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THIRD SESSION

1959 — 1960

REPORT

on the British Guiana Development Programme 1960—1964

by Kenneth Berrill, B.Sc., M.A.
University Lecturer in Economics, Cambridge.

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St. Catharine's College,

Cambridge,

31st May, 1959.

Sir,

I have the honour to submit my report on the British Guiana Development Programme 1960-64. I wish to thank all those Ministers and Officials whose help during my short visit to the Colony provided the material on which this memorandum is based. Responsibility for the conclusions remains, of course, my own.

As a newcomer to British Guiana, I was impressed by signs of expansion on all sides; and I believe this expansion will continue. Signs of poverty, and of a need for yet more improvement, were equally apparent; but available resources are necessarily limited. To supplement them by excessive borrowing in 1960-64 would mortgage the country's future, and my most firm conviction on the economy of British Guiana is that her Development needs will be as pressing in ten years' time as they are today.

I have the honour to be,

Sir,

Your most obedient,

humble servant,

Kenneth Berrill.

The Governor,

Sir Patrick Renison, K.C.M.G.,

Government House,

Georgetown,

British Guiana.

British Guiana Development Programme 1960.64.

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THE BRITISH GUIANA DEVELOPMENT PROGRAMME, 1960—64

Report by Kenneth Berrill

SUMMARY OF CONCLUSIONS

Chapter 1 — Production

1. It is assumed that between 1960 and 1964 the British Guiana economy will resume its fast growth-rate of 6 per cent. a year. The Government can help this expansion most in the field of non-plantation agriculture. This sector is forecast to expand production by one-third over the 1954-58 average. This requires the cultivation of an extra 75,000 acres between 1960 and 1964, and to achieve this the release of Crown Lands, and the Land Settlement system, must both be speeded up. (pp. 10 and 11).

2. The agricultural expansion in 1960-64 is concentrated mainly on Rice. There is no present alternative, since diversification into Livestock and other crops cannot be effected quickly; but in the period 1965-69 it will be difficult to find export markets for a similar expansion of rice, and by then diversification will be most important. (pp. 11 and 12).

3. Efforts to encourage diversification into Cocoa, Coconuts, Dairying and Beef encounter the difficulty that some of these lines are novel to farmers and also take much longer to yield a return than Rice. To make them sufficiently attractive in comparison with Rice requires a re-consideration of the present credit and marketing facilities. (p. 39).

Chapter 2 — Employment

4. Statistics in this field are uncertain: the projections suggest that, if production expands as forecast, male unemployment will be substantially lower by 1964 than it is now: however, this improvement is not likely to apply to female unemployment. (pp. 15 and 16).

5. No feasible increase in Government expenditure could compensate for failure to achieve the anticipated extra employment on the land. (p. 16).

Chapter 3—Government Finance

6. Assuming that British Guiana has to pay 6 per cent. on her borrowings and subscribe 1½ per cent. to a Sinking Fund, then over the next fifteen years she should be able to shoulder the debt-burden on borrowings of up to about $80m. in each quinquennium. Borrowing at a higher rate would involve such a debt-burden that Revenue Contributions to Development Expenditure would become quite insufficient; and any recession in trade would then bring tax revenue below the level of necessary expenditure, and put the country on the verge of default — unless it could borrow to meet recurrent outgoings. (pp 21 and 22).

7. Heavy borrowing in 1960-64 and 1965-69 would pile up such a burden of debt charges that the Development Programmes for the later 1970's would have to be cut to below the current level. Yet there is every expectation that Development needs will be as heavy then as now; and the ability to spend these larger sums successfully should be greater than today. (pp. 16 and 17 and 22 and 23).

8. There should be an enquiry into Taxes and Subsidies, to devise a substantial Improvement to the Revenue Surplus. This improvement should not be used to service more debt, but to improve the proportion of Revenue Surplus to Borrowings in financing Development Programmes. In general it appears that taxes on imports are rather modest, that subsidies on transport are heavy, and that the promotion of industry by tax holidays and initial-allowance subsidies, is questionably sound. (pp. 23 to 25).

9. It appears that the present limitations on the Colony's borrowing against currency in circulation and Post Office Savings Deposits are unnecessarily severe. (pp. 27 and 28).

10. British Guiana needs to maintain a Reserve against the risks of recession and a fall in Government Revenue. Untapped borrowing facilities with the Currency Board and the P.O.S.B. are a convenient form for holding this reserve. (p. 28).

11 It appears that British Guiana can rely on being able to borrow $60m. between 1960 and 1964. This would enable her to work on a Development Programme of $110m. — that is, to continue to spend at about the current rate. This is the minimum programme she should aim at — given the pressure of her population and the need to have land and work for them in 1965-69. (pp. 26 and 27 and p. 29).

12. The maximum borrowing she should undertake in 1960-64 (at 6 per cent.) is about $80m. This would permit her to plan a Development Programme of $135m. She should have a programme phased so that it can be reviewed early in 1962, when the appropriate level between $110m. and $135m. may be better judged. The expenditure of the last three years of the period can then be adjusted appropriately. (pp. 26 and 27).

Part II : Chapter 4 — The Recommended Programme.

13. A Recommended Development Programme totalling $110m. is set out, together with a Supplementary Programme to raise it to $135m. These programmes put greater emphasis than in 1956-60 on 'Economic' outlays compared with outlays on 'Social Welfare'. (p. 30).

14. The Recommended Development Programme was selected from the Departmental Bids for 1960-64. These totalled nearly $260m. In nearly every case, the priorities were agreed with the Department concerned: the biggest differences of view which remain are probably on the smaller weight assigned to Industrial Development and to Housing. In the case of Industrial Development, this is rather because of doubts about British Guiana's ability profitably to spend such large sums in the period 1960-64 than through any disagreement about her need to promote Manufacture. (pp. 29 and 30).

15. In certain fields major policy suggestions are made. The most important of these are :

(i) Land Settlement — only minimal facilities to be provided (pp. 11 & 33).

(ii) Civil Aviation — possible abandonment of international airport. (pp. 36 and 37).

(iii) Roads — priority for roads away from the coast. (p. 38).

(iv) Electricity — No rural scheme. Public Authority to operate Thermal supply in co-operation with the Colonial Development Corporation. (pp. 41 to 43).

(v) Local Government — The Marshall Report to be introduced only partially in 1960-64. (p. 46).

The British Guiana Development Programme 1960—64

Part I

Chapter I : The Growth of the Economy

In this report I shall attempt to answer two questions: how large a Development Programme the Government of British Guiana should undertake in 1960-64; and what the priorities should be within that programme. The material on which the report is based was collected during a visit of rather under four weeks, from March 22nd to April 18th last. As it was my first visit, and a short one, many detailed pieces of work have had to be left over. Also, there has been no time to have my facts and figures checked by the statisticians in British Guiana, and the usual apologies for errors must certainly be made. But I believe that neither of these reservations is likely to invalidate my main conclusions.

The British Guiana Economy in the Immediate Past and the Immediate Future.

Any discussion of what Development Plans the Government should attempt in 1960-64 must start with estimates of how the whole economy is likely to perform in this period. In the main, this means estimating the performance of the private sector, for government outlays are under a third of the total, and the most

predictable third at that. It hardly needs emphasising that the reasonableness of these estimates of national production is crucial, for on them depend the forecast of employment and unemployment, and of government revenue, which are key figures in discussing the level of development programme British Guiana needs and can afford.

Immediately before I arrived in British Guiana the Financial Secretary's Office and the Government Statistician had prepared tables of the past, present and future of the colony's economy for Mr. John Adler of the International Bank for Reconstruction and Development. I shall only use here such data as are immediately relevant for my purposes.

I turn, to start with, to the vital table of the estimates of Gross Domestic Product 1952-64 prepared by the Financial Secretary's Office.

TABLE P. 1. PROJECTION OF THE GROSS DOMESTIC PRODUCT, 1958—64

Industry	At current prices			At 1958 prices	Percentages of G.D.P.		
	1952 $m.	*1957* $m.	*1958* $m.	*1964* $m.	*1952* %	*1957* %	*1964* %
1. Agriculture, Forestry & Fishing ..	52	57.5	54.5	73.5	32	26	25
2. Mining ..	14	24.5	19	53	9	11	18
3. Processing ..	17.5	19.5	17	25	11	9	8
4. Manufacture ..	6	8	8	10	4	4	3
5. Construction ..	10	27	24	29	6	12	10
6. Distribution and Transport ..	30.5	43.5	41	55	19	19	19
7. Finance, Insurance Professions	6	7.5	7	9	4	3	3
8. Personal service, Catering, Entertainment ..	1.5	2.5	2.5	3.5	1	1	1
9. Rent of dwellings	6	5.5	6	7	4	3	2
10. Government ..	16.5	27.5	29	32	10	12	11
Total ..	160	223	208	297	100	100	100

TABLE P. 2. DIVISION OF GROSS PRODUCTION, 1952 AND 1964

	1952	*1964*
Primary Production :		
Agriculture, Forestry, Fishing and Mining	41%	43%
Secondary Production :		
Processing, Manufacture, and Construction ..	21%	21%
Services :		
Distribution, Finance, Personal services, Catering, Entertainment, Rent, & Government ..	38%	36%
	100%	100%

The general picture is clear. In recent years the British Guiana economy has been growing fast in almost every field. The decade 1948-57 saw National Product increase by over a half in real terms (5 per cent. per annum), which outpaced the extraordinary population expansion of 3 per cent. per annum. As a result, living standards rose modestly and the people remain better off than most of Central and South America, and very much better off than most of Asia and Africa.

This fast growth in 1948-57 became even faster in the second half of the decade, and between 1952 and 1957 the growth of output averaged 6 per cent. But 1957 was a peak and 1958 saw a mild depression with output slipping back to 1956 levels. The rice crop was poor, house building and other construction tailed off, world sugar prices fell, and the surplus of bauxite meant a reduced output from the mines. For the future, it is assumed that this 1958 decline was temporary, and that the 1957 level will be regained in 1959. Over the next five years, 1960-64, the economy is assumed to expand at a rate of 6 per cent. per annum, that is to say, to resume the fast growth of the pre-1957 period.

Growth in the Recent Past

Before we can discuss how reliable it is to assume that the British Guiana economy will grow in 1960-64 at the same fast rate (6 per cent. per annum) as in 1952-57, we have to ask on what foundations the previous expansion was based. Inspection of the figures shows that the three basic sectors—plantations, mining, and peasant-farming—had good markets for their products, were investing heavily, and the value of their output was expanding fast. Yet this expansion was not caused or accompained by a sharp inflation. Prices rose by less than 10 per cent. during 1952-57, which was very modest in comparison with the five preceding years.

If the rapid expansion was based on sugar, bauxite and rice, the boom was certainly helped by the very great increase in Government expenditure. Total annual outlays by the Government rose by nearly two-thirds in those five years, and this increase was particularly stimulating to the construction industry. Finally, the distributive trades expanded fast, pulled on by high activity, rising incomes, and consequently high profits in selling goods.

Looking at this impressive rate of expansion, the first feature which strikes an observer is the extent to which it depended on conditions outside British Guiana, and on factors outside British Guiana's control. Few countries in the world are equally involved in international trade: in 1957, about 45 per cent. of the Gross National Product was exported. Sugar, Bauxite and Rice account for 90 per cent. of the exports, and the fortunes of the country depend almost completely on how these three fare. In part, this dependence on foreign trade is a reflection of the tiny size of the home market and the need to specialize, but it is surprising to see among the heavy import list so much cereals, starches and dairy products, in a country where rice and cattle are easily raised.

The years 1952-57 included the period following the Korean war boom, and many primary exporters had a decidedly thin time. British Guiana was fortunate in that demand for all three of her export staples remained strong (the value of exports rose by a third), and on this strong export trade the rapid growth of her economy was dependent. Firstly, Sugar, Rum and Molasses, of which 95 per cent. are exported: the tonnage produced rose by 13 per cent. in 5 years and the value of exports by over a quarter. Then Bauxite: world consumption was rising at over 10 per cent. a year and the value of British Guiana's exports rose by nearly a half in the quinquennium. Finally Rice, half of which is exported: exports rose by a third in volume and by nearly a half in value.

We have said that the economy is forecast to resume its fast 6 per cent. per annum growth rate in 1959-64. If such a fast growth is not achieved, the economy will not cope with the increase in labour force of the 1960's. We will look quickly at the main sectors of expansion to see what is involved.

Mining

Mining output is forecast to double in value in 1957-64. This is entirely due to Bauxite and Manganese. The validity of these forecasts depends very much on world demand for the products, and there is nothing that British Guiana can do about that. If the present recovery in the U.S.A. and Europe is maintained, the net value of mineral exports will be nearly trebled between 1957 and 1970. But the permanent labour force required (i.e. after construction is finished) is small; and the main benefit takes the form of income tax on company profits. Unfortunately, tax holidays, initial investment allowances and the freezing of export taxes mean that little revenue can accrue until the late 1960's.

Sugar

The future of sugar is also largely outside British Guiana's control. Since the war the industry has been prosperous, in marked contrast to the inter-war years. Sugar, sugar processing, and the trading ancillaries have all made good profits which have largely been ploughed back in social capital, new factories and

research. This has been successful. Housing conditions on the estates have greatly improved in the past five years, and output has increased by a fifth with no greater acreage or manpower. But this prosperity depends entirely on the Commonwealth Sugar Agreement and on British Guiana's share of the U.K. market under it. In 1958 the U.K. took 70 per cent. of British Guiana sugar. The difference between the price British Guiana received under the Commonwealth Agreement and the free market price was $13m. that year. Now the free market price is very artificial and fluctuates considerably but there can be no doubt of two facts: Firstly, without the Sugar Agreement the British Guiana industry's prosperity would vanish; and secondly, the subsidy paid by the U.K. consumer to British Guiana via a high sugar price is much more important than C.D. & W. gifts. It is comparable in amount to the annual loans which British Guiana is currently contracting for her Development Programme.

Because the U.K. quota is not expected to grow in the 1960's, and because production for the world at the free price is barely economic, Sugar output is not expected to grow at the recent fast rate, but to creep up at 1 per cent. per annum (rum, molasses etc. at 2 per cent. per annum). This forecast for 1964 of 320,000 tons in comparison with about 305,000 today may be a little pessimistic. In 1953, the World bank survey made the same gloomy predictions about slow growth in output based on the limited U.K. quotas and the low free market price. They forecast an increase of 7 per cent. in five years to 275,000 tons in 1958. In fact, output rose by 20 per cent. to 300,000 tons.

But if the 1959-64 estimates for sugar are conservative, the position after that date is most uncertain. The Sugar Agreement is re-negotiated every year for the ensuing eight years, and if it is not continued on similarly favourable terms the prospects for the plantations sector of the economy from the late 1960's onwards may become bleak. In any event, between now and 1964 the slow (1 per cent. per annum) increase in sugar means that it is expected to make a very much smaller contribution to the fast growth of the economy than it did in the recent past. Since the 1 per cent. per annum increase in sugar output is assumed to come from increased mechanisation it will make no contribution at all to the employment problem.

Farming

In the first two basic sectors of the British Guiana economy—mining and sugar —the expansion of the next five years is dependent on factors outside British Guiana, and outside the influence of the Government. When we turn to non-plantation agriculture the position is quite different. The Government has provided the great drainage and irrigation schemes on which much of the new acreage is expected to depend. The Government is due to help with water supplies, bush clearance, release of Crown Lands, credit, seed, and marketing. Before discussing the need to ensure that this help will be adequate, let us look at the expansions projected in the Gross Domestic Product estimates.

TABLE P. 3. AGRICULTURAL OUTPUT 1964 (EXCLUDING PROCESSING)

	1964 ($m).	*% Expansion over 1954-58*
Sugar	25	17%
Rice	16	82%
Coconuts and other crops	9.5	27%
Livestock	8	35%
	73.5	32%

Sugar we have already discussed, but a glance at the table above will show how very much the non-plantation farming is dependent on rice, and that this dependence is expected to increase in the next five years: British Guiana used to be completely dependent on sugar; now rice is rivalling it in importance.

TABLE P. 4. COMPOSITION OF AGRICULTURAL OUTPUT, 1954-58 AND 1960-64

	Percentages by Value	
	1954-58	*1960-64*
Sugar	48	43
Rice	22	28
Coconuts and other crops	17	16
Livestock	13	13
	100	100

Looking more closely at the projected expansion of rice output, we see two features. Firstly, rice acreage has been expanding fast in the past fifteen years; and secondly, the rate of expansion in the next five years is expected to be faster but only slightly faster. However, although the **rate** is similar (7 per cent. per annum compared to 6 per cent. per annum), the **growth in area** is much greater (over half as much again).

TABLE P. 5. GROWTH IN RICE ACREAGES, 1945 TO 1964

Period of harvests	*Rice Planting (Autumn)*	*Total Increase*		*Annual Increase*
	Acres	*Acres*	*%*	*%*
1945-49 average	78,000	—		
1955-59 average	133,000	30,000	29%	6%
1950-54 average	103,000	25,000	32%	6%
1960-64 forecast average	183,000	50,000	30%	7%
1959 actual	155,000		—	—
1964 forecast	210,000	55,000	35%	7%

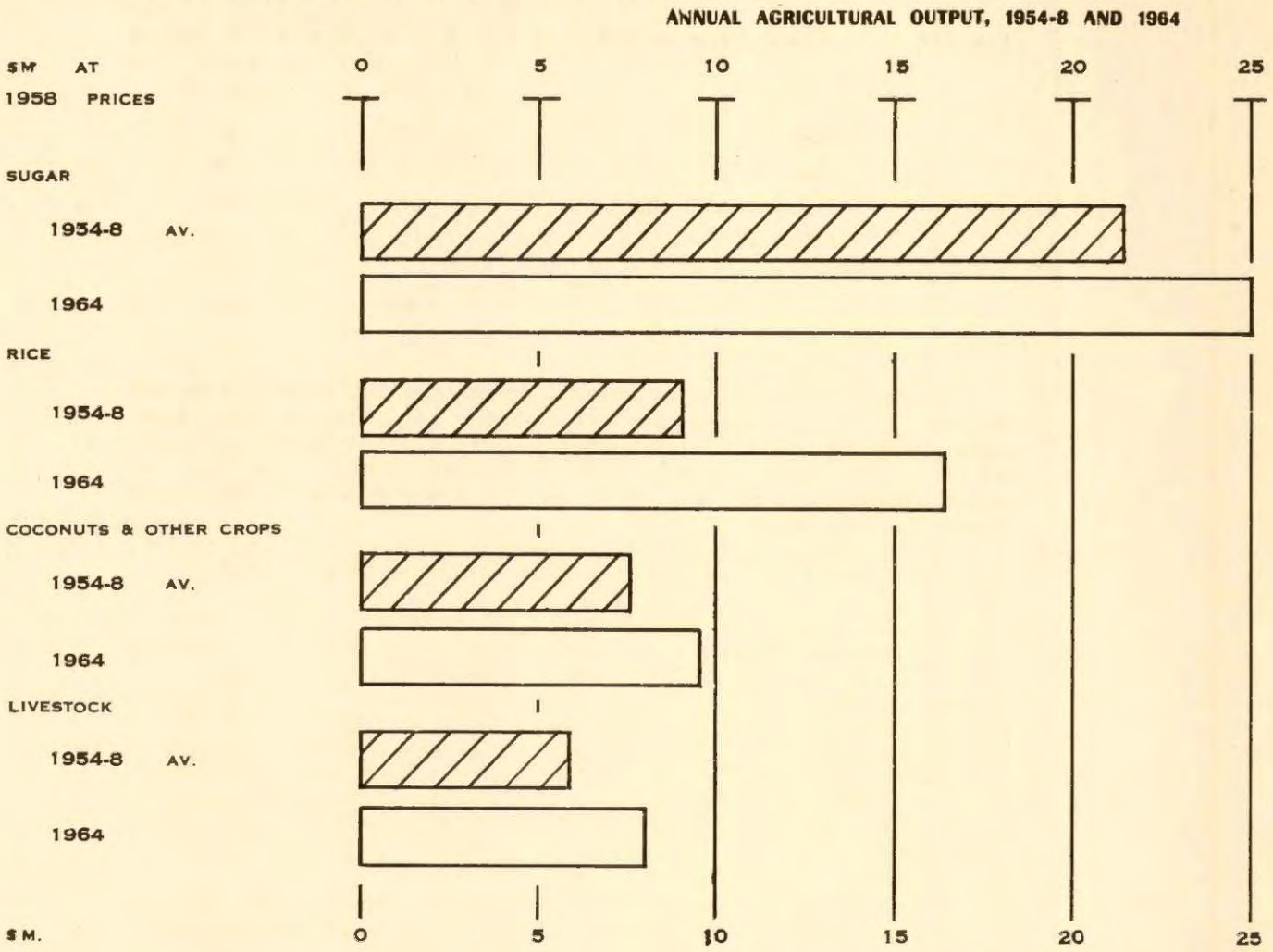
This extremely rapid growth in the past shows the response of the small farmer to favourable conditions, i.e. a secure market, a crop in which he is traditionally skilled, and a crop where he gets his money back quickly. It also shows how acreage has expanded before the fruition of the big drainage and irrigation schemes, and without much assistance from Government Land Settlement schemes.

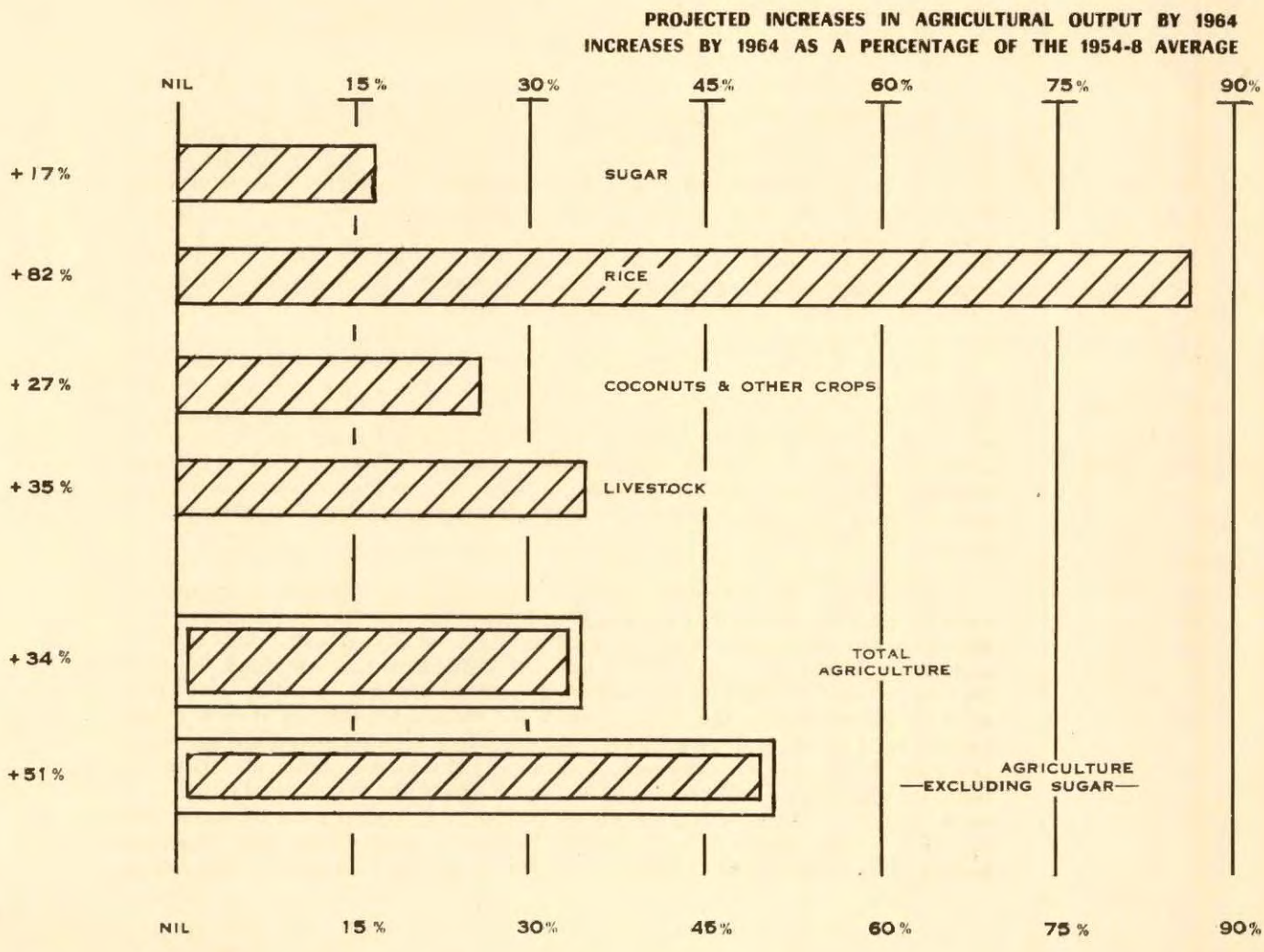
This expansion has obviously been into the easiest land—adjacent to existing holdings or lightly covered with bush. It has also been onto land which is unprotected by drainage and irrigation systems, which is very much exposed to flooding or to drought in bad years. In the future, the British Guiana labour force will be expanding twice as fast as in the past. If agriculture is to make its necessary contribution to output and employment the Government's role will become increasingly important. This applies with special force when we consider the need to diversify farming away from the traditional and quick yielders such as rice and ground provisions, pigs and poultry, and onto the slower providers such as cocoa, coconuts, dairying and beef cattle.

Leaving diversification aside for a moment, the feature that needs comment here is that the expansion of farming in British Guiana in the next five years is heavily reliant on the expansion of rice acreage. In the past, rice acreage has expanded without much Government help, but if 55,000 extra rice acres are to come into bearing in 1959-64, and if the huge amounts of money put into drainage and irrigation are to yield their rewards, the Government must ensure that there is no hold up at any stage in the sequence of drainage and irrigation, clearance of heavy bush, settlement, and cultivation.

Considering the experience of the past few years, the position is disquieting. Luckily, the rice acreage has expanded without much need for Government help, because when the increase has depended on State aid it has been both expensive and slow. Where the responsibility lies it is difficult to say. Perhaps the State tried to provide too much in the way of services for settlers—a policy which only leads to discontent with the services which are provided. Perhaps it took a long time to build up the staff of engineers and surveyors to superintend the cutting of the main drains and the clearance of bush. Perhaps the arguments about the terms on which land should be leased and the delays in the State's legal department were to blame. Whatever the record of the past, the process must be accelerated in future. This sector of agriculture is by far the biggest and most important section of the Government's activity in the past and in the next decade. In theory,

(British Guiana, Growth of G.D.P.)





the money poured into drainage and irrigation, and agricultural experiment, should now begin to bear fruit. With all these millions tied up in past investment, with the labour force about to expand at a much faster rate, the Government must succeed in getting these acres under cultivation. Failure in this sector of Government operations could not be compensated for by successes elsewhere. I would recommend:

(1) That a Committee investigate the causes of slow progress in the recent past and streamline the procedures for selecting settlers, releasing Crown land, granting credits etc.

(2) That the preparation of land be minimal, i.e. confined to surveying, putting in main drainage, minimal access roads, and heavy bush clearance. The Government should vacate the site as quickly as possible—preferably before the settlers move in, so that the State is not held responsible for deficiencies. The expansion of acreage in the last fifteen years shows that this can be done with very little in the way of facilities or social services. British Guiana cannot now afford to be more generous in its provision for settlers in Government Land Development Schemes.

Selling the Rice

British Guiana farmers know how to grow rice; and have shown how keen they are to do so, where they can get on the land, and when their market is guaranteed. The Government must speed up its system for getting them on the land: but can it rely on providing a guaranteed market for the crop? In the past, there has been no trouble (excluding 1958 when wrong crop forecasts caused confusion). Apart from 1958, the home market and the rest of the British West Indies have willingly taken every ton that British Guiana could produce, for the alternative sources of supply—U.S.A. and the Far East—can only deliver in Caribbean markets at a higher price than British Guiana. But the forecast expansion of British Guiana acreage is very considerable and we should consider the implication in terms of increased exports.

TABLE P. 6. DISPOSAL OF RICE PRODUCTION, 1954—64

Thousands of tons

Period	*Thousand Acres reaped*	*Production*	*Domestic Use*	*Available for export*	*B.W.I. needs*	*Other markets*
1954-8 average	138	80	39	41	53	—
Forecasts						
1959	155	92	41	51	58	—
1960	165	100	43	57	60	—
1961	185	110	46	65	62	—
1962	205	125	48	77	65	12
1963	230	138	51	87	67	20
1964	235	140	54	86	70	16

The assumptions behind this table are that:

1. Production expands in line with acreage reaped. The amount of double-cropping goes up in proportion to the increase in total rice acreage.
2. Domestic use (seed, animal feed, home market consumption) goes up by 6 per cent. per annum.
3. The British West Indian islands take all their imports from British Guiana and their needs rise at 4 per cent. per annum (as they did between 1955 and 1958).

Even on the optimistic assumption of a 6 per cent. per annum increase in home needs, it seems clear that British Guiana will need to develop new markets in two or three years if the forecast increase in acreage and production is achieved. The amount of rice she will have to dispose of in new markets by 1964 is not very great, and she is the cheapest local supplier. But she cannot plan for such a rate of increase in rice production for long. Diversification is clearly essential. Diversification takes time—especially with crops which are new to the small farmers and are slow to mature. It can have little effect in 1960-64, and there is little choice over those five years except to predict most of the expansion for rice; but unless strong efforts are made to diversify, the position will be unpleasant by 1970.

The extent to which the 1960-64 expansion is concentrated on rice can be seen from the next Table. Livestock is assumed to keep its place in agricultural production with 13 per cent. of the value of output, but the acreage under Coconuts and other crops grows only 25 per cent. while Rice increases 35 per cent., and the value of their output drops from 83 per cent. of the rice value to 59 per cent.

TABLE P. 7. VALUE OF OUTPUT OF COCONUTS AND OTHER CROPS COMPARED WITH RICE

1953-57	Actual	83%
1959	Forecast	76%
1960	,,	71%
1961	,,	65%
1962	,,	61%
1963	,,	58%
1964	,,	59%

This is to be expected; it is reasonable while there is a strong unsatisfied demand abroad, but the pendulum must be reversed or the market will be overshot.

The main directions in which diversification is intended are coconuts and dairy produce for the home market; and cocoa and beef, largely for export. These seem very sound choices; but they will require special marketing and credit arrangements to make them as attractive as rice cultivation, as well as improved extension services to spread the techniques evolved in research stations to the ordinary farmer.

Secondary Production and Services

We have discussed the basic 50 per cent. of the British Guiana economy: Agriculture, Mining, and the Processing of their products. The rest can be dealt with shortly. If the basic sectors grow at the rate projected, there is little doubt that, as assumed here, Distribution and Services will expand in proportion. Likewise, the level of Construction activity is predictable, given the growth of the rest of the economy and the Government programme.

The only other component of the Domestic Product which needs comment at this stage is Manufacturing. This is projected as expanding at a slower rate than the economy as a whole — 4 per cent. per annum as compared with 6 per cent. overall. If this happens, Manufacturing will be even less significant in 1964 than it is today: it will be only 3 per cent. of the Gross Domestic Product.

That Manufacturing should be an unimportant part of the British Guiana economy is not surprising. The home market is tiny, and there has been little tariff protection even for that. The possibilities of export are generally poor, for British Guiana has no cheap power and few raw materials. She is not even a low labour-cost country, for wage rates are not low relative to productivity. As for capital a few large firms are on the look-out for profitable manufacturing opportunities but most entrepreneurs are used to trade rather than production and want to see high prospective profits before they will tie their money up in manufacturing plant.

This sounds less than encouraging, but it must be remembered that the home market is expanding very fast indeed. A proposal for a manufacturing plant to meet home needs, which made no sense in 1955, will often be viable in 1965 with a Gross Domestic Product 50 per cent. bigger. Further, the need to promote manufactures will become sharper after 1965, for the labour force will be expanding at a full 3 per cent. a year and it will not be easy to absorb thousands more every year in agriculture.

Discussing agriculture above, we said that 1960-64 would see an unavoidable shift in emphasis to rice, but that the foundations for the swing to livestock and other crops after 1965 must be laid in this period. Similarly, it may be very hard to increase the proportion of the national product coming from manufactures by 1964, but if the foundations are not laid for a faster expansion in 1965-74 the economy will be in trouble. The reason why comparatively little can be done by 1964 is the time lag involved in the technical investigations into each project, the planning of a plant, the ordering and installation of machinery, etc. But the years 1960-64 must see more done than in 1955-59 to encourage would-be manufacturers by technical advice, credits, and protection for the home market. In the five years 1960-64 it should be possible to bring a number of plans to fruition, but a large expansion in this sector can hardly be expected until after 1965.

Conclusion

The first section of this report has been a commentary on the fundamental assumption about the next five years — that the economy will grow at the fast rate of 6 per cent. per annum. This can be achieved if the export markets for bauxite, sugar and rice continue to expand. The biggest contribution which the Government can make to the success of the immediate future is to see that farmers can get onto the newly available acres without delay.

But this task for the immediate future should not disguise the need to lay the foundations for a continued expansion after 1965. These are the extension of drainage and irrigation, the diversification of agriculture, the encouragement of industry, and the improvement of transport. The economy expects to reap in 1960-64 the fruits of the drainage and irrigation schemes of the last five years. Similarly, most of the development expenditure of 1960-64 must be directed to, and bear fruit in, the post-1965 period.

Taking this 6 per cent. per annum growth rate as a reasonable projection for 1960-64, we now turn to the effects of this rate of growth on Employment and Government Finance to see the scale of Development Expenditure British Guiana needs, and can afford, in 1960-64.

Chapter 2: Employment in British Guiana

In the long run, the Government's economic policies are likely to be judged by their influence on productivity, for only rising living standards will satisfy the people's expectations. But, in the short run, the government is more likely to be judged by its ability to ensure a sufficiency of jobs, for it is the unemployed, especially the urban unemployed, who will offer the most obvious and damaging charge of failure. This was seen in British Guiana on a very small scale in 1958/59 when a minor recession undoubtedly aggravated the unemployment problem. To this the Government itself contributed in reducing its Development Programme labour force by 2,000 men (1,000 less on housing, and 600 less on Public Works). In the short run, then, there may be strong arguments for Government to attempt a big increase in outlays in order to provide employment. Moreover, it is known that in British Guiana the numbers joining the labour force from schools will increase sharply during 1960-64 as the children of the post-1946/47 non-malarial era begin to leave school. For these reasons, the estimates of employment and unemployment for 1960-64 are extremely important in any discussion of how much the Government should aim to spend in the period. Unfortunately, these figures are not easy to arrive at. The estimates for employment must be based on the expectations of production in each group of industries which we have discussed above (the G.D.P. projections). The figures for unemployment are derived by subtraction from the estimates for the labour force. But, in a country like British Guiana, labour statistics are naturally not very adequate. Our firmest base is the 1956 I.L.O. McGale Report on Employment in the Colony. This does not cover the whole country and adjustments have to be made for that, but it does give us a picture of the employment pattern, by industry and by sex, in 1956.

The Labour Force.

Working from the last census and the subsequent births and deaths, age-group by age-group, the Government Statistician produced the following figures of the population of working age 14-64 (excluding Amerindians).

Table E1 POPULATION OF WORKING AGE

Thousands

Year	Total	Males	Females
1956	267	134	133
1957	274	137	137
1958	282	141	141
1959	289	145	144
1960	297	149	148
1961	304	152	152
1962	315	158	157
1963	324	162	162
1964	333	166	167

The 1956 McGale Report showed that about half the women and nine-tenths of the men over 14 were in the Labour force. Applying his figures to the population table above we have :—

TABLE E2 LABOUR FORCE

Year	Thousands Total	Males	Females.
1956	191	123	68
1957	197	125	71
1958	202	129	73
1959	208	132	76
1960	213	136	77
1961	218	139	79
1962	226	144	82
1963	232	148	84
1964	239	152	87

Employment Trends

TABLE E3 . . EMPLOYMENT IN BRITISH GUIANA IN 1956

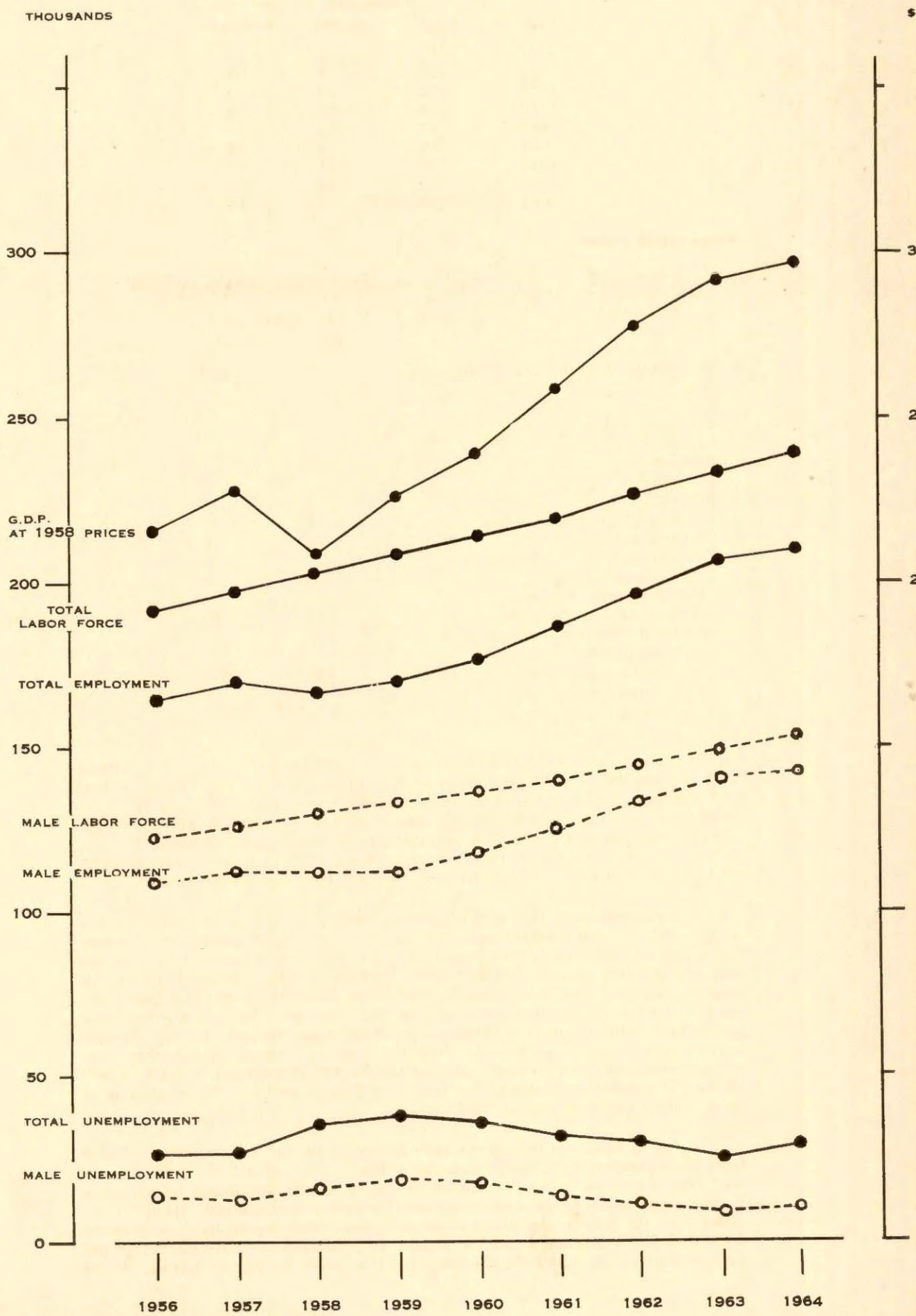
		Thousands Total	Males	Females
1. Agriculture, Forestry and Fishing		77	50	27
Sugar	23		. .	. .
Rice	25		. .	. .
Coconuts and other crops . .	10		. .	. .
Livestock	7		. .	. .
Forestry	5		. .	. .
Fishing	7		. .	. .
2. Mining . .		3	3	—
3. Processing and Manufacture . .		23	15	8
4. Construction . .		10	10	—
5. Distribution, Transport and Communications . .		25	18	7
6. Public Service, Financial, Insurance and Professions . .		15	10	5
7. Personal Service, Catering and Entertainment . .		11	3	8
Total Employed . .		164	109	55
Total Unemployed . .		27	14	13
Total Labour Force . .		191	123	68

We have taken the McGale breakdown of employment by industry groups in 1956 and put it beside the production in those groups in our Gross Domestic Product estimates. This requires two adjustments; the McGale figures have to be raised to cover the whole number of employed, that is raised from 135,000 to 155,000 and arranged in the same industry groups as the Gross Domestic Product forecast. Also the 1956 Gross Domestic Product has to be expressed in 1958 prices to be comparable in real terms. We then have the table above.

This reminds us of McGale's conclusions on unemployment in British Guiana in July 1956; unemployment was then about 18% of the Labour Force, it was much higher for females (25%) than for males (13%), and it was especially prevalent among young people. In July 1956, 41% of the labour force aged 14 to 18 were unemployed, and 30% of those aged 18 to 20. Many of these young unemployed are girls soon to be removed from the labour force by marriage; but there can be little doubt of the poor prospects for many school-leavers. Finally, the survey indicated, that, in addition to these heavy unemployment figures, there was considerable under-employment. Besides the 33,000 unemployed, at least 20,000 of those in employment worked less than four days a week. Three-quarters of these under-employed were in rural areas.

These McGale unemployment figures were from his July survey. Those from his September 1956 survey were rather lower: 16% overall, 27% for females and 11% for males. But the September survey, which was meant to cover the harvest employment failed to do so because the harvest was delayed. Had it coincided with the harvest the unemployment in September would have been about 12% overall; 21% females and 8% males. In producing this table of average unemployment for the year 1956 allowance has been made for harvest labour. It has

BRITISH GUIANA TRENDS IN MALE AND TOTAL EMPLOYMENT 1956-64



been assumed, too, that there was little unemployment in the areas not covered by the McGale report. This gives an average unemployment in 1956 of about 27,000 which was 14% of the labour force, 23% for females and 10% for males.

It is easy to be sceptical about a survey of this sort but the conclusions are not out of line with reports on similar countries in other parts of the world. The major uncertainty is the female unemployment figures, for it is very difficult to know which women are genuinely seeking regular work and should thus be counted as part of the labour force. In our estimates we try to separate the likely growth in employment for males and for females, and suggest that it is the male statistics which are the more important. The table is given on the next page.

TABLE E4 EMPLOYMENT IN BRITISH GUIANA, 1956 AND 1964

Thousands

Industry	Total			Males			Females		
	1956	1964	Change	1956	1964	Change	1956	1964	Change
1. Agriculture, Forestry and Fishing ..	77	100	+23	50	67	+17	27	33	+ 6
2. Mining	3	4	+ 1	3	4	+ 1			
3. Processing and Manufacture ..	23	31	+ 8	15	21	+ 6	8	10	+ 2
4. Construction ..	10	13	+ 3	10	13	+ 3			
5. Distribution, Transport and Communications ..	25	30	+ 5	18	22	+ 4	7	8	+ 1
6. Public Service, Finance, etc. ..	15	17	+ 2	10	11	+ 1	5	6	+ 1
7. Personal Service, Entertainment, etc.	11	14	+ 3	3	4	+ 1	8	10	+ 2
Total	164	209	+45	109	142	+33	55	67	+12

These 1964 estimates were obtained by taking the growth in the Gross Domestic Product forecast in each sector and scaling up the employment appropriately. Two comments should be made. Of the total increase in employment well over half is expected to be in Agriculture, forestry and fishing. When we break down the 23,000 increase in jobs, we find that no less than 15,000 of this is expected to come from the increased Rice acreage. In looking at the projections of the Gross Domestic Product we pointed out the large part to be played by the expansion in rice output and emphasized the importance of achieving this increase. When we look at the employment projections this point emerges even more forcibly, because Rice is such a heavy user of male labour power.

Employment and Unemployment, 1956-64

Having obtained projections of the labour force based on population figures and of employment based on production estimates we can now fit the two together to see the unemployment picture (See table on the next page and Graph).

We see that the answer in terms of prospective unemployment is that little change is to be expected in the proportion of women out of work. This will still be about 25% of the female labour force; or to put it another way, only slightly over one woman of working age in three will be employed. The prospects for the young girl leaving school will be as bad as today. But we have said that unemployment among females is both hard to gauge and less important socially than unemployment among males. When we look at the figures for men, the prospects appear much brighter. This is because two large sectors of the economy which use rather a greater proportion of male labour than the average are expected to expand the fastest. These are (i) Agriculture, forestry and fishing and (ii) Processing and Manufacture. Rice and Rice Milling are vital once again.

If everything goes according to these forecasts, the increase in employment will make a useful contribution to the reduction of male unemployment. More directly, the drainage and irrigation schemes should bear fruit in time to cope (and indeed more than cope) with the increased number of male school-leavers.

Three obvious comments on this conclusion are required. The figures are subject to all kinds of error and must be taken as showing orders of magnitude only. Next, it depends very much on getting people onto those extra rice acres without delay. Finally, the economy is finding productive employment for its extra thousands very largely in Agriculture, and in the processing, transport, and

sale of Agricultural products. This must remain true for many years to come. A programme to develop industries can help to diversify the economy, but for a long time its weight will be minor. In the eight years between 1956 and 1964 the labour force will increase by 45,000 and Agriculture, forestry and fishing are expected to provide jobs for 23,000 of them (15,000 in Rice). In the next eight years the labour force will increase by over 60,000 and unless Agriculture again provides the bulk of the extra jobs — say 35,000 — the unemployment problem will rapidly deteriorate. This means that the Government's programme between now and 1964 must be directed to providing the necessary extra acres in the five years which follow. On the employment projections which we have made above there is not a strong case for heavy government spending to create jobs between 1960 and 1964. The case is for a programme big enough to provide the jobs in the years which follow.

Before leaving this subject, we may comment on the power of the Government to provide further extra jobs in 1960-64 if the present employment projections should prove to be over-optimistic, or if it were desired to bring down unemployment more sharply in this period. Our employment projections are based on an employment by the Government's Recurrent Expenditure of 10,000 people (the present number) rising to 11,000 by 1964. The employment due to Development

TABLE E5 EMPLOYMENT AND UNEMPLOYMENT 1956-64

Thousands

Year	G.D.P at 1958 prices $m.	Total Labour Force			Male Labour Force			Female Labour Force		
		Total	Em-ployed	Unem-ployed	Total	Em-ployed	Unem-ployed	Total	Em-ployed	Unem-ployed
1956	216	191	164	27	123	109	14	68	55	13
1957	228	197	170	27	125	112	13	71	56	15
1958	208	202	166	36	129	112	17	73	56	17
1959	226	208	170	38	132	113	19	76	57	19
1960	238	213	176	37	136	118	18	77	58	19
1961	259	218	186	32	139	125	14	79	61	18
1962	277	226	196	30	144	133	11	82	63	19
1963	291	232	206	26	148	139	9	84	67	17
1964	297	239	209	30	152	142	10	87	67	20

Expenditure is based on an average expenditure of $25m. a year—and involving about 7,000 people. If the Development Programme were increased by 50% it would raise employment only by 3,500. The outcome of these figures is that any feasible increase in Government expenditure over and above the fairly high rates already assumed in these projections could only make a modest contribution to employment relative to the growth of the labour force (45,000) over the period In particular, it could not compensate for a failure to provide the 20,000 jobs expected in agriculture.

Chapter 3 : British Guiana Government Finance

Before attempting projections of Government Revenue, Expenditure, and ability to service Debt, we must look at the experience of the recent past.

Revenue

Over the decade 1948-58, the gross Domestic Product of British Guiana more than doubled in money terms. In this situation, Government Revenue could hardly fail to rise markedly. What is significant is that in fact it rose more than proportionately, **i.e.** by two-and-a-half times. This super-buoyancy was due to the rapid rise in the yield of income tax. Indeed, compared with pre-war, the striking thing about the Government Revenue is the great rise in the importance of income tax and the decline in the weight of taxes on commodities. In 1938, income tax yielded only 10 per cent. of Government Revenue, the tax rate being about one-twentieth of taxable income. By 1958, it was yielding about 35 per cent. of Government Revenue, with a tax rate about a quarter of taxable income. The other side of this picture is the decline in the importance of commodity taxes. In 1938, commodity taxes provided 60 per cent. of Government Revenue, mostly from import duties which averaged 28 per cent. of the value of imports. By 1958, commodity taxes provided only 45 per cent. of Government Revenue and the average rate of import duties had dropped to 14 per cent.

This switch in the relative importance of direct and indirect taxes is largely the result of British Guiana following the United Kingdom's lead with high war-time and post-war rates of income tax, and having high company profits post-war to pay it (85 per cent. of income tax is paid by companies). It means that the increased weight of taxation in British Guiana has fallen more on the foreign-owned companies than on British Guiana citizens. The exceptions are those who are in receipt of middle-class salaries from the Government or from the larger companies and cannot evade the higher rates of income tax. For the ordinary British Guiana citizen, who pays his taxes via commodities, the burden of tax is no higher than pre-war though income per head has risen. This fact, and the relatively low average tax on imports, will need to be considered when we discuss the possibility of British Guiana financing more of its total outlays from revenue by increased taxation.

Expenditure

We said that, during 1948-58, the money value of the Gross Domestic Product more than doubled, and Government Revenue went up two-and-a-half times. In the same period, Government total expenditure increased three-and-a-third times, going up from 19 per cent. of Gross Domestic Product to 31 per cent. The comparatively rapid growth of expenditure was due to the great increase in the Development Programme, mainly between 1954 and 1955, when Development Expenditure jumped from $8½m. to $17½m. in one year. In 1948, the Government's Development Programme was so modest that it could be more than covered by Revenue and Gifts. In 1958, it had risen to nearly $20m. a year, three-quarters of which had to be covered by borrowing. The only comment which needs to be made at this stage is that a Government outlay of over 30 per cent. of the Gross Domestic Product is a heavy programme for an under-developed country. It is a proportion comparable with the role of Government in the United Kingdom.

Government Borrowing

The effect of the increase in development expenditure after 1954 has been a rapid rise in Public Debt. To some extent this was cushioned by the ability to draw upon accumulated revenue balances, a cushion which could only be used once. Even with this reserve available, Gross Public Debt has risen in the last five years from $35m. in 1955 to $90m. today.

The past five years have seen Government Debt bound upward. There is no doubt that British Guiana will have to borrow again heavily for her 1960-64 Development Programme. The question is, How much? Evidently, it would be useless to consider the amount to be borrowed in 1960-64 in isolation. How much will British Guiana want to borrow in 1965-69, and 1970-74.

There can be little doubt that her borrowing needs will certainly be as great as they are now, because her needs for a Development Programme will be even greater than they are now. The children who will be coming onto the labour market in the mid 1970's are already born. Whatever checks to the birth-rate occur in the future, we can anticipate the labour force growing at 3 per cent. per annum all through the 1970's; which means a larger increment in the number of job hunters every year. British Guiana is not going to be put on the road to riches by one big push in the 1960-64 Development Programme. She needs a steady, cumulative thrust for at least fifteen years to get the standard of living to rise sufficiently fast. For that reason, we attempt in the following sections to see the effect of pursuing four different levels of Government borrowing, not for the five years 1960-64, but for the fifteen years 1960-74. This will show the difference in the debt burden which each policy involves—that is, the amount of the Government Revenue which has to be paid over immediately to service the debt. It is assumed that all debt is 6 per cent. long-term debt (1½ per cent. annual sinking fund payment). If any of the debt were short-term debt, of the kind offered by 'package deal' contractors, the position would be worse.

Debt Burden and Revenue Surpluses

An aspect of the growth in debt-burden implied by different borrowing programmes is the effect of this burden on the revenue surpluses. Over the last five years, British Guiana has relied very heavily on gifts and borrowing to finance development, and Revenue Surpluses have contributed only one-sixth of Development outlays. This tiny revenue surplus contribution must be improved: partly, because any country which wants more political independence ought to plan to be less economically dependent; partly, because gifts might not be forthcoming on the present scale forever, and loans are not always available just when needed; and partly, because a tiny Revenue Surplus makes no allowance for a few bad years. A bad year or two, with reduced revenues, and the country would

be on the edge of default (or Grant-in-Aid). Revenues may fall but expenditure is much harder to compress. A Government with little or no reserves can soon find itself unable to meet its debt charges and its necessary outgoings.

For all these reasons, British Guiana must aim at providing a bigger contribution from Revenue Surpluses to her Development Programmes. In what follows, we shall consider the effect of different borrowing programmes on Revenue Surpluses in 1960-74. The projections of Government Revenue and Recurrent Expenditure are those made by the Financial Secretary's Office (carried on from 1970 to 1974 on the same basis). Revenue rises at 6 per cent. per annum, which at current tax rates and prices implies that the economy is growing all this time at the fast 6 per cent of 1952-57. Secondly, Recurrent Expenditure is assumed to rise at 4½ per cent. per annum, which is rather below the 1954-59 rate when allowances have been made for price changes. This means that, at current tax rates, the Revenue and Recurrent Expenditure projections are reasonable for an economy which continues to expand fast, but the surplus would fall sharply if there were a slump.

Four Levels of Borrowing

The laborious calculations which follow are intended to throw light on the question how much British Guiana should borrow 1960-64 given that she will need to borrow as much (if not more) 1964-74. Of the four Development Programmes for 1960-64 we shall consider, the first is for $110m. This is about the same scale as 1955-59, when allowance is made for prices and for the slippage of expenditure behind programmes. I put this as a minimum, because anything less would not provide the jobs and expansion for 1965-69. The second programme is rather larger at $135m.; the third $180m.; and the fourth, $200m.

To discover, roughly, the borrowing which these Development Programmes would involve, let us assume that C.D. & W. gifts will contribute $25m. over the period, and Revenue Surpluses $15m. Then, with about 10 per cent. allowed for 'slippage', the necessary borrowings in round figures are:

TABLE F. 1. BORROWING REQUIREMENTS FOR ALTERNATIVE DEVELOPMENT PROGRAMMES

Total Development Programme 1960-64	*Slippage*	*Revenue Surpluses*	*C.D. & W. Gifts*	*Borrowing expected*
$110m.	$10m.	$15m.	$25m.	$ 60m.
$135m.	$15m.	$15m.	$25m.	$ 80m.
$180m.	$20m.	$15m.	$25m.	$120m.
$200m.	$20m.	$15m.	$25m.	$140m.

That gives us four borrowing programmes for 1960-64. But we have said that British Guiana needs a long steady push. It is no use having a programme in 1960-64 at a level which cannot be maintained through the 1970's. The following calculations set out to see the effect of borrowing in each five year period $60m., $80m., $120m. and $140m. respectively, to see which level the economy can stand. The way a debt burden grows is more complicated than might be thought at first glance. For that reason the composition of the debt burden in each five years has been set out in full.

TABLE F. 2.

A. DEBT. CHARGES, 1960-64 ($m.)

5-year Borrowing Programme	60	80	120	140
Charges on 1960-64 borrowing	11	15	22.5	26
Charges on pre-1960 borrowing . .	29	29	29	29
	40	44	51.5	55

Not until after 1960-64 will the full effect of 1960-64 borrowing be felt. 1965-69 will have to bear this load, less a small easement from the maturing of earlier debt.

B. DEBT. CHARGES, 1965-69, DUE TO PRE-1965 BORROWING ($m.)

5-year Borrowing Programme	60	80	120	140
Charges due to 1960-64 Borrowing ..	22.5	30	45	52.5
Charges on pre-1960 Borrowing ..	28	28	28	28
1965-69 Debt Charges from earlier Borrowing	50.5	58	73	80.5

On top of this load of earlier debt, the 1965-69 Development Plan will also involve borrowing. Making the assumption that the previous increase in debt is repeated, we have the effect of the different levels of borrowing as :

C. TOTAL DEBT. CHARGES, 1965-69 ($m.)

Borrowing Programme, 1960-64 and 1965-69	60	80	120	140
Charges due to 1965-69 Borrowing ..	11	15	22.5	26
Charges on pre-1965 Borrowing ..	50.5	58	73	80.5
	61.5	73	95.5	106.5

Carrying on into 1970-74, we again have the full impact of the previous five years' borrowing, less a small relief from the repayment of earlier debt, as follows :

D. DEBT. CHARGES, 1970-74, DUE TO PRE-1970 BORROWING ($m.)

Borrowing Programme, 1960-64 and 1965-69	60	80	120	140
Charges due to 1965-69 Borrowing ..	22.5	30	45	52.5
Charges due to pre-1965 Borrowing ..	48.5	56	71	78.5
	71	86	116	131

Rising Scale of Debt Charges.

Again, we have to consider the need to borrow in 1970-74, and the total debt charges which will, in consequence, have to be borne are :

E. TOTAL DEBT CHARGES, 1970-74 ($m.)

Borrowing Programme, 1970-74 ..	60	80	120	140
Charges due to 1970-74 Borrowing ..	11	15	22.5	26
Charges due to pre-1970 Borrowing ..	71	86	116	131
	82	101	138.5	157

The Burden of Debt in relation to Government Revenue

The above tables show how the Debt burden will build up on four alternative levels of borrowing in the next fifteen years. It should be emphasised again that this assumes 6 per cent. long-term borrowing; short-time borrowing would make the debt-servicing problem worse. Now we move on to consider this volume of debt in relation to the Government's ability to pay, *i.e.* its Revenue. The Revenue projections used are based on a 6 per cent. per annum rise, with adjustments for the fact that larger borrowing programmes means higher Government outlays and thus higher tax receipts. This means a range of Revenue projections which depend on the size of the Development Programme.

Two indicators of the growth of debt are useful: Gross Debt outstanding relative to Government Revenue; and Annual Debt charge relative to Government Revenue.

TABLE F. 3. GROSS DEBT OUTSTANDING AND GOVERNMENT REVENUE ($m.)

5 year Borrowing Programme	*Government Revenue*	*Gross Debt Outstanding*			
		60	80	120	140
1954	36	35	35	35	35
1959	49	90	90	90	90
1964	64-67	148	168	208	228
1969	88-92	195	235	315	355
1974	116-122	250	310	430	490

TABLE F. 4. GOVERNMENT REVENUE AND ANNUAL DEBT CHARGES ($m.)

	Government Revenue	*Annual Debt Charge* 60	80	120	140
1954	36	1.9	1.9	1.9	1.9
1959	49	4.7	4.7	4.7	4.7
1964	64-67	10.0	11.3	14.0	15.3
1969	88-92	13.8	16.6	22.3	25.1
1974	116-122	18.1	22.4	31.1	35.4

The effect of the rise in the annual debt charge as a deadweight first charge on Government Revenue has been shown in percentage terms in the next Graph. In 1955-59, Debt Charges averaged 12 per cent. of Revenue. In 1970-74, they would rise to 17 per cent. on $60m. quinquennial borrowing, 20 per cent. on $80m., 28 per cent. on $120m., and 31 per cent. on $140m. Those figures are the first indicators of which level of borrowing is more appropriate.

The Level of Borrowing and the Revenue Surpluses.

We said earlier that British Guiana must aim to provide more of her Development Outlays from Revenue Surpluses than the one-sixth she averaged in 1955-59.

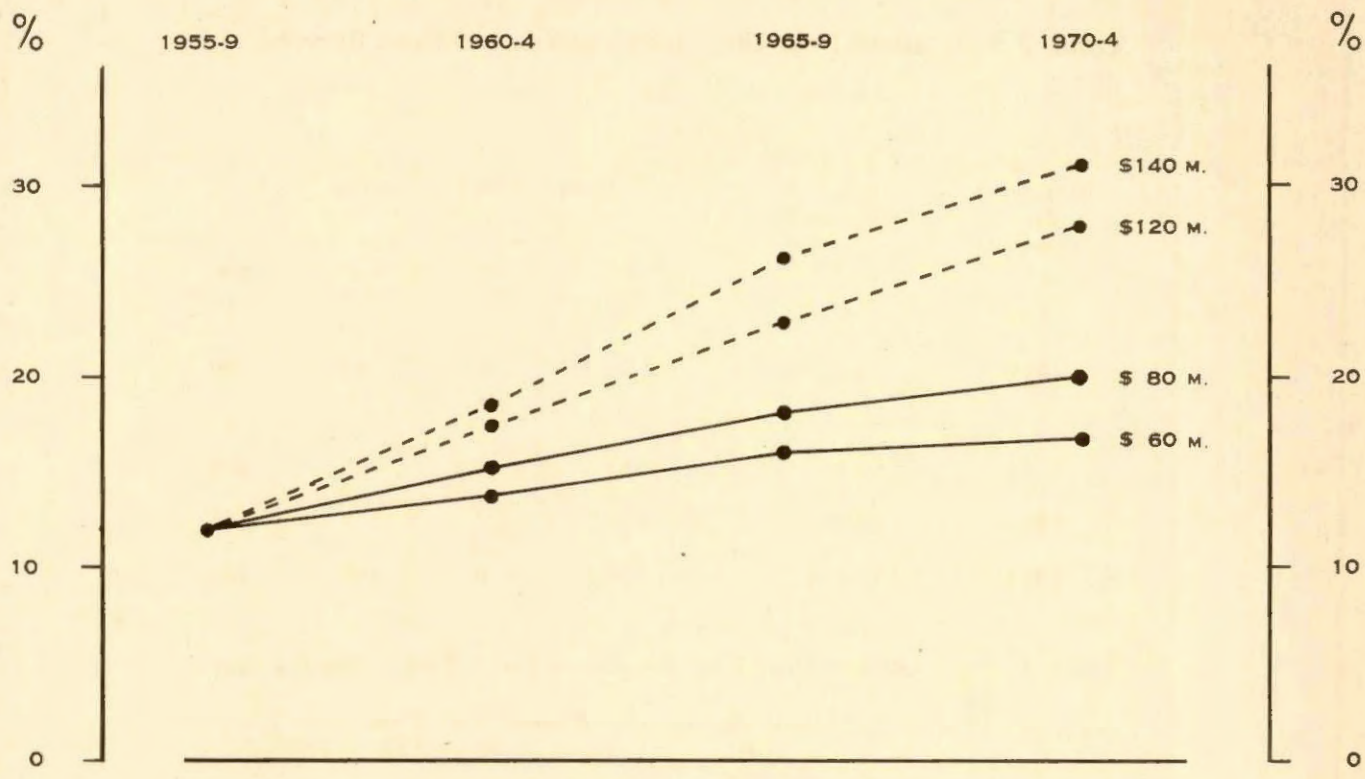
We now take the estimated Revenue Surpluses (before Debt charges), which emerge from the projections of Government Recurrent Expenditure and Revenue, and consider the final Revenue Surpluses which emerge when we allow for these four different levels of the Borrowing and Development Programmes. The adjustments which have to be made to the Revenue Surpluses to arrive at the net figure which will make a contribution to Development outlays are three:

(i) The Debt charges—which will vary according to the four levels of Borrowing.

(ii) The Income from Government Assets—such as land and houses—which will vary according to the four levels of Development Programme. This is an income which will continue long after 1974.

(iii) The Government's Revenue from Taxes—which will vary according to the Government's annual outlay. The projections of the Gross Domestic Product and of Government Revenue are based on a Development Programme expenditure of $125m. (*i.e.* borrowings of $80m.). If the Programme were $20m. less, then tax receipts in the period would be down by about $3m. If the outlays were $40m. more, then tax receipts would be up about $5m. in the five years, and so on. But, whereas the increased revenue from Government Assets in (ii) above is assumed to continue, the increased revenue from variations in other Government outlays is ephemeral. It is assumed here that there is no disturbing effect on the trend of the Gross Domestic Product and Government Revenue after the year in which the money is spent.

DEBT CHARGES AS A PERCENTAGE OF REVENUE, 1955 TO 1974



NET SURPLUSES AS A PERCENTAGE OF LOAN RECEIPTS, 1955 TO 1974

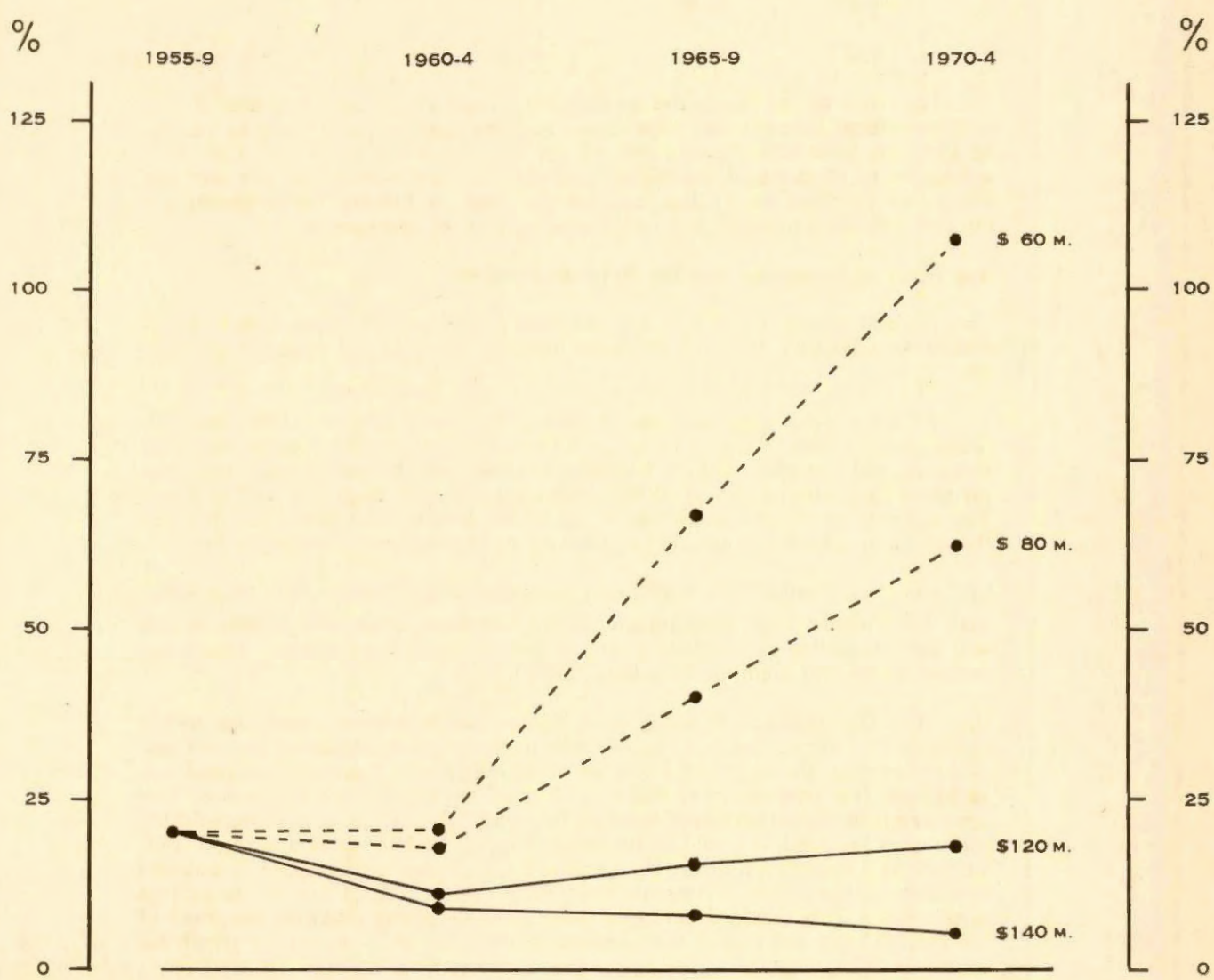


TABLE. F. 5.

A. NET SURPLUS ON GOVERNMENT REVENUE, 1960-64 ($m.)

5-year Borrowing Programme	60	80	120	140
Estimated Surplus (excluding Debt charges)	56	56	56	56
Increased Income from Government Assets	1.5	2	3	3.5
Adjustment to Tax Receipts	—2.5	0	+5	+7.5
	55	58	64	67
Debt Charges on pre-1960 Borrowing ..	29	29	29	29
Debt Charges on 1960-64 Borrowing ..	11	15	22.5	26
Net surplus, 1960-64	15	14	12.5	12

B. NET SURPLUS ON GOVERNMENT REVENUE, 1965-69 ($m.)

5-year Borrowing Programme	60	80	120	140
Estimated surplus (excluding Debt charges)	101	101	101	101
Increased Income from Government Assets	3.5	5	7.5	8.5
Adjustment to Tax Receipts	—2.5	0	+5	+7.5
	102	106	113.5	117
Debt charges on pre-1965 Borrowing ..	50.5	58	73	80.5
Debt charges on 1965-69 Borrowing ..	11	15	22.5	26
Net surplus, 1965-69	40.5	33	18	10.5

C. NET SURPLUS ON GOVERNMENT REVENUE, 1970-74 ($m.)

5-year Borrowing Programme	60	80	120	140
Estimated surplus (excluding Debt charges)	143	143	143	143
Increased Income from Government Assets	6	8	12	14
Adjustment to Tax Receipts	—2.5	0	+5	+7.5
	146.5	151	160	164.5
Debt charges on pre-1970 Borrowing ..	71	86	116	131
Debt charges on 1970-74 Borrowing ..	11	15	22.5	26
Net surplus, 1970-74	64.5	50	21.5	7.5

The effect of different levels of borrowing on the net revenue surpluses indicates which is the more appropriate course for British Guiana to follow. We have said that the aim is for British Guiana to work away from borrowing up to the hilt, to cease to be so completely at the mercy of slumps at home or bad loan markets abroad. It can be seen that borrowing at the two higher rates will both perpetuate and accentuate the present situation.

To show this more clearly the lower Graph attempts to compare the relative contributions to Development outlays from Revenues and from Borrowings under the different programmes. The two lower levels of borrowing mean that the position should improve markedly, with revenue contributions to development becoming comparable with borrowing. The two larger programmes show the position deteriorating, even as compared with the present dangerous situation.

Large Programmes in the early 1960's and 1970's.

We have discussed the effect of four different levels of borrowing on the burden of debt payments and on the net Revenue Surpluses. The last point that should be made is the effect of heavy borrowing in the 1960-64 and 1965-69 periods on the development programme which can be financed in the 1970's. The Table below shows, in average yearly figures, the size of development programme (excluding gifts) which can be financed by the four different levels of borrowing.

TABLE F. 7. DEVELOPMENT EXPENDITURES: AMOUNTS AVAILABLE FROM LOAN RECEIPTS AND REVENUE SURPLUSES, 1955-74

Annual Averages ($m.)				
5-year Borrowing Programme	1955-59	1960-64	1965-69	1970-74
$60m. Loan Receipts ..	10.9	12.0	12.0	12.0
Revenue Surplus ..	2.2	3.0	8.1	12.9
Development Expenditure (excluding Gifts) ..	13.1	15.0	20.1	24.9
$80m. Loan Receipts ..	10.9	16.0	16.0	16.0
Revenue Surplus ..	2.2	2.8	6.6	10.0
Development Expenditure (excluding Gifts) ..	13.1	18.8	22.6	26.0
$120m. Loan Receipts ..	10.9	24.0	24.0	24.0
Revenue Surplus ..	2.2	2.5	3.6	4.3
Development Expenditure (excluding Gifts) ..	13.1	26.5	27.6	28.3
$140m. Loan Receipts ..	10.9	28.0	28.0	28.0
Revenue Surplus ..	2.2	2.4	2.1	1.4
Development Expenditure (excluding Gifts) ..	13.1	30.4	30.1	29.4

This table shows that heavy borrowing in the first two programmes builds up a weight of debt charges which so cuts into Revenue Surpluses that by 1970-74 the total available for development is similar on all four levels of borrowing. Indeed, by 1975-79 the lower levels of borrowing would be providing a bigger programme than the higher, while the higher would have placed the country on the verge of default and at the mercy of any recession. It should be said in passing that these calculations understate the case. Allowance has been made for the effects of larger Development Programmes in increased Government Revenues both from assets and from taxation. But no allowance has been made for the effects of larger Development Programmes on Government Recurrent Expenditures. Experience shows that larger Development outlays cause recurrent expenditure to rise faster than it otherwise would. Thus the Revenue Surpluses quoted here for the larger Development Programmes are exaggerated to this extent, and the dangers and disadvantages, they entail are correspondingly greater.

This long discussion of debt burden, revenue surpluses, etc., has led to the conclusion that British Guiana should certainly not try to borrow more than $80m. in 1960-64. However, before leaving the topic let us set down the arguments for the $120m. and $140m. programmes. These are:

(i) That the present standard of living and employment situation in British Guiana are so desperate that immediate needs require an all-out programme. The future must take care of itself; something may turn up—say the discovery of oil, or a great increase in gifts from abroad.

(ii) That the stimulating effects of heavy development programmes will be so great that the 6 per cent. per annum growth rate assumed will be consistently exceeded.

(iii) That a heavy programme in 1960-70 will provide such a push that development needs will be modest after 1970. The Government can expect to slacken

its efforts and cut down its borrowing to a trickle. The continued growth of the economy would then reduce the burden of debt to manageable proportions.

(iv) That the estimates of Government Revenue used here are too low because it is the intention of the Government to raise an appreciably higher proportion of the national product in taxation.

In my judgement it would not be reasonable or responsible to plan on any of the first three assumptions above. The question of increased taxation must certainly be considered. But if more money is raised in taxes it should not be used to finance the service charges on yet more debt. The Revenue Surpluses which contribute to development are so meagre that the prime need is to have more taxes so as to improve that position at the earliest possible date; otherwise British Guiana's complete reliance on outside help will continue indefinitely, and she will remain vulnerable to a recession or to the drying up of overseas lending facilities.

Before turning in more detail to the question of increased taxation, there is one further question on the appropriate level of Development Programme for 1960-64 that should be discussed.

Ability to Spend

A glance at the last table above will show the sharp increase in the Development outlays in 1960-65, relative to 1955-59, that are required by the larger programmes. Adding in C.D. & W. Gifts, 1955-59 average Development outlays were about $18m. to $19m. per annum. If 1960-64 gifts are $5m. a year, the $80m. programme would raise that to $23.8m. per annum, the $120m. programme to $31.5m. per annum, and the $140m. programme to $35.4m. per annum (that is, to about double the 1955-59 rate).

In many branches of Development Expenditure a doubling of outlays in five years is not inconceivable. New railway equipment, ships, and machinery, can be ordered from abroad on a large scale; new houses can be built at a much greater rate; foreign firms can be brought in to build hospitals and main roads, or to undertake great drainage schemes. Even in these fields it takes time to get the higher rate of expenditure fully under way. But the really crucial sectors of development expenditure are land settlement, new crops, and new industries. If these fail, the Programme as a whole will have failed: and they are much harder to expand quickly, at least if the expansion is not to be very wasteful. It will take quite a time to enlarge the land settlement staff for bush clearance, main drainage, etc. The extension work on cocoa, beef and dairy farming will be slow to grip for the first few years. A great deal of detailed technical study has still to be done before certain industries can be encouraged with any confidence. To try to spend at a very high rate in the five years will mean either spending in the less important development sectors or spending wastefully. The aim must be to build up the capacity and efficiency of these basic development departments over the next five years so that they can do an even bigger job in 1965-69. When that time comes, the money must not have been borrowed and spent already.

Increased Taxation

Earlier in this report it was indicated that the burden of taxation on those British Guiana citizens who do not pay income tax had not risen in the past twenty years. But the higher rate of population growth, and a stronger demand for better living standards, mean enormously swollen Development Programmes. The case for a bigger Revenue contribution to these expenditures seems very clear; the question is how it is to be achieved.

Income tax is already very high, but there are two lines of attack. The first is to step up the ceaseless and difficult battle against tax evasion. The second is to stop the policy of encouraging industry by tax holidays.

Competitive bidding by Caribbean countries for new capital by this latter device seems to me to have reached absurd heights. The five year tax holiday, and the right to duty-free imports, followed by special depreciation allowances, all mean a loss of Government Revenue (in other words, a subsidy) for seven or eight years. Moreover, it is a subsidy the scale of which it is impossible to predict in advance (c.f. Banks Brewery).

Tax Holidays are a great encouragement to the business which is successful in its first decade, but are no help to the man who fears that the venture may show a loss. For projects which hope to supply the home market, there is a

great deal to be said for help *via* protective tariffs rather than tax holidays. Regard must be paid to G.A.T.T. and to repercussions on the exports of other poor Commonwealth countries. But an industry subsidised by a tax holiday which produces substitutes for imports hurts the outside supplier as much as one protected by a tariff. The difference is that, in the tax holiday case, Government loses potential revenue from import tax and import duties; while, with tariffs, it gains revenue both from import duties on those goods which still come in over the tariff, and from income tax — if the protected home industry is successful. The consumer will certainly feel the difference in a higher home market price; but any increase in government tax revenue means a heavier burden somewhere.

Tariffs are of no help to the enterprise which is relying on exporting the bulk of its production from the start. But these cases are rare. Most new ventures start on a home-market base and hope to expand later. Tariffs can certainly offer a secure home-market in which to operate. It will be remembered that the average rate of tax on imports has fallen from 28 per cent. in 1938 to 14 per cent. in 1958, so this policy does not advocate that a high tariff country should raise its tariffs even higher.

Apart from tariffs to protect new ventures, there is a case for increased tariffs and excise duties solely to increase revenue, and these need detailed investigation. But what of export duties? The receipts from these are very low in comparison with some primary exporting countries.

Export duties in British Guiana come down in practice to Bauxite, Sugar and Rice. Bauxite duties cannot be increased, as they are frozen under the 1956 agreement for the establishment of the alumina plant. Although the industry is at present prosperous enough to bear a higher rate of export tax, care must be taken not to price the country's sugar out of the world market, or out of the Commonwealth sugar agreement. As always with export taxes, the great danger is of killing the goose which is laying the golden eggs. Finally we come to Rice. The problem of an export tax here is partly political — the objections of the rice-farmers; and partly economic — many rice-farmers are prosperous but the marginal ones would be hard hit by any drop in income. Yet their incomes already rise and fall from year to year as harvests fluctuate, and nearly every tax hits some poor people hard. There is a case for larger export taxes on rice, coupled if need be with the obligation to use the money for the benefit of the agricultural community (for example, production of pure line seed paddy, agricultural research stations, extension services, etc.). This restriction would not hamper the Government, which would be providing the services in any case.

Finally, we might increase the Government's Net Revenue Surplus by the reduction of subsidies. Those which bulk large are the subsidies to Transport Services. In 1958, the operating losses were :

TABLE F. 8. OPERATING LOSSES OF THE TRANSPORT UNDERTAKINGS

	Loss	*% of Operating Costs Covered by Receipts*
East Coast Railway . .	. . $ 690,000	51%
West Coast Railway . .	. . $ 140,000	73%
Steamers . .	. . $ 745,000	62%
Total . .	. . $1,575,000	

These operating losses include no interest charges for the original issued capital of the railway companies, nor for interest on the new rolling-stock and steamers which have been put in. It is a sad tale.

As far as the steamer losses are concerned, they seem to me to be to a considerable extent a question of policy. Most of the people who go by water have no other choice of transport and the volume of traffic is encouragingly buoyant.

TABLE F. 9. STEAMERS, 1938—1958

	Number of Passengers	*Passenger Receipts*	*Goods Receipts*	*Total Receipts Incl. Misc.*
		$ thous.	$ thous.	$ thous.
1938	1.2m.	117	95	218
1948	2.1m.	278	178	461
1952	2.4m.	376	334	716
1958	3.6m.	550	643	1,221

Clearly, some of the steamer goods traffic is competed for by sloops and lorries. It may not be possible to increase total goods receipts by higher rates. But for most of the passenger traffic, and some of the goods, there is little alter-

native to these steamers. Higher fares would especially hurt the poorer traveller. It would be a tax he could hardly avoid if his job necessitated water-travel; and in that sense it would be unfortunate. But, if the economy needs high Development outlays, most of these must be financed from taxation, and this transport subsidy is an obvious possible economy. I understand that no major revision of rates has taken place since 1952, although prices have risen about 10 per cent. and income per head about 15 per cent. since then. This, coupled with the improvement of the services offered, should clinch the argument for a sharp increase in steamer fares — by stages if need be.

When we turn to the railways the position is less hopeful. Passenger income is buoyant, but the revenue from Goods shows a steep decline:

TABLE F. 10. RAILWAYS, 1938—1958

	Number of Passengers	*Passenger Receipts*	*Goods Tonnage*	*Goods Receipts*	*Total Receipts (Incl. Misc.)*
		$ thous.	thous.	$ thous.	$ thous.
1938	1.5m.	157	111	145	353
1948	2.1m.	457	96	152	708
1952	1.9m.	566	110	332	1,054
1958	3.1m.	791	66	203	1,156

The loss of goods tonnage seems permanent. Rice now goes by road and sea; sugar goes by water. In 1938, the incomes from passengers and goods were about equal. Now the railways have to rely almost entirely on passengers. The question is whether passenger fares can be raised to help reduce the deficit. As far as the social effect is concerned, the arguments are the same as with passenger fares on steamers. It is a tax which will hurt the very poor, who travel to work and cannot avoid it. On the other hand, the Government needs more money for Development. But there is another factor. When passenger fares were raised, between 1948 and 1952, the number of passengers carried dropped, and the gain in passenger receipts was small. This is indeed a danger, and rates would have to be raised by modest steps to gauge the effect. But, if there has been no major revision since 1952 despite increases in prices, costs and incomes, there is a case for trying again now.

It should be said that there is little prospect of covering costs by higher rates, especially on the East Coast Railway. This has little goods income, and has to rely on the daily flush of commuters in and out of town: it is hard to make a railway pay on that basis. But the deficit should be narrower than it is at present.

The long-run case for closing down the railways is manifest. Good coast roads must come in time — the convenience of car, lorry and bus will not be denied. Railways are no substitutes; and when good road and shipping services parallel the railways, the Government cannot afford a heavily subsidised passenger service, competing with the buses. But these good roads will not come in the next five years, and during this period the railway subsidy should be reduced as much as possible.

I would recommend that a Government Committee on Taxes and Subsidies should set to work on the problems outlined above. Its object would be to devise substantial improvements in the Revenue Surpluses to be expected in the next five years.

Sources of Borrowing.

It has been argued that British Guiana should not attempt to borrow from all sources more than $80m. in the five years 1960-64. We now turn to the likely sources of loans. The first and most certain source is local issues sold to the Currency Board and Post Office Savings Bank who can, to a limited extent, be required to take British Guiana Stock. It will be argued later that the proportions of local stock which these institutions may hold is at present far too low; for the moment let us consider the prospects under current arrangements.

Post Office Savings Bank. The deposits in recent years have run at about 10 per cent. of Gross Domestic Product, and the projection to 1964 is:

TABLE F.11. POST OFFICE SAVINGS DEPOSITS AND GROSS DOMESTIC PRODUCT 1950-64

		1950	1958	1964
Gross Domestic Product ..	$m.	144	208	297
P.O.S.B. Deposits	$m.	13.8	20.0	29
P.O.S.B. as % of G.D.P. ..		10%	10%	10%

The present ordinance restricts the amount which can be invested in British Guiana Government issues to one-third. This means in 1964 about $9.7m. By the end of 1959 something under $3m. will have been invested in British Guiana stock, so there is a likelihood of being able to borrow $6m. more from P.O.S.B. in 1960-69.

Currency Board. The amount of currency stated to be in circulation in British Guiana has more than kept pace with the G.D.P. in recent years. Between 1952 and 1957 it rose from 7 per cent. to 9 per cent. of the Gross Domestic Product. If we assume that in the next five years it merely keeps pace with the Gross Domestic Product, the amount of currency in circulation will be:

TABLE F. 12. CURRENCY ISSUES AND GROSS DOMESTIC PRODUCT, 1952—64

		1952	1957	1964
Gross Domestic Product ..	$m.	160	223	297
B.C.C.B. Notes and Coins ..	$m.	10.6	20.3	27
Currency as % of G.D.P. ..		7%	9%	9%

Under the present arrangements, 20 per cent. of the Currency Board's Issues in 1954 (*i.e.* about $3.15m.) can be held in local securities. By 1960, all of this will have been invested. If the base year were moved forward to, say, 1963, about another $2m. of local stock could be sold to the Currency Board in 1960-64.

Finally, there are Widows and Orphans' Funds, the Welfare and Rehabilitation Funds of the Sugar Industry, and sales to the general public (individuals, insurance societies, and banks). The experience of the past five years suggests that, at the higher level of Gross Domestic Product, one could count on selling $2m. to these buyers.

These three sources imply that Local Loans can be relied upon to supply $10m. in 1960-64, given the present regulations of the Currency Board and the Post Office Savings Bank.

International Bank and the U.S. Development Loan Fund. It is too soon to describe funds from these two sources as anything more than likely possibilities; but for planning purposes we can put down $12m. from the I.B.R.D., with a possibility of more.

London Market. This involves a forecast of the willingness of the market to take British Guiana stock; and it would require a considerable improvement in sentiment before any large amounts could be absorbed. The sole certain supply of funds is *via* the Exchequer Loan Fund, and British Guiana might rely on being able to borrow £8m. ($38m.) from this source.

Size of Development Programme

Summarizing these fairly reliable sources of funds, we find that British Guiana can certainly manage a programme of $110m. in 1960-64:

TABLE F. 13. DEVELOPMENT PROGRAMME, 1960—64

	$m.
Revenue Surplus	15
C. D. & W. Gifts	25
Borrowing	60
'Slippage', 10 per cent.	10
	110
Sources of Borrowing:	
Local Loans	10
I. B. R. D.	12
Exchequer Loans (£8m.)	38
	60

To undertake a programme of $135m. would (after allowing for slippage) require borrowing of $83m. and not $60m. dollars. In my view, it is reasonable to risk starting a programme with a quarter of the required borrowing uncertain.

We have said that the British Guiana economy can just about afford to borrow at the $80m. rate in 1960-64, and if her needs are strong enough to require the bigger programme it could be started. By 1962 much will be clearer. Perhaps the Revenue Surplus will be higher because of higher tax rates or reduced expenditure; or perhaps it may be possible to borrow $80m. instead of $60m; perhaps the World Bank, the U.S. Development Loan Fund, or the London Market, may be more accommodating. Perhaps attractive offers may be made by private consortiums (although these usually involve rapid repayments and higher service charges which would increase the debt burden).

Accordingly it should be possible to start a $135m. programme which built up fairly slowly from the present $19m. a year, so that it would be possible to revert to a smaller programme half-way, without too violent a cut, if conditions in 1962 make this necessary.

TABLE F. 14. PHASING OF ALTERNATIVE DEVELOPMENT PROGRAMMES

	$135m. Programme	*$110m. Programme*
1958	19	
1959	19 — 20	
1960	22	22
1961	24	24
1962	27	24
1963	30	20
1964	32	20
	$135m.	$110m.

Sources of Borrowing: The Currency Board and the Post Office Savings Bank.

In what follows I shall be saying nothing that affects the contention, advanced in the earlier section, that British Guiana should not attempt to borrow more than $80m. in 1960—64 (unless borrowing terms were markedly more generous than the 6 per cent. interest and 1½ per cent. sinking fund assumed). But what I have to say will be relevant to the amount of lending on which the country can rely.

Any economist who looks at a British colony for the first time is struck by the arrangements for issuing currency. British Guiana has no control over its money supply and its B.W.I. notes are freely convertible into sterling, with no risk of inconvertibility, because the cover for the notes in sterling securities is about 100 per cent. This means that, unlike independent countries inside and outside the Commonwealth, the Government of British Guiana can never have a balance of payments problem. For British Guiana, B. W. I. notes and Sterling are equivalent. She is often short of money but never short of foreign exchange.

The convertibility of the B. W. I. currency and British Guiana's inability to issue notes puts her very much on the same footing as Scotland in relation to England.

There is no doubt of the advantage to British Guiana of having a currency which is in circulation over the whole of the Eastern Caribbean and which is freely convertible into Sterling. It is very doubtful if the measures to preserve convertibility need be so severe. At present, the Currency Board must strive to build up a cover for its issued notes and coin of 110 per cent. in Sterling securities. Unlsss the securities taken at year-end valuation provide 100 per cent. cover no profits may be distributed to the participating countries and until the cover reaches 110%, a portion of the profits equal to 1 per cent. of the cover must be retained to build it up towards 110 per cent. Of these Sterling securities, a small proportion may be local issues (20 per cent. of the 1954 circulation).

It is clear that a heavy stock of readily marketable securities must be held by the Currency Board so that they can realise Sterling when the ebb and flow of trade or capital makes holders of B.W.I. currency wish to convert some of their notes into pounds. It is also clear that most local issues are not readily saleable, and cannot be counted upon to yield foreign exchange. But, whatever the ebb and

flow of trade or political disquiet, there can be no risk of a 100 per cent. simultaneous presentation of B.W.I. notes for conversion to Sterling in all the countries of the group. A 50 per cent. cover would be ample.

A country has a right to expect to borrow from its citizens *via* currency issues as and when the growing Gross Domestic Product means that more notes are required for transactions. The present rules of Currency Boards, by over-insuring against extra-ordinary convertibility demands, deny colonies this right—except on a much reduced scale. At the very least, the 20 per cent. allowance in local loans should be made applicable to the current level of circulation and not to that in some base year. The present rule makes it impossible for a Government to forecast its ability to borrow from the Currency Board, because the revision of the base date requires agreement by every participant, and a single laggard can hold it up unpredictably.

A final point on the over-caution of the Currency Board is that the 20 per cent. invested in local issues is put into funded stocks. That is to say, British Guiana has to put money into a sinking fund although it will not affect or assist the Currency Board whether these local loans are funded or not. Funding does not make them any more saleable for Sterling in a crisis. Funding will not help British Guiana because she will want the 20 per cent. investment in local loans continued. Thus, when one local loan matures, the Currency Board will have to re-invest the money in a new British Guiana issue. There seems a clear case for a form of non-funded revolving debt for the purpose.

To sum up: In a country with development needs like British Guiana, the Government must borrow large sums. It ought to be able to rely on borrowing in part from its own citizens *via* the issue of currency as their need for notes and coin grows with an expanding Gross Domestic Product. The Currency Board is so heavily over-insured against the remotest risk to absolute convertibility that British Guiana is denied a reasonable degree of reliance on this source of borrowing. But this Gladstonian caution on the convertibility of the currency is not carried into the rest of Government Finance. British Guiana has been borrowing in the past five years, and will borrow in the next five years, at a rate which is far from the ultra-conservatism of the currency policy she is required to follow. To deny her reasonable borrowing on currency might have the effect of forcing her into far more dangerous short-term borrowing.

The Post Office Savings Bank.

All the arguments used above, about conservatism in currency matters, apply to borrowing from the P.O.S.B. Like the Currency Board, the P.O.S.B. must have a large block of readily marketable securities to sell to meet withdrawals. British Guiana Government stock does not come into this category. But the risk of more than 50 per cent. of depositors wanting to withdraw is very small (in relation to the needs of the country and other risks which the Government must face.) As with the currency, it is reasonable to have 50 per cent. in British Guiana stock and there is no need for it to be funded debt. The important difference is that British Guiana can make this change by local ordinance, while an alteration of Currency Board rules would be much more difficult.

The Need for Reserves

Having argued that British Guiana could safely be allowed to borrow more on currency and P.O.S.B. deposits, I now want to urge strongly that any increased ability to borrow in these ways should not be utilised up to the hilt. All the projections of ability to service debt, which are behind the estimates of a feasible Development Programme, are based on continued growth of the economy. If a few bad years should come, there are at present no reserves available to the Government, which would be forced into heavy retrenchment, and perhaps into asking for another 'rescue operation' by the U.K. Government. The easiest way to hold reserves against bad times would be to keep some unutilised borrowing rights with the Curreney Board and the P.O.S.B. Then, in lean years when revenue fell off, Government Programmes could be maintained by issuing Government Stock to these institutions. They would be able to sell what Sterling securities they held over and above the required minimum, and make these reserves available to the Government for their operations. Without such reserves a Development Programme of $135m. would be all too easily threatened by worsening conditions in any quarter — a decline in revenue, a rise in current expenditure, or a reduction in borrowing facilities.

PART II

Chapter 4. The Recommended Development Programme

In the last chapter we argued that the appropriate size for British Guiana's Development Programme for 1960-64 lay between $110m. and $135m. The minimum was set at $110m. both because this could almost certainly be financed, and because British Guiana needs a programme of at least this magnitude if land and other assets are to be available for the ever growing labour force in 1965-69, and such obstacles to future development as poor communications are to be progressively removed. The higher level was set at $135m. because this would involve borrowing about $80m. at about 6 per cent. interest. If this rate of borrowing were exceeded, it would put Government finances in the late 1960's and the 1970's under a breaking strain. Provided the suggested review of Taxes and Subsidies yields substantial results, it should be possible to undertake a programme of $135m. with less than $80m. of borrowings; and this should certainly be a prime aim.

We said that the Programme should be phased so that a review early in 1962 would show whether the last three years of the period allowed a continued expansion of development expenditure towards the $135m. programme or whether circumstances imposed a lesser amount. There have been reviews such as this, in mid-programme more than once in the last ten years.

Accordingly the Departmental Programme for Development in 1960-64, which totalled $260m., was examined to provide a first-priority Recommended Programme of $110m. (See Table D2 on page 31). This was done in consultation with the Departments; and in nearly all cases the priorities were agreed with them.

Next a Supplementary Priority II Programme was produced, to bring the total from $110m. to $135m. To simplify planning and decisions, this Supplementary Programme is restricted to four sectors.

1. Health—an additional $6m. to provide for a new Georgetown Hospital. (page 44).
2. Roads—an addition of up to another $10m. (page 38).
3. Housing—an addition of up to another $4m. (pages 44 & 45).
4. Industry—an addition of up to another $5m. for more credit or Government plants. (pages 39-41).

In my view, the Hospital should take precedence over the other three. I would expect British Guiana to be able to finance a Programme of at least $116m., and planning for the hospital should be pushed ahead in 1960 and 1961 in the knowledge that only a recession or exceptionally unfavourable loan markets could cause its postponement. The 1962 review will show on what scale between $110m. and $135m. the 1960-64 Development Programme should be pitched. It will also show how successful the promotion of Industry has been. If this is going fast and well, more finance will be needed, but not otherwise. By then it will be much easier to apportion the funds available over and above $116m. between items 2, 3 and 4 above.

I have said that the items which make up these Recommended and Supplementary Programmes were discussed in British Guiana with the Departments, and in most cases the priorities were agreed. It would be foolish to pretend that all were happy to have Departmental Bids of $260m. scaled down so drastically; but they accepted the need to produce a first-priority list which would add up to a more practicable total, and this was done, item by item. In saying this, it is fair to explain that the most forceful Departmental objections to this Recommended Programme are likely to arise on the amounts to be spent on the promotion of Manufacturing, and on Housing.

The difference of view on the amounts to be allocated to the promotion of industry arises from doubts on the speed at which industry can usefully be encouraged in the particular conditions of British Guiana—that is, on the amount of money which can be spent without waste in this sector before 1964. The difference of view about housing arises partly from the view that invest-

ment in productive assets must take precedence over the relief of social distress, and partly in the belief that the balance of expenditure on 'Social Welfare' should be swung away from Housing and towards Education and Health. In 1956-60, 60 per cent. of all the expenditure on Social Welfare went on Housing: yet Education Health Services, Water Supplies, and Community Development are all necessarily more dependent on State provision, since they cannot be left to private initiative.

The amounts allocated to Industry and Housing in a $135m. programme do not reduce the Departmental Bids more heavily than the average. But if the Government is forced back on to a $110m. level the difference of emphasis would be most marked.

TABLE D.1. PERCENTAGE COMPOSITION OF THE RECOMMENDED DEVELOPMENT PROGRAMME 1960-64.

Head	*Current Rate of Expenditure '1956-60'*	*Recommended Programme 1960-64*	
Economic Development		$110m.	$135m.
1. Agriculture	42.5	44.5	36.0
2. Forests	.5	.5	.5
3. Lands and Mines	2.5	2.5	2.0
4. Transport and Communications	26.5	23.5	26.5
5. Finance, Credit, and Industry	3.5	11.5	13.5
Total — Economic	75.5	82.5	78.5
Social Welfare			
6. Water and Electricity	3.5	4.5	3.5
7. Education	2.0	3.5	3.0
8. Health	1.5	.5	5.0
9. Housing	14.5	5.5	7.5
10. Miscellaneous	3.0	3.5	2.5
Total — Social	24.5	17.5	21.5
Total — Economic and Social	100%	100%	100%

This table shows the composition of the programmes in percentages in parallel with current Development spending. It shows a shift to 'Economic Development', which is relaxed somewhat if there is money for the $135m. Supplementary items and the Hospital and extra housing allocations are included. Although the Departmental Bid on Industry has been severely pruned in the $110m. Programme, it will be seen that the allocation to 'Finance, Credit and Industry' is much greater than in 1956-60.

With this preface, we turn to an item-by-item discussion of the 1960-64 Programme. Let me say, in conclusion, that these details were evolved after a very brief visit to the Colony. They represent the views of a visiting economist on relative priorities, and I realise that local expert knowledge and experience deserve to be given full weight when any final programme is drawn up.

Table D2, on the next page, summarises the Recommendations; these are further illustrated in the Graphs which follow.

TABLE D.2. SUMMARY OF THE RECOMMENDED DEVELOPMENT PROGRAMME 1960-64.

$ m.

Heading	Current Rate of Expenditure 1956-60	Recommended Programme 1960-64		Total Departmental Bid, 1960-64
		Main Programme Priority I	Supplementary items Priority II	
1. Agriculture and Fisheries				
A. Sea Defences ..	5.4	5.0	—	6.1
B. Drainage and Irrigation	28.7	32.4	—	57.4
C. Land Settlement ..	3.9	7.1	—	13.7
D. Research, Extension Work, Training etc. ..	4.7	4.3	—	7.6
Total — Agriculture	42.7	48.8	—	84.8
2. Forests				
E. Timber Manufacturing Plant	0.1	0.5	—	0.5
F. Research, etc ..	0.5	—	—	0.5
Total — Forests ..	0.6	0.5	—	1.0
3. Lands and Mines				
G. Geological, and Other, Surveys	2.4	2.8	—	3.4
4. Transport and Communications				
H. Civil Aviation ..	0.4	1.8	—	10.0
J. Shipping, Ferry, and Harbour Services ..	6.3	6.9	—	8.5
K. Railways ..	2.2	1.5	—	3.5
L. Roads	11.9	15.0	10.0	39.1
M. Posts and Telecommunications ..	5.6	0.6	—	0.6
Total—Transport and Communications ..	26.4	25.8	10.0	61.7
5. N. Finance, Credit and Industry	3.5	13.0	5.0	36.5
Total—Economic Development ..	75.7	90.9	15.0	187.4
6. Public Utilities ..				
P. Water Supplies ..	3.1	2.8	—	2.9
Q. Electricity ..	0.2	2.0	—	13.0
Total —Public Utilities ..	3.3	4.8	—	15.9
7. R. Education ..	2.2	4.1	—	5.0
8. S. Health	1.3	0.8	6.0	7.2
9. T. Housing	14.6	6.0	4.0	28.5
10. U to Z. Miscellaneous ..	2.9	3.5	—	12.9
Total—Social Welfare	24.4	19.2	10.0	69.5
Total—Economic and Social	100.1	110.1	25.0	256.9

Note :—Owing to rounding, the 1956-60 figures do not add exactly to the sub-totals and total.

A. SEA DEFENCES	Departmental Bid for 1960-64	$6.1m.
	Recommended Programme for 1960-64	$5m.
	Current Rate of Expenditure, 1956-60	$5.4m.

Sea Defences are an integral part of the land reclamation and improvement schemes. Between 1960 and 1964 it is planned to strengthen the defences for a considerable distance on either side of the Enmore breach and in front of the new drainage and irrigation works of Black Bush, Boerasirie and Tapacuma. Two new launches will absorb half a million of the vote.

B. DRAINAGE AND IRRIGATION	Departmental Bid for 1960-64	$57.4m.
	Recommended Programme for 1960-64	$32.4 m.
	Current Rate of Expenditure, 1956-60	$28.7 m.

It has been said many times that for the next fifteen years at least agriculture must supply most of the expansion in British Guiana. This means, at the moment, cultivation on the coast strip. Given the conditions in this area, there seems no alternative to very heavy expenditure on water control measures. The recommended programme for 1960-64 consists of the completion of three major schemes—Black Bush, Boerasirie and Tapacuma; the start of a fourth—the Abary; and the start of investigations for a fifth—the Canje. In addition, a number of minor schemes would be undertaken, including the extension to the Mara area. It should be remembered that the large schemes are undertaken by large contractors, and the Drainage and Irrigation Department carry out the minor schemes and the preparatory work for the major ones. It is not possible to increase the number of minor schemes very much without a large increase in the technical staff of the Department. Any large number of scattered minor schemes would make the problem of skilled supervision much more acute.

The Recommended Programme would be :

		$ thous.	
D8.	Black Bush	5,750	to complete the project.
D4 & 5.	Boerasirie	3,230	to complete the project.
D3.	Tapacuma	6,000	New project—to be completed—total cost may be higher than this guess.
D6.	Abary	9,000	Only 40% completed 1960-64 —Expected to cost $22m. in all.
D9.	Minor Works and Equipment	6,500	
D1, D2 and D7.	Surveys	1,900	
		32,380 or $32.4m.	

The three big schemes to be completed in the next five years should bring into use 85,000 acres of new land. The yield from minor works will push this 'new land' figure to over 100,000 acres—plus the benefit to existing cultivated areas from improved water-control. This is in line with the estimates, in the Gross Domestic Product projections, of 55,000 more acres of rice, 18,000 acres of other crops, and increased areas for livestock. (Some of this acreage will begin to bear only in 1965).

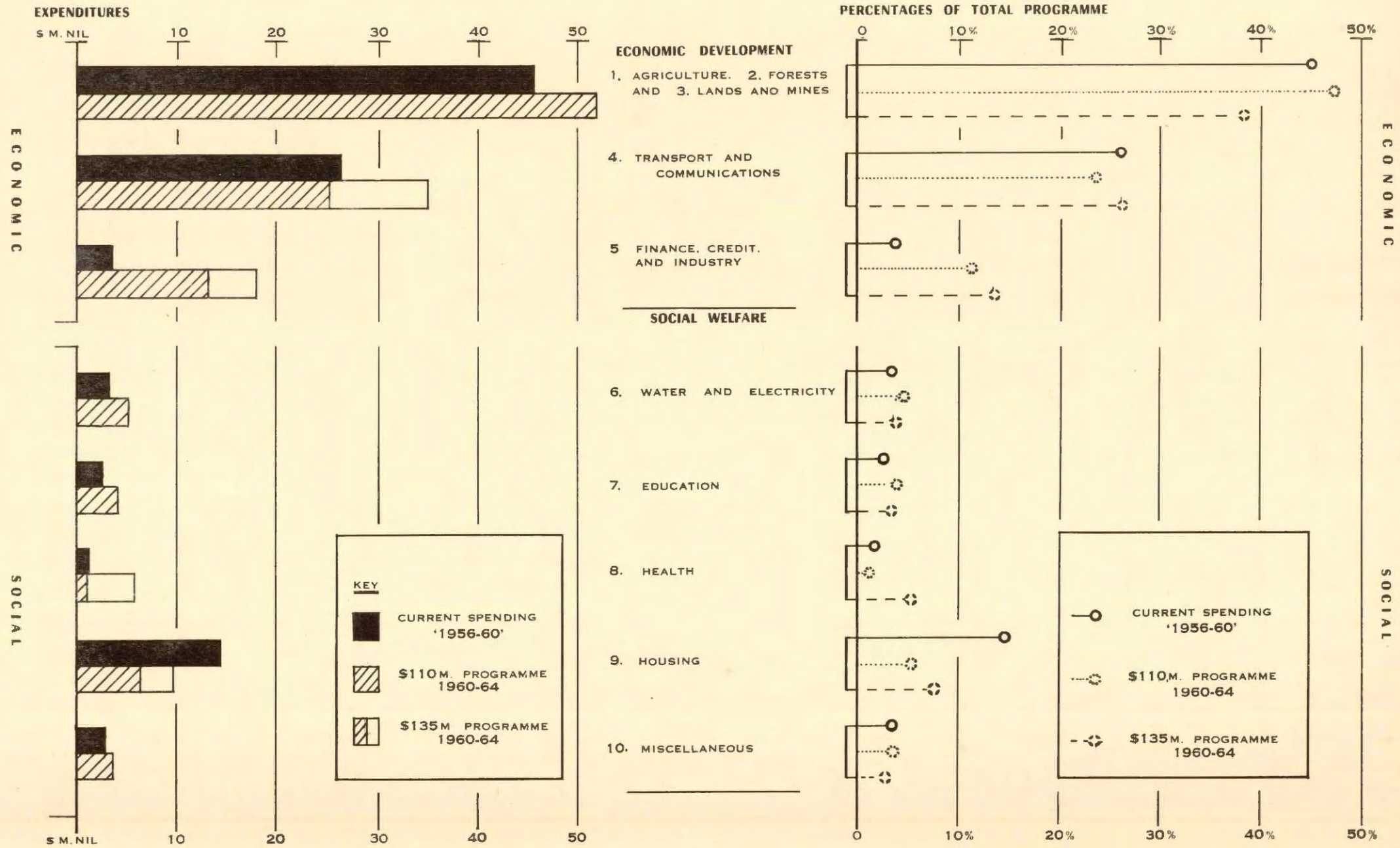
The Abary scheme, which will not be completed until 1965-69, is Stage I of a larger project to control the head reaches of the Abary, Mahaicony and Mahaica rivers. The area that benefits is about 230,000 acres. The Canje Project, investigations for which will be started in 1960-64, will affect about half a million acres.

Abary and Canje are to provide the acres for the growing labour force of 1965-69. If more money were available in 1960-64, the Abary scheme could be started and finished a year or so earlier, and more of the $22m. spent in 1960-64.

C. LAND SETTLEMENT	Departmental Bid for 1960-64	$13.7m.
	Recommended Programme for 1960-64	$7.1m.
	Current Rate of Expenditure, 1956-60	$3.9m.

This programme is really part of the Drainage and Irrigation schemes, for it largely consists in preparing the more difficult land protected by the water-control measures. The easier land will be brought into use by the farmers themselves —

THE RECOMMENDED DEVELOPMENT PROGRAMME – COMPARED WITH THE CURRENT PROGRAMME



as they have done in the past. It is part of the Drainage and Irrigation programme, too, in that much of the expenditure in preparing the land for settlement goes in putting in the main water channels.

The recommended programme is :

		Cost $ thous.	Acres	Families settled
L10 & L11	Black Bush area	1,493	27,000	1,586
L4 & L6 & L15	Boerasirie area	1,946	10,000	482
L8	Mara area	1,835	7,000	437
L14	Already in progress	78	1,000	90
L13	N.W. Interior	250	1,000	
L16	Machinery	1,048		(Amerindians) 70
			46,000	2,665
L1 & L3	Tapacuma area (not finished until after 1964) ..	450	11,000	710
		7,100		

It will be seen that about 50,000 acres will be settled between 1960 and 1964 under this programme, on the basis of about 17 acres per family. The other half of the 100,000 acres expansion in cultivated area expected in 1960-64 have to come from the initiative of individual farmers. It is equivalent to the additional area they have brought under cultivation in the past decade.

In recommending an expenditure of $7m. on Land Settlement out of a departmental bid for nearly $14m., I have had regard to the difficulties of expanding the department beyond its current rate of expenditure of $4m. in five years. The provision of skilled technicians and administrators for a number of scattered projects will put a severe strain on the Department. If it were asked to grow any faster, the expenditure of money would very likely be undertaken wastefully.

Moreover, the cost per family settled, both in acreage (17 acres) and in money (about $2,500), is very high. Most of the expansion of agriculture in acreage and in numbers employed must come from individual initiative. It is cheaper to encourage individual and group initiative by letting them Crown Lands and extending them credit than by organising Land Settlement Schemes. These should be reserved for areas of very good land where heavy bush and the need for large main waterways put the extension of acreage beyond the powers of individuals. Even there, as was said above, the facilities provided by the Government should be minimal and the State should try to get clear of the site as quickly as possible.

D. RESEARCH, EXTENSION SERVICES, TRAINING, ETC.	Departmental Bid for 1960-64	$7.6m.
	Recommended Programme for 1960-64	$4.3m.
	Current Rate of Expenditure, 1956-60	$4.7m.

It appears as if the Recommended Programme, 1960-64, constitutes no increase on current outlays. This is because 1956-60 saw $2m. spent on building up Research Stations at Mon Repos, Hosororo, Ebini, St. Ignatius and Onverwagt. In 1960-64 they will need only half that for new developments. The recommended programme is:

			$ thous.	
CROPS				
	A6	Rice—production of pure seed	200	
	A7	Coconut—seeds and planting bonuses	340	
	A1	Cocoa—cuttings and planting bonuses	950	1,490
BEEF				
	A2	St. Ignatius Livestock Station	370	
	A3	Ebini Livestock Station	450	
	A10	Bulls and Pasture bonuses	400	1,220
DAIRY				
	A9	Bulls		100
FISH				
	A11	Onverwagt Fisheries Station	30	
		Rural Ice Boxes	33	
		Trials of new Fishing Gear	24	
		Subsidy to new Trawler building (⅛)	60	
	A12	Improvements to Fish Market	140	287
		Carried Forward		3,097

	Brought Forward		3,097
MISCELLANEOUS			
A4	Training of Instructors Abroad	225	
A14	Additional Staff for extension work	400	
A13	Farmer Training School—Mon Repos	180	
A5	Soil Survey expansion	368	1,173
			4,270
			or $4.3m.

No allowance is made here for the credit needs of the expanding agriculture. This is covered under the heading of 'Finance'. (p.39).

The Programme is heavily weighted towards the expansion of beef, cocoa and coconuts. This is because the possibilities of increased production appear best and the market strong. On Coconuts: it seems extraordinary that British Guiana is not self-sufficient in coconut products and it should not be hard to expand the acreage of this traditional crop. At present, 32,000 acres are under cultivation and the programme for 1960-64 would add another 10,000 acres. The production and distribution of seedlings and the administration of a planting bonus of $20 an acre will mean a big shift in the Department of Agriculture's work from Research towards extension services. There can be no doubt that either a high enough price for coconut products or a tax on rice would produce this expansion quickly enough.

A similar programme is envisaged for Cocoa, to get 5,000 acres under cultivation by 1964. This will be difficult. So far, the Department has no acreage under cultivation; the experiments have been carried out on a few hundred acres by Bookers. For success, the highest grade of cocoa must be produced with a high density of trees per acre. Cocoa cultivation is new to British Guiana farmers, and the time-lag before bearing is long. It may well be that this programme of 5,000 acres is over-ambitious, but there can be little doubt that British Guiana agriculture must be directed away from rice and that this is one of the directions to follow.

On Beef: the market is good in many parts of the Caribbean, and the possibilities of British Guiana increasing her production sharply are better in this line than in most others. It seems that the ranchers of the Rupununi Savannahs are going to take a long time to change their way of life and their methods of raising cattle, even when the profitability of new ways has been demonstrated. But the grass improvement experiments at Ebini in the intermediate Savannahs are striking, and the land there is both more accessible and more open to settlement than the Rupununi.

Rice is neglected in this programme, except for a contribution towards pure seed production. It is expected that the Rice industry will find most of the money needed to produce pure seed. In any case, there is no desire to encourage rice as against other agricultural development.

Similarly, Dairying gets rather a thin allocation relative to beef, because dairy products are cheap in world markets while beef is dear. Also Dairy output has been expanding better than beef and seems less in need of further encouragement.

The programme for Fish is very much less than the Departmental Bid, partly because some of the proposals did not seem to be based on reliable research figures, and partly because the operation of foreign trawlers from Georgetown is temporarily increasing the market supply and also demonstrating to local fishing interests the potentialities of trawler-fishing in the area.

Under Miscellaneous, about $400,000 is allocated for training schemes at home and abroad, and $400,000 for extra staff to carry out the extension services which will have to be undertaken if the Department is to shift its emphasis from research to the encouragement of new crops and livestock in the field. Finally, on Soil Surveys, the continuous expansion of acreage and the planning of irrigation and land settlement cannot be properly conducted without soil survey teams to cope with the continuous demands for their services.

E. TIMBER MANUFACTURING PLANT	Departmental Bid for 1960-64	$550 thous.
	Recommended Programme for 1960-64	$550 thous.
	Current Rate of Expenditure, 1956-60	$105 thous.

The hope that British Guiana would develop an export trade for species of timber other than Greenheart and Purpleheart has a long history. There seems a great deal to contend against—high transport costs from the forest to the coast,

high freight rates to Europe, and high labour costs. The development proposal in this programme is to break into European markets by an expansion of the Government's Central Timber Manufacturing Plant, so as to lower the costs and permit a delivered price in the U.K. which would open up the market. If this were successful, the prize would be glittering. British Guiana needs to find large export industries based on plentiful local raw materials. It is certainly worth investigating.

The position is that the Government's Central Timber Manufacturing Plant has been operating for five years at a heavy loss—in 1958 it was $58,000. At present, its output is 1 to 1¼ million F.B.M. a year; 80 per cent. for the home market and 20 per cent. for exports. Costs are said to be high because there is no mechanical handling.

The aim is to re-organise and mechanize the plant at a cost of $550,000, to expand output to 3½ million F.B.M. a year, and to sell the increase almost entirely in export markets (especially the U.K.). It is estimated that mechanisation and higher output would reduce labour costs by 7.45 cents per F.B.M. Against this would be set the interest (6 per cent.) and depreciation on the $550,000 invested, and the need to make up the present loss rate of $58,000 a year. This would reduce the savings in labour costs of 7.45 cents to a reduction in total costs of about 3 cents per F.B.M. The proposition is, then, that a reduction of 3 cents per F.B.M. in the delivered price of British Guiana 'other species' would enable the plant to sell over 2 million F.B.M. a year in overseas markets and demonstrate to private entrepreneurs the profitability of the trade. There seems a strong division of opinion in Georgetown timber circles as to whether a 3 cents per foot reduction would be so decisive. The best way to check is to make enquiries in the London Market, and to experiment. Let the Timber Manufacturing Plant build up a stock and then offer it in overseas markets at 3 cents a foot below their current quotations.

Since the success of this trade would be so important for British Guiana, the proposal has been left in the programme on the assumption that further investigation will prove it worthwhile to proceed.

G. SURVEYS	Departmental Bid for 1960-64	$3.4m.
	Recommended Programme for 1960-64	$2.8m.
	Current Rate of Expenditure, 1956-60	$2.4m

The biggest item here is the Geological Survey and its attendant Aerial Survey. The Geological Survey of a country as large and bush-covered as British Guiana is bound to be expensive, but it can pay off handsomely. Indeed, the survey has already done so on Manganese. Another five years of heavy expenditure, and the most difficult stage will be over. It is worth doing this fairly rapidly rather than stretching the survey out, because the services of the present Director will not be available after 1965. If the Geological Survey is to be continued, the Aerial Survey must be included and given a more immediate priority than the other. This is because an aerial photograph in heavy bush country more than doubles the speed at which the geologist on the ground can operate. There have been difficulties in the past in photographing many parts of British Guiana when clouds are thick. But French Guiana has a complete and cloud-free aerial survey and it is believed that improved weather reporting from the interior to the coast airfield will greatly reduce the time wasted by cloud-cover.

			$ thous.
LM2	Aerial Photography	..	600
G1	Geological Surveys	..	2,000
LM1 & LM3	Topographic Surveys	..	200
			2,800 or $2.8m.

H. CIVIL AVIATION	Departmental Bid for 1960-64	$10 m.
	Recommended Programme, 1960-64	$ 1.8m.
	Current Rate of Expenditure, 1956-60	$ 0.4m.

The Departmental Bid of $10m. for 1960-64 arises from the desire to build a new international airport on the outskirts of Georgetown, and to re-equip the Government-owned air line with new planes. Civil aviation has had an important

role to play in maintaining communications with the interior of the country. But there is little sign that air transport would cause such development in the near future as to warrant the putting of $10m. into the 1960-64 Programme—nor any figure like it. On the other hand, the cost to the Government of maintaining the internal services and the facilities for international lines is rising steeply; and there is the fear that considerable capital outlays may be unavoidable in the next few years if existing services are to be preserved. In outline, the position is:—

1. The Government took over the financial responsibility for the internal line, British Guiana Airways, in 1954/5. Since then a modest annual loss has grown sixfold to about $300,000 per annum. This is largely due to the increase in the costs of the staff; but the line also has to rely on old aircraft, and to maintain them it has two bases 26 miles apart. The aircraft are Dakotas and Grumman Amphibians; the Amphibians are now 19 years old and some of them will probably have to be replaced before 1964.

2. The Government operates the U.S. Base, Atkinson Field, as the country's international airport, served by Pan American, Air France, K.L.M. and B.W.I.A., as well as by British Guiana Airways Dakotas. This base is a full 26 miles from Georgetown and its maintenance involves an area 9 miles by 5, with roads, bomber dispersal runways, and a complex of 80 buildings. The cost of maintenance of the fabric is currently $200,000 per annum, and the Public Works Department claims that the condition of these wartime buildings and wartime electrical, water and sewage services has now deteriorated to the point where heavy capital expenditure is essential. They put the cost in the next two or three years of renewing defective buildings and utilities and increased housing for airport staff at nearly $2m.

3. The cost of Atkinson may be increased by two other events. A new bulk sugar storage and loading dock is being built on the Demerara River on the outskirts of Georgetown, right next to the British Guiana Airways hangar and ramp from which the Grummans operate. When ships are moored at the terminal they will be near the area on which the Grummans land when opposing wind and tide make the centre of the stream too choppy. It would be prohibitively expensive to move the hangar and ramp for these old planes to a place further up river. To move their operation to Atkinson would mean new housing for the maintenance staff or their daily transport to and from the base ($60,000 per annum).

The second immediate problem which increases the inconvenience and cost of Atkinson is that the International Aeradio Company, which operates the telecommunications systems at the airport, can no longer persuade staff to remain there under the current conditions of housing and the isolation of the life. They are anxious to operate from Georgetown. The Director of Civil Aviation opposes this move on safety grounds but agrees that, at a minimum, new housing would be needed at Atkinson for Aeradio staff ($120,000).

All this suggests that Atkinson Base may now be an expensive white elephant. The Executive Council's Committee accepts this view and the Civil Aviation Development Programme for 1960-64 proposes to abandon the base and build a new internal and international airport six miles to the south-east of Georgetown's centre. British Guiana Airways operations and maintenance would be concentrated on this new site and the Dakotas and Grummans scrapped in favour of new "Short take-off and landing" planes. To tie in with the switch from amphibians to land-planes, new strips would be built in the interior to replace landing pools. At the same time, safety and navigational aids for internal and international routes would be brought up to modern standards.

The cost of this development programme is put at about $10m. in 1960-64, against which should be set some reduction in the operating loss of British Guiana Airways and the operating cost of the Atkinson Base.

But expenditure of the order of $10m. or even $8m. is out of the question in a Development Programme of $110m. to $135m.—given the minimum needs in other directions. The practicable programme seems to be:

(i) To continue to operate the Grummans from the existing Georgetown ramp—perhaps slightly modified. If take-off and landing have to be restricted at certain times on certain days, that restriction will have to be accepted.

(ii) To ask the United States Authorities if they value the continuance of this base in South America sufficiently to contribute substantially to its maintenance

If not, and if it really is the case that Atkinson would need $2m. spent on it in the next few years, then it should be abandoned.

(iii) To replace Atkinson Base by carrying out Phase I of the new Georgetown airport six miles south-east of the town. This Phase I would only be up to Dakota standards, which would be adequate for internal air traffic and would permit the unification of British Guiana Airways' maintenance and the closing of the Grumman Ramp. The result would be that, for some years, British Guiana would cease to be on the world international air-route system, and would have to connect with it by Dakota to Trinidad. This would be a blow to prestige; but prestige would not justify the spending of $10m. in the next five years, when other needs are so pressing.

(iv) The cost of an airport near Georgetown is not known; and until soil surveys, surveys of access roads, etc., have been made, only guesses are available. These suggest that Phase I, a Dakota airport, would cost about $1m.; Phase II, to international standards, $7¼m.; and Phase III—Boeing 707's—$10m.

The programme for 1960-64 would then be :

		$ thous.	
1.	Airport: Capital Costs ..	1,000	Either improvements to Atkinson and Grumman Ramp or Phase 1 of New Georgetown Airport.
2.	Interior Airstrips	100	
3.	Telecommunications & Rescue Aids	150	
4.	Replacement Aircraft for British Guiana Airways	500	
		1,750	or $1.75m.

At the same time, it is to be hoped that the mounting British Guiana Airways salary and wages bill can be checked as the training period for Guianese pilots is completed and they take over. It would also help if the British Guiana Airways staff could be treated as the employees of a commercial concern rather than as Civil Servants.

J. SHIPPING, FERRY, AND HARBOUR SERVICES	Departmental Bid for 1960-64	$8.5m.
	Recommended Programme, 1960-64	$6.9m.
	Current Rate of Expenditure, 1956-60	$6.3m.

These shipping services are an essential part of the transport system and their improvement must be carried forward as the economy expands. The main items in this programme are the improvement of Ferry Terminals and stellings, and the provision of some additional places of call. Three new ships are included, one to replace an old vessel on the North-West service and the other two to augment existing services. The Harbour improvements consist of a tug and barges to increase the output of the Dredger, and Navigational lights and buoys.

	$ thous.
Ferry Terminals and Stellings	3,600
New Ships (3) ..	2,500
Ferry—balance of contract ..	433
Tug, Barges and harbour launches	250
Navigational lights and buoys ..	100
	6,883 or $6.9m.

K. RAILWAYS	Departmental Bid for 1960-64	$3.5m.
	Recommended Programme, 1960-64	$1.5m.
	Current Rate of Expenditure, 1956-60	$2.2m.

In the light of the very heavy losses sustained by the railways, and the belief that they should be closed when road communications are adequate, the provision for 1960-64 has been limited to one new train for each railway and $150,000 for

track improvements. The new coaches are required because some of the rolling stock dates well back into the nineteenth century. This allowance seems minimal.

	$ thous.
1 Diesel Locomotive and 8 coaches for East Coast Railway	675
1 Diesel Locomotive and 8 coaches for West Coast Railway	675
Improvements to permanent way	150
	1,500 or $1.5m.

L. ROADS	Departmental Bid for 1960-64	$39.1m.
	Recommended Programme, 1960-64	$15.0m.
	Current Rate of Expenditure, 1956-60	$11.9m.

In the past the amount of development expenditure devoted to roads has certainly been too small to give British Guiana reasonable communications. Equally, there is no doubt that the improvement of roads on the shifting clays of the coastal strip is extremely expensive. A lot of money has gone into temporary maintenance with burnt earth which washes away in the rains, and into attempts to lay permanent hard-top roads on inadequate foundations, so that shifting clay subsoil and the burden of traffic broke it up within a few years.

The Departmental Bid of $39.1m. is not large in relation to the need for roads; but it cannot be accommodated within a Development Programme of $110m., or even one of $135m., and some cuts are necessary. The problem is where to cut. The Departmental Bid can be divided into two sections—the East Coast Road, $25.5m.; and the rest, $13.6m. It would be barely possible to include the East Coast Road in a $135m. programme, but if this is done there can be no improvements to communications along the line of the Essequibo River towards the Rupununi. The East Coast Road goes through the most populous areas and very much needs to be improved. On the other hand, its improvement would not open up any new areas, as the coast strip is already developed and its traffic can be borne in any case. Indeed, the Railway would like a larger share.

The roads towards the interior both pass through some good country which could be opened up for farming, and they would also help to reduce the isolation of the Rupununi and its transport costs: in my view they should have first priority, hard though this is on car-owners on the coast who expect better roads in return for their licence fees and petrol duty.

The recommended programme is:

		$ thous.	
P.W. 4	Parika-Bartica Road	3,160	
P.W. 5	Bartica-Potaro Road	4,240	
P.W. 6	Potaro-Lethem Road	2,400	Will only complete half in 1960-64—Total Cost $5.1m.
P.W. 3	West Coast Road	1,260	Preliminary Surveys—Road to be built in 1965-69
P.W. 2	East Bank Road	1,597	Completion of 1956-60 improvements
P.W. 1	East Coast Road	1,500	Small improvements if main scheme not undertaken in 1960-64
P.W. 12	Stone quarries for roads	820	
		14,977	or $15.0m.

This programme is one which can be fitted into a Development Programme of $110m. in 1960-64. It would be possible to allot another $10m. towards the East Coast Road in a programme of $135m. This means that if, in 1963, it is clear that British Guiana can afford a $135m. programme, the East Coast Road can be started in the last two years of the plan — at a cost of $11m. — and completed in the first phase of the 1965-69 programme. It is also possible that the Public Works Department road-building staff will have gained further experience on other roads by 1963, and be able to undertake some of the East Coast Road instead of putting the whole job out to contractors—which is what would have to be done if the work started in 1960.

M. POSTS AND TELECOMMUNICATIONS	Departmental Bid for 1960-64	$0.6m.
	Recommended Programme, 1960-64	$0.6m.
	Current Rate of Expenditure, 1956-60	$5.6m.

This programme consists of two items:

	$ thous.
P.I. New Post Offices (3)	100
P.2 Telecommunications	500
	600

The half-million for Telecommunications is for the completion of the contract on the Rehabilitation programme which will then have cost $7m. to $8m. For this large sum British Guiana will have a most modern and efficient telephone network, but looking back it seems doubtful if this should have been given such high priority or scaled so lavishly. Certainly it has the disadvantage that much of the money had to be spent on imported equipment and did not provide employment in the colony. It is to be hoped that the increased business efficiency which will result will have a commensurate effect in raising productivity.

N. FINANCE, CREDIT AND INDUSTRY	Departmental Bid for 1960-64	$36.5m.
	Recommended Programme 1960-64	$13.0m.
	Current Rate of Expenditure, 1956-60	$3.5m

Credit is needed in three main fields: Housing; Agriculture and Fishing; and Industry. The British Guiana Credit Corporation has now been functioning for four years. It has built up a net work of offices in all the coast towns and villages, has $11m. out on loan, and appears to be efficiently operated along commercial lines. This form of credit has its limitations. In a country like British Guiana, the safest loans are housing loans to the middle classes who already have Building Societies and Banks to go to. Loans to small farmers, traders and businessmen cannot offer the same security either of collateral or of repayment. Consequently, in the two years 1956-58 the British Guiana Credit Corporation gave 45% of its loans to housing, but only 37% to Agriculture and Fishing and 17% to Industry. There can be no doubt that this was sound business and that some of these agricultural loans are on poor security. On the other hand, the country needs more credit made available to agriculture and industry; and this means a greater readiness to risk bad debts if need be, while trying to keep actual defaults on these loans at a minimum. In my view the best course is for the British Guiana Credit Corporation to administer all loans: but in so far as Government wants loans to be made in certain housing, agricultural, or industrial sectors in which the security is less than commercial practice requires, it must underwrite any bad debts.

A further problem is associated with the need for agricultural loans on lines, such as cocoa, which the country must encourage but which take a long time to pay off. If interest accumulates throughout until the crop matures, the burden of debt a farmer has to face when planting cocoa may discourage him completely. The case for an interest moratorium in such cases should be examined; and in approved cases the interest foregone should be paid over by Government to the Credit Corporation so it can still be operated on commercial principles.

Finally, the encouragement of Industry. We shall later (page 41) discuss whether the finance this requires should continue to be administered by the British Guiana Credit Corporation or transferred to a new Industrial Development Corporation working with the Ministry of Trade and Industry.

The Departmental Bids for Finance and Industry 1960-64 were:—

Agriculture and Fishing	$11.5m.
Housing	$ 5.0m.
Industry	$20.0m.
Total	$36.5m.

In considering Agriculture and Housing, for which the bids total $16.5m., one must allow for the fact that these Housing loans are based on a very much larger Government building programme than is recommended later in this report. Moreover, the Corporation already has $11m. out on loan and some part of this will be repaid in 1960-64 by borrowers who do not want to renew their loans.

Accordingly, the Recommended Programme includes only $9.0m. for increased finance for the Credit Corporation to Agriculture and Housing, against $16.5m. in the Departmental Bids. Of this $9m., $7m. is expected to come from the International Bank; and this sum was included in the total of $12m. anticipated from the I.B.R.D. in the discussion of 1960-64 sources of borrowing (at page 26).

I would recommend that Government should begin discussions with the British Guiana Credit Corporation on a scheme for loans on poorer security, with

the Government underwriting bad debts and also the interest moratorium on crops with a long gestation-period.

The proposals of the Ministry of Trade and Industry for 1960-64 are that about $20m. should be allocated in 1960-64 for the creation of new industry either by credit facilities, or by the provision of services as on industrial estates, or by the Government itself operating new plants. The need for the encouragement of manufactures has been accepted above (page 12) for agriculture and services cannot continue, decade after decade, to absorb ever-growing increments to the labour force. Also, the fast growth of the home market must make more and more industrial undertakings viable—especially if they are given a modest amount of protection. But it is very doubtful if anything like $20m. could be judiciously spent in 1960-64. I have read the reports of the Sub-Committees of the Industrial Development Advisory Committee with interest and the Industrial Development suggestions for 1960-64. These are listed below.

INDUSTRIAL DEVELOPMENT PROGRAMME, 1960-64

Industry	*Capital required $ th.*	
1960 and 1961		
Confectionery	200	Government might not have to provide more than 10% of the capital for these.
Jams, Jellies and Preserves	125	
Containers of Glass and Pressed Ware	2,000	
Furniture, Toys, and Turned Woods	62	
Pottery	10	
Hollow Clay Blocks and Pipes	85	
Nails	35	
Barbed Wire	20	
Cast Aluminium Pots and Pans and assembly of Metal-framed Windows	85	
Bamboo Products	90	
Anti-Rust Oil from Rice Bran	57	
Breakfast Cereal from Paddy	102	
Leather goods	50	
	2,921	
1962 and 1963		
Lime from Shells	674	
Cement	1,500	
Textiles	2,500	
Bicycle Manufacture	500	
Cassava Starch	360	
Coir Products	275	
Canning of Fish	300	
	6,109	
1964		
Wheat Milling	3,000	
Iron Ore	500	Investigations
Oil	1,000	Investigations
Hotel	3,000	
	7,500	
Total 1960-64	$16.5m.	

The suggestions in the first section are principally those where the most study and experiment have already been done and where the capital requirements (Glass excepted) are light. The industries listed for 1962 and 1963 are those on which some work has been done but where capital requirements are heavier. The 1964 list contains the other possible major outlays or investigations.

My own view of this list, and the investigations so far, is that very few have yet passed the experimental stage, and those are the smaller projects. On most of them a great deal more work and enquiry should be done before much capital is committed. The Government should improve its system for assistance by technical investigations and credit, but it should not hurry into a large number of industrial projects until some of these have been successful.

The Government should discuss now whether to set up an Industrial Development Corporation separate from the British Guiana Credit Corporation. It is important to consider that the Credit Corporation has built up its lending organisation on commercial standards. Private enterprise normally expects profits of at least 8½% to 10% net of tax on a new venture before the risk appears justified—that is about 17% gross. The Government would not want to limit its encouragement to industries with such a high prospective return; but the Credit Corporation might. But however it decides to dispense its encouragement, and however hard it works, the time-lags in investigating and starting projects are such that Government could not properly invest $20m. in 1960-64. In the $110m. Recommended Programme for 1960-64 I have included $4m. for Industries — whether by credit, or by Government-operated plants. If in 1963 it is found that British Guiana can afford the $135m. Development Programme, another $5m. could be included for Industry — provided, of course, that earlier investigations had shown that there were suitable industries to absorb these funds.

P. WATER SUPPLIES	Departmental Bid 1960-64	$2.9m.
	Recommended Programme 1960-64	$2.8m.
	Current Rate of Expenditure, 1956-60	$3.1m.

Pure Water supplies probably take first priority in the development of public utilities. Considerable progress has been made in the past five years, but over half the money was spent in improvements and extensions in Georgetown and New Amsterdam. In the next five years the money is nearly all to be spent in rural areas, half of it to provide water for families moved to the Land Development schemes.

P.W.8 Rural Water Supply	$ thous.	
1. Land Development Schemes	927	
2. Other areas without water	402	
3. Areas with poor distribution	760	
4. Areas short owing to population growth	675	
	$2,764	or $2.8m.

Q. ELECTRICITY	Departmental Bid 1960—64	$13 m.
	Recommended Programme 1960—64	$ 2 m.
	Current Rate of Expenditure 1956—60	$ 0.2m.

The Departmental Bid is in two parts —

(i)	Phase I of Rural Electrification Scheme.	$6.1m.
(ii)	1964 Debt outstanding on Georgetown Electricity Supply, assuming Government buys out the D.E.C. for $7.5m. and is operating thermal and not nuclear plant	$7.3m.

This problem of the future of electricity supply is complicated; and a decision cannot be long delayed, for rising demand is pressing hard on capacity and the supply system will soon be in trouble. The choices are:—

(i) Government operation or continuance of the Demerara Electricity Co. franchise.

(ii) Government operation by thermal or nuclear plant.

(iii) Restriction of the supply to Georgetown or the extension to some rural areas.

Preece, Cardew and Rider, the electricity consultants, have prepared figures on all of these alternatives; but before coming to a decision it is useful to review the main arguments.

The main argument for the Government buying out the D.E.C. is that it would be good business, the Georgetown electricity supply is a profitable monopoly and the Government should take all the profits and not just 45% via income tax. Alternatively, if the object was to cut the price of power to encourage industrialisation, the Government could cut the price more than a private corporation which would need to pay profits to its shareholders. A supplementary reason for buying out the D.E.C. is that it is now a reluctant investor which will only continue if guaranteed 8½% net of tax on its capital. If that guarantee were given, there is no assurance that the company would operate very energetically — especially if the guaranteed rate meant that the Government required that all profits over and above 8½% net should be used to reduce the price of electricity.

The main arguments against buying out the D.E.C. are two : that the Government would not run the service as efficiently as private enterprise and would fail to make the expected profits. Secondly, that British Guiana is very short of capital for development and is in no position to divert some of it for dis-investment i.e., to buy out an existing investor.

The argument that the Government would not run the service economically has force. The experience in other lines—for example the rising labour costs on British Guiana Airways—tells here. It would be important to keep the Electricity Service under a separate Corporation—like the Credit Corporation—free from Civil Service conditions of service—and run by independent managers instructed to make profits.

The argument that British Guiana needs capital for development so badly that she cannot afford to divert any to buy out an existing investor depends on how much she has to divert and for how long. If she has to divert large sums and wait a long while before gains begin to accrue, it is certainly not good business for her. Looking at the list of alternatives above, this suggests —

(i) It would not be good business to buy out the D.E.C. and to undertake the Rural Scheme. This rural electricity will be a heavily subsidised social service for many years. The capital cost involved would mean that $13.4m. would have to be allocated in the years 1960-64 for the Rural Scheme and for the outstanding debt of the Electricity undertaking. In addition the Government would have lost $6m. of income tax from the D.E.C. 1959-64 (or $4.9m. if it insisted on price cuts in electricity for all profits over 8½% net) and the Electricity undertaking would have paid out $2.7m. in interest at 6% on its borrowings (excluding any interest allowance for the $6.1m. rural scheme). To devote $13.4m. of its 1960-64 borrowings to this use, and to lose $6m. of income tax; would impose a burden on the economy which I do not think it can now afford. The Rural Scheme has been in the programme for many years, and it would be disappointing to put it off yet again, but if the Government takes over the D.E.C. it cannot provide moneys for this purpose and for the Rural Scheme in the same five years.

(ii) Secondly, if the Government takes over the D.E.C. it must do so on the basis of thermal and not nuclear operation. We have said that it wants to divert as little capital as possible and get its money back quickly. This rules out the rural scheme in the next five years. But the nuclear station is uneconomic at low levels of demand and even with the rural scheme it only repays the original capital much later than thermal. Without the rural scheme it would be pointless. The Government cannot afford to put in a heavily subsidised Rural Scheme to make economic a system which will then only repay the capital slowly.

This is quite apart from the technical uncertainties of a nuclear station — particularly as to its length of life — which make it an unsuitable gamble for a poor country.

If we turn to the possibility of the Government buying out the D.E.C., installing thermal plant and operating it in the early years without the rural scheme the position can be analysed from the P.C. and R. figures attached. (Table at page 43). It is assumed :—

(i) That the D.E.C. is bought out in 1959 for $7.5m.

(ii) That thermal plant is installed in smaller units, with no rural load;

(iii) That all money needed is borrowed at 6%;

(iv) That the debt is reduced by operating surpluses whenever possible and the interest burden reduced accordingly.

On this basis, the capital needs of the undertaking start at $7.5m. to buy out the D.E.C.; rise to $8.1m. by the end of 1961 owing to the installation of new plant, and fall to $3.0m by the end of the Development Plan in 1964. By the end of 1965 the debit is down to $0.6m. and a year later the undertaking is $2.3m. in credit. From then on profits accrue to the Government at twice the rate which they would if they were only sharing via a 45% income tax on the D.E.C. and they could be used to finance Phase I of the Rural Scheme 1966—9, or to reduce the price of electricity, or both.

But what would it cost the Government between 1959 and the end of 1965 to reach this happy position? The cost is composed of interest on outstanding debt and loss of income tax from the D.E.C.

Interest on Debt of Electricity undertaking, 1959—65	$2.76m
Loss of income tax from D.E.C., 1959—65	$6.44m
	$9.20m

The income tax from the D.E.C. also assumes there is no rural scheme. With the rural scheme the income tax from the D.E.C. would be $7.7m, but the Government would spend $6.1m on rural electrification. The figure of $6.44m in income tax from the D.E.C. assumes there are no cuts in the price of electricity. If prices are to be cut to reduce the profit to 8½% net of tax, the income tax paid by D.E.C. in 1959—65 would be reduced to $6.22m and the net cost to the Government in 1959—65 of taking over and borrowing would be $9.0m rather than $9.2m.

Let us take the cost to the Government in 1959—65 as $9.2m. and compare it with the value of the undertaking's assets in 1965 at $13.6m. This is a profit of about 50%. Since the $9.2m is not all incurred in 1959 but spread out over the seven years, this is a return of about 15% per annum on the money diverted from other development projects. On this basis, it seems a thoroughly worthwhile business for the Government to acquire.

This depends entirely on the Government undertaking being run along the most strictly commercial lines. If the Colonial Development Corporation would take part in the finance and administration of a semi-public corporation, it would help both on the management side and by reducing the amount of British Guiana development capital diverted from other uses.

TABLE D. 3 OUT-TURN OF TAKING OVER DEMERARA ELECTRICITY COMPANY — WITHOUT RURAL ELECTRIFICATION SCHEME ($m.)

Line No.	*1959*	*1960*	*1961*	*1962*	*1963*	*1964*	*1965*	*1966*
Annual Figures								
1a. D.E.C. income tax	.63	.73	.73	.69	1.00	1.20	1.46	1.61
2. Operating surplus	1.62	1.87	2.22	2.55	2.98	3.38	3.70	4.05
3. Government investment — gross	7.74	2.27	2.51	1.50	.62	.38	1.09	1.10
4. Depreciation—at 3 per cent.	.23	.25	.31	.36	.44	.45	.46	.46
5. Interest on Net borrowings —6 per cent. on last year's Line 12	.46	.40	.44	.49	.45	.34	.18	.03
Cumulated Figures								
6a. D.E.C. income tax	.63	1.36	2.09	2.78	3.78	4.98	6.44	8.05
7. Operating surpluses	1.6	3.5	5.7	8.2	11.2	14.6	18.3	22.3
8. Government investment — gross	7.7	10.0	12.5	14.0	14.6	15.0	16.1	17.2
9. Depreciation provisions	.2	.5	.8	1.1	1.6	2.0	2.5	2.9
10. Interest on Net borrowings	.5	.9	1.3	1.8	2.2	2.6	2.8	2.8
11. Government investment — net of surpluses = Line 8 less Line 7	6.1	6.5	6.8	5.8	3.4	.4	—2.2	—5.1
12. Net borrowings, including Interest = Line 10 plus Line 11	6.6	7.4	8.1	7.6	5.6	3.0	.6	—2.3
13. Net value of assets (Line 8 less Line 9)	7.5	9.5	11.7	12.9	13.0	13.0	13.6	14.3
D.E.C. income tax, after price cuts:—								
1b. Annual	.58	.66	.73	.69	1.00	1.20	1.36	1.40
6b. Cumulated	.58	1.24	1.97	2.66	3.66	4.86	6.22	7.62

In the hope that this may be done, the recommended programme for 1960-64 contains nothing for the Rural Scheme but $2m for the capital needed in 1964 by the semi-public electricity undertaking **i.e.** $3.0m. in the attached figures less an allowance for C.D.C. participation.

R. EDUCATION	Departmental Bid, 1960-64	$5.0m
	Recommended Programme, 1960-64	$4.1m
	Current Rate of Expenditure, 1956-60	$2.2m

The rate of increase in the primary school enrolment in British Guiana is astonishing. In the past five years it rose by one third (28,000 children) and in the next five years it is expected to grow by a third again (38,000 children).

The primary school building programme in the past five years did not keep pace with the increased enrolment and the short fall of school places relative to enrolment doubled (to 20,000 places). In the next five years it is planned to spend three-quarters of the educational development money on primary schools and to double the rate of expenditure to $2.9m. This will not bring the number of school places quite up to the enrolment, but when allowance is made for absentees there will be room for all. There will still be plenty of very old accommodation needing replacement.

There is also a grave shortage of post-primary school places, especially in rural areas where farmers increasingly appreciate the advantages of further educa-

tion for their sons. The Recommended Programme provides for three secondary schools to be built in Rural Areas.

The programme appears as:—

		$ th.
E1.	Primary Schools	2,900
E2.	Post-Primary Schools	600
E3.	Domestic Science and Handicraft Centres (8)	200
E5.	Capital Grants to Secondary Schools	400
		4,100 or $4.1m

Facilities for vocational training such as Domestic Science and Handicrafts will be provided at all new primary schools. In old schools, where no facilities exist, departments or centres are to be built. Their programme above provides for the first eight of these centres.

The capital grants to secondary schools are also to provide new facilities in existing buildings e.g. to encourage Science teaching.

S. HEALTH

Departmental Bid, 1960-64	$7.2m
Recommended Programme, 1960-64	$6.8m
Current Rate of Expenditure, 1956-60	$1.3m

The crucial question here is whether to include a new Georgetown Hospital at $6m. It would be very difficult to fit into a Development Programme of $110m., but it should have the first priority after that. So, on the assumption that British Guiana will be able to undertake a Programme of at least $116m., it is included below.

	$ th
Environmental Sanitation	547
Malaria Eradication	82
Suddie Hospital	50
Lethem Hospital	15
Health Centres (10)	80
New Georgetown Hospital	6,000
	6,774 or $6.8m.

The Environmental Sanitation Programme is an urgent commitment under the World Health Organisation — mainly to provide lavatories in rural areas. The new Georgetown Hospital has been needed for many years. The present one is extremely overcrowded and, apart from dirt and the fire hazards, bad conditions cause a rapid turnover among resident doctors and nurses. A new hospital would enable half the old one to specialise in maternity cases with somewhat more space per patient. The other half of the old hospital would meet part of the need for extra public offices, and there would be some economy here.

T. HOUSING

Departmental Bid 1960-64	$28.5m., of which $2m. is housing for Public Officers.
Recommended Programme, 1960-64	$6.0m. + $4.0m., of which $1m. is housing for Public Officers.
Current Rate of Expenditure, 1956-60	$14.6m., of which $1.5m., is housing for Public Officers.

The field of housing involves the biggest strategic decision in the Development Programme for a poor country. With population expanding fast the housing shortage is getting worse—especially in the towns. Yet housing soaks up capital like a sponge and there is no limit to the amount the Government could devote to it—if it meets the needs of the poorer classes by subsidising rents. A Development Programme which meets such housing needs on any large scale will fail in its prime purpose—to see that the growing population at least retains its standards of living and its prospects of employment. A house building programme provides jobs while construction is going on and relieves the housing shortage when they are finished. But the expenditure leaves behind very little permanent productive capital in land or plant which will both provide work and supply food and necessaries, in the future.

The Departmental Bid for 1960-64 is on the basis of providing 5,000 houses in that period (excluding Public Officers) compared with about 3,000 in

the past five years. This may not seem a big increase; but it must be remembered that the rate of building in the past five years was unprecedented and stemmed from a crash programme in 1956-58:—

Housing Expenditure

	$ thous.
1954	772
1955	2,492
1956	4,684
1957	5,357
1958	3,261
1959 (est)	1,085

In my view a Development programme of $110m. in 1960-64 should not include more than $6.0m. for housing, of which $1.0m. would be housing for Public Officers. This should be the rate for 1960 and 1961. But, if in 1962 the condition of the Revenue Surplus and the borrowing prospects make the $135m. programme feasible, then another $4m. can be allocated. This would allow the building of 2,500 houses in the five years; 500 of which would be rural self-help; 1,000 low-income group town houses for rent; and 1,000 for sale to slightly more well-to-do town workers.

Wherever possible, houses should be sold rather than rented. This may involve extending the usual mortgage terms from the present 12 years to 15. Here again there should be negotiations between Government and the British Guiana Credit Corporation so that the Government will under-write bad debts in return for Corporation loans, on terms outside normal commercial practice, to would-be house-owners.

MISCELLANEOUS	Departmental Bids 1960-64	$12.9m.
	Recommended Programme 1960-64	$ 3.5m.
	Current Rate of Expenditure, 1956-60	$ 2.9m.

The sections included under this heading are best considered separately.

		$ th.
U. NEW PUBLIC BUILDINGS	Departmental Bid 1960-64	$1,250
	Recommended Programme 1960-64	$1,000
	Current Rate of Expenditure, 1956-60	$ 500

The shortage of space in many public buildings is acute; and a doubling of the rate of expenditure is recommended for the next five years. The reduction below the Departmental Bid presumes that the building of the new Georgetown Hospital will release some space in the old one.

		$ th.
V. RURAL SELF-HELP	Departmental Bid 1960—64	$750
	Recommended Programme 1960—64	$750
	Current Rate of Expenditure, 1956-60	$600

This is one part of the programme where the Departmental Bid looks low in relation to what might be achieved. Certainly this encouragement to self-help by 50% grants has done an excellent job in encouraging community efforts to provide access roads, schools, fences, drainage etc. However, the Department think that self-help can only be pushed along at a certain pace, since much depends on local leadership. This is the pace they believe practicable; and the full amount is included in the Recommended Programme.

W. SOCIAL WELFARE	Departmental Bid 1960—64	$0.9m
	Recommended Programme 1960—64	$0.8m
	Current Rate of Expenditure, 1956—60	$0.1m

The Programme can best be considered item by item:—

	$ th.
New Georgetown Prison	300
Establishment of a Borstal	100
Youth Welfare and Sports	250
Community Centres	100
	750

The state of Georgetown Prison resembles that of the Hospital — if not even worse. A new one will cost $500,000; but $200,000 will be recovered by selling

the old site. Unemployment among school leavers is very high (page 13); and the need for the Borstal is plain.

The Youth Welfare and Sports vote is to implement some of the recommendations in the 'Jephcott Report'. Almost nothing has been spent under this heading in the past five years, although $250,000 had been allocated, because it was thought best to wait for a decision on Miss Jephcott's recommendations.

X. LOCAL GOVERNMENT	Departmental Bid 1960—64	$3.3m
	Recommended Programme 1960—64	$0.5m
	Current Rate of Expenditure, 1956—60	$0.2m

The difficulty here is that the Local Government organisation is expected to be in a state of flux during these five years, as the 'Marshall Report' on Local Government is implemented. It is very difficult to forecast the rate at which the changes will be introduced, or the division of cost between Central and Local Government. The Departmental Bid assumes that the whole re-organisation will be completed in 1960—64, and that the central government will bear most of the cost. The Recommended Programme presumes that changes will be brought about much more slowly and tentatively.

Y. RURAL ELECTRIFICATION	Departmental Bid 1960—64	$6.1m
	Recommended Programme 1960—64	nil
	Current Rate of Expenditure, 1956—60	$0.2m

The reasons for not including this in 1960—64 are stated above under Electricity. (see page 42).

Z. AMERINDIAN DEVELOPMENT	Departmental Bid 1960-64	$0.4m
	Recommended Programme, 1960—64	$0.4m
	Current Rate of Expenditure, 1956—60	$0.2m

The standard of living of most Amerindians is so much below the national average that this seems a modest enough set of proposals for development in 1960—64.

		$ th.
1.	Improvements to communications in Amerindian Areas	142
2.	Water Supplies and Medical Huts in villages	71
3.	Training Centres etc.	45
4.	Agricultural Developments	100
		358

The Agricultural Developments are mainly to teach the Amerindians how to improve their grass and livestock, and to encourage them to grow cocoa. The five Training Centres, at which the people are taught health and sanitation measures and useful crafts, have been started with U.S. assistance under the I.C.A. These are to be continued and improved.