



# BUDGET SPEECH

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BUDGET SPEECH

*by*

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Comrade Speaker,

## INTRODUCTION

THIS 16th Annual Budget of the People's National Congress Government is being presented against a background of disquieting international developments. The decade of the 70's has ended amidst the wreckage of the high hopes with which it began for a more stable and just world and for vastly ameliorated conditions of life for "the wretched of the earth". Détente between the super-powers has now been metamorphosed into confrontation and a variation on the Cold War theme and the promise of a regime of peace which it had engendered has now been displaced by widespread fears of a major armed conflict. The enormous increase in the price of oil products has jeopardised the viability of non-oil-producing developing countries, regardless of social systems. And, in the developed industrialised countries, high inflation rates of nearly 20%, interest rates of over 20% and unemployment rates as high as 7.5% (and predicted to rise even higher) - all evidence the serious plight of the world economy. The world is in crisis!

The Budget presentation coincides with the end of the celebrations to mark the 10th Anniversary of the founding of the Republic. The celebrations did not consist in mere merry-making. They had a serious dominant theme. They were for us an occasion to appraise the results of our development efforts over the past decade, to measure

our progress as a nation and to assess our moral fibre as a people. The magnitude and quality of our achievements were there for the world to see. We noted them with inward and outward satisfaction. We counted our blessings; but we also took stock of our shortcomings and failures and paused for introspection and self-criticism. And from this exercise we have undoubtedly emerged with a keener understanding of the complex nature and the peremptory demands of nation-building. We have emerged, too, with a clearer perception of our goals, a better understanding of the multitudinous possibilities open to us in our native land; and certainly, Comrade Speaker, with renewed faith and confidence in ourselves and in our capacity to strive and to achieve.

The completion of the work of the Constituent Assembly; the adoption by the Parliament of a new Constitution for Guyana; the proposed re-organisation of the local Government system; the certainty of General Elections: all these factors have produced among the people a sense of purpose. This will be a powerful asset as we confront the world-wide economic problems which now beset us, with such grave implications for our survival, growth and prosperity.

#### BUDGET PREPARATION

Last year the methodology of Budget preparation was adjusted to the fact of a predominantly public-sector economy and to the over-riding objective of a more imaginative and dynamic use of publicly-owned resources for the development of the people. The State Planning Commission was required and directed to co-ordinate and harmonise the budgets and financial plans of the Central

Government and the rest of the Public Sector to ensure the overall coherence and consistency of Public Sector operations.

The 1980 Budget reflects a refinement of the technique and a deepening of the process outlined in 1979. The format is similar to last year's; but much study has been given to the question of recasting it and some work has already been done in this direction. However, the distinguishing characteristic of this Budget is not so much the more detailed and comprehensive information it contains as the greater care that has been taken to ensure the complementation and consistency of the plans and operations of the various parts of the Public Sector.

Over the past year, there has been marked improvement in the planning, co-ordination and monitoring of Public Sector operations. In consequence, Government was able in 1979, for the first time in the history of this country, to present to the National Assembly and to the nation a half-year review of the performance of the economy.

However, we are still at the beginning of a long process and much more work has to be done. In particular, the desideratum of greater popular involvement in the work of the State Planning Commission has not yet been achieved, and more strenuous efforts to this end will have to be undertaken in the course of this year.

#### RETROSPECT: 1979 and THE PAST DECADE

The outturn of our economy in 1979 cannot be discussed in isolation from the course of developments throughout the

70's and cannot be understood except in the context of the major world economic issues.

### The 1970's: Main Trends in the World Economy

The 1970's turned out to be a decade of global economic upheavals. In its early years, the international monetary system with its regime of fixed parities disintegrated. The complacent belief in the eternal stability of the U.S. dollar was shaken as that currency showed hitherto unsuspected weaknesses and was officially devalued. Devaluations, currency floats and currency manipulations of all kinds triggered uncertainties and confusion, if not chaos. Inflation rates in the industrialised countries reached the dreaded double digit figure. The average annual growth rate of World output fell steadily from levels achieved in the 1960's; and the volume growth of world trade diminished from about 9% a year in the early 70's to about 4% towards the end. Indeed, the volume growth of primary commodity exports of developing countries stagnated since the early years of the decade, and the prices of these commodities behaved erratically and were generally unfavourable to the developing countries. Global food supply failed to measure up to demand and famine ravaged many a developing country. The price of oil soared steeply. The cost of money grew steadily and has now reached unprecedented levels; and recessions of varying degrees of intensity plagued the industrialised countries.

The industrialised countries were the principal markets for the exports of the developing countries and their main source of external capital and technology. Inevitably,

therefore, the economies of the developing countries deteriorated seriously throughout the decade. As the terms of trade flowed strongly against them, their balance of payments deficit widened alarmingly. In 1970, the deficit of oil-importing developing countries was less than U.S.\$5 billion; in 1978, it reached U.S.\$25 billion, and in 1980 it will widen to U.S.\$50 billion. In 1970, the external debt of developing countries was U.S.\$74 billion: at the end of 1979 it had soared to U.S.\$370 billion: and to service this debt they had to pay more than U.S.\$60 billion.

#### The 1970's: Salient Features and Developments in the Guyanese Economy:

It was in such a decade of uncertainty that the Guyanese people perceived their goals with certainty and pursued them with determination and vigour. We enunciated our basic policy position; namely, that we intended to be masters in our own land and moulders of our own destiny. We opted for political independence and economic self-reliance. We declined to be pawns of any country. And on the basis of overwhelming national consensus, we chose to build our society on foundations of social justice and equity.

In the translation of this policy into action, we domesticated our economy by bringing under Guyanese ownership and control the dominant and strategic sectors. Thus, today, not only is the economy fully, legally and effectively under Guyanese dominion, but the major enter-

prises are owned by the Guyanese people as a whole and operated for their sole benefit.<sup>(1)</sup>

We also set our social goals and strove resolutely to attain them. We effectively destroyed the monopoly of education and culture by a privileged few by instituting a system of free education (including free basic text books) from Nursery to University; and we began to build the schools, training centres and other facilities which the implementation of our new policy required.<sup>(2)</sup> We extended and intensified programmes of workers' education and other kinds of non-formal training. We trained overseas 2,066 young Guyanese in various skills and disciplines vital to our development<sup>(3)</sup> and thousands of others locally. We established the Guyana National Service, in accordance with new concepts of education, to provide young people with the skills and orientation to become self-reliant, creative and productive citizens who know, love and are committed to the service of Guyana.

We extended the network of health facilities to 47 locations throughout the country,<sup>(4)</sup> increased the quality and

(1) Appendix I: List of Public Sector Corporations and Agencies i.e. Corporations and Enterprises owned and operated by the people of Guyana and whose surpluses are deployed for the people's sole use and benefit.

(2) Appendix II: Data on Educational Institutions built.

(3) Appendix III: Data on Training Programmes.

(4) Appendix IV: Data on Training Programmes, Hospitals and other Health Facilities.



numbers of trained health personnel, and made the health services at public hospitals free. We extended potable water supply systems to 132 rural areas<sup>(5)</sup> and carried electricity and telephone communication services to all communities along the coast and to many hinterland locations. We built about 300 miles of first class roads<sup>(6)</sup> and extended drainage and irrigation systems and other agricultural infrastructure<sup>(7)</sup> to facilitate production, upgrade the quality of life in rural areas and to reduce discriminatory differences between town and country.

During the decade, too, in keeping with a major policy objective "to house the people", the Government embarked upon a number of housing schemes, facilitated private housing development for the benefit of the people<sup>(8)</sup>, and established financial institutions such as the Guyana Co-operative Mortgage Finance Bank to support the housing programmes. Amelia's Ward, South Ruimveldt Gardens and Park, Guyhoc Gardens, Meadow Brook Gardens, Republic Park, Melanie Damishana, Tucber, Henrietta and Bartica Housing Schemes are just a few examples of the success of these efforts.

In short, we had initiated the difficult process of transforming our country socially and economically.

(5) Appendix V: Data on Pure Water Supply System.

(6) Appendix VI: Data on Roads built.

(7) Appendix VII: Data on Investment in Drainage and Irrigation.

(8) Appendix VIII: Selected data on some phases of low-cost Housing Development.

But, of course, these programmes to develop the country and improve the conditions of life of the Guyanese people required heavy financial outlays. Over the decade we spent \$500 mn. on formal and non-formal education and training; and in 1980, we will spend \$127 mn.; Technical and professional training of young Guyanese overseas alone absorbed \$60 mn.; in 1980, such training will cost \$14 mn. Our expenditure on medical services over the period was \$250 mn.; in 1980, it will be \$50 mn. We spent \$200 mn. on major road construction, and \$290 mn. on drainage and irrigation and sea and river defence projects. In 1980, we will spend \$50 mn. and \$99 mn. respectively. We spent \$200 mn. on electricity expansion; in 1980, expenditure will be \$21 mn.

During the decade, we effected fundamental changes which were vitally necessary if we were to make any headway towards establishing a viable modern independent state in contradistinction to a mendicant client state. We far-sightedly devised and began to implement a programme to feed, clothe and house ourselves - the FCH programme. This was an agenda for self-reliance and survival. Today, this commonsense approach to development has found world-wide acceptance under the name of a "basic needs strategy" and is being widely imitated.

The implementation of this comprehensive programme of social and economic development required very large investments at a time when costs were rising rapidly as a result of spiralling world inflation. The price of oil increased by 900% and the price of machinery and materials quadrupled over the period.

In these circumstances, in order to sustain our investment programme, protect existing jobs of our workers and create new ones and maintain and improve the workers' real wages, we would have had not merely to maintain existing levels of production, but to increase them sharply. However, the opposite of what was required happened. Our production faltered during this critical period; and, as a direct result, our export earnings were greatly reduced and our balance of payments position deteriorated badly. 1973, 1976 and 1979 were particularly difficult years.

Our production did rise and our economy did show some growth up to 1975; but in 1976 adverse weather, escalating prices of imported inputs, and the sudden plummeting of sugar prices were among the factors that conspired to depress production.

At this time, too, the steep increases in oil prices began to make their impact upon our balance of payments. The current account deficits in our balance of payments became intolerably large, rising to \$351 million or 33% of GNP in 1976. At the end of 1977, we had fallen into arrears of payments due on external transactions in the amount of \$102 million. We were not paying our debts, and we were becoming uncreditworthy as a nation. To put it bluntly, having regard to our levels of production, we were living above our means. We had to put our house in order if we wanted to earn respect as a nation.

In 1978, we took firm action to correct this unacceptable situation, and were able to reduce the balance of payments current account deficit to \$67 million or a mere 6% of

GNP. We also reduced our external arrears by \$20 million. In support of this effort to restore equilibrium, we entered into a one-year Standby Arrangement with the International Monetary Fund which provided us with an inflow of resources totalling \$45 million. This Arrangement yielded successful results in that, on the financial side, we were able to restore to the economy some measure of balance. Thereafter, for continued stability and growth we needed to lift the levels of our production.

We survived in 1978, and survival was the immediate and pressing objective. What sustained us, despite the stringent reduction in imports, was the fact that we produced so much of our own food. This is a fact little noticed and little publicised. But it is time that we take note; for it is upon the continued and expanded production of food that the stability and safety of this country will depend, not only at this time but for many years to come. No more cogent evidence can be required to justify the correctness of the policy of self-reliance in food production which the Government implemented at the beginning of the decade.

Over the years our investment in drainage and irrigation and other infrastructure in support of our farmers' efforts has been massive. In the circumstances, it is the height of folly to snub our own farmers by squandering our money on imported foods. Given the volume, variety and high nutrient quality of local foods, it is a serious contradiction that we should be still spending \$35 million annually on the importation of wheat. Moreover, Government has controlled the prices of wheaten flour at an

unrealistically low level. This has encouraged a widely-ramified smuggling trade and has resulted in the Guyanese people enriching a few rascals, subsidising foreign consumers, and impoverishing themselves. It has also made it more attractive to buy the imported item and downgrade local foods.

Government will therefore discriminate unapologetically in favour of Guyanese farmers and local foods and will cease to hold the price of wheaten flour at its present unrealistic level. Although the commodity will continue to be subject to price control, its price will be allowed to find a more realistic level to make smuggling unattractive and to establish a reasonable price relativity with locally produced foods.

Our agricultural policies during the decade stimulated the production of many food items enormously. For example, the output of ground provisions increased by 53%; plantains by 34%; cabbages by 160%; pulses by 260%; pineapples by 500%; pork by 59%; shrimp by 60%; fish by 60%; eggs by 33% and poultry meat by 50%.

The processing of fruits, vegetables and other agricultural produce received a strong fillip. There was a great increase in the manufacture of preserves, and condiments, jams and jellies, syrups, wines and cordials.<sup>(9)</sup> This marked growth in the production of small agriculture has been paralleled by a marked real growth in farm incomes,

(9) Appendix IX: Guyana Pharmaceutical Corporation's role as a Food Processor and Manufacturer.

if the housing and other physical assets of farmers are a useful index of their improved circumstances and well-being.

Our policy of self-reliance was reflected also in other areas; for example, the manufacture and use of clay bricks and other clay products for housing and other construction.

We placed great emphasis upon maximising the use of our manpower resources and encouraging as many people as possible to become involved in direct productive activities. In the pursuit of this objective we abandoned many orthodox and traditional ideas as being irrelevant to our circumstances. Thus, in the educational system, farms have been integrated into many school complexes; agriculture has become a part of the curriculum; and work study programmes have been introduced to permit the children to mix class-room theory with practical work and, in the process, become directly productive. The Guyana National Service has re-established the cotton industry in Guyana and is one of the largest producers of legumes in the country. Apart from its agricultural activities, the Guyana National Service is engaged in quarrying, gold production, fishing, logging, sawmilling and the manufacture of garments furniture and other wood products. The People's Army is engaged in rice and provision farming, cattle ranching, poultry and pig rearing and fishing. And the People's Police have established a large farm at Kibilibiri where they produce peanuts and legumes among other crops. Government has insisted that Prisons should be active in the production drive. The Prison Farm at Mazaruni, with its prize pigs and its dairy cows, is an

excellent model for productive activities. Prisons have been cultivating rice on the East Coast of Demerara at such places as Lusignan and Melanie Dam shana. Moreover, they have become self-sufficient in green vegetables and produce surpluses for sale.

The decade witnessed the emergence of a new breed of entrepreneur in the private sector. They are, by and large, able and energetic young Guyanese who are interested in manufacturing, as opposed to mere buying and selling. They have shown great initiative in establishing manufacturing enterprises which are consistent with Government's overall development strategy and have made an important contribution to our country and to our foreign exchange earnings. Government has supported and will continue to support their efforts. Like all other patriotic Guyanese, they too recognise that our present stringencies will of necessity pose them some problems and require of them some sacrifices. But the initiative and ingenuity they have shown so far will certainly help them to cope successfully.

During this period, too, we paid constant attention to the dignity, welfare and personal development of the Guyanese working people.

The Government introduced a system of social security through the National Insurance Scheme, instituted and funded a programme of workers' education and supported the TUC's programme by an annual subvention of the Critchlow Labour College. Government consistently promoted the principle of worker involvement and participation in

managing the enterprises in which they worked, and passed many important laws to protect or advance the interests of the workers.

During the decade, the Government kept under constant and anxious review the wages of the workers and acted promptly and resolutely to improve their wages as the circumstances dictated and the economic realities permitted.

On accession to office in December 1964, Government immediately revised the basic minimum wage from \$3.04 per day to \$4.00. In 1969, the Government granted workers a lump sum relief equivalent to an increment of 4% on the basic rate; and, thereafter, in 1970 and 1971, granted interim relief of 6½% and 7% respectively on the basic rate.

In 1973, as a result of the job evaluation exercise, the basic rate was increased to \$5.50 per day. As from 1st January, 1977, the basic rate was further increased to \$8.40 a day, being an increase of approximately 53%; and as from 1st January, 1978, the basic rate was again increased to \$11.00 a day, being an increase of 31% on the 1977 rate. The workers' basic wage rate has increased by 100% since 1976.

It is against this background of world issues, domestic developments and Government's consistently demonstrated solicitude for the welfare of the working people in the 70's that the performance of the economy in 1979 must now be assessed.



▶ THE PERFORMANCE OF THE ECONOMY IN 1979:

Production Outturn

In terms of what was possible and achievable, the performance of the economy in 1979 was disappointing and fell far short of the targets which had been set. The programme of recovery had rested squarely upon the sugar, bauxite and rice targets, but most critically upon bauxite.

Unseasonal rains affected rice production, and in combination with smut and rust diseases too many strikes in the industry, - adverse weather conditions also prevented sugar from achieving its target. During the second crop, the sugar workers did try hard to retrieve the situation, but by that time the damage was too great and the original target was out of reach. The failure of bauxite production was due principally to a prolonged strike in the industry. Subsequent efforts by bauxite workers to repair the serious damage were unavailing.

The actual production and export earnings of these major industries compared with the original projections tell the story graphically:

| INDUSTRY        | Tonnage   |           | Export Earnings  |                  |
|-----------------|-----------|-----------|------------------|------------------|
|                 | Target    | Actual    | Target<br>G\$mn. | Actual<br>G\$mn. |
| Sugar           | 360,000   | 298,000   | 250              | 226              |
| Bauxite/Alumina | 2,182,000 | 1,808,000 | 390              | 327              |
| Rice            | 210,000   | 142,000   | 100              | 81               |

## The Self-Defeating Nature of Strikes in Publicly Owned Enterprises

The strike in the Bauxite Industry was a tragedy for two reasons: first of all, the 1979 recovery programme had been constructed on the expectation of a strong performance in that Industry; and, second, the strike took place at a time when the price of bauxite products was high and the demand was bouyant. In the favourable demand conditions, BIDCO could not honour many of its contracts to supply bauxite products and its reputation as a reliable supplier suffered. Guymine lost opportunities for earnings estimated to be well in excess of \$40 million.

Guyana, the Guyanese workers and, most of all, the Bauxite workers are too poor to suffer such losses with equanimity. These losses meant that in 1979 many new jobs that might have been created were not created; many new benefits which bauxite and other workers might have earned, they did not earn; many vitally needed items (including spare parts) could not be imported. In this kind of situation, nobody gains anything; but every Guyanese is a loser. The industry does not belong to foreigners or to private investors; it belongs to the Guyanese people and its profits are deployed for their sole use and benefit.

It is important for all Guyanese - and particularly bauxite workers - to note that powerful new bauxite producers like the People's Republic of China are now entering the market. The near monopoly we once had of

calcined grade products is now being vigorously challenged. The future of the Bauxite Industry, the jobs of the workers and the safety of our economy depend upon ability to produce the volume and quality of product necessary to enable us to fulfill our contracts faithfully in a fiercely competitive world

In an economy like ours which is so delicately balanced, it is always a major premise that any programme to shore up and strengthen the economy will founder unless the number of lost man-days is reduced to a minimum, particularly in the critical production sectors. The validity of this premise was reinforced last year. The of man-days lost in the major sectors resulted in production and thwarted our economic recovery efforts.

In 1979, the number of strikes and work stoppages was 219 as against 300 in 1978; but the number of man-days lost was 324,473 as against 75,291 in 1978. In 1979, workers lost \$6.4 mn. in wages as a result of strikes as against \$1.0 mn. in 1978.

In the sugar and bauxite industries the figures were as follows:

| INDUSTRY | 1978           |                      | 1979    |                      |
|----------|----------------|----------------------|---------|----------------------|
|          | No. of Strikes | No. of man-days lost | Strikes | No. of Man days lost |
| Sugar    | 241            | 72,875               | 158     | 139,091              |
| Bauxite  | 14             | 4,557                | 15      | 173,449              |

The Fate of the Extended Fund Facility

Following our successful 1978 Arrangement with the Inter-

national Monetary Fund, we negotiated on exceptionally favourable terms an Extended Fund Facility which would have guaranteed us over the three-year period, 1978 to 1981, a much needed external inflow G\$204 mn. to ensure the uninterrupted supply of spare parts, raw materials and capital goods so vital to our economic well-being. In addition, on the strength of the Facility, we would have been able to have access to additional resources to finance the levels of investment required by the planned growth in the economy.

However, in order to remain eligible to receive the inflow and the additional resources one of the obligations we had to fulfil was to increase our production over that of 1978. The disruption of the bauxite and sugar industries made it impossible to reach reasonable production levels. We therefore had to withdraw temporarily from the Extended Fund Facility - and, of course, have less access to the financial resources which it had guaranteed.

#### Growth, Export and Imports and Balance of Payments

In the circumstances of low production in 1979, the growth, export and financial projections were not realised since they were all interrelated and hinged upon the production expectations.

The economy obviously could not and did not grow. In fact, it suffered an estimated decline of over 2% from 1978 levels.

Instead of the projected G\$844 million, merchandise exports

earned only G\$7 3 7 million at a time when the prices for our major export commodities were increasing on the world market. As a result, we had to restrain merchandise imports to \$785 million which was well below the ceiling of \$816 million originally budgeted. Net payments for the services amounted to \$136 million, which higher than estimated.

We therefore ended the year with a deficit on the current account of our balance of payments of \$184 million or 15% of GNP

instead of the \$100 million was planned.

This deficit was financed mainly by a net capital inflow of \$60 million and by running down our international reserves to the tune of \$124 million. We also endangered our credit worthiness by postponing the payment of backlog international commercial debts.

#### Public Sector Financial Performance

~~The financing proposals in our 1979 programme~~ were based upon our being able to realise a surplus of \$81 million in the whole public sector, our mobilising net capital inflow of \$122 million in addition to routine internal borrowing in the amount of \$67 million, and recourse to the banking system for the residual requirements estimated at \$136 million.

The shortfall in production and the consequential dampening of business activity reduced the public sector contribution to \$57 million. Net external capital receipts amounted to \$83 million and internal borrowings yielded \$32 million. As a result of these shortfalls in receipts,

public sector pressure on the banking system was greater than projected. Banking system borrowing increased to \$192 million or \$56 million above what was planned. However, much of this bank borrowing was attributable to increases in the working capital of corporations. These working capital increases were inevitable because of the severe depletion of the corporations' stocks in 1978.

### Central Government Revenues and Expenditure

Current revenues estimated at \$401 million were on target actually yielding \$396 million. Current expenditure estimated at \$587 million was restrained to \$581 million. The current gap was therefore \$185 million as estimated in the Budget.

An examination of revenue performance reveals some large variances between budgeted and actual revenue receipts from dividends paid into the Treasury by Public Sector Corporations. A shortfall of \$6 million from the projected \$24 million dividend receipts is attributable mainly to weak profit performances by Guysuco and Guy-mine. Similarly, direct income tax payments from Public Sector Corporations amounted to \$49 million, a far cry from the projected \$75 million. However, there were compensating increases which enabled total company income tax to reach \$97 million, this is, only \$4 million below the budgeted figure.

On the current expenditure side, personal emoluments were held to \$178 million, that is \$4 million less than

the \$182 million projected; while other charges increased by \$9 million. However, this expenditure by a fall of \$9 million in Public Debt payment compensated for subsidies mainly to the Transport and Harbour Department, were \$3 million higher than projected and subventions paid to Local Authorities increased by million.

On the capital side, the Budget had projected expenditure totalling \$282 million. This expenditure had to be cut back to \$207 million. The capital programme (and the current gap) were financed by internal and external borrowing totalling \$268 million. In addition, borrowing from the banking system amounted to \$137 million or \$32 million more than projected.

#### Physical Achievements in 1979

The capital programme for 1979 achieved impressive results. It had as its main objectives the intensification of work on ongoing projects, the restarting of many projects on which work had been suspended in 1978 and the rehabilitation of many public buildings and facilities. Among the projects restarted were the factory buildings for the leather tannery and shoe factory at Nw Amsterdam, the Customs Building in Georgetown, the extension of the library at University of Guyana and several housing projects. By the end of the year, a large number of these projects had been completed. These included Phase 1 of the Fish Port Complex at Houston; the Housing Schemes at Cane Grove, Queenstown and Boeraserie; Pure Water Supply Schemes at Calcutta, Good Faith and No. 7 Village and other areas;

the construction and rehabilitation of many buildings (including schools such as Corentyne High School, Sheet Anchor, Fort Ordinance and Vryman's Erven Government School, Teachers' houses and other ancillary facilities); 13 wells in the Rupununi Region; 5 stellingings in the Pomeroun, at Port Kaituma and Leguan, and a large number of community projects throughout the country; the emergency unit at the Georgetown Hospital; the West Demerara Road System; the East Coast Demerara Road Project and the Institute of Applied Science and Technology at Turkeyen. These represent only some of the projects in a long list.

In the meantime, work proceeded steadily on many other projects to speed them towards completion.

We have much to be proud of in the solid achievements of 1979:

#### FACING 1980 AND THE NEW DECADE

All countries in the developed and developing world are facing the 1980's with a measure of uneasiness, and many with trepidation. The developed countries for the first time since 1972 are facing a total decline in economic activities. For non-oil-producing developing countries, the prospects are bleak. The magnitude of their oil bill oppresses them like an incubus. It has recently been estimated that these countries suffer a permanent annual loss of real income of more than US\$10 billion as a result of the impact of oil prices alone. To meet only the increment in the price of oil, they would



have to increase their exports by at least 15%. In addition, the slow growth and high inflation rates being experienced by the industrialised countries have had an impact on the economies of developing countries as serious as that of the increased oil bill; and the terms of trade have continued to flow strongly against them.

If the gloomy predictions are accurate, many developing countries may not survive the 1980's as politically independent states. In order to continue to exist formally, they may be forced to surrender any pretence they may have to sovereignty and political free will and seek a client relationship with some more economically powerful state. A country which cannot feed itself and which does not or cannot produce enough to pay for its essential imports cannot, in the final analysis, sustain its independence.

We in Guyana are in an exceptionally fortunate position. It is within our power to avoid the grim fate which threatens to engulf many a developing country. We have the resources and the capacity to stabilise our economy, to survive and to prosper. How well we manage will depend upon how well we grasp the real issues, mobilise our resources and organise ourselves for the task.

#### Guyana's Economic Survival and the Oil Bill

The most pressing problem we have to keep constantly in mind is our oil bill. The magnitude of this bill is a fact of life: no one can escape its effects. We need therefore to accommodate all our policies and programmes to this

reality. There is no way in which we can avoid paying higher prices for oil-related goods and services.

We cannot run the Guyanese economy (for the time being at any rate and for some time to come) without large imports of oil. The Sugar Industry, the Bauxite Industry, the Electricity Corporation, the buses, the trucks, the motor vehicles - all use large quantities of oil. We must import oil; and cheap oil went out of fashion more than half a decade ago. Today, there can be no cheap electricity, cheap transportation or cheap telecommunication services, to name a few of the facilities to which we have grown accustomed.

Every Guyanese must therefore understand the problem of our oil bill. In 1970, our oil bill was G\$23 million. This represented 8.2% of the total value of our imports and 8.7% of our total export earnings. In 1979, it rose to G\$230 million. This represented 29.3% of the total value of our imports and 31.2% of our total export earnings. In 1980, it is estimated that it will rise to G\$390 million; that is, about 1600% over our 1970 bill.

Our export earnings last year amounted to 178% in money terms over our 1970 earnings. If we achieve the 1980 export earnings target of \$1.125 billion, our earnings will have increased by about 325% over our 1970 earnings in money terms. But the oil bill will have increased by 1600% over that period. The 1980 bill will represent some 30.0% of the projected value of our imports and 34.0% of our projected export earnings. If we do not get production

going and as a result do not realise those export earnings,  
then our oil bill is likely to be in excess of our  
export earnings. It is easy to see that we will be working  
merely to pay for oil! In these circumstances, the absolute  
necessity of achieving our production target is manifest.

The figures are sobering; and more so when consider  
that, on present forecasts, our oil bill may double  
during this decade. They ought to persuade  
all Guyanese to a serious contemplation of their duty in  
field, office, factory - and in the home. We cannot meet  
and overcome the challenge thrown out by these numbers  
except by a collective effort of sustained efficiency in  
everything that we have to do.

### Our Energy Possibilities

We have enormous possibilities in Guyana. At this very  
moment, exploration for oil is going on in the Takatu Basin  
in the Rupununi Region. The seismic work done so far has  
yielded promising results and there is a good chance that  
drilling operations may begin later this year.

In the meantime, the Institute of Applied Science  
and Technology will intensify research in developing  
our potential of biogas, charcoal, peat wood gas and  
windpower for meeting our urgent needs.

Moreover, significant progress has been  
with the Upper Mazaruni Hydro Project. The World Bank  
has now broadly accepted the feasibility of the project

and is collaborating with our officials in finalising a Report. The Report would form an acceptable basis for putting together a financing package for the implementation of the project. The most viable development option we have is one of energy development linked with the processing of our abundant bauxite resources to the stage of metal. Small hydro power schemes cannot provide the energy needed for such development and are not a solution to our developmental problems.

#### New Development Prospects

On the basis of our known natural resources, the prospects for new developmental activities are exciting. In the course of this year, the Government will be cooperating with the Yugoslavs in reactivating the gold-mines in the Konawaruk area; and a programme in cooperation with the U.S.S.R. will concentrate on developing and exploiting other auriferous areas in the country. Further exploration for oil offshore and onshore will be undertaken. Ongoing exploration for uranium will be stepped up as will be exploration for other significant minerals.

It is time, too, that we capitalise on the scenic grandeur of our country. We are in the process of commissioning a comprehensive study of our tourist potential; but meanwhile we have begun construction of the Anna Regina Tourist project adjacent to the beautiful Mainstay Lake. This facility is being built primarily for the benefit of Guyanese workers and holiday-makers.

## Consultation with the People

The Government has always recognised the importance of keeping in close contact with the people and tapping their collective wisdom. This Governmental style will be maintained. For this reason, the Government places great value on consultations with the T.U.C. Such consultations have proved to be of great benefit in the past years; and they will be continued on a more systematic basis and cover a wider spectrum of issues in 1980 and the years ahead. Similarly, dialogue with manufacturers, producers and other businessmen in the private sector will be intensified to preserve amicable relations and to seek out more imaginative and effective ways of complementing public and private sector activities. We will continue to organise Farmers' Congresses, Face-the-Community sessions and similar activities to harness the experience and expertise of the people and motivate them for superior effort. The People's Congress, which was held for the first time in 1978 with such marked success will be organised again this year. It is proposed that this Congress be institutionalised and be held biennially.

## Some Policy Consideration

During the 1980's, we will remain firmly committed to the pursuit of our economic and social goals. Self-reliance will continue to be the cardinal principle of our economic strategy. The provision of the basic needs of the people (FOOD, CLOTHING, HOUSING) will continue to be a first claim on our energies and

our resources, as will be the relief of the poorest and most disadvantaged sections of our society. We are not prepared to make any concessions to those who wish to re-establish the old system of privilege and vested interests which disfigured our society in the past. Equally, we are not prepared to compromise on an important article of our political faith; namely, that the task of improving the conditions of life of the most needy must be undertaken now and cannot be postponed. We cannot preoccupy ourselves with achieving mere economic growth at the expense of people's welfare. We will seek to harmonise both objectives.

#### Import and Pricing Policy

In our present circumstances, we have to manage our foreign reserves with the greatest caution and skill.

For this purpose, the Import Budget introduced two years ago will become a normal instrument of economic policy and management. The import Budget will be linked to an Import Policy designed to ensure an equitable allocation of scarce foreign exchange among competing import claims. It will also be linked to a Pricing Policy designed to ensure fair and reasonable retail prices to the consumer. The Ministry of Trade and Consumer Protection will be re-organised and appropriately staffed to discharge its increased responsibilities in the course of this year.

#### CO-OPERATIVISM

We will continue to foster co-operativism in all its many-sided aspects as a major instrument for national development. The concept of co-operativism embraces all

forms of self-help and other community and co-operative activities which unite people to work for their common benefit. Cooperative societies, as formal economic entities, represent one manifestation of a wider and more complex concept. They have a pivotal role in our social and economic organisation and development. We will not waver in our support for them or in our view as to their value and importance. For a number of reasons, they have not yet realised their full potential for growth and for exercising a dominant influence on our society and economy. There have been some outstanding successes; but success cannot as yet be claimed for the co-operative sector as a whole. Initially, there was perhaps an excess of enthusiasm and a deficiency of planning. There was almost certainly too much paternalism. And there was a lack of systematic training of co-operators in the basic business and management skills necessary for the success of their economic activities.

Within recent years, however, we have been attempting to correct the shortcomings which have inhibited the growth of this vital sector. In the past, we transferred large sums of money to stimulate it. This technique has not proved to be essentially sound. What is more important is to help co-operators to organise themselves and mobilise their resources for business-like, shared activities which will strengthen their own economic base and promote development. To this end, the Government has established the Kuru Kuru Co-operative College as a specialised institution for the training of co-operators and has helped in establishing a number of

regional co-operative Unions to assume responsibility for co-operative development within their Regions. The objective of a strong and vibrant co-operative sector in the economy has not changed. In the 80's, we will intensify our endeavours toward the achievement of this objective.

#### The 1980 Budget: Targets and Assumptions

The Budget has been put together within the context of world and domestic realities and in the confidence that that the Guyanese people understand these realities and wish to do everything in their power to survive with dignity.

#### Production and Growth Targets

The Comrade Prime Minister, in his New Year's Message, has already given the targets in our major production sectors which we must achieve if we are going to survive this year. These are as follows:

|                                |              |
|--------------------------------|--------------|
| Sugar                          | 335,000 tons |
| Calcined Bauxite               | 800,000 "    |
| Dried & Metal Grade<br>Bauxite | 900,000 "    |
| Alumina                        | 300,000 "    |
| Rice                           | 200,000 "    |

These tonnages do not represent any numbers that are extraordinary. We have achieved and surpassed most of them in years gone by. There is no reason why we cannot do so now.



We also project an overall increase in the other non-traditional areas of production. Plantains, ground provisions and green vegetables are expected to increase by 15%. The production of refrigerators is expected to increase from 20,000 in 1979 to 30,000 in 1980; while a new export product, gas stoves, will make its appearance later this year with an initial production of 15,000 units. The timber and fisheries sectors are expected to show marked improvement over last year's performance. On the basis of the above production, our GDP at factor cost should rise from \$1,170 million to \$1,400 million. This would represent a real growth of slightly over 8%. This growth may appear to be high; but, since we are starting from a low base and are aiming for production levels achieved before, it is in fact reasonable.

#### Export and Import Targets

On the production assumptions, merchandise export earnings are expected to reach \$1,115 million from the low 1979 level of \$737 million. Sugar prices are showing an upward trend after four years at very depressed and unprofitable levels. Sugar exports should yield \$310 million. Given reasonable weather, rice should contribute \$110 million, a significant increase on last year's poor performance of \$81 million. Bauxite/alumina should rally from last year's catastrophic results and, taking advantage of the buoyant prices, should earn \$560 million. This level of earnings represents a high increase over the earnings in 1979; but, again, the increase is on an unusually low base in 1979. Other

exports are projected to earn \$135 million, an increase of \$32 million over the 1979 figure.

#### Terms of Trade Considerations

On the basis of present trends, it is expected that in 1980 import prices will rise on an average by about 37%; on the other hand, export prices will not rise by more than 20%. On these calculations, the terms of trade will be reduced by 15%. In other words, our exports would buy in 1980 only 85% of what they would have bought in 1979. Even though our exports are planned to increase by G\$378 million, the terms of trade will take away about G\$180 million of the export value.

To achieve this level of exports, the economy would have to grow by about 8% (or G\$120 million) in real terms. It will be seen therefore, that the projected steep increase in output will not match what we are likely to lose from the adverse terms of trade and that we have to work a lot more efficiently in 1980 just to maintain our 1979 standard of living.

These calculations have been spelt out at length, perhaps tediously so, to make it plain that our standard of living problem cannot be solved magically by increases in pay packets. The only solution lies in lifting our production and export earning levels very significantly and in speeding up the rate of development in the regions. In the context of these objectives we need to increase the rate of investment to one of 29% of the

Gross National Product from that of 25% in 1979. This implies the difficult task of raising the national saving rate from \$126 million or 10% of the Gross National Product in 1979 to one of \$305 million or 19% in 1980. The gap on the current account of the Balance of Payments is therefore projected to be reduced to about \$155 million or 10% of the Gross National Product in 1980.

Merchandise imports are projected at \$1,090 million. Of this amount, oil imports are projected at \$390 million and imports of other merchandise at \$700 million. The increase in the latter category will accommodate the projected increase in the value of imports and possibly small additions to import volumes.

During 1980 capital expenditure will emphasise the projects identified in the 1978-1981 investment programme. The phasing of some of these projects will have to be adjusted to take account of cost escalations, and some of them will have to be modified or redesigned. Careful attention will also be paid to programmes of maintenance and rehabilitation of existing infrastructure, equipment and machinery. Priority will be given to the completion of projects already started and to investment which will facilitate the efficient operation of public sector entities and other services.

The accent will continue to be placed on the following sectors: Agriculture (including Fisheries); manufactur-

\* Appendix XIV: The 1978-81 Investment Programme.

ing and industry; and the Social sectors of Health, Education and Housing. The following sectoral breakdown of capital expenditure will give a good idea of these emphases. Of Public Sector capital expenditure, net of transfers, (projected at a total of \$434 million), agriculture has been allocated \$121 mn. or 28%; manufacturing and industry \$38 mn. or 9%; and the social services some \$60 mn. or 13%.

A word of explanation needs to be said about the capital allocation in the Estimates for housing. The allocation does not reflect the total resources available for Government housing development. This amount has been allocated specifically to enable the completion of 222 low cost houses which were incomplete at the end of 1979. The Housing Ministry's programme is normally financed by the Guyana Co-operative Mortgage Finance Bank which has on hand for utilisation by the Ministry some \$3 mn., representing mortgage financing for housing schemes already completed. The sum will be available for the start of new projects as soon as the mortgage formalities have been finalised with respect to completed schemes. Moreover, the Housing Authority operates a revolving fund for housing which now stands at \$7 mn. Additionally, public sector enterprises, such as Guyamine, operate housing loan/grant schemes to enable workers to improve or acquire their own home. Guyamine, for example, also funded the first phase of the Wisrock Housing Scheme at Linden, and will be financing a second phase this year. The activities of the Sugar Industry Labour Welfare Fund Committee in providing housing for sugar workers are well known.

Government will continue with its strenuous efforts to ensure that the housing conditions of workers are progressively and significantly upgraded.

In the course of this year, several major projects are scheduled for completion. These include the Textile Mill, the Glass Factory, the Vegetable Oil Mill, the Leather Tannery, the Mabura Hill Road, the Hospital at Aishalton, the Onverwagt Water Control Scheme, Contract 1 of the Tapakuma Scheme, Phase 1 of the Coldingen Mechanical Workshop, the Mechanical Workshop at MARDS, various housing schemes at New Amsterdam, Golden Grove and other parts of the country, the water treatment facility at Caledonia, East Bank, Demerara; and numerous wells, pumping stations and pure water supply extension schemes in coastal and hinterland areas throughout the country; a number of schools, teachers' houses, and several rural training centres. In addition a large number of community projects will be completed.

Work will continue on other major projects such as the Upper Demerara Forestry Complex; the Tapakuma Scheme; the Mahaica/Mahaicony/Abary Scheme; Black Bush Polder Scheme; Phase 2 of the Demerara Fish Port Complex; Phase 2 of the Coldingen Mechanical Workshop Complex; the East Bank Berbice Road; the Pure Water Supply Projects at Linden and Bartica; the Anna Regina Tourist Facility; the Bicycle Factory at New Amsterdam; the Guyana Transport Services Depot and Workshops; the Hinterland Air-

strip Development Programme; the Health Care Delivery System; a new Teachers Training College and several schools and training centres under the Second Education Project; and several housing projects.

The capital programme for 1980 is a large one, comprising over 300 projects<sup>(11)</sup>.

#### 1980 Financial Programme

The Budget reflects a total public sector capital programme amounting to \$514 million. When financial transfers within the public sector are netted from this total, the resulting capital programme amounts to \$400 million or 26% of GNP. Of this amount, \$260 million is attributable to Central Government projects. This amount represents 17% of GNP. The capital expenditure of public corporations will amount to \$140 million or 9% of GNP.

For the year 1980 the Central Government current expenditure is estimated at \$638 million. With current revenues projected at \$477 million (before proposed personal income tax adjustments are netted off) there will be a current deficit of \$161 million.

Additional expenditure this year will include the cost of implementing proposals in respect of wages and salaries, pensions and awards payable in respect of

(11) Appendix XI: List of ONGOING PROJECTS and New Projects to start in 1980.

productivity-linked Incentive Schemes in the Public Sector. This cost will be \$48 million. The total financial requirements of the public sector for 1980 will therefore be \$1.086 billion.

We have to find additional resources amounting to some \$198 million in order to bridge the financing gap. These additional resources will have to be obtained by way of further external inflow, from the local banking system and from an effective fiscal performance. The Government would wish to see public sector borrowing from the banking system kept within a ceiling of \$125 million and will make strenuous efforts to achieve this result.

#### Financing the Programme

Government Corporations have been targeted to contribute \$142 million to the Treasury, i.e. \$76 million by way of direct taxation and \$66 million by way of dividends. Their projected surpluses including depreciation funds will amount to \$196 million. Net current revenue from sources other than direct contributions of corporations are targeted to yield \$319 million. In addition, financial institutions, provident funds and other private sources are expected to subscribe \$47 million by way of debentures, and external inflow is expected to amount to \$244 million. These resources total \$948 million. Allowance has to be made for working capital increases which will cost \$60 million leaving a wide gap of \$198

between the net resources of \$908 million and the resource need of \$1.086 billion.

We have already emphasised that there is no way in which we can escape paying higher prices for oil imports or for goods and services the supply of which is heavily dependent upon the use of oil. Corporations which provide services internally and which have large oil bills are facing heavy losses as their costs escalate. The losses have led to cash flow problems which have seriously hampered their efficiency. These corporations cannot continue to be subsidised. The prices for all services which are heavily dependent on oil will have to be adjusted to take into account the steep increase in cost.

It is important for all Guyanese to understand the factual situation. This year, Guyana Electricity Corporation's fuel bill will rise from \$33 million in 1979 to \$57 million i.e. an increase of 73%. On the present tariff, the Corporation is suffering current losses of \$2 million a month. Transport and Harbours Department is experiencing current losses of \$600,000 a month. Last year that Department made an overall loss of \$8 million. Guyana Airways Corporation whose services are so vital in servicing our far-flung regions has borne losses totalling about \$2 million last year. Guyana Transport Services Limited is in an equally parlous position financially.

We therefore have to adjust the tariffs of these Corporations realistically in the light of high and rising



fuel costs. The rates of these corporations will be adjusted in the coming weeks. It is proposed to increase the tariffs of the Guyana Electricity Corporation in phased quarterly amounts so that the average tariffs will exceed those prevailing at December 1979 by about a third. Fares on the buses run by Guyana Transport Services will be increased by a penny a mile while fares on the Transport and Harbours Department and on the Guyana Airways Corporation will go up on average also by a third. The proposed increase in Guyana Electricity Corporation's tariff will not be sufficient to put the Corporation in a break even position, but will merely reduce its losses by \$15 million. In the case of Guyana Airways Corporation, the increase is expected to put that Corporation in a break even position this year; and

Guyana Transport Services Limited will also be expected to achieve a break-even position. Transport and Harbours Department is expected to reduce its losses by \$3 million. The tariff adjustments will increase these Corporations' resources by \$20 million.

Government proposes also to restructure the consumption tax arrangements to achieve a two-fold objective: first, to spread the incidence of this tax more equitably and secondly, to facilitate the introduction of a Pricing Policy for Public Corporations.

Basically, consumption taxes will be adjusted upwards and Corporation mark-ups will be revised downwards. The overall effect will be to bring down the prices of many

categories of commonly used goods, remove extraordinary fluctuations in these prices and ensure that any movements in these prices are related to movements in cost and are justifiable..

With effect from 14th April, 1980, there will be an 8% ad valorem consumption tax on all imports into Guyana whether or not they are subject to import duty. This tax will not apply to and will not affect the prices of

- (a) goods which are price-controlled and
- (b) imports by Guymine, Guysuco, Guyana Liquor Corporation, Guyana Electricity Corporation, and the ship-building operations of Guyana National Engineering Corporation and
- (c) imports for capital projects being executed by the Central Government.

The increased excise and the consumption taxes are expected to yield a net \$15 million when allowance is made for the reductions in the surpluses of the Corporations as they reduce their prices.

The specific effect on prices of this link between the consumption tax arrangements and mark-ups will be detailed later on.

Finally, it is proposed to increase the excise tax on tobacco from \$9.43 per lb. to \$12.89 per lb. with immediate effect. This will raise the price of cigarettes by 18 cents per pack of 20 cigarettes i.e. less than one cent per cigarette.

From internal efforts, therefore, there will accrue to Government resources totalling \$946 million, as follows: Net Current Revenue, \$319 million; Public Corporations' direct income tax, dividends and surpluses (including depreciation), \$338 million; Debentures, \$47 million; external inflow, \$244 million; increased resources to Corporations from adjustment of tariffs, \$20 million; increased Consumption Taxes of \$15 million, increased excise receipts, \$3 million. These receipts total \$986 million, but allowance should be made for the projected \$60 million increase in the working capital of Public Corporations.

After this internal effort we are still left with a financing gap of \$160 million which an additional external inflow of \$38 million is expected to reduce to \$122 million.

Given the proposed ceiling of \$125 million on Public Sector bank borrowing, the financial programme is balanced. Obviously we would have to look internally for any shortfall in external receipts, if we want to maintain a programme of this size.

A WAGES PACKAGE FOR 1980: REWARDS AND INCENTIVES FOR  
THOSE WHO PRODUCE

Last year's Budget Statement explained in some detail that real increases in workers' wages depended upon real increases in production. In circumstances of no growth or negative growth in the economy, the possibilities for such increases are eliminated. The Government, during the course of last year and in this year, always anxious and concerned about the welfare of the workers, maintained contact and dialogue with the Trades Union Congress on this issue. The purpose of the discussions was, among other things, to discover ways and means of alleviating the cost-of-living problems of workers, notwithstanding the fall in production and the consequential financial difficulties. The Government would like to pay tribute to the leadership of the T.U.C. for the constructive, courteous and objective way in which they approached these discussions.

I now announce that the Government will increase salaries and wages of public sector employees (or permit such salaries and wages to be increased as the case may be) in accordance with guidelines to be issued. All increases will be retroactive to 1st January, 1980. Government's proposal for increases and adjustments in the salaries and wages of public sector employees owe much to the ideas, sug-

gestions and insights with which the T.U.C. team illuminated the discussions to which I have referred.

What the Government proposes is a wages package with several components which have to be taken together in order to appreciate the full overall impact. No component can be taken in isolation. The objective of the package is to increase the after-tax (take home) pay of the worker and to enable him to have a greater command over a wide range of basic goods and services. The package has the following broad features:

- (1) There will be an upward adjustment of the wages of certain skill categories in the traditional Public Service to redress the problem caused by the virtual removal of differentials between the remuneration of those categories and that of unskilled workers.
- (2) (a) There will be an across-the-board increase of salaries and wages for designated categories of workers.  
  
(b) There will be increases in salaries and wages of categories not included in the across-the-board adjustment referred to in (a) above, in accordance with guidelines to be issued.
- (3) There will be Income Tax relief for all taxpayers by way of increases in personal income tax allowances.

- (4) There will be awards payable under productivity-linked Incentive Schemes being implemented throughout the Public Sector (including the Teaching and Nursing Professions and the disciplined services).

In addition, in order to ensure that workers can avail themselves of basic essentials which we refer to as "a minimum set for basic existence", Government will introduce a Pricing Policy (in the first instance for Public Sector Corporations) to control the mark-ups on a designated range of commonly used, basic commodities to:

- (a) ensure fair and reasonable retail prices to the workers;
- (b) prevent wide fluctuations in these prices; and
- (c) restrain unjustifiable price increases.

This Pricing Policy is the first phase of a more comprehensive regime on which work is being done.

#### THE SPECIFIC PROPOSALS

I will now spell out with some specificity the wage benefits which Government proposes for Public Sector workers this year.

- (1) Adjustment of Skill Differentials

Within the traditional Public Service, the wages and salaries of certain categories of skilled workers will be adjusted upwards by five per cent (5%). The list of some 100 skill categories includes

electricians, boat captains, dental aides, carpenters, chauffeurs, drillers, mechanics, plumbers, photographers, seamstresses, shipwrights and steel benders, to name a few.

(2) (a) Across-the-board Adjustment for the Traditional Public Service

The wages and salaries of all employees in the Public Service will be adjusted upwards by 5%. With respect to the skill categories referred to in (1) above, this 5% will be in addition to the 5% adjustment already mentioned.

(b) Adjustment for the Rest of the Public Sector

- (i) Within the rest of the Public Sector (i.e., excluding the traditional Public Service), increases in wages and salaries will be permitted within guidelines to be issued.
- (ii) With respect to these guidelines, it may be said generally that in the sugar and bauxite industries, wages and salary rises will be permitted up to a ceiling of 7% on negotiated basic rates and associated scales existing in 1979, subject to the guidelines.
- (iii) In the remainder of the Public Sector (i.e. other than the traditional Public Service and the bauxite and sugar indus-

tries) where there are negotiated rates and associated scales, the ceiling on any rises will be 5%, subject to the guidelines.

- (iv) In other cases where there are no negotiated salary scales, incremental procedures will apply. Increments will not be paid automatically but only in accordance with proper appraisal norms and practices and subject to the guidelines.

(For general information and for the avoidance of all doubts, I wish to make it clear that all Public Sector Corporations and agencies will be bound by the salaries and wages guidelines. No Manager or other person will have the authority to breach or ignore them directly or indirectly).

(3) Income Tax Relief

- (a) In the course of the Budget Speech last year, it was indicated that Government was examining representations which had been made by the Trades Union Congress, by some affiliate unions and by workers for increases in income tax allowances. Government gave careful and sympathetic consideration to the representations on behalf of the workers. I now announce that as an integral component of the wages package



there will be a 25% increase in personal tax allowances, with effect from 1st January, 1980, as follows:

| Personal Allowance | Present Entitlement | New Entitlement |
|--------------------|---------------------|-----------------|
| Personal           | \$1,000             | \$1,250         |
| Wife               | 1,000               | 1,250           |
| Working Wife       | 400                 | 500             |
| Child              | 400                 | 500             |
| Dependent          | 300                 | 375             |

- (b) With respect to income tax allowances, workers and their unions have made repeated and earnest representations on the question of reputed wives and children born out of wedlock. Government has listened with attentiveness to these representations and regard them as being meritorious. I therefore announce that, subject to the rules to be issued by the proper authority, a worker will be entitled as from this year to claim income tax deductions with respect to his reputed wife and also children born out of wedlock whom he acknowledges and is in fact maintaining. The new Constitution has outlawed discrimination against children on the ground of their being born out of wedlock and the Government is not prepared to wait for the New Constitution to be formally promulgated to do something demanded by humanity, justice and sheer commonsense.

(4) The wages package is weighted unapologetically in favour of those who produce. Hence, productivity - linked Incentive Schemes are now being put in place throughout the Public Sector as the cornerstone of the programme of stabilisation and recovery based on significant production and productivity increases. Maximum rewards are linked with these Schemes under which workers, by achieving agreed levels of efficiency, can augment their incomes by as much as 33 $\frac{1}{3}$ % on their basic earnings in some cases. All incentive awards will be tax-free. Since efficiency in the service sectors is as vital as in the so-called direct production sectors, employees in the traditional Public Service and such categories of workers as Nurses, Teachers, Policemen and Soldiers will be included in the Schemes and can qualify for incentive awards. Payments will be strictly monitored by the State Planning Secretariat and will be made promptly to all who qualify in accordance with the agreed criteria.

The overall effect of these proposals will be to increase the take-home pay of typical-case workers by 8% - 10% on average, exclusive of any payments made under the Incentive Schemes.

The total cost of implementing this wages package (exclusive of incentive payments outside of the Central Government) is estimated to be about G\$63 million. This figure does not include reductions in revenue of Public

Sector Corporations (and therefore of the Central Government revenue), as a result of implementing the Pricing Policy to which I will refer in a moment. The total employment costs alone for the Public Sector will increase by more than G\$50 million to about G\$580 million in 1980.

#### Pricing Policy

In support of the Wages package, the Government has adopted a pricing policy which will remove the flexibility which Public Corporation hitherto had in fixing their mark-ups on goods. The mark-up structures will be adjusted to ensure reasonableness and these will be linked with the consumption tax arrangements announced earlier.

Without going into technical details, this policy will enable the Government to exercise closer supervision over the level of the retail prices of goods sold by the Corporations. Mark-ups on various categories of goods will be standardised. This would result in most cases in a decrease in the mark-up levels.

At the same time there will be an upward adjustment of consumption taxes on imports. The overall effect of adjusting consumption taxes and revising mark-ups downward will be, as already explained, to bring down the prices of many categories of commonly used goods, remove extra-ordinary fluctuations in these prices and ensure that any movements in those prices are related to movements in cost and are justifiable.

By way of example, the retail prices of selected household items will be reduced by at least 15%; the price of shoes by between 15% and 20%; the price of automotive spares by about 25%; the price of paper-back books between 15% and 25%; motor car, motor cycle and bicycle tyres by about 25%; bicycles and accessories by at least 15%; certain items of toiletry and cosmetics by about 25% and selected items of drugs and Pharmaceuticals sold over the counter by about 25% to 30%. A detailed list would be published in due course.

The necessary instructions will be issued to Corporations through the Vice President of Guystac and this Pricing Policy will take effect from 14th April, 1980.

#### Price Control

In the meantime, the price control regime which affects over 60 categories and items of basic everyday commodities will continue to be enforced rigorously. <sup>(11)</sup>

#### Review of Salary Structures in the Public Sector

There is little doubt that, in general, employees in the traditional Public Service are at a disadvantage, in terms of their remuneration, when compared with employees in the rest of the Public Sector. They have none-the-less persevered in their work with zeal and dedication. The Government acknowledges their continued devotion to duty and pays tribute to them. But they also need tangible recognition of their efforts.

(11) Appendix XI: List of items subject to Price Control.

In the circumstances, therefore, the Government is satisfied that the time has come for a comprehensive and thorough review of the salary structures in the Public Service against the background of the higher salaries being paid in the rest of the Public Sector.

In view of the urgency with which the matter is being regarded, Government has already consulted the unions representing the workers in the Public Service and has already established the nucleus of the Committee to undertake the review assignment.<sup>(12)</sup> Consultations are continuing and work has already begun in compiling basic data. Government is anxious that justice be done to our hard-pressed Public Service workers.

#### Increase for Pensioners

The welfare of pensioners and citizens in receipt of Public Assistance, has not been overlooked.

Government will increase pensions payable to Government Pensioners appropriately in the light of the increases granted to the Public Service. The differential in Social Assistance payments based upon whether the recipient resides in rural or urban areas will be abolished. The minimum payments will be standardised at the higher urban rate and, in addition, all recipients will be granted an increase of a little over 25%. All these increases will take effect from 1st January, 1980.

(12) Appendix XII: Terms of Reference of Committee to Review Public Service Salaries.

### Incentives for Rice Farmers

Finally, consideration has also been given to incentives in the Rice industry. Government is satisfied of the need for rice farmers to sustain their strenuous efforts to increase production yields in the face of difficult weather and other conditions. Last year, Government increased the prices paid to rice farmers with effect from August 1979. This year, Government again increased the price with effect from 1st January, 1980. And yet again, Government increased prices paid to rice farmers with effect from March 1, 1980.<sup>(13)</sup>

Comrade, Speaker, Government will keep rice production and the prices paid to rice farmers under close scrutiny and continue to give rice farmers appropriate and timely incentives.

Comrade Speaker, our economy is basically sound. We have the resources to feed ourselves and the infrastructural capacity to meet our production and export targets. We have a reasonable programme for stabilisation and economic recovery. Within the limits of the country's financial resources, workers have been ensured increased monetary rewards and enhanced take-home pay packets. They have an opportunity to earn even higher incomes by way of the tax-free awards payable under productivity-linked incentive schemes. To enable the workers to benefit maximally from their wage increases, the Government will continue to enforce price control regulations over a broad range of basic commodities and will control the

(13) Appendix XIII: Table showing Recent Price Increases granted to Rice Farmers.

mark up policy of public sector corporations by instituting a Pricing Policy.

In these circumstances, then, the stage is set for us to defend our economy and win the battle for production, survival and eventual prosperity.

Comrade Speaker, we Guyanese are made of tough moral fibre. We have never been known to be losers; and we dare not lose now.

And, Comrade Speaker, I am sure that I echo the broad sentiments of this nation when I say, that under the leadership of Comrade Burnham and the People's National Congress, we cannot lose.