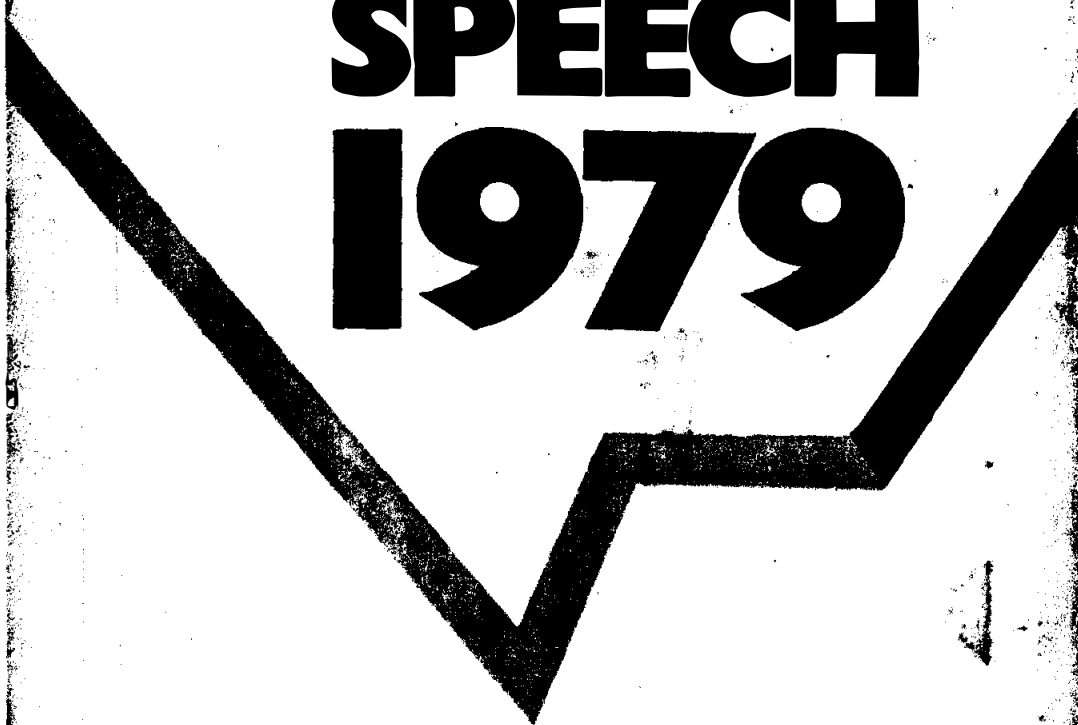




# **BUDGET SPEECH 1979**



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BUDGET SPEECH

*by*

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12TH MARCH, 1979

Comrade Speaker,

I present to the National Assembly and to the nation the 15th Annual Budget of the People's National Congress Government.

#### **NEW APPROACH AND METHODOLOGY IN BUDGET PREPARATION**

This Budget, in concept, formulation and content, makes a radical and definitive departure from the traditional approach and methodology. In the years since Independence, the policies promoted and sustained by the Party and the Government have brought about profound changes in our social and economic structures and relationships. These policies have moreover deepened the political consciousness of the Guyanese people and inspired in them an understanding of the nature and problems of national development. In consequence, the Guyanese people no longer accept the passive role of merely filling a crowd scene in the drama of national life: they demand the right to be fully involved, as active participants and protagonists, at all stages and in all aspects of the process of national development. For the exercise of this right to have substance and meaning, they must be provided with clear and ample information about the performance and direction of the national economy.

In these circumstances, the old-style Budget with its limited perspective and equally limited financial and economic data has become inadequate and anachronistic. The Budget can no longer be a mere Central Government book-keeping routine: it must have a much broader conceptual basis and serve a wider economic and social purpose. It must now assume its proper function as a major planning tool and a strategic instrument of social and economic policy.

The innovations reflected in this Budget were foreshadowed in the 1978 Budget Statement. They derive from and are responsive to the far-reaching structural and institutional changes which have taken place in our country. They evidence the strength of our political will to slough off institutions and conventions, no matter how hallowed by usage and customs, whenever they become obsolete or irrelevant; and to apply our own intelligence and experience to the task of devising new and more appropriate models.

The Budget was prepared under the aegis of the State Planning Secretariat, the professional organ of the State Planning Commission. The Secretariat was charged with the responsibility for assembling, verifying and refining all necessary data and, within the context of general Governmental policy and directions, producing a Budget which was realistic and internally consistent. All Ministries,

Public Corporations and other Government agencies collaborated with the Secretariat in its work. All officials who in the past had routine responsibilities with respect to the preparation of the Budget continued to discharge those responsibilities. However, their work was directed and co-ordinated by the Secretariat and, more specifically, by a special task force headed by the Chairman of the State Planning Board and comprising the Secretary to the Treasury, the Deputy Secretary to the Treasury, the Chief Planning Officer, the Acting Chief Statistician and the Finance Controller of the Guyana State Corporation. The team had access to all Government Ministers and to the Governor of the Central Bank for consultations and advice.

We have thus abandoned the old method of Budget preparation, with all its unsatisfactory features. Under the old method the Ministry of Finance undertook responsibility for the Current Estimates, whereas the Ministry of Economic Development compiled the Capital Estimates. This dual approach, although far from perfect, worked reasonably well in the past. However, the increasing complexity of Government business, the rapid expansion and diversification of the Public Sector and the establishment of the State Planning Commission for the purposes of national planning have brought into sharp focus the inherent weaknesses and inefficiencies of the old method. Hence its abandonment and the assignment of the

operational responsibility for Budget preparation to a single agency with the statutory and administrative authority which spans and ramifies not only the whole public sector but the whole economy.

Even with these amendments, the process of re-organising preparation of the Budget is still incomplete. We have not yet fully achieved the depth of involvement of and consultation with the various institutions and social-political organisations which the establishment of the State Planning Commission envisages. Thus, for instance, we still have to proceed further towards the more intimate involvement of the various associated organs of the State Planning Commission as listed in the relevant Act and the subsidiary legislation. Nevertheless the very step-by-step nature of progress and restructuring of institutions and mechanism determines that perfection cannot be achieved in a single leap. The road ahead, in this respect, involves a continual and systematic deepening and widening of involvement in the Budget preparation exercise.

These shortcomings notwithstanding, the Budget, given its wider national purpose, attempts to embrace the major operations of the whole economy. It provides historical data to facilitate comparison and analysis, and in crucial areas such as public sector investment and the national accounts gives indicative projections to 1981. It also updates and revises those projections contained in the 1978 Budget. It includes for the first

time a wider spectrum of information about the economy, covering:

1. Production and Expenditure in the Overall Economy.
2. The Balance of Payments.
3. Merchandise Import Budget.
4. Operations of the total Public Sector.
5. Central Government Financial Operations.
6. Financial Operations of the Corporations.
7. Functional Breakdown of Current and Capital Expenditure.
8. A Regional Breakdown of Capital Expenditure of Central Government and Corporations.

This is a beginning. It is intended, in the years ahead and in the light of experience gained, to improve both in quantitative and qualitative terms the information contained in the Budget.

This new conceptual approach to the Budget formulation has a three-fold objective.

First of all, the Budget is intended to provide as much information as possible to the public about the economy. The Party and the Government accept as an article of political faith that the business of government of the national economy is not a monopoly of politicians, public officials and technocrats. The business of government of the national economy is the

people's business and requires the active and intelligent participation of the people, if it is to be efficiently managed.

Secondly, the Budget is designed to be an important mechanism for national planning and an instrument for economic and social change. Inherent in this objective is its use as a mechanism for indicating enterprise, sectoral and national financial, physical and other economic targets, thus highlighting for our managers desired policy goals and performance norms.

Thirdly, it is the framework within which a regimen of firm discipline covering performance, reward and accountability for public sector operations in particular and national economy operations in general will be developed and enforced; and within which efforts to harmonise economic activities will be pursued. In the past, public corporations and other non-Central Government public agencies tended to pursue an autonomous course of action, often unrelated to and sometimes at a variance with Central Government policies, programmes and objectives. Moreover, public sector and private sector activities have been sometimes unnecessarily duplicated with consequential loss to the economy arising from an inefficient allocation and use of our limited resources. These duplications, misallocations and tendencies to unco-ordinated efforts are all legacies of the era of *laissez-faire* from which we are trying to emerge. The Commission's mandate is to pursue optimal complementarity among the activi-



ties of the public sector and the co-operative and private sectors.

The Commission has had the initial task, at the technical level, of co-ordinating, verifying and sanctioning, primarily in a scarce resource allocation sense, the financial programmes of the Ministries and Corporations, the production and expenditure projections, the merchandise import budget and indeed the estimates and projections for the overall performance of the economy. As part of its routine duties, it has to monitor and evaluate the actual performance of the economy in the context of the Budget projections. It has to enforce compliance whenever any signs of unauthorised variations or other forms of indisciplined divergence from the planned objectives are observed; and review the objectives themselves testing and retesting their desirability and their feasibility. This is only the first step in a long iterative process, the final objective of which is to institutionalise in the economy the most efficient and businesslike management and operational practices as an integral part of a well-established national performance ethic.

The duty of ensuring the efficient management and planning of the national economy devolves ultimately on the State Planning Commission. The Commission's mandate is both statutory and administrative. It operates under the authority of the State Planning

Commission Act which confers upon it extensive legally enforceable powers in respect of planning and managing the economy. Moreover, it operates out of the Office of the Cde. Prime Minister who, in terms of the Act, is the responsible Minister and whose portofolio also includes the Public Corporations. The State Planning Commission is the only agency with the legal and administrative powers and authority which span the public sector and the whole economy. Neither the Ministry of Finance nor the Ministry of Economic Development has those extensive legal and administrative powers. Neither Ministry has the jurisdiction with which the State Planning Commission has been legally endowed over every segment of the public sector and national economy; and neither has the responsibility.

Legality, logic and commonsense together inevitably dictate that operational responsibility for the preparation of a Budget, which is conceptualised in the manner described, should be that of the agency which has the jurisdictional span over the economy, the statutory and administrative responsibility for monitoring its performance, and the legal powers to enforce compliance.

In the light of these actualities, Cabinet concluded that since the State Planning Commission now has effective operational responsibility for preparing the Budget and, moreover, has statutory responsibility for monitoring performance and enforcing compliance,

the Minister responsible for the Commission should lay the Budget in the National Assembly. That Minister is the Cde. Prime Minister. However, in terms of the Act, responsibility for the day-to-day operations of the State Planning Commission has been assigned to the Minister of Economic Development and Co-operatives. It is in these circumstances that the Minister of Economic Development and Co-operatives is to-day presenting the Budget to the National Assembly.

These developments do not in any way imply the withering away of either the Ministry of Finance or the Ministry of Economic Development, or indeed of any other Ministries or public institutions. Nor do they imply any diminution of the authority or contraction of the functions of either Ministry. Indeed, the Cabinet has specifically directed that both Ministries should strengthen their capability to discharge with greater effectiveness the wide range of responsibilities which fall within their jurisdiction, particularly those relating to research, planning, monitoring, institutional strengthening and development, policy elaboration and the enforcement of routinised efficiency.

A new dimension of co-ordination has been added in recognition of the fact that conjoint effort is a prerequisite for the optimal utilisation of scarce resources on a national level.

## WHAT DID WE HOPE TO ACHIEVE IN 1978?

The last budget was based on certain assumptions, expectations, and forecasts. The year 1978 was programmed to be year of recovery from the depressed economic conditions of 1977. The recovery was targeted to manifest itself in growth of about 5% in real terms, with Gross Domestic Product rising from \$1006 million to about \$1056 million at 1977 prices.

The centre-piece of recovery was the projection that there would be a sharp upturn in the Sugar Industry with production rising from the low 1977 level of 241,000 to 360,000 tons. Rice production was projected to reach its 1977 output of 210,000 tons while other economic activities, including particularly bauxite and alumina, were programmed to achieve their 1977 levels of output.

The export level of goods, normally valued at some 70% of Gross National Product, was expected to increase by \$125 million or 19%. The high exports forecast mirrored the improved forecast performance of national output. Sugar was seen as leading the way, with the quantum of exports increasing from the low level of 208,000 tons in 1977 to 320,000 tons in 1978 representing an increase of some \$66 million to a level of about \$250 million. Rice export proceeds were expected to increase by 50% from \$67

million to about \$100 million, because of high stocks on hand at the end of 1977 and projected 1978 production at the 1977 level. Other exports were planned to rise by \$17 million. This level of export performance was based on the prognosis that though prices of sugar and rice could fall below their 1977 unit levels, bauxite based products would manifest a partially counterbalancing movement in step with the likely movement of metal and oil prices.

The deficit on the balance of payments current account which had swollen to some \$332 million (or 35% of GNP) in 1976 and had been reduced to \$252 million (or 25% of GNP) in 1977 was expected to contract still further to \$94 million or 8.5% of GNP in 1978. The trade account which had shown a deficit of \$140 million in 1977 was expected to show a small surplus in 1978. The services account, because of its structural imbalance, was not expected to change much. The net inflow on capital account was estimated in the sum of \$119 million.

Because of the depression experienced in 1976 and 1977, the levels of savings generated in the economy were very low. In 1975, the level reached 27% of GNP; in 1976, it fell to 6%, and in 1977 to 5%. In step with the projections for recovery, national savings for 1978 were targeted to increase from the

the average \$65 million in 1976 and 1977 to \$132 million, constituting about 11% of GNP projected for 1978.

In the circumstances of our balance of payments problem, it was realised that consumption spending in particular would have to be restrained, though the implementation of the wage aspect of the Minimum Wage Agreement would necessarily result in increased spending on Government services to reflect the increased salaries and wages paid to Government employees.

While consumer expenditure was projected to increase in money value by 4 per cent, Government expenditure was expected to rise by 5% as a result of wage and salary increases. However, despite the tight balance of payments position, Government gave practical demonstration of its commitment to its people-oriented and basic services policy as an indispensable prerequisite for the pursuit of development. While expenditure in Security and certain service areas was reduced, ample budgeting allocation was made for Education and Health. Education received \$103 million, representing an increase of 24% over 1977 - the largest sectoral increase for 1978. Health services (including Pure Water Supply) had an allocation of \$37 million, reflecting an increase of some 13 per cent.

## HOW DID WE HOPE TO ACHIEVE THESE TARGETS IN 1978?

The 1978 Budget Statement spelt out in clear terms the necessary and dispensable conditions for achieving the targets set for the economy. These were, in summary, increased productivity and efficiency at all levels; careful management of our foreign exchange earnings; a restraint on the importation of luxury and semi-luxury goods and non-essential items; and an increase in Government revenues and in national savings.

In pursuit of the objective of increased productivity, as an integral part of the minimum wage agreement signed with the Trades Union Congress, Government made proposals to the Trades Union Congress for the introduction of productivity-linked Incentive Schemes throughout the public sector based on a regime of certain National guidelines. As a measure to conserve and utilise most efficiently our foreign exchange earnings, the Central Bank introduced a merchandise import budget which placed a ceiling on the value of imports for 1978 (at a level which was 4 per cent below that of 1977). The importation of consumer durables, particularly motor-cars, non-essential items, and capital goods not linked with immediate returns to production was restricted severely.

Fiscal strategy for 1978 was supportive of the objective of increased production and the achievement of the national savings target. It relied on a combination of domestic prices adjustment - after many years of a virtual prices freeze - and on direct measures designed to yield some \$44 million or some 4 per cent of GNP in a full year.

Additionally, to supplement our internal fiscal efforts and strengthen our balance of payments position, the Government concluded a Stand-by Arrangement with the International Monetary Fund under the provisions of which the country could receive an inflow of external reserves totalling \$45 million. In terms of the Arrangement, the economy had to achieve certain targets as a condition for the phased draw-down of these funds.

Government recognised that, apart from an improvement in labour discipline and labour productivity, the crucial factor in our efforts at economic recovery was more efficient management of our resources at every level and in all sectors of the economy, particularly in the public sector. To this end various measures were taken to rationalise and co-ordinate the operations of public sector corporations and agencies; to institute, where necessary, a regime of management discipline; and to establish and enforce the principle of accountability. The establishment of the State



Planning Commission, the setting up of a Monitoring Committee under the Chairmanship of the Cde. Deputy Prime Minister, and the strengthening of the operational capability of GUYSTAC were all intended to have favourable impacts upon the performance of public sector agencies.

Accordingly, in the context of the 1978 Budget, there was an emphasis on a short-term strategy for recovery. That strategy envisaged the resurgence of output to at least the 1976 levels and the diversion of expenditure from consumption into savings. Nevertheless, those short term objectives were not intended to lead to a denuding of the underpinnings of future growth and development. Thus, the capital programme, which by its very nature has a longer time horizon than short-term recovery, was planned to support the short-term measures by ensuring that existing capital assets were maintained, and simultaneously to continue providing the capital asset base for future development. In the result, \$284 million was earmarked for Public Sector investment, with some \$67.34 million (23.7%) being intended for Agriculture, \$63.8 million (22.5%) for General Administration and Other Services, \$37.4 million (13.2%) for Mining and Quarrying, and \$35.25 million (12.4%) for Power.

## WHAT DID WE ACHIEVE IN 1978

The performance of the economy in 1978 was disappointing. The physical production targets set in the main sectors of economic activity were not achieved.

Sugar fell short by 36,000 tons (down 10%); rice by 30,000 tons (down 14%). For the main bauxite based products, Calcined bauxite fell short by 42,000 tons (down 7%), Alumina by 63,000 tons (down 22%) and Metal Grade Bauxite by 300,000 tons (down 31%) - shortfalls which only partially counterbalanced by the performance in Chemical Grade Bauxite which exceeded projected levels by 77,000 tons (up 32%).

In no significant sector of economic activity was production higher than in 1977. The result has been that, far from achieving the projected 5 per cent growth, there was absolutely no real growth in the economy in 1978.

The failure to achieve production targets in the main sectors resulted in a fall in merchandise export values of 5 per cent from the targeted level of \$785 million, thus putting pressure from the foreign earnings side on the balance of payments. We did achieve the balance on current account that we expected, but this was done by holding merchandise imports to slightly higher than \$700 million, 12 per cent below the budget forecast. This enforced reduction of imports in many ways impacted adversely on productive efforts in some areas of the economy.

In value terms, some other exports performed better than was projected, particularly rum where production exceeded the early forecasts and molasses, which benefited from higher prices. However, these were not significant enough to compensate for the short-falls in the major sectors.

On current account, the deficit was \$91 million, roughly the level projected; and with net capital inflow of \$162 million (which included a higher level of short term borrowing than projected) we achieved a higher overall surplus of \$71 million. Yet this was a surplus associated with no growth. The surplus was deployed to reduce external commercial arrears by \$20 million and to increase the net foreign reserves of the Banking System by \$51 million.

The expenditure performance in the Budget reflected this overall restraint and fell below the level forecast in the Budget by G\$11 million. The restraint was applied very severely to the spending on Capital account which is estimated to have fallen below the budgeted allocation by G\$34 million to G\$147.5 million. There were, however, slippages in the effort to curtail current expenditure which exceeded their allocations by G\$23 million.

The capital expenditure restraint and current expenditure slippage were paralleled in the public corporations which had budgeted for capital spending of \$148 million but were estimated to have spent only G\$98 million.

Many projects experienced delays in implementation as well as extensive cost escalations. Among the most prominent of those which suffered cost escalations have been the Tapakuma Irrigation Scheme, the West Demerara Road Project and, the Second Education Project.

Despite such problems, there were significant achievements during the course of 1978, including the completion of the Canje River Bridge, the Demerara Harbour Bridge; massive sea defence works along the Essequibo Coast, in the Essequibo Islands and along the East Demerara; the commencement of work on the Coldingen Workshop Complex; The Onverwagt Irrigation Scheme; and the Upper Demerara Forestry Road; work proceeded apace on the Tapakuma Project and the massive M.M.A. scheme. The new control tower at Timehri Airport was virtually completed and as was the new Casualty Wing at the Georgetown Hospital. Work advanced steadily on the East Coast and West Demerara Roads. With regard to industrial projects, construction of the glass factory and the textile mill moved nearer completion.

One of the most serious consequences that flowed from the low production output was that the savings target could not be achieved. Private consumption was held down to the planned level, mainly by import restraint, but performance of the public sector in generating savings was disappointing. Current Expenditure (excluding debt repayments) exceeded

Current Revenue by \$47.4 million, G\$37.0 million more than forecast; and the savings of the public sector of about \$100 million, fell far below the budgeted figure.

The deterioration in the deficit of the Central Government derived in part from a 3.5% shortfall in Current Revenue from G\$376 million to G\$364 million, as well as from the fact that Current Expenditure exceeded the budgeted estimate by G\$23 million.

Despite these variances from budgeted targets we succeeded in fulfilling our obligations in respect of the performance ceilings established under the Stand-by Arrangement with the International Monetary Fund. Accordingly we have been able to draw down the G\$45 million to which we were entitled, under the Arrangement. It is difficult to resist the temptation to remark that we have confounded the armchair experts who predicted that we would not have been able to meet the requirements.

The achievement of these financial targets in circumstances of low productive activity was the result in large measure, of very close monitoring by the Cabinet and its Sub-Committees. During the year, the Cabinet appointed a Monitoring Committee under the Chairmanship of the Deputy Prime Minister Comrade Ptolemy Reid which constantly reviewed the targets and performance of the total public sector. This Sub-Committee was provided with technical and secre-

tarial service by the staff of the Bank of Guyana, the Ministry of Finance and the State Planning Commission. It was empowered to take corrective action as required.

## THE TERMS OF TRADE IMPACT ON THE ECONOMY IN 1978

The world economy continued at the depressed levels of 1976 and 1977; and World Trade was also depressed. As a result demand for commodities was weak, particularly for most of those commodities which Guyana traditionally exports. The supply of sugar on the world market far exceeded demand; world sugar stocks were at record levels; and low prices well below Guyana's cost of production, prevailed throughout the year.

Rice prices on the world market remained low. On the other hand, prices for our bauxite-based products in 1978 were at reasonably remunerative levels. However, we failed to produce at sufficiently high levels to take full advantage of these favourable prices.

Our economy did not, indeed could not, escape the inflationary trends which were a world-wide phenomenon. On the other side of our terms of trade, the prices we had to pay for our imports rose steadily throughout the year.

Overall, the terms of trade declined for yet another year and was about 10% worse than in 1977. This was reflected in lower export receipts, lower incomes, falling Government revenues, and consequentially smaller savings.

## INTERNAL ASPECTS

Internally, the structure of the economy and the failure of its mechanisms to adjust rapidly to the demands of changing conditions continued to hamper development efforts during 1978.

Our major industrial and commercial sectors suffered in some cases from unimaginative and insensitive management practices and in other cases from the persistence of confrontational industrial practices. While in 1978 the incidence of industrial disputes was lower than in 1977, the number of man days lost was still at an unacceptably high level. Furthermore, the repercussions of the 1977 political strike in the sugar industry were still being felt during 1978 when, despite a record throughput of cane, the output of sugar was less than it could have been as a result of the low sucrose content of the cane.

Underlying structural problems apart, there occurred during 1978 at least two other developments which impacted adversely on the planned recovery effort. The first was the breakdown of electricity generating capacity, which caused heavy direct losses in production and also indirect losses through a multitude of consequential problems including a lowering of morale.

The second development, equally deleterious in its impact on the recovery effort, stemmed from the



continuing pressure on foreign exchange availability. Shortages of foreign exchange resulted in shortages of inputs for productive activities.

When in 1977 the Government and the T.U.C. signed an agreement for the phased annual increases in the level of minimum wage, it was clearly spelt out in the agreement that such increases could be financed only through increases in production and productivity. Accordingly, an integral part of the package popularly known as 'The Minimum Wage Agreement' was the requirement that the Government and the T.U.C. should agree on National Guidelines for Incentive Schemes, and that the management and Trade Unions in each enterprise or sector should devise and implement such Schemes in pursuit of the desired productive performances. Furthermore, the incentive payments were agreed to be earnings which would be free of personal income tax. Thus the whole package of the Minimum Wage Agreement was designed to ensure that workers would focus on striving to achieve genuine productivity increases and would be rewarded for their successful efforts. However, the failure to respond to the spirit and the overall concept of the Minimum Wage Agreement has denied workers the opportunity to achieve a higher level of production effort and to be rewarded appropriately for their effort. It has also denied the general economy the benefit which flows from such productive efforts.

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Whilst incentives schemes by themselves cannot guarantee increased productivity, they represent a non-inflationary means of stimulating and rewarding increased productivity.

In summary, all these internal phenomena combined to militate against a systematic and orderly pursuit of the economy recovery which had been planned for 1978.

## **RESTATEMENT OF OUR NATIONAL ECONOMIC AND SOCIAL OBJECTIVES AND BROAD STRATEGY FOR THEIR ACHIEVEMENT**

Despite the temporary setbacks which are inevitable in human affairs, the Government remains inflexibly committed to the social and economic goals and objectives which the nation has set itself under the guidance and leadership of the Party. We continue to strive for the orderly transformation of our country into a socialist State. The main characteristics of such a State, in our perception, are effective national control of the economy; a continuing process of democratising the society and eliminating or reducing worker alienation and exploitative practices and relationships; the introduction of a regime of social justice as an integral part of national life; the creation of a strong and constantly expanding production base which is the only real guarantee for the protection and enhancement of the vital interests of the workers - namely, their employment, their standard of living and their general welfare.

The pursuit of the principle of social justice requires us to ensure that the concept of "human rights" is not a mere legal abstraction, but one which is grounded in the realities of the world and which encompasses those substantive social and economic rights without which the concept is a snare and a delusion. We will persist in our struggle to ensure to every citizen the right, as citizen, to food, clothing and housing; to educa-

tional, medical and recreational facilities; and to the other basic amenities necessary for modern, civilised existence.

The strategy for the achievement of the national goals and objectives remains basically the same. The tactics employed, however, must of necessity be flexible and must have regard to and accommodate the objective realities at any given period.

Development strategy continues to be people-oriented and to be based squarely upon policies and programmes of people-involvement. This strategy premises continued large investment in the education, training and overall development of people. However, it recognises a clear and unchangeable fact; namely, that the development and welfare of people is inextricably linked with economic growth and is a direct result of sustained and steadily increasing labour productivity and businesslike, imaginative and humane management practices. It implies, also, the active involvement of the workers in the various decision-making and management processes at the enterprise, community and national levels as a prerequisite for sustaining progressive improvements in the material and moral conditions of our society.

A major policy cornerstone continues to be the consolidation of national unity as the only sure basis for the nation's pervasive well-being and continuous development. During 1979, Government will continue to make

significant outlays in Education and Culture (including Sports) and encourage activities which tend to promote and emphasise the unity and solidarity of the nation.

Co-operativism as a way of life remains the cardinal principle of our development strategy and the dynamic for social and economic transformation. Co-operativism is deeply rooted in our cultural and historical experiences; its potential for fostering national unity, reducing alienation and developing a spirit of national self-reliance has in no way diminished but rather appears to have assumed greater relevance as we pursue our national goals.

We have to strive constantly to achieve the goal of efficiency in all sectors of national life. To this end we will intensify our efforts to ensure the most rational and efficient allocation of our national resources. Hence, strengthening the process of national economic planning will be a matter of immediate and constant concern. We have to ensure that the concept of national economic planning is properly understood and that its advantages are appreciated. Such planning will not be allowed to degenerate into an exercise of central bureaucratic authoritarian dictation which smothers local and individual initiative. It must permit of the involvement of all citizens through their socio-economic organisations and also of a continuous flow and interchange of information,

ideas and experiences between the ordinary people and the planning experts.

In our pursuit of increased national efficiency, we will also pay great attention to strengthening existing strategic institutions and establishing others. In the course of this year, the first phase of the programme begun in 1978 for strengthening the co-operative movement would be completed, and all regional co-operative unions would be re-established along sound organisational lines and given the main responsibility for promoting the development of the movement in their respective Regions. The Government has already begun a series of discussions with the TUC and hopes to work out with that body procedures for institutionalising such discussions as part of the strategy for wider consultation and participation of workers and their representative organisations in the business of national life. Work on establishing all the organs of the State Planning Commission will proceed urgently.

(In this respect, the establishment of the National Economic and Social Council, the people's forum, is an immediate priority). The establishment of the Commission fully will further advance the process of people involvement in the critical decision-making processes.

But national efficiency must also be reflected in higher levels of labour productivity. Notwithstanding the failure to date to reach complete agreement with the Trades Union Congress on the National Guidelines for productivity-linked incentive schemes, the Government is of the view that it is in the interest of the workers and of the whole country that such an agreement should be reached in a matter of days rather than weeks. Government hopes that in the various enterprises and sectors management workers, non-management workers and the unions would sit down, with a sense of urgency and in a spirit of reasonableness, and devise appropriate schemes in conformity with the criteria contained in the agreed Guidelines. The introduction of a country-wide system of incentive schemes which has eluded us so far is central to our strategy for economic recovery. It is imperative that the system be put in place almost immediately. Increased production and productivity (which would create the conditions for workers to obtain the wage and salary increases which at this point of time are impracticable) depend heavily upon the introduction of these schemes.

The major exercise in institutional strengthening planned for 1979 is, of course, the re-fashioning of our Constitution. All modern societies operate within the regulatory framework of a Constitution which enshrines their ideals and effectively delimits their objectives, influences their character and determines their direction. The nature of a Constitution has an

umbilical connection with the development of a society. The procedures and mechanisms which the Government has put in place for the making of a new Constitution are a practical demonstration of people-involvement in a decision-making exercise which affects their vital interests, and a manifestation of the democratic principle. But of equal significance is the fact that the new Constitution can be an important stimulus to national development. Given the serious involvement in this great work on the part of people (either in their individual capacity or through their socio-economic organisations) - people who have their individual interests and the interests of Guyana at heart - there is no valid reason why we Guyanese cannot frame for ourselves a Constitution which, in letter and in spirit, will enhance the dignity of all citizens by creating an environment of freedom and democracy and demonstrating that the concept of human rights need not be a mere legal fiction but can manifest itself in concrete ways which have relevance to people's material and cultural well-being.

Our broad development strategy is intended to lead, first of all, to increased and more efficient production which is an indispensable condition for the creation of a viable, self-sustaining economy; secondly, to the equitable distribution of the surpluses generated in the economy; and thirdly, to the establishment of those conditions and institutions which will guarantee the material and cultural pro-



gress of our people, that is, their real and substantive "human rights".

Our main hope for surviving this year depends upon achieving reasonable success in translating the principles of our development strategy into concrete action programmes. For this purpose, the Cde. Leader and Prime Minister's prescription for survival and progress remains indisputably valid: careful management of our resources; greater production and productivity; intelligent exploitation of our natural resources; strict discipline; avoidance of waste; resolute pursuit of our socialist objective notwithstanding our temporary difficulties; people involvement; and, above all, courage! - the courage not to give up easily in the face of difficulties. This kind of courage is the principal characteristic of a people who value their self-respect, who have confidence in themselves, and who understand that in the final analysis success or failure depends upon what they themselves do. We Guyanese are such a people.

## THE NEED FOR REALISM IN A WAGES POLICY

The details of the economic and financial programme for 1979 can only be intelligently considered and understood in the context of the following factors:

- (1) The negative growth of the economy in 1978;
- (2) the consequential failure of the economy to generate savings;
- (3) the consequential failure of export earnings to improve our Balance of Payments position;
- and(4) The impact of any wage increases on (i) the viability of most public sector enterprises (ii) the maintenance of existing levels of employment and (iii) Central Government's ability to finance its operations.

In August 1977, a Minimum Wage Agreement was signed between Government and the TUC and implemented later that year. It made provision for the upward movement of the daily minimum wage from \$5.50 to 8.40 in 1977, to \$11.00 in 1978 and to \$14.00 in 1979. The Agreement was part of a package which envisaged the institution of productivity-linked incentive schemes throughout the public sector in accordance with National Guidelines agreed between the Government and the TUC.

The proposed incentive arrangements were a key element of the Agreement, inasmuch as they were intended to stimulate increased labour efficiency and generate

higher production levels. This increase in production and in productivity was vital. It was agreed and understood on all sides that it was only from increased production that the economy could afford to pay the higher minimum wages and the consequential increases. Hence, the Agreement was described as an "act of faith."

Indeed, it was "an act of faith" since actual payouts were made before the National Guidelines for Incentive Schemes were agreed. It was "an act of faith" in that the parties to the Agreement undertook to do everything in their power to ensure increased production and productivity. It was also "an act of faith" in that the Government was confident that the fact of a significantly increased minimum wage would in itself result in higher labour efficiency and in higher outputs.

The grim fact is that the Minimum Wage Agreement has not resulted in any improvement in the productive levels in the economy. In the meantime however, the public sector wages bill has been ballooning disproportionately. In 1979 the wages bill is expected to be about \$200 million over 1976 with the full implementation of the Minimum Wage Agreement. In 1978, the Minimum Wage bill was \$450 million, an increase of \$125 million

over 1976 and \$80 million over 1977. In 1978 production was 5% lower than it was in 1976 but the public sector wages bill was 47% higher. In the circumstances of no growth, it is self-evident that the economy has not got the capacity to meet any increases in the minimum wage for the year 1979. The payment of this wage would require an additional \$85 million.

There is no way, in the absence of sharply increased production and productivity, in which a bill of this magnitude can be met. To pay any increase in the circumstances of no growth would be to fuel an inflationary spiral. Indeed, such an increase can be paid only if the Government were to engage in massive retrenchment in the public sector and bring a halt to most of the capital projects. To do so would be an act of unforgiveable irresponsibility. The consequences of such an act would be massive unemployment, runaway inflation, national bankruptcy since the economy would grind to a halt.

The Government cannot abdicate its responsibility to all the people of Guyana or shirk its duty to preserve the integrity of the nation. The Government does not propose therefore to engage in any act of irresponsibility.

To allow the increased minimum wage of \$14.00 to be paid our Government would be forced to retrench 10,000

workers now engaged on public sector capital projects in addition to thousands of other workers in both Central Government and other public sector. The payment of the increased minimum wage, in circumstances of no growth in 1979, would result in the major public sector corporations suffering heavy and unsustainable losses in their operations. Given the nature of their exports, these corporations would be unable to pass on their increased costs by increasing their prices; and there would be no way in which these corporations could be subsidised. They would collapse with all the frightening consequences for their employees GUYSUCO for example would make a loss of some \$17 million and total losses in public sector corporations would be somewhere in the vicinity of \$50 million.

The important point to be understood is that these are inevitable consequences of a situation in which production has not increased and the economy fails to grow...However, even though Government cannot reasonably implement the \$14.00 minimum wage, workers can still earn the \$14.00 minimum and even more if their efforts result in increased production and productivity. It follows, therefore, that it is in their interest and in the national interest that the productivity-linked incentive schemes should be put in place immediately. The Government has been in discussion with the TUC and has already indicated its position on the issue of the increased minimum wage for 1979. The Government is

particularly concerned about this situation and has a vested interest in ensuring that the workers' income increase progressively. However, this increase will be possible only in circumstances in which the workers and all other persons engaged in economic activities combine their skills and their collective wisdom to ensure the continuous growth of the economy through a steadily increasing productivity.

In the circumstances, the Government is willing to continue discussions with the TUC about ways and means of quickly reversing this trend of no growth in the economy and helping the workers to increase their earnings through improved labour efficiency. The Government hopes that all outstanding issues in connection with the National Incentives Guidelines can be resolved urgently and that productivity-linked incentive schemes will be established in all public sector enterprises and will stimulate a dramatic upsurge in production and consequential expansion of the economy.

Workers can earn the \$14.00 daily minimum wage and more in 1979, through incentive schemes. Their ability to do so depends on their own efforts and the efforts of their unions. Government stands ready to give maximum support to any initiative which would enable the workers to increase their productivity and take advantage of incentive-linked wage increases.

## A PROJECTION OF THE FINANCIAL AND ECONOMIC PROGRAMME FOR 1979

When the 1978 Budget was presented, emphasis was put on the medium term investment programme and on the medium term projections of the economy. The medium term horizon still remains the basis on which economic programming will proceed, but the results of 1978 have made it necessary in this Budget to focus attention on the economic and financial programme for 1979. The broader aggregates of the subsequent years of the medium term are stated after the discussion of the forecasts for 1979.

To achieve any measure of success, the programme for 1979 and onwards has to be pursued with imagination, vigour, and even ruthlessness on general broad fronts.

First, we have to make more efficient use of the assets in which we already have invested. This applies, as a matter of course, to the bauxite, sugar and rice industries; but it applies equally to forestry and fisheries, for example, as well as to small and medium-sized agricultural and manufacturing activities throughout the country. If these can generate growth of exports, we have a better chance of being able to buy the imports of those consumer goods that are included in the Import Budget. If we cannot, then there is no way we can buy those goods.



Second, we must accelerate the completion of the new manufacturing enterprises that are now under construction - the textile mill, the glass factory, the bicycle factory, the leather and boot and shoe factories. By so doing, we can absorb some of our unemployed comrades in those areas. In fact, in economic programming there is no substitute for an expansion of our production base.

Third, we must maintain as high a capital programme as our finances will allow to maintain a high level of employment and to lay the basis for future growth and development. This however, will be feasible only to the extent that production in the economy achieves a reasonable level and the resources generated from that production are available to ensure that our capital programme can be adequately financed. The employment on public sector capital projects in the 1979 Budget is expected to amount to as much as 10,000 at peak periods.

Fourth, we must reduce drastically spoilage and other post-harvest losses in the agricultural sector, and in particular, ensure that all produce reaches the consumer, at home or overseas, in a fresh state or as a high quality processed or preserved commodity. Wastage of agricultural produce reduces opportunities for increased employment and income generation which marketing and processing activities can provide.

Fifth, we must proceed in an orderly, systematic and equitable way with the process of proper labour placement. Too many Government agencies continue to be overstaffed with clerical type personnel, the net result of whose activities is a reduction in the efficiency of the agencies where they are employed, while, the other hand, the chief sectors of production are notoriously short of workers.

Sixth, now that the Guyana Investment Code has been promulgated in response to requests by local manufacturers, it is expected that local entrepreneurs, would take advantage of the numerous opportunities available and establish economic enterprises which would provide employment and a livelihood not only for themselves and their families, but for other persons in need of employment.

Seventh, as a necessary measure in support of the implementation of this Budget, we must carry out a vigorous examination of areas of public sector expenditure and activity to ensure that those who are working with diligence, competence and enthusiasm are rewarded, and those who find it difficult to be efficient are helped by all available means to become productive.

Eighth, we must remove all hidden and unintended subsidies which exist in the economy. We must ensure

that all subsidies which are enjoyed have been given as a result of conscious and deliberate policy.

#### **MAIN PRODUCTION, EXPORT AND GROWTH TARGETS**

If we implement the above measures with vigour and determination, we can reasonably hope to stabilise the economy and set it fairly on the road to recovery. In Sugar, given favourable weather and a reasonable industrial climate, production can achieve the target of 360,000 tons. Rice production should benefit from better water control and achieve a target of 210,000 tons. Bauxite/Alumina production should recover from the depressed levels of 1978 to achieve targets of 780,000 tons in Dried Bauxite, 360,000 tons in Chemical Grade Bauxite, 737,000 tons in Calcined Bauxite, and 305,000 tons in Calcined Alumina. These targets represent increases in production ranging from 13% to 33% above the 1978 achievement levels.

Increased production of other crops should result from the cultivation of higher acreages by Guysuco, National Service, Guyana Defence Force and other official agencies, and also by many small farmers. The massive investment in the forest industry which began last year should ensure a sharp increase in output. Production from the Glass Factory and the Textile Mill, should also come on stream during this

year, though their significant contribution to domestic product would really be seen from 1980 onwards.

The rationalisation of the programme outlined should ensure at least a 6% real growth in Gross Domestic Product to a level of about \$1270 million. This growth, though not spectacular when compared with the levels previously achieved, is realistic and attainable in all the circumstances. This growth should increase as our investment programme gains momentum and the returns from the heavy investment made within recent years begin to flow in the various sectors.

On the basis of the above production estimate, exports of merchandise should reach a value of \$844 million about 13% above the levels achieved in 1978. Sugar, with continuing low world market prices, should contribute about 8% of the increase to a level of \$250 million; rice is not expected to show any increase over last year's target; and bauxite/alumina, with exports at \$390 million, is projected to show an increase of about 20%. Other exports are expected to be 10% higher at \$104 million.

The level of imports which will be consistent with the economic and financial programme for 1979 is expected to be about \$970 million. The balance of trade, as in 1978, is expected to realise a small surplus of \$28 million. To achieve this outturn, we must hold imports to a ceiling of \$816 million, of which petroleum products will be \$200 million, consumer goods (including food) \$178 million, intermediate goods other than fuel \$246 million, and capital goods \$192 million.

The services account is expected to show a deficit of \$100 million a little higher than in 1978. The current account deficit is thus expected to be \$100 million, about 8% of gross national product, about the same level as in 1978.

Net capital inflow is expected to be \$130 million thus resulting in an overall surplus of \$30 million. This surplus will be used to reduce external commercial arrears.

## THE 1979 INVESTMENT PROGRAMME

The 1979 Capital Expenditure Programme has been designed with the objectives of relieving some of the most critical bottlenecks in the economy, Foremost amongst these is the restricted absorptive capacity of the economy in relation to investment. The programme gives top priority to strengthening and reforming the planning mechanism both at the centre and in relation to the key executing agencies i.e. the State Planning Commission and the major project executing ministries - Agriculture, Health and Works. Such institution-building will enhance the effective use of capital investment and thereby increase returns to such investment.

Associated with this institutional strengthening is the establishment of a network of maintenance and rehabilitation facilities at critical points across the country. To this end, mechanical workshops are to be built at Coldingen and MARDS, and programmes are to be instituted in Ministries such as Agriculture and Works to facilitate planned maintenance of machinery and equipment.

In recognition of the inadequacies of all the modes of transport, the Government proposes to improve the capacity and facilities of the transport system. New cargo vessels are to be put into operation on the Berbice River and North West runs towards the end

of the year. A passenger launch, currently being constructed by GUYNEC, is also due to come into operation while a barge and two pilot launches are to be purchased in 1979.

The Timehri Airport terminal and apron are to be modified to cope with the anticipated flow of traffic, while hinterland airstrip facilities are to be upgraded.

The operations of G.T.S.L., at present of such great concern to commuters, is to be enhanced by the construction of a bus depot and workshop. Although neither of these facilities is due to be completed in 1979, their impact will be felt in terms of the availability of buses before the end of the year.

Other major investment projects to be undertaken during the course of the year include the commencement of construction of the major sawmill in the response of upper Demerara; the commencement of the second phase of the Demerara Fish Port Complex. This expansion of facilities is intended to handle and process increases in the by-catch of fish.

Work is due to start on the Black Bush Polder Irrigation Scheme and efforts will be made to resuscitate the Honey Industry following the damage done by the Africanized bees. In an effort to

further stimulate the dairy industry. The Artificial Insemination Service is to be rejuvenated. There will also be programmes to improve the production and marketing of various foodcrops and legumes.

The Research Institute of Advanced Science and Technology will be established during the year at the University of Guyana. Work is to be re-started on the extension to the National Library and the National Sports Hall.

The New Emergency Unit of the Georgetown Hospital will be completed in 1979, and the Health Care Delivery System, already under way, will pick up as part of a general programme to re-organise the health services of the country. About 500 self-help houses are due to be completed in 1979, and work will start in 1979 on the rehabilitation of the Georgetown prison.

The commercial development of kaolin is under active consideration. Major work is due to begin on the East Bank, Berbice Road in 1979, in an effort to stimulate the flagging economy of the east bank of the Berbice River. The East Coast and West Coast Demerara roads are due to be completed during 1979.

A new bottling line and still at Diamonds Liquors Limited is due to come on stream in 1979. Work



on the supply of pure water to Linden and Rupununi is to get underway in 1979, with the assistance of the Canadian and Netherlands Governments. Basic facilities in a number of schools are to be rehabilitated, and a number of primary schools are to be established in some of the smaller interior settlements with the assistance of the Government of the Netherlands.

The Second Education Project is to be rephased in 1979, while during the course of the year, the construction work is expected to commence on the establishment of a tourist facility at Anna Regina.

The total Public Sector Capital Programme amounts to some \$385 million, the bulk of which is to be spent in Georgetown and Region 3. The region with the lowest allocation is Region 6. Of course this type of distribution reflects the state of development of the regions and one of the prime objectives of regional planning would be to devise plans for the balanced development of the regions.

The following table illustrates the present regional pattern of activity in the investment programme.

**The Regional Distribution of Public Sector Capital Expenditure in 1979:**

Region	Share of total Public Sector Capital Expenditure
	%
1	2
2	12
3	24
4	8
5	5
6	1
Georgetown and National	28
New Amsterdam	2
Linden	16
	98

The major investment activities in Region 1, will be in relation to the Guysuco cassava factory and the rehabilitation of the Mabaruma Stelling. In Region 2, major investment programmes include the sea defences and the Tapakuma project. In Region 3, the M.M.A. project, the Upper Demerara Road, the East Coast Road, the Glassworks, are the major projects. The Black Bush Polder Scheme, the East Bank Berbice Road, and feeder roads at Port Mourant constitute the investment

schemes in Region 4. In Region 5, the major construction activity will be the work associated with the new saw mill in the Upper Demerara while in Region 6, storage facilities for fuel, education, pure water supply and health projects are to be undertaken.

## THE OUTLOOK FOR THE MEDIUM TERM

The rate of growth over the medium term 1978-81 was projected in the 1978 Budget at about 17% over the level in 1977. This modest target is still achievable with re-phrasings of expenditure plans and adjustments of policy programmes. The rate of investment is being accelerated in 1979 to allow for the shortfalls on capital account in 1978. Even with anticipated increases in fuel prices, it is still envisaged that the rate of investment over the period will attain a level of 25 per cent of G.N.P.

The achievement of these levels of investment and growth rest on restraining the growth of the fuel bill to a rate lower than that of exports. In effect this requires that the fuel bill be held well below 25% of total exports. Policies and programmes for achieving these rates are now under review.

## FINANCIAL PROGRAMME

The investment programme of the Central Government for 1979 is budgeted at \$180 million which represents 15 per cent of G.N.P. The budget of the public corporations and companies shows that their investment programme for this year will be \$110 million or 9 per cent of G.N.P. The estimate of investment by the private sector is \$55 million representing 4.5 per cent of G.N.P. A total investment for the public and private sectors of \$325 million or 27 per cent of G.N.P. is projected.

The current account deficit of the Balance of Payments is estimated at \$100 million or 8 per cent of G.N.P. The achievement of this target rests crucially on our success in the implementation of the Import Budget. The Import Budget provides for imports at the level of \$816 million, 15 per cent above the 1978 level of \$710 million. Imports therefore will continue to be subject to a measure of restraint this year; but the budget provides for adequate volumes of food, drugs and fuel. Imports of inputs to industry and agriculture will be higher in real terms by 5 per cent above the levels of 1978. The major increase is for capital goods where provision is made for the larger investment programme and the need to replace obsolete machinery, particularly for agriculture.

National Savings are projected to increase on the expectations of higher production and incomes this year. Savings of the public sector are expected to be about 9 per cent of G.N.P. The deficit of the Central Government which is projected at 4% of G.N.P. will be counterbalanced by substantial surpluses of estimated at \$200 million which will be generated in the public corporations. Private savings are expected to maintain the level of around 8% of G.N.P.

The Budget proposals are set in the above financial framework. Total expenditures are projected at G\$868.7 million and total revenues at \$693.9 million, leaving an overall deficit of \$174.8 million. It is projected that domestic financial resources in the further amount of \$70 million will be realised in large part, from unspent subscriptions of the Government to enterprises responsible for the discharge of capital projects. Additional amounts required will be secured in parts from the banking system.

Of the total expenditure of \$868.7 million, \$586.7 million will be expended on the Current Budget and \$281.9 million on the Capital Budget.

The Current Revenue measures in place are estimated to yield \$400.9 million. It is not proposed therefore, to impose any new taxes to increase the yields; but

to rely on resources generated from the economic growth projected for this year to provide the estimated level of Current Revenue.

Many management and non-management workers have complained from time to time of alleged disincentive effects and anomalies in the present tax structure. A case appears to have been made out for an investigation and review and it is hoped that this may be possible in the course of this year. We need to do everything possible to remove disincentives to production and productivity and replace them with incentives.

## CONCLUSION

Comrade Speaker, the stark and inescapable fact is that our expectations for growth in the economy during 1978 have not materialised. Production remained static. Our great task as a people is to raise the production levels in our economy as rapidly and efficiently as possible in 1979. This is vital to our survival and progress. While the prices of the goods and services we have to import continue to rise steadily, the prices of the goods we export remain in general abnormally low. Guyana, like all other non-oil producing developing countries, is in 1979 facing a year of grave uncertainty.

But we can survive - indeed, we must. We have not travelled this long and rugged road to Independence, we have not made so many sacrifices in the past, only to succumb and disintegrate as a nation in the face of economic problems which are undoubtedly, less intractable than those many other nations are encountering.

This is a time when the true mettle of the Guyanese people will be tested.

In circumstances like these, there are always wise-aces and aspirants to political office who will spend their time regaling the public with idle recriminations; always quidnuncs who will be offering nostrums; and



always some honest, well-meaning citizens who may naively believe that there exists somewhere, external to our own efforts, a panacea for our economic difficulties. But, most dangerous of all, are those who will peddle the subversive doctrine that the real solution lies in our allowing ourselves to be re-colonised *de facto* by some rich, powerful and allegedly sympathetic country.

We Guyanese have attained a sufficiently high level of political maturity to recognise the complete irrelevance of such persons and to dismiss them accordingly. We are a capable, ingenious and resilient people. We have in the past confronted many an obstacle, many a difficulty - and we have overcome. If we have stumbled, it was only to rise again.

What is to be done?

As a proud, intelligent and self-reliant people, we recognise and accept that in these difficult circumstances we must rely on our own resources. And we are endowed with rich resources! We must make the maximum use of them. We have to do the little but important things. We have to ensure that we plant every square inch of land available to us. We have to avoid all unnecessary waste - and we can do this in so many small ways. We have to ensure that the tasks assigned to us at our work places - in field,

in office, in factory - are executed promptly to the best of our ability. We have to ensure that we make the fullest possible use of local foods, local raw materials and all other local products. We have to ensure that by our own efforts and in co-operation with other citizens we do everything possible to ensure that production and productivity increase.

These are difficult times. It would be the easiest thing in the world for the Government to eschew those unpalatable decisions which are nevertheless absolutely necessary to protect the vital interests of the nation. The Government has never defaulted in its duty to the nation, and does not now intend to do so. It will never jeopardise the safety of the nation for cheap and fleeting political gain. Its duty is to give firm leadership - and it does so now.

Cde. Speaker, the Party is mobilised for the task of national economic recovery. It has always in times of difficulty rallied the people, inspired them and led them to victory. Under its guidance and leadership, we will recover from this temporary economic setback and move forward to greater victories in the never-ending struggle to build a viable, self-sustaining, nationally independent economy. This is the task, this the labour to which all Guyanese of patriotic fibre must now bend their efforts.