

GUYANA

SESSIONAL PAPER NO. 1/1978

THIRD PARLIAMENT OF GUYANA

UNDER THE

CONSTITUTION OF GUYANA

FIRST SESSION

1973 -- 1978

BUDGET SPEECH

*by*

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27TH FEBRUARY, 1978

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#### INTRODUCTION:

Cde. Speaker, I have great pleasure in presenting the fourteenth annual Budget since the People's National Congress has been in Government. Judged against previous years this particular Budget statement is being read somewhat later than usual, but well within the statutory period. The Government, Cde. Speaker, took the view that the financial and development expectations and prospects of the Nation should be presented within a framework of a much wider time perspective than was the case in previous years. We are convinced that the people who are partners with the Government in the development of the country, are entitled to be informed of the longer term prospects for recovery and growth of our economy.

Hence, Cde. Speaker, I shall be presenting a financial and development plan for the period of four years - 1978 to 1981 - and not just a programme for one year. Understandably I shall be more detailed with respect to 1978; but the aggregates presented for the succeeding years, though much broader and more subject to adjustment over time, will nevertheless point very clearly to the trend I expect the economy to take over the next four years.

Our goals and objectives continue to be the constant improvement of the well-being of every Guyanese. In particular, the Government continues to regard as paramount the transformation of the society in a way that would bring economic gains

first, if control was to be established. The years of the seventies witnessed the coming to fruition of that strategy. Nationalisation by itself has never been seen as anything other than a necessary condition for ordered and purposive transformation of the economy. By itself it does not, and cannot, change the fundamental weakness of the economic productive structure or the inappropriate characteristics of production relations, highlighted as they are by worker alienation.

The transformation to the society at which we are aiming requires both a definition or description of the society to be created and a major restructuring of the economy to cause that kind of society to be created. The restructuring must identify the main structure and mechanisms to be revamped or created and must be associated with a stepwise plan to effect the changes.

The description of the society to be created has been often outlined in speeches, declarations and discussions coming from the leadership of the People's National Congress, with pellucid clarity of exposition by no less a person than the Prime Minister. Its characteristics of egalitarianism - equality of opportunity based only on citizenship and willingness to work; decreases in alienation - to be achieved by worker control in an atmosphere of co-operativism; the right to work; the eradication of exploitation on a racial, class, ethnic, or any other basis have all been highlighted time and time again.

The conscious, co-ordinated restructuring of the economy is to be orchestrated to lead us towards that kind of society. Without deviating into an extended and intensive discussion of the restructuring itself, we need to highlight the main weaknesses of the economy and society which we must aim to eradicate. This highlighting of weaknesses will assist us in coming to the realisation, the very important and significant realisation, that the transformation

to the masses particularly those at the lower rungs of the economic ladder. The process of revolutionising the society for the achievement of socialist objectives would continue to move apace under the stimulus of the Party and the Government. Now that the dominant portion of the means of production and distribution is in the hands of the Guyanese people through the State, the immediate task of the revolution is to increase the productivity of the workers; to centralise the planning of production; to expand the productive base through balanced and diversified economic development in agriculture, forestry, fishing and mining; to multiply opportunities for productive employment, and in the final analysis to improve the standard of living and well-being of the Guyanese masses.

Cde. Speaker, the achievement of political independence, about a dozen years ago in 1966 was the successful culmination of intense political activity aimed at making the first step towards the establishment of a vibrant and viable Guyanese nation. However that act by itself, carried out as it was, in an atmosphere of no significant control over the economic processes of the country, would not automatically have led to an economically strong and self-determining society. The initial endowment of political independence was an economy geared to survive only in the closest colonial association with the very metropole from which that political independence was won. All of Guyana's production mechanisms, in their form, their content, their annual objective and their overall mission, were geared towards economic dependence. So also were the mechanisms which determined social status, economic opportunities and work approaches.

Accordingly, all serious analysis of the Guyana situation led unwaveringly to the conclusion that the transformation required could only be achieved if control over our major production and distributive sectors were placed firmly in the hands of the Guyanese people. A strategy of nationalisation was therefore devised as a prerequisite for that control. Ownership by the whole society had to be achieved

which we are pursuing cannot be achieved by sudden flight. Other societies have taken decades to achieve such goals. The transformation must be achieved by a stepwise process; that process must be characterised by a nicety of political timing, in accord with both the growing consciousness of our citizenry and the economic realities of the international milieu of which we are by definition, a part.

Looked at in this way, the perhaps fundamental weakness which we need to highlight is our historically determined predisposition to perceive no connection between our levels and quality of consumption, and our individual and national productive efforts. In the long run one can consume more than one produces only if there is a commitment to rely on the generosity of other nations and institutions. Such reliance is the very antithesis of independence. It represents a commitment to benefit from the productive efforts of others and a belief that the ordered efforts of others should guarantee the survival and quality of life of one's self. The correction of this weakness requires both a national attitudinal metamorphosis, and various structural and planning changes.

On the matters of planning, there are two significant changes to which we wish to direct the attention of the National Assembly and the Nation. The first concerns the State Planning Commission. The second deals with the national Budget process.

The State Planning Commission, which achieved legal reality on 25th February, 1978 is intended to be the nerve centre of co-operative and co-ordinated planning and monitoring activity for the entire economy. It represents an essential step towards the goal of a rational application of human, natural and financial resources for the achievement of the specific planned targets. It represents also a mechanism for providing early warnings from the representatives of the people themselves, as producers and consumers,

on matters of the adequacy of achievement under the jointly formulated plan.

Accordingly it will be the core of a democratic de-alienated process of determining what should be done with the Guyanese economy, how it should be done, and what adjustments need to be made in the light of actual monitored results. The application of truly democratic co-ordinated planning and monitoring involving the TUC, Consumer organisations and Producer groupings is one of the fundamental changes without which an orderly and systematic approach towards the kind of society we want cannot be achieved.

Therefore, our national budgetary process now has to be seen as a repetitive exercise, up for periodic review and correction, and with a perspective of more than one year in consonance with the gestation periods of the various projects being pursued. In the case of the present budget the period to which it addresses itself is 1978-1981. Also the process must encompass the whole economy, focusing hard on the planned performance of the State Enterprises and the whole public sector, and indicating, by implication, to the co-operative and private sectors the roles which they need to play in the whole scenario.

The National budget to be presented must therefore be seen as a reviewable aspect of our national planning. In the case of the present budget we have targeted 31st August, some six months hence, as the date for review.

This matter of monitoring and review is of fundamental importance and therefore deserves some more comments. A budget, almost by definition, represents a composition of activities, with associated arrangements for financing them. Consequently, it contains activities which have already started but have not been completed. It contains also, activities which are to be initiated and whose financing is in the process of being arranged. Finally, it contains activities which are ready both in financial and real

resources terms, for implementation. The integrated nature of all these activities, with their concomitant allocation of human, natural and financial resources is such that the unwarranted rigidity or pretending that no adjustments in pace or timing of implementation will need to be made, would indeed be foolhardy.

Further, as we seek to implement solutions designed to correct various weaknesses in the economy, we need to employ review mechanisms which tell us how we are doing and how, if at all, we need to adjust. The essential problem is that we are endeavouring to provide solutions to unprecedented national problems - solutions which will determine the kind of society which will finally emerge. Additionally we are participant in an international scene where other participants rank their well-being higher than ours, and in which rapid unpredictable and unsettling events constantly occur. There exists no more complex problems which a young nation might face. Thus checking, monitoring, rechecking, and continuous discussions throughout the nation, are prerequisites for progress.

In the light of all these circumstances, our package of prescriptions for desired change must be monitored. The core problem is to raise our levels of production and productivity while restraining and readjusting our levels and quality of consumption. In pursuing solutions to this problem, we have to determine the 'right mix' of production activities, and foster the emergence of native ingenuity and creativity to develop appropriate technologies. Pre-eminence has to be accorded to the use of our natural resources to satisfy both our basic survival needs and our development aspirations. Accordingly the pattern of diversification of productive activity in our economy must simultaneously optimise the use of our human resources (Proper Labour Placement), stimulate our people to produce (Minimum Wage Adjustment and National Incentive Schemes), reorient the nation's consumption patterns (placing emphasis on locally produced food, clothes and housing), and

generate surpluses to fund new developmental economic activity (Agricultural and other export industries).

Our international partners, in all positions of the ideological spectrum, will deem us to be serious and accordingly react helpfully to our efforts at self-sufficiency, only if we demonstrate the capacity to implement carefully planned approaches to these matters. The stepwise raising of the consciousness of the Guyanese people will only occur if we can all be involved in, and therefore appreciate, the tactics which we must pursue first for our survival, and second for our development. The quality of life which we achieve will be determined primarily by our own ordered efforts. That is a fundamental, unalterable fact of life.

Cde. Speaker, it is against this background, a necessarily attenuated analysis, that we present the details of the national Budget, covering the period 1978 - 1981. Its underlying tenets are:-

- (i) Diversification of our economy, with a tactical emphasis on increase in the production of agricultural and agricultural-based commodities for internal consumption and for export;
- (ii) Gearing of the production and consumption patterns of the economy to accord with a prudence without which survival as a nation would be impossible. We must be prepared to consume mainly that which we have produced;
- (iii) Readjustment of our internal mechanisms to cause an emphasis on productivity and accountability, especially in our State-run enterprises. The work ethic must be firmly re-established;

- (iv) Infrastructural preparations including manpower training, of the economy for the quantum jump which the economy must make if the national base is to be properly laid for our advance to the Socialist society which our ideology determines;
- (v) Improvement of maintenance facilities and activities with a view to better preservation of existing equipment and reducing non-productive downtime. A conscious effort must be made to preserve national productive assets and utilise them optimally.
- (vi) Pursuit of foreign Government-to-Government and other institutional financial assistance as accords with the foregoing five objectives.

In summary, Cde. Speaker, the Budget aims at achieving certain targets over the plan period related to the following areas: food production, housing, educational places, hospital beds, employment, surpluses in the Public Corporations, import substitution, and savings. I shall however revert to the matter of targets later in my presentation.

The Budget indicates that the achievement of these real targets will depend on the realisation of certain financial flows as well as certain attitudinal changes with respect to consumption. In particular the financial flows will be premised on a higher rate of private savings within the economy which will be achieved only if we seek to postpone consumption in favour of investment and development; they will also assume an intensified fiscal effort in the form of higher taxation as an inescapable precondition to the achievement of the kind of economic and social development for which we are planning and at a pace that accords with the aspirations of the people.

The flows of financial resources also take into account the Government's decision with respect to the Sugar Levy. The Levy, Cde. Speaker, will be abolished. However, new mechanisms based on socialist principles will be established to determine the allocation and deployment of the surpluses earned in the sugar industry; these principles will recognise that the workers in the industry, the community and the country at large, and the expansion and development of the industry itself must each share in realistic and equitable proportions in the distribution and use of the surpluses that are generated by the industry. This particular matter will be taken up again in more detail later in this presentation,

Finally, Cde. Speaker, the budgeted financial resources are based on significant inflows of external funds and credits from both bilateral and multilateral sources; but the loans will be spent exclusively on development projects and will not be supportive of Government consumption.

#### THE ECONOMY IN 1977

Cde. Speaker, when I presented the Budget for 1977 the indications were quite evident that we were about to enter into a very difficult though challenging year. In fact 1977 brought little growth in production and earnings. The price of sugar had already declined sharply, and throughout the year was fluctuating around 100 Sterling per ton; the amount of sugar that was exported fell sharply as a result of the strike in the industry. Consequently export values dropped by about 26%; even though the country's quota on the higher priced EEC market was fully met. Bauxite prices on the other hand were holding fairly steadily and export sales in value terms were about 13% more favourable than in the previous year. Rice supplies however, on the world market, were increasing and the prices had softened. Thus for our main exports, prices were either stable or as in the case of sugar had fallen to extremely low levels.

In real terms production showed little movement. In the bauxite industry output of calcined bauxite declined 3% from 729,000 tons in 1976 to 709,000 tons in 1977; alumina however moved up 5% to 259,000 tons. Depression in the steel industry in the industrial countries reflected itself in a low demand for bauxite and alumina. Prices however were maintained and in some cases were higher, enabling the industry to increase its contribution to the Gross Domestic Product.

In manufacturing, the production of garments, furniture, refrigerators and radios was maintaining a fairly high level of output, even though, because of foreign exchange difficulties production was not up to full capacity. Thus this sector, though small, was able to contribute some 13% higher to the national output than in 1976.

Agricultural output, apart from Rice and Sugar - mainly food crops such as legumes and ground vegetables - showed substantial increases under the influence of good weather, and a Government-promoted effort to accelerate food production. In fact the contribution of Agriculture, other than Rice and Sugar, to the GDP increased 40% in 1977 over 1976. Purchases by the Marketing Corporation of ground vegetables and other farmers' produce amounted to \$4.2 Mn. in 1977 compared with just \$3.2 Mn. in 1976. Pork production was at its highest ever; again purchase by the Marketing Corporation of pigs amounted to \$4.3 Mn. in 1978 compared with \$4.0 Mn. during the previous year. The high output of pork in turn enabled a record level of output and sales of hams and other pork products, as well as exports of surplus fresh pork to the Caribbean. Rice also showed a significant increase in output. Production during 1977 was 210,000 tons compared with 110,000 tons in 1976.

In general, Cde. Speaker, agricultural output, except for sugar, was very encouraging during 1977. Consequently farmers' incomes rose and supplies of local food commodities on the domestic market were good, for the greater part of the year.

It was in sugar that output fell sharply. Because of the political action in the industry advantage could not have been taken of prevailing favourable weather conditions. Sugar output reached 241,000 tons and exports 208,000 tons. Thanks to the Party and the Government, the rest of the population was mobilised; and workers volunteered, and were recruited to harvest the crop.

Most of the sugar produced - 169,000 tons - was exported to the EEC under the Lome negotiated price which approximated to £220 per ton. The World Market, in which prices were very low, was supplied with the small remaining amount, 39,000 tons.

Thus Cde. Speaker, during 1977, the physical levels of output in two of the three major sectors of the economy which influence growth in the gross domestic product - sugar and bauxite - did not achieve production targets and recorded output levels that were below those reached in 1976. In effect, the low level of the gross domestic product in 1977 was largely a function of both quantum of output and of prices, especially prices on the export market. The GDP at \$1006 Mn. showed no growth even at current prices.

Cde. Speaker, from what I have already said with respect to production mainly in the export sector and low prices on the export market, it would not be surprising to find that exports fell from \$712 Mn. from 1976 to \$660 Mn. in 1977, a decline of approximately \$50. Mn. or almost 8%. Imports also fell from \$927 Mn. in 1976 to \$800 Mn. in 1977, equivalent to a decline of 14%, having been restrained by the low availability of foreign exchange. When net service payments are taken into account, there resulted a current account

deficit on the balance of payments of approximately \$235 Mn. This deficit however did represent an improvement over 1976 when the current account deficit was \$353 Mn.

Net inflows of capital to finance the current account gap in 1977 reached just about \$69 Mn. Consequently, there was a further utilisation of the gross international reserves and the accumulation of commercial debt-all to the tune of approximately \$179 Mn.

These developments Cde. Speaker, occurred against the background of a low level of gross international reserves at the beginning of the year and dictated a very careful management of those reserves. Consequently throughout the year foreign exchange was allocated to various persons and institutions on certain objective bases within the limits of our reduced levels of export earnings and other foreign exchange receipts. Indeed, Cde. Speaker, during 1977 the balance of payments and the level of our gross international reserves were central to the economic problems facing the country.

In the course of the management of the reserves, allocations of foreign exchange were often inadequate to meet all the needs of the economy. Inevitably this did lead to the build-up of a back-log of foreign payments due by our importers to their foreign suppliers. Despite this however, we have met promptly all our debt service payments both in respect of official and guaranteed debts. It would be a matter of high priority Cde. Speaker, in the period ahead as our foreign exchange position improves, to make foreign exchange available to enable the liquidation of these short term liabilities to foreigners as quickly as possible.

In spite of these problems, and indeed in response to them, Cde. Speaker, the Government has sought to stimulate production and improve the lot of the lower paid workers. Through credit and increased

agricultural extension activity, the food production drive was given impetus; and as I recounted earlier, the production of corn, legumes, rice and ground vegetables expanded as a result.

#### CONSUMPTION AND PRICES:

It is estimated that PRIVATE OR HOUSEHOLD CONSUMPTION reached \$700 Mn. in 1977. At this level household consumption was 66% of gross National product in 1977 compared with 60% in 1976. These figures suggest that private consumption was maintained and even expanded, even though domestic production - the GDP - failed to grow. Indeed private consumption was estimated to have increased by just over 10% in 1977 over the previous year (that is from \$634 Mn. in 1976 to \$700 Mn. in 1977). Not all the movement in consumption was real, however, as prices, as measured by the Consumer Price Index, rose by about 10% during the year. Indeed largely because of increased availability of domestically produced food, and the Government's efforts to purchase certain widely consumed items of imported foods and other essential goods from the cheapest sources, the cost of living was kept at a relatively moderate level.

In addition, since the last budget was presented, the Government minimum wage was lifted in two steps from \$5.50 per day as at December, 1976 to \$11 per day as from January, 1978. The cost of the increase to the Central Government was approximately \$15 Mn. in 1977 and will be an additional \$23 Mn. in 1978. When account is taken of the whole public sector the cost rises to \$50 Mn. in 1977 and \$65 Mn. in 1978. This has meant that for most workers - particularly those nearer to the minimum - pay rates have nearly doubled, and when account is taken of all workers whose pay has been adjusted by reason of the change in the minimum wage, the average increase is about 36% since December, 1976.

Cde. Speaker, looking at the performance in the economy and our experiences in the past year, I have

identified certain shortcomings within the economy that would need to be rectified if the basis of real economic growth and development is to be strengthened.

First of all, Cde. Speaker, our production or real growth has lagged and would need to be substantially improved. The productive sectors namely, agriculture, forestry, fishing, mining and manufacturing need to be stimulated to a more rapid growth in output. In particular, agricultural production needs to be expanded and diversified, and the off-shore and fish resources exploited more actively. Secondly, productivity is low, and needs to be lifted. In fact, the increase in the minimum wage is premised and can be justified in the final analysis only on the basis of increased productivity of the Guyanese worker - in all spheres of economic activity and at all levels. Thirdly, as concomitant to the foregoing, the volume of exports must be expanded. This, Cde. Speaker, would constitute the only sure means of bringing about a lasting improvement in our balance of payments position. Fourthly, our domestic savings rate which has been averaging approximately 5% of GNP in the last two years is too low in view of the investment needs of the country. In particular public sector savings have been inadequate and would now need to be significantly improved. The Central Government current deficit of \$77 Mn. in 1977 is too large, and must be reduced progressively over the next three to four years to a more manageable level, if not entirely eliminated. Fifthly production costs have until now been hampered with exceptions, by too much waste of material, man-hours and equipment. It must be part of the recovery process to improve the operating surpluses of the Public Corporations and Enterprises.

The fundamental problem therefore, Cde. Speaker, is one of imbalances within the economy as are reflected in certain macro-economic variables. If I may illustrate Cde. Speaker, the current deficit in the balance of payments rose from \$47 Mn. in 1975 to \$353 Mn. in 1976. though it declined sharply by

\$118 Mn. in 1977, as a result of a number of corrective measures that were adopted during the year. The Government Current Account moved from a surplus of \$169 Mn. in 1975 to a deficit of \$81 Mn. in 1976 and \$77 Mn. in 1977. Except for 1975 and 1976 when sugar prices were particularly high, domestic savings over the last five years averaged 5% of GNP while gross domestic investment averaged about 28% of GNP. Gross Domestic Product grew by an average of 14% over the last four years, with little growth recently, while domestic consumption (Government and Personal) grew at an average of 15% over the same period. These imbalances and bottlenecks have reflected themselves in many of the problems that faced the nation during the past year.

**THE GENERAL STRATEGY UNDERLYING THE BUDGET:**

Recognising these imbalances it must be a function of economic and financial planning over the next period to correct them as far as practicable within a reasonable period of time.

It is therefore appropriate Cde. Speaker, for me at this stage of my presentation to give the Nation some idea of the strategies which will characterise the Budget and the management of the economy for the next three to four years.

The basic objective would be to try to bring the economy back into balance as early as possible. Given the external constraints of demand and prices for our export commodities it is not contemplated that the balance can be attained in less than three years, each year showing appropriate improvement. Thus the time frame that has been assumed for the achievement of reasonable economic recovery in the circumstances of normal weather, and fairly stable industrial relations in the country, is a period of three years. The Budget has been framed on that basis.

In pursuance of these objectives the management of the economy would be characterised by the consolidation and streamlining of the processes of production of goods and services; by a sustained

emphasis on food production and distribution; and by a more effective use and deployment of our existing assets - both human and mechanical by more worker participation and involvement and by the application of suitable incentive schemes. Accordingly Cde. Speaker, the Government, starting this year, is budgeting for the public sector as a whole and not merely as was traditionally the case, for the Central Government alone. As such this year's Budget represents the first year of a financial plan that is consistent with the Third Development Plan of the Government for the period 1978 - 1981. The Budget would present a precise financial plan for 1978 and broad financial projections and production targets for the period to 1981 based of course on certain predictions and assumptions with regard to increases in production and changes in prices. The Budget would accordingly indicate the programme of development for the economy for the period of four years, starting in 1978, and the financial plans and targets for the overall public sector for the same period.

## MAJOR INTERNATIONAL MONETARY DEVELOPMENTS

Cde. Speaker, before reviewing the domestic issues affecting the country I should perhaps spend some time outlining very briefly those international monetary and economic developments which impinged on trends within our own economy. The year 1977 has been marked by a continuing slow recovery in economic activity in the industrial countries from the recession in 1974/75. Rates of inflation and unemployment were still high by historical standards for the developed countries. In the non-oil developing countries there was little growth in terms of economic development; not unexpectedly these countries ran up large deficits which had to be financed mainly by borrowing in the commercial markets and a further run down of their foreign reserves. There was on the other hand strong investment activity in the major oil exporting countries and as a result improvement in the export performance of a number of industrialised countries from which these exports originated.

Real output failed to attain targeted levels in the major industrial countries so that for the group as a whole output was about 4% above the previous year's level with the USA and Japan achieving the highest rates at about 5%. The low level of investment activity in all of these countries was the main contributing factor to the sluggish growth in output and demand within their own economies; and this led to a depression in demand for certain commodities like bauxite, copper and even shrimp.

This slow rate of recovery had its effects not only on the demand but also on the prices for commodities. During the first half of 1977 prices for certain primary commodities were moving steadily upwards on average. But soaring prices for coffee, cocoa and tea as well as for various vegetable oils and oil seeds contributed disproportionately to the rise, while prices for several important food products, including grains and sugar declined and fluctuated at low levels during the greater part of 1977. Differences in the supply situation ranging from severe impairment of Brazilian coffee crops by frost damage, to abundant harvests of food grains - also lay behind these price movements. Towards the end of 1977 however, some of these prices showed a tendency to recover slightly. This was the case of sugar. Rice prices also appeared to be getting stronger while metal prices, including aluminium and bauxite, have been gaining but somewhat more moderately than grains.

So far as Guyana is concerned the Lome Convention provided a guaranteed market and a negotiated remunerative price for a substantial part of our sugar output. Last year, despite the strike in the sugar industry, Guyana was able to meet its quota to the EEC. For 1978, some 47% of our anticipated sugar output will be sold under these arrangements hopefully at somewhat better prices, which will be negotiated this year with the EEC.

The International Sugar Agreement (ISA) which has been recently negotiated by a Group of Sugar Exporters and Importers, has been brought into operation. The I.S.A. aims at stabilising prices of sugar between US 11 cents and US 21 cents per pound by regulating the flow of exports to the world market, through export quotas and buffer stock operations.

Inflation continued at high levels in most of the non-socialist developed countries with the exception

of Germany, Switzerland and Japan where inflation rates averaged about 3% - 4%. However, in some of the larger industrial societies the rate varied between 6% and 13% and for the group as a whole it was near 8%. Such rates are considered unacceptably high by these countries. But attempts to bring them down to lower levels have so far failed. In fact, the performance of prices in 1978 is not expected to show much improvement over 1977.

The balance of payments of this group of countries was in even more disequilibrium in 1977 than in the previous year. While the current account balance of some developed countries moved from surpluses in 1976 to large deficits in 1977 other countries like Japan and the United Kingdom saw their current account surpluses in 1976 increase further in 1977.

Such wide swings especially for large economies like the USA and Japan caused extreme pressures on the exchange rates. The currencies of those countries with strong surpluses appreciated considerably during the year. In fact while the US dollar weakened in the international market against the leading currencies some of the other currencies strengthened. For example, the Yen was 18% higher in terms of the US Dollar at the end of the year than at the beginning, the Deutsche Mark 11% higher, the Swiss Franc 18% higher and the Pound (Sterling) 12% higher.

The performance of the non-oil developing countries was mixed. Some countries experienced reversal of their earlier weak balance of payments and resumed earlier growth rates, whereas others encountered continuing adverse terms of trade and adverse balance of payments conditions. The countries which enjoyed improved balance of payments prospects included the large coffee producers and those with large industrial sectors. Those with deteriorating payments positions were mainly the exporters of primary commodities

other than coffee and the base metals other than tin. The countries in the latter group experienced severe strains on their external reserves and in the absence of the "Oil Facility" had to make increasing demands on the ordinary resources of the International Monetary Fund, particularly as borrowing from the Euro-markets for balance of payments support proved generally difficult.

Nevertheless borrowing in the Euro markets achieved a new record level of US\$72 billion in 1977 representing an increase of near US\$11 billion over 1976. Both socialist and non-socialist, both developed and developing countries were in the market to borrow. The industrial countries accounted for US\$39.3 billion (or 54.6%), the non-OPEC developing countries for US\$8.0 billion (or 11.2%) and the countries of the COMECON grouping for US\$3.1 Billion (or 4.4%). Multilateral international organisations accounted for the remainder, US\$5.9 billion (or 8.2%).

In the light of the balance of payments deficits confronting most of the developing countries in 1977 with little prospects for recovery in the short term, it was not surprising that the main issue before the International Monetary Fund during 1977 was the need to provide additional finance now that the oil facility was terminated but the deficits that needed financing had not been reduced significantly. In these circumstances the Managing Director of the Fund entered into negotiations with the countries with large surpluses, both developed and oil-exporting, for contributions to fund a facility to assist deficit countries. In August, 1977 he secured agreement to a facility of SDRs 8.4 billion which would be administered by the International Monetary Fund. Drawings from the facility would be related to those made in the upper credit tranches with the conditionality attached to those tranches. The industrialised countries agreed to contribute SDRs 4.5 billion to the facility and the OPEC countries SDRs 3.9 billion.

EXPENDITURE AND REVENUE - 1977

Cde. Speaker, I have already outlined the economic position of the country during 1977. I now turn to the financial performance of the Central Government during that year. First of all, the Current Budget.

CURRENT EXPENDITURE - 1977:

The 1977 Budget proposed a total expenditure of \$546 Mn. The revised estimates of expenditure were however \$585 Mn. exceeding the approved Estimates by \$39 Mn. The largest excess, apart from Public Debt, occurred in Personal Emoluments which increased from \$146.8 Mn. as approved to \$153.4 Mn. essentially as a result of the increase in the minimum wage rate and consequential adjustments of salary at certain higher levels. The number of persons on the payroll showed little change from 1976. At that level of employment, personal emoluments represents more than 35% of the total Government Expenditure on Current Account

Other expenditure, essentially on goods and services - also exceeded the amount originally provided by \$5.7 Mn. rising from \$148.0 Mn. to \$153.7 Mn. At this level, Government expenditure on goods and services was 35.6% of total recurrent Budget, but \$69.2 Mn. or 31.0% less than in the previous year. Thus the Government as a result of persuasion and firmer control did achieve some success in effecting economies in the cost of its current operations. Compared with expenditure in 1976, the major areas of decrease were:

Defence and Internal Security	\$25.1 Mn.
Direct subsidies	\$24.3 Mn.

A number of other services however attracted larger expenditures and were therefore given increased allocations compared with 1976. Among these

were the following: Education which spent \$70.2 Mn. in 1977 compared with \$58.7 Mn. in 1976; Health Services \$30.3 Mn. compared with \$25.7 Mn. in the previous year; Social Security payments \$4.9 Mn. compared with \$4.6 Mn. in 1976; Pensions and Gratuities \$13.7 Mn. compared with \$10.9 Mn. in 1976.

Payments and provisions with respect to Public Debt amounted to \$125.0 Mn. in 1977 equivalent to 28.9% of total Government expenditure. This was an increase of \$14.7 Mn. above similar payments and provisions in 1976. Public Debt payments during 1977 however, comprised \$72.2 Mn. in interest, \$40.6 Mn. in repayment of principal, and \$12.1 Mn. as Sinking Fund contributions. So far as the interest is concerned \$25.1 Mn. was paid overseas and \$47.1 Mn. to local persons mostly on account of Treasury Bills (3-month securities) and Government Debentures (10-year securities).

With respect to repayment of principal, \$6.9 Mn. was with respect to local debt, and \$33.8 Mn. in relation to foreign debts. At present most of the Sinking Fund contributions apply to local long term debt. The contributions are invested locally and are managed by the Central Bank; in 1977 this investment amounted to \$69.5 Mn.

#### THE EXTERNAL PUBLIC DEBT:

Cde. Speaker perhaps I may digress slightly at this stage to make particular reference to our External Public Debt and put the debt position in its proper perspective. First of all, the part of our Debt that is most relevant is the external debt, as distinct from the internal. This arises from the fact that it is the External Public Debt that constitutes obligations or liabilities to foreigners and therefore represents a charge on the foreign exchange earned from our exports. Local Debt service payment on the other hand are payable in local currency and in a real sense are mere transfers from the Government to other domestic sectors.

At December 1977 the External Public Debt of the Central Government stood at \$700.9 Mn. Most of this, approximately \$560 Mn. represented long term loans and nationalisation payments having repayment periods of twenty years or more. Some of our long term debt were for as long as forty (40) years, at interest rates of about 2% per annum. The significance of this is that the long repayment period imposes only relatively small annual amortisation or repayment of capital.

The Public Corporations and State owned Enterprises, all of whose external debt is guaranteed by the Government stood at \$180Mn. in 1977. Not unexpectedly most of these debts were medium term, carrying repayment periods varying from 5 years to 10 years. Practically all of these debts were related to the purchase of equipment and services for the expansion of the enterprises that borrowed the money.

Cde. Speaker, perhaps I should observe too that borrowing on the international capital markets and from International financial and development institutions is world wide and applies equally to countries at opposite sides of the ideological spectrum. Indeed most countries both developed and developing, irrespective of their chosen path of social and economic development, find it in their economic interest to borrow, or to permit, or to guarantee, the borrowing by enterprises owned and controlled by the State or located within their national borders. The reality of the situation is that until now most international private lending institutions are owned and controlled within non-socialist countries. The fact has not however deterred many State Enterprises in a number of Socialist States from tapping these resources of capital for the economic advantage of their people. In Guyana, Cde. Speaker, where the domestic savings is inadequate to support a development oriented economic plan, and where there must be almost total reliance on imports for Capital goods, external borrowing is not only inevitable but it is also logical.

Public borrowing in 1977 Cde. Speaker as in previous years, was applied exclusively to finance the investment programme implemented by the Public Sector, and despite the economic difficulties that beset the economy, the country met all of its Public debt payments promptly as they fell due.

#### THE CURRENT REVENUE - 1977:

I now turn to the Revenue Account. The total Current Revenue projected for 1977 was \$411.5 Mn. In fact, based on revised estimates, the Revenue yielded \$354.9 Mn. The main source of revenue was the income tax which yielded \$147.0 Mn. and Customs Duties and Consumption Taxes which together amounted to \$83.4 Mn. In so far as the income tax was concerned, the tax on Companies and Corporations yielded \$108.0 Mn. - \$51. Mn. higher than projected mainly because of arrears payments. The tax on employed persons amounted to \$35.4 Mn. while income tax on self-employed persons and businesses that are not companies yielded just \$3.6 Mn.

The yield of customs duties was however lower than in previous years, reflecting the somewhat reduced level of imports, particularly of consumer durables like motor cars. Consumption taxes were less than was originally expected reflecting a lower level of production of consumer goods during the year.

Other sources of revenue accounted for the remaining \$123.6 Mn. of which some of the larger receipts were National Development Surtax \$9.3 Mn; Net Property Tax \$4.3 Mn. Travel Voucher Tax \$3.1 Mn.

In summary Cde. Speaker, with Current Expenditure at \$432.2 Mn. (revised) and Current Revenue at \$354.9 Mn. (revised) the Current Account of the Central Government was in deficit in the tune of \$77.3 Mn. in 1977.

#### CAPITAL ACCOUNT: 1977

The Capital programme for 1977 was proposed at \$135 Mn. However, because of the shortfall of financial resources, and the unfavourable balance of payments position that prevailed, a number of projects had to be halted during the later half of the year. Some projects were however, allowed to continue. Despite these expenditure cuts, the revised Capital Expenditures exceeded the original provision and are now estimated at \$153 Mn. The main areas of expenditure were as follows: Drainage and Irrigation - Tapakuma and Mahaica/

Mahaicony/Abary Water Control Project \$10.2 Mn.; Installation of Drainage Pumps \$0.3 Mn.; Education \$8.2 Mn.; Housing \$2.7 Mn.; Industrial Projects, including the Glass Factory, Textile Mill, Bicycle Plant \$17.3 Mn.; Sea Defences \$3.0 Mn.; Roads \$31.1 Mn. and Health \$2.1 Mn.

During 1977 the contract for the first phase of the Tapakuma Project was awarded to a firm of United Kingdom Contractors on the basis of an international competitive tender, and the contractor commenced mobilisation and operations. In the MMA project area work was commenced by Hydraulics Division of the Ministry of Agriculture even before the loan Agreement with the Inter-American Development Bank was fully negotiated and signed. At the same time a number of miscellaneous drainage and irrigation works was done in different parts of the country, in support of the agricultural thrust. Drainage pumps were installed in the West Coast Berbice area, and at Lilliendaal on the East Coast of Demerara.

In Education - the first Education Project - requiring the construction of Multilateral schools, and Community High Schools, was completed, and work on the Second Education Project was commenced and is now in progress. Construction work at the Glass Factory, and Textile Mill continued during the year, while the acceleration of the Agricultural production drive involving the growing of corn, legumes and ground provisions began to show positive results even before the end of the year. Work on the Roads - East Coast Demerara and West Demerara - was accelerated after a temporary halt; while both the Canje Bridge and the Bridge across the Demerara River made rapid progress towards completion. In fact the Canje Bridge is now completed and commissioned, while the Demerara Bridge is due to be completed this year. In the meantime in order to facilitate river transportation, the Transport and Harbours Department has commissioned the Guyana National Engineering Corporation to construct a new boat at a cost of approximately \$3.5 Mn. for completion in 1979. These Cde. Speaker are some of the items of capital on which the Central Government expended funds in 1977.

Capital Revenue including official loans amounted to \$86 Mn. Consequently there was a deficit in the Capital Account of \$67 Mn. and on the overall Central Government operations - current and capital - of \$144 Mn.

#### THE STATE ENTERPRISE SECTOR

The State Enterprises, constituting the Guystac Companies and Corporations, the Guyana Sugar Corporation and the Guyana Mining Enterprise, in addition to the Co-operative Financial Institutions, together employed 70,000 people and paid wages and salaries amounting to \$225 Mn.

With few exceptions the nationalised enterprises paid dividends to the Government, enough to meet the debt service payments that were made by the Government to the former owners of the nationalised assets.

For 1977 a number of the Public Corporations returned lower earnings while their costs have gone up. The wages bill with effect from the beginning of the year was increased as a result of the new minimum wage. Surpluses earned have consequently been reduced; in a number of cases losses have been recorded. Poor earnings have been due to several factors; rising cost of inputs, particularly imported inputs, a higher wages cost due to the implementation of the new minimum wage, inefficiencies in production, low productivity and prices that have been kept stable in an inflationary situation as a result of Government's policy to keep the cost of living from rising too rapidly. Thus while it is expected that the Corporations would need as a matter of utmost urgency to minimise per unit cost of production and thereby improve productivity of their workers, the price structure for goods and services produced and sold by some corporations clearly appears to need upward adjustment to realistic levels. Indeed this examination has already been concluded and some corporations have been allowed to increase their prices. Others, where the situation justifies it would be permitted to make appropriate adjustments.

The Central Government investment programme was supplemented by the capital investment of the Public Corporations. The State Enterprises investment expenditures amounted to \$124 Mn. during 1977. Of this amount Guymine invested \$51 Mn. partly for the renewal of current facilities and partly for expansion both in processing and mining. Guysuco, faced with a prolonged strike in the Sugar Industry, invested \$13 Mn. mainly for the rehabilitation of mills, and the continuation of the expansion programme at Skeldon. The expansion when completed in 1979, is expected to increase the productive capacity of the industry by approximately 10,000 tons of sugar per annum. The Guyana Liquor Corporation also invested \$2.6 Mn. largely for improved facilities in the industry to increase production for the export market. The Corporations under Guystac together had direct fixed investment of \$58 Mn.

Thus Public Sector expenditure on capital, much of it of a direct productive nature, totalled \$297 Mn. in 1977.

THE FINANCIAL INSTITUTIONS comprising the Guyana National Co-operative Bank, the Guyana Agricultural Co-operative Development Bank, the Guyana Co-operative Mortgage Finance Bank, the Guayna Trust Corporation, and the Guyana Co-operative Insurance Services, in their several fields supported the Government's development activities. The Agricultural Development Bank for instance accelerated its activities and approved \$31.6 Mn. in loans in 1977 compared with a total of about \$12 Mn. in 1976. However, of this amount the Bank disbursed only about \$7 Mn. but expects to dispose of the rest before the middle of 1978. The forestry sector alone is to receive nearly \$18 Mn. of the approved amount for logging and sawmilling.

In the Crop Credit programme for 1977, which was one aspect of the accelerated agricultural production drive, the Bank provided \$0.4 Mn. of finance for almost 3,000 acres of corn, 80 acres of black-eye peas, 50 acres of cassava and 23 acres of peanuts.

The Livestock Sector approved loans amounting to \$2.5 Mn.; and under a feed credit scheme pig rearers received almost \$2.0 Mn. in credit from the Bank during 1977. The Bank has been able to raise external funds for its lending programme. It has already fully onlent a loan of \$6.0 Mn. from the Caribbean Development Bank and is in process now of drawing down another loan of \$10 Mn. from the same source. The Livestock loan from the International Development Association of the World Bank is also being administered by the Agri. Bank.

The Mortgage Bank for its part has provided loans to the tune of \$6.2 Mn. in support of the Government's low income Housing Programme; of this amount approximately \$1.1 Mn. went to aided self-help housing, \$1.8 Mn. into Hire Purchase houses constructed by the Government and \$1.7 Mn. to the Co-operative Sector.

Through the Guyana Co-operative Insurance Service is channelled the General insurance business of the Public Corporations and Enterprises, in addition to similar business from the private sector and co-operatives. The Service from Fire and other Non-Life coverage earned premiums of nearly \$6.0 Mn.; paid income tax of some \$0.7 Mn. and was able to lend a total of \$2.5 Mn. to the Agricultural Bank and the Mortgage Bank to support their own activities.

The Guyana Trust Corporation is now administering the Pension Scheme for Guymine and a number of other public corporations. It is also the Corporate Trustee for the Pension Scheme covering employees of the former Booker Companies in Guyana including Guysuco.

## TARGETS FOR THE ECONOMY

Cde. Speaker, before turning to the development aspect of the Budget, I should first take up again the question of targets to which I have briefly referred earlier in my statement. It would be part of the national planning process that targets would be set for all productive units. This would encompass the State Enterprises, as well as units in the Central Government Sector. Similarly targets will be set for the whole economy. It is part of the purpose of the Four (4) Year Development Programme which I shall be outlining shortly, that it should be the means by which we achieve recovery in the economy before the end of the plan period.

Therefore it would be useful to focus on some of the targets and the expectations we realistically have for the recovery. Some of these expectations are based on the investments that were put into the economy during the last plan period. Others derive from the investment programme which is to be implemented between 1978 and 1981. In general, however, they point to the improvement that I consider Guyanese could look forward to as a result of the Government's efforts to stimulate and promote growth and development of the country's economy.

First of all Cde. Speaker the economy is targeted to grow by a total of 17% in real terms in the four years from 1978 to 1981. Based on prices prevailing in 1977 that would mean that Gross Domestic Product - the total value of production - should expand from \$1,006 Mn. in 1977 to G\$ 1,238 Mn. in 1981 (at 1977 prices). The increase in production over the period to 1981 will come largely from Mining, Agriculture and Forestry and Manufacturing. Of that increase Bauxite is forecast to contribute to the extent of G\$98 Mn. largely from increased output of calcined bauxite and alumina. It is in this that the expansion programme implemented by the Industry during the years 1975 - 1978 will begin to yield fully.

Sugar is expected to contribute some G\$60 Mn. to the increase in production. The expansion and rehabilitation undertaken in that industry designed to improve production capacity at Skeldon and a number of other estates, will similarly yield higher output by 1981. By this time too extra land (estimated at some 66,000 acres) would be put under Rice in the Tapa-kuma drainage and irrigation area. Thus rice, including marketing, should contribute some \$25 Mn. to the increased output; while agriculture, other than sugar and rice - mainly oil palm, corn, cassava and legumes - under an accelerated production drive - should contribute a further \$13 Mn. Shrimping and fishing should contribute approximately \$4 Mn. while Forestry and production of lumber should contribute G\$11 Mn. Manufacturing of sheet glass, bottles, leather shoes and stoves in addition to the traditional manufactured items, is targeted to contribute in the region of \$35 Mn.

In so far as employment is concerned, the objective is to ensure that the number of employment opportunities in the Public and Private Sectors, particularly in agriculture, is increased at a rapid rate.

The Capital Programme being implemented should provide direct employment for several thousands of persons. For example, Tapakuma Project, the Mahaica/Mahaicony/Abary Water Control Project, the Upper Demerara Forest Project, including the access road to the project area, the sea defence project in the Essequibo region, the Black Bush Water Control Project in the Eastern Berbice Area, should among them provide direct construction employment for a large number of persons over the next four years.

While it is not possible to quote a precise figure at this time because the relevant studies have not been completed, serious efforts would be made to increase the productivity of workers in each year to 1981. As part of the mechanism to support the drive for maximum productivity, incentive and

surplus sharing schemes nationally supervised and on and off-the job training will be instituted to encourage a continuous improvement in worker output. Indeed an Incentives Committee has recently been established and will soon be meeting to work out the parameters and modalities of a National Incentives Scheme.

Cde. Speaker, these targets and expectations I have just outlined are, I am convinced, achievable within the period. However, the Nation needs to appreciate that it is on the successful implementation of the four year Development Programme that the realisation of these targets would depend.

However, crucial to the successful implementation of the investment programme over the next four years, would be the rate at which the economy can be induced to save. It is therefore planned to raise the savings rate of the economy from 5% of the gross national product in 1977 to 16% in 1980 and 1981. On that basis, domestic savings are targeted to increase from their 1977 level of G\$55 Mn. to G\$169 Mn. in 1980. These savings rates and levels Cde. Speaker cannot, however, be achieved unless the Public Sector surplus can be lifted and the people as a whole reduce spending on consumption goods in favour of increased savings.

Hence, it is planned to raise the surplus in the Public Sector from G\$19 Mn. in 1977 to G\$230 Mn. in 1980. Vital to this achievement would be the size of the Central Government Current deficit. Hence, it would seem necessary that the rate of taxation by the Government projected at 33% of the gross national product in 1977 should be maintained at no less than 30% of GNP into 1980.

In order to raise the surplus of the Public Sector while at the same time provide for a rise in the pay of the workers emphasis will necessarily be put on the reduction of waste and on increased productivity. The rate of Current expenditure to turnover in the Public Corporations will need to be reduced both sharply and progressively.

## EXPENDITURE AND REVENUE ESTIMATES

I intend Cde. Speaker to outline Expenditure and Revenue proposals on both Current and Capital Account for 1978, as well as projections, particularly of Capital allocations for the period 1978 to 1981. Broad aggregates would also be given with respect to recurrent sections of the Budget for the same period. In addition to Central Government budgetary outlays, I propose to present the Capital proposals for the Public Corporations and State Enterprises as well as their key financial targets and expectations.

THE 1978 CURRENT EXPENDITURE, Cde Speaker, is being presented at a total of \$462.4 Mn. approximately \$30.2 Mn. more than the 1977 revised estimates of expenditure of \$432.2 Mn. For PERSONAL EMOLUMENTS it is proposed to spend \$175.9 Mn. about \$22.4 Mn. more than in 1977. OTHER CHARGES have been reduced from \$153.8 Mn. in 1977 to \$132.5 Mn. in 1978 equivalent to a reduction of \$21.3 Mn. DEBT CHARGES (INTEREST AND PRINCIPAL) have been allocated \$154 Mn. compared with \$125 Mn. for 1977.

The allocation with respect to Personal Emoluments now represents 38% of the Central Government's recurrent budget, and will rise to this level largely because of the increases in the minimum wage and the consequential adjustments to certain higher salary bands. The total number of permanent employees has changed very little though it is expected that the process of redeployment of workers to more productive

areas of employment in other parts of the Public Sector will lead progressively to a significant reduction in the permanent work-force of the Central Government

With respect to OTHER CHARGES - a number of economies including a sustained effort to reduce waste, is expected during the year. In the first instance direct subsidies have been withdrawn. It is only for the Guyana Marketing Corporation, the Transport and Harbours Department and Guyana that some level of direct budgetary support is still being provided. The allocations are quite tight Cde. Speaker, judged against the level of previous years. However the intention is that every attempt will be made to control expenditure in the Government Sector.

Indeed, in order to reduce the occurrence of excess or uncontrolled expenditures above approved estimates, purchases by Ministries have been put on a cash basis and certain accounting staff of Ministries have been made accountable to the Accountant General, thus intensifying control from the centre. In this way it is anticipated that Government expenditures would be more carefully monitored and controlled and the opportunities for unauthorised expenditures significantly reduced.

The allocation to the armed forces increased only marginally even after taking into account increases in the payroll arising out of minimum wage adjustments for 1978. Expenditure on Education (\$82.8 Mn.) and Health (\$33.9 Mn.) have been increased despite reductions in other areas. A significant part of the Education increase went to Nursery Schools and assistance to students attending vocational training institutions. The votes for the maintenance of roads and public buildings have been sharply cut as some maintenance works have been postponed; the allocation with respect to Transport and Travelling has been reduced from about \$7.4 Mn. in 1977 to \$6.4 Mn. in 1978 as public officers would be required to exercise strict economy in this particular area of

expenditure. More money will be spent on Pensions which moved from \$13.7 Mn. in 1977 to \$14.4 Mn. in 1978.

The third main category of expenditure is the PUBLIC DEBT. As I have already said \$154 Mn. have been allocated in 1978 for this purpose. Of this amount \$83.1 Mn. would be with respect to External Public Debt and \$70.9 Mn. to Local Debt. Debt charges would therefore represent approximately 33% of budgeted expenditure compared with 29% in 1977. Interest payments are scheduled to rise to \$47.2 Mn.; actual payments of principal are estimated at \$60.7 Mn. and Sinking Fund contributions in the case of the Funded Public Debt are expected to be \$14.8 Mn.

The main areas of proposed expenditure under "Other Charges" compared with the previous year are as follows:-

	1978	1977
	\$Mn.	\$Mn.
Direct Subsidies	6.6	20.3
Transfers to Persons (mainly Pensions)	19.8	18.7
Defence	11.6	13.5
Repairs and maintenance to public buildings	5.0	4.9
Subvention to Educational Institutions	9.6	9.4
School Books and Educational Supplies	5.1	4.5
Drugs	4.0	4.0
Transport and Travel	6.4	7.4

So far as the total expenditure in 1978 is concerned, the broad areas of emphasis are as follows:-

	\$Mn.	%
Agriculture	16.4	3.5
Health	33.8	7.3
Education and Culture and Social Development	82.8	17.9
Transfers to Persons (largely Pensions and Gratuities)	19.8	4.3
Public Debt	154.0	33.3

**THE REVENUE ESTIMATES:**

In order to meet the foregoing expenditure, and based on the expected income to be generated through production in 1978, the CENTRAL GOVERNMENT REVENUE is projected to reach \$332.3 Mn. in 1978 without taking into account any additional forms of taxation. Gross National Income is expected to increase by about 19% while imports are programmed to rise by about 3%. Consequently the different categories of taxes are expected to yield the following sums, based on existing rates of taxation:-

	1978 compared with 1977	
	\$Mn.	\$Mn.
Corporation Tax	46.3	60.8
Income and Withholding taxes	40.5	47.2
Personal Income Tax	40.0	35.4
Tax on unincorporated enterprises	4.0	3.6
Dividends	34.5	37.8
Customs Duties	40.0	39.1
Consumption Tax	45.0	44.4
Other	82.0	96.6
<b>Total:</b>	<b>332.3</b>	<b>354.9</b>

It should be explained that in 1978 certain public corporations paid arrears of taxes equivalent to \$25 Mn. which could not be repeated in 1978 - hence the significant variation in Corporation and Company income tax during 1978 compared with 1977.

With Current Revenue at \$332.3 Mn. and Current Expenditures at \$462.4 Mn. the Central Government Current Account would be in deficit in the amount of \$130.1 Mn. It is generally recognised Cde Speaker, that this deficit in the Central Government account is still too large and needs to be reduced in order to free domestic resources for the financing of the development projects. Indeed the gap as I had said earlier, represents one of the imbalances in the economy which needs to be rectified. Consequently, I shall be making proposals later in my presentation, designed to increase the total current revenue to \$376.3 Mn. and thereby reduce the deficit in 1978 to no more than \$86.1 Mn.

The current account gap, Cde. Speaker, is crucial to any effort in the future to bring the economy into balance and to make it more self-reliant in terms of external capital inflows for development. Hence, in taking corrective action to achieve stability and promote economic recovery, the Government has projected Current Expenditure to rise by no more than 11.5% in 1979 and a further amount of 3% and 4% in 1980 and 1981 respectively; that is from \$462.4 Mn. in 1978, to \$515.9 Mn. in 1979, to \$533.2 Mn. in 1980 and \$555.5 Mn. in 1981. Similarly, based on anticipated rises in the Gross Domestic Product as production expands, and on the premise that the Current Account gap would need to show a progressive reduction, Current Revenues have been targeted to increase by 14% in 1979, 12% in 1980, and 8.5% in 1981, that is from \$376.3Mn. in 1978 to \$428.7 Mn. in 1979, to \$480.5 Mn. in 1980 and to \$521.5 Mn. in 1981.

If we are to emerge from the present economic crisis and balance of payments difficulties, it must be an objective of our programme of adjustment and recovery to reduce any Current Account gap to more manageable levels over a reasonable period of time.. The present target is that by 1980, the current account gap would be reduced to an amount significantly less than our public debt amortisation payments.

On these assumptions and expectations, it would be the objective to ensure that the Current Account deficit, that is, total receipts minus total expenditures, will be \$86.1 Mn. in 1978, \$87.2 Mn. in 1979 and then decline to \$52.7 Mn. in 1980, eventually stabilising at a sustainable level of no more than \$11.7 Mn. in 1981. Indeed, Cde. Speaker, these shall be taken as important targets that we have set for the Central Government Sector over the next four years and every effort would be made to achieve them

#### THE PUBLIC CORPORATIONS AND ENTERPRISES:

Inherent in the revenue expectations of the Central Government is the income generation of the rest of the Public Sector. Because such a dominant proportion of the productive sector in Guyana is represented by the State Corporations and Enterprises, their ability to generate surpluses from which income tax and dividends could be paid and domestic savings could be realised would be crucial to the progress and development of the country. Similarly, their capacity to offer increasing opportunities for productive employment of people would also be of utmost importance. Consequently, the Public Corporations' activities and operations would be brought under more central scrutiny and control, and they will be required to meet certain financial and social targets that have been agreed with their several managements. As a group, these entities together have a direct control over, and

responsibility for, the proper deployment of over one billion dollars worth of capital resources.

The Central monitoring has begun this year and the first step was to agree with the individual managements of the several enterprises on their financial expectations for 1978 to 1981. Necessarily their 1978 projections are firmer, while those for subsequent years are target indications and would need to be reviewed and revised from time to time. Nevertheless they do indicate minimum growth perspectives.

In 1978 the Guyana Mining Enterprise (Guymine) is expected to show sales revenue of \$375 Mn. and to generate a before tax surplus of the order of \$74 Mn. and a tax contribution of approximately \$28 Mn. On the basis of stable prices and improved market conditions the present expectation is to see sales revenue rise to \$426 Mn. in 1979 and \$503 Mn. in 1980; and an increase in the before tax surplus to \$97 Mn. in 1979 and \$127 Mn. in 1980. Income tax contributions should reach \$36 Mn. in 1979 and \$42 Mn. by 1980.

The performance of the Guyana Sugar Corporation is most important in terms of the recovery effort especially because of its size as a net foreign exchange earner for the economy. The operating revenues of this Corporation are projected to increase from \$186 Mn. in 1977 to \$275 Mn. in 1978. Of this increase more than 94% is expected to come from increased export earnings based on an expected production of 356,000 tons and exports of 320,000 tons. These are considered reasonable targets in view of the capacity of the industry; but their realisation assumes reasonable weather and a relatively stable industrial relations situation.

For 1979 and 1980 current revenue to Guysuco for sugar is projected to rise to \$300 Mn. and \$308.5 Mn. with the surplus on current account projected at \$23.7 Mn. in 1979 and \$15.2 Mn. in 1980.

The taxes to be paid on these surpluses are \$7 Mn. in 1979 and \$9 Mn. in 1980.

In addition to sugar, the Corporation would be playing a central role in the diversification of our agricultural production. Guysuco, eventually to be renamed to reflect its new role, has established a target to produce in 1978 approximately 2.4 million pounds of corn; 1.75 million pounds of black eye; 8.8 million pounds of cassava flour from the mills already established in the Essequibo and the North West Region; and approximately 242 tons of palm oil together with inland fish. In 1979 the Corporation expects to expand acreages and double some of its output; so that its targets for 1979 are 4.8 million pounds of corn; 2.72 million pounds of black-eye; almost 100,000 pounds of plaintain; 5 million pounds of cassava flour; approximately 12 million pounds of cassava; and 230 tons of palm oil.

The value of these crops is expected to be about \$3.8 Mn. in 1978 rising to \$7.7 Mn. in 1979, and approximately \$8.0 Mn. in 1980.

The Trading Group I comprising Guyana National Trading Corporation, External Trade Bureau, Guyana Gajraj Limited and Guyana Wrefords Limited, is projected to earn current revenues amounting to over \$85 Mn. in 1978 with operating expenditures projected at \$78.4 Mn., of which wages and salaries account for \$4.4 Mn. The surplus on current operations of this group is therefore targeted to be \$6.6 Mn. in 1978. Of this amount, it is expected that some \$3.4 Mn. will flow directly into Central Government revenue on account of payment of income tax and property tax for the current year.

For the period to 1980, the expectation is that the operating revenue of the group will show an upward trend-reaching some \$108 Mn. by 1980, while current expenditures are predicted to rise to \$100 Mn. by 1980, of which wages and salaries are likely to account for around \$5.4 Mn. At 1980 therefore, this group of Public Corporations is targeted to realise an annual surplus on current operations of some \$8 Mn.

TRADING GROUP II comprises Guyana Stores Limited, Guyana Lithographic Company Limited, Guyana National Pharmaceutical Corporation Limited, Demerara Sugar Terminals Limited and Guyana Shipping Corporation Limited. The two largest Companies within this group are Guyana Stores Limited and Guyana National Pharmaceutical Corporation Limited and I propose to deal with them individually within the group.

GUYANA STORES LIMITED is projected to show an operating surplus in 1978 amounting to \$7.5 Mn. on the basis of operating revenue of \$81.9 Mn. and operating expenditure of \$74.4 Mn., which includes wages and salaries of \$8.6 Mn. Tax payments to Central Government are expected to be \$4.3 Mn.

The operating revenue of this company should rise by approximately 10% in 1979 and by a similar rate to \$99.5 Mn. in 1980. Operating expenditures should rise by approximately 9% in 1979 to \$81.2 Mn. and by a further 9% in 1980 to \$88.9 Mn. thereby causing the operating surplus to increase to \$9.2 Mn. in 1979 and to \$10.6 Mn. in 1980. The tax payments projected in 1979 and 1980 are \$5.3 Mn. and \$6 Mn. in the respective years.

THE GUYANA NATIONAL PHARMACEUTICAL CORPORATION LIMITED should earn a surplus of approximately \$4.5 Mn. in 1978 on the basis of operating revenues of \$19.5 Mn. and operating expenditures of \$15 Mn. of which approximately \$1.5 Mn. are for wages and

salaries. Of the projected surplus, just over \$2 Mn. will flow directly to the Central Government in the form of Property and Income Taxes.

For 1979 and 1980, this Corporation is projected to improve its performance and operating surpluses of \$4.8 Mn. and \$6.1 Mn. are targeted for the respective years. Of these amounts, the contribution to taxes should be \$2.3 Mn. in 1979 and \$2.8 Mn. in 1980.

The remaining three Corporations in Trading Group II are together expected to generate operating revenues of some \$18.7 Mn. in 1978 and their total operating expenditures for the year should be in the region of \$14 Mn. thereby resulting in an operating surplus before tax of \$4.7 Mn. By 1980 the operating revenues of these three Corporations should rise to \$20.6 Mn. resulting in an operating surplus before tax of over \$5 Mn. and tax payments of over \$2.5 Mn. on an annual basis.

#### PUBLIC UTILITIES AND SERVICES

In this group are included the Guyana Airways Corporation, Guyana Electricity Corporation and Guyana Transport Services Limited.

In 1976 and 1977, the GUYANA TRANSPORT SERVICES LIMITED made a loss on its current operations amounting to just over \$1.2 Mn. for the two years together. In order that necessary capital expenditures, essentially in the form of purchase of buses could have taken place, the Central Government had to effect transfers of \$1.8 Mn. and \$2.2 Mn. in 1976 and 1977 respectively. In the present situation no transfers from the Central Government have been provided for. Against this background, it will be necessary at least to eliminate the deficit on current operations. Accordingly the Corporation has asked for a review of its prices to assist in the improvement of its operating revenues over the next three years. If price increases are granted the operating revenues of the Corporation should

rise (also because of the introduction of more buses) from \$8.85 Mn. in 1977 to \$14.4 Mn. in 1978, to \$19 Mn. in 1979 and to \$24.5 Mn. in 1980 while its operating expenditures should increase from \$9.22 Mn. in 1977 to \$13.99 Mn. in 1978 to \$17.43 Mn. in 1979 and to \$22.71 Mn. in 1980. On this basis, the current operations would move from a deficit of \$.4 Mn. in 1977 to small surpluses of \$.4\* in 1978, of \$1.6 Mn. in 1979 and of \$1.8 Mn. in 1980. These surpluses should assist in financing the amortisation payments associated with the acquisition of the expanded fleet of buses.

THE GUYANA AIRWAYS CORPORATION also made losses in 1976 and 1977 of the order of \$.1 Mn. and \$1.1 Mn. in the respective years. As with Guyana Transport Services Limited, the Guyana Airways Corporation has also requested a price increase to improve its current revenues from \$10.9 Mn. in 1977 to \$12.9 Mn. in 1978, to \$13.9 Mn. in 1979 and to \$14.5 Mn. in 1980. At the same time with rationalisation and economies the operating expenditures are projected to fall from \$13.1 Mn. in 1977 to \$11.8 Mn. in 1978 thereafter rising to \$12.4 Mn. in 1979 and to \$12.9 Mn. in 1980. This would enable the Corporation to earn a surplus on current operations of \$1.1 Mn. in 1978, of \$1.5 Mn. in 1979 and of \$1.6 Mn. in 1980.

Cde. Speaker, let me now turn to the AGRICULTURAL PRODUCTS AND FOOD PROCESSING GROUP which includes Guyana Food Processors Limited, Guyana Marine Foods Limited, New Amsterdam Fish Processors Limited and Guyana Marketing Corporation.

With the exception of the New Amsterdam Fish Processors which is projected to earn a surplus before tax of \$0.2 Mn. in 1978, \$0.2 Mn. in 1979 and \$0.7 Mn. in 1980, the other Corporations are, under existing arrangements, projected to show a deficit on current operations.

The Guyana Marketing Corporation made a loss on current operations in 1977 of just under \$5 Mn. and under existing policy, this could be reduced in 1978 to \$3.7 Mn. At the moment, the pricing policy and general operations of the Corporation are under review in order to find ways, not only of improving the deficit performance projected for 1978 and for future years, but also to ensure that the Corporation's function of distributing farm produce is

carried out more effectively. It is anticipated that the planned investment in better storage and transport facilities in the GMC would help in this regard.

GUYANA FOOD PROCESSORS LIMITED and GUYANA MARINE FOODS LIMITED are inter-related companies since the inputs of the former are the output of the latter. There are two main problems which face GUYANA MARINE FOODS namely, diminished catches per trip and the fall in the export price of the product. So far as catches are concerned, it is hoped that there will be some improvement through a policy of placing better equipped personnel on the boats with the result that the boats could remain at sea longer and improve their catches. Already, in January and February 1978, better catches by over 20% have been recorded and it is hoped that there would be continuing improvement for the rest of the year.

On the basis that export prices are unlikely to show significant improvement, the Guyana Marine Foods Corporation is projecting deficits of \$1.0 Mn. in 1978, of \$1.5 Mn., in 1979 and of \$1.7 Mn. in 1980.

GUYANA FOOD PROCESSORS LIMITED is projected to increase its current revenue from \$2.0 Mn. in 1977 to \$2.7 Mn. in 1978 largely on account of an increase in the processing fee by about 40% from 1st March 1978. This increase already has the agreement of the relevant companies. Despite this increase, however, there is likely to be a deficit on current operations in 1978 of \$0.5 Mn. compared with a deficit of \$1.2 Mn. in 1977.

At the moment, the freezing facilities of the plant are significantly under utilised. It is expected that with better performance by the Guyana owned trawlers the projected deficit will be further reduced.

For 1979 and 1980, the estimate is for an increase in current revenue to \$3.1Mn. and \$3.4Mn. in the respective years with current expenditure of \$3.5Mn. in 1979 and \$3.7Mn. in 1980 thereby reducing the deficit to \$.4 Mn. in 1979 and to \$.3Mn. in 1980. This Corporation has

already been requested to carry out a thorough analysis of its operations with a view to increasing its efficiency, and eliminating its losses.

Now Cde. Speaker, let me deal briefly with the INFORMATION AND COMMUNICATIONS GROUP which comprises Guyana Printers Limited, Guyana Broadcasting Services Limited, Post Office Corporation, Guyana Telecommunications Corporation, Guyana National Newspapers Limited and Guyana International Telecommunications Corporation.

In the general effort to accelerate recovery within the economy, it has become necessary to review policy with respect to this group of Corporations. The position now is that the prices of at least three Corporations within this group have already been increased to bring them more in line with costs; and others are under review.

As a result of the new price structure by the GUYANA TELECOMMUNICATIONS CORPORATION, it is expected that the marginal surplus of \$.4 Mn. in 1977 would be increased to \$1.7 Mn. in 1978, to \$4.7 Mn. in 1979 and to \$7.1 Mn. in 1980. The assumptions in these achievements are that operating revenues will reach levels of \$16.8 Mn. in 1978, \$20.5 Mn. in 1979 and \$25.1 Mn. in 1980 whereas, operating expenditures will be no more than \$15.1 Mn. in 1978, \$15.8 Mn. in 1979 and \$18 Mn. in 1980.

THE GUYANA NATIONAL NEWSPAPERS LIMITED, based on new prevailing prices, is expected to increase its operating revenue to \$5.1 Mn. in 1978, to \$5.9 Mn. in 1979 and to \$6.8 Mn. in 1980. The current expenditures are projected at \$4.4 Mn. for 1978, \$4.8 Mn. for 1979 and \$5.2 Mn. for 1980. Thus, it is projected that the surplus on current operations will rise from \$0.7 Mn. in 1978 to \$1.1 Mn. in 1979 and to \$1.6 Mn. in 1980.

In the case of the GUYANA INTERNATIONAL TELECOMMUNICATIONS CORPORATION operating revenues are projected to rise to just over \$8 Mn. in 1978, to \$10.7 Mn. in 1979 and to \$12.5 Mn. in 1980. On this

basis, the operating surpluses are targeted at \$1.7 Mn. in 1978, at \$2 Mn. in 1979 and at \$2.9 Mn. in 1980.

Of the remaining three Corporations in this Group, GUYANA PRINTERS LIMITED is projected to earn a surplus of \$.3 Mn. in 1978, of \$.7 Mn. in 1979 and \$1.3 Mn. in 1980. THE GUYANA BROADCASTING SERVICES LIMITED and the POST OFFICE CORPORATION are both projected to show a deficit in each year over the period 1978 to 1980. Together, these deficits would amount to just under \$4 Mn. in each of the years 1978, 1979, and 1980.

#### INDUSTRIES GROUP:

It will be recalled that due to a fire in 1976, GUYANA TIMBERS LIMITED has had its operations severely curtailed. Very shortly, new logging and sawmilling equipment costing over \$6 Mn. are expected to arrive and be installed to enable full resumption of operations by mid 1978. The operating revenue forecast for this year amounts to \$6.9 Mn. and operating expenditures \$6.5 Mn., thereby leaving an operating surplus before tax of \$.4 Mn. With a full year of production expected in 1979 as well as in 1980, operating revenue is targeted to reach \$11 Mn. in each year and operating expenditures are not expected to rise beyond \$9.4 Mn. in each of those years. In 1979 and 1980, therefore, the surplus expected before tax in each year is \$1.6 Mn. and the Company should be paying taxes equivalent to \$1.8 Mn. in total for the three years to 1980.

The Guyana Forest Industries Corporation is expected to increase its operating revenue to \$3.1 Mn. in 1978, to \$4.0 Mn. in 1979 and to \$4.8 Mn. in 1980. With operating expenditures of \$3 Mn. in 1978, \$3.6 Mn. in 1979 and \$4.4 Mn. in 1980, the surplus on current operations before tax is expected to be \$0.1 Mn., in 1978, \$0.4 Mn. in 1979 and \$0.4 Mn. in 1980.

Finally Cde. Speaker, I will deal with the other Public Corporations which are not included in any specific Group.

GUYANA NATIONAL ENGINEERING CORPORATION is targeted to earn operating revenues of \$47.9 Mn. in 1978, \$52.8 Mn. in 1979 and \$57.7 Mn. in 1980 and to incur production expenses of no more than \$39.8 Mn. in 1978, \$43.8 Mn. in 1979 and \$47 Mn. in 1980. On this basis the Corporation is expected to show a surplus before tax of \$8.1 Mn. in 1978, \$9.0 Mn. in 1979 and \$10.7 Mn. in 1980. The contribution to public revenues should be \$1.4 Mn. in 1978 moving to \$4.3 Mn. in 1979 and \$5.3 Mn. in 1980.

THE GUYANA OIL COMPANY LIMITED is targeted to have trading revenues of \$35.0 Mn. in 1978, \$50.7 Mn. in 1979 and \$56.6 Mn. in 1980 from which it expects to earn surpluses of \$1.8 Mn. in 1978, \$2.8 Mn. in 1979 and \$2.9 Mn. in 1980.

The current revenue of GUYANA STOCKFEEDS LIMITED is projected at \$24.1 Mn. in 1978, \$25.3 Mn. in 1979 and \$26.6 Mn. in 1980, with current expenditures at \$23.7 Mn. in 1978, \$24.9 Mn. in 1979 and \$26.2 Mn. in 1980 thereby yielding a surplus on current operations of \$0.4 Mn. in each year.

THE GUYANA LIQUOR CORPORATION will shortly bring into use a bulk storage facility which will enable the Corporation to export rum in bulk. This is expected to result in an increase in the production and sale of rum, with increased sales predominantly on the export market. With such expectations the operating revenue of this Corporation is projected to rise from \$45.5 Mn. in 1977 to \$60.2 Mn. in 1978, to \$72.5 Mn. in 1979 and to \$87.8 Mn. in 1980. With operating expenditures projected at \$54.9 Mn. in 1978, \$66.1 Mn. in 1979 and \$79.8 Mn. in 1980, the operating surplus before tax is targeted at \$5.3 Mn. in 1978, \$6.4 Mn. in 1979 and \$8 Mn. in 1980. Of these surpluses the Central Government expects to benefit directly through taxation by \$2.4 Mn. in 1978, \$3.0 Mn. in 1979 and \$3.7 in 1980.

#### THE INVESTMENT PROGRAMME:

The ability of the country to emerge from its present economic difficulties rests on a number of factors. First, there is the need to restrain or postpone consumption in favour of savings; in effect to increase domestic savings and to maintain it at least at the level of 6% of the Gross National Product over the next four years - the plan period; secondly, there is the need to increase production, productivity and exports; and thirdly, in order to expand production there is the need to plan and implement a balanced programme of development that offers expansion in employment and real economic growth in the short term as well as in the medium term.

In broad macro-economic terms, the strategy for economic recovery will be based on the following factors:- firstly, the achievement of an annual average rate of growth of the Gross Domestic Product (GDP) at current factor cost of about 10% implying growth in real terms of somewhat less than 5% per annum. Secondly, the achievement of reasonable targets of annual growth for all sectors but particularly in agriculture, forestry, mining and manufacturing. A third factor would be an increase in the rate of growth of exports to an average annual rate of between 12% and 15%. It is expected that growth in exports during 1978 would be somewhat lower; but it could accelerate from 1978 assuming always that weather conditions are favourable. Exports of bauxite and other mineral products and agricultural commodities, mainly sugar, rice as well as wood and wood products would show a sharp increase by 1980. A fourth factor would be a restraint in both public and private expenditure on consumption goods. The consequence of this would be a rapid and desirable rise in the savings rate of the whole country.

In order to enable the achievement of these macro-economic targets as well as set the bases for sustained economic development and recovery by the end of 1980, the Government proposes to embark on a Four Year Development Plan (1978-1981) that would require the investment of approximately \$1,122 Mn. by the Public Sector (Central Government and Public Corporations and Enterprises) over the next four years. During this period, the Co-operative and the Private Sectors are also expected to spend approximately \$160 Mn. on investment. Thus the National Fixed Investment Programme for the period 1978 to 1981 should be in the region of \$1282 Mn. The Government sees in this programme of development together with investments that have been made within recent years the means through which recovery from the present economic difficulties would be achieved.

The Programme, Cde. Speaker, is a medium term programme and is heavily weighted in favour of production. In terms of sectoral allocation, nearly ONE-THIRD - approximately \$376 Mn. of the National Capital Programme would be in the agricultural sector, particularly related to the three large Drainage and Irrigation projects which are intended to increase agricultural acreages and yields in existing farm areas. Indeed, Agriculture has been allocated some 33.5% of the investment by the Public Sector during the plan period; starting with 23.7% of the investment outlays by the Public Sector in 1978.

The other productive sectors, namely fishing, forestry, manufacturing and mining, account for 24.6% of the Public Sector investment programme. Thus fixed investment in the productive sector, should account for about 58.1% of the Public Sector Development Programme over the next four years. Social projects mainly Education and Health would take about 6.9% of the Public Sector capital programme. The programme, Cde. Speaker, therefore has a very strong emphasis on production and employment, and holds out

a promise of even a higher growth rate in the period after 1981.

The breakdown on the Public Sector investment programme would be as follows:-

	1978 - 1981 Mn.	1978 Mn.
Agriculture	\$376.1 (33.5%)	\$67.34 (23.7%)
Forestry and Fishing	87.7 ( 7.8%)	11.76 ( 4.1%)
Mining and Quarrying	144.5 (12.9%)	37.4 (13.2%)
Manufacturing	43.91(3.9%)	29.16 (10.3%)
Power	72.65(6.5%)	35.25 (12.4%)
Education and Social Development	43.8 (3.9%)	10.1 (3.5%)
Health and Housing	33.95(3.0%)	3.55 (1.3%)
Roads	75.9 (6.8%)	21.9 (7.7%)
Sea Defence	20.9 (1.9%)	4.2 (1.5%)
General Administration and Other Services	222.95 (19.9%)	63.8 (22.5%)

It would be useful, Cde. Speaker, for me at this stage, to outline very briefly the same details of the major projects that constitute the recovery programme.

I deal first with Agriculture. In this sector, the Central Government proposes to spend \$319.5 Mn. within the Plan period, and the Public Corporations engaged in agricultural activities such as Guyana Sugar Corporation and the Livestock Development Corporation \$56.6 Mn., making a total of \$376 Mn. from 1978 to 1981.

In 1978, which represents the first phase of the four year programme, investment in Agriculture

by the Public Sector will amount to \$67.34 Mn. comprising \$49.39 Mn. by the Central Government and \$17.95 Mn. by the Public Enterprises.

In the programme, the installation of Drainage and Irrigation facilities will play a major role. Three major projects are envisaged for this period. First, there is the TAPAKUMA IRRIGATION PROJECT spanning an area of some 66,000 acres in the Essequibo region. This project was originally planned in two consecutive phases, but now both phases will be implemented simultaneously and should be completed by 1981; the major portion of the project work, however, about 85%, is programmed to be completed by the end of 1980. Indeed, work is already in progress. The total cost of the project is estimated at \$79.Mn. and will be financed jointly by the World Bank, the Government of Guyana and two bilateral sources.

Total expenditure in 1978 is expected to be in the region of \$28.2 Mn., \$21.7 Mn. from foreign sources and \$6.5 Mn. from local funds.

When the project is completed by early 1981 it is expected that some 66,000 acres of land will be brought under efficient water control; more lands will therefore become available for farming and existing yields will be significantly improved. The main crops that would utilise the area would be rice, output of which from this area should rise by about 15,000 tons per year from 1981; the area should also produce in addition a number of other crops mainly ground provisions and fruits.

Secondly, there is the MAHAICA/MAHAICONY/ABARY (MMA) WATER CONTROL PROJECT, which will also provide more drained and irrigated lands for rice production, ground provisions, livestock and fruits in the East Demerara and West Berbice Regions. This project will benefit approximately 115,000 acres of land and provide livelihood in agriculture for more than 10,000 families when completed. The completion date for this phase of the project is late 1982 or early 1983. A1-

ready, work has commenced in the area, but would accelerate in 1979. The total cost of the project is approximately \$184 Mn. However, the implementation has been so phased that by 1981 approximately \$133 Mn. would have been expended on the project. In 1978, expenditure would amount to \$12 Mn. (\$8 Mn. from foreign funds and \$4 Mn. from local Funds) rising to \$29 Mn. in 1979, \$48 Mn. in 1980 and \$44 Mn. in 1981.

The Project is being jointly financed by the Inter-American Development Bank (\$123 Mn.) and the Government of Guyana (\$61 Mn.). The terms of this loan are quite soft as the repayment period is forty (40) years with a moratorium of ten (10) years and the interest rate is 1% per annum during the moratorium, and 2% per annum thereafter.

The Ministry of Agriculture expects that production for the area should increase both because of additional new acreages being brought under cultivation and increased yield arising from better water control, particularly in the case of rice. The output expected on the completion of the project is approximately 70,000 tons of rice per year in addition to ground vegetables, fruits and legumes. However, the Ministry also forecasts that the beneficial effect of the project will become evident long before the project is completed as lands already under cultivation would be favourably affected by improved drainage and irrigation.

The third major drainage and irrigation scheme is the BLACK BUSH POLDER PROJECT in the East Berbice area. The objective of the project is to improve water control in the front lands of the Black Bush area, Block III, as well as in the Black Bush Polder itself; in addition drying facilities for rice would be expanded and improved. This project is estimated at present to cost \$110 Mn. but is not expected to start seriously before 1980 even though small sums for initial preparatory work will be spent in 1978 and 1979. The financial package is

being put together by the World Bank and is likely to include apart from the Bank Group itself participation from the International Fund for Agricultural Development and at least, one other multilateral source.

The Government of Guyana is expected to contribute approximately \$18 Mn. to the project. The project is expected to result in substantially improved yields in agricultural output in the areas affected and has a high rate of economic return.

In addition to projects I have just outlined some \$6.0 Mn. will be spent over the period to 1981, to install the drainage and irrigation pumps that the Government has already acquired. Approximately eight of these pumps have already been installed - at Lilliendall (2), Golden Grove (1), Victoria (2) and Cane Grove (3); in 1978 four others will be installed and the rest will be put in place during the succeeding years.

Thus, Cde. Speaker, by 1983 when the three major water control projects have been completed and the pumps have been finally installed, the whole of the coastal area in Guyana will have been brought under efficient water control and agriculture would then become much less affected by the vagaries of the weather and the low lying nature of the coastal lands.

ACCESS ROADS: Another facility affecting agriculture is the access or farm-to-market roads, many of which have tended to become difficult, if not impossible during the rainy seasons for the movement of people, crops, machinery and fertilisers. It is proposed that some of these roads should be improved during the plan period. Accordingly, approximately \$16.7 Mn. will be spent between 1978 and 1981 on the improvement of farm access roads. In 1978, \$0.7 Mn. will be spent for this purpose.

## FOOD CROP DEVELOPMENT

Cde. Speaker, the Government is firmly convinced that despite periodic recessions at the International level and down-swings in foreign exchange earnings at the National level, the people of Guyana should always have adequate amounts of basic high nutritional foods produced by our own agriculture and distributed efficiently to reach the consumer at reasonable prices. Accordingly, the accelerated food crop development programme started in 1977 would be intensified during the plan period. In particular, the following crops will be emphasised:- ground vegetables, including cassava for conversion into flour; legumes - mainly black-eye corn, fruits and oil-palms. Small farmers in all the regions of the country will be involved in the growing of these crops with the active support of the Ministry of Agriculture, and agricultural credit from the Guyana Agricultural Co-operative Development Bank. Indeed, Guysuco, which will diversify into other crops apart from sugar, would be responsible for a substantial part of the extra output of these crops particularly legumes and oil palm. That State Enterprise alone expects to invest \$7.0 Mn. in 1978 in support of the Food Crop development programme.

### STORAGE AND DISTRIBUTION FACILITIES:

Much of the wastage that occurs in the distribution of agricultural commodities and the financial losses that are incurred by the Guyana Marketing Corporation arise out of the inadequacies of the distribution facilities available to that Corporation. Hence, the programme will provide for the improvement of the storage and transportation facilities at the GMC. The programme envisages the spending of approximately \$3.7 Mn., starting with a minimum of \$0.7 Mn. in 1978 to be spent mainly on storage and transport facilities.

#### AGRICULTURE CREDITS:

It is recognised too, Cde. Speaker, that the crop production programme would need to be supported not only by storage and distribution facilities but also by an adequate amount of agricultural credit. To this end, the Agricultural Development Bank, with the assistance of the Government, would mobilise funds equivalent to at least \$10 Mn. to onlend to farmers for the purchase of seeds and other agricultural inputs and to Guysuco during 1978 for the development of crops under the accelerated agricultural production drive.

Discussions are also in train for the mobilisation of further funds to the Bank from multilateral lending institutions to guarantee its continued support to agriculture - particularly small scale peasant agriculture.

#### FORESTRY:

Another area of emphasis in the Plan is the Forestry Sector in which approximately \$80 Mn. is to be invested over the Plan period by the Public Sector - approximately \$69 Mn. by the Central Government and \$11 Mn. by the State Enterprises operating in the Timber Industry. In addition, the Private Sector has plans to invest an additional \$20 Mn. - making a total of \$100 Mn. in the National Programme for investment in the Forestry Sector during the period 1978 to 1981. In 1978 alone, the investment in Forestry should amount to \$26 Mn.

The major projects in this sector would be first of all the Upper Demerara Forestry Project which is estimated to cost about \$59.0 Mn. exclusive of an access road to the site and which is to be constructed at a cost of about \$9.0 Mn. This project is to be financed jointly by external Multilateral Institutions and the Government of Guyana and is expected to commence in early 1979 and completed during 1981.

The project would create permanent employment for between 300 - 400 persons. The output is expected to be several million feet of timber - both traditional (mainly greenheart) and exotic species and would contribute significantly to an increase in the export of wood and wood products, particularly in the area of secondary species.

The second major project is really an expansion of sawmilling and logging facilities both by the State-owned Guyana Timbers Limited, and private and co-operative loggers and sawmillers. The equipment for this project would be financed from a Canadian Government Loan to the Guyana Government for on-lending through the Agricultural Development Bank to operators in the logging and sawmilling industry. The facilities are expected to be put in place during 1978 by both the State-owned Corporations (Guyana Timbers Limited and Guyana Forest Industries Corporation) and the Private Sector Producers. Thus the forecast, Cde. Speaker, is for increased production in the Forestry Sector resulting in an increase in export to about \$28 Mn. in 1981 - almost three times the export value in 1977.

#### MINING:

The programme of recovery also calls for extensive investment in the Bauxite Industry. In order to continue to play its role in the economic development of the country and in particular, to contribute to the recovery process, the Bauxite Industry proposes to outlay approximately \$144.5 Mn., in investment in renewals and expansion during the plan period. Of this amount, \$37.4 Mn. would be spent in 1978. The essential objective of the programme of investment in the Bauxite Industry is to increase capacity to produce calcined bauxite as well as to provide equipment at the Mines to accelerate the mining of the bauxite ore. Thus, by 1981, sales are projected to rise to \$607 Mn. compared with \$312 Mn. in 1977.

## MANUFACTURING:

In addition to the foregoing, efforts will be made to promote industrial development based largely on the utilisation of domestic raw materials. The Plan therefore, proposes that the Public Sector spend approximately \$65 Mn. in the establishment of new manufacturing enterprises and other forms of industrial development. At the same time, the Private Sector will spend about \$20 Mn. making a total of \$85 Mn. during the period 1978 - 1981 Central Government expenditure will be applied to the completion of the Textile Mill in early 1979; and the bicycle plant, the leather tannery and the shoe factory, all by the end of 1978.

In addition, the Demerara Fish Port Complex will be established at a cost of about \$10 Mn. financed largely from external sources but it is not programmed to be completed before 1981. The Complex will process and preserve fish for domestic consumption.

Preliminary studies related to the production of cement from local raw materials will commence during the course of the present year.

In the State Enterprises Sector, the major investment will be the Glass Factory which is expected to be completed and brought into production by early 1979, new bulk loading facilities and plant at the Guyana Liquor Corporation to promote the sale of rum, both bulk and bottled to the export market and new production lines in pharmaceuticals to replace some imports. The Glass Factory will, by 1979, be producing bottles and containers for use in the rum and beer industries, as well as to satisfy the needs of the manufacturers of preserves and jellies for glass containers; it will also be replacing imports of bottles to the tune of about \$12 Mn. by 1980. Later, sheet glass will be produced both for domestic consumption in the building trades as well as for exports.

The private investment in the manufacturing sector will be applied to fabrication of domestic stoves by 1979.

The materialisation of these productive intentions will again lead to expansion of exports, and the fulfilment of domestic demand from local production.

POWER:

Cde. Speaker, since hydro-power in Guyana is not expected to be available before 1982, it has been necessary to plan for the expansion of thermal power in the short term to meet the needs of the economy. The process of rural electrification which was an essential part of the expansion programme of the Guyana Electricity Corporation will be completed in 1979, bringing during the course of that year, the Eastern Berbice area under electrification. In the meantime, however, the plant in Georgetown has become in need of extensive and expensive rehabilitation, if the supply of electricity in the Georgetown area is to be made reliable and not subject to sudden failures.

Accordingly, the four-year programme makes provision for the Guyana Electricity Corporation to embark on a programme of capital works, first to run the transmission lines to distribute the power to be generated by the plant at Canefield on the Corentyne Coast; secondly, to run lines across the Berbice River to enable the transmission of power from East Berbice to the West Berbice area; thirdly, to rehabilitate the boilers at the plant in Kingston Georgetown; and fourthly, to install new generation facilities in the Demerara Region in order to guarantee the supply of electricity to the Georgetown area while the boilers are out of use for rehabilitation. The programme of work would require investment in plant and installation costs amounting to \$33 Mn. in 1978 and \$13 Mn. in 1979. Thus, by the

end of 1979, not only would the rural electrification programme be implemented, but the supply of electricity would have been made stable. In total, approximately \$65 Mn. (\$40 Mn. from external sources) will be spent on the provision of electric power during the Plan Period.

#### TRANSPORTATION:

While the plan has sought to emphasise production activity, it has also made significant allocations to provide facilities for transportation. During the plan period, farm roads, as I said earlier, would absorb \$17 Mn., the West Demerara Road, including the extension into the Canals Polder would be completed by early 1979 at a cost of approximately \$10.5 Mn., the East Coast Road improvement will also be completed by the end of the present year at a cost of \$6 Mn., while construction of other roads on the Essequibo Coast and the Essequibo Islands would receive another \$6 Mn. phased over the plan period.

The plan provides for the State-owned Guyana Transport Services to spend approximately \$22 Mn. over the next four years to acquire new buses, and improve its maintenance facilities to maximise in-service time of the existing buses. Expenditure on coastal roads in 1978 would amount to \$14 Mn. The Demerara River bridge would be completed during the course of this year, and \$1.6 Mn. have been earmarked for this purpose. The Canje Bridge has also been completed in this year and the allocation provided is \$3.0 Mn. In order to facilitate river transportation for movement of agricultural produce and people in the Riverain areas, the Transport and Harbours Department has contracted for the construction of two steamers by the Guyana National Engineering Corporation at a cost of \$7.0 Mn. for completion and delivery in 1979. The boats will be used to transport cargo in the Berbice River and passengers in the North West Region. Further, under

a British loan arrangement, 2 split barges and a tug, estimated to cost \$2.5 Mn. will be acquired for dredging and two pilot launches estimated to cost \$1.5 Mn. will also be acquired. A cargo vessel is to be acquired at a cost of \$3.0 Mn. for use in transportation of produce from the North West Region.

#### THE SOCIAL SERVICES

The Programme provides for the expenditure of \$105.7 Mn. on the Social Services - \$22.5 Mn. on the Health Service and \$73.2 Mn. on Education - in the period 1978 - 1981. Of this amount, \$22.0 Mn. will be spent on Education in 1978 and \$2.0 Mn. on Health. The programme on Health envisages the completion of the outpatients building at the Georgetown Hospital in 1978; the construction of the 400 bed hospital in New Amsterdam; the rehabilitation of the Canje Hospital and the construction of a number of rural health centres under a programme that is expected to be partly financed by a multilateral financial institution. When the financing agreement covering this project is concluded, the expenditure allocation to Health would increase sharply. In addition, an amount of \$2.7 Mn. is to be spent on the purchase of equipment for the Health Service.

The training of para-medical personnel would continue throughout the plan period and provision for this has been included in the Current Estimates of the Ministry of Health.

In the case of Education, the programme allocates \$39 Mn., \$32 Mn. from local resources - to scholarship and training spread fairly evenly over the four years. The programme would encompass training in all relevant fields in both socialist and non-socialist countries. Apart from training, the largest allocation - nearly \$23.0 Mn. was allocated to Secondary Schools, under the Second Education Project which is a World Bank Project jointly financed

by the Bank and the Government of Guyana. The programme provides among other things, for the construction of Community High Schools, a Secondary School Training College, rural training centres and a Caribbean Animal Health Training Centre. The construction of Nursery School was allocated \$1.5 Mn. and Primary Schools, \$2.0 Mn. approximately, over the period.

## THE BALANCE OF PAYMENTS 1978 - 1981

Cde. Speaker as I said earlier, central to the present economic difficulty facing the country is the balance of payments disequilibrium. To the extent that this problem could be solved quickly, to that extent would the country rapidly recover its accustomed economic stability and growth. The targets of production and of investment that I have just outlined are all designed, assuming certain inflows of capital, to bring the balance of payments back to net balance. The targeted level of production would ensure that exports rise from \$660 Mn. in 1977 to \$797 Mn. in 1978 \$858 Mn. in 1979, \$1220 Mn. in 1980, and \$1178 Mn. in 1981. These export targets are based on increases in the export sales of bauxite from \$325 Mn. in 1977 to \$475 Mn. in 1980 and \$581 Mn. in 1981, of rice from \$66 Mn. in 1977 to \$115 Mn. in 1980 and \$130 Mn. in 1981, of sugar from \$184 Mn. in 1977 to \$290 Mn. in 1980 and \$305 Mn. in 1981 and of other exports such as timber, glass, shrimp- from a total value of \$82 Mn. in 1977 to \$142 Mn. in 1980 and \$173 Mn. in 1981.

At the same time imports have been targeted to rise much more slowly from \$800 Mn. in 1977 to \$975 Mn. in 1980 and \$1100 Mn. in 1981. These growth rates are premised on a greater reliance on domestic production for food consumption, continued restraint on the purchases of imported consumer durables and non-essentials, and a certain degree of import substitution associated with the coming into production of the glass factory, the textile mill, the shoe factory and the bicycle plant. Assuming no sharp increases in net imports of services the balance of payments current account gap is targeted to reduce from \$235 Mn. in 1977, to \$140 Mn. in 1978, to \$102 Mn. in 1979 to \$78 Mn. in 1980 and \$59 Mn. in 1981.

Since the financing for all the large projects included in the Development Programme have either been arranged, or are in course of being arranged, on

the basis of substantial long term development loans from external sources external capital inflows associated with the programme are expected to amount to some \$154 Mn. in 1978, \$122 Mn. in 1979, \$142 Mn. in 1980 and \$100 Mn. in 1981.

An appropriate and acceptable arrangement with the International Monetary Fund will enable the country to call upon the resources of the Fund to provide balance of payments support in the medium term. On the basis of this arrangement, capital inflows are expected to be adequate over the plan period to secure the progressive reduction of the commercial arrears as well as enable a build-up of the gross international reserves of the country to an adequate level.

On these assumptions, Cde. Speaker, and on the basis of the achievement of the export target, 1981 should see the country free from its present balance of payments difficulties; and ready to proceed with the task of development in the context of a stable balance of payments position.

## INSTITUTIONAL ARRANGEMENTS FOR THE ACHIEVEMENT OF TARGETS

In order to achieve the broad macro-economic targets for full economic recovery and sustained growth and development of the economy, the Government recognises that certain necessary institutional mechanisms must be put in place. These mechanisms would apply to planning not only at the Central level but also at the regional and sectoral levels. These mechanisms have to be applied to the public sector ministries, state enterprises and corporations. First of all the State Enterprises will be brought within the ambit of the Central Planning mechanism. Their programmes of investment will require the agreement of the central planning agency and will then form part of a national development plan.

Secondly, targets in the first instance financial targets, will be set for each State Enterprise while a system of social targets is being devised. As soon as these social targets are fully worked out they will be applied where appropriate. There will be a monitoring system to monitor and assess the performance of the enterprises against the background of a set of social, financial and material targets.

The establishment of the State Planning Commission has already been announced. It will be the function of this commission to set certain targets. These will encompass growth and productivity targets; export and import targets; manpower development targets and appropriate technology targets.

Other institutions will also be involved. The Guystac Secretariat will have the function among other things to set the financial targets or surplus maximising targets and monitor the performance. The monitoring or supervision would include the instituting of proper reporting systems and the

establishment of accountability. The Bank of Guyana and the Ministry of Finance would also play a role in the monitoring of cash flow projections and the cash management of the State Enterprises, particularly in view of the impact these Enterprises could have on Bank credit. The Ministry of Finance has the additional interest in terms of the tax and dividend payment obligations that rest with the Enterprises.

The sectoral ministries would therefore have to implement the programmes which have been designed to fulfil primarily the basic needs of our people. In doing so, the ministries would have to strengthen their planning capabilities, particularly in the fields of project implementation, project preparation and project evaluation so as to efficiently discharge their responsibilities.

The regional system was introduced a few years ago with the main objectives of mobilising regional resources and promoting full participation of the various communities in the planning and decision-making processes. The system would be strengthened where necessary and regional personnel would be required to work closely with the communities in the preparation, implementation and evaluation of regional projects.

The proper functioning of these planning mechanisms at the community and sectoral, including enterprise, levels, would not only ensure the fulfilment of the people's aspirations but would also assist the State Planning Commission at the central level, in monitoring and evaluating the implementation of the social and economic tasks which we have set ourselves over the next four years.

## FINANCING THE PROGRAMME

Cde. Speaker earlier I indicated that based on existing levels of revenue the Current Account of the Central Government would be in deficit in 1978 to the amount of \$130.1 Mn. Further, with expenditure on the Capital Account estimated at \$181.5 Mn. (\$87.3 Mn. from external sources and \$94.2 Mn. from local funds) and Capital Revenue at \$151.5 Mn., there arises a deficit of \$30.0 Mn. on the Capital Account making a total deficit on the Government Current and Capital Account of \$160 Mn.

So far as the Capital Programmes for the years 1979, 1980 and 1981 are concerned the indications are that the amounts to be met from external loans are \$87.2 Mn. in 1979, \$116.6 Mn. in 1980 and \$99 Mn. in 1981, so that local counter-part funds of \$87.33 Mn. in 1979, \$95.67 Mn. in 1980, and \$111.48 Mn. in 1981 would need to be mobilised from domestic savings to complete the financing of the programmes.

Clearly, therefore, if these savings are to be deployed into investment, they cannot be used to fund the Central Government or any other sector's deficit.

The State Enterprises on the other hand are financing their 1978 - 1981 programme of \$370 Mn. with foreign funds amounting to \$141.8 Mn. and local funds amounting to \$228.8 Mn. In 1978, the State Enterprises investment expenditure will be \$116 Mn. Of this amount \$66 Mn. will be foreign - mainly suppliers' credits for equipment purchases. The remaining \$50 Mn. would be secured from funds internally generated by the enterprises themselves. These funds are likely in 1978 to be in excess of their local funds capital requirements. Hence, assuming that their financial targets have been met the State Enterprises should show surplus savings which should, assuming that the mechanisms are there to ensure this, be available to assist in financing the rest of the capital programme for 1978. The projection is that approximately the situation would recur in the other years of the plan period.

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Consequently the deficit in 1978, as well as the deficit in subsequent years, would need to be reduced, in the interest of financing the development programme. Accordingly Cde. Speaker, as I indicated earlier, the financial plan I am now proposing, is premised on an additional tax effort in 1978. The details are as follows: motor-vehicles licences and related certificates with effect from 1st January, 1978, will be doubled; the consumption tax on beer will be increased by 25 cents per bottle; the consumption tax on cigarettes will be increased by eight (8) cents per packet of 10 cigarettes; the consumption tax on gasoline is increased by an additional 54 cents on a gallon of super gasoline and 47 cents on a gallon of regular gasoline; the consumption tax on rum, gin and vodka is increased by \$4.00 per proof gallon equivalent to about 50 cents on each large bottle of rum, gin or vodka; the consumption tax on whisky and brandy is increased by \$7.77 per proof gallon equivalent to approximately 97 cents per large bottle; the consumption tax on furniture and refrigerators is increased by 10 percentage points, the stamp duty on passports has been increased to \$25; and radio licences have been increased to \$5.00.

#### CONCLUSION

Cde. Speaker the economy is facing economic crisis. The question is should we throw up our hands in despair, or should we put our shoulders to the wheel, and literally and figuratively put our hands to the plough. The whole Guyanese nation needs to be mobilised, because the situation difficult as it is, is not impossible. All the indications suggest that with the correct developmental policies and thrust, and with the co-operation of the people, Guyana's problem, cannot be anything else but temporary. We have natural resources; we are capable of providing ourselves with food because we have good soils and a large land mass. These are not expendable or exhaustible. In the final analysis it is those natural resources that would guarantee this country's eventual prosperity. The programme the Government is presenting

to the Nation spanning a period of four years if implemented effeciently will provide the productive base for the lasting solution of the problem. That is why the emphasis is so heavily weighted on production in this programme. But no one should believe that the emergence from the crisis can be achieved easily or over-night. Certainly nothing will be achieved if the Guyanese nation does not accept that in the final analysis Guyanese have to be seen as being willing to invest in their own development.

We have chosen a path of economic and social reconstruction at home. We have also chosen to walk the road of non-alignment internationally. Neither of these paths will be traversed without encountering the covert hostility of some.

Certainly the price of political and economic independence, Cde. Speaker, must be a willingness to face up to the challenges that one's strong assertion of sovereignty must sometimes evoke.

Finally, Cde. Speaker, let me close by urging all those who deem themselves as Guyanese and patriot to cease preaching economic dislocation and non-co-operation as the alternative to National Unity as they define it.