50-100M in its first full year of operations. According to Clinton, Jatropha is by far the best bio-diesel solution, given the current economic, technological and socio-economic situation in the bio-diesel arena. Jatropha is considered a 'bush' by most locals. However, its seed contains up to 35-40 percent oil which can be used for biofuel.

*Rising expenditure, declining employment levels and an aging population are among the concerns that the National Insurance Scheme (NIS)* will seek to address in 2008, as it moves into a year described as "most challenging".

The actual income received between January and August this year was \$5.6 billion, while the expenditure so far for the year was \$5.3 billion. NIS's budgeted income for 2007 was \$9.07 billion and its projected income was \$9.4 billion. In 2006, its actual income was \$8.77 billion. While its budgeted expenditure for 2007 was \$7.4 billion, its projected expenditure was \$8.3 billion. Its actual expenditure was \$7.5 billion.

Key in the rising expenditure is the jump in old age benefits (OAB) over the past years from a little over 300 a year, to over 1,000. Administrative expenditure was also expected to exceed the budgeted figure, which was set at \$364 million for 2007 and is now projected to

be \$400 million, with \$267 million already expended for the first eight months.

*Two new skills training centres* last month in Region Nine (Upper Takutu/Upper Essequibo). This initiative which received funding from government is part of President Bharrat Jagdeo's \$350M National Training Programme for Youth Empowerment.

Rodrigues also pointed out that the administration has been facilitating several skills training programmes for youths in different regions and urged them to remain focused and to continue contributing to the community's development.

*A small increase was instituted by the National Milling Company of Guyana (NAMILCO)* in the price of packaged flour on Tuesday and the 45 kg bag of flour on Monday. Last month NAMILCO had said that consumers can expect a significant increase in the price of flour as a result of rising wheat prices overseas.

NAMILCO Managing Director said that the prices are being increased in steps and another price increase is expected this year. He said that the prices for the 45-kg bag, the one-kilogramme pack, two- kilogramme pack, self-rising and roti mix packs had all been hiked, but these increases are yet to be quantified in percentage.

NAMILCO's VAT inclusive flour price as of last week was \$5,450 for the 45-kg bag, with lower prices for large quantities. NAMILCO on July 3 had increased its flour prices to \$5,025 from \$4,435 per 45-kg bag VAT exclusive,

but later lowered prices when the flour market was opened.

The government had hoped that opening the flour market in July would result in lower flour prices and bread prices. But wheat prices have not decreased on the global commodities market, and demand pressures and low wheat production continue to keep prices high.

*The US dollar experienced its worst devaluation in recent times* after decades of complete dominance in the International Financial Market. The US dominance in global finance arises from the dollar's status as an International Currency. The dollar is the main currency in International Trade, key commodities such as oil and gold just to name a few are traded in US dollars, a large share of equities in the world stock market is valued in dollars, most central banks around the world utilize the US dollar as the nominal anchor for their exchange rate and also hold a large share of their reserves in dollars.

There are a number of reasons that would have contributed to the decline of the dollar. Part of the dollar demise is cyclical reflecting lower than expected G.D.P growth in the US this year when compared to other countries. Figures of September 2007 showed that the American Economy lost 4,000 jobs in August rather than creating the 100,000. (Economist 14/09/2007) and the US unemployment rate at 4.7%.

Moreover, structural factors such as the widening US budgetary deficits and the rising Current Account deficit now estimated at 6.5% of GDP would have impacted negatively on the value of the dollar. Lastly, the problem with the

delinquency of US sub-prime mortgages with its spill over impact on the financial sector is another of the reasons advanced for the declining dollar.

*The World Bank's Board of Directors* approved a US\$3.8 million grant to support governmental efforts to reduce the vulnerability from catastrophic flooding of Guyana's low-lying coastal areas, currently threatened by a rise in sea level resulting from global climate change. The new grant is provided by the Global Environmental Facility (GEF) Special Climate Change Fund and supported by the International Development Association (IDA), a concessional lending arm which supports the world poorest countries. "Reducing Guyana's vulnerability to floods is critical to maintaining the economic stability of the country," said Caroline Anstey, World Bank Country Director for the Caribbean.

*The Macro-economic and Financial Management Institute of Eastern and Southern Africa (MEFMI)* was addressed and declared officially open by Minister of Finance. In this address he discussed NIS, he included changing demographics of the national population, and of the participating population, the latter primarily as a result of the changing structure of the economy contracting public sector, expanding private sector, with growth dominated by small and medium enterprises, sector and family-owned and operated businesses and self-employed persons, who typically do not participate in formal pension systems."

MEFMI seeks to achieve, within its member States, prudent macroeconomic management, competent and efficient

management of public finances, sound, efficient and stable financial sectors and stable economies with strong and sustained growth. The long-term objective is to contribute to the poverty reduction process among people in MEFMI's operational zone of Eastern and Southern Africa.

MEFMI focuses on macro-economic management, which deals with analysis and management of the macro-economy, planning and forecasting; Financial Sector Management, which covers foreign exchange reserves management, regulation and supervision of financial institutions, payment systems, risk modelling and issues related to the stability of the financial system as a whole and; Sovereign Debt Management, which encompasses debt database management, policy and strategies.

*The Caribbean Millers Association (CMA)* has pointed out that the importation of grains from the international market is influenced by global events which have a direct impact on raw materials, such as wheat and corn, used in the manufacturing process. The CMA said current commodity markets are extremely volatile for varying reasons and millers are obviously experiencing difficulties in purchasing grains in conditions which affect their processing cost and sales prices.

Livestock growers also suffer and have to continually monitor feed costs to ensure their own animal production costs are covered, CMA observed, adding that this trend should be blamed on the bout of bad weather – drought, freezes and

floods- that has decimated wheat crops and created shortages around the world. CMA said bad weather is not the only factor influencing the cost of grains and quoted experts saying many farmers have switched production to corn, in part to capitalize on the growing demand for ethanol. The statement alluded to rising wheat prices which are contributing to some of the highest food inflation in years.

Overall food prices are going up by 4.5 per cent to 5 per cent this year and will remain high well into 2008, with wheat prices more than doubling and wheat being about 70 per cent of the cost of flour production, regional flour price increases of at least 35 per cent should not be unexpected.

*Farming communities of Region 9* (Upper Takutu/Upper Essequibo), stand to benefit from an advanced agricultural development, through a stronger linkage between Guyana and its southern neighbour Brazil, particularly in the area of cattle.

The meeting was held at the Aishalton Community Centre Ground after which there was a mini-exhibition that showcased a wide-range of produce grown in the area including 'Tiger Head' pineapples, plantains, papaws, tangerine, oranges, yams, eddoes, corn and peanuts. In keeping with the theme 'The Right to Food- A Reality in Guyana,' farmers were urged to position themselves for the many opportunities that can be derived not only by eyeing markets in Georgetown but across the border as well.

Brazilian investors have already expressed interest in pursuing various agricultural opportunities in Guyana

particularly in the cattle industry. Government has identified approximately 40, 000 acres of lands in Rupununi that could be utilized. These could be used to develop more ranches and breeding stations, Persaud explained, adding that it creates the opportunities for farmers to form joint ventures with investors from Brazil.

*Guyana received US\$466M (\$93.2 billion) in remittances last year,* according to a report by the Inter-American Development Bank (IDB) and the International Fund for Agricultural Development (IFAD) which stated that Latin America and the Caribbean (LAC) received a total of US\$68 billion from relatives overseas for that year.

The report said that though the region's economy is volatile and experiences boom-and-bust cycles, remittance flows have remained steady for many years. The report also indicated that for small and economically dependent countries migration constitutes one quarter of their population. The report said that today, the impact of remittances is recognized in all developing regions of the world, "constituting an important flow of foreign currency to most countries and directly reaching millions of households, totaling approximately 10 per cent of the world's population."

*The Government of Guyana has signed four agreements for grants totaling \$86,140,000 at the launching of phase two of the World Wildlife Fund (WWF) 'Guianas Sustainable Natural Resources Management Project.'* The agencies to benefit are Guyana Forestry Commission (GFC), Guyana Geology and Mines Commission (GGMC) and the Hydro meteorological Service (Hydromet) of the Ministry of Agriculture.

The donors of the funding, that cover the period 2007 to 2011, are the Dutch Directorate General for International Corporation (DGIS), Fonds Francais Pour l' Environment Mondial (FFEM) and WWF-Netherlands (WWF-NL). The budget is for 6.46 million euros and the focus is on sustainable forest management (SFM), protected areas management (PAM), Freshwater Species Conservation and Gold Mining Pollution Abatement in Guyana, Suriname and French Guiana.

*Guyana will benefit from a US\$12.5M debt write-off from Venezuela;* this issue was raised at State visit by Venezuela President Hugo Chavez in 2004. At that time, the Head of State had indicated his intention to cancel 100 percent of Guyana's then outstanding debts to Venezuela, the agency said.

A team of government officials of the Ministry of Finance are scheduled to meet their Venezuelan counterparts, in Caracas, tomorrow and Friday, to conclude a debt cancellation agreement under which Guyana stands to benefit from a 100 percent write-off of its outstanding debt of some US\$12.5 M. This amount represents the balance of a US\$15.0M debt contracted in 1974 with the Venezuelan government, GINA reported.

*A non-reimbursable technical co-operation agreement* to finance the implementation of the Strategic Plan of the Audit Office of Guyana was signed by FINANCE Minister Dr. Ashni Singh and Resident Representative of the Inter-American Development Bank (IDB) where US\$600,000 grant would support previous activities which the government

undertook to strengthen and modernize the Audit Office, by improving its structure and operation, through support for the implementation of critical activities of its Strategic Development Plan. This, it said, will help the office consolidate its key role in Guyana's oversight systems.

*The International Monetary Fund (IMF) in a Public Information Notice (PIN) on Caribbean countries* said Caribbean policymakers should weigh carefully the costs and benefits of tax exemptions, consider reducing them if possible, make remaining tax incentives cost effective and step up efforts to improve other determinants of investment. Directors of the IMF noted that while the Caribbean countries' heavy reliance on tax incentives may help attract investors, they are costly in terms of foregone revenues.

---

*Bureau of Statistics  
National Accounts Department  
Georgetown, Guyana.  
October 2007.*