DRAFT

GUYANA: QUANTITATIVE ASSESSMENT OF REVENUE IMPACT OF INVESTMENT INCENTIVES PROPOSED IN DRAFT INVESTMENT STRATEGY

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EXECUTIVE SUMMARY

A. Background

The principal assignment of the study team, during its stay in Georgetown, Guyana, for the period April 26 – June 5, 1998, was to make a quantitative assessment of the revenue impact of fiscal incentive recommendations contained in the Marks/Lewis/McIntyre Draft Investment Strategy of September 1997, which also recommended preparation of an Investment Code. While most of its time has been devoted to the collection and analysis of the highly disaggregated data needed for the quantitative assessment, the study team has, at the request of USAID/Guyana, gone beyond the quantitative assessment and has analysed policy issues concerning fiscal incentive regime, regulatory framework, investment approval process, dissemination of information to potential investors, and statistical framework (Chapter I).

Before presenting the analysis, conclusions and recommendations related to the quantitative assessment and other policy issues mentioned above, it will be important to give some economic background (Chapter II).

For more than two decades after its independence in 1966, the Government of Guyana (GOG) followed a centrally planned model of development, characterized by nationalization of foreign investments, extension of government ownership and control over most of the economy, price and exchange controls and control over the financial system exercised through selective credit controls, directed credit and subsidized interest rates. These policies led over time to distortion of the incentive system, misallocation of resources, stifling of private enterprise, and growing waste and inefficiency in the public sector. By late 1980s, the economic situation had become precarious as a result of several years of decline in real GDP, large public sector deficits, acceleration of inflation, dwindling of foreign exchange reserves, and accumulation of external debt and payments arrears.

In 1988, the Government adopted an Economic Recovery Program (ERP), with support from international financial institutions (IFIs), which contained fundamental and sweeping reform measures to eliminate price and exchange controls, correct price distortions and structural imbalances, and restore the market incentive system. Public enterprises were restructured and privatized, where possible, and the financial system liberalized. Economic recovery followed quickly in the 1990s with high rates of real GDP growth, reduction in public sector deficits, sharp decline in inflation, and buildup of international reserves. The process of recovery has been helped along by substantial external debt relief extended to Guyana in recognition of its track record of sustained adjustment efforts. Since 1970, Guyana has had a series of structural adjustment agreements with the International Monetary Fund (IMF) and the World Bank and has received sizable assistance from the Inter-American

Development Bank (IDB) and other multilateral and bilateral donor agencies. A new adjustment agreement with the IMF for the period 1998-2000 has just been negotiated.

Progress in the macroeconomic sphere suffered a setback in 1997 as a result of the El Nino weather phenomenon and adverse export price developments. Receipts from principal agricultural exports fell. There was a shortfall in exports and in budgetary revenues compared with projections and real GDP grew less than programmed. The overall budget deficit in 1997 (revised estimates; cash external debt basis) rose to 7% of GDP from 2% in 1996.

B. Policy Context

In performing this assignment, the study team has been guided by its awareness of certain fiscal policy parameters, which have outlined the "boundary conditions" for this study. These parameters have, in turn, been determined by the above noted adverse economic developments in 1997 whose effects have spilled over into 1998 and possibly may continue into 1999. These adverse developments have, in the absence of appropriate policy responses, the potential of endangering the macroeconomic stability attained after many years of sustained efforts. This rather delicate economic situation and the resulting need for cautious fiscal policy stance lead to the boundary condition that there must be compelling justification for any recommendations for fiscal incentives that would involve significant revenue loss.

Given this macroeconomic background, the analytical approach (Chapter III) followed by the study team is one of balancing the short term revenue loss caused by the incentives proposed in the Draft Investment Strategy against the medium-term possibility of additional investments that may be attracted by those incentives. At the same time, one must weigh other positive and negative factors such as the present fiscal predicament and investor attitudes towards incentives, regulatory framework, overall policy environment, political situation, law and order, natural resources, land area, infrastructure, and availability and skill level of the labour force.

In the economic and fiscal context mentioned in the preceding paragraphs, the study team has tended to assign greater weight to the "affordability" of the revenue loss in the short run than to the non-quantifiable medium-term possibility of additional investment being attracted by the proposed incentives amidst the interplay of the myriad positive and negative factors that influence investor attitudes. However, the study team has considered practical, short run ways to reinforce the positive factors that influence investor attitudes and to mitigate the negative factors, and has made recommendations accordingly.

The study team wishes to stress that the practical recommendations (described below) to reinforce the positive factors and mitigate the negative factors should be made part of the Government's short-term policy agenda. Prompt implementation of these recommendations

is likely to be at least as effective as the Marks/Lewis/McIntyre incentives in attracting investments to Guyana.

C. Quantitative Assessment

As for the quantitative assessment (Chapter IV), the conclusions in, the case of five of the ten proposed incentives (Sections IV B, C, G, H and I), are that:

a. the potential revenue loss is either substantial or the tax is of such a nature that it cannot be recouped;

b. the collection of taxes in question does not present a problem from an administrative point of view;

c. there is no indication that the taxes at issue are acting as a disincentive and there is no evidence of any strong pressure for the particular tax relief advocated.

Accordingly, for these five cases, the **recommendations** are not to make any changes in the existing system.

As for the sixth proposed incentive, reducing the number and level of consumption tax rates (Section IV.A and Subsection V.E.3) while cutting back on exemptions, is a desirable policy objective because:

a. it will simplify collection;

b. it will reduce tax-induced distortions and misallocation;

c. being an indirect tax, the lower the rate, the more equitable the tax;

d. depending on the size of the rate cut, the revenue loss may not be much because of induced increase in transactions (tax base).

However, the statistical base to judge the revenue effect of rate changes and changes in exemptions does not exist. Recommendations are made in Section V.E to make the data more policy relevant.

Pending statistical improvement, the **recommendation** is not to make any changes in consumption tax rates.

Tax holidays (Section IV.F) and accelerated depreciation allowances (Section IV.D), the seventh and eighth proposed incentives, may be considered together. Tax holidays are not sound fiscal policy because they are not transparent, they are open-ended with no limit to revenue loss and it is hard to phase them out. The recommendation is **not** to introduce tax

holidays. As an alternative, consideration may be given to making accelerated depreciation allowances more generous, when fiscal conditions permit. These are transparent, provide a targeted incentive to serious investors, and there is a limit to the revenue loss, namely, when the capital asset is written off (or some multiple thereof, if the system so prescribes). However, the absence of pertinent data makes it difficult to formulate a policy without knowing the potential revenue loss. The statistical problems with respect to accelerated depreciation allowances are mentioned in Section V.E.4 and recommendations made for improving the statistical flow.

Pending the statistical improvement, the **recommendation** is to leave the accelerated depreciation allowances regime unchanged (Section V.A).

In the case of zero-rated imports (Section IV.E and Subsection V.E.3), the ninth proposed incentive, the present system of making the zero-rate conditional on the purpose or end-use is not efficient to administer, involves interpretation/discretion, leads to delays and backlog, and hinders investment by causing uncertainty. It is estimated that the revenue loss would not be significant if the qualifications as to purpose or end-use and other conditions are eliminated. Improvements in the statistical tracking (Subsection V.E.3) would provide better information regarding potential revenue loss, but action to liberalize zero-rated imports is urgent and need not wait for this information.

It is recommended that qualifications as to purpose and end-use and other conditions be removed from zero-rated imports to stimulate investment.
As a final (tenth) item of quantitative assessment, the study team endorses the increases in royalty rates on logging which were approved in 1996 but are now the subject of litigation. These rate increases will further stimulate the shift to the output of higher value-added finished products and raise revenue.

To sum up, the results of the quantitative assessment of revenue impact of incentives proposed in the draft Investment Strategy are as follows:

1. Of the fiscal changes proposed, the study team has not endorsed six and has recommended no change.

2. In the case of the remaining four proposed changes, the study team's recommendations (mentioned in preceding paragraphs) are generally in the same direction as in the draft Investment Strategy but in a different form and with a different focus. The study team's recommendations are based on in-depth analysis and have taken into account fiscal policy and tax administration considerations in addition to the incentive aspect. These four proposed changes relate to consumption tax rates, accelerated depreciation allowances, zero-rated imports, and royalty on logging.

D. Other Policies

The study team has been able to look beyond the quantitative assessment and to make recommendations of practical policy relevance for the short run (Chapter V).

Broadly speaking, the fiscal incentive regime in Guyana is in line with those of other CARICOM countries; more generous incentives will not be appropriate at this time. However, the incentives proposed in the Draft Investment Strategy may be reviewed two to three years from now when the economic and fiscal situation is more favorable.

The study team considers that the present time is not ripe for another major recommendation of the draft Investment Strategy, namely, the preparation of a Draft Investment Code. A consensus in favor of the Code is not attainable at this time because:

a. The Investment Code represents a high degree of government commitment and may be interpreted as derogation of sovereignty, especially at the present stage of Guyana's political evolution.

b. Macroeconomic stability and fiscal recovery are still fragile and government policies may have to be changed at short notice in response to adverse developments.

c. The country has not so far had much experience of the benefits of foreign investment.

The most important recommendations of this study (Chapter VI), intended to be important components of the Government's short term policy agenda, are presented below, in order of priority:

1. Finalize **Guyana Investment Guide** on an urgent basis and publish it with official stamp of approval (Section V.B);

2. Establish a permanent coordinating committee of technical or working level representatives of concerned ministries and agencies to work with GO-INVEST, integrally and on a continuing basis, in order to expedite investment approvals and make GO-INVEST more effective (Section V.C);

3. Review Guyana's fiscal incentive regime in order to make it **simple, clear** and easy to understand, limiting scope for interpretation and discretion (Section V.A);

4. Arrange adequate funding, including international assistance, for upgrading training and library facilities at IRD and Customs and Excise Department (Section V.B);

5. Give clear directions to statistical agencies to remedy the deficiencies detailed in subsections V.E.3 and V.E.4, and arrange adequate funding, including international

assistance, in order that these agencies may be able to provide statistical underpinning for tax policy decisions (Section V.E);

6. Publicize **Guyana Investment Guide** in local media; make the **Guide** readily available to potential investors through GO-INVEST, ministries and Guyana embassies abroad; mail the **Guide** to interested investors; and advertise the **Guide** on the Internet (Section V.D).

LIST OF ACRONYMS

ASYCUDA	Name of statistical computer program at Customs and Excise Department
BEEP	Building Equity and Economic Participation (USAID Project)
CARICOM	Caribbean Community
CIAT	Consejo Interamericano de Administracion Tributaria
EPDS	External Payments Deposits Scheme
ERP	Economic Recovery Program
ESAF	Enhanced Structural Adjustment Facility
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFC	Guyana Forestry Commission
GGMC	Guyana Geology and Mines Commission
GMC	(New) Guyana Marketing Corporation
GNBS	Guyana National Bureau of Standards
GOG	Government of Guyana
GO-INVEST	Guyana Office of Investment
GPSU	Guyana Public Service Union
HIPC	Heavily-Indebted Poor Countries
IDB	Inter-American Development Bank
IFI	International Financial Institution
IGI	Name of consulting firm managing BEEP project
IMF	International Monetary Fund

IRD	Inland Revenue Department
MISU	Management Information Services Unit at MOF
MOF	Ministry of Finance
MTTI	Ministry of Trade, Tourism and Industry
NPV	Net Present Value
SOW	Scope of Work
SYNTIA-2	Name of econometric package at MOF
TAXADMIN	Name of statistical computer program at IRD
USAID	United States Agency for International Development (Mission)

I. INTRODUCTION

In September 1997, a consultant team (Marks/Lewis/Mc Intyre) contracted by the Building Equity and Economic Participation (BEEP) Project financed by United States Agency for International Development Mission in Guyana, (USAID/Guyana), presented a draft Investment Strategy to the Ministry of Finance (MOF) and the Ministry of Trade, Tourism and Industry (MTTI) of the Government of Guyana (GOG). The draft Investment Strategy was designed to lead, upon its approval by GOG, to the preparation of a draft Investment Code.

Among the recommendations of the draft Investment Strategy are those that propose significant changes in the existing fiscal incentive regime in order to provide additional incentives to domestic and foreign investors. However, since the draft Investment Strategy does not contain a quantitative analysis of the revenue impact of its fiscal incentive recommendations, GOG has not been able to reach a decision on the recommendations contained in the draft Investment Strategy.

Accordingly, USAID/Guyana has, through the BEEP Project, contracted another study team (Jafri/Montrie) to make a quantitative assessment of the revenue impact of the following fiscal recommendations embodied in the draft Investment Strategy, as contained in #4(iii) of the Scope of Work (SOW):

A. replacing the differentiated consumption tax rates on imported and domestically produced goods with a lower and uniform rate coupled with placing a limit on the range of exemptions that may be granted;

B. adopting a uniform corporate tax rate of 35% in tandem with further improvements in tax administration and collection;

C. elimination of the withholding tax on dividends of non-resident investors together with offsetting measures such as further improvement in tax collection and other tax reforms;

D. granting accelerated depreciation allowances on investments in all industrial structures, plant and machinery in all priority sectors benefiting from other fiscal incentives;

E. establishment of a zero import tariff for all imports of machinery and equipment, except for those where equivalent products, comparable in quality and price, are produced locally;

F. approval of a ten-year period of exemption from income and withholding taxes on profits and dividends generated from exports that result from new investment or expansion of existing production facilities;

G. exemption from duties, consumption tax and other charges on imports of building materials and furnishings of hotels and resorts as well as imported materials and components used by private investors in developing infrastructure;

H. eliminating the differential in the rates of royalty on mining production by either adopting a uniform 1.5% rate or by lowering the rate on gold mining to 2%.

I. reducing or eliminating altogether the 6.25% withholding tax on dividends of foreign investors in gold mining;

J. adoption of a substantial increase in the rate of royalty on logging.

While most of their time has been devoted to the collection and analysis of the highly disaggregated data needed for quantitative assessment, the authors of the study have, at the request of USAID/Guyana, gone beyond the SOW and have presented an analysis of certain issues concerning fiscal incentive regime, regulatory framework, investment approval process, dissemination of pertinent information to potential investors, and statistical framework. The study team has been able tangentially to develop certain ideas on these additional issues in the course of performing its basic task of focussing on the policy and statistical issues relevant to the quantitative assessment.

This study is the product of work performed in Georgetown, Guyana, by the study team during the period April 26 – June 5, 1998. During its stay in Georgetown, the team had interviews with the Honorable Ministers of Finance and of Trade, Tourism and Industry; His Excellency, the US Ambassador to Guyana; other officials of MOF and MTTI; and officials of Inland Revenue Department (IRD), Customs and Excise Department, Bureau of Statistics, Bank of Guyana, Guyana Office for Investments (GO-INVEST), Guyana Geology and Mines Commission (GGMC), Guyana Forestry Commission (GFC); officials of Caribbean Community (CARICOM); officials of International Monetary Fund (IMF), United States Agency for International Development Mission in Guyana (USAID/Guyana) and Consejo Inter-Americano de Adminstracion Tributaria (CIAT); and BEEP Project Chief of Party.

A list of the officials interviewed is presented in Appendix A. A list of documents studied for this report appears in Appendix B.

The authors wish to express their thanks to the officials of agencies listed above for their collaboration and assistance. They supplied the documents, data and other information required for the study and provided clarifications in response to our queries.

Finally, it must be mentioned that the collection of necessary data has, to a certain extent, been impeded by: (a) on-going process of creation, not yet complete, of a new Revenue Authority involving transfer of key personnel; (b) shifting of IRD to new location; and (c) job action by Guyana Public Service Union (GPSU).

II. GENERAL SETTING

From the time of independence in 1966 to the mid-1980s, the Government of Guyana followed a centrally planned model of development, characterized by extension of Government ownership and control over most of the economy, nationalization of foreign investments, and price and exchange controls. Government control over the financial system was exercised through selective credit controls, directed credit, and subsidized interest rates.

As the public sector had become the largest employer in the economy by the 1980s, Government control over the economy far exceeded its administrative capacity, and there was increasing waste and inefficiency in the operations of public enterprises. Given the extension of public ownership, and the distortions of the incentive system as a result of pervasive Government controls, private sector activity remained feeble. The cumulative detrimental effect of these policies became evident during the 1980s. Economic developments followed the familiar pattern of decline in real GDP (some 3% a year on the average) and in real wages, large public sector deficits, high rates of inflation, depletion of exchange reserves, and build-up of external debt and payments arrears.

Faced with an untenable situation, the Government, with support from international financial institutions (IFIs), adopted an Economic Recovery Program (ERP) in 1988 which contained fundamental and wide-ranging measures to correct price distortions and structural imbalances. With the removal of price and exchange controls, the market incentive system was gradually restored, leading to a favourable response from economic agents. Real GDP grew at an average annual rate of better than 7% during the period 1991-97. The public sector overall deficit was reduced from 15% of GDP in 1991 to 3% in 1996; inflation was brought down from 83% in 1991 to 4% in 1997; payment arrears, with the exception of those under the External Payments Deposits Scheme (EPDS), were liquidated; and exchange reserves were rebuilt from three (3) months' import cover in 1991 to five months in 1997. Central Government administration was streamlined and public enterprises were restructured and privatized, where possible, leading to a 36% reduction in public sector employment during 1991-96. The financial system was liberalized with the elimination of directed lending and interest subsidies.

The above-noted macroeconomic transformation has been achieved in close cooperation with the international donor community. Since 1990, Government policies have been financially supported by the IMF with financial and technical assistance through Standby Arrangements and successive Enhanced Structural Adjustment Facility (ESAF) arrangements. Negotiations for a new ESAF

arrangement for 1998-2000 have just been concluded. The World Bank has extended financial and technical assistance through a series of structural and sectoral adjustment credits and project loans. Among the IFIs, the Inter-American Development Bank has been the largest lender, providing technical and financial assistance through policy-based and project loans. Guyana has also received technical and financial assistance from the Caribbean Development Bank (CDB), the European Union, and bilateral donors.

Strong and sustained adjustment policies and cooperation with international donors has enabled Guyana to receive debt relief on Naples terms amounting to US $866 million between 1991 and 1996 and US $253 million in Net Present Value (NPV) terms under the Heavily Indebted Poor Countries (HIPC) Initiative in 1998. As a result, the scheduled debt service ratio declined from 45% in 1991 to 23% in 1996 and is expected to be further reduced as a result of the HIPC Initiative.

During 1997, the process of Guyana's economic improvement received a setback because of the El Nino weather phenomenon, which adversely affected the agricultural and mining sectors. This, coupled with adverse export price developments, led to a drop in receipts from exports of rice and sugar. Even though earnings from gold and other exports rose strongly, total export receipts grew less than programmed. As a result, the rate of economic growth in 1997 at about 6% was below the target of 7%. There was a shortfall in budgetary revenues compared with the estimates. The overall budget deficit in 1997 (revised estimates, cash external debt basis) of the Central Government was significantly higher (7% of GDP in 1997 compared with 2% in 1996).

The authorities are concerned at the adverse 1997 developments, particularly in the fiscal field, which might endanger Guyana's hard-won macroeconomic stability. Since the adoption of the ERP in 1988, Guyana has made sustained efforts to achieve and maintain macroeconomic stability, which has produced good results in terms of economic growth, export expansion and poverty alleviation and which is the cornerstone of continued economic progress. The authorities envision 1998-1999 as a difficult period of slower economic growth in which a cautious fiscal policy stance would be necessary to preserve and solidify the progress made so far.

The reality of the current fiscal policy environment will be a key factor in the study team's evaluation of the Marks/Lewis/McIntyre proposals for additional fiscal incentives for investment. Any proposal involving revenue loss should have compelling justification. Further reason for this cautious stance of fiscal policy is

provided by the estimate of May 24, 1998, for the first 1998 rice crop, which is 20% below estimates and which shows that the 1997 troubles are not over yet.

III. ANALYTICAL APPROACH

The evaluation, on the part of domestic and foreign investors, of the investment climate or a country's attractiveness as a place in which to make investment, is basically determined by their expectation regarding the security of their investment and the rate of return on investment (including, in the case of foreign investors, freedom to remit earnings and to repatriate capital). This expectation involves reliance on judgement in arriving at a balance among a number of factors, such as: political stability; personal security (law and order); sound macroeconomic policies (in particular - low inflation, stable exchange rates, adequate foreign exchange reserves); regulatory framework (clarity, transparency, certainty and continuity of policies); investment incentives; bureaucratic delays and corruption; infrastructure; labour force; size of the market; and a myriad other factors.

The above paragraph serves to indicate that the generosity of investment incentives is but one of the factors that govern investment decisions. For both domestic and foreign investors, investment incentives can be important at the margin, i.e., in those few cases where the magnitude of the investment incentives spells the difference between profit and loss, success and failure of a venture. For foreign investors looking for a country in which to invest their funds, investment incentives can tilt the balance at the margin on a *ceteris paribus* basis, i.e., in those few cases where, as between two countries, all the factors enumerated above (except investment incentives) are equal.

The ingredients of a sound analytical approach to determine the justification of the investment incentives recommended in the draft Investment Strategy, may be described as follows:

0 Cost Benefit Considerations

A less than rigorous version of cost-benefit analysis may be utilized, namely, the cost of the loss of fiscal revenues in the short run against the medium – to long-term economic benefits that may be yielded by the additional investments attracted by the incentives. One major problem has to be resolved before a meaningful analysis can be made. The short run cost, namely the potential loss of fiscal revenues, can be ascertained or estimated. However, the medium to long term benefits namely, addition to economic activity, income, employment and exports (and, conceivably, increased tax revenues) generated by the additional incentive-induced investment, may be difficult to quantify. The assessment of benefits becomes even more difficult in view of the longer time

frame. There is the further uncertainty that the additional investment may or may not happen.

B. "*Affordability*" Of Revenue Loss In The Short Run

Even if it was possible to quantify the cost and benefit and even if it could be shown that the medium to long-run benefit substantially exceeded the cost, the problem of "affordability," from the fiscal point of view, of the revenue loss in the short-run cannot be assumed away. As mentioned in the closing paragraphs of Chapter II, the fiscal panorama in 1998-1999 calls for a fiscal policy stance of restraint. This means that the MOF cannot afford any revenue loss in this period, unless offset by revenue increases elsewhere or expenditure cuts or unless there is compelling justification for incurring the revenue loss.

Timing is important in this context. It is conceivable that the fiscal situation may improve after 1999 to such an extent that the MOF may be able to afford some revenue loss in anticipation of future benefits.

C. Incentives In Other CARICOM Countries

A relevant, but by no means determining factor in formulating the policy re: investment incentives in Guyana is the extent of such incentives granted in other CARICOM countries, which are Guyana's closest competitors for foreign investments. It will be useful to enunciate certain baseline criteria in this context:

1. In order to ensure that Guyana is one of the CARICOM countries that foreign investors seriously consider as a place for making an investment, it would be desirable for Guyana's investment incentives (summarized in Section V.A.) to be **generally** in line with those in other CARICOM countries. In other words, if Guyana's investment incentives are too far out of line, it may lose certain foreign investments to other CARICOM countries. It is important to avoid extremes and to arrive at a judicious balance in offering such incentives.

2. Countries in a region should try to harmonize their incentive policies, but must avoid competing with each other in offering investment incentives, which would be self-defeating and damaging to the economic prospects of each country, in the same way as competitive exchange depreciation which has been outlawed under the Bretton Woods system.

Recognizing this, the CARICOM countries have made an effort to harmonize their fiscal incentive for investment.

D. Nondiscrimination Between Domestic And Foreign Investors

Investment incentives should, in principle, be non-discriminatory as between domestic and foreign investors, i.e., should apply equally to both. A major aim of long-run development policy is to foster domestic private investment, with the concomitant development of domestic capital markets of sufficient breath and depth to withstand speculative and destabilizing capital inflows and outflows. The recent experience of certain East and South-East Asian countries demonstrates the pitfalls of excessively heavy dependence on foreign direct investment (FDIs) and portfolio investments.

As a practical matter, many developing countries offer fiscal incentives with foreign investors in mind, given the fact that domestic investment has to contend with structural impediments and psychological inhibitions. But these same concessions must be extended to domestic investors in order to encourage a positive response.

E. "*Investor-Friendly*" Regulatory Framework

For the investor, perhaps more important than the investment incentives themselves is an "investor-friendly" regulatory framework (also see Section V.A). This comprises a number of elements:

1. There should be **simple, clear** and **certain** rules re: regulatory framework items of major interest to the investor, for example; customs duty and consumption tax on imports; import and export procedures, restrictions, licences; income tax, corporation tax, withholding tax, export allowances, depreciation allowances (normal and accelerated); exemptions from duty and taxes, and other elements of investment incentive regime, including new incentives regimes for pioneering activities, and Intermediate Savannahs; special incentive regimes for Linden and Surrounding Communities, petroleum/ minerals exploration and production/ mining, forestry, manufacturing, agro-industry, fisheries, tourism, housing and aviation; financial regulations, and banking procedures; and land allocation and leasing. The rules should be of general application, leaving as little room as possible for discretion and differences of interpretation, (for

example, whether an import is eligible for zero customs duty/consumption tax).

2. If permits/licences are needed the procedures should be simple and straightforward, so that the investor does not get a *"run-around"* and is not shunted from one agency to another.

3. In the application of the regulatory framework, efforts should be made to keep bureaucratic delays to the minimum. In cases where discretionary approval is needed, decision should be made as expeditiously as possible. Accumulation of a backlog of applications is not good for investor confidence nor for the reputation of the country among potential investors.

F. Stability And Continuity Of Policies

For the investor, it is important to be able to count on the stability, and continuity of the policy framework – macroeconomic, taxation, incentive, regulatory policies. No doubt it is within the sovereign prerogative of any country to be able to change these policies in response to changing internal and external imperatives, and investors know it. From the investor point of view, it will be desirable if these changes are marginal or incremental, are not too large at any given time and are not made too frequently. Too wide or abrupt swings in policies disrupt the incentive framework and debilitate confidence.

G. Other Factors

In the ultimate analysis, investor decisions are made on an assessment of factors enumerated in Section III, as well as other factors mentioned in the opening paragraph of this section. Investors may assign different weights or priorities to different factors and for some these other factors may indeed be more important.

In the case of Guyana compared with other CARICOM countries, favourable factors may be mentioned as a relatively large land area, good geographical location, and abundant natural resources such as land suitable for cultivation or cattle-raising, water resources, forestry, and minerals. Among the unfavourable factors may be cited inadequate infrastructure and a high incidence of poverty. Large investments are needed to expand infrastructure

and to upgrade the quality of the labour force by improving nutrition, health and education.

IV. QUANTITATIVE ASSESSMENT OF REVENUE IMPACT OF INVESTMENT INCENTIVES PROPOSED IN DRAFT INVESTMENT STRATEGY

The draft Investment Strategy (Marks/Lewis/McIntyre) has proposed a number of changes in the existing incentive regime (Items A through J of Chapter I) mainly to increase the investment incentives offered to investors with consequent loss of fiscal revenue, the one exception being the case of forestry in Item J where an increase in the royalty in logging is proposed.

USAID/Guyana has assigned to the authors of this study the task of trying to quantify the revenue loss that would result from the implementation of the proposed incentives.

A few general comments are presented here, which will supplement the specific comments and analysis contained in sections A through J of this chapter.

1. The analysis and recommendations in this chapter draw on, and are consistent with, the analytical approach outlined in chapter III.

2. It has proved very difficult to quantify the revenue loss in the manner specified in the SOW. In spite of its best efforts, the study team has not been able to obtain the necessary raw data with the required degree of disaggregation, which the team could arrange and compile in a format that would make such quantification possible. The team has spent a lot of time discussing the data requirements and working through the raw data with the working levels of the departments where the data have originated, namely, the IRD and the Customs and Excise Department. The team has also spent much time collecting data and discussing data requirements and problems at departments, namely the Bureau of Statistics and the MOF Management Information Systems (MIS) Unit, which process and rearrange the raw data supplied by the two departments named in the previous sentence. The team has tried various devices to provide the quantification of revenue loss approximately as required in the SOW.

3. Given the data limitations, it has not been possible for the team to use SYNTIA-2 or any other statistical or econometric package. Less sophisticated methods have had to be used.

4. The authors of this study have had the chance to become familiar with IRD and Customs data and its limitations. The study team has taken advantage of this opportunity to go beyond the SOW and include some recommendations (Section V.E) which would make the data system of these two departments more responsive to policy needs and more adaptable to computerization. If these statistical recommendations are implemented, it would be possible for IRD and Customs and Excise Department to provide, readily and promptly, data in the form urgently required by MOF authorities to facilitate decisions regarding tax policy and tax administration.

IV.A. CONSUMPTION TAX – Consolidation at a Single Lower Rate

Proposed: Replace the differentiated consumption tax rates on imported and domestically-produced goods with a lower and uniform rate coupled with placing a limit on the range of exemptions that may be granted.

Analysis: Central Government revenue from the Consumption Tax in 1997 totaled about G$11.2 billion, which was about 33 percent of Total Current Revenue. Of this total, about $7.7 billion was tax on imports, and $3.6 billion was on domestically produced goods. . The consumption tax on imports was in addition to import duties, with the consumption tax rates applied to the customs value plus import duty. The rates applied to both customs value and domestic sales were variously zero, 10, and 30 percent for the vast majority of imported items, with 40 percent applied on veneers and plywood, 50 percent on alcoholic beverages and refined petroleum products, and 128 percent on manufactured tobacco. Adding to the complexity were the numerous exemptions by statute, regulation, and case-by-case remissions. The $7.7 billion of consumption tax paid was after reduction of the total of $9.6 billion payable by $1.9 billion of concessions.

Total imports in 1997 were about G$82 million, so that the sum of consumption taxes collected on imports of $7.7 million made a ratio of about 9 percent. While this level seems moderate enough, it does not reveal two salient factors. One is that the tax collected was levied on only a portion of the total imports. The MISU compilation shows that the tax was collected from a base of only G$36.5 billion of customs value, implying a much higher average ratio of 21% on that base.

However, there is another significant aspect. Closer examination reveals that the consumption tax is quite highly concentrated on a limited range of imported items. Table A-1 lists nine items with their corresponding Customs Value and Consumption

Tax paid. Duties paid on these categories are also shown because the Consumption Tax rates are applied to the sum of Customs Value plus Duties.

Table A-1Consumption Taxes on Selected Imports in 1997
(G$ million)

Item	Customs Value	Duty Paid	Duty rate	Custom Value& Duty	Consumption Tax	Average Consumption tax rate	Duty Plus Consumption tax combined	Average combined tax rate as % of customs value
Alcoholic Beverage	156,251	5,096	3.26%	161,347	79,995	50.0%	85,091	54.5%
Manufactured Tobacco	263,923	682	.3%	264,605	238,002	90%	238,684	90.4%
Perfumes, Cosmetics	322,316	79	.02%	322,395	104,462	32%	104,541	32.4%
Motor Cars	1,008,261	356,954	35.4%	1,365,215	364,733	26.7%	721,687	71.6%
Tires	329,814	31.884	9.7%	316,698	91,594	25.3%	123,478	37.4%
Refined Petroleum Products	7,809,587	172,273	2.2%	7,981,860	2,348,820	29.4%	2,521,093	32.2%
Goods and Special Purpose Vehicles	714,184	70,471	9.9%	789,655	231,782	29.5%	302,253	42.3%
Road Motor vehicles	416,695	41,253	9.9%	457,948	136,327	29.8%	177,580	42.6%
Motor Vehicles Parts	671,443	168,376	25.1%	839,819	234,724	27.9%	403,100	60.0%
9-Item Total	11,692,474	847,068	7.2%	12,539,542	613,830,439	30.5%	4,677,507	40%
Total Customs Value	36,453,210	3,560,915	9.8%	40,014,125	7,691,091	19.2%	11,232,006	30.8%
Less 9-Item Total	24,760,736	2,713,847	11.0%	27,474,583	3,840,652	14.0%	6,557,499	26.5%

The nine items shown in the table, with an average tariff of 7.2% and an average consumption tax of 30.5% on customs value plus duties, account for almost half the total Consumption Tax paid on imports. Subtracting the nine-item consumption tax of $3.8 billion from the total consumption tax on imports of $7.7 billion leaves a residual tax of $3.8 billion on the rest of the imports of $71.1 billion, (82.8 minus 11.7) with a ratio of about 5.2 percent. Theoretically then, the same amount of revenue could be raised with a uniform 5.2% consumption tax on all imports (with current duties added).

However, this is hardly feasible, since total imports include sizeable amounts of Government imports, foreign aid goods, and private investment capital goods and other imports on which the Government has granted tax exemption as part of investment approvals, or as charitable contributions, etc. Therefore, if a uniform rate were applied, it would presumably need to be based on the taxable part of total imports. For 1997 that would have been $36.5 billion minus the 11.7 for the 9 special items, or $24.8 billion. To raise the remaining $3.8 billion from this base with a uniform rate would require a 14 percent rate, and thus an increase for a large number of items with zero and 10 percent rates.

A comparable concentration picture emerges from examination of the Consumption Tax on domestic production. Deducting the amount collected on imports from the total Consumption Tax figure (from the published Central Government Revenue) gives a total for the tax on domestic production in 1997 of G$3,555 million. That amount is almost exactly 10 percent of the Gross Domestic Product at current factor cost in Manufacturing, exclusive of sugar and rice processing.

A tabulation by commodity for 1997 provided by the Customs and Excise Department shows a total collected of G$2,977 million on a base (of customs value plus duties) of G$12,464 million for an average of 17.9%. As in the case of consumption tax on imports, this tax was highly concentrated on a few products, as shown in Table A-2.

Table A-2 Consumption Tax on Domestic Production, 1997
(G$ million)

No. of Items		Total Base on which Paid	Percent of Tax Base	Amount Paid	Average Rate	Percent Of Total Tax Paid
30	Total	$12,464	100%	$2,977	24%	100%
3	Less: Tobacco, & Alcoholic Beverages	3656	29	2012	55	67
27	Other Base Taxed	8808	71	965	11	33
12	Less: Base Taxed @ 30%	439	4	129	30	4
15	Base Taxed @ 10%	8369	67	836	10	28

The G$ 965 million of tax paid on domestic production other than tobacco and alcoholic beverage was equal to about 2.9% of total current central Government revenue in 1997. Lowering the 30 percent items to 10 percent would have cost two-thirds of 129 million or 86 million in revenue—about a quarter of one percent of revenue. That degree of uniformity might be affordable, but does not appear to be of much importance in the overall economy. The rest of the consumption tax, i.e. the 10% portion on general domestic production is also relatively small in relation to both total industrial production and Government revenue (2.5%). As such, it could quite easily be replaced by other forms of taxation. The consumption tax on imports is another matter, since even the non-luxury taxed portion supplies more than 10 percent of Government revenue, and at its substantial average rate of 14 percent. The difference between the relatively small amount of tax collected on domestic production outside of the sumptuary levies on tobacco, alcohol, etc. and the substantial combined total of duties and consumption taxes on imports, suggests that the consumption tax serves as a major protective device for domestic industry.

CONCLUSIONS

Given the current fiscal situation it is not opportune at this time to risk the loss of revenue from reducing the consumption tax. While desirable in principle, the shift should wait until alternative revenue sources are developed.

At first glance the Consumption Tax looks like a rather heavy load elaborated into a very complex structure. However, it appears on closer scrutiny to be in practice a fairly moderate load with respect to total imports. On the other hand, it is imposed on less than half of total imports. Although the tax is concentrated on a very plausible group of easily-justified luxury, non-essential, and economizing-promoting (on petroleum) categories, the average rate of 14 percent on the remainder of the taxed imports is still a fairly heavy load.

Since the average rate actually charged on the aggregate import base taxed (customs value plus duties of G$40 billion) is 19.2%, adopting a uniform rate at that level in order to avoid a reduction in Government revenue would require raising rates on a considerable number of imported goods. There is a general case to be made for more uniformity in rates in order to reduce distortions in resource allocation, and a reasonable case can also be made for standardizing exemptions and reducing ad hoc remissions. We recognize, however, that there are other considerations, including the need for achieving revenue targets for fiscal balance and to meet pressing demands for public expenditure.

These needs argue strongly against reductions in tax rates that would result in lower total revenue. On the other hand, the opportunity for Guyana to benefit from the movements for globalization ranging from CARICOM to FTAA warrants keeping taxes on imports low. Many other considerations enter into tax policy. Given the large amount of concessions and exemptions, we see no clear evidence that the consumption/import tariff complex is inhibiting investment. Given the current fiscal stringency, there appears to be insufficient grounds for seeking to revise the system with a focus only or mainly on making uniform and lower rates at this time. Much needs to be done in improving collection and in developing direct and value-added taxes--tasks in which

policy makers should keep in view the general desirability of more uniform rates, limited exemptions, and limited discretionary remissions in indirect taxation.

RECOMMENDATION

Accept continuation of the differentiated consumption tax while concentrating on developing other revenue sources.

The problems of improving the tax system are too complex to be dealt with only in the context of organizing an investment promotion and approval process. At this stage we believe the Government can best focus on the immediate problems of bottleneck-breaking in the investment-approval process and in providing investors with needed ancillary infrastructure.. Once a smoothly operating approval system is in place, it should be easier to discern whether further fiscal incentives are needed in addition to the quite generous concessions already provided. The current emphasis can instead preferably be on improving collection of income and profit taxes, developing the property tax system, and preparing eventually to use a value-added tax to replace import duties and the consumption tax as major generators of revenue as the economy grows and liberalizes its foreign trade.

IV.B: Corporate Tax – Consolidation At Single Lower Rate Of 35%.

In #3 (III) (b) of SOW, the study team has been asked to

"… make a quantitative assessment of the impact … on Government revenues … (of) adopting a uniform corporate tax rate of 35% in tandem with further improvements in tax administration and collection."

Under the Corporation Tax Act (Chapter 81:03), commercial companies are subject to a corporate tax rate of 45% on their chargeable profits. All other (i.e. non-commercial) companies are subject to a rate of 35%. Commercial companies are defined as trading companies (75% of whose income is derived from trading in goods not manufactured by them), commission agencies, telecommunications companies, banks, and insurance companies (other than long term insurance business, such as life insurance). This tax is payable quarterly (March 15, June 15, September 15 and December 15) with the balance payable by April 30 of the following year (year of assessment). Commercial companies, except insurance companies, also pay a 2% minimum tax on turnover, also payable

quarterly, which is adjusted against their corporate tax liability. Non-commercial companies do not pay the 2% tax.
The Government has had a long-standing policy of keeping a 10% differential between the corporate tax rates for commercial and other firms. From 1970 to 1992 (assessment year), the two rates were 35% and 25% respectively for commercial and other firms; in addition there was a 45% income tax on life insurance companies and 20% on other companies. This income tax was abolished in assessment year 1993 and the two rates were unified at 35%. However, a 10% development levy was introduced in 1993 for commercial firms, raising their effective tax rate to 45%. In 1994 the development levy was abolished but the tax rate for commercial firms was raised to 45%.

Table IV.B.1 shows the tax base, tax assessments, and potential revenue loss by year of assessment and year of income. The tax base is chargeable profits subject to 45% tax; tax assessments use the theoretical calculated tax yields obtained by applying the tax rate to the tax base; potential revenue loss is the difference between the tax yields of 45% and 35% on the same tax base, in other words, the revenue loss that would occur if the tax rates were unified at 35%; and the year of assessment is the year following the year of income.

TABLE IV.B.1 CORPORATION TAX

(In Guyana dollars)

Year of Assessment	Year of Income	Tax Base (Commercial Firms' Income)	Tax Assessment (45% Rate)	Tax Assessment (35% Rate)	Potential Revenue lost if uniform 35% Rate
1996	1995	8,137,339,020	3,661,802,559	2,848,068,657	813,733,901
1997	1996	8,246,982,312	3,711,142,040	2,886,443,809	824,698,232

SOURCE: IRD

Table IV.B.1 shows data only from 1996 on, because the computerization became operational at that time. There are partial data available for 1994 and 1995, but the magnitudes are so small as to be negligible. The study team wanted the data from 1993 on, but was told that it would need several weeks' lead time to get them. Also, reliable and usable data on the 45% and 35% corporate tax payments had not become available till the time of writing.

It can be seen from Table IV.B.1 that the yield (assessment) of the 45% corporate tax is significant, 73% and 59%, respectively, of corporate tax receipts and 29% and 25%, respectively, of total taxes collected by IRD in the years of assessment 1996 and 1997.

The annual revenue loss from the reduction of the 45% rate to 35% would amount to about G$800 million or 16% and 13%, respectively, of corporate tax receipts and 6% and 5%, respectively of total taxes collected by IRD in years of assessment 1996 and 1997.

It would be advisable to leave the present structure of corporate tax rates unchanged (i.e. **not** to reduce the 45% tax rate to 35%) for the following reasons:

1. The revenue loss resulting from unifying the two corporate tax rates at 35% would be substantial. As stated in the closing paragraph of Chapter II, MOF can ill afford such a loss in the present difficult budgetary situation.

2. It has been Government policy, for developmental considerations, to have commercial firms pay a 10% higher rate.

3. The collection machinery is geared to collecting corporate tax at the two rates; their unification would not make much difference from the point of view of tax administration.

4. Commercial firms are used to paying a 10% higher rate and there are no loud complaints.

CONCLUSION

There is no compelling reason to incur the revenue loss that would result from reduction of the 45% corporation tax rate to 35%.

RECOMMENDATION

Leave the present structure of corporate tax rates unchanged.

IV.C: 15% Withholding Tax On Dividends Paid To Non- Resident Persons – Elimination of 15% Tax.

In #4 (III) (c) of SOW, the study team has been asked to

"make a quantitative assessment of the impact … on Government revenues (of) elimination of the withholding tax on dividends of non-resident investors together with offsetting measures, such as further improvement in tax collection and other tax reforms."

The Income Tax Act (Chapter 81:01) prescribes a rather complex structure of withholding taxes. These taxes have two motives:

1. to obtain tax revenue from income which is not reported, particularly in case of non-residents living abroad who do not have to file tax returns in Guyana;

2. to get advance tax receipts in the current income year to be adjusted when the income tax returns are filed the following year.

The following is a list (possibly not exhaustive) of withholding taxes currently in effect:

1. **15% RATE**

a. Dividends paid to non-resident persons living abroad. These persons, many of whom are Guyana nationals residing abroad, hold shares in local companies and receive dividends. Dividends paid to residents are exempted from income tax.

b. Gross distribution of profits to non-residents, profits remitted abroad or "*deemed distribution*" (unless proved to have been reinvested in Guyana).

c. Interests earned on savings accounts at banks and other financial institutions by residents as well as non-residents

d. Interest earned on loans secured by bonds and similar instruments by residents as well as non-residents.

e. Discount received on treasury bills by residents as well as non-residents.

2. **2 % RATE:**

Gold and diamond mining production by individuals.

3. **10% RATE**

Other non-interest payments received by non-residents such as royalties; rentals; management fees or fees for personal and technical managerial services; franchise fees; leasing charges; premiums, commission fees and licenses; interest on debt, mortgage and other securities; and discounts and annuities.

4. **10% RATE**

There is a 10% quasi-withholding tax on profits of non-resident companies operating in Guyana, to be offset against their corporation tax liability.

TABLE IV.C.1 15% WITHHOLDING TAX ON DIVIDENDS PAID TO NON-RESIDENT PERSONS
(In Guyana dollars)

YEAR OF ASSESSMENT 1997 OR YEAR OF INCOME 1996	YEAR OF ASSESSMENT 1998 OR YEAR OF INCOME 1997
231,324	15,398
20,653	354,240
32,787	26,400
107,606	97,506
392,370	218,320
	7,938
	10,584
	1,230
	365,192
	3,878,848
	13,662
	81,753
	180,557
	218,320
	65,626
	218,320
	81,753
	5,835,647

SOURCE: IRD

Table IV. C.1 provides data for years of assessment 1997 and 1998 on the yield of withholding tax on dividends paid to non-resident persons. The changeover to computerized data is still in its rudimentary stage (also see section 1V. B). No data are available for years prior to income year 1996; even for 1996, partial and incomplete data were supplied. The actual figures for 1996 are undoubtedly much greater than those shown in the table.

From the presumably complete figures supplied for income year 1997 in Table 1V. C.1, it is clear that this particular withholding tax is not a big revenue producer, accounting for only about 0.5% of withholding tax revenues or 0.04% of total IRD collections. Any decision regarding the extension or elimination of this tax should be taken in conjunction with other withholding taxes (see below) and should take into account the fact that the revenue loss resulting from the elimination of this tax cannot be recouped since the non-resident dividend recipient living abroad does not have to file tax returns in Guyana. Besides, there is no evidence of pressure for elimination of this withholding tax.

Table 1V.C.2 presents the nature and amounts of different kinds of withholding tax, other than that on dividends paid to non-resident persons shown in Table 1V. C.1, for income years 1996 and 1997. The table brings out the importance of the

withholding tax. The total of the diverse withholding taxes (including that on dividends of non-resident persons shown in Table 1V.C.1) has accounted for 7-10% of IRD revenue collections in recent years.

Given the importance of this source of revenue, there is need to conduct an in-depth review of the withholding tax system in its entirety, in order to simplify the system without incurring revenue loss. The big revenue producers among withholding taxes are those on bank interest, gold, profit remitted/deemed distribution, leasing charges and non-resident company profits to be offset against corporate tax liability. One change that will strengthen the collection system is:

a. to introduce a uniform taxpayer identification number for all taxpayers for all taxes;

b. to require banks and other financial institutions to report interest payments to IRD, using the taxpayer identification number;

c. and to require resident taxpayers to report such interest income (above a certain threshold) in their tax returns.

TABLE IV.C. 2 WITHHOLDING TAX OTHER THAN THAT ON DIVIDENDS PAID TO NON-RESIDENT PERSONS

(In Guyana dollars)

	Year of Assessment 1997 or Year of Income 1996	Year of Assessment 1998 or Year of Income 1997
Gold (2%)	79,160,125	73,076,792
Diamond (2%)	1,978,151	1,501,236
Non-resident payment (10%)	860,930	760,210
Bank interest (15%)	841,653,804	715,506,976
Not known	333,600	-
Not known	17,077,665	-
Not known	1,323,942	-
Leasing charge (10%)	56,615,507	40,602,649
Leasing charge (10%)	196,824	614,703
Not known	3,452,175	-
Management fee (10%)	14,965,292	15,319,581
Not known	7,837,626	2,850,491
Franchise fee (10%)	2,669,204	4,498,266
Franchise fee	2,521,983	7,757,834
Deemed distribution (15%)	550,840	34,518,803
Deemed distribution	41,471,579	43,834,000
Premiums (10%)	3,387,833	2,957,184
Profit of non-resident company (10%, to be offset against corporation tax liability)	-	2,093,869
Profit of non-resident company (10%, to be offset against corporation tax liability)	131,018	2,992,788
Profit of non-resident company (10%, to be offset against corporation tax liability)	16,443,600	-
Profit of non-resident company (10%, to be offset against corporation tax liability)	19,755,513	-
Profit of non-resident company (10%, to be offset against corporation tax liability)	1,886,999	-
Deemed distribution(15%)	7,503,092	13,435,426
Deemed distribution(15%)	5,790,311	-
Gold (2%)	648,100	765,175
Profit remitted (15%)	-	2,333,733
Franchise fee (10%)	7,015,399	9,044,706
Unknown	2,396,246	-
Unknown	1,260,454	-
Deemed distribution (15%)	-	12,731,711
Franchise fee (10%)	2,648,614	3,284,533
Profit remitted (15%)	49,898,140	50,608,432
Profit of non-resident company (10% to be offset against corporation tax liability)	2,209,471	3,056,225
Profit of non-resident company (10%, to be offset against corporation tax liability)	1,549,680	6,733,853
Gold (2%)	1,356,750	-
Unknown	1,176,023	-
Unknown	2,639,267	-
Rent (10%)	5,595,555	8,598,039
Profit of non-resident company (10%, to be offset against corporation tax liability)	465,692	2,057,516
Unknown	-	587,729
Total	**1,206,427,009**	**1,062,122,460**

Source: IRD

Once this system is in place, the withholding tax on bank interest earned can be eliminated for residents.

Caution should be exercised in eliminating the withholding tax on dividend payments to non-residents as well as withholding taxes on other payments to non-residents. Non-residents cannot be obliged to file tax returns and pay taxes in Guyana. These withholding taxes are actually paid by residents who are making specified payments to non-residents. Hence, once these taxes are eliminated, the revenue is irretrievably lost.

CONCLUSIONS

1. It would not be advisable to eliminate the 15% withholding tax on dividend payments, or any other withholding tax on other payments, to non-resident persons living abroad, since the revenue loss cannot be recouped.

2. Elimination or modification of these withholding taxes may be considered in the context of a comprehensive review of the entire system for withholding taxes, in order to simplify the system.

3. Elimination of the withholding tax on bank interest paid to **residents** may be considered but only **after** the following prerequisites are implemented:

    a. introducing a uniform taxpayer identification number for all taxpayers.

    b. requiring banks and other financial institutions to report interest payments to IRD, using the taxpayer identification number.

    c. requiring resident taxpayers to report such interest income (above a certain threshold) in their tax returns.

RECOMMENDATIONS

1. Maintain the 15% withholding tax on dividend payments to non-resident persons living abroad, pending a comprehensive review of the entire system of withholding taxes.
2. Conduct a comprehensive review of the system of withholding taxes in order to simplify the system while avoiding loss of revenue.

3. Eliminate withholding tax on bank interest paid to **residents after:**

    a. introducing a uniform taxpayer identification number for all taxpayers for all taxes;

    b. requiring banks and other financial institutions to report interest payments to IRD, using the taxpayer identification number;

c. require resident taxpayers to report such interest income (above a certain threshold) in their tax returns.

IV.D. ACCELERATED DEPRECIATION ALLOWANCES ON INVESTMENTS IN PRIORITY SECTORS

Proposed: Grant accelerated depreciation allowances on investments in all industrial structures, plant and machinery in all priority sectors benefiting from other fiscal incentives.

Analysis: Accelerated depreciation is already granted under Law 8101, with the standard 20 percent straight-line write-off for machinery and equipment increased to 40 percent in the first year, while the standard 5 percent for buildings is increased to 10 percent in the first year on approved investments.

Available data do not permit precise tracking of the accelerated portion of "wear and tear" write-offs or of the revenue loss due to them. This is because:

1. depreciation charges only have a revenue impact to the extent they reduce taxable income in a particular year. If a company experiences losses in a particular year, depreciation write-offs have no effect on tax collections in that year;

2. since losses can be carried forward and used to offset profits in succeeding years, it is difficult or impossible to attribute any share of subsequent tax reductions due to those offsets to accelerated depreciation used in the past;

3. a company allowed accelerated depreciation may also have been granted a tax holiday of 5 to 10 years. In such cases, depreciation charges cause a tax reduction only in the case of company losses carried over to the post-holiday period.

Partial data from Inland Revenue suggest that the magnitude of accelerated write-offs may be modest. The "Initial Allowance" tabulated for the three years 1995-97 totals G$1,505 million compared with "Wear and Tear" totaling G$8,860 million. As an alternative way to get some idea of the possible revenue cost of accelerated depreciation, we can take as a base the total

of machinery and equipment imports. Table D-1 lists the Customs Value of the various categories for 1997:

Table D-1 Imports of Machinery and Equipment in 1997
(G$ million)

Import Category	Customs Value	Duty Paid	C/Tax paid	Depreciable Base
Agricultural Machinery	$453.9	5.5	10.3	469.7
Industrial Machinery	510.3	23.6	48.3	582.2
Transport Machinery	2,118.9	298.4	639.1	3,056.4
Mining Machinery	16.0	.3	-	16.3
Other Capital Goods	1,401.7	65.0	178.3	1645.0
Parts and Accessories	1,388.2	64.9	213.1	1615.3
	5,839.0	456.8	1,089.1	7,384.9

Adding the duties and consumption tax paid to the customs value gives a depreciable base of about G$7500 million. This would give a potential additional 20 percent first year accelerated write-off of G$1500 million--and a tax reduction (assuming adequate taxable income) at 35% of G$525 million. This burden would be eased by the decreased write-offs in the future since the 40 percent write-off in the first year would reduce the depreciable base to 60 percent of its original a book value, or $4500 million, which in turn would be written off in 3 additional years. Thus the Government revenue effect would be to delay e.g. a corporate tax receipt of 35 percent of $1500 million or $525 million from Year 1 to Year 5, if the company has adequate taxable income. If it does not, and the write-offs are carried over past year 4, then the acceleration would have no revenue impact at all.

CONCLUSION

The revenue cost of the current accelerated depreciation allowances on machinery and equipment is modest enough to be extended to all machinery and equipment imported as capital goods.

RECOMMENDATION

The revenue cost of accelerated depreciation appears modest enough that the Government should consider allowing free choice of depreciation write-off schedules to new investors especially as a substitute for tax holidays.

This measure would be based on the presumption that investors' primary consideration in facing investment risk is "getting their money back". The extra protection of capital afforded by this device could be offered to investors in lieu of tax holidays. It would afford the advantage to the Government of being less open-ended as far as income tax concessions are concerned. In fact, tax holidays, instead of providing total exemption for a period of years regardless of the profitability of the company, could be defined in terms of retrieval of capital investment e.g. tax exemptions or write-offs equal to double or triple the capital invested, such as for "frontier" projects where special incentives may be needed. . This would provide ample scope for capital preservation without providing large-scale exemptions in cases where companies succeed in making returns which are large multiples of their investment.

IV.E. IMPORT TARIFF – Zero Rate on Imports of Machinery and Equipment

Proposed: Establish a zero import tariff for all imports of machinery and equipment, except for those where equivalent products, comparable in quality and price, are produced locally.

Analysis: As Table D-1 above shows, the customs value of machinery and equipment in 1997 totaled $5,839 million, which paid $456.8 million or 7.8% in duties, and $1089.1 million or about l8.7 percent in consumption tax, to a total tax of $1,546 million. However, $937.5 million was collected on $2,119 million of Transport Machinery, mostly vehicles and parts. Excluding this category leaves $3,720 million of other machinery and parts with duties of $158.4 million (4.3 percent), and consumption tax of $450 million (12.1 percent), to a total of $608.4 million.

CONCLUSION

To exempt all taxes on imports of machinery and equipment would cost a significant amount of revenue. However, it would make sense to exclude Transport Machinery, consisting mainly of "goods vehicles", as a special category because of its association with road construction and maintenance costs. That would leave the very modest 4.3 percent duty collected on the remainder, which could be exempted as an additional investment incentive. The 12.1 percent consumption tax is a significantly higher rate. However, since the absolute amount of revenue is small, it is perhaps worthwhile dispensing where additional concessions need to be negotiated to attract desirable projects.

RECOMMENDATION

Exempt all capital goods from import taxes in order to standardize and simplify investment treatment.

Differentiated treatment of capital goods imports to provide investment incentives should be dealt with through provisions for accelerated depreciation rather than through discretionary exemptions of import tax. Accelerated depreciation write-offs

may well be more attractive to investors than tax concessions on imports. Moreover the revenue losses on import tax exemptions can be countered by lower book values to be written off against taxable income. The investment negotiation and approval process should consider the whole picture in relation to the overall incentives package.

Finally, we are skeptical of the advice that exemptions should be withheld "where equivalent products, comparable in quality and price are produced locally". This kind of principle is too easy to use as a tool to protect inefficient businesses from competition. We have the impression that increased competition would be a wholesome influence in Guyana's economy. Better to let the new investor decide on the market risks and value of new investment, rather than to protect existing companies just because they exist..

IV.F: Income And Withholding Taxes On Profits From Exports Generated By New Investments Or Expansion Of Existing Facilities – 10-Year Tax Holiday

In # 4 (III) (F) of SOW, the study team has been asked to

> *"make a quantitative assessment of the impact … on Government revenues (of) approval of a ten-year period of exemption from income and withholding taxes on profits and dividends generated from exports that result from new investments or expansion of existing facilities."*

Tax holidays existed in Guyana for many years up to 1992 when they were abolished as part of a comprehensive fiscal reform and restructuring programme. These tax holidays were granted for a period of 5 years, with the possibility of extension for another five (5) years. The granting of these holidays was essentially discretionary in nature. It is believed that widespread abuses had become part of the system. The abolition of tax holidays in 1992 meant that the grant of new tax holidays was stopped in 1992. However, the tax holidays granted prior to 1992 continued to operate for five (5) or ten (10) years, as the case might be.

According to the 1998 Budget speech of the Minister of Finance, tax holidays have been restored on a selective basis for investments in pioneering activities and in Intermediate Savannahs. However, no new tax holidays have been implemented so far under this initiative. As may be expected, it has proved very difficult to quantify the

revenue loss from the tax holidays. However, as an approximation, Table IV. F.1 presents the 1994 status of 10 of the firms that enjoyed tax holidays and which filed tax returns at that time. It comes as no surprise that four of these firms show losses of which two show large losses. Of the six showing profits, one shows a large profit while the profits of the other five are not insignificant. As a very rough approximation to the revenue loss, the profit of the six firms may be added and the 35% corporation tax rate applied (on the assumption that these are likely to be non-commercial firms), which yields a possible revenue loss of about G$94 million.

TABLE IV.F.1 TAX HOLIDAY FIRMS – 1994 STATUS

	Firm A	Firm B	Firm C	Firm D	Firm E	Firm F	Firm G	Firm H	Firm I	Firm J
Year tax holiday granted	1992	1992	1992	1992	1993	1993	1993	1993	1993	1992
Duration of tax holiday	5	5	5	2	3	3	3	5	2	5
Years of tax holiday left as of 1994	3	3	3	0	2	2	2	4	1	3
Taxable income in year of income 1994 (G$)	**-189,828**	**-253,909,408**	**11,955,938**	**-41,280**	**59,870,000**	**1,959,099**	**-50,141,418**	**14,288,945**	**2,752,024**	**3,516,341**

SOURCE: IRD

In addition, there would be some revenue loss on account of the firms showing losses. Under the Income Tax Act (Chapter 81:01), firms can carry forward losses as long as it does not reduce their chargeable profits in any future year by more than 50% while, under tax holidays, firms can charge off losses up to 100% of their chargeable profits in any future year. Hence, again as an approximation, the additional revenue loss would amount to 50% of the total losses of the 4 firms showing losses or one-half of G$ 304 million or G$ 152 million. The total revenue loss thus amounted to G$246M as of 1994, based on the sample of 10 firms.

While these figures do not show an alarming revenue loss, the actual revenue loss would definitely be much more because the number of firms enjoying tax holidays was more than 10 in 1994 (15-20, some of which did not file tax returns). In principle, tax holidays are not good fiscal policy. They are open-ended, and the revenue loss can be quite substantial once companies start making profits. Moreover, tax holidays are not transparent from the point of view of accountability; it is difficult to calculate the revenue loss resulting from tax holidays, especially when the beneficiary firms do not file tax returns. The experience of many countries shows that it is, in practice, very difficult to end the tax holidays after the expiry of the initial period because of pressure from beneficiary companies, including threats to pull out. In the light of experience of countries around the world, the granting of accelerated depreciation, which is more transparent and which places a limit on the revenue loss, is a more sound and effective

way to encourage serious investors. Besides, investment in export production already enjoys generous incentives in Guyana by way of export allowances, customs duty and consumption tax concessions and accelerated depreciation allowances, apart from the Special Incentive Regime for Linden and Surrounding Communities (see Section V.A).

CONCLUSION

Tax holidays are not good fiscal policy because:

a. they are not transparent, making it difficult to assess the revenue loss;

b. they are open-ended, hence the revenue loss can be large if beneficiary starts making profits;

c. it is difficult, in practice, to let the tax holidays expire without being renewed. Accelerated depreciation allowances are a better alternative for providing incentives.

RECOMMENDATION

Not to grant 10-year tax holidays (exemptions from income and withholding taxes) for profits and dividends generated from exports that benefit from new investments or expansion of existing production facilities.

IV.G. DUTIES, CONSUMPTION Tax and OTHER CHARGES ON IMPORTS -- Exemption for Hotels/Resorts and Development of Infrastructure

Proposed: Exemption from duties, consumption tax and other charges on imports of building materials and furnishings of hotels and resorts as well as imported materials and components used by private investors in developing infrastructure.

Analysis: There are two categories of imports related to building, building equipment, and infrastructure that can provide some basis for analysis of this proposal—Building Materials, and Other Capital Goods. The Total Customs Value of Building Materials imports in 1997 was G$2227.9 million in the MISU tabulation. However, G$1571 million of this total was for Pigments, Paint, and Varnishes; Lime, Cement, etc. and Clay Construction Material which presumably supplied the whole economy. Removing these items leaves $656.9 million as a more specific building construction base. To this we add Other Capital Goods of $1401.8 million. Table G-1 shows the amounts of tax and concessions related to these categories.

CONCLUSION

The percentages of tax involved here are substantial, although mainly on the consumption tax. However, the absolute amounts of tax are moderate. The sum of duties paid of 100.2 million is only 2.8 percent of total duties paid in 1997, while the sum of consumption tax paid is 3.7 percent of aggregate consumption tax paid. This might be one area where some additional concessions might be afforded investors in addition to those already provided in these categories. Also, detailed examination of the individual items would likely reveal that imports for tourist facilities and private infrastructure are a small enough part of total imports and tax receipts that blanket remissions may be affordable.

Table G-1 Imports of Building Materials and Equipment and Related Import Taxes, 1997
(G$ million)

	Building Materials		Other Goods	Capital	Total	
Customs Value	656.9		1,401.7		2058.6	
Duty Payable	84.0		124.4		208.4	
As % of customs value		12.8%		8.9%		10.1%
Duty Paid	35.2		65.0		100.2	
As % of customs value		5.4%		4.6%		4.9%
Duty Concession	48.8		59.4		108.2	
Consumption Tax Payable	160.1		240.0		400.1	
As % of customs value		24.4%		17.1%		19.4%
Consumption Tax Paid	107.9		178.3		286.2	
As % of customs value		16.4%		12.7%		13.9%
Consumption Tax Concession	52.1		61.7		113.8	
Total Concession	100.9		121.1		222.0	
Total Duty and Consumption Tax Paid	143.1		243.3		386.4	
As % of customs value		21.8%		17.4%		18.8%
Duties Paid	100.2		3560.9			2.8%
C/Tax Paid	286.2		7671.1			3.7%
	386.4		11,232.0			3.4%

RECOMMENDATION

Exempt materials and equipment for tourism and private infrastructure projects from import taxes not only as investment priorities, but to standardize and simplify investment treatment instead of using discretionary exemptions. As in the case of "all other" machinery and equipment in Section E above, this kind of issue should be dealt with in tandem with provisions for accelerated depreciation and tax holidays and negotiated as a package as part of the investment approval process.

IV.H: Royalty on Gold Mining Production – Reduction of rate from 5% to 1.5% or 2%.

In #4(iii) (h) of SOW, the study team is asked to

"make a quantitative assessment of the impact … on Government revenues (of) eliminating the differential in the rates of royalty on mining production by either adopting a uniform 1.5% rate or by lowering the rate on gold mining to 2%."

A substantial reduction in the royalty rate on gold mining production is proposed in the draft Investment Strategy. Two alternatives are proposed – (i) reduction of the 5% royalty rate on gold mining production to the 1.5% royalty rate charged for base metals; or (ii) if this cut in the royalty rate is considered excessive, reduction of the 5% rate to 2%.

In order to evaluate this proposal, it is necessary to know the quantum and value of gold production in the context of overall mineral production, and the amount of royalty received from gold production. All this information, as well as other relevant information pertaining to existing taxes on the gold mining industry, fiscal incentives and disposition of royalty payments, is provided below.

The gold mining industry is made up of Omai, a Canadian direct investment company and a number of small local miners (individuals and companies). Diamond mining is done by small companies and individuals. Bauxite mining has been traditionally done by Linmine and Bermine, two ailing state-owned companies with declining production, currently under private management contract and awaiting privatization (more accurately, looking desperately for buyers). A new bauxite producer (Reynolds – GOG 50-50 joint venture) has shown large increases in production but the product is of low value compared to the other two. Small quantities of stone, sand and clay are also produced.

Table IV.H.I shows the physical volume of production of gold and diamond only. Table IV.H.2 contains data on royalty payments. Table IV.H.3 gives the physical volume of gold, diamonds, bauxite , stone, sand and clay. The volume of gold and diamond output in Tables H.1and H.3 is not easily comparable since different units of measurement are used; neither table gives the value of output.

Table IV. H. 1 Production of Gold and Diamonds

YEAR	GOLD (kg)	DIAMONDS (000' METRIC CARATS)
1981	599.1	9.5
1982	294.1	11.0
1983	167.2	12.4

1984	346.2	7.5
1985	321.0	11.9
1986	436.3	9.4
1987	666.3	7.5
1988	584.8	4.4
1989	539.4	8.1
1990	1,204.1	15.3
1991	1,844.1	29.3
1992	2,475.0	46.0
1993	11,678.0	52.3
1994	12,007.2	46.7
1995	9006.6	52.3
1996	12,007.2	46.7
1995		
1st Qtr.	2,562.5	9.0
2nd Qtr.	3,025.1	11.5
3rd Qtr.	2,436.0	16.8
4th Qtr.	983.0	15.0
1996		
1st Qtr.	2,076.5	15.3
2nd Qtr.	2,724.7	8.7
3rd Qtr.	3,048.5	9.0
4th Qtr.	4,157.5	13.7
1997		
1st Qtr.	3,606.0	5.8
2nd Qtr.	3,648.1	9.9

Source: GGMC

Table IV.H.2. Royalty on Gold and Diamond Production (In Guyana Dollars)

ROYALTY YEARS	**ROYALTY GOLD LOCAL**	**ROYALTY GOLD OMAI**	**ROYALTY DIAMONDS**
1989	$10,379,789.36	$0.00	$395,571.82
1990	$53,156,329.58	$0.00	$710,878.26
1991	$118,613,817.55	$0.00	$1,788,826.22
1992	$156,157,439.91	$0.00	$6,212,054.50
1993	$185,246,711.09	$458,966,420.00	$7,500,759.00
1994	$235,654,530.45	$611,395,074.61	$6,129,026.86
1995	$224,806,504.00	$484,887,999.00	$8,105,879.00
1996	$275,707,174.00	$658,640,878.00	$6,825,286.00
1997	$199,540,094.00	$793,811,754.00	$5,341,880.00

Source: GGMC

TABLE IV.H.I: MINERAL PRODUCTION

	1989	1990	1991	1992	1993	1994	1995	1996	1997
Gold-oz *(Local Miner)*	17,000	39,000	59,000	80,000	87,100	99,094	91,449	110,135	92,145
Gold-oz *(Omai)*	-	-	-	-	222,678	280,927	196,889	284,633	369,783
Diamond – cts	8,000	14,877	22,280	41,319	50,004	40,354	54,039	45,501	35,612
Bauxite – Mine Production tons *(Linmine)*	999,899	751,472	1,561,425	1,231,380	1,256,960	694,500	643,500	583,900	496,853
*Bauxite – tons *(Linmine)* final products	665,000	767,000	716,000	391,000	401,000	-	-	-	-
Bauxite – Mine Production tons *(Bermine)*	526,009	432,495	715,613	Jan to Nov 218,391	Jan to Sept. Nov. to Dec 401,924	445,920	337,103	361,182	Jan to Nov 347,488
Bauxite –tons *(Bermine)* final products	656,863	657,589	652,256	516,219	469,257	320,739	176,834	257,644	Jan to Nov 348,272
Bauxite Mine MT Production *(Aroaima)*	-	32,800	851,000	1,362,200	1,391,100	1,490,800	1,734,000	2,047,000	1,972,500
Bauxite tons *(Aroaima)* MT final products (sold/shipped)	-	32,300	802,009	1,318,700	1,216,000	1,442,300	1,572,300	1,797,100	1,761,596
Stone – tons	38,000	49,000	55,000	77,504	121,835	150,273	216,859	148,762	140,071
Sand – tons	1,900	194	-	2	208,710	204,604	88,346	80,777	124,640
Clay – tons	4,000	2,000	2,000	6,000	406	-	-	-	-

* Linmine to submit information

SOURCE: GGMC

There are three different taxes and one royalty affecting the gold mining industry. The basic tax is the 35% corporation tax, which has not been paid by Omai, the principal producer (see below). There is a 2% "Gold and Diamond Withholding Tax" payable by small miners (individuals) in lieu of income tax. There is a 15% withholding tax on "gross distribution" (of profits) paid to non residents. Reinvested profits (e.g. in exploration) are eligible for waiver from the 15% tax. Finally, there is the 5% royalty on gold mining production. There are generous allowances for mining exploration, capital, and development expenditures, under Income Tax (Gold and Diamond) Regulations (part of Income Tax Act, 81:01).

It is clear from the above tables that Omai is the major factor in gold production and royalty payments. Omai invested in Guyana under special arrangements offering substantial fiscal incentives. It invested relatively little equity and has financed the bulk of its operations through bank loans (the most recent loan operation amounting to US$56 million). Because of heavy debt servicing which is tax deductible, Omai has not paid any corporation tax or withholding tax. On the positive side, Omai's output has shown sharp increases except in 1995. The output of small operators has been flat or rising slowly; their output rose significantly in 1996 but fell in 1997 because of El Nino weather phenomenon. In 1997 Omai's output increased by 30%; increased gold exports in 1997 more than offset the drop in the traditional exports of rice and sugar.

Royalty payments are received by the Guyana Geology and Mines Commission (GGMC) in the first instance, which transfers $^{2}/_{3}$– ¾of the royalty proceeds to the Government. The rest of the royalty payments is retained by GGMC for its administrative, regulatory, ecological, exploration and development activities.

Coming to the question of the right percentage of royalty on gold mining production, it may be interesting to mention that the royalty was raised from only US$0.50 per ounce to 5% *ad valorem* in 1978.

In the present circumstances, it does not seem advisable to reduce the existing 5% royalty rate on gold mining production for the following reasons:

1. In the difficult fiscal situation that GOG expects to face at least during 1998-1999 (see closing paragraphs of Chapter II), any proposal entailing revenue loss can be entertained only if there is compelling justification. No such justification has been put forward in this case.

2. As Omai has not paid any taxes so far and it is not likely to pay any in the foreseeable future, royalty is the only substantial payment received by GOG/GGMC from the gold mining sector (with the exception of rather insignificant amount of the 2% Gold and Diamond Withholding Tax received from individual miners).

3. It is argued that some Latin American gold producing countries (particularly Chile) have smaller royalty rates. However, one should take into account the fact that gold mining companies in these countries:

    a. pay income/corporate taxes;

    b. spend substantial amounts on acquisition of mining machinery and equipment from local sources whereas, in Guyana, virtually all such machinery and equipment is imported.

4. There is no credible evidence that the 5% royalty is discouraging gold production. On the contrary, gold production has shown a rising trend.

    The royalty rate on diamond mining production is only 3%. Other diamond producing countries have higher royalty rates. A case can be made for raising the royalty rate possibly up to 10%, which will still be at the lower end of the international scale. However, before this is done, an in-depth review must be undertaken of conditions in the diamond industry. Diamond production has been declining after reaching a high in 1994; the decline in 1997 may have been influenced by the El Nino weather phenomenon. Guyana produces small diamonds of inferior quality which fetch a rather low price in the international market. There are no local diamond-cutting facilities. About 60% of Guyana's diamond output is for industrial uses and the remainder is for use in jewelry. Better quality and bigger size diamonds could command a better price. The price could be much more if diamond cutting, a highly labour intensive activity, is done in Guyana.

CONCLUSIONS

1. There is no compelling justification to incur the significant revenue loss that would result from the reduction of the 5% royalty rate on gold mining production to 1.5% or 2%.

2. Since Omai, the major gold producer, does not pay any corporate tax, the 5% royalty is the major source of Government revenue from gold production.

3. On the other hand, a good case can be made for raising the very low 3% royalty on diamond mining production up to 10%, after a review of economic and financial conditions of the local diamond industry.

RECOMMENDATIONS

1. Maintain unchanged the 5% royalty on gold mining production.

2. Consider raising the 3% royalty on diamond production up to 10%, after an in-depth review of economic and financial conditions of the local diamond industry.

IV.I. Withholding Tax On Dividends Paid To Non-Resident Investors In Gold Mining – Elimination Of 6.25% Tax.

In 4 (iii) (i) of SOW, the study team has been asked *to "make a quantitative assessment of the impact … on Government revenues (of) reducing or eliminating altogether the 6.25% withholding tax on dividends of foreign investors in gold mining".*

The Marks/Lewis/McIntyre study has made this proposal based on some misunderstanding or misinformation. A 6.25% withholding tax applicable only to dividends paid to non-resident investors in gold mining does not exist now and never existed in the past. There is no revenue loss resulting from the elimination of a non-existent tax.

While this particular withholding tax never existed, there did exist a more general 6.25% withholding tax up to 1992 (year of assessment). It was applicable to all corporations. At that time, the corporate tax rate was 35% for commercial and 25% for non-commercial firms. In addition, all firms had to pay income tax of 20%. The calculation that led to the 6.25% withholding tax in the case of commercial firms is as follows:

Taxable income	100

Income tax	20
Corporation tax	35
Total tax	55

- ☞ For "regrossing", multiply 55 by a factor of 1.36, i.e. 55 x 1.36 = 75
- ☞ Apply 35% corporate tax, i.e. 75 x .35 = 26.25
- ☞ ***Deduct Income Tax paid, i.e. 26.25 – 20.00 = 6.25 withholding tax***

In year of assessment 1993, the 20% income tax on corporations as well as the 6.25% withholding tax were eliminated.

CONCLUSION
Such a tax does not exist, hence no recommendation is needed.

RECOMMENDATION
None

IV.J. ROYALTY ON LOGGING – Increase of Present Rate

Proposed: Raising substantially the royalty rate on logging.

Analysis: Forestry has shown strong growth in recent years, with its contribution to the economy increasing substantially in value-added, employment, and exports. Table J-1 shows various indicators of that growth. Most striking is the increase of volume of exports of both plywood and other timber, dampened only in 1997 (and thus far also in 1998) by the competitive effect of the Asian crisis.

Table J-1Selected Measures of Forestry Industry Growth. 1993-1997

		1994	1995	1996	1997
Forestry as % of GDP	2.32%	4,42%	4.87%	4.54%	4.93%
Number of Employed	14,516	14,428	15,208	15,275	
Exports of:					
Plywood:					
Volume (000m^3)	6.9	32.2	87.0	96.1	61.3
Value (G$million)	$355.8	$1,598.7	$4,332.9	$4,609.2	$3033.5
Other Products:					
Volume (000m^3)	18.6	39.2	35.1	42.2	102.7
Value (G$million.)	$568.1	$1,042.9	$1112.0	$1,433.9	$2,428.2
Production of:					
Round Logs(000m^3)	216.9	389.6	425.5	416.3	521.5
Sawmills "	44.1	47.2	59.0	59.0	56.6
Chain Saw Lumber "	20.0	29.8	41.8	38.3	32.4
Royalty Assessed (G$ million)	$29.2	$45.1	$51.7	$110.2	$170.2

Source: GFC

The Forestry Commission also reports sizeable increases not only in royalties but also in other income, as Table J-2 shows.

Table J-2 Income for the Guyana Forestry Commission, 1993-1998
(G$ million)

	1993	1994	1995	1996	1997	1998 Projected
Royalties Received	41.0	56.6	80.8	127.7	184.7	141.5
Commissions	6.9	14.4	28.3	28.5	42.3	23.0
Licenses, Fees	7.7	27.9	22.5	104.6	189.7	205.9
Other	5.9	10.1	14.6	9.7	11.3	3.4
Total	61.5	109.0	146.2	270.4	428.0	373.7

The increase in assessed royalty to $170.2 million in 1997 from $51.7 million in 1995 reflects new higher royalty charges in 1996 as well as increased production and improved recording and monitoring of production in logs, sawn lumber, and other timber products.

The Commission points out that the effect of the increase in royalty is especially evidenced by comparing 1995 and 1996. Production of logs decreased from 425,490 cubic meters in 1995 to 416,334 in 1996, while sawmill, chain saw, and other output remained stable or declined slightly. Despite this decline in the base, total royalty received increased from $80.8 million in 1995 to $127.7 million in 19096, or 58%.

A recent issue of the Stabroek News reports that Costa Rica "has launched a scheme" to set aside 1.2 million acres of forest in return for " as much as U.S.$ 20 million this year and $300 million over the (unspecified) life of the project" by selling "carbon storage" to developed country carbon-gas emitting industry. This idea raises heady possibilities for Guyana with its State Forest of over 13 million hectares only half of which is under extractive concessions, implying some 20 million acres or more available to "rent" for carbon storage, to say nothing of further possibilities through "reduced impact harvesting techniques"'.

CONCLUSION

The higher rates established in 1996 are still very low by world standards.

Despite these substantial increases in royalty assessments and receipts, the rates approved in 1996 (and now challenged by court action) set a maximum of G$14 per cubic foot, which equates to less than one U.S. cent per board foot.

The fact that the total forest area under concession is only about half the total area of State Forest of about 13 million hectares suggests the large responsibilities of the Forest Commission for both current regulation and further development. The national interest requires that so major a natural resource as forestry be carefully tended to safeguard its future and maximize its contribution to national welfare. Providing proper taxation to stimulate replacement of log exports by more highly-processed products is an important element of development strategy for both forestry and the wood products industry. And clearly, the possibilities of supplying carbon gas storage for the rest of the world warrants careful exploration

RECOMMENDATION

Consider appropriate higher rates on logging to promote further processing of wood products, research appropriate tax mechanisms to promote forestry industry development, and explore possibilities for selling carbon storage.

The current turmoil and recession in the world market seems an inopportune time to be raising any kind of taxes on wood that may reduce export earnings. During this period, and while court action is awaited on the Government's freedom to set royalty rates, the Forestry Commission should proceed to research the cost/price relationships in the various areas and phases of the industry to determine the basis for future tax charges and fiscal incentives to fit the development opportunities and objectives for the forestry sector.

V. ANALYSIS OF POLICY AND STATISTICAL ISSUES GOING BEYOND THE SCOPE OF WORK

The quantitative assessment of revenue impact of fiscal incentives, together with appropriate recommendations, required in #4 (iii) of SOW, is contained in Chapter IV. As indicated in Chapter I, the study team has, at the request of USAID/Guyana, gone beyond the SOW and has analysed certain issues concerning fiscal incentives regime, regulatory framework, investment approval process, dissemination of pertinent information to potential investors, and statistical framework. With respect to the analysis of these additional issues, the study team wishes to clarify that:

(a) it has devoted most of its time to the analysis of policy issues related to the quantitative assessment and to the collection, interpretation and processing of the data necessary for making the quantitative assessment; hence

(b) it has had less than ample opportunity of making an in-depth analysis of these additional issues; however,

(c) it has been able tangentially to develop certain ideas on these additional issues in the course of performing its basic task of focussing on the policy and statistical issues relevant to the quantitative assessment. These ideas are presented in the sections that follow.

V.A. FISCAL INCENTIVE REGIME

Guyana's fiscal incentive regime is defined by:

a. legislative enactments (Laws or Acts);

b. ministerial orders/decrees of general application; and

c. orders/decree in exercise of ministerial discretion on applications for approval of specific incentives.

The regime basically consists of the following broad categories:

1. **A zero-rate** of customs duty and consumption tax on imports of a wide range of machinery and equipment and on imports of most raw materials, for use in production processes by investors in various productive sectors/ activities, such as: manufacturing (including assembly or "maquilladoras") of wood, agro-industry, packaging materials, jewelry, leather, textiles, garments, ceramics, glass, building materials); minerals (including petroleum); agriculture, fisheries, and agri-business;

forestry; tourism; construction; sports; infrastructure; and development of Linden and Surrounding Communities.

2. **Consumption tax concessions** for minerals and tourism sectors

3. **Accelerated depreciation allowances** (deductions from chargeable income) for capital investment mainly for manufacturing but also applicable to other sectors mentioned above. These allowances essentially consist of (a) initial allowance of 40% in plant and machinery, with annual allowances of 20% thereafter; and (b) initial allowance of 10% on industrial building and structures, with annual allowances of 5% thereafter; and (c) workers' housing.

4. **Export allowances** (deductions from chargeable income) of 25%-75% of export profits, for manufacturing or processing of non-traditional products/agricultural produce.

5. **Special allowances** (deductions from chargeable income) for exploration, capital and development expenditure, and for exhaustion (depletion) for gold and diamond mining.

6. **Standard allowances** (deductions from chargeable income) such as normal wear - and - tear or depreciation allowance, (lower allowance for those not eligible for accelerated depreciation), loss carry forward (up to 50% of chargeable income in any year), etc.

7. **Tax holidays** - No new ones granted since 1992. Those existing in 1992 to run their course. Reintroduced in 1998 budget for pioneering activities and for development of the Intermediate Savannahs. None granted so far.

A comparison of Guyana's fiscal incentive regime with that of other CARICOM countries leads to the observation that, as a result of efforts in recent years pursuant to the Agreement on Harmonization of Fiscal Incentives to Industry among CARICOM countries, Guyana's fiscal incentives are roughly comparable with those other CARICOM countries, with one exception. The exception is the case of tax holidays, which has been more prevalent in other CARICOM countries. However, there are indications of disenchantment among some of these countries with the results of tax holidays, particularly in Trinidad and Tobago. As discussed in Section 1V.F, there is not much merit in Guyana seeking to follow the example of the CARICOM countries in this respect.

Hence, given the observation that Guyana's fiscal incentive regime is generally in line with that of other CARICOM countries and considering Guyana's difficult fiscal situation at present (as presented in the closing paragraphs of Chapter II), there is no compelling justification for increasing fiscal incentives offered to potential investors.

There is room for improvement in Guyana's fiscal incentive system in the following respects:

1. At present, the fiscal incentive regime is not easy for potential investors to understand because it is spread over a large number of ad-hoc laws, regulations, and orders (also see Section V.D). There is urgent need to have **clear** and **simple** laws and rules and arrange them systematically (also see #2 below and Section V.B).

2. a. The existing legal framework for the fiscal incentive regime leaves much room for differences of interpretation and discretionary application. This situation leads to bureaucratic delays and provides opportunities for illegal enrichment. An inevitable consequence is the accumulation of a backlog of applications, which is discouraging for serious investors.

   b. To take but one example, zero-rated customs duty and consumption tax on imports of machinery and equipment are a key element of the incentive regime. However, in the case of import of any specific item of zero-rated machinery and equipment, the Customs and Excise Department has the authority to decide on the basis of purpose or end-use whether to allow a zero-rate, since the same item may be zero-rated for certain purposes and may be dutiable for other purposes. This naturally gives rise to a backlog and is discouraging to potential investors who may have imported the goods, in the belief that they were zero-rated but who cannot clear them pending customs decision.

   c. Hence it will be well worth the effort to rewrite the incentive legal framework in order to limit as much as possible the scope for interpretation and discretion (see#1 above). As for the example of zero-rated imports, most such imports are, in practice, eventually allowed a zero rate, but after delays. It may be practical and sensible to eliminate the qualifications as to purpose and other conditions, so that such imports will pay a zero rate, period, without questioning. As suggested elsewhere in this study (Section IV.E), this change will stimulate investment at a relatively modest cost in terms of revenue loss. Not much revenue loss is expected from this change; Section V.E contains suggestions for tracking the revenue loss.

CONCLUSIONS

1. Guyana's fiscal incentive regime is in line with that of other CARICOM countries and there is no compelling need to offer additional incentives at the present fiscal juncture.

2. It is necessary to rewrite the legal framework governing fiscal incentive regime in order to have **simple** and **clear** laws and rules arranged systematically so that a potential investor can easily understand them and to limit to the maximum extent possible the scope for interpretation and discretion.

3. With respect to zero-rated imports, it will be desirable to eliminate purpose and other conditions to facilitate such imports, in order to reduce backlog of approvals and to stimulate investments at a relatively modest cost in terms of revenue loss.

RECOMMENDATIONS

1. Maintain unchanged Guyana's fiscal incentive regime for the time being.

2. Rewrite the legal framework governing Guyana's fiscal incentive regime in order to make it **clear, simple** and **easy to understand**, limiting to the maximum extent possible the scope for interpretation and discretion.
3. Eliminate qualifications and conditions with respect to zero-rated imports in order to reduce backlog and stimulate investment at a relatively modest cost in terms of revenue loss.

V.B. REGULATORY FRAMEWORK; PROPOSED INVESTMENT CODE

1. **Regulatory Framework**
The ingredients of an "investor-friendly" regulatory framework have been mentioned in III E, namely, simple, clear and certain rules, limits on need for discretionary approval, keeping bureaucratic delays to the minimum. Some of this has been mentioned in a different context in Section V. A.

Policy decisions are needed in various key elements of the regulatory framework. For example, a review of the Customs Code is needed in order to make it simpler, more manageable, and easier for the taxpayer to understand. Once Guyana's own position is formulated, proposed changes may be discussed with CARICOM partners.

A review of consumption tax is needed in order to reduce the level and number of different rates in order to improve compliance and reduce distortions (Section IV.A). The customs duty/consumption tax exemption regime needs to be streamlined and updated. Studies should be undertaken about the implications of reduction of the 45% corporation tax rate, simplification of withholding taxes, and amplification of accelerated depreciation allowances. However, as discussed at some length in Section V.E, these policy decisions need a lot of statistical information, which is not available at present. Section V.E contains recommendations for upgrading the statistical framework in order to provide the necessary statistical underpinning for policy decisions.

In the course of its work, the study team found that training and library facilities were very inadequate at both IRD and Customs and Excise Departments. Additional funding, including possible funding and technical assistance from IFIs, to upgrade these facilities will yield benefits in terms of better enforcement, greater taxpayer compliance and increased revenue.

2. **Investment Code**
An excellent effort to collect in one place the widely dispersed rules of the regulatory framework has been made in the BEEP Project document**, Doing Business in Guyana – Information Guide, (February 1997)**. A similar effort has been undertaken in the GOG draft document, Guyana Investment Guide.

It is important to finalize **Guyana Investment Guide** on an **urgent** basis and publish it with official stamp of approval, for the benefit of potential investors. It will serve as a substitute for the proposed Investment Code (see below) for the time being.

There is no doubt that an Investment Code (as proposed in the Marks/ Lewis/McIntyre study) will be very useful for potential investors, since it will represent as much of a commitment on the part of GOG as any Government would provide, to maintain the policies laid down in the Investment Code. However, in the opinion of the study team, the present time is not appropriate for the preparation of the Investment Code for the following reasons:

a. Macro-economic stability and fiscal recovery attained as a result of sustained efforts over the past few years, are still fragile. The developments of 1997 threaten these achievements and a cautious fiscal policy stance during 1998-99 is indicated (See Section II). In this environment, Government policies may have to be changed at short notice in response to adverse developments.

b. The publication of the Investment Code would involve policy commitments which are not to be treated lightly. Such a degree of commitment, greater than that called for by the **Guyana Investment Guide**, is not feasible in the present circumstances.

c. Guyana has so far had relatively little experience with FDI and the necessary consensus for an Investment Code has not emerged. In time, the benefits of FDI for Guyana would become more widespread, which will lead to a growth of FDI culture and the emergence of a consensus in favour of an Investment Code with all its implications.

CONCLUSIONS

1. Policy decisions are needed in key elements of the regulatory framework, such as customs duties, consumption tax, duty/tax exemptions, corporation tax, withholding taxes, accelerated depreciation allowances, etc.

2. However, these policy decisions need a lot of statistical information which is not available now but which should become available with the implementation of recommendations contained in Section V.E. Hence, no recommendations on this point are made in this section.

3. Additional funding, including possible funding and technical assistance from IFIs, to upgrade the inadequate training and library facilities at IRD and Customs and Excise Department will make for better enforcement, improve taxpayer compliance and augment revenues.

4. It is **important** to finalize the **Guyana Investment Guide** and publish it with official stamp of approval on an **urgent** basis, as a substitute for the proposed Investment Code for the time being.

5. The time is not ripe for the preparation and publication of the proposed Investment Code.

RECOMMENDATIONS

1. Provide adequate funding, and seek funding and technical assistance from IFIs, for upgrading training and library facilities at IRD and Customs and Excise Department.

2. Finalize the **Guyana Investment Guide** on an **urgent** basis and publish it with official stamp of approval, for the benefit of potential investors.

3. Postpone the preparation and publication of the proposed Investment Code until a more propitious time.

V.C. INVESTMENT APPROVAL PROCESS

In recent years, GOG has undertaken efforts to streamline the investment approval process. At the highest level, there is a Ministerial Committee on Investment which makes policy decisions on investment issues and is the ultimate arbiter regarding problems encountered by potential investors in dealing with Government agencies (legal interpretation, exercise of official discretion, bureaucratic constraints or delays). Next, in hierarchical order, is the Ministry of Trade, Tourism and Industry (MTTI), whose principal function is to deal with potential investors.
The most important step in this process was the establishment, under the umbrella of MTTI as a public corporation in 1994 of the semi-autonomous Guyana Office for Investment (GO-INVEST), to respond to requests of potential domestic and foreign investors for information and for assistance in dealing with other ministries and agencies.

There are other agencies dealing with potential investors in specific areas, such as Guyana Export Promotion Council, Guyana National Bureau of Standards (GNBS), New Guyana Marketing Corporation (GMC), Guyana Natural Resources Agency (GNRA), Guyana Geology and Mines Commission (GGMC), and Guyana Forestry Commission (GFC).

While GO-INVEST does its best to assist potential investors, it has its limitations. It is basically an advisory body and does not have any executive authority to solve investors' problems. It can only direct investors to the right offices in various ministries and agencies.

One of the principal reasons for the present backlog of investors' applications and delays in the approval process is that, owing to bureaucratic inertia, ministries and

agencies, including GO-INVEST, have a tendency to refer too many matters for decision to the Ministerial Committee on Investment instead of taking decisions on their own.

It may be tempting to suggest that these problems will be resolved by turning GO-INVEST into a "one-stop-shop", by endowing GO-INVEST with decision-making authority to resolve investors' problems and concerns. However, this is not a feasible solution at this time. In Guyana, as in many other countries, ministries and agencies jealously guard their prerogatives. It is not realistic to expect them to surrender some of their authority to a new agency such as GO-INVEST.

CONCLUSION

In order to augment the effectiveness of GO-INVEST and to expedite investment approvals, a practical and viable approach would be to establish a permanent coordinating committee of technical or working level representatives of concerned ministries and agencies to work with GO-INVEST, integrally and on a continuing basis, and to take decisions at that level. It is reasonable to expect that, if any matter needed approval of the Ministerial Committee on Investment, such approval would be forthcoming quickly based on the recommendations of the inter-ministerial technical coordinating committee.

RECOMMENDATION

Establish a permanent coordinating committee of technical or working level representatives of concerned ministries and agencies to work with GO-INVEST, integrally and on a continuing basis, in order to expedite investment approval and make GO-INVEST more effective.

V.D. DISSEMINATION OF PERTINENT INFORMATION TO POTENTIAL INVESTORS

At present, those seeking to make an investment in Guyana face two initial hurdles:

1. Information necessary to make the investment decision is not readily available or accessible
2. Even when such information is available in a dispersed form, investors often do not know how or where to find it.

The recommendations in V.A, V.B and V.C address the first problem. The second problem will be rather easy to resolve once an authorized version of **Guyana Investment Guide** is published. It should be a relatively simple matter to bring it to the attention of the investment community here and abroad.

CONCLUSIONS

1. Announcements may be made in the local media re: the existence of the **Guide.**
2. The **Guide** and other pertinent information may be made available locally through GO-INVEST and concerned ministries and agencies, and abroad through Guyana embassies.
3. The **Guide** may be mailed to potential domestic and foreign investors who have expressed interest in making an investment and may be advertised on the Internet..

RECOMMENDATIONS

1. Announce in the local media the existence of the **Guyana Investment Guide** (see Section V.B).
2. Make the **Guide** and other pertinent information readily available and easily accessible to potential investors through GO-INVEST, concerned ministries and agencies, and Guyana embassies abroad.
3. Mail the **Guide** to interested domestic and foreign investors and advertise on the Internet.

V.E. STATISTICAL FRAMEWORK

Considering that the study team spent most of its time on the collection, interpretation and analysis of data with the disaggregation required for the quantitative assessment of fiscal impact, it is not surprising that this section is rather detailed. The study team has found a number of deficiencies in the statistical framework at the Inland Revenue Department (IRD) and Customs and Excise Department. As currently structured, the database is not very responsive to the policy needs of MOF and MTTI.

In the ensuing subsections there follows a brief description of:

1. Rate structure of customs duty and consumption tax;
2. Available data on imports, customs duty and consumption tax;
3. Data limitations and deficiencies concerning imports, customs duty and consumption tax;
4. Data limitations and deficiencies concerning corporation tax, withholding taxes, accelerated depreciation allowances and tax holidays.

1. Rate structure of customs duty and consumption tax

a. Customs duty

The customs duty rates are defined in the Customs Code (21 sections, 99 chapters – about 1,000 pages). Under the Caricom Common External Tariff (CET), the duty rates were brought down, in a program of phased reduction, to a maximum of 25% by December 31, 1997 (with some agreed exceptions, see below). From January 1, 1998 on (no specific time frame), the maximum rate is to be reduced to 20%. The exceptions are agro-industry products subject to a maximum protective tariff of 40% and products included in List C (basically luxury, hazardous and "sin" products) with a maximum rate of 100%. Some examples of List C items and duty rates are motor vehicles (45%), jewelry (60%), arms and ammunition (70%), cigarettes and cigars (100%), and alcoholic beverages (100%).

The CET range (0-25%) is applied in multiples of 5 (i.e. 0%, 5%, 10%, 15%, 20% and 25%). Given the Harmonized System (HS) classification used in the Customs Code and the fact (noted also in Section V.A) that the same commodity description may carry different rates according to purpose or end-use, no authoritative summary of tariff rates by commodity groups or classifications such as that of Economic Commission for Latin America and the Caribbean (ECLAC) is available. An illustrative list of which duty rates apply to what groups of commodities, is given below:

RATES	COMMODITY DESCRIPTION
0 %	Animals for breeding; seeds for sowing; fertilizers
5%	Industrial, electrical, railway and office machinery and equipment; photographic, optical, medical, surgical and other precision equipment, instruments and apparatus; industrial vehicles, ships and aircraft; ores, base metals and articles of base metals (about 60% of items); agricultural products (about 25% of items); chemicals; primary forms of plastic and rubber (about 35% of items); raw hide and skins, some leather, some wood products (30% of items); pulp; textiles; stone, plaster, cement, glass (about 20% of items).
10%	cargo and passenger type motor vehicles.
15%	animal and vegetable fats, oils and waxes; pharmaceuticals.
20%	fuels; stone, plastics, cement, glass (over 80% of items); pens and pencils
25%	prepared foodstuffs; explosives and matches; travel goods; wood products (about 70%); finished articles of paper; articles of textiles, carpets; head wear, foot wear; finished articles of base metals (about 40% of items); household machinery and equipment, household electrical apparatus; spares for vehicles; military equipment; toys; works of art.

30%	Cosmetics; soaps and detergents; finished articles of plastic and rubber (about 65% of items)
40%	Animals and animal products (over 80% of items); agricultural products (over 75% of items); refined oils
45%	Motor cars
50%	Clocks and watches
60%	Jewelry
70%	Arms and ammunition
100%	Alcoholic beverages; cigarettes and cigars

Two comments may be made on the above rate classification:

i. The above statutory rates may not be the ones actually charged. For example, many of the items in the 5% rate category are zero-rated under various fiscal incentive regimes and ministerial orders of a general or specific nature.

ii. Obviously there is room for simplification of the tariff structure. However, any proposed changes would involve other CARICOM partners, which limits freedom of maneuver.

b. Consumption tax

The consumption tax is levied on both domestic and imported products. The consumption tax on domestic products is levied at the point of production like an excise tax and is administered by the Customs and Excise Department. The consumption tax rates are 0%, 10%, 30%, 40%, 50% and 128%. As in the case of customs duty, there is no authoritative summary of consumption tax rates by commodity groups or classifications such as ECLAC. An illustrative list of which consumption tax rates apply to what commodity groups is given below:

RATES	COMMODITY DESCRIPTION
0%	Some foods and beverages; pharmaceuticals; educational material; machinery and equipment, and raw materials for manufacturing (about 95% zero-rated under various invective regimes and ministerial dispensations)
10%	Raw tobacco; raw materials (not otherwise zero-rated); lubricants; firearms; items not shown under other rates
30%	Motor vehicles; jewelry; precious metals; household electrical and

	other appliances; juices; some foodstuffs.
40%	Veneers; plywood
50%	Alcoholic beverages; refined petroleum products
128%	Manufactured tobacco

1. Available data on imports, customs duty, and consumption tax

a. The ASYCUDA computerised data system at Customs and Excise Department compiles data on the customs value of imports by line-item classification following the Customs Code (HS) classification, total amount of customs duty plus consumption tax (assessment basis) and total amount of customs duty plus consumption tax remissions.

b. The MISU system of MOF Management Information System Unit is based on the ASYCUDA system. It arranges the ASYCUDA commodities by grouping them into categories and sub-categories following the ECLAC economic classification. The MISU system shows the customs value of imports; customs duty payable, paid, and concessions; and consumption tax payable, paid, and concessions. The system has the capacity of providing the rates of customs duty and consumption tax for each individual sub-category of the commodity classification, but **not** the duty/tax yields for each duty/tax rate (see Subsection V.E.3.h). The MISU data is somewhat more responsive to the policy needs of the MOF than ASYCUDA.

c. The Bureau of Statistics is the most versatile source of data. It has a variety of computer programmes and has the capability to arrange and rearrange the import data (value, duty and tax) in different ways. It can classify the import commodity items according to ECLAC classification in summary form as in the quarterly **Statistical Bulletin** or in a more detailed form by sub-groups as in MISU presentation. As in the case of MISU, it can provide the rates of customs duty and consumption tax for each sub-category of the commodity classification. Given adequate processing time, the Bureau of Statistics is able to rearrange the data on imports and on customs duty and consumption tax yields, remissions and rates in several different ways.

3. Data limitations and deficiencies concerning imports, customs duty and consumption tax

The limitations and deficiencies of the above data and data sources are discussed below:

a. The ASYCUDA data does not give a separate breakdown of customs duty and consumption tax assessments nor of remissions.

b. Another data series on remissions from the same office which manages the ASYCUDA system provides separate data for customs duty remissions and consumption tax remissions, but the total of remissions in this data series are not consistent with the ASYCUDA remissions data mentioned in (a) above.

c. The ASYCUDA data base starts about mid – 1996 and is not available for earlier periods. Data for earlier periods, have to be obtained manually from customs records or from the data base of the Bureau of Statistics.

d. The line-item classification (based on the Customs Code) used in the ASYCUDA system is cumbersome and not very useful analytically.

e. It is hard to tailor the ASYCUDA system to disaggregate and rearrange the data in a form suitable for policy analysis. Permission has to be sought for any changes in the computer program from the United Nations Conference on Trade and Development (UNCTAD), which has provided this program to member countries. Upon approving any request for changes, UNCTAD will arrange technical assistance provided funding can be arranged. This becomes a long drawn out process.

f. A major problem is that the three data sets (ASYCUDA, MISU, and Bureau of Statistics) cannot be reconciled with each other in important respects. For example:

   i. The figure for the customs value of total imports for 1997 is different – G$86 billion for ASYCUDA, G$82 billion for Bureau of Statistics and G$36 billion for MISU. The reason given for such a small MISU total is that it involves only those imports on which duty and taxes have been paid, excluding around G$50 billion imports on which no duty/tax has been paid. However, if this explanation is valid, the question then arises why the same MISU data show about G$4 billion of duty concessions (more than one half of duty payable) and about G$2 billion of consumption tax concessions (almost one-fifth of tax payable) on the same G$36 billion of presumably dutiable imports, especially since G$50 billion of imports that did not pay any duty/tax has been excluded.

   ii. The figures for customs duty and consumption tax payable and paid are different in the three data sets. Part of the explanation is that there are

differences in the timing of the recording of transactions - the ASYCUDA data are on "assessments" basis while the MISU data are on a "payments" basis. However, this explanation is partial and less than satisfactory.

g. Of the three data sets, only that of the Bureau of Statistics gives a consistent series for a number of years. Both ASYCUDA and MISU (which extracts data from ASYCUDA) go back only to mid-1996.

h. As for the consumption tax, only the data set of the Bureau of Statistics has been able to provide the customs value of imports, tax payable and tax paid on imports for each of the six rates 0-128% as shown in Table V.E.I. The same information (namely, consumption tax yield separately for each rate category) obtained through painstaking manual processing, is now available for domestic consumption tax for 1997. Neither ASYCUDA nor MISU can provide this information. None of the three data sets can provide the same disaggregation in the case of customs duties.

   For tax policy purposes, disaggregated information of the kind provided by Table V.E.I is needed in order to judge the impact of possible changes in duty and tax rates. Hence, it is important to endow the MISU and ASYCUDA systems with the capacity to generate the same disaggregation by consumption tax rate categories as well as to endow these systems as well as the data systems of the Bureau of Statistics with the capability of generating the same kind of disaggregation for each rate category of customs duties.

TABLE V.E.I. – CONSUMPTION TAX ON IMPORTS, PAYABLE AND PAID, BY DIFFERENT TAX RATES

(In Percentages)

	1992			1993			1994			1995[1]			1996			1997			1998 (Jan-Mar)		
Rate	Customs Value	Tax pay-able	Tax Paid	Customs Value	Tax pay-able	Tax Paid	Customs Value	Tax pay-able	Tax Paid	Customs Value	Tax pay-able	Tax Paid	Customs Value	Tax pay-able	Tax Paid	Customs Value	Tax pay-able	Tax Paid	Customs Value	Tax pay-able	Tax Paid
0	4.9	2.0	3.9	20.0	9.8	6.8	18.8	0	1.6	24.8	0	0.9	21.3	0	0.8	24.6	0	0.8	19.6	0	0.9
10	65.1	37.6	43.3	38.9	23.2	20.2	40.9	21.1	19.1	36.5	21.5	21.1	34.5	17.0	16.0	34.3	17.9	16.5	39.5	19.5	16.0
30	23.8	45.7	30.4	31.3	45.2	39.1	30.7	51.2	44.7	31.2	54.8	44.6	32.6	51.6	47.5	31.6	53.1	46.9	32.0	51.5	44.7
40	1.0	2.8	0.8	0	0	0	0	0.2	0	0	0	0	0	0	0	0	0	0	0	0.1	0
50	5.2	12.6	21.6	9.9	21.8	33.9	9.6	27.4	34.5	7.4	22.8	31.5	11.6	31.2	35.5	9.0	25.9	32.0	8.0	22.3	28.2
85[2]	0	0	0	0	0	0	0	0.1	0.1	0.1	0.9	1.0	0	0.2	0.2	0.4	3.1	31.8	0.9	6.6	10.2
Total amount (In billion G$)	44.9	8.4	3.1	58.7	11.2	4.9	55.9	11.9	5.6	14.7	2.9	1.3	42.7	9.7	5.0	82.8	16.1	7.9	21.5	4.8	2.3

SOURCE: Bureau of Statistics

[1] Partial and Incomplete
[2] Raised to 128% effective December 1997

It can be seen from Table V.E.I that:

i. zero-rated imports have risen substantially over the years as a percentage of total imports;

ii. with the exception of 1992, the 30% and the 50% rate categories have been the most productive in terms of revenues yield; and

iii the 40% and the 85%(raised to 128% in December 1997) rate categories have yielded negligible revenues.

i. It is not clear from table V.E.I why there are large differences between "Tax Paid" and "Tax Payable" in the non-zero rate categories, even though there is a separate zero rate category. The amounts of "Tax Payable" are double those of "Tax Paid" during 1992 – 1997. Part of the reason could be the difference in timing – assessments made this year and paid next year – but over a period of several years these differences should be smoothed out. Making the realistic assumptions that the Customs and Excise Department does not release goods without full payment of duty/tax and that importers clear the goods they have ordered and not leave them in customs warehouses, the only explanation is that substantial duty/tax remissions/ concessions were granted in the non-zero rate categories. A similar problem was mentioned in the case of MISU data in Sub-section V.E.3 (f) above.

j. The data for 1995 in Table V.E.I are partial and incomplete. A major problem that affected the Bureau of Statistics processing of import (and related duty/tax) data in recent years was that much of the customs data from mid –1980's to early 1990's was impounded in connection with a criminal investigation. As and when the customs data has been released from impoundment, the Bureau of Statistics has been working to catch up, which explains why the **Statistical Bulletin** of December 1997 (last published issue) has full year import data only through 1994. The statistical chaos created by the impoundment is also a plausible reason for some other problems with the Bureau of Statistics data. For example, the yearly totals of customs value of imports for 1992 – 1994 in Table V.E.1 are not consistent with those in the Statistical Bulletin.

4. Data limitations and deficiencies concerning corporation tax, withholding taxes, accelerated depreciation allowances and tax holidays

a. The TAXADMIN and other computerized data programs at IRD were introduced fairly recently. As in the case of ASYCUDA and MISU, the IRD data systems are not equipped to provide data series prior to 1995 nor to perform the kind of disaggregation needed by the study team to respond to the SOW. The only way to obtain such data is through painstaking manual search. As a result, the study team was able to collect only a small portion of the data it set out to collect.

b. Examples of such deficiencies are:

   i. **Corporate tax (Section IV.B)** – Corporation tax data going back several years are available and are published in the **Annual Reports** of IRD. However, the study team encountered many problems in its effort to disaggregate the global corporation tax data into separate data for revenue base (chargeable profits) and yield (actual payments) of the 35% and 45% tax rates, even for recent years of assessment 1997 and 1998. The required breakdown of corporate tax payments did not become available and reliance had to be placed on proxy data (theoretical assessments).

   ii. **Withholding taxes (Section IV.C)** – The required data on the yield of the large variety of withholding taxes had to be obtained through manual search of IRD files. It was possible to obtain data only for years of assessment 1997 (partial data) and 1998.

   iii. **Accelerated depreciation allowances (Section IV.D)** – The IRD data system should be reconfigured to provide data series on the amount of claims for accelerated depreciation allowances (under 81:02) and standard depreciation allowances (Section 17 of 81:01). This should not prove very difficult, given the relatively small number of businesses claiming such allowances.

   iv. **Tax Holidays (Section V.E)** – Efforts to obtain necessary data regarding tax holidays granted prior to 1992 ran into difficulties. The only data the study team was able to obtain were 1994 financial statements of a sample of tax holiday firms.

CONCLUSIONS

1. It must be recognised that an adequate, reliable and up-to-date statistical framework is an indispensable prerequisite for reaching sound, informed policy decisions.

2. For policy decisions concerning consolidation/reduction of consumption tax rates, simplification of Customs Code, streamlining of customs duty/ consumption tax exemptions, reduction of the 45% corporate tax rate, simplification of withholding taxes, and amplification of accelerated depreciation allowances, the data system must be capable of producing data series with the necessary disaggregation for a number of years.

3. At present, the customs duty/consumption tax exemption regime is the cumulative result of a series of **ad hoc** decisions, but its revenue impact is not understood. While the total revenue loss can be calculated or deduced from existing data systems, it is not possible to pinpoint the revenue loss due to specific exemptions. Moreover, it was with great difficulty that the study team was able to obtain, from one data system, consumption tax receipts for each tax rate, another important piece of information for tax policy.

4. It is clear that the future direction of consumption tax policy must be to reduce the level and the number of different rates, while reducing the exemptions to limit the revenue loss (Section IV.A). However, the necessary statistical information on which to base this policy decision does not exist.

5. Any projected revision of the Customs Code would involve negotiation with CARICOM partners. However, before reaching the negotiation stage, Guyana's own position has to be formulated. In order to make the Customs Code simpler, more manageable, and easier for the taxpayer to understand, it is necessary to know with clarity and certainty which tariff rate applies to what group of commodities and what is the yield of each tariff rate. The present statistical apparatus does not provide answers to these questions.

6. It is necessary for the policy making authorities to set the direction in which the various data systems that form part of the statistical framework, should go, in order to provide statistical underpinning for policy decisions.

7. Given the importance of the statistical framework for policy purposes, it is essential to provide additional funding in order to correct the shortcomings mentioned in Sub-

sections V.E. 3 and V.E.4. It will be worthwhile also to explore the possibility of funding and technical assistance from IFIs for this purpose.

RECOMMENDATIONS

1. Impart clear directions to various statistical data systems to remedy the deficiencies mentioned in subsections V.E.3 and V.E.4, in order that they may provide statistical underpinning for tax policy decisions in the areas of customs duties, consumption tax, corporation tax, withholding taxes and depreciation allowances.

2. Provide adequate funding in order to accomplish #1 above.

3. Seek funding and technical assistance from IFIs to implement #2 above.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

Consumption Tax - Consolidation at a Single Lower Rate (Section IV.A)

Proposed: Replace the differentiated consumption tax rates on imported and domestically-produced goods with a lower and uniform rate coupled with placing a limit on the range of exemptions that may be granted.

Conclusions: Given the current fiscal situation it is not opportune at this time to risk the loss of revenue from reducing the consumption tax. While desirable in principle, the shift should wait until alternative revenue sources are developed.

Corporate Tax - Consolidation at a Single Lower Rate of 35% (Section IV.B)
There is no compelling reason to incur the significant revenue loss that would result from reduction of the 45% corporate tax rate to 35%.

Withholding Tax on Dividends Paid to Non-resident Persons – Elimination of 15% Tax (Section IV.C)

1. It would not be advisable to eliminate the 15% withholding tax on dividend payments, or any other withholding tax on other payments, to non-resident persons living abroad, since the revenue loss cannot be recouped.

2. Elimination or modification of these withholding taxes may be considered in the context of a comprehensive review of the entire system for withholding taxes, in order to simplify the system.

3. Elimination of the withholding tax on bank interest paid to **residents** may be considered but only **after** the following prerequisites are implemented:

    a. introducing a uniform taxpayer identification number for all taxpayers.

    b. requiring banks and other financial institutions to report interest payments to IRD, using the taxpayer identification number.

    c. requiring resident taxpayers to report such interest income (above a certain threshold) in their tax returns.

Accelerated Depreciation Allowances on Investments in Priority Sectors (Section IV.D)

Proposed: Grant accelerated depreciation allowances on investments in all industrial structures, plant and machinery in all priority sectors benefiting from other fiscal incentives.

Conclusion: The revenue cost of the current accelerated depreciation allowances on machinery and equipment is modest enough to be extended to all machinery and equipment imported as capital goods.

Import Tariff - Zero Rate on Imports of Machinery and Equipment (Section IV.E)

Proposed: Establish a zero import tariff for all imports of machinery and equipment, except for those where equivalent products, comparable in quality and price, are produced locally.

Conclusion: To exempt all taxes on imports of machinery and equipment would cost a significant amount of revenue. However, excluding "goods vehicles", would leave a very modest 4.3 percent duty collected on the remainder, producing a small absolute amount of revenue, it is perhaps worthwhile dispensing where additional concessions need to be negotiated to attract desirable projects.

Income and Withholding Taxes on Profits from Exports Generated by New Investments or Expansion of Existing Facilities - 10 year Tax Holiday (Section IV.F)

Tax holidays are not good fiscal policy because:

a. they are not transparent, making it difficult to assess the revenue loss;

b. they are open-ended, hence the revenue loss can be large if beneficiary starts making profits;

c. it is difficult, in practice, to let the tax holidays expire without being renewed. Accelerated depreciation allowances are a better alternative for providing incentives.

Duties, Consumption Tax and Other Charges on Imports - Exemption for Hotels/Resorts and Development of Infrastructure (Section IV.G)

Proposed: Exemption from duties, consumption tax and other charges on imports of building materials and furnishings of hotels and resorts as well as imported materials and components used by private investors in developing infrastructure.

Conclusion: The percentages of tax involved here are substantial, (mainly on the consumption tax) although the absolute amounts of tax are moderate.. This is one area where some additional concessions might be afforded investors in addition to those already provided in these categories

Royalty on Gold Mining Production - Reduction of Rate from 5% to 1.5% or 2%. (Section IV.H)

1. There is no compelling justification to incur the significant revenue loss that would result from the reduction of the 5% royalty rate on gold mining production to 1.5% or 2%.

2. Since OMAI, the major gold producer, does not pay any corporate tax, the 5% royalty is the major source of Government revenue from gold production.

3. On the other hand, a good case can be made for raising the very low 3% royalty on diamond mining production up to 10%, after a review of economic and financial conditions of the local diamond industry.

Withholding Tax on Dividends Paid to Non-Resident Investors in Gold Mining - Elimination of 6.25% Tax (Section IV.I)

Such a tax does not exist, hence no recommendation is needed.

Royalty on Logging - Increase in Present Rate (Section IV.J)

Proposed: Raising substantially the royalty rate on logging.

Conclusion: The higher rates established in 1996 are still very low by world standards.

Fiscal Incentive Regime (Section V.A)

1. Guyana's fiscal incentive regime is in line with that of other CARICOM countries and there is no compelling need to offer additional incentives at the present fiscal juncture.

2. It is necessary to rewrite the legal framework governing fiscal incentive regime in order to have **simple** and **clear** laws and rules arranged systematically so that a potential investor can easily understand them and to limit to the maximum extent possible the scope for interpretation and discretion.

3. With respect to zero-rated imports, it will be desirable to eliminate purpose and other conditions to facilitate such imports, in order to reduce backlog of approvals and to stimulate investments at a relatively modest cost in terms of revenue loss.

Regulatory Framework (SectionV.B)

1. Policy decisions are needed in key elements of the regulatory framework, such as customs duties, consumption tax, duty/tax exemptions, corporation tax, withholding taxes, accelerated depreciation allowances, etc.

2. However, these policy decisions need a lot of statistical information which is not available now but which should become available with the implementation of recommendations contained in Section V.E. Hence, no recommendations on this point are made in this section.

3. Additional funding, including possible funding and technical assistance from IFIs, to upgrade the inadequate training and library facilities at IRD and Customs and Excise Department will make for better enforcement, improve taxpayer compliance and augment revenues.

4. It is **important** to finalize the **Guyana Investment Guide** and publish it with official stamp of approval on an **urgent** basis, as a substitute for the proposed Investment Code for the time being.

5. The time is not ripe for the preparation and publication of the proposed Investment Code.

Investment Approval Process (Section V.C)

In order to augment the effectiveness of GO-INVEST and to expedite investment approvals, a practical and viable approach would be to establish a permanent coordinating committee of technical or working level representatives of concerned ministries and agencies to work with GO-INVEST, integrally and on a continuing basis, and to take decisions at that level. It is reasonable to expect that, if any matter needed approval of the Ministerial Committee on Investment, such approval would be forthcoming quickly based on the recommendations of the inter-ministerial technical coordinating committee.

Dissemination of Pertinent Information to Potential Investors (Section V.D)

1. Announcements may be made in the local media re: the existence of the **Guide.**
2. The **Guide** and other pertinent information may be made available locally through GO-INVEST and concerned ministries and agencies, and abroad through Guyana embassies.
3. The **Guide** may be mailed to potential domestic and foreign investors who have expressed interest in making an investment and may be advertised on the Internet.

Statistical Framework (Section V.E)

1. It must be recognized that an adequate, reliable and up-to-date statistical framework is an indispensable prerequisite for reaching sound, informed policy decisions.

2. For policy decisions concerning consolidation/reduction of consumption tax rates, simplification of Customs Code, streamlining of customs duty/consumption tax exemptions, reduction of the 45% corporate tax rate, simplification of withholding taxes, and amplification of accelerated depreciation allowances, the data system must be capable of producing data series with the necessary disaggregation for a number of years.

3. At present, the customs duty/consumption tax exemption regime is the cumulative result of a series of **ad hoc** decisions, but its revenue impact is not understood. While the total revenue loss can be calculated or deduced from existing data systems, it is not possible to pinpoint the revenue loss due to specific exemptions. Moreover, it was with great difficulty that the study team was able to obtain, from one data system, consumption tax receipts for each tax rate, another important piece of information for tax policy.

4. It is clear that the future direction of consumption tax policy must be to reduce the level and the number of different rates, while reducing the exemptions to limit the revenue loss (Section IV.A). However, the necessary statistical information on which to base this policy decision does not exist.

5. Any projected revision of the Customs Code would involve negotiation with CARICOM partners. However, before reaching the negotiation stage, Guyana's own position has to be formulated. In order to make the Customs Code simpler, more manageable, and easier for the taxpayer to understand, it is necessary to know with clarity and certainty which tariff rate applies to what group of commodities and what is the yield of each tariff rate. The present statistical apparatus does not provide answers to these questions.

6. It is necessary for the policy making authorities to set the direction in which the various data systems that form part of the statistical framework, should go, in order to provide statistical underpinning for policy decisions.

7. Given the importance of the statistical framework for policy purposes, it is essential to provide additional funding in order to correct the shortcomings mentioned in Sub-

sections V.E. 3 and V.E.4. It will be worthwhile also to explore the possibility of funding and technical assistance from IFIs for this purpose.

A. RECOMMENDATIONS

Consumption Tax - Consolidation at a Single Lower Rate (Section IV.A)

Recommendation: Accept continuation of the differentiated consumption tax while concentrating on developing other revenue sources.

Corporate Tax – Consolidation at a Single Lower Rate of 35%(Section IV.B)

Leave the present structure of corporate tax rates unchanged.

Withholding Tax on Dividends Paid to Non-resident Persons - Elimination of 15% Tax (Section IV.C)

1. Maintain the 15% withholding tax on dividend payments to non-resident persons living abroad, pending a comprehensive review of the entire system of withholding taxes.
2. Conduct a comprehensive review of the system of withholding taxes in order to simplify the system while avoiding loss of revenue.
3. Eliminate withholding tax on bank interest paid to **residents after:**
    a. introducing a uniform taxpayer identification number for all taxpayers for all taxes;
    b. requiring banks and other financial institutions to report interest payments to IRD, using the taxpayer identification number;
    c. require resident taxpayers to report such interest income (above a certain threshold) in their tax returns.

Accelerated Depreciation Allowances on Investments in Priority Sectors (Section IV.D)

Recommendation: The revenue cost of accelerated depreciation is appears modest enough that the Government should a consider allowing free choice of

depreciation write-off schedules to new investors, especially as a substitute for tax holidays.

Import Tariff - Zero Rate on Imports of Machinery and Equipment (Section IV.E)

Recommendation:
Exempt all capital goods except vehicles from import taxes in order to standardize and simplify investment treatment.

Income and Withholding Taxes on Profits from Exports Generated by New Investments or Expansion of Existing Facilities – 10-year Tax Holidays (Section IV.F)

Not to grant 10-year tax holidays (exemptions from income and withholding taxes) for profits and dividends generated from exports that benefit from new investments or expansion of existing production facilities.

Duties, Consumption Tax and Other Charges on Imports - Exemption for Hotels/Resorts and Development of Infrastructure (Section IV.G)

Our Recommendation: Exempt materials and equipment for tourism and private infrastructure projects from import taxes not only as investment priorities, but to standardize and simplify investment treatment instead of using discretionary exemptions.

Royalty on Gold Mining Production – Reduction of Rate from 5% to 1.5% or 2% (Section IV.H)

1. Maintain (unchanged) the 5% royalty rate on gold mining production.
2. Consider raising the 3% royalty on diamond production up to 10%, **after** an in-depth review of conditions in the local diamond industry.

Withholding Tax on Dividends Paid to Non-Resident Investors in Gold Mining - Elimination of 6.25% tax (Section IV.I)

None

Royalty on Logging - Increase in Present Rate (Section IV.J)

Recommendation: Consider appropriate higher rates on logging to promote further processing of wood products, research appropriate tax mechanisms to promote forestry industry development, and explore possibilities for selling carbon storage.

Fiscal Incentive Regime (Section V.A)

1. Maintain unchanged Guyana's fiscal incentive regime for the time being.

2. Rewrite the legal framework governing Guyana's fiscal incentive regime in order to make it **clear, simple** and **easy to understand,** limiting to the maximum extent possible the scope for interpretation and discretion.

3. Eliminate qualifications and conditions with respect to zero-rated imports in order to reduce backlog and stimulate investment at a relatively modest cost in terms of revenue loss.

Regulatory Framework, Proposed Investment Code (Section V.B)

1. Provide adequate funding, and seek funding and technical assistance from IFIs, for upgrading training and library facilities at IRD and Customs and Excise Department.

2. Finalize the **Guyana Investment Guide** on an **urgent** basis and publish it with official stamp of approval, for the benefit of potential investors.

3. Postpone the preparation and publication of the proposed Investment Code until a more propitious time.

Investment Approval Process (Section V.C)

Establish a permanent coordinating committee of technical or working level representatives of concerned ministries and agencies to work with GO-INVEST, integrally and on a continuing basis, in order to expedite investment approval and make GO-INVEST more effective.

Dissemination of Pertinent Information To Potential Investors (Section V.D)

1. Announce in the local media the existence of the **Guyana Investment Guide** (see Section V.B).

2. Make the **Guide** and other pertinent information readily available and easily accessible to potential investors through GO-INVEST, concerned ministries and agencies, and Guyana embassies abroad.
3. Mail the **Guide** to interested domestic and foreign investors and advertise it on the Internet.

Statistical Framework (Section V.E)

1. Impart clear directions to various statistical data systems to remedy the deficiencies mentioned in subsections V.E.3 and V.E.4, in order that they may provide statistical underpinning for tax policy decisions in the areas of customs duties, consumption tax, corporation tax, withholding taxes and depreciation allowances.

2. Provide adequate funding in order to accomplish #1above.

3. Seek funding and technical assistance from IFIs to implement #2 above.

APPENDIX A

LIST OF OFFICIALS INTERVIEWED

GOVERNMENT OF GUYANA

Ministry of Finance:

Hon. Bharrat Jagdeo, Minister
Mr. Winston Jordan, Director, Office of the Budget
Mr. Edgar Heyligar, Tax Consultant
Mr. Ibraima Faal, IMF Consultant
Mr. Reginald Ross, Management Information System Unit

Inland Revenue Department

Mr. Kurshid Sattaur, Commissioner
Mr. Trevington Bowen, Assistant Commissioner
Ms. Bebi Farieda Hussein, Assistant Commissioner
Mr. Robert James, Inspector of Taxes

Customs and Excise Department

Mr. Lloyd Forde, Comptroller of Customs
Mr. Iqram Ali, ASYCUDA Coordinator
Mr. James Fooks, CIAT Advisor
Ms. Joy Joseph, Chief, Consumption Tax Unit

Ministry of Trade, Tourism, and Industry

Hon. Michael Shree Chan, Minister
Mr. Ramesh Sharma, Permanent Secretary
Mr. Tarchan Ramgulam, Director, Industrial Development
Mr. Paul Dookun, Foreign Trade Officer

GO-INVEST

Mr. Deochand Narain, Director

Bureau of Statistics

Mr. Dharam Seelochan, Deputy Chief
Mr. Paul Austin, Head, National Accounts Division

Bank of Guyana

Dr. Gobind Ganga, Director of Research

Guyana Forestry Commission

Mr. Clayton Hall, Acting Commissioner
Ms. Emily Fripp, Economist

Guyana Geology and Mines Commission

Mr. William Woolford, Acting Commissioner

USAID/IGI

Mr. Patrick McDuffie, USAID Representative (Departing)
Ms. Carol Becker, USAID Representative (Arriving)
Mr. Daniel Wallace, USAID /BEEP Project Manager
Dr. Coby Frimpong, BEEP Chief of Party and Advisor to the Finance Minister
Ms. Margo Singh, BEEP Project Coordinator

U.S. Embassy

Ambassador James Mack

APPENDIX B

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