

**THE
PARLIAMENTARY DEBATES
OFFICIAL REPORT**

[VOLUME 7]

**PROCEEDINGS AND DEBATES OF THE FIRST SESSION OF THE NATIONAL
ASSEMBLY OF THE THIRD PARLIAMENT OF GUYANA UNDER THE
CONSTITUTION OF GUYANA**

48th Sitting

2 p.m.

Monday, 9th December, 1974

MEMBERS OF THE NATIONAL ASSEMBLY

Speaker

His Honour the Speaker, Mr. Sase Narain, J.P.

Members of the Government – People’s National Congress (50)

Prime Minister (1)

The Hon. L.F.S. Burnham, O.E.,
Prime Minister

(Absent)

Deputy Prime Minister (1)

Dr. the Hon. P.A. Reid,
Deputy Prime Minister and Minister of
National Development

Senior Ministers (8)

The Hon. H.D. Hoyte, S.C.,
Minister of Economic Development

*The Hon. S.S. Ramphal, S.C.,
Minister of Foreign Affairs and Justice (Absent)

*The Hon. H. Green,
Minister of Co-operatives and
National Mobilisation

*The Hon. H. O. Jack,
Minister of Energy and Natural Resources

*The Hon. F. E. Hope,
Minister of Finance

*The Hon. S. S. Naraine, A.A.,
Minister of Works and Housing

*The Hon. G. A. King,
Minister of Trade and Consumer Protection (Absent – on leave)

*The Hon. G. B. Kennard, C.C.H.,
Minister of Agriculture

Ministers (5)

The Hon. W. G. Carrington,
Minister of Labour

The Hon. Miss S. M. Field-Ridley,
Minister of Information and Culture

The Hon. B. Ramsaroop,
Minister of Parliamentary Affairs
and Leader of the House

*The Hon. Miss C.L. Baird,
Minister of Education and Social Development

*Dr. the Hon. O.M.R. Harper,
Minister of Health

Members of State (10)

The Hon. M. Kasim, A.A.,
Minister of State for Agriculture

***Non-elected Ministers**

The Hon. O.E. Clarke,
Minister of State – Regional
(East Berbice/Corentyne)

The Hon. P. Duncan, J.P.,
Minister of State – Regional (Rupununi) **(Absent)**

The Hon. C.A. Nascimento,
Minister of State, Office of the Prime Minister **(Absent)**

The Hon. M. Zaheeruddeen, J.P.,
Minister of State – Regional
(Essequibo Coast/West Demerara)

The Hon. K. B. Bancroft,
Minister of State – Regional
(Mazaruni/Potaro)

*The Hon. C.V. Mingo,
Minister of State for Home Affairs

*The Hon. W. Haynes,
Minister of State for Consumer Protection **(Absent)**

*The Hon. A. Salim,
Minister of State – Regional
(East Demerara/West Coast Berbice)

*The Hon. F.U.A. Carmichael,
Minister of State – Regional (North West)

Parliamentary Secretaries (7)

Mr. J.R. Thomas,
Parliamentary Secretary, Ministry of Works and Housing

Mr. C.E. Wrights, J.P.,
Parliamentary Secretary,
Ministry of Works and Housing

Miss M.M. Ackman,
Parliamentary Secretary, Office of the
Prime Minister, and Government Chief Whip

***Non-elected Ministers**

Mr. E.L. Ambrose,
Parliamentary Secretary,
Ministry of Agriculture

Mr. S. Prashad,
Parliamentary Secretary, Ministry of
Co-operatives and National Mobilisation

Mr. J.P. Chowritmootoo,
Parliamentary Secretary, Ministry of Education
and Social Development

Mr. R.H.O. Corbin,
Parliamentary Secretary, Office of the Prime Minister

(Absent – on leave)

Deputy Speaker (1)

Mr. R.C. Van Sluytman, Deputy Speaker

Other Members (17)

Mr. J.N. Aaron

Mrs. L.M. Branco

Mr. M. Corrica

Mr. E.H.A. Fowler

Miss J. Gill

Mr. W. Hussain

Miss S. Jaiserrisingh

Mr. K.M.E. Jonas

(Absent)

Mr. M. Nissar

Dr. L.E. Ramsahoye

(Absent)

Mr. J.G. Ramson

Mrs. P.A. Rayman

Mr. E.M. Stoby, J.P.

Mr. S.H. Sukhu, M.S., J.P.

Mr. C. Sukul, J.P.

Mr. H.A. Taylor

Mrs. L.E. Willems

Members of the Opposition – Liberator Party (2)

Mr. M.F. Singh, Leader of the Opposition

Mrs. E. DaSilva

OFFICERS

Clerk of the National Assembly – Mr. F.A. Narain

Deputy Clerk of the National Assembly – Mr. M.B. Henry, AMBIM

9.12.74
2.05 p.m.

National Assembly

2.05 – 2.10 p.m.

PRAYERS
ANNOUNCEMENTS BY THE SPEAKER

Leave to Members

The Speaker: Leave has been granted to the following hon. Members:

- (a) Mr. G. A. King from 8th to 23rd December, both days inclusive, and
- (b) Mr. Corbin for today's Sitting.

PRESENTATION OF PAPERS AND REPORTS

The following Papers were laid:

- (1) (a) Estimates of Revenues and Expenditure of Guyana for the financial year 1975.

- (c) Consumption Tax (Amendment) Order 1974 (No. 142), made under section 4 of the Consumption Tax Act, Chapter 80:02, on the 31st of October, 1974, and published in the Gazette on the 9th of November, 1974.
[The Minister of Finance]

- (2) British Postal Orders (Amendment) Regulations 1974 (No. 15), made under section 97 of the Post and Telegraph Act, Chapter 47:01, on the 28th of October, 1974, and published in the Gazette on the 2nd of November, 1974.
[The Minister of Works and Housing]

9.12.74

National Assembly

2.05 – 2.10 p.m.

INTRODUCTION OF BILLS – FIRST READING

The following Bill was introduced and read the First time:

Post Office Savings Bank (Dissolution) Bill 1974, Bill No. 38 of 1974, published on 11.12.74.

[The Minister of Finance]

PUBLIC BUSINESS

MOTIONS

APPROVAL OF THE ESTIMATES OF EXPENDITURE FOR THE FINANCIAL YEAR 1975

BUDGET SPEECH

The Minister of Finance (Mr. Hope): In accordance with article 80(2) of the Constitution of Guyana, I signify that Cabinet has recommended the following Motion for consideration by the National Assembly, a Motion for the approval of the Estimates of Expenditure for the year 1975 totalling \$458,687,527, net of appropriation in aid, and excluding \$72,501,451, which is chargeable by law.

I now move the Motion for the approval of the Estimates of Expenditure for the financial year 1975.

The Speaker: Hon. Minister of Finance, please proceed.

Mr. Hope: Mr. Speaker, the Budget I have the honour to present today is the seventh Budget brought to this House and to the Nation by the People's National Congress since that party assumed full control of the Government. It is, however, the tenth Budget since the Party

has been in continuous Government, and gives, as will be observed later, economic and financial expression to the ideology and the aspirations of the party for the social and economic development of Guyana.

During those ten years in which this Party has been in power, this nation has been going through – and is still in process of so doing – a period of rapid transformation from a society that was essentially free enterprise and capitalist – dominated into a society that is socialist and egalitarian. We have passed from our colonial status of 1964 into Independence and finally into a Republican form of Government. Where capitalism formerly dominated, Public ownership and Co-operative Organisation are now assuming a new position of pre-eminence. Where foreign ownership controlled and directed our economic destiny, ownership and control by the people, through their Government, are becoming more and more the factor that determine our economic future.

We have seen, Mr. Speaker, the rise of the spirit of self-help and self-reliance so that these attitudes have become part of our National Spirit. We have promulgated an economic policy which has as its objective that the Nation should feed, clothe and house itself by 1976 – almost four years before the world has come to realise that it is facing a serious problem of food shortages and conditions of famine.

Not the least significant is the fact that our people have gained a new confidence in their ability to run successfully enterprises that were once managed and run by foreigners and Guyanese today have no doubt at all as to correctness of policy which demands that Guyanese must own and control the natural resources of Guyana.

The Society, on the initiative of the People's National Congress Government, is moving, through National Service, to reorient itself and to produce a new Guyanese – a person who is determined, self-reliant, imaginative, self-respecting and assured, and whose prime motive is to build Guyana culturally, economically, and socially. Also Mr. Speaker through Regionalism –

that is, the organization of the country into administrative regions each under the political supervision of a Regional Minister – government administration has been brought closer to the people, and Government's efforts at economic development in all areas are facilitated.

These developments, Mr. Speaker, suggest that not only must the Government continue to give positive direction to the way in which the economy develops, but it must also with the Co-operative Sector actively participate to an increasing extent, in that development. It also means that development must be seen as having as its primary function the upliftment of the levels of living of the people through provision of acceptable standards of housing for all, adequate availability of domestically produced foods at moderate prices, relevant education and training for all, and reasonable facilities for the maintenance of good health.

This Budget, Mr. Speaker, following in the tradition of previous Budgets presented by this Government, has been structured along these lines and has sought to give positive expression to the ideals and objectives of the socialist egalitarian society that is in process of being created in this country.

THE CRISIS IN INTERNATIONAL PAYMENTS

Mr. Speaker, when I presented the Budget for 1974 just about one year ago, it was already becoming evident that Guyana like so many other countries – developed and developing alike – was about to enter a most crucial period in its economic experience. We were about to be confronted by a period of a massive upturn of prices and a serious imbalance in our International payments position.

By the end of January, 1974, the situation as it could then be foreseen for the rest of this year revealed that our external reserves were certain to come under devastating pressures as the prices of imports – fuel, fertilizers, machinery – soared to unprecedented levels. It was also clear that the rate of internal inflation would have been far beyond anything this country had

experienced before, and that the Government's Budget itself would have inevitably required substantial modifications. In short, the Guyana economy – like those of the rest of the developing world with the exception of the oil exporting countries – was in crisis.

Also in that last Budget statement I drew attention to our low economic growth rate in 1973 and pointed to the cause of that disappointing growth performance, namely, bad weather, affecting both export crops, sugar and rice, as well as the production of bauxite. But I also then assured members that the economy possessed a basic strength and resilience which made it potentially capable of absorbing temporary shocks and rising again to a quick recovery.

The later months of 1974 fully vindicated that assurance. Responding to challenge posed by a difficult economic and financial situation, the Government proceeded to bring the economy under careful and imaginative management. Steps were taken to conserve foreign exchange, restrain consumption of non-essentials, and to tighten expenditure controls in the Public Service.

On the negative side the measures that were adopted to conserve scarce foreign exchange are now well known. Imports of non-essentials were restricted; practically all imports were put under a system of licensing; the availability of foreign exchange for vacation travel overseas and migrants' transfer was temporarily suspended, and foreign companies operating in Guyana were requested to secure their working capital from external sources, thereby enabling an inflow of funds to the benefit of our Reserves.

Apart, however, from these measures action was taken on the positive side to encourage production, promote exports, and to maximise the earnings from our exports through marketing strategies that sought the best prices for our exports. Sugar production this year, assisted by certain incentives to the workers, is about 25% above last year's output. Compared with any year previously a much greater proportion of our sugar was shipped to the World Market, including the People's Republic of China. The prices earned on these markets, as is well known, have been unusually high. In addition, the negotiated price for sugar exported to the United

Kingdom, on the Government's initiative, let me emphasise, was re-negotiated twice during the year enabling this country to benefit from a negotiated price that moved from £61.50 at the beginning of the year to £83 Sterling, and then to £140 most of the year's shipment to the United Kingdom.

In order to encourage a large rice crop, rice farmers were also given attractive incentives – subsidized, greater availability of ploughing and harvesting machines, and a cash payment of \$10 for each acre put under rice. The good weather that prevailed, combined with the strong response of the farmers, enabled a record crop to be harvested. With better prices now prevailing for rice, the returns to the industry are expected to reach something of the order of \$48Mn. For exports alone, compared with \$25Mn. last year.

In the meantime bauxite has been enjoying a good year with rising prices for aluminium ingots, a strong demand for the metal, and a production at Guybau unimpeded by any industrial stoppages. Bauxite exports are now likely to value some \$209Mn. in 1974 compared with \$137Mn. last year.

In all this, Mr. Speaker, one should not lose sight of the role that the people played. To our measures of conservation the people responded with understanding, determination and active co-operation. To the call for increased production, our farmers and agricultural workers responded with enthusiasm and faith, and our workers in industry – with hard work in the mines, in the forest, and in the factories.

Where does the economy stand today? Domestic production has increased significantly compared with 1973. Gross Domestic Product at current factor cost increased from \$576Mn. in 1973 to an estimated \$790Mn. in 1974 – an increase of 37%. Exports of goods will more than double in terms of value, rising from 1973 to an estimated \$790Mn. in 1974 – an increase of 37%. Exports of goods will more than double in terms of value, rising from \$288Mn, 1973 to something in the region of \$, 1973 to something in the region of \$590Mn. in 1974. Our gross

International Reserves which stood at \$2Mn. the beginning of the year, and sank alarmingly during the early months of the year, recovered strongly during the latter half of the year buoyed by rising export earnings, foreign exchange conservation and financial assistance from friendly Governments in the Region. Within recent weeks our gross International reserves have been fluctuating in the region of \$120Mn. and are now expected to be at about that level at year end, compared with the low level \$28Mn. at which they stood at the beginning of the year. This was a remarkable turn around in this most important indicator of the internal strength and buoyancy of the economy. It is also a tribute, Mr. Speaker, to those who managed the economy during this year of great economic uncertainty.

The Central Government Budget also responded to careful management and control. Starting the year with a small projected deficit of \$0.1Mn. the Government's Current Account is now expected to show an overall surplus of \$39Mn., at the end of the year. This surplus would arise despite large subsidies on flour, poultry feed, pure water, cooking oil and a number of other items totaling more than \$31Mn., most of which were introduced during the course of the year to ease the burden of the cost-of-living. The dominant source of the surplus was the special levy on sugar exported from the country at prices unanticipated at the beginning of the year. The revenue from this source was approximately \$91Mn. In part, however, the surplus was made possible by the application of tighter expenditure controls in Government Departments and Ministries.

Even when the Expenditures on Capital Account are taken into account, the Government's Accounts reveal an overall surplus of \$29Mn. Contributing to the financing of the Capital budget and to the surplus was the loan of U.S. \$15Mn. received from the Venezuelan Government. Unfortunately capital expenditure was also low and this to a substantial extent enabled available financial resources to exceed capital expenditures. The low level of projected implementation itself was influenced by slow, in some cases late, starts arising from the financial uncertainty during the first half of the year. This was followed by delays in deliveries of

essential materials and equipment by foreign suppliers who were themselves encountering production difficulties in the wake of the fuel crisis.

Mr. Speaker, I have recounted these facts because it is necessary to place before the Nation the true picture of the country – Guyana – that has faced the serious economic problems posed by unprecedented international inflation. A country, Mr. Speaker, that has so far weathered the storm well, through the strong leadership and foresighted management of the economy provided by the People's National Congress Government in power. It is, Mr. Speaker, a success for the people as well, for it is their effort, their determination and their restraint that have facilitated in no small measure the successful guidance of the economy.

But, Mr. Speaker, while we applaud the success that has attended our efforts so far, let us also soberly understand that the underlying cause of the economic dislocation still exists. Our success was founded on the tripod base of favourable weather conditions for our leading export commodities; buoyant prices for these commodities, and the active co-operation of the people with the Government. If prices for our commodities slump – and it would be too much to expect the price of sugar, for instance, to remain high for more than a few years – our export earnings and our balance-of-payments could be under pressure again. We need to grasp the opportunity to expand our productive capacity – in such areas as sugar, rice, bauxite, corn, soya and forestry. In short we need to use the resources newly put at our disposal to expand production in key sectors of the economy that is, sectors where the yield can be both quick and high. While we must give the Nation reliefs, as we have already done and propose to do still further in 1975, we cannot afford to dissipate the resources on consumption.

In addition, Sir, unemployment is still with us; it is still unacceptably high; the task of training our people in relevant skills is still there to be done; our forest, mineral and water resources remain relatively under-exploited in the context of a great need to diversify our economy. To put it succinctly investment must take precedence over consumption for the time being.

Therefore the Public Sector – that is the Central Government, the Public Corporations, and Government Enterprises – must continue to show surpluses on their current accounts. That is, these sectors must save for public investment in the productive schemes and projects. For this reason the Government has taken the deliberate decision that Current Expenditures must be kept within limits low enough to ensure that current revenues, through a surplus, contribute significantly to the financing of the capital budget. In other words the growth in current expenditures must continue to be restrained.

Further, Mr. Speaker, Guyana has vast tracts of land that are either still under-utilised or are totally unused. Most of these lands, if properly empoldered, could be brought under plough and beneficially utilized in agriculture. Indeed much of these lands are already provided with the basic infrastructure of drainage and irrigation and now need minimal investment to make them fully productive.

This idle land capacity requiring investment to realise its full productive potential exists at a time when the world is woefully short of food, and famine threatens millions of people. It would therefore be a matter of extreme urgency for this country to direct some of its financial resources to bring these lands under cultivation.

Much of Government's investment in the Capital Programme later be presented to this House therefore has as its objective the empoldering of land, the construction of farm-to-market roads, and provision of agricultural credit. The crucial significance of this type of investment has been emphasized by the President of the World Bank in his address to the 1974 Annual Meetings of the World Bank. It is further hoped, Mr. Speaker, that expenditure of this kind from local funds would help to unlock funds available in the World Bank for further investment in agricultural development in Guyana. Already the World Bank has agreed to finance the Tapakuma Project to the tune of \$28Mn. in order to bring some 48,000 acres of good agricultural lands into production.

Mr. Speaker, in assessing the factors responsible for the recovery made in Guyana, from the worst effects of the economic crisis, it is necessary to point to the part played by financial transfers from our neighbours in the Caribbean – namely the Government of Trinidad and Tobago and the Government of Venezuela. From the former country, Guyana secured a loan from the Central Bank of Trinidad and Tobago to the Central Bank of Guyana of US\$20Mn. repayable over a period of five years. Of this amount US\$15Mn. have already been received and this has been instrumental in boosting the level of our gross International Reserves. This assistance received from the Government of Trinidad and Tobago was in effect in support of our balance of payments and was a direct result of discussions which began at a Meeting of the Heads of Governments of the Independent States of the Caribbean Community and Common Market called in February of this year to discuss the economic crisis as it affected Member States of CARICOM.

From Venezuela, Guyana received a loan of US\$15Mn. equivalent to approximately (G) \$33Mn. This latter loan not only supported our balance-of-payments and augmented our Reserves, but also available for spending directly on our Capital Programme. It was a Government loan made on concessionary terms, within the framework of the United Nations Emergency Fund set up to assist countries adversely affected by the high cost of adversely affected by the high cost of petroleum.

Throughout this period, and in particular with respect to all the policies we were pursuing, the Government of Guyana received the understanding and the full support of the major International Financial Institutions – the International Monetary Fund and the World Bank. The Fund itself not only renewed, it also increased the level of its Standby Arrangements with Guyana in May of this year from 4 million SDR's from 4 million SDR's to 5 million SDR's. Under this arrangement, as Members of this House are aware, the International Monetary Fund is prepared to lend foreign exchange in support of a member's balance-of-payments in case of need. Reference has already been made to the United Nations Emergency

Fund from which Guyana was one of the first countries to benefit out of the contribution pledged to that Fund by the Government of Venezuela.

THE INTERNATIONAL MONETARY AND FINANCIAL SITUATION

Mr. Speaker, this is perhaps an appropriate point to make some reference to the International Monetary and financial developments over the past twelve months. While at the National level it was possible to pursue certain policies to achieve and maintain some measure of economic stability, at the international level the forces of uncertainty and instability were more difficult to control. Inflation during 1974 was by far the most serious economic ill. For many countries the rate of inflation was in excess of 20% per annum; for some states in the Caribbean it was much higher. Occurring simultaneously with this rapid inflation was the inability of most countries, developing and developed alike, to record any real growth; so that most of the world's, developing and developed alike, to record any real growth; so that most of the world's strongest economies went through in 1974 a period of rapid inflation accompanied by stagnation – “stagflation” being the term used to describe this unusual economic phenomenon. The fact that many developed countries were experiencing a state of negative real economic growth, a slowing down of industrial output, and massive deficits in their balance of payments, had serious consequences for the flow of financial resources to developing countries either through bilateral or through multilateral channels. These developed countries are in fact until now the major providers of concessionary funds and their financial markets are the source of much of the borrowing done by developing countries. The result has been that the flow of concessionary financial resources has substantially reduced, if not totally dried up, and developing countries are competing unequally and unsuccessfully with the richer countries of the world for loan finances on the international money markets.

In fact, as the developed countries of western Europe and North America amassed deficits running into billions of dollars which are in fact the reverse of the flows which are

leading to the tremendous balance of payments surpluses accumulated by the oil exporting countries, the financial markets of the world become extremely unsettled and are still relatively so today. Interest rates have therefore remained high, reflecting the prevailing high rates of inflation, as well as the nervous state of the money markets. For practically the whole year the Euro-Currency market could provide little assistance to developing countries although within recent years that market has been the most significant source of external borrowing for poor countries.

This was indeed a reflection partly of the serious doubts that had arisen concerning the viability of small economies facing large increases in their import bill due to high prices for petroleum, food commodities, and industrial goods. It was partly also a consequence of the large borrowings made in these markets by certain developed countries seeking to balance their international payments by reflows of these surpluses of the oil exporting countries.

A few developing countries have, despite these difficulties, found it possible to borrow because much less doubt existed as to their strength. Guyana has been one of these countries, as a loan of US\$15Mn. from the Euro-Currency market has recently been finalised for the financing of development works to be done in 1975.

I have said, Mr. Speaker, that one of the consequences of the balance of payments deficits which the industrialised countries are encountering has been the reduced flow of aid on concessionary terms. The International Development Association, for instance, the soft window of the World Bank, has not yet got its Fifth Replenishment although subscriptions and contributions have been requested more than a year ago.

To compensate in some measure for these reduced flows a number of initiatives to stimulate additional or alternative flows to the poorer countries on concessionary terms have been taken. The IMF has established an oil facility, the basic objective of which is to recycle funds from the oil exporting countries mainly to assist the developing countries in need of

balance of payments to assist the developing countries in need of balance of payments support on soft terms. The Secretary General of the United Nations has also established a Special Fund to provide emergency relief to countries hard hit by the increase in the price of petroleum. The Fund is to be financed from contributions made by the rich countries, mainly the OPEC countries. It is still our expectation notwithstanding warnings to the contrary, that Guyana, despite the relative success that has so far attended its efforts to pull itself out of the economy crisis, would secure financial support both from the IMF's oil facility, and the United Nations Emergency Fund. The hard fact Mr. Speaker is that of the increase in our import bill for oil alone is in the region of \$75Mn. for 1974.

While unprecedented inflation continues to constitute the most immediate problem on the international economic scene, it is easy to lose sight has been characterised by floating exchange rates for practically all reserve currencies and there appears little likelihood that a return to stable exchange rates is on the cards for the near future. In the meantime the Guyana dollar continued to float with the Pound Sterling against all other currencies, but retained its fixed parity of (G) \$5.21 to One Pound Sterling.

As would be recalled the whole question of a Reform of the International Monetary System has been under study for sometime by an expert group – the Committee of Twenty under the aegis of the International Monetary Fund. The technical work has been concluded; the political decisions must now be taken in order to implement a system that is feasible and generally acceptable. Admittedly it is this acute inflation that has overtaken the international monetary system, and the heavy balance of payments deficit which the major industrialised countries now face, that has made it more difficult, if not impossible, at present for the World to return to a system of stable exchange rates.

It was however, in recognition of the fact that the introduction of a reformed monetary system was not feasible at this time that at the 1974 Meetings of the World Bank and International Monetary Fund two committees were established and set two important tasks. One

of these is the Interim Committee of the Board of Governors of the IMF and its task is to supervise the management and adaptation of the International Monetary System and consider proposals for amendment of the Articles of Agreement of the International Monetary Fund. In short it is this committee which will supervise under aegis of the IMF, the workings of the International Monetary System until such time as reform measures can be implemented. The other Committee comprising Governors of the World Bank, is to formulate and pursue proposals for the transfer of real resources from developed to developed countries. Guyana, Mr. Speaker, would be participating in the work of both committees.

A matter of vital interest to all nations today – apart conceivably from the Eastern Bloc countries – is the creation of a mechanism for the cycling of the surplus funds which are being accumulated by the oil-exporting countries. It is known that if balance of payments of equilibrium is to be restored and if developing countries are to secure adequate resources for this development, there must be reflows of surplus funds from the new surplus countries to the developing economies of the World. How these funds are to be recycled, the interest rates, and the maturities at which they could be made available are vital questions which have not yet been determined. Most countries today support the effort of the United Nations, the World Bank, and the International Monetary Fund, to create a multilateral mechanism to facilitate the flow of mechanism funds from the new surplus countries to those who need them for survival and development. Just as valuable would be bilateral loan arrangements between the oil exporting countries and those countries which are adversely affected by the high cost of petroleum.

In this connection reference has already been made to the loans provided to this country by the Government of Trinidad and Tobago and the Government of Venezuela.

I am now in a position to announce, Mr. Speaker, that the Government of Kuwait has offered the Government of Guyana a loan of US\$10Mn. in further support of our balance of payments and I expect that arrangements towards this end would be concluded shortly between the Kuwaiti Monetary Authority and the Central Bank of Guyana.

It is also expected that further discussions would take place at an early date in Guyana between the Government and certain Kuwaiti government agencies which are in a position to contribute loan funds, in some cases on concessionary terms, to finance the development projects in friendly countries. Mr. Speaker, the Government welcomes these developments as an extension of the co-operation and friendship which have existed for some time now between the Government of Kuwait and Government of Guyana – both members of the Non-Aligned Movement.

STERLING GUARANTEE AGREEMENTS

Perhaps, Mr. Speaker, this is a convenient point at which I should make reference to a recent development affecting our intervention currency, namely the Pound Sterling. Guyana like most members of what was previously described as the Sterling Area has traditionally held most of its Official Reserves in Sterling. In 1968, after the devaluation of the Pound Sterling in 1967, the British Authorities entered into an Agreement with individual member-states of the Sterling Area described as the Sterling Guarantee Agreement under which holders of Sterling Reserves were offered a measure of protection against the devaluation of the Pound. By virtue of this agreement the British Government guaranteed a fixed proportion of the eligible Sterling balance held by Sterling Area countries against loss arising from the fluctuations of the value of the Sterling against the US Dollar. As a result of this arrangement the Bank of England compensated the Guyana Central Bank on two occasions for losses in the value of US\$2.40 to One Pound Sterling. After reviewing the agreement last year the British Authorities have now advised that they no longer intend to offer a guarantee to holders of Sterling Reserves. Consequently, the Sterling Guarantee Agreements are not to be renewed after they expire. For Guyana this would be with effect from 31st December, 1974.

REVIEW OF THE ECONOMY

Mr. Speaker, earlier in this presentation I gave a broad assessment of our economic performance during 1974. I now wish to examine somewhat more fully the economic trends observed in Guyana during the current year. As indicated earlier, it now appears that production of goods and services – the Gross Domestic Product at current prices – increased in value by some 37% from \$576Mn. in 1973 to \$790Mn. now estimated for 1974. Practically all the productive sectors showed significant increases over last year. Sugar production is now forecast at 332,000 tons, some 25% higher than production in 1973, though still below the record achieved in 1971. Rice production expanded strongly moving from 110,000 tons in 1973 to 140,000 tons now expected for 1974. The same trends are observable in bauxite, where calcined bauxite production grew by more than 25% and alumina output expanded by at least 30% compared with 1973. Timber showed a significant gain in volume of output (10%) and so did rum and a number of other light manufacturing products. When the GDP is deflated to take account of price increases, the indications are that GDP in real terms would have increased by about 10%, apart from the increment due to the improvement in the terms of trade during 1974. This is a substantial improvement on the economy's performance in 1973, when GDP in real terms showed a negative growth rate.

With this significant expansion in production in the export sectors, the value of exports recorded a huge expansion reflecting not only the increased volume, but to a substantial extent the extraordinary prices prevailing this year for sugar and more modestly for rice. In addition bauxite/alumina exports are running at some 52% higher in value than in 1973. Exports of goods alone are therefore expected to double in value rising from \$287Mn. in 1973 to \$584Mn in 1974. At the same time imports have been running at what now appears to be some 50% higher in value than in 1973. But much of this increase – perhaps some 45% - is due to price rises for imported goods. Volume appears to have grown only to a relatively small extent reflecting the combined effect of a decline in volume of imports of consumption goods taken as a whole and an increased level of imports of capital items and fuel and fertilizers for the production sectors.

Both of these trends are consistent with, and have been the result of, the Government's declared objective of a restraint on consumption, particularly of non-essential imported goods in favour of an expanded level of imports of capital goods for investment.

These developments suggest that net imports of goods and services into Guyana would be very small in 1974, perhaps no more than \$11Mn. compared with \$115Mn. at the end of 1973. In other words, our balance of payments on current account (capital movements excluded) would be almost in balance, compared with the tremendous deficit recorded in 1973.

With net capital inflows amounting to about \$71Mn., our balance of payments would be in surplus by the substantial amount of nearly \$60Mn. This compares with a deficit on the overall balance of payments of \$43Mn. in 1973. It was as a result of these very favourable developments that we witnessed growth in the gross international reserves of the country from \$2Mn. at the beginning of the year, to what now looks like \$120Mn. by the end of this year, approximately ten weeks' imports at the 1974 level, compared with gross reserves which were no more than seven weeks' imports at the close of the previous year.

In so far as private consumption is concerned, the statistics suggest that the increase in the money value of private consumption was about 20% reflecting in the main, increases in the price of consumption goods, and very modest increases, if any, in real per caput consumption. Government consumption, after the tremendous spurt in 1973 because of increased pay to Public Servants, showed similar restraint. Here again the increase recorded was, in the main, due to price escalation.

RETAIL PRICES

Despite various efforts at consumer protection – price controls, including, it would be recalled, a freeze on rents, accentuated vigilance to detect and punish blackmarketing, extensive subsidization of goods and services and even the creation of a Ministerial portfolio for Consumer

Protection – the price of consumer goods still rose sharply. It now appears that by year end consumer prices would have risen by about 20%. Most of the increases occurred in the first seven months of the year, but were less steep in the latter months. The Government however, Mr. Speaker, intends to intensify its efforts to curb blackmarketing and would sustain and if necessary extend its surveillance and control over consumer prices in the interest of consumers.

GOVERNMENT SUBSIDIES

It would perhaps be useful, Mr. Speaker, if reference is made at this point to the question of Government subsidies. The Government has, during the course of the last twelve months, installed an extensive system of subsidies on consumer goods. The immediate objective of this policy is to provide the population some relief from escalating consumer prices. In 1974 approximately \$31Mn. would be spent on subsidies on a wide range of consumer goods – flour, cooking oil, evaporated milk, domestic cooking gas, gasoline, chicken meat and pork through subsidies on poultry and animal feed. The Transport Services offered by the ferries are being subsidized to the extent of \$6.0Mn. and this subsidy would increase next year as the increased cost of operating the ferry service would not be recovered from the persons making use of the service. Put another way, people who use the ferries are not being called upon to pay the the economic price of running the ferry services. The same applies to the provision of pure water in rural areas.

The Guyana Water Authority received a subsidy \$2.5Mn. in 1974 and has been allocated a similar amount in 1975. Further, in order to save the residents of Georgetown from increases in Municipal rates and taxes the Government has agreed to provide the Mayor and Town Council of Georgetown with grants amounting to almost \$1.0Mn.

In addition, Mr. Speaker, it has already been decided that in 1975 the Government would subsidise consumers of electricity by absorbing an increase in electricity rates that the Guyana

Electricity Corporation must impose in order to maintain its viability in the face of soaring costs of fuel and other inputs. A provision of some \$3.5Mn. has been made in the 1975 estimates for this purpose.

The picture that emerges from all of this, Mr. Speaker, is that the Government is seriously concerned at the rate of increase in consumer prices and therefore in the cost-of-living. As a positive expression of this concern and in an effort to cushion the impact of the economic crisis as it affects consumers' prices, the Government has committed itself to an extensive regime of a consumer subsidies. I have already said that the cost of these subsidies in 1974 is estimated at \$31Mn. In 1975 the cost would run into approximately \$39Mn. These expenditures are in addition to the cost incurred in providing free exercise books to school children estimated at \$0.75Mn. in 1974 and \$1.0Mn. in 1975 and additional payments to Old Age Pensioners projected to cost \$0.2Mn. in 1974 and \$0.4Mn. in 1975.

Government's policy in relation to consumer subsidies and price controls must be seen as a concrete demonstration of its commitment to the achievement of a significant measure of internal price stability. It must also be interpreted as a positive effort to halt the decline in people's real income as a part of a policy which calls for restraint in both prices and incomes.

FINANCIAL PERFORMANCE OF THE GOVERNMENT IN 1974

I now return to a review of the financial performance of the Government during 1974. The 1974 Budget as approved in this House projected a total expenditure of \$395Mn., \$222Mn. on account of current operations and \$173Mn. for capital outlays. During this year substantial changes were made to these proposals in response to the financial and monetary crisis that erupted in the early months of the year. On the current account a number of subsidies not previously proposed were introduced and a number of additional provisions had to be made to supplement those allocations that were adversely affected by the rise in prices – particularly for

petroleum and spare parts for machinery. However, in many other areas current expenditure were restrained through tighter budgetary controls and various measures for conservation. The end result was a **Revised Current Expenditure** estimate of \$261Mn. for 1974.

On the capital side, it was necessary in view of the economic uncertainty, and increased cost of implementing certain projects, to suspend certain projects in the Capital programme and to reduce the scale of others. At the same time however, opportunity was taken to review the priorities that underlay the capital budget. Increased emphasis and a high priority were attached to investment that promised a high rate of return as quickly as possible. The sectors that were accordingly identified for priority allocation of capital were mainly agriculture, fishing and forestry. Several new projects were therefore introduced during the year designed to accelerate production in corn, casaba, rice and fishing and to quicken the rate of extraction and processing of timber. Most of the results of this would become evident in 1975.

The estimates of Capital expenditure were revised as part of the exercise during June last to \$138Mn, and the revised estimates for the year are now projected at \$107Mn. The total Government expenditure on capital and current account is now projected at \$368Mn.

Mr. Speaker, in so far as capital outlays are concerned, it is perhaps relevant to observe that the level of expenditure was affected not only by the financial uncertainties attendant on the international economic problems that confront most nations, but also by the long lead times required by suppliers of machinery, in view of production difficulties that they themselves faced. The three-day working week instituted in the United Kingdom earlier in this year is a case in point.

While current expenditures were being harnessed, **Current Revenue** moved sharply upwards particularly in the latter half of the year. It now appears that Current Revenue would attain a total of about \$300Mn. where only \$221.9Mn. was anticipated at the beginning of the year. The main factors responsible for this large increase were of course the Sugar Levy, which

was introduced during the year, and the high prevailing price of Sugar. The levy of sugar yielded \$91Mn. Consumption tax provided \$37Mn. compared with \$32Mn. forecast, and personal income tax \$28Mn. compared with \$27Mn. budgeted for the year; company taxes earned \$43Mn. compared with \$38Mn. forecast, and profits from Public Enterprises including the Bank of Guyana and Guybau \$16Mn. compared with \$12Mn. originally estimated. The National Development Surtax yielded \$5Mn. as anticipated.

Thus taking the revised estimates of Current Expenditure at Current Expenditure at \$261Mn. and revised Current Revenue at \$300Mn. the Government Current Account returned a surplus of \$39Mn. after the provision for the amortisation and repayment of Public Debt.

Capital Receipts were also much better than might have been expected in the economic circumstances and should total approximately \$97Mn. Of this amount the more important elements are the long term borrowings from domestic institutions and persons totaling \$38Mn., a long term concessionary loan from the Government of Venezuela amounting to \$33Mn., the rest mainly other external tied loans amounting to \$26Mn.

When the Current Account surplus (\$39Mn.) is added to the capital receipts of \$97Mn. the financial resources that thereby become available for the financing of Capital outlays amount to \$136Mn. After capital expenditure of \$107Mn. are met out of these resources the net position of the Government's overall Account (Current and Capital) is a final surplus of \$29Mn.

LONG TERM PUBLIC DEBT

Mr. Speaker, the accounts indicate that the amount allocated to the service of long term Public Debt was \$44Mn. in 1974 – Revised Estimates – and this would rise to \$54Mn. in 1975. I

make special reference to this aspect of our expenditure because of the uniformed comments so often heard on this particular matter. First of all, comprising this amount are payments on account of interest, capital repayments and contributions to various sinking funds. Of the \$54Mn. to be provided in 1975 only \$30Mn. is in respect of external public debt; the remaining \$24Mn. accrue to residents and therefore require only local currency for payments. Included in the long term public debt charges is an amount of \$29Mn on account of interest and \$24Mn. with respect of capital repayments (\$16Mn) and sinking fund contributions (\$8Mn.)

It is important to observe further that in the context of exports of goods and services – totalling \$690Mn. in value during 1974 – the external debt service ratio was about 4.3% in 1974. Thus only a very small portion of foreign exchange earned from our domestic exports was in fact required to meet our foreign debt payments. The 1974 ratio represents a significant decline from the 6% at which it stood in 1968, according to the 1974 World Bank Annual Report and the 4.9% in 1972 according to the same source. These statistics clearly point to the fact that this country has the capacity to service its external debts and that this capacity is in fact improving more rapidly than the debt liabilities are being increased. I have said on other occasions, Sir, that in this matter of the debt burden it is not merely the increase in the debt that is relevant but the rate of growth in the capacity of the country to service those debts through productive investment, increased domestic output, and an expansion in the earnings of the export sectors. Nevertheless Sir, it is also true that if Guyana is to develop rapidly enough to remove the problem of high unemployment and at the same time maintain stability, it would need not only increasingly large amounts of self-generated funds through internal savings, but also inflows of investment capital in adequate amounts and on appropriate terms.

THE ECONOMIC OUTLOOK FOR 1975

Now, Mr. Speaker, having reviewed our financial performance during 1974, it would be appropriate for me to inform this Honourable House as to what I consider to be the economic outlook for 1975. After all it is within the context of those expectations that the budget for 1975 has been framed. So far as could be forecast at this time, 1975 should see significant real growth in the economy. Gross Domestic Product at current cost should increase in real terms by at least 5%. Sugar, rice, bauxite, timber, fishing, are all expected to record important increases in physical output. Sugar production for instance, should expand by least 10%, and rice by 5%. With average export prices for sugar expected to be much higher than in 1974, the export value of sugar should be at an all time high level. Rice prices are expected to hold at least at their 1974 levels and the market for aluminium and therefore for bauxite and alumina is expected to maintain and even improve its strength.

Investment, Public and Private, 1975 is expected to surpass the high level achieved in this year. Indeed, domestic investment which in 1974 was about 25% of Gross National Product at current prices could be as high as 29% of the Gross National Product in 1975. The bulk of the investment outlays would continue to be done by the Public Sector. The Government itself proposes a Capital Programme of \$227Mn., inclusive of amounts allocated to public corporations and enterprises for their investment. The public corporations forecast a capital programme of \$49Mn. and Guybau proposes to invest \$40Mn. partly in the expansion of capacity for the increased production of alumina and calcined bauxite. While firm figures are not yet available, it is expected that the private sector will invest something of the order of \$60Mn. in a number of economic sectors but mainly in agriculture, forestry, light manufactures, and housing.

It would still be Government's policy to encourage restraint in consumption. Accordingly, consumption in real terms is not expected to rise sharply, and such increase as does occur should be a reflection largely of the rise in consumer prices. As I did in my budget

presentation last year let me say again Mr. Speaker, that in 1975 inflationary pressures are expected to continue as our economy is still too open to be unaffected by the price trends abroad. But it would be Government's intention to use all of its power to reduce the rate at which prices increase, so as to dampen the rise in the cost of living. In addition to the measures now in effect to maintain the prices of basic food commodities like rice and sugar at a relatively low level, the Government proposes to ensure that the people of this country receive a plentiful supply of fish at cheap prices. For this reason two trawlers belonging to the Government, owned by Guyana Marine Foods, have already been diverted from shrimping to fishing and more trawlers will be similarly assigned during the year. In addition, mobile refrigeration units and cold storage facilities in rural areas are being introduced to ensure that fish can be distributed efficiently throughout the country. It would be of interest to know Mr. Speaker, that one such trawler is being operated by the National Service personnel at Kimbia and by this means not only have the National Service militants at Kimbia made themselves self-sufficient in fresh sea fish, but they also supply residents of the Berbice River with fish.

In line, Sir, with the expected expansion in output exports could rise very sharply surpassing this year's level by at least 50%.

Imports are also expected to increase quite sharply mainly on account of the greater volume of capital goods imported to meet the needs of the development programme.

Despite this rapid increase however, export of goods and services should tend to exceed the corresponding imports resulting in a positive balance on our external trading account. With net capital inflows anticipated at about this year's levels – the balance of payments are projected to be in surplus, and our Gross International Reserves are expected to record a modest accretion at the end of 1975.

THE FINANCIAL PROGRAMME FOR 1975**Expenditure: Current and Capital**

Mr. Speaker, I now turn to the financial programme for 1975 and would present first of all the proposal for the expenditure of the Government – on both Current and Capital Accounts.

With respect to Current Expenditure, let me say in the first place, that in allocating funds for the current operations of Ministries, a careful assessment was made of all requests for funds under the various heads and subheads. Allocations were then made bearing in mind the fundamental constraint that the current expenditure on goods and services needed to be kept firmly in check so that surpluses could be secured for the financing of the Capital Programme. At the same time, recognizing that inflationary pressures were bound to push upwards the cost of goods and services, it was conceded that larger sums had to be provided under practically all subheads. The dietary provisions for the hospitals and those for transport and travelling are cases in point. In other instances, requests for larger allocations were entertained because it was considered that expansion in the services to be rendered was socially and economically desirable. This was the case in Education, where the planned opening of Multilateral Schools required a substantial increase in the number of teachers and supporting staff as well as other related expenditures.

There were also several significant increases on account of subsidies which will require a total allocation of nearly \$40.3Mn. which represents an increase of \$9Mn. on the 1974 expenditure. Little expansion in the number of established or permanent staff was permitted, therefore the increase in the cost of personal emoluments on this account was modest. Nevertheless, the allocations that have been placed at the disposal of some Ministries, particularly the Ministry of Works and Housing, should enable extensive work to be done in maintaining our roads and public buildings. This should in turn exert a very favourable influence on employment particularly of manual workers.

The Current allocation proposed therefore, call for an expenditure on goods and services of \$303Mn. compared with a revised estimate of \$261Mn. the Current Expenditure as now presented would imply an increase of about 16% above the revised Current Expenditure for 1974. Bearing in mind the substantial increases in subsidies of all kinds, and the increase in the provisions for debt servicing, it would be apparent to Members that there is very little increase in real terms in the Current Estimates. As I said before, Government, like the rest of the Nation, must limit consumption in favour of investment. e in the provisions for debt servicing, it would be apparent to Members that there is very little increase in real terms in the Current Estimates. As I said before, Government, like the rest of the Nation, must limit consumption in favour of investment.

Most of the increased allocation however, tend to be spread among a small number of Ministries. In general, the increased provisions proposed for these Ministries reflect the general development thrust of the Government and the emphasis on promoting an effective relationship between the Central Administration and the people in the districts. In terms of **Current Expenditure**, the Ministry of Agriculture for instance is to receive increase current allocations of \$6Mn. above the 1974 revised expenditure of \$11Mn., the Ministry of National Development receives \$2½Mn. in 1975. The Ministry of Works and Housing (Works) is allocated approximately \$5.0Mn. more than the \$19Mn. appropriated in 1974; Education secured an increase of \$6Mn. representing the largest increment for any single service (the 1975 allocation is \$47Mn.). The servicing of long-term Public Debt now takes \$54Mn. compared with \$44Mn. in respect of the current year; and the Health Services are to receive an additional \$2Mn. over and above the \$22Mn. spent in 1974.

Capital Expenditure:

Mr. Speaker, the development programme for 1975, has been finalized at a level requiring Capital Expenditure of \$227Mn. The high priority sectors which are expected to form

the basis for the continued growth of the economy will absorb approximately \$131Mn. or 60% of the proposed Capital Expenditure.

These sectors are:

	\$Mn.
Agriculture	57.6
Manufacturing	16.4
Power	18.8
Transport and Communication	38.5

Within the Agriculture sector, \$17Mn. will be spent on Drainage and Irrigation, \$1.2Mn. of which will be expanded on the World Bank assisted Tapakuma Irrigation Project. The proposed expenditure of \$1.2Mn. on the Tapakuma Project represents the first phase in the construction of a new irrigation and drainage system within the Tapakuma Scheme area itself embracing 35,000 acres of arable land, the Somerset and Berkshire extension area embracing 8,000 acres, the Johanna Cecelia extension area embracing 4,000 acres and the Supenaam extension area embracing 10,000 acres. The total project area to be drained and irrigated is therefore 57,000 acres of which a net area of 41,750 acres is expected to be developed under the project. Construction is expected to be completed by December 31st 1979 at a total cost of about G\$36Mn. This project, Mr. Speaker, when completed, would significantly improve the quality, and increase the production of rice in the project area. For the purchase and installation of pumps, \$3.7Mn. has been allocated. For drainage and irrigation works in the Boerasirie/Vergenoegen/Bonasika, and Mahaica/Mahaicony/Abary Schemes, a sum of \$6.0Mn. has been allocated in addition to \$1.0Mn. for miscellaneous drainage works in other areas. On land development in various parts of the country, Government proposes to spend \$8.1Mn. and on crop development \$5.2Mn. will be spent. The object of this expenditure is to increase output of rice and sugar cane, corn, soya and ground provisions.

In addition, \$3.6Mn. will be spent on the Canadian assisted Animal Husbandry programme and \$2.0Mn. on the World Bank assisted livestock project. With the assistance of

the Caribbean Development Bank, the Government through the Guyana Agricultural Co-operative Development Bank proposes to expend \$6.0Mn. in agricultural credit to farmers during the year; \$2.5Mn. has been allocated to begin the construction of a processing complex at Farm on the East Bank of Demerara and \$1.0Mn. for assistance to the development of the swine industry. The processing complex is really an agro an agro-based industrial complex designed to provide expanded facilities for the processing of ham, bacon and related pork products as well as storage and processing of fruits and ground vegetables.

The improvement of the sea defences along the East Coast, West Coast and Essequibo Coast to protect the capital investments aback of the coastal villages will continue. A provision of \$4.0Mn. has been made to cover these works in 1975.

In Forestry and Mines, an allocation of \$4.0Mn. has been made, \$0.4Mn. of which will be spent on the establishment of logging co-operatives. Through the Guyana Timbers Ltd. the Government proposes to invest \$3.1Mn. to expand logging and sawmilling. \$2.0Mn. will be spent to continue investigations into mineral and clay deposits. To ensure the continued development of the fishing industry, the Government proposes to spend about \$4.0Mn. in the industry, of which \$2.0Mn. will be absorbed in the acquisition of six(6) trawlers to be utilised in fishing by the Guyana Marine Foods and another \$2.0Mn. on a joint venture for the construction of a fish plant in 1975.

In the meantime, the joint venture for the expansion of freezing and processing of shrimp will see most of its installations established during 1975, at a cost of approximately \$8.5Mn. of which Government's equity contribution will be \$2.7Mn.

Within the manufacturing sector, the sum of \$16.4Mn. will be invested, distributed as follows:

	\$Mn.
(a) Mining and Quarrying	4.7
(b) Agro-industries	4.8
(c) Assistance to Small Industries through the Small Industries Corporation	2.5
(d) Clay brick and Textile Mile	4.4

The need to push the development of hydro-power resources has been, Mr. Speaker, highlighted by the recent phenomenal increase in oil prices which significantly affected industrial and agricultural costs. In 1975 the Government proposes to spend \$2.0Mn to complete investigations and provide for the technical designs of the Upper Mazaruni Hydro-Power project, as well as \$10.0Mn. on the Upper Mazaruni Road providing access to the hydro-power site, and \$1.2Mn on hydro-power development surveys. However, while hydro-power is being developed, it will be necessary to increase the capacity of our thermal plant to meet projected demand until the hydro-power comes on stream. With the assistance of the United Kingdom and Canadian Governments, this Government will therefore spend \$15.0Mn. to continue the expansion programme of the Guyana Electricity Corporation.

In the Transport Sector, road construction throughout the country is projected to cost about \$28.0Mn., of which \$4.5Mn. will be spent on coastal roads, including farm to market roads in agricultural areas; and \$16.0Mn. on hinterland roads, of which \$10.0Mn. will be the amount allocated to the access road leading to the proposed Upper Mazaruni Hydro-Power site to which I have just made reference. In the hinterland, the Wismar/Mabura road will be pushed to open up extensive acreages for forestry development. Along the coast the Crabwood Creek/Orealla road will be constructed, and when completed will make accessible about 80,000 acres of fertile land thereby facilitating the growth of settlements and agricultural production. In addition, \$3.4Mn. will be spent in 1975 on the World Bank assisted West Demerara Road.

In the field of water transport, \$1.3Mn. will be spent to conduct a hydrographic survey of the Essequibo River, and \$1.0Mn. for pre-feasibility studies towards improving the Demerara Harbour and developing a deep water harbor in the Essequibo River. As I said earlier, \$131Mn. of the \$227Mn. allocated to Capital outlays will go directly into the production sector or the activities in support of those sectors.

The Social Sectors will absorb \$35.7Mn., or 16% of the Capital Budget with Education receiving \$12.0Mn., Health \$4.7Mn., Housing \$13.5Mn. and Pure Water Supply \$5.5Mn. Of the remaining sum of \$61Mn., some \$11Mn. would be going into the National Service which is directing much of its efforts into productive activities; \$4.0Mn. have been earmarked for co-operative development, and \$2.6Mn. for Community Development projects. All of these expenditures would of course, themselves help the production sector directly and contribute to output.

THE HOUSING PROGRAMME

As members of this House are aware, the provision of adequate housing in Guyana is central to the government's social and economic policy. Quite apart from providing for the satisfaction of an important social need, the large scale construction of houses has important effects in terms of employment in logging, sawmilling and the building trades. Therefore it would be government's policy this year to accelerate the building programme.

Accordingly, for 1975, a capital appropriation of \$13.5Mn. is being made to the Housing Programme. Of this, an amount of \$8.0Mn. is being made to the Ministry of Housing alone to enable that Ministry to provide for the purchase and development of land as well as for construction of aided self-help and rental purchase houses. A further \$5.5Mn. has been provided in the Estimates for the provision of mortgage finance through the Guyana Co-operative Mortgage Finance Bank. It is expected that over 700 houses will be erected by self-help groups

on lands develop (i.e. provided that basic infra-structure works) by the Government. In addition, approximately 200 low cost houses will be constructed and made available on the basis of rental purchase. Further, the programme will be accelerated in the rural areas. The plan for 1975 envisages the development of over two thousand house lots in these areas and this will be done essentially by the Government and Co-operatives. These house lots will then be made available for the construction of houses. In areas such as Tuschen, Lusignan, Enterprise and Mete-meerzorg approximately 400 houses will be built as Co-operative schemes. The sum total of this effort will be construction of over three thousand houses providing accommodation for at least 15,000 persons in 1975. This would be construction initiated directly by the Government.

It is expected that this programme will be matched by efforts in the private sector. It is anticipated that private building financed by private savings, the Building Society, Insurance Companies, Private Developers, Pension Schemes and the Sugar Industry Labour Welfare Fund and the Guyana Co-operative Mortgage Finance Bank will add another 3,000 housing units during 1975, apart from the extensions and additions to existing units normally carried out by private individuals. It is estimated that private investment in housing should be in the region of \$12.0Mn. during the year.

FINANCING THE PROGRAMME – CURRENT AND CAPITAL

In 1975 Government expects to collect revenue amounting to \$369Mn., or approximately \$69Mn., (23%) more than the revised revenue collected for 1974. Collections from customs and excise are projected at \$255Mn., of which import duties are projected to yield \$35.0Mn., and consumption tax \$39.0Mn. The estimated collection from excise duties is \$19.0Mn., of which \$9.5Mn. is expected from the production of rum and \$8.0Mn., from the production of beer. The production of rum is projected to increase from 680,000 Proof Gallons in 1974 to 806,000 Proof Gallons in 1975, and the production of beer from 1½ million cases in 1974 to 1½ million cases in 1975. The production of stout and ale are also projected to increase from 36,000 and 131,000

cases, respectively, in 1974 to 75,000 and 285,000 cases, respectively, in 1975. The special levy on sugar exports in 1975 is projected to yield \$156.0Mn based on average export prices in the various markets that are expected to be significantly higher than the prices that prevailed in 1974.

Company Tax – income, corporation and withholding – is projected at \$40.0Mn. in 1975, while income tax from other sources is expected to yield \$30.0Mn., The National Development Surtax is expected to yield \$5.7Mn. in 1975 against \$5.0Mn. in 1974. The nationally owned Guyana Bauxite Company, based on an even better sales performance in 1975, is expected to contribute \$6.0Mn. as profits in 1975 whilst profits from the Bank of Guyana are projected at \$8.5Mn.

Thus, Mr. Speaker, with Current Expenditure forecast at \$303Mn. and Current Revenue anticipated at \$369Mn. the Government's Current Account should return a surplus of \$66Mn. This compares with the deficit of \$0.1Mn. projected at the beginning of the year for 1974, but the surplus actually produced was \$39Mn.

Capital Financing

The Capital Programme will be financed partly from domestic savings – public and private; in part from external untied loans and suppliers' credits and partly from bilateral and multi-lateral funds tied to specific projects included in the Capital Estimates.

Thus, the whole current account surplus estimated at \$66Mn. would be transferred to the capital account and fully utilised for Capital works; long term domestic borrowing which in 1974 yielded \$38Mn. is projected to contribute approximately \$25Mn. in 1975; in addition, funds will be made available from a Euro-dollar loan agreement recently concluded with a Consortium of Banks. The loan will be drawn-down in full during the first month in 1975 and will provide approximately (G) \$33Mn. (or US\$15Mn.) These loans, together with the Current Account budget surplus will provide untied financial resources totalling \$124Mn. Foreign Credits for

equipment imported on extended payment terms are estimated at \$3Mn. and some \$52Mn. are expected from bilateral and multilateral loans associated with projects.

In aggregate, therefore, loans, grants, credits, and a budget surplus in 1975 will finance the capital programme to the tune of \$189Mn. This leaves a financing gap of \$38Mn. It is expected that this sum will be met from drawing on the budgetary surplus recorded in 1974, and some limited new borrowing on the international money market and the Domestic Banking system.

In short, Mr. Speaker, provided that the weather remains favourable thereby enabling the expected increases in national output to be realized and provided further that the international economic situation does not deteriorate in any significant way, there seems little doubt that the capital programme as proposed would be financed without any serious difficulty.

I should add, Mr. Speaker, that the development programme as presented for this year is realistic in terms of size and entirely attainable in terms of financing. Also flowing out of the implementation of the projects would be a substantial rise in employment opportunities, and an increased capacity of the economy to produce. As production expands, particularly of food commodities, including meat and fish, and forest products, including lumber for house building, it would be Government's objective to ensure that the domestic market is fully and adequately supplied with those essential domestically produced commodities at moderate prices.

Methods of planning and project implementation would be reviewed with the object of making project planning more production-target oriented; projects would be conceived and implemented as an integrated whole, in which all the facilities would be installed and inputs provided in a programmed and systematic manner, leading ultimately and effectively to the achievement of a given production target.

REORGANISATION FOR INCREASING PRODUCTION

The Guyana Agricultural Products Corporation:

Mr. Speaker, in order to continue and expand its policy for increasing agricultural production, as well as provide the institutional framework to give effect to its development objective of feeding, clothing, and housing the nation, the Government proposes the creation of a new institution to be called the Guyana Agricultural Products Corporation. The objective of this new institution is to stimulate, facilitate, and undertake the development of both primary and secondary agricultural products in Guyana. In fact, the Corporation will be involved in the production of all crops and livestock, except beef cattle, rice and sugar.

A primary product programme is proposed for this Corporation in 1975 to accelerate the production of corn, soya bean, black eye peas, cotton and peanuts at Kibilibiri on the Berbice River, programme is proposed for this Corporation in 1975 to accelerate the production of corn, soya bean, black eye peas, cotton and peanuts at Kibilibiri on the Berbice River, oil palm at Wauna in the North West, white potatoes at Parumia in the Mazaruni and Kato in the Rupununi, and corn, soya bean and red-kidney beans at Kaituma in the North West District. It is, however, expected that the Coil palm at Wauna in the North West, white potatoes at Parumia in the Mazaruni and Kato in the Rupununi, and corn, soya bean and red-kidney beans at Kaituma in the North West District. It is, however, expected that the Corporation will in 1975 place the greater emphasis on the production of soya bean, corn, cotton, orporation will in 1975 place the greater emphasis on the production of soya bean, corn, cotton, oil palm, and white potatoes.

In 1975 it is expected that the Corporation will put 1,000 it is expected that the Corporation will put 1,000 acres of new lands at Kimbia into cultivation. At Wauna, 600 acres of oil palm will be grown and the acreage will be extended annually until it satisfies both local and export demand for high quality edible oil. It is expected that the edible oil production from locally grown oil palm will come on stream within three (3) years. At Kibilibiri, Matthews' Ridge and the Pomeroun, the Corporation will put 5,000 acres into corn and soya bean and 4,000

acres under cotton with the acreage under cotton and soya bean and 4,000 acres under cotton with the acreage under cotton increasing annually in order ultimately to satisfy the local, demand generated by the propose textile mill. The project output at Kibilibiri will be a total of approximately four million pounds of corn and one million pounds of soya bean by 1975. In addition, private farmers will be putting more lands under cultivation to yield half a million pounds of corn. At Paruima and Kato, the rate of deforestation will be increased to extend the acreage under white potatoes to satisfy local requirements. Based on the anticipated yield per acre and 2 crops per year, the Corporation projects a total output of 2 million pounds of white potatoes in 1975.

At the secondary products stage, the Agricultural Products Corporation will undertake pineapple processing on the East Bank, Demerara; citrus processing in the North West District and the Pomeroon, instant foods from ground provisions and peanut butter production in Ruimveldt. The production of tomato-based products e.g. tomato ketchup will also be undertaken in Black Bush Polder and cassava flour in the North West istrict, Pomeroon and East Bank Bank, Demerara.

It is Government's intention to ensure that the Agricultural Products Corporation works in close co-operation with the National Service in the production of cotton, corn, and black eye peas at Kimbia and Papaya. The National Service itself is proposing to put another 5,000 acres of land under cotton and 1,000 acres under corn.

PUBLIC CORPORATIONS

Mr. Speaker, I now wish to make some general remarks in connection with the activities of the Public Corporations and Enterprises that form part of the Public Sector and to indicate, in broad outline, their programme for 1975.

There are nineteen (19) Public Corporations and Government Enterprises which cover the economic activities in which the Government is engaged, most of which fall within the purview of the Guyana State Corporation. Their range of activities includes manufacturing, transportation, services other than transportation, agriculture and trading. These Corporations and Companies have been established because of the urgent need to accelerate development and to ensure that such development is orderly and balanced.

The total income on current transactions in 1974 will reach \$156Mn. Of this amount, the Guyana Rice Corporation will earn \$49Mn., the External Trade Bureau \$22Mn., the Guyana Electricity Corporation \$21.4Mn. and Guyana Telecommunication Corporation \$8.8Mn. When account is taken of all the relevant costs, the net profit of the Corporations before tax is estimated at \$18.6Mn. - the major profit earners being the External Trade Bureau \$3Mn.; the Guyana Telecommunication Corporation \$2Mn. and Guyana Rice Corporation \$1.5Mn.

While the overall picture for the current appears satisfactory, it is also true that, in a few cases, the net trading position indicated losses in relation to activities undertaken in 1974. The Guyana Marketing Corporation for example is likely to end with a loss of \$710,000, the Small Industries Corporation and even the Guyana Electricity Corporation are expected to show losses. However, Mr. Speaker, these results are not entirely surprising.

The Guyana Marketing Corporation undertakes to purchase from farmers all their produce and in a number of cases the prices paid to the farmers are guaranteed. In times of plenty, however, the market conditions may compel the Corporation to dispose of some produce at a price less than that for which they were purchased from the farmers. This is especially so with seasonal products. There is also a great deal of spoilage; it is in order to reduce loss due to spoilage that the complex at Farm is being established to provide better storage for agricultural produce.

The Small Industries Corporation is, at this point in time, less than a year old and, given the primary nature of its activity, i.e. to make loans to small industries, it is not unexpected that in the short-term a loss will be experienced on its current transactions.

As regards the Guyana Electricity Corporation, the real point to note is that, during a period when the price of fuel has more than doubled, the Corporation has been able to keep its loss to a figure of less than \$1Mn.

Attention should also be directed to the fact that, as a general rule, Public Corporations do not aim at maximising profit. It is recognised that there are certain services essential to the well being of the citizens and that the main criterion for benefit from such services should not be the ability to pay. In keeping with this the aim is to maximize social benefits rather than economic profits.

Despite the strains and stresses experienced within the economy during 1974, a positive capital programme, aimed at expanding the services being provided, as well as improving the quality of services already being offered, has been pursued. In fact, approximately \$35Mn. of capital expenditure has been undertaken during this year by the Public Corporations. Of this, the Guyana Electricity Corporation has expended some \$16Mn. Guyana Rice Corporation \$3.5Mn., Guyana Marine Foods \$5.9Mn., and Guyana Transport Services \$1.7Mn. As a result the total net assets now employed by the Public Corporations and Enterprises amount to \$218Mn.

It is envisaged that the capital programme for the ensuing year will be increased by approximately 41% i.e. to \$49.3Mn. Of this amount Guyana Electricity Corporation will expend \$20Mn., Guyana Timbers Limited \$3Mn., Guyana Transport \$2.6Mn., Guyana Housing Corporation \$2.8Mn., and Guyana Agricultural Products' Corporation (a new Corporation to be established in 1975) \$.5Mn. The capital programme for 1975 will, in the case of some Enterprises (e.g. the ETB, Guyana Gajraj Ltd. and Guyana Printers Ltd.) be financed out of surpluses generated during 1974. In other cases the Corporations will themselves arrange for the

financing of their programmes and in yet other cases the Government may finance part or all of their programmes.

In the course of this year, Mr. Speaker, two new Corporations have been established. The Small Industries Corporation has come into being with a view to providing some stimulus to, and acceleration of, industrial development in Guyana. Not only is it empowered to make loans to existing firms wishing to expand but it also provides loans to enable feasible and viable industrial activities to commence. In addition, this Corporation assists industrialists in the economic appraisal of proposed industrial projects and makes recommendations to the Ministry of Finance for the award of relevant and necessary concessions to aid the industry.

The Guyana Housing Corporation was established on September 1, 1974, with a capital input of \$1Mn. The principal function of this Corporation is to acquire and develop land as well as to construct houses at low cost with a view of housing persons in low-income groups.

In the coming year the Corporation plans to develop some 269 acres of land into 1,298 house lots at a projected cost of \$6.1Mn. Of this number some 548 lots (i.e. 42% of the total) will be made available to self-help groups for construction of houses and the Corporation itself will build on the developed lands 621 houses leaving 129 lots for sale to citizens on a private basis. On the assumption that houses will be constructed on all the lots developed, it is conservatively estimated over 5,000 persons will be housed as a direct result of the Corporation's programme.

Given the programme outlined above, it is estimated that the Corporation should, at the end of 1975, be in surplus to the tune of approximately \$1.2Mn. provided of course that the proposed projects are completed and, where applicable, sold within 1975. In addition it is predicted that direct and indirect employment will be provided for upwards of a thousand persons.

GOVERNMENT FINANCIAL INSTITUTIONS
GUYANA CO-OPERATIVE MORTGAGE FINANCE BANK

The Guyana Co-operative Mortgage Finance Bank was established to facilitate Government's programme of Housing the nation. In the short period since it was established it has played an important role in assisting persons in the low income bracket to own their houses, providing in the course of so doing, housing accommodation for more than 3,000 people.

The Bank lends at very low interest 6½ % per annum to self-helpers and 7½ % to other for periods of up to twenty years. In general, the Bank would lend up to 90% of the capital cost of the house and land and extend loan facilities even where the title to land is merely a Bill of Sale.

For the forthcoming budget period, it is anticipated that the Bank will disburse loans totalling \$16.7Mn. about \$6.0Mn. of which is expected to be secured from the Caribbean Development Bank. Of this total, \$8.1Mn. will be expended in the Linden area, largely as a result of substantial participation in the Linden/Rockstone housing project, \$3.2Mn. will be disbursed in the Berbice Region, \$0.8Mn. in Essequibo and Bartica and \$2.8Mn. will be available for other regions. The Bank hopes to extend its loan activities to the North West District, Mazaruni and Rupununi areas. As in 1974, it is expected that the bulk of the loans will be made to self-help and low-income groups.

Guyana Agricultural Co-operative Bank

I turn now, Mr. Speaker, to the role and impact of the Guyana Agricultural Co-operative Development Bank in the context of Government's drive to boost agricultural production and productivity with a view to self-sufficiency as early as possible.

Up to the end of November, 1974 the Bank had approved loans (in respect of the current year) amounting to approximately \$7Mn. A breakdown of distribution according to activities reveals that approximately \$2.3Mn. was lent to farmers for the further development and expansion of the rice industry and \$ for the further development and expansion of the rice industry and \$3Mn. was made available to the fishing industry (both inshore and deep sea). The remaining funds went into cane farming, pig rearing, and the production of a variety of edible crops.

The Bank's programme for 1975 envisages a level of lending reaching \$3Mn. was made available to the fishing industry (both inshore and deep sea). The remaining funds went into cane farming, pig rearing, and the production of a variety of edible crops.

The Bank's programme for 1975 envisages a level of lending reaching \$20Mn. the end of the period. Already there are over 700 applications totalling approximately \$12Mn. to be processed. It is recognized that the rice, sugar and shrimping industries will continue in 1975 to be predominant borrowers of the bank's loan funds. In fact, it is estimated that as much as 70% of the bank's loan funds. In fact, it is estimated that as much as 70% of the bank's loans resources will be channelled into these industries. In particular, it is expected that there will be a significant increase, in percentage terms, in the quantum of money loaned to peasant cane farmers at a time when it is hoped to increase the level of production of sugar to take advantage of the relatively high prices likely to prevail over the next few years.

Apart from the three industries just mentioned – rice, sugar and shrimping – the Bank will continue to examine, in 1975, the financing of projects related to the growing of other crops which Government would wish to encourage.

In order to make possible the proper fulfillment of its programme, the Bank proposes to organise and finance training programmes both its staff and farmers. It estimated that approximately \$50,000 will be expended in this effort during 1975.

Guyana National Co-operative Bank

The Guyana National Co-operative Bank has grown rapidly since its establishment in February 1970. The total resources of the Bank has grown from \$9.2Mn. at 31st December, 1970 to \$70Mn. at 30th June, 1974. Deposits – Savings, time and demand – have grown from \$6.9Mn. at 31st December, 1970 to \$36.2Mn. at 30th June, 1974. Loans and Advances to customers outstanding also grew from \$3.2Mn. at 31st December, 1970 to \$25.0Mn. at 30th June, 1974.

At the 31st December, 1973, the Bank made an operating profit of \$453,000 or 15% of its total income (3.1Mn). Its before-tax profit at 31st December, 1973 was approximately \$174,000. For the half-year ending 30th June, 1974, operating profit of the Bank stood at \$605,000 with a net profit before-tax of \$456,000. With this excellent performance over a relatively short period, the Board of the Bank is actively considering the payment of a dividend to shareholders in 1975.

Guybau

Mr. Speaker, a review of the Public Sector would not be complete without reference to the operation of Guybau. I suspect that it would also be instructive to those who expressed serious doubts at the continued viability of the enterprise since it had passed into Guyanese hands.

Mr. Speaker, for the current year, Guybau's sales will reach \$209Mn. In 1970 (the full year operation under Alcan) sales were \$114.3Mn. indicating that within four (4) years since nationalisation, the revenue from sales by that Company had increased by approximately 83%. As a consequence, of this, Guybau would contribute to the tax some \$17.5Mn. in 1974 compared with \$9.7Mn. paid in December 1970 – an increase of over 80%. In addition, Guybau has paid dividends to Government amounting to \$10.2Mn. in 1974 and from its cash generation has some \$10Mn. invested in Guyana, mostly with the Government.

In achieving these records, management has been mindful of the need to maintain, improve and expand activities and efficiencies. As a result \$20Mn. of capital expenditure has been undertaken in the course of the year.

1975 is expected to be a year of intensified activity by this Company. Capital expenditure is expected to increase by 100% over 1974's level to at least \$40Mn. Of this sum \$16Mn. will be for current replacements, improvements and additions geared to achieve targeted production. The remaining \$24Mn. are to be utilised for expanding the production of calcined bauxite and to undertake new projects. Although this capital programme is not expected to yield significant incremental production in 1975, since most of the expansion projects will come on stream from early 1976, onwards, it is predicted that the revenue earned from sales next year will increase by about 15% i.e. to around \$240Mn.

THE BUDGETARY PROPOSALS

Mr. Speaker, before dealing with the Budgetary Proposals for this year, it is necessary for me to call attention to the fact that to a large extent if all persons paid their appropriate taxes the burden of tax on those who cannot normally avoid or evade taxation, would conceivably be less onerous, I therefore propose to direct my attention to certain aspects of Tax Administration.

First of all, there is an urgent need to accelerate the level of voluntary compliance with regard to the submission of income tax returns by the prescribed date and to promote an acceptable standard of record keeping by persons engaged in any trade, business or profession in Guyana. Therefore, the Audit and Investigation Section of the Inland Revenue Department would be strengthened and, where necessary, the legal provisions would be tightened in order to enable the application of more stringent procedures. It is proposed to enact legislation to shift the burden of proof from the Commissioner of Inland Revenue to the Taxpayer where the Commissioner makes an assessment in the circumstance of a defaulting by the prospective taxpayer in the keeping of submission of adequate accounts and records. It is also proposed that

in the case of companies, audit of accounts and records would be undertaken on the premises of the companies concerned.

Secondly, in order to ensure the full coverage of persons liable to P.A.Y.E. it is proposed to re-register all employers on the P.A.Y.E. system, and this would be introduced next year.

Thirdly, in order to determine taxpayers' objections to assessment expeditiously, the Board of Review will be expanded to enable an increase in the rate at which appeals are finally disposed by members of the Board.

Mr. Speaker, with respect to taxation, the Government does not propose to introduce any new tax measures, the effect of which is to reduce disposal incomes or increase the cost of consumption. The Government however, has taken note of the fact that the practice of betting on horse-racing is expanding rapidly in Guyana, and is having unfortunate social effects. Many wives have complained of husbands who dissipate their earnings in betting shops and because of this leave their families and dependents in a state of destitution and want. For those who are exploited, untold man hours are lost while the procedures of placing bets are gone through.

Government has decided that at least for the present it will not place a prohibition on this particular activity. Instead it is proposed that with effect from 1st January, 1975 the licence fee payable with respect to premises on which betting is conducted, which is now fixed at \$15,000 per annum will be increased to \$250,000 per annum. In addition, the hours of opening of betting shops' premises will be regulated.

Mr. Speaker, as I hinted very early in my presentation, the Government, conscious of the erosion that is taking place in personal incomes because of price increases, is prepared to grant a measure of relief to taxpayers. This would be in addition to the large sums that the Government has undertaken to spend on subsidies to consumers. For this reason the relief that is granted must

be limited, taking into account the need to create productive employment for the unemployed, and the still uncertain international economic situation.

reason the relief that is granted must be limited, taking into account the need to create productive employment for the unemployed, and the still uncertain international economic situation.

Accordingly, Mr. Speaker, with effect from year of income 1975 personal allowances available to taxpayers will be increased as follows:

- (i) for a male taxpayer – a personal allowance of \$1,000 instead of \$800
- (ii) for a single female taxpayer – a personal allowance of \$1,000 instead of \$800
- (iii) for a married woman – a personal allowance of \$1,000 instead of \$600
- (iv) for each child under 16 years of age – a personal allowance of \$400 instead of \$300
- (v) for each dependent relative – a personal allowance of \$00 instead of \$300
- (vi) for each dependent relative – a personal allowance of \$300 instead of \$200.

It is expected therefore, that the effect of these increased allowances will be to reduce the chargeable income of a taxpayer. Therefore, although no change is being made to the rate of the National Development Surtax, the increased allowances will nevertheless ensure that the amount payable with respect to National Development Surtax will in fact be less.

The cost of these allowances is estimated at \$6Mn. dollars for a full year.

CONCLUSION

Mr. Speaker, we are rapidly approaching the end of 1974. It has been a year in which our determination and resourcefulness as a Government and as a people were amply tested. We have worked ourselves out of a difficult situation. It is important however, that we do not fall into the

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error of complacency. We need to continue in 1975 the things we did in 1974 for the good of the country.

If we feel any optimism in the future, it must be a cautious optimism. If the year ahead of us looks promising, we must understand that the promise could be a reality only if we continue to conserve our resources and use them judiciously for the enduring good of Guyana.

The Minister of Finance named Thursday, 12th December, 1974 as the day for the resumption of the debate on the Estimates of Expenditure for the financial year 1975.

The Speaker: Copies of the Estimates, the Motion and the Budget Speech will now be circulated to Members.

ADJOURNMENT

Resolved, “That this Assembly do now adjourn until Thursday, 12th December, 1974, at 2 p.m.” [**The Minister of Parliamentary Affairs and Leader of the House**]

Adjourned accordingly at 3.55 p.m.
