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# **BUDGET SPEECH 1969**



**National Assembly  
of  
Guyana**

**Dr. The Hon. P. A. REID  
MINISTER OF FINANCE**

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1969

BUDGET SPEECH

by

Dr. the Hon. P.A. Reid, M.P.

Minister of Finance

28th February, 1969.

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Mr. Speaker, Honourable Members,

Guyana is one of the developing countries of the world where the process of deliberate change is transforming the society. The budget for 1969 emphasises some of these changes which have not only an economic aspect - we so often think of the budget as a mere catalogue of revenue raising proposals - but also a social aspect. True it is that in a developing country public finance and the development process are so closely interrelated

that they overlap at every turn.

In developing countries several conditions are completely unknown or very imperfectly understood, e.g. in Guyana our mineral resources are now being studied, our soil fertility and related information are now being analysed. Hence provision of large sums has been made in the development budget for forest industries development survey, topographic survey, geological survey, geodetic survey, plus the costly feasibility and pre-feasibility studies. It is hoped that the results from all these studies will bridge the gap between the unknown and the known.

The task of transforming developing countries like ours is a complex assignment. It is complex because so many different conditions have to be created or modified by different persons and groups of people, by different nations and groups of nations. Techniques are not enough because the spirit of a people is involved also. Techniques, therefore, have to be combined and used with intelligence, imagination, experimentation and continuing hard work. This Government is determined not only to give a man a fish so that he will have a meal, but to teach him to fish so that he will always eat.

Mr. Speaker, Sir, this is the second budget I have had the honour to present. It has come almost on the heels of the last election. For this Government the same fundamental principle lies at the root of public finance whether the budget is a pre-election or post-election document - the principle of maximum social advantage.

Nearly two centuries ago it was said that the very best of all plans of finance was to spend little, and the best of all taxes was that which was least in amount. Much of the discussion in those ancient days started from the premise that every tax was an evil. But that was two hundred years ago when a man could get drunk for two cents, and dead drunk for four, and when there was no duty cast upon the state to provide for its people the services which to-day are taken for granted.

Mr. Speaker, it is almost three years since Guyana became independent and a Government led by the Honourable Prime Minister assumed full powers and responsibility for administering its affairs. These years have brought many challenges, but the Government, with the support of the people of Guyana, has been able to meet and overcome them all.

Mr. Speaker, it is well known to this Honourable Assembly that our greatest challenge recently has

been the threat to our sovereignty as a nation from our neighbour on our western border. This particular challenge we have so far met with dignity, courage, firmness and confidence. Our voice has been heard in the highest international forums, so much so, that international public opinion is now firmly on our side, convinced of the righteousness of our cause and the bullying bellicosity of our more powerful neighbour. The blatant territorial ambition of Venezuela who would wish to annex more than one half of our territory has been laid bare for all to see.

Contrary to what some people might say, Guyana has utilised, and continues to utilise, every diplomatic facility in order to counter the ambitions of Venezuela. But this Government recognises the hard facts of international existence; modern diplomacy must be backed with defence resources.

Mr. Speaker, the Government of the past four years makes no apology for taking full credit for creating peace where there was internal strife, for promoting confidence where there was uncertainty and fear; for stimulating economic expansion where there was stagnation and strong signs of recession. Yet this peace and freedom from internal strife was suddenly shattered on the break of the new year by a certain wealthy clique who had refused to accept our emergence as a fully independent nation, with power

firmly resident in the hands of an indigenous Government. Mr. Speaker, I refer to the disturbances in the Rupununi. This outburst of violence, inspired and supported by our western neighbour bent on subversion, struck at the very roots of our sovereignty and presented a grim reminder of the relative vulnerability of that and all similarly remote areas of Guyana.

As is well known, our security forces took command of the situation with commendable despatch and effectiveness, but not before the loss of the lives of five members of the Police Force and two civilians from the bullets of subversive elements.

These developments must inevitably bring with them certain clear consequences. " Guyana, as a young, under-developed country striving to bring employment and economic prosperity to its people, must now defend its territorial integrity as well. It is certainly a sad reflection of the times in which we live that poor countries must devote what must be an important share of their national production and revenue to defence. But these are the realities of our situation. We must now forego excessive consumption, reduce our development effort, and limit some of our immediate expectation for a better life, so that we may continue in existence as a nation. We must, as a nation, spend more on defence so that we

may keep what we already have.

Within the limits of our financial and economic capabilities we must endeavour to keep our borders reasonably secure. We must defend ourselves if the need arises, and we must maintain the internal security of the nation. This must inevitably cost money, and consequently lay an additional burden on the population. It is a burden which I am confident everyone would be willing to bear.

Mr. Speaker, a little later in my speech I intend to analyse in some detail the performance of the economy of Guyana over the past four years, and give some idea of our plans and aspirations for the present year. In passing I would, however, like to inform members that over the past years the financial policies pursued by this Government have been sound. In general, our current account has been in surplus; the Government has been able to prevent a wages and cost spiral; our indebtedness to the banking system as well as our balance of payments position have not given cause for alarm; on the contrary our foreign reserves have increased, largely due to the substantial influx of development capital in both the public and private sectors of the economy.

We have made substantial inroads into our unemployment, but the rate of unemployment is still

disturbingly high. Government recognises this, but is confident that with the impact of our development programme for the year on large projects like road construction, sea defence, rice rehabilitation, and on numerous smaller community development and self-help projects, further reductions will be recorded in the rate of unemployment in Guyana. "

A stable and sound financial policy has also had its impact on the productive sectors of the economy. There has been, as will be noted in full later in my speech, a reasonable rate of economic growth and prosperity. Prices have been kept reasonably stable and the general state of demand has been rather buoyant. This situation became associated with a higher level of consumption, and an expanded total value of capital installed.

Over the past four years the Government has reshaped, inspired and improved the machinery of development spending to such an extent that, in this the fourth year of our Seven-Year Development Programme, the Government is proposing to spend approximately \$62.0 M. on capital works and services. As a Government we are desirous of spending even more, but this level of capital expenditure is the maximum that the public sector can reasonably undertake in this year, bearing in mind the constraints imposed by the limitations of our financial and physical resources.



as private sector capital expenditures are expected to exceed last year's level only marginally, the Government must be prepared to do its utmost to stimulate the economy and provide the means for sustained growth by the injection of substantial sums of development capital.

This programme of capital expenditure calls for the raising of large sums of money. Honourable Members should know that in the financing of our development budget the country has been able to attract appreciable assistance from the Governments of the United States of America, of the United Kingdom, and of Canada, as well as the International Bank for Reconstruction and Development and the International Development Association. Most of the loans are long term and with fairly low rates of interest. In some cases we have got outright grants. In other cases, however, particularly the I.B.R.D. loans, the rate of interest has been set at a commercial or near commercial level. " I think, Sir, that Honourable Members would like to be assured that it is the Government's intention to use funds put at its disposal as effectively as possible. "

But, external assistance usually comes with specific terms. The funds are tied to the provision of local counterpart finance, and, in most cases, they are provided by the aid-donor for specific projects.

While we certainly appreciate receiving this assistance from friendly foreign Governments, and International agencies, it must be clear that financing the development budget from external loan funds introduces certain unfortunate rigidities into the development programme that is implemented. If, therefore, there is to be the flexibility that is desirable for implementation of its programme, more and more funds must come from domestic sources. The rate of saving must be increased and more of these funds must be made available to the Government for development purposes. 16

Local savings must be utilised for domestic development. It is an incongruous situation when the savings of a poor country are, in practice, used to finance foreign development, because so much of the funds of our financial institutions are controlled by foreign interests. It is the view of the Government that business - industrial, commercial and financial - must contribute more to the development and defence effort of Guyana. Individuals, too, must be prepared to shoulder a greater responsibility, and we must endeavour to ensure that everyone contributes.

Many of us have serious reservations with regard to indirect taxation; the most usual argument against such taxes being their regressive nature.

Taxes on income tend to be more progressive because in general they are related to the person's ability to pay. Unfortunately, for too long there have been those in our community who have succeeded in evading their legitimate tax liabilities. It is not an accident that we continue to rely heavily on customs duties and excise taxes - all indirect forms of taxation - for a major part (nearly 50%) of central government revenue. The Government must therefore take a hard look at its fiscal system and must devise a system of taxes which is responsive to the growth of income, while being fair to all persons.

Further, Mr. Speaker, Sir, this Government is aware of the fact that much is being lost to the country, not necessarily through deliberate wastage, but simply through the inadequate control of resources and the lack of initiative in the application of rules in matters demanding great urgency. In the face of this situation, this Government intends to make a three-pronged approach to development within the structure of Government business. First, we shall examine the situation to find out in greater depth where money can be saved and also where value can be obtained from the maximum utilisation of existing government facilities. Second, we shall survey the field to discover where it is possible for Government to make substantial investments. Third, we shall continue to

identify the fields in which subsidies can either be reduced or removed altogether.

The Government considers these matters so urgent and important that it intends to entrust them to special committees which will be set up next month to review fiscal policy and related governmental procedures. One Committee will examine the whole structure of taxation to bring it up to date with our changed economic and political situation.

## **INTERNATIONAL ECONOMIC RELATIONS AND GUYANA**

### **Developments in International Trade**

Mr. Speaker, I now turn to the international scene. In the sphere of international economic relations, the Government has continued to play a leading role in cementing the process of regional integration and in making constructive and valuable contributions to discussions at meetings of international institutions. Guyana was represented at the historic meeting of the Second United Nations Conference on Trade and Development held in New Delhi during February and March, 1968 and was there elected a member of the small Working Party which considered and reported on the World Food Problem. The Government is following with great interest the

developments in the Trade and Development Board of UNCTAD and in its other organs, such as the four main committees and the inter-governmental groups. Decisions on commonly agreed international plans within the UNCTAD framework would certainly affect our future trade and economic development, and, for this reason, Government intends to continue its efforts to assist in achieving solutions of outstanding problems on commodities, development finance and aid, tariff preferences, East/West trade, and compensatory and supplementary financing of unfavourable fluctuations in export earnings.

Guyana has already shown its deep involvement in, and concern for, practical solutions to these problems when it attended the International Sugar Conference which was convened in Geneva last year under the auspices of UNCTAD. In December 1968, the Government ratified the new International Sugar Agreement which was drawn up at the International Sugar Conference. Guyana also participated in the annual general meeting of the Contracting Parties to the General Agreement on Tariffs and Trade held in Geneva. The Government has welcomed the progress made by some of the developed contracting parties of GATT. in the implementation of the new Part IV Agreement on Trade and Development. However, there is still some concern about the slow progress which has so far been made in convening a negotiating

conference of GATT. for the purpose of correcting some of the short-comings of the Kennedy Round of tariff negotiations, particularly as far as the trade of the developing countries is concerned.

#### International Finance

The recurrent crises in the currencies of the world, which keep us on the brink of a financial abyss, underline the need for the creation of new means of financing international trade. The proposal by the International Monetary Fund that international liquidity should be supplemented by the establishment of a system of Special Drawing Rights merits our wholehearted support.

The scheme is not, and in the nature of things cannot be, to the satisfaction of everyone. The distribution of the new purchasing power is certainly not as advantageous to developing nations as it should be. The scheme will become operative only if there is a positive vote in favour by a very high proportion (85%) of the total voting power. All these represent concessions to conflicting interests which diminish the general usefulness of the new proposals.

But against all this, we can set the fact that it has been generally accepted that the needs of

international trade, and the objective of financial stability, should not be left to the whims and caprices of changes in gold and in reserve currencies. This is a small beginning, but it is a beginning. The aim now should be to clear the way for the introduction of the scheme as soon as possible.

This House has approved that Guyana should participate in the scheme for Special Drawing Rights, and the necessary legislation will be presented in this session. Meanwhile, it is something of a disappointment that sufficient member countries and votes have not yet been collected to implement the change in the Articles of the Fund relating to Special Drawing Rights.

Another proposal of international significance, which is of great importance to developing countries, is that for a further replenishment of the resources of the International Development Association. The need for development finance is so considerable, that the funds of the Association fall far short of the demands on its resources. The introduction of this replenishment is dependent on the agreement of a sufficient number of developed territories to contribute to the scheme. I express my admiration of those countries which have already agreed, and, moreso, of those who have gone further and offered payments on account of their contributions when the

scheme is accepted.

The outlook for development aid for developing countries, though not altogether bleak, can hardly be described as rosy. The continued sensitiveness of the pound in the money markets of the world, the balance of payments difficulty of the dollar, and the threat posed by the perilous balance of the franc, do not provide an appropriate climate for development aid.

The Second Conference of Aid Donors was held in Guyana during last year. This meeting provided us with the opportunity to present our particular case and problems to our friends from overseas. Discussions at these conferences are beginning to bear fruit. We have been able to secure finance for sea defence works and for education projects. We have also been able to secure, in some cases, more liberal terms and conditions of aid.

#### **Regional Economic Integration**

Our efforts towards regional integration in the Caribbean have been unflinching and the past year has seen several successful achievements towards this aim. CARIFTA and the Agricultural Marketing Protocol came into operation on 1st May, 1968. This Protocol seeks to create a common and wider market for about



two dozen agricultural items produced within CARIFTA, and to guarantee remunerative prices to producers. Some progress has also been made towards the harmonisation of policies relating to duty free importation of raw materials, quantitative import restrictions and industrial standards. These represent but few of the areas in which the Government along with its CARIFTA partners, has taken measures aimed at eventually promoting economic growth in the region and raising the standard of living of our people. However, if the existing trade opportunities within the region are to benefit us, then the private sector must quickly grasp them.

Our recent trade mission to the Caribbean has seen tremendous export opportunities for such commodities as lumber, rice, fish and shrimp, plantains, pineapples and other agricultural products, jewellery and handicraft, to mention only a few items. Government is prepared to assist local manufacturers in their drive to expand existing export markets and to capture new markets. Already steps have been taken for the granting of duty-free importation of raw materials to enable local manufacturers to compete on an equal footing with their counterparts in the other CARIFTA territories.

We cannot deny the need for, and the importance of, a National Export Council in the promotion of

exports not only to the CARIFTA region but also to other parts of the world. Indeed, our main and traditional exports - bauxite, sugar, rice, rum and shrimp already have their own private marketing arrangements for export sales. However, any meaningful policy on export promotion cannot take into consideration only the relatively static markets of the main traditional exports, but also the diversification of the export structure and the promotion of new exports. Consideration is therefore now being given to the establishment of a National Export Council and an Export Services Bureau.

Meanwhile it is planned that the Regional Development Bank will be well on the road to establishment this year. This will increase the gains from the regional integration exercise to all participating CARIFTA member countries.

The outlook for the economy, both in the international and the regional sphere, appears promising.

## REVIEW OF THE DOMESTIC ECONOMY

### General Review

Mr. Speaker, I must now turn to a review of the economic situation on the domestic scene and the

prospects it holds for 1969.

|| During 1968, the sum total of goods and services produced (the Gross Domestic Product or the G.D.P. for short) increased by about 7 per cent in money terms. After allowance is made for a rise of about 2 per cent in the general price level there remains an increase in real terms of about 5 per cent. A growth rate of this magnitude is very modest when consideration is taken of the fact that the population seems to have been expanding at just under 3 per cent per annum. || However, Sir, this is only a part of the whole story. The rest of the story is, that, from the latter part of 1964 to the end of the last calendar year, the Guyanese economy was experiencing continuous and positive growth of the G.D.P.

Firm statistics indicate that in 1964 the G.D.P. had increased by 3 per cent over what it was for 1963. For 1965 and 1966, an increase of over 6 per cent for each year was recorded. In 1967, the increase was just under 6 per cent. Even after allowing for price increases the indications are still in support of continuous progress for the economy.

|| Economic improvements, Mr. Speaker, have not been confined to the global level, that is, to a national aggregate level. When we examine other

indications of economic progress the evidence is equally comforting. Per capita incomes, for instance, have been rising. Between 1964 and 1967, income per head of the population increased by as much as 12 per cent.

Mr. Speaker, I have confined myself to the more important factors which contributed to the trend of general progress I mentioned a short while ago.

In the first place, Sir, the years of reasonable progress were associated with an environment that was relatively more stable politically than any Guyana had experienced in recent times. This environment was mainly the creation of the present Government. All other things being equal, an environment that is politically stable breeds confidence among people to have a stake in the country. This is exactly what has been happening in Guyana in the last few years. Investors demonstrated, in a positive way, that they had faith in the future of a country whose government knew what it was about. The result was that investment funds came from all quarters to finance the establishment of an increasing number of processing plants, and the expansion of construction activity in the private sector. The public sector at the same time complemented the private sector with a relatively high level of capital formation and current spending.

The decision to devalue the Guyana dollar in 1967 also made its contribution. In my last budget speech, Mr. Speaker, I referred to the monetary gains from our exports to the countries that did not devalue their currencies. Some of the increases in the value of our exports originated from this source, and prevented the fall in the volume of some of the main export items from having a significant influence on our earnings from overseas.

The industrial relations situation had been kept well in hand, generally speaking. There were fewer strikes than in 1967. These were not of sufficiently long duration to give rise to significant dips in the volume of total output.

There are a number of problems on the debit side of our national economic activity that served as constraining and restraining forces at the same time as the more favourable forces tended to propel the economy along. The net effect of these influences, Mr. Speaker, was the trend of the moderate growth performance to which I referred earlier on. The population was growing by leaps and bounds, and one of the main implications of this factor was to create a need for increased public expenditure to provide the necessary social facilities. Expenditure on items of this nature does not generate immediate financial benefits to the economy. It takes a long

time before the effect is felt. And it frequently happens that when the effect is felt, it is of benefit to the community in its contribution to the scale of social and community services, rather than in its direct contribution to increased production. Be that as it may, no community can really afford not to spend sufficient to maintain these services above a certain minimum.

Mr. Speaker, I would now like to turn to expenditure. The components of expenditure on domestic production are private consumption, government consumption, investment of capital formation and exports minus imports.

Private consumption increased from \$272.7 M. in 1967 to \$281.2 M. in 1968, that is, by 3 per cent. Government consumption, on the other hand, increased four times as fast as this. For both private and government consumption the trend of increases rose every year since 1964. It was, however, higher for government consumption.

Private investment declined from \$80.0 M. in 1967 to \$67.0 M. in 1968. The decline was of the magnitude of 16 per cent. The completion of the bauxite expansion programme with the consequent

reduction of investment in that industry was the main reason for this decline. Government investment, on the contrary, rose by as much as 30 per cent over its 1967 level. Here again, Sir, the trend of annual increases since 1964 was at a higher level for Government investment.

Mr. Speaker, I would like to indicate at this point that there were two main factors which explain the relatively higher trend in the level of Government consumption and investment. The first reflects the obligation of the Government to compensate the short-falls in the level of economic activity planned for the private sector. This type of Government spending covers the short-run situation. The second factor stems from an emphasis in Government's policy for the long-run situation.

Exports of goods and services rose from \$197.5 M. in 1967 to \$238.9 M. in 1968. The magnitude of the increase was just above 20 per cent. Imports of goods and services, on the other hand, showed a modest rise of 2 per cent. Last year was an unusual year for exports and imports in the light of their performance over the preceding years.

Since 1964 the evidence showed that imports had been running at a very much higher level than exports. The balance of visible trade was in surplus for the

year 1968 to the extent of \$9 M. The surplus was twice as large in 1964 but the visible trade balance was in deficit for 1965, 1966 and 1967. The lesson to be derived from all of these trade figures, Mr. Speaker, is that, generally speaking, our recent balance of trade history has not been a very promising one. The fact that we have depended much in the recent past, and would continue to depend for some time in the future upon foreign capital, implies that we have to make sure that these funds are properly spent, so that in time the loans could be repaid and reasonable surpluses realised to benefit the economy.

### Exports

I mentioned earlier on, Mr. Speaker, that the performance of exports in 1968 was an unusual one. The exports of bauxite/alumina account mainly for the large increase in total export receipts in 1968. There was an increase in the scale of production (the output of bauxite and alumina products rose from 2.3 million in 1967 to 2.7 million tons in 1968) as well as in prices as a result of devaluation. The average price of calcined bauxite increased from about \$54.85 per ton in 1967 to about \$62.57 per ton in 1968; dried bauxite prices were about \$15.29 and \$15.84 per ton in 1967 and 1968 respectively. The average price of alumina increased from about \$116.35 per ton in



1967 to about \$135.37 per ton in 1968.

The total value of our rice exports increased from about \$25.2 M. in 1967 to about \$27.6 M. in 1968. The recent undertaking by some Caribbean Commonwealth countries to purchase better grades of our rice at higher prices will mean increased earnings on our rice exports during the current year.

The value of sugar exports which stood at about \$54.6 M. in 1967 is estimated to have increased to about \$60.3 M. in 1968. This increase was due to the 1967 devaluation and also to the rise in price of sugar in the United States market, stemming from the operation of economic forces. We expect that the value of our exports of sugar would increase even further during the forthcoming year as a result of the new International Sugar agreement to which we are signatories.

#### **Imports**

There has also been indicated a modest shift in our import trade structure. The proportion of total imports taken by consumer goods (durable and non-durable) has fallen from 37 per cent in 1964 to 33 per cent in 1967. Correspondingly the proportion going to capital goods has increased. The programme of import substitution is having some

influence in this area. The share of consumer imports taken by food, beverages and tobacco group declined from 15 to 12 per cent over the period. On the other hand, statistics available from the Ministry of Agriculture and Natural Resources have indicated increasing local production and consumption of citrus products, bananas, corn, beef, pigs, sheep, goats, commercial poultry, margarine, and beer and stout.

Mr. Speaker, there is no room for complacency. Government would therefore continue its efforts towards increasing even further the favourable "trade gap" surplus by means of vigorous policies on non-essential imports, import substitution and export promotion.

#### ECONOMIC FORECASTS FOR 1969

Mr. Speaker, I shall now turn to the economic prospects of the country for 1969.

Earlier on I showed that despite the constraints on economic growth that operated in 1968, the economy made satisfactory progress. I do not expect much change in the International Economic scene for 1969.

The continuation of the present level of

devaluation, the new price for sugar recently agreed upon by the International Sugar Conference, the promise of more liberalized aid given at the Second Aid Donors Conference and the marketing opportunities for agricultural products to CARIFTA countries, are factors to be borne in mind in the international area. The influence of these factors upon the economy would be positive indeed. I anticipate, Sir, that negotiations at the level of UNCTAD would still be pursued. I also assume that progress towards finalising the Kennedy Round would be slow and that there would be very little easing up of the restraints against the flow of capital funds from the developed to the developing countries. These negative factors influence the economy, indirectly, to some extent. I do not consider them strong enough to nullify the positive influences. In short, I anticipate that some of the international factors will make positive contributions to our economic growth in 1969.

On the Domestic Front the indications point to 1969 being a better year than 1968. I assume the continuation of political and greater industrial peace (and Mr. Speaker, these assumptions are fairly reasonable to make at this stage) and the determined will to "survive", to make sacrifices and to go forward among our people.

Permit me to be a bit more specific here,

Mr. Speaker.

|| The public sector has planned a total expenditure of \$167.3 M. - Current Expenditure is estimated to be \$105.3 M. and Capital Expenditure \$62.0 M. This level of expenditure is \$30.5 M. more than what it was for the Revised Estimates for 1968. The significant rise in the level of Expenditure is accounted for by the increased emphasis given to Drainage and Irrigation, Sea Defences, Water Supply, Agriculture and Land Development, the Rice Rehabilitation Programme and the Resettlement of the Interior. | Capital Expenditure by the Public Corporations is also expected to be high. Mr. Speaker, this rising trend of Public Expenditure makes for a comforting economic prospect, especially when this is taken in the light of the contribution the public sector had been making, in the past, to our level of economic activity.

For the private sector, it is estimated that the level of investment would be almost at what it was in 1968, that is, at \$99 M. No significant amount of investment is forecast to come from the bauxite/ alumina operations. The normal replacement and maintenance expenditure of the sugar and rice industries is expected to continue at the level of 1968; while the level of activity in the construction trade is expected to rise significantly. This would be due to the substantial

amount of activity to take place in the field of private sector housing (I refer here mainly to the T.U.C. and the Brezina Schemes). The Guyana Development Corporation is also expected to be more actively involved in the establishment and management of joint enterprises. A sizeable sum of funds is earmarked this year for the pursuit of this objective.

Mr. Speaker, when all of these main considerations are taken into account it is reasonable to expect an upsurge of activity in the private sector.

I need to make a point at this juncture, on the projected level of Private Consumption for 1969. In the first place, the aggregate level of investment expenditure anticipated for the economy would be generating incomes, part of which would go towards private consumption expenditure. In other words, investment would generate private consumption expenditure. In the second instance, and this seems to me to be the more significant point, the private sector would be having more purchasing power for disposal by virtue of the salaries and wages awards to be settled. ( \$8.5 M. have been paid out to sugar workers in December 1968. This volume of purchasing power has not been fully expended into the economy. Government plans to implement a salary revision in the Public Service this year. This is also likely to be associated with increases for Town

Council and Public Corporation employees. It is estimated these anticipated increases would result in a further injection of money into consumers' pockets of the order of \$6 to \$8 M.).

The level of bauxite/alumina exports is estimated to be higher in 1969. There is more installed production capacity in the industry. When this is associated with the favourable prices, the result of devaluation, the earnings from the industry would rise.

With reference to the Rice Industry, given favourable weather conditions and, in the light of the recently negotiated increases in the price of rice of the better quality, exported to CARIFTA countries, it would be reasonable to expect a big increase in export earnings from rice.

Sugar production fell from 344,000 tons in 1967 to 317,000 tons in 1968. With an improvement in the climate of industrial relations it is anticipated that the 1967 level of production would be maintained and/or even be surpassed in 1969. Given the negotiated pricing arrangements and the recent rise in price consequent to the conclusion of the International Sugar Conference, it is reasonable to expect a rise in the value of sugar exports.

The indications also point to a rise in the level of imports for 1969; higher than it was for 1968. This would be so, mainly because of the open nature of the economy, the small off-setting influence to be expected from the programme of import-substitution, and from the anticipated rise in the level of purchasing power in the hands of private consumers.

Given the anticipated levels of public and private expenditure for 1969, and the indications for private consumption and the probable behaviour of the Foreign Trade Sector, I am confident that the outlook for the economy holds much promise and that 1969 should be a better year than 1968.

I forecast that in 1969 total production or the gross domestic product at factor cost would increase by about 9 per cent; stemming mainly from activities in mining and in quarrying, sugar and rice, engineering and construction and Government.

Our conviction has been that the main thrust to development must come from our own efforts. Confidence in our capacity has grown during the execution of hundreds of self-help projects. Only through long term investment designed to restructure our economy, both to reduce the relative dependence on imports and to develop new exports, can sustained

economic growth be generated.

The determination and capacity of Guyana to marshal her own resources - both human and material - for development will continue to develop.

#### ORGANIZATIONAL CHANGES AND IMPROVEMENTS

Mr. Speaker, I would like to refer to a number of organizational changes and improvements that have taken place in 1968 in the Ministry of Finance. In the main, these changes were confined to the Departments of Inland Revenue and Customs and Excise. The objective was to streamline these departments and, ultimately, to improve the revenue-collecting capacity of the Ministry as a whole.

#### Department of Inland Revenue

The Income Tax and Estate Duty divisions of the Inland Revenue Department have recently acquired an additional 5,000 sq.ft. of floor space to provide for the expansion of various sections of the divisions and to make reasonable provision for members of the public who are normally required to call at the offices to discuss the settlement of their individual tax liabilities, the acquisition of certain documents which are required under the Income Tax Ordinance or the departmental procedures which should



be followed in particular circumstances.

The Department is fully aware of the problems experienced by the members of the public from day to day and it is intended in the current year to introduce a programme of Taxpayer Education and Assistance in order to promote public awareness of the laws, regulations, practices and procedures which are relevant to the administration of income tax in Guyana.

During the past year, the Income Tax Division has collected more than \$1,000,000 of income tax arrears. It is intended to accelerate the departmental effort in this direction by re-inforcing the administrative machinery in 1969.

A Legal section was established in the department to contribute towards the prompt and efficient enforcement of tax collection. In addition, an Investigations section has also been recently introduced to handle field audit operations.

During this year, Sir, the implementation of the programme of departmental re-organisation would be pushed further. The entire programme will involve the visits to Guyana of technical personnel from overseas. Senior officers of the department are also to go overseas for periods of attachment.

## Department of Customs and Excise

### Training

A programme of in-service training was launched early in 1967 and was expanded in 1968. The impact of this programme is already being felt. There is a marked increase in the efficiency of the trainees; this is mainly reflected in the reduction of complaints from ships' agents and merchants concerning the handling of goods.

### Valuation Branch

Mr. Speaker, it was found necessary to have established in the department a Valuation Branch. Although personnel has not yet been recruited, the department has, at considerable strain to other sections, posted staff to this new branch. Evidence of evasion of duty has been discovered. Punitive action has resulted in the infliction of penalties totalling over \$120,000 within two months of the commencement of the section's activities.

Taking the amount of cases discovered as a guide, it is expected that, with the full functioning of the Valuation and Enforcement Sections, a considerable increase of customs duties would result.

**CARIFTA Matters**

The customs administration of the "CARIFTA" agreement is going smoothly. There has been no serious problem and those problems that arose were quickly solved. This was due, to a large extent, to the liaison developed with the CARIFTA Secretariat and the Customs and Excise Departments of the other territories.

**FINANCIAL SITUATION**

Over the past four years, taken together, current expenditure, which in 1968 was \$27 M. or about 40 per cent higher than in 1964, was held below the level of current revenue in spite of the unavoidable expansion of the public services arising from Independence. The current balance improved by about \$8 M. - from deficits of \$3.4 M. and \$4.7 M. in 1964 and 1965, to surpluses (after all debt charges) of \$4.1 M. and \$4.8 M. in 1967 and 1968, respectively.

Indeed, current revenue has risen from \$67 M. in 1964 to \$102 M. in 1968 - by \$35 M. or about 50 per cent. The greater part (two-thirds) of this enlargement of the Government's revenues has come from the sheer growth of the economy under the impetus of expansionary policies; the gross Domestic Product at current factor cost increased by about a third, and

the increase in the level of taxation - by about 20 per cent - supplied about a third of the increase in revenue.

Taxation is fairly high - the equivalent of 22 per cent of the gross Domestic Product at current factor cost - but even so, inadequate to produce sufficient public savings to support public investment of the order required for a reasonable rate of economic growth. As I said in my opening remarks, the fiscal system is to be reviewed and modernised with a view, not only to the raising of revenue, but also to ensure that the responsibility for taxes is fairly distributed.

In spite of the expanded needs for public services arising from Independence, no debt burdens have been assumed to finance current expenditure. Debt has been incurred only in respect of capital expenditure necessary for increasing the country's productive capacity and raising the standard of living of the community. To this end the Government's public investment programme has been enlarged to three and one half times its 1964 level - rising from \$10 M. in 1964 to \$35 M. in 1968. During the past four years capital expenditure totalled \$132 M. Of this, nearly a third was financed from local revenues (the current surplus and capital revenue) and foreign grants - thus avoiding debt burdens to this extent. Rather less than

a third was financed by local borrowing - thus entailing no increase in the real burden of debt on the country - partly long-term and partly short-term, to some extent by deficit-financing from the banking system. The real burden of the remainder (substantially more than a third), raised by borrowing abroad, was lessened by the concessionary terms obtained on such loans.

The total public debt (net of accumulated sinking funds) rose from \$97 M. at 31st December, 1964, to \$175 M. at 31st December, 1968, i.e. from about one-and-a-half year's current revenue to about one and three-quarters. The external debt now amounts to \$110 M. net of sinking funds. Debt charges are relatively low, involving an average maturity of nearly 20 years. The debt charges on external debt amount to only about 5 per cent of total exports.

Large surpluses on the balance of payments were built up during the stagnation of the economy between 1962 and 1964, when the gross Domestic Product at factor cost increased not at all. But in spite of the reflation and the expansion of the economy in the past four years, involving deficit-financing of some \$23 M., and raising its G.D.P. by a third, the country's external reserves have been maintained well above their end-1961 level. Their level (in terms of the banking system's

holdings) at the end of 1968 was \$50 M., as compared with \$56 M. at the end of 1964 and \$30 M. at the end of 1961.

#### REVENUE AND EXPENDITURE 1968

Mr. Speaker, I have just sketched in outline with comparisons the financial situation between 1964 and 1968. With your permission, Sir, I would like to elaborate a bit more on the financial picture in 1968.

The 1968 Estimates provided for current expenditure of \$95.9 M. which, with a revenue forecast of \$106.3 M. projected a surplus of \$10.4 M. The 1968 revised estimates indicate a surplus of only \$4.7 M.

The actual yield of the revenue (\$102.1M. as shown in the revised estimates), was \$4.2 M. less than estimated but was nevertheless \$9.2 M. (nearly 10%) higher than the actual receipts in 1967. At \$36.2 M. import duties yielded \$2.5 M. less than the estimate (\$38.7 M.) and \$0.8 M. more than the actual receipts in 1967. The additional import duties which were introduced last year with the objective of restricting the demand for imports and of encouraging import substitution, together with the effects of CARIFTA, have reduced the overall annual rise in import duties from 6 per cent in 1967 to 2 per cent in 1968.

The yield of excise duties (\$10.7 M.) was \$0.7 M. less than estimated (\$11.4 M.) and \$0.6 M. (6%) higher than in the previous year. The other major elements of the revenue - income tax, yielded \$34.1 M. or \$0.9 M. less than estimated but nevertheless \$5.6 M. more than in 1967.

Current expenditure in 1968 is now estimated at \$97.4 M. - only \$1.5 M. more than the approved estimates despite supplementary provision of \$7.5 M. The greater part of the supplementary provision was, therefore, off-set by savings. The actual expenditure in 1967 was \$87.9 M. and so the expenditure in 1968 (\$97.5 M.) was \$9.5 M. higher than in the previous year. The significant increases on 1967 expenditure were:-

Under Social Assistance	-	\$0.5 M.
Works and Hydraulics	-	\$0.9 M.
Education	-	\$1.1 M.
Health	-	\$0.4 M. and
Public Debt	-	\$4.0 M.

The current surplus of \$10.4 M. projected for 1968 was not realised and the main factors to account for this were that:-

- (a) it was not practicable in our situation, at the present time to implement the

programme of drastic reduction in subsidies originally contemplated;

- (b) it was exceedingly difficult in practice to maintain the programme of reduced expenditure, due to unforeseen circumstances;
- (c) the preparation of the revenue estimates for income tax and rents from the land development schemes assumed that considerable sums in arrears would be collected.

In fact, this was not possible as the relevant tax collecting arrangements were <sup>not</sup> geared to effect collections at the high levels projected.

#### CAPITAL EXPENDITURE FOR 1968

According to the revised estimates for 1968, Mr. Speaker, Capital Expenditure was \$39.4 M. This was \$1.9 M. less than it was in 1967 and \$7.5 M. more than it was in 1966. The main categories of expenditure were as follows:-



(i) Surveys and Studies for developmental purposes	-	\$4.6 M.
(ii) Roads	-	12.5 M.
(iii) Railways, Steamers and Airways	-	4.3 M.
(iv) Drainage and Irrigation, Sea Defences, Water Supply, Agriculture and Land Development	-	4.6 M.
(v) Rice Rehabilitation Programme	-	0.4 M.
(vi) Defence and Police	-	0.9 M.
(vii) Education	-	2.3 M.
(viii) Housing	-	0.5 M.
(ix) Loans to Corporation	-	1.4 M.
(x) Loans for various developmental purposes	-	1.9 M.

The surplus revenue (\$4.7 M.) on the current account, as well as the capital revenue received during the year, financed \$33.0 M. that is just over 80 per cent of the total estimated capital expenditure. There was, therefore, a small deficit of \$6.4 M. on the Budget for 1968.

Of the total of \$28.3 M. received in capital revenue during 1968, local funds provided \$6.0 M. (21%) - \$4.5 M. from the issue of debentures and savings bonds and \$1.5 M. from revenue receipts of a capital nature - \$1.1 M. more than estimated. Foreign aid provided \$22.3 M. (79%) - \$7.2 M. in the form of grants and \$15.1 M. in the form of loans.

### 1969 CURRENT EXPENDITURE

Mr. Speaker, the estimates of current expenditure now presented to this Assembly call for expenditure of \$105.3 M. - \$7.9 M. higher than the revised estimates for 1968 and \$17.4 M. more than the actual expenditure of 1967.

Compared with the 1968 revised estimates, public debt payments are reduced by \$1.3 M.; Other Charges account for an increase of \$3.9 M. and Personal Emoluments for the remainder. Emoluments cover the filling of new and vacant posts and the payment of salary increments. The increases fall mainly under Defence Force (\$0.4 M.), Economic Development (\$.4 M.), Police (\$1.1 M.), Agriculture (\$0.9 M.), External Affairs (\$0.5 M.), Works and Hydraulics (\$1.0 M.), Education (\$1.4 M.) and Health (\$1.3 M.).

### 1969 CURRENT RECEIPTS

The current receipts of the Government - its ordinary revenue - are expected to yield \$104.3 M. This is \$2.2 M. (2%) more than the revised estimates for 1968 (\$102.1 M.) and \$11.4 M. more than the actual receipts in 1967.

Import duties are estimated to yield \$39.0 M. - \$2.8 M. more than the 1968 revised estimates (\$36.2 M.). The estimate allows for a full year's loss of duty as a result of CARIFTA, and also for the freeing of certain items from its reserve list during the year on a level of imports estimated at \$240 M., 5 per cent higher than 1968; a greater proportion of these imports is, however, expected to be consumer goods from CARIFTA territories.

It has been assumed that the excise yield will rise by 5 per cent to \$11.2 M. The income tax yield is estimated at \$32.1 M. - \$2.0 M. less than 1968. However, this estimate includes company tax receivable during only three quarters of the year; the estimated company tax collection during the fourth quarter has not been taken into account.

Arrears of rents from land development schemes account for \$0.6 M. of the estimated increase in revenue for 1969 and, on the other hand, with the discontinuance of the Development Tax, there is a reduction of \$1.2 M. in the revenue.

#### SUMMARY OF CURRENT ESTIMATES

The actual figures for 1967 show a surplus of \$5.0 M., and the 1968 revised estimates show another surplus of the order of \$4.7 M. - a total

surplus of \$9.7 M. during the two-year period. Since the current estimates must contribute substantially towards the financing of our capital expenditure, the projected deficit of \$1.0 M. for 1969 must be liquidated to balance the budget and, further we must show an appreciable surplus.

Our development needs are urgent and many and, in addition we must perforce incur expenditure now (which we can ill afford at this stage) on defence and the police in order to preserve our borders. If we do not increase our expenditure on these two services now, we may be embroiled, unprepared, in bitter conflict later on and would have to face up to heavy military expenditure and loss of life and, of course, a corresponding slowing down of our development programme and also probably loss of territory. In our circumstances, expenditure on defence and police now is an investment of high priority - an investment to preserve peace and quiet in the nation and to maintain the climate for ordinary investment.

The local contribution towards the development effort during the period 1965 - 1968 in the form of debentures, savings bonds and savings certificates totalled \$34.9 M. - a very substantial sum. The estimate for 1968 from this source was \$4.0 M. but we realised \$4.5 M. as is shown in the revised

estimates with two issues of debentures being over-subscribed before their closing dates. We have projected \$4.0 M. from this source for 1969 but we would be expecting a larger sum in recognition of our circumstances. So much for formal lending of funds by the public to the Government at a reasonable rate of interest.

I must now refer briefly to informal and unauthorised borrowings from the Government by certain members of the public. The revenue which has not been paid or has been avoided by clever devices, on account of income tax, house, business, land rents on the housing and land development estates, fines, leases, permissions, radio licences etc. are, in fact, unauthorised borrowings from the Government and during 1969 we propose to intensify our campaign to recover such moneys. Justice requires that we should not be complaisant about this. The Government cannot permit persons to retain such moneys when the need for funds for developmental projects for the community as a whole is so urgent. Further, it is unfair for the same members of the community always to sacrifice and pay their taxes while others live virtually tax-free and accumulate capital. Surely the rent for the house in which one lives, and the rent for the land from which one earns one's income, are first charges on one's income.

**1969 CAPITAL ESTIMATES**

The capital estimates as now presented to this Assembly call for expenditure of \$62.0 M. - \$22.6 M. more than in 1968, and \$20.7 M. more than in 1967. This expenditure is the maximum at which we can operate at this time, but is however far from the level which the Government would like to spend on capital works to satisfy the needs of the country.

The sum of \$5.4 M. is to be spent on feasibility surveys - hydro-electric, geological, forestry and topographic - of our natural resources. The sum earmarked for roads is \$14.1 M. - \$8.8 M. for the Corentyne Road, \$2.4 M. for the West Demerara Road and \$1.4 M. for the Atkinson Field/Mackenzie Road - and \$5.9 M. is provided for improving the other communication media, viz. railways, steamers, harbours and airways. To improve the nation's general efficiency the sum of \$5.6 M. is provided - \$4.4 M. for education (including the University of Guyana), \$0.5 M. for health and \$0.7 M. for housing. Drainage and irrigation, sea defences, water supply, agriculture and land development account for \$13.5 M. and the rice rehabilitation programme for \$5.7 M. Defence and police account for \$0.9 M. and the resettlement of the Interior for \$1.0 M; \$2.6 M. is provided for loans for various developmental purposes.

Funds in sight to finance this expenditure total \$50.7 M. - \$0.9 M. from miscellaneous capital revenue, \$5.5 M. from foreign grants, \$40.3 M. from foreign loans and \$4.0 M. from local loans.

There is therefore a deficit of \$11.3 M. on the capital estimates.

#### TECHNICAL ASSISTANCE

As Honourable Members would no doubt agree, Mr. Speaker, the social and economic development of Guyana depends not only on the efficient utilisation of our abundant natural resources and of capital (in the form of machinery, materials, etc.) but also, and equally important, on the efficient utilisation of manpower. Without adequate skills and training appropriate to the task to be performed - be it technical, managerial or administrative - maximum efficiency on our development efforts cannot be achieved and the scope and pace of our development programme cannot be maximised.

Unfortunately, Guyana, like other newly independent developing territories does not at present have all the skilled and trained manpower necessary to fulfil the requirements of the country's development drive. Accordingly, the Government is making every effort within its available resources to provide for, and to encourage, education and training for Guyanese at all

levels in fields where training and skills are scarce in relation to our development needs. The Government is of course also doing all it can to encourage Guyanese overseas who possess the necessary skills, training and experience to return to Guyana and play their part in the great and challenging task of developing this country.

However it will inevitably be some time, given the rate at which we expect to progress in our social and economic development before we meet all our needs for skilled, trained, and experienced manpower including manpower in the public sector. As far as the public sector is concerned, we are fortunate in that we have been able to obtain technical managerial and other skilled personnel under programmes of technical assistance from friendly developed countries. We expect to be able to continue to receive technical assistance under these programmes in 1969 primarily in the field of Agriculture, Forestry and Geology. In a number of cases the Government has also been fortunate in securing on a short-term basis, the services of Guyanese specialists who are lecturing or doing research abroad to assist in special assignments of urgent necessity.

As in the case of capital assistance and in accordance with the spirit of international co-operation on development, Guyana is expected to make



certain counterpart contribution to the cost of technical assistance personnel - for example, housing, office accommodation, secretarial staff etc. In some cases it is also necessary to meet at least some part of the salary of technical assistance personnel. The provision in the estimates for Specialist Assistance is intended to meet these expenditures.

#### POPULATION AND INTERIOR DEVELOPMENT

Mr. Speaker, Sir, the need for accelerating the population policy for the interior, which was in progress in certain areas, e.g. in the North West District, arose out of the recent national crisis in the Rupununi where some ranchers who occupied vast expanses of cattle country under permission from the Government, attempted to secede from the State with the help of our hostile neighbour Venezuela.

This policy for population and interior development has three main objectives:-

- (i) the readiness at any moment, to meet aggressive incursions from those who would want to seize portions of our territory;
- (ii) the economic development of the areas of settlement so that firm roots would be taken by the communities involved;

- (iii) the provision of an outlet for some of the population pressure that is being experienced along the coastland.

With reference to the interior area of the North West District, the Government has in progress very detailed surveys relating to soils, forests, minerals and communications, and already much information is available. This information is now being used by the related Ministries working as a team under Cabinet direction in order to prepare a long-term development plan for the whole region. The development proposed envisages large agricultural settlements, saw milling, beef production, fishing, mining, and co-operative industrial enterprises. It is proposed to introduce a closely related system of communications involving air strips, river transport, roads and trails, so that all communities in the North West - both existing and those to be created - shall be inter-connected.

The area to be covered by this project will be about 10,000 square miles and it will be one of the first comprehensive attempts at regional development; one of the many interesting features is that the region will comprise both coastal and hinterland characteristics.

Mr. Speaker, I am sure you do know that the Matthews Ridge - Kaituma area was until very recently a mining industrial district. There were about 640 families dependent on the Manganese Mines Management Limited for a livelihood. This company which was in operation since 1960 ceased mining operations at the end of last year. The decision to close the manganese mines presented a problem and a challenge to both those persons employed by the company as well as the Government. There was no immediate alternative means of employment for retrenched workers, and many left in search of work elsewhere. Government took immediate steps to ensure that families would not suffer.

The Company, after negotiations with Government, decided to transfer all its assets in return for a discharge of all its obligations to the Government.

These assets were quite considerable, including a railway and rolling stock, two steamers, one of which was 3,000 tons, houses and furniture, and electric plant, sundry mechanical equipment, and an appreciable quantity of spare parts.

The Ministry of Agriculture and Natural Resources was, therefore, able to mobilise all the property of

the company for the task of maintaining work and activity in the area. The Ministry started an extensive programme in land development. Most residents formerly mining workers are now actively engaged in farming on a co-operative basis. Since this programme commenced, many persons who had left the area have returned.

There is an existing 30-mile rail-road from Matthews Ridge to Port Kaituma where there are port facilities for small ocean going vessels. It will be possible, therefore, in the future for the products of the North West District to be shipped abroad directly.

The Government will soon be establishing the Interior Development Corporation (IDC) to co-ordinate and develop further the existing programme of interior development.

#### **SELF HELP AND RESOURCE MOBILISATION**

Mr. Speaker, Community development through self-help has not only become a way of life in Guyanese society but it is rapidly transforming Guyanese economy and society. Schools have been either extended or newly built; culverts, sluices, bridges, roads, fences, factories have been constructed by self-help.

Backward communities now enjoy a higher standard of living. No one therefore can doubt the fact that community development has contributed to change in our society and is an important agent in this regard. Self-help has used the old pattern of communal effort in order to affect improvement and efficiency and this Government aims at further increasing its contribution to community development self-help programmes by granting extra funds for this purpose.

Self-help projects utilise the specialised techniques in rural communities by paying skilled supervisors. Through self-help the material and human resources of the various areas of our country have been utilized, appropriate scientific techniques and specialised techniques adopted.

Only in very advanced and prosperous countries could each technical department of Government expect to provide its own services to teach people in all areas.

Self-help provides advantage for technical departments to utilise the available services of a body of men and women whose specific job it is to create among the people awareness of the ways in which they can themselves cooperate in realising schemes for their own betterment - particularly in the fields of agriculture, health and education.

It performs the complementary role of organising people to utilise fully the services of the technical agencies, by greater co-operation between the two, by proper training and orientation to secure administrative commitments from those technical agencies. In the past poor economic conditions in the rural areas resulted in an exodus of people from the rural to the urban areas.

To-day by close coordination between the urban and rural community development programmes integration, balanced development and transformation of rural communities are ensured. It is an integral part of the plans for the development of new towns and cities as well as new settlement areas.

Apprenticeship training schemes are carried out when community development projects are in progress and this accent on job training experience is increasing the number of skilled workers in the various communities and the nation as a whole.

Because of the invaluable contribution of community development and self-help to our economy the financing of community development programmes would be allotted a specific place in the annual and long-term national budget, as it is related to overall economic and social development programmes of the country and not merely treated as a separate

effort of one agency.

For such planning of national growth, the necessary supporting institutions and technical departments will be simultaneously developed. The supporting popular institutions, which may be initially voluntary bodies and which may progressively develop into formally organised and even statutory bodies of local government would be provided with adequate resources for the discharge of their community development responsibility. Therefore the technical staff of the Community Development Division would be strengthened so that it can effectively support the community development programme further down the line at the Local Government and village levels by operating through and servicing such institutions.

The community development programme extends beyond the limits of its own ministry, and community projects in the allocations of other ministries are supervised and co-ordinated, where self-help or community effort is involved, by community development personnel. For example, the Government's allocation for village roads might be incorporated in the Ministry of Local Government's budget, but since its completion would also require the organised participation of villagers this expenditure is determined in joint consultation with

the Community Development Division. Other Ministries and Departments whose allocations are utilised by the Community Development Division are Education, Agriculture, Housing, Works and Hydraulics etc. This permits considerable savings in the allocations of these Ministries as the work is done on a self-help basis. Some technical departments make decisions on community development expenditure in joint consultation with the appropriate community development agency.

Financial assistance to local government units for self-help projects is building up a stock-pile of remunerative community assets such as the productive use of government lands, water supply schemes, housing estates, minor industries, etc.

At the local government level the community development budget is expended only on approved community development projects. The community undertakes such projects in response to local needs and is supported in such undertakings by funds granted on a matching basis. As field level co-ordination rests with the local government, Government's support to community development takes the form of technical advisory services, technical



training support, procuring of needed equipment and materials for training, transport, audio visual aids etc., and credit made available through local government and other suitable institutions under special arrangements. Community Development is an integral part of local government. For a project to qualify for approval it must, among other things, fit into the global development programme.

The role of self-help is to promote local leadership and in the process strengthen, develop and maintain the enthusiasm and interest of the local personnel in community development. Community Development through Self-help lays emphasis on promotion of self-reliant communities with an active sense of national unity and social responsibility.

Man power is the greatest source of the developing countries. By capitalising on the imagination, initiative and energy of people, community development produces better health, agriculture and education. It has already affected the lives of all communities in Guyana and has resulted in the provision of a wide range of projects, both economic and social.

It is termed the "silent revolution". It is bringing about changes in human attitudes, creating self-confidence, respect for the individual and faith in Government. It provides experience and skill in democratic procedures.

## THE CAPITAL BUDGET

Mr. Speaker, in the current year it is the Government's intention to develop the major thrust in agriculture. While we certainly intend to give every encouragement to the establishment of manufacturing industries, particularly those based on our agricultural produce, we nevertheless recognise that industry at best, because it is not labour intensive, must be a very slow absorber of unemployed labour. Agriculture, however, by its very nature tends to be labour intensive. In addition, the closer market ties created among Caribbean Commonwealth countries through CARIFTA has brought new awareness that our Caribbean trading partners constitute a substantial market potential for a number of agricultural products that we could profitably grow in Guyana. The Government's land development and agricultural policies will be geared towards this end, and the allocations, direct and indirect, in our capital budget would reflect this tactic and strategy.

A substantial proportion of our capital allocations will be spent in modernising the rice industry, so as to reduce waste and increase yields per acre in terms of both the quantity and quality of rice produced. The investment in the rice sector which is financed from an interest-bearing loan is expected to yield economic returns, and it is therefore not unreasonable to expect that the agricultural sector in general, and the rice

sector in particular, would contribute more tangibly to the revenues of the Government.

To an increasing extent the emphasis of our development expenditures is on the directly productive sector. As I have said a moment ago, this country would move forward fastest through the development of its agriculture and other primary industries like forestry, particularly if a number of secondary industries are established on this agricultural forest base. Accordingly, agriculture, including land development and other supporting service organisations, like the Guyana Marketing Corporation, the Guyana School of Agriculture, and the Fish Centres, are due to receive a relatively substantial share of our development budget.

Infrastructure spending, particularly on roads, pure water and schools, cannot be neglected and must be continued. The Corentyne/Black Bush Polder road is in the process of reconstruction, approximately \$9 M. having been earmarked for the project. A proper system of education, we all know, is a sine qua non of economic development; for this reason the Government intends to spend substantial sums on education at all levels -- primary, secondary, university and technical. An expansion programme in education which requires the establishment of a number of multilateral schools, costing some \$20 M. will be started in this fiscal year but is due to be completed in approximately two years.

This programme is to be financed from funds provided partly by the World Bank and the International Development Association and partly from local sources. The programme also calls for the establishment of a new Teachers' Training College and for the external training of a number of Guyanese for its implementation.

There would be substantial spending in the other social sectors. In the field of health, sums will be spent on the improvement of certain rural hospitals. In the field of labour, Government has earmarked half a million dollars for the establishment of the National Insurance Scheme. A pure water programme financed largely from U.S. loans has already started and will be accelerated during this year. The programme calls for the expenditure of almost \$4.0 M. in the current year and is expected to bring pure potable water to several communities which do not enjoy this facility at the present time.

Mr. Speaker, the Government is alive to the need to spend on the development of the social infrastructure. Nevertheless, it could not lose sight of the clear necessity to spend on projects which are likely to yield a reasonable return, and so contribute directly to the servicing of the loans which financed them. Hence it will be found that our development allocations are applied in larger measure to such projects as rice rehabilitation, and loans for forest, agricultural and industrial development. The development of facilities

for an adequate supply of stone to meet the needs of the public sector, the development of fisheries and beef cattle, and the establishment of a new farming community in the Arakaka/Kaituma area are some of the other economic projects the Government plans to embark upon this year. In addition, we are continuing to spend substantial sums in surveying our mineral and forest resources.

### **Tiboku Project**

The House will be aware that the Government has been considering for some time the possibility of developing the country's hydro-electric resources. The choice for initial development finally narrowed down to two sites -- Tiger Hill on the Demerara and Tiboku Falls on the Mazaruni. With the financial help of the United Nations Development Programme, the relative merits of these two sites were examined, and in July, 1967, the Shawinigan Engineering Company of Canada recommended to the United Nations that Tiboku be selected as the site. They had also produced, in the previous month, a study of the future market for electrical energy in Guyana. In accordance with their terms of reference, the Company then undertook a detailed feasibility study of the Tiboku site and their report was made available in August, 1968. The main conclusion of this report is that it is technically and economically feasible to construct a hydro-electric development project at Tiboku -- provided a metallurgical demand is added to the normal

electrical demand forecast for the period 1975 to 1985. The engineers advised that the project would not be financially viable if it relied only on the normal growth in the national demand for electricity. What Shawinigan had in mind, of course, was the establishment of a smelter in Guyana for the production of aluminium. I should add that the engineers found the Tiboku development a more economical method of meeting the future electrical demand than either a nuclear development or major additions to the present thermal system.

### Housing

Now, Mr. Speaker, I wish to turn to the question of housing. I am proud to say that the nation has obtained more benefits from housing within the past four years than it has received under any other government. My reason for saying so is that this Government has already completed negotiations and has taken an active part in the programming of housing schemes which, when completed, will provide over three thousand new homes for members of the working class, as well as about one thousand homes for other groups. The former is being done at a cost of some twenty-three million dollars; four of these projects are already in progress, some are in the construction stage and some in the process of being designed or financed. I refer in particular to the TUCVILLE project at La Penitence and Ruimveldt where the TUC Co-operative Society is doing a magnificent job

of house construction with the use of local contractors, and to the C.D.C. project at Ruimveldt. I also refer to the Amelia's Ward project which includes 890 hire-purchase houses and 200 self-help houses in the Christianburg-Wismar-Mackenzie area. I am happy to say that the Amelia's Ward housing scheme has already been fully financed; designs are completed and surveys have started. Government has also released funds to expedite the C.S.A. housing project where 274 residential plots are being made available for housing; and, at this very moment, the clearing of land and building of roads are in progress at South Ruimveldt where about 150 self-help houses will be constructed. In addition, some 225 self-help houses were completed at Meadow Brook, Phoenix Park and Prashad Nagar, and about 1,500 house lots were made available for residential development at Wismar and Meadow Brook.

Other housing projects now in progress are at Reliance, Essequibo Coast and Cumberland, Canje, Berbice. With the encouragement and blessing of Government, finance has been made available from the New Widows and Orphans Fund to facilitate housing for contributors to the Fund.

In the context of this policy, Government is strongly of the view that more families in the lower income group should be afforded the opportunity of owning their own homes rather than continuing to be mere tenants. Government accordingly proposes during 1969 to examine the possibility of making available for purchase on

appropriate easy terms and conditions, rental units on various government housing estates. In addition, Government proposes during 1969 to place greater emphasis on encouraging construction of extensive private housing on the hire-purchase basis by the use of private financing based on Government guarantees.

In order to further assist Guyanese to own their own homes Government is preparing legislation which will guarantee mortgages up to 90 per cent for low-cost housing.

It is proposed to continue during 1969 the provision of Government funds for self-help housing construction and the development of land for the provision of residential sites.

#### **Loans and Grants**

Mr. Speaker, I would like to make some observations concerning certain aspects of the financing of our Seven Year Development Programme. In the implementation of this programme Government has had to rely in a large measure upon foreign financial assistance which came mainly from the United Kingdom, the United States of America, and Canada, and the International Bank for Reconstruction and Development in the form of loans and grants. While the Government accepts the important role which foreign aid has played in making possible expenditure on essential development projects, the



Government clearly recognises that this financial assistance has brought with it certain serious constraints. For instance, loans are tied to projects, implying that financial assistance invariably comes only for those products which aid-donors approve as suitable for their financing.

Admittedly many important projects on which the Government places high priority have been so financed. In this regard I recall the Atkinson/Mackenzie highway, the new terminal building at Atkinson, the new Corentyne/Black Bush Polder road, the pure water supply scheme, the rice rehabilitation scheme, the sea defence project, the forest industries survey, to name only a few; but because aid money does not come as programme aid, a certain amount of flexibility is removed from the Government in its choice of priorities. In addition, loans and grant funds are tied to procurement in the territories whose Governments grant such aid; this means that loans are available only for meeting the foreign costs of the project and such foreign procurement is restricted to the donor country.

The Government must therefore find its own money for meeting the local costs of these projects; in other words, foreign loans most often involve the provision of local counterpart funds. This is why it is so essential that Government makes savings on its current budget in order that adequate funds may be available to meet its counterpart commitments.

Mr. Speaker, while conscious of these limitations, we, nevertheless, must admit that some loans have been granted at low interest rates "2 per cent per annum" with

re-payment periods of up to 50 years and in some cases a 10-year moratorium on the repayment of capital. Guyana too must consider itself fortunate in the amount of foreign assistance it has been able to receive even on these terms, when it is considered that many developing countries have not been able to attract terms any better, or indeed as good. In fact, it is well-known that our per capita income of over G \$450 per annum, is in excess of the limit which the donor countries have set for aid on more liberal terms. It is also a well-known fact that the aid granted to foreign territories by the developed countries has been declining relatively to the gross national product of the developed countries, and it is in this context that we join the under-developed countries of the world in asserting that liberal trading terms for our export commodities are at least as important to our economies as aid under existing terms.

#### THE PUBLIC CORPORATIONS

Mr. Speaker, I would like to say a word in relation to the Public Corporations. As Honourable Members know, there are several public corporations and similar quasi-Government organisations in Guyana, including the Transport and Harbours Department and the Rice Marketing Board. When the Government took office at the end of 1964, all these corporations were losing money and had to be subsidised by the Government. Public corporations are not always conceived of as profit-making enterprises. They ought not to be losing concerns either. They are expected to

break even, and in certain circumstances to make a profit. Most public corporations have a social function to perform; they are there, for instance, to provide farmers with a guaranteed price for their produce; they are there to serve the community interests in a way private enterprise could not.

In spite of this, it is obviously wasteful if the Government continues to subsidise all public corporations, particularly where the losses arise largely from wasteful practices, a lack of dedication on the part of employees, and other removable causes.

This Government during the past four years has endeavoured to remove the causes of loss and to reduce the payment of subsidies to these corporations. Most of the corporations have been able to return smaller losses if not entirely to eliminate them. The Guyana Airways Corporation has been able to cut its deficit from \$324,000 in 1964 to \$140,000 in 1968. The Guyana Electricity Corporation has in 1968 increased its profits from (profits before tax \$151,420, after tax \$67,240) in 1964 to (profits before tax \$826,885, after tax \$630,276) in 1968, and looks forward to a further increase in its revenue this year. Honourable Members would recall that in 1968 the Government had to come to the assistance of the Corporation by paying on its behalf loan repayment commitments which had become due, and which it could not meet. These commitments were unduly heavy

and arose out of a badly conceived financing programme negotiated by the then Government. Government has since then been able to negotiate a new financing programme for the Corporation, which enables it to carry out necessary extensions and at the same time gives it a better chance to survive as a viable organisation. Honourable Members will be pleased to learn that in 1969, the Guyana Electricity Corporation proposes to spend some \$4.3 M. on capital works designed to improve its generating and distributive capacity. The Corporation expects that its revenue from sales would rise by some 29 per cent in 1969.

The Credit Corporation has also shown significant progress in its operations. The Corporation has during the past four years made loans totalling over \$6.0 M. in spite of repayment problems on loans made in the previous years. While the greater proportion of these loans went into housing, there were welcome signs that the Corporation was extending its lending facilities to the directly productive sectors. Very recently a large loan was given to a Guyanese for the operating of a trawler engaged in shrimping. Other loans were made to small operators in quarrying, and in agriculture mainly for the purchase of machinery. During last year small artisans who could not provide normal commercial security were granted loans not exceeding \$2,000 in each case for productive purposes. The number of loans granted amounted to \$180,000. The Government would like

to see the establishment of more small, private enterprises, and the Board of the Credit Corporation would be prepared to consider with sympathy reasonable applications for small enterprises.

The subsidy to the Guyana Marketing Corporation increased in 1968, thus reversing the trend begun in 1966 and continued in 1967. But this Corporation extended its purchases mainly of agricultural produce from \$5.4 M. in 1967 to \$6.6 M. in 1968. Sales also rose from \$6.6 M. in 1967 to \$6.9 M. in 1968. It would be instructive to observe that when the Government took office in 1964 the subsidy to the Corporation was in the region of \$1.0 M.; over the last three years the average was in the region of \$0.5 M.

The Transport and Harbours Department has constantly over many years required a subsidy of approximately \$2.0 M. A great deal of thought has gone into the question of reducing this subsidy. This particular service, while suffering tremendously from completion of road transportation, has had to be maintained because a number of workers, school children, and other commuters still depend on the railways for transportation. It would be unwise however to scrap the railways, until adequate alternative roads have been provided.

We may now take a look at the Rice Marketing Board and its associate in the rice industry — the Rice

Development Company. This Board has been able last year to make a reasonable profit of \$3.0 M., a welcome reversal of the trend of substantial losses which has been the Board's experience in the past. This promising position in the Board's figures has arisen largely from the consistent policy pursued by the Government to ensure that the Board's operations are viable. The Rice Development Company has not, however, been able to show profits; nevertheless, some progress has been made in the sense that its losses have been reduced from \$741,546 in 1965 to \$555,395 in 1968, and the company has had in recent times to rely to a declining extent on bank overdrafts.

In the area of Telecommunications, Mr. Speaker, the picture is somewhat brighter. In the three years of its existence the Telecommunications Corporation has been able to operate as a viable concern requiring no subsidy from the Government. As Honourable Members are aware, the demand for telephones has long exceeded the capacity of the present installations, but Mr. Speaker, it might be of some interest to Members of the House to learn that negotiations are now in train, and are expected to reach early finality, for the financing of a large expansion programme of the Corporation in excess of \$10 M. It is expected that these works would provide approximately 14,000 additional telephone lines and an automatic Telex Exchange which would offer quicker and more efficient telegraphic communication within the country and with

other countries of the world.

The Guyana Development Corporation continues to promote industries. During 1968 construction commenced on both the wheat flour mill and the hotel (Pegasus) in which Government has joint participation. Earlier on in my speech I referred to this institution. Funds have been allocated in this budget (1969) for the continuation by this institution of joint participation in industries and, where feasible, for it to develop and manage economic enterprises independently.

Mr. Speaker, from what I have just said it would be observed that while many of the Corporations continue to require subsidising, the level of these subsidies has, in general, been declining over the past four years. At the same time the Government is constantly having a hard look at the operations of the Corporations and in some cases, notably the Guyana Marketing Corporation, is actually providing extra capital facilities, in order to ensure that areas of inefficiency and waste are removed. Where expansion was necessary in the interest of community service this Government has been able to attract financing on acceptable terms.

#### REVENUE PROPOSALS

And now, Mr. Speaker, following my description and analysis of the various factors bearing on the economic

and financial situation of the territory, I turn to the fiscal measures which are proposed for 1969. Before I outline the proposals for consideration of this House, I make the general comment that imaginative thinking in the field of government expenditures can yield dividends as valuable as taxation proposals.

For example, the encouragement given to the development of the pig industry has resulted in large quantities of bacon and pork being available at the Guyana Marketing Corporation. Yet Government institutions still depend on being supplied by private contractors. It is probable, too, that the productive capacities of persons in our prisons are not fully utilised. Why should they not produce goods like chain link fencing, for the manufacture of which I understand that the Georgetown Prison has a suitable machine? Couldn't they make or repair boots and shoes needed for the Guyana Defence Force?

This Government is as interested in economy as it is in increased revenue. It intends to tackle the problem on three fronts as I indicated earlier:-

- (i) by a policy of maximum utilization of productive possibilities;
- (ii) by an examination of the directions in which Government could usefully invest to promote economy;



(iii) by identifying subsidies which have outlived their usefulness and by excising them.

But, however much we may save by good husbandry of our resources, we need fresh funds to develop this country. We need fresh funds to preserve our borders because, unless we can resist greedy claims on our territory, we shall have nothing left to practise good husbandry on.

This, then, should be our greatest endeavour and to this task we must bend the efforts of all our people. The Government has therefore decided to impose a defence levy in the form of a 3 per cent bill of entry tax on all imports. I feel constrained to sound a note of warning. The tax has been levied in this way so that everyone will make a contribution. It is not intended that anyone, other than the Government, should share in this contribution. Strict measures will be taken, if necessary, to prevent prices from rising more than the tax justifies. Imports exempt from customs duty will also be exempted from this tax. This is projected to yield about \$7 M.

Mr. Speaker, Sir, I wish to elaborate on the Defence Levy. In the Constitution of Guyana it is recorded in Chapter I Article I that Guyana shall be a sovereign democratic State. The territory of Guyana shall comprise all the areas that immediately before 26th May, 1966,

were comprised in the former Colony of British Guiana together with such other areas as may be declared by Act of Parliament to form part of the territory of Guyana. We must uphold this noble heritage.

On this important matter of defence, Government wishes to emphasize that allocations for defence in the 1969 Budget have not been confined to arms and ammunitions and regular soldiers as we understand it. The whole of Guyana, especially the area most vulnerable, must be possessed by Guyanese, as was pointed out by the Governor-General in the Throne Speech. Government is determined to give reality to these words by expending the necessary funds from Guyanese people to possess Guyana in its entirety. I am satisfied that the young people of Guyana are now ready for this great adventure. I am confident that we will not fail them.

Further, Mr. Speaker, Guyana's diplomatic representation must be strengthened to meet the challenge of external aggression. Guyana can boast of the most hard working and devoted representatives overseas. Even though Government cannot meet more than the basic needs of our representatives, we dare not fall below this level especially at this time when our diplomatic corps has become part of our defence corps.

Mr. Speaker, Government recognizes fully the implications of such expenditure at any time, but moreso at a

period in Guyana when development of our human and natural resources becomes so urgent, so immediate. But, Mr. Speaker, one cannot plan development unless he has a country to develop. Some of the areas wherein disturbances have recently occurred have been described as some of the wealthiest sections of our country. Guyana must now be prepared to defend the integrity of its border by every means at her disposal, using all her human resources whenever necessary.

The Defence levy is indeed a small charge for such a noble task. It is so framed that all consumers shall share this responsibility.

Local manufacturers have pointed out that, under the CARIFTA Agreement, they are exposed to competition from producers in other Carifta territories whose raw materials are exempt from import duty. The Government has promised that, where an industry faces competition from a similar industry in another Carifta country, it will match duty-free concessions on raw materials given in that country. ~~It~~ In order to recover the revenue lost by this concession, appropriate consumption taxes will be levied on the final product consumed in the country, ~~and~~ and these will fall equally on imports as well as locally manufactured goods. This will ensure that fair competition is preserved for Carifta goods as far as this country is concerned, without loss to government revenue. In these circumstances, there is no reason why

the local manufacturer should raise prices on the local market since he will be paying the same amount in taxes which he paid before. This, Mr. Speaker, is projected to earn net revenue of \$2 M., to offset revenue loss which has already been taken into account in the current estimates for 1969.

Enabling legislation will shortly be placed before this Assembly and it is proposed that orders should be made from time to time to provide for consumption taxes on particular commodities.

While I have proposed the levy of a general impost on all imported goods, Mr. Speaker, I consider that certain luxury and semi-luxury items could well bear some additional taxation. I intend therefore to impose additional customs taxation on a small group of items. The amount to be collected is modest, and I am certain that the more well-to-do sections of our community will welcome the opportunity to give something more to the general coffers.

An Order under the Customs Ordinance, providing for increased duties on the items selected, has been published in an Extraordinary Gazette today and is of immediate effect.

I announced, in my last Budget Speech, that it was Government's intention to move in the direction of P.A.Y.E.

for Companies. As a start I introduced legislation in 1968, which required companies to pay, in the year 1968, an advance on tax due in the year of assessment 1969. This advance was computed by considering the additional taxation payable on the difference between 1967 income and 1968 income. According to the law, companies will set this off against tax payable in the current year of assessment.

In these circumstances the Government stands to collect substantially less than a full year's income tax this year. In consequence, I intend to continue progress towards P.A.Y.E. for companies by legislating for them to pay, in the current year of assessment, in addition to the balance outstanding, an advance payment approximating to one-third of the estimated income tax due for next year. In the absence of accurate information, it may be necessary to relate this, for purposes of provisional computation, to income earned this year.

It is hoped, year by year, to collect increasing proportions of the next year's tax, until by 1974 it is expected that we shall have reached the stage of collecting the whole tax on that year's income in the current year and P.A.Y.E. for companies will be in operation.

The additional revenue projected from this source is \$6 M. for the year 1969.

In relation to my next proposal, Mr. Speaker, I wish to invite the attention of the House to the activities of betting houses and pools' agents. I am persuaded that these are flourishing centres of business in the community which deserve to make a greater contribution to government revenue. It is proposed to charge heavier licences on premises used for this type of business.

I turn my attention now to a class of persons well known in this House, because as I gaze around I see them well represented here. I refer, Sir, to the professional class. Since these persons are for the most part self-employed, the ascertainment of their precise income not infrequently presents some difficulty, and it is a fair assumption that some part of professional income eludes the Income Tax Commissioner.

I think it fair to the Government, therefore, to impose a charge on this class of person by way of an annual licence to practise the particular profession, and this forms one of the proposals of this budget. As I see it now, this requirement will embrace, inter alia, doctors, lawyers, accountants, architects and engineers. I intend that it should also be extended to persons who are agents of insurance companies.

My proposals for the scale of charges to be levied in relation to the proposals in the last two paragraphs will be presented to the House in the course of the Budget debate.

My final tax proposal, Mr. Speaker, is that the Exit Tax for persons leaving the country should be raised from \$2.00 to \$3.00 per person. We have a new airport, at considerable expense, and it seems only just that there should be increases in charges related to its use.

In summary, therefore, the tax measures to be introduced and the respective yields are as follows:-

Defence Levy (Bill of Entry Tax)	\$7.0 M.
Consumption Tax	\$2.0 M.
Import duties	\$0.1 M.
Income Tax	\$6.0 M.
Exit Tax	\$0.04 M.
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	\$15.14 M.
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#### CONCLUDING REMARKS

Mr. Speaker, I have come to the end of my analysis of the International and National economic influences that are likely to affect Guyana and the budgetary and other arrangements which I have formulated to deal with them in 1969.

The Budget presented is bigger in size than that presented in 1968. Its presentation is framed to involve public education and, more fundamentally, to grapple with the challenges facing us in 1969, that is, to safeguard

our territorial integrity by strengthening the forces needed to deter potential aggression over our borders, and to broaden the horizon of our people's opportunity and progress.

Over the past 4 years the Government pursued a path which led to the economy and country growing stronger with the passing of the years. We are determined to continue along this path in 1969, despite the besetting difficulties.

The Chinese people, for whom Confucianism has long been a way of life, have a proverb that expresses the fellowship of man which their great sages have taught: "When brothers work together, mountains are turned into gold." Our Guyana history associated our country with the name of El Dorado, the City of Gold.

Mr. Speaker, Sir, may we exert ourselves to such a degree that what was no more than a mythical City of Gold may be transformed through the new energies of this young nation, motivated by our political freedom and independence, into a country that affords golden opportunities to all its people, so that "the small man becomes a real man."





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