

**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**

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<b>78<sup>th</sup> Sitting</b>	<b>2 p.m.</b>	<b>Monday, 24<sup>th</sup> November, 1975</b>
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**MEMBERS OF THE NATIONAL ASSEMBLY**

**Speaker**

Cde. Sase Narain, O.R., J.P., Speaker

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

**Prime Minister (1)**

Cde. L. F. S. Burnham, O.E., S.C.,  
Prime Minister

**Deputy Prime Minister (1)**

Cde. P. A. Reid,  
Deputy Prime Minister and Minister of  
National Development

**(Absent – on leave)**

**Senior Ministers (9)**

Cde. H. D. Hoyte, S.C.,  
Minister of Economic Development

\* Cde. H. Green,  
Minister of Co-operatives and  
National Mobilisation

**(Absent – on leave)**

**\*Non-elected Minister**

\* Cde. H. O. Jack,  
Minister of Energy and Natural Resource

\* Cde. F. E. Hope,  
Minister of Finance

\* Cde. S. S. Naraine, A.A.,  
Minister of Works and Housing

\* Cde. G. A. King,  
Minister of Trade and Consumer Protection

\* Cde. G. B. Kennard, C.C.H., **(Absent)**  
Minister of Agriculture

\* Cde. C. L. Baird,  
Minister of Education and Social Development

\* Cde. F. R. Wills, S.C., **(Absent)**  
Minister of Foreign Affairs and Justice

### **Ministers (5)**

Cde. W. G. Carrington,  
Minister of Labour

Cde. S. M. Field-Ridley,  
Minister of Culture

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

\* Cde. O. M. R. Harper, **(Absent)**  
Minister of Health

\* Cde. C. V. Mingo,  
Minister of Home Affairs

### **Ministers of State (9)**

Cde. M. Kasim, A.A.,  
Minister of State for Agriculture

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

### **\*Non-elected Ministers**

Cde. P. Duncan, J.P.,  
Minister of State – Regional (Rupununi)

Cde. C. A. Nascimento,  
Minister of State,  
Office of the Prime Minister

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

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

\* Cde. W. Haynes,  
Minister of State for Consumer Protection

**(Absent – on leave)**

\* Cde. A. Salim,  
Minister of State – Regional  
East Demerara/West Coast Berbice)

\* Cde. F. U. A. Carmichael  
Minister of State – Regional (North West)

### **Parliamentary Secretaries (8)**

Cde. J. R. Thomas,  
Parliamentary Secretary,  
Ministry of National Development

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

Cde. M. M. Ackman, C.C.H.,  
Parliamentary Secretary,  
Office of the Prime Minister,  
and Government Chief Whip

**(Absent – on leave)**

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

Cde. S. Prashad,  
Parliamentary Secretary,  
Ministry of Co-operatives and National Development

### **\* Non-elected Ministers**

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

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

Cde. M. Corrica,  
Parliamentary Secretary,  
Ministry of Works and Housing

### **Deputy Speaker (1)**

Cde. R. C. Van Sluytman, Deputy Speaker

### **Other Members (16)**

Cde. J. N. Aaron

Cde. W. G. Carrington

Cde. L. M. Branco

Cde. E. H. A. Fowler

Cde. J. Gill

Cde. W. Hussain

Cde. S. Jaiserrisingh

**(Absent – on leave)**

Cde. K. M. E. Jonas

**(Absent – on leave)**

Cde. M. Nissar

Cde. L. E. Ramsahoye

Cde. J. G. Ramson

Cde. P. A. Rayman

Cde. E. M. Stoby, J.P.

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

Cde. C. Sukul, M.S.

Cde. H. A. Taylor (Absent)

Cde. L. E. Willems

### **Members of the Opposition – Liberator Party (2)**

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

Mrs. E. DaSilva

**(Absent)**

## **OFFICERS**

Clerk of the National Assembly – F. A. Narain

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

24.11.75  
2:10 p.m.

National Assembly

2.10 – 2.15 p.m.

**PRAYERS**

**ANNOUNCEMENTS BY THE SPEAKER**

**Leave to Members**

**The Speaker:** Leave has been granted to the Cde. Deputy Prime Minister; to Cde. Minister Green and to Cdes. Duncan and Ackman for today's sitting.

**PRESENTATION OF PAPERS AND REPORTS**

The following Report was laid:

Estimates of Revenue and Expenditure for the financial year 1976. [**The Minister of Finance**]

**PUBLIC BUSINESS**

**MOTION**

**APPROVAL OF THE ESTIMATES OF EXPENDITURE**

**FOR THE FINANCIAL YEAR 1976**

**The Minister of Finance** (Cde. Hope): In accordance with Article 80(2) of the Constitution of Guyana, I signify that Cabinet has recommended that the National Assembly should proceed with the Motion for the approval of the Estimates of Expenditure for the financial year 1976.

**The Speaker:** Cde. Minister please proceed.

**Cde. Hope:** Comrade Speaker, again it is my honour to present on behalf of the Government of the People's National Congress, the Annual Budget to the People and Parliament of Guyana. This particular budget marks a milestone in the history of our country. For one thing it heralds the Tenth Anniversary of our political independence and at the same time represents a strong effort by the Party and the Government to develop and reshape the society, and promote our economic independence, in the best interest of the masses of the Guyanese people. For another thing the expenditure proposals are strongly oriented to the people and are geared towards the advancement of our socialist objective of providing equal opportunity for all Guyanese.

The task of transforming the society into a Socialist one is to increase its momentum. The effort will involve emphasis on certain ideals – maximising production; producing for the people first and foremost; creating the conditions through education and training that would lay the foundations for equality of opportunity for all Guyanese; and if the old adage – a sound mind in a sound body continues to be valid, then the health and physical fitness of our people must receive growing attention as part of our thrust to create a new socialist society in Guyana..

The budget estimates, Cde. Speaker, have been framed so as to reflect these principles. Accordingly production and essential infrastructure are not neglected, but education, health, sport and culture receive a new emphasis; provisions have been made for the educational system to be re-organised and expanded by the construction of new schools and through fundamental changes in content and quality that would make education more relevant to our development and our social needs. Health facilities would be significantly improved and organised competitive sport would be widely encouraged.

In general, Comrade Speaker, the development programme for 1976 would be found to be a broad based programme encompassing development on several fronts.

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All economic sectors will become more active – agriculture, land development, forest exploitation and the construction of infrastructural facilities. Industrial expansion will be accelerated; and, despite certain constraints, the programme for house building and rehabilitation is to be expanded, particularly in the area of self-help housing.

Since my last budget, the Public Sector has expanded by the acquisition through nationalisation of two large expatriate owned companies – one in Bauxite Mining, the other in Sugar manufacturing. Both of these represent important steps towards the stated goal of the Party and the Government to bring ownership and control of critical sectors of our economy including natural resource based industries into the hands of Guyanese. Later in this presentation an attempt would be made to review for the benefit of the nation the value and scope of the economic activity of the Public Corporation and enterprises which form the Public Sector, as well as their programme of investment for the next fiscal year.

During the coming year, I expect that the momentum of development activity would be maintained and even increased. Accordingly I anticipate that Government expenditures on both capital and current account would be so large as to exceed public revenues from all sources. To the extent that this expectation is vindicated it would be our intention to call upon the not inconsiderable reserves the country has been able to accumulate during the years 1974 and 1975.

Nevertheless every effort would be made, particularly through the relevant mechanism for financial control, to keep expenditure within the planned levels without inhibiting the flexibility that must necessarily inform all development programmes. In addition the Inland Revenue Department would be called upon to exert continuing and maximum effort to ensure that tax evasion is kept to a minimum and that all categories of tax payers actual and potential contribute their fair share to the public revenues.

Cde. Speaker, while we pursue these policies at home, in our external relations we are extending our relationships – political, cultural and economic – with Socialist States of Asia,



particularly the People's Republic of China, and those of Eastern Europe. We have supported and will continue to support politically and financially the freedom movements of Africa. We have played a part in practically all the important conferences of the Commonwealth as an association that should be supported and promoted. At other international levels we continue to be an active member of the Non-Aligned Movement and support Third World movements for political and economic Independence. In this connexion we have recently become a member of the Latin American Economic System (SELA), and have participated in its deliberations.

As a member of CARICOM we have supported financially the Less Developed Countries (LDC's) of the Region. We have taken a share in the equity of Leeward International Air Transport (LIAT) – which is so vital a communications link to Associated States of the Eastern Caribbean; we have made provisions in 1975 amounting to \$1.0Mn. for financial support to these countries partly on the basis of bilateral arrangement and partly on the basis of a scheme proposed by the CARICOM Secretariat and to be administered by the Caribbean Development Bank. In order to advance the process of regional co-operation and integration, we have also agreed to participate in a joint guarantee of a loan from the Caribbean Development Bank for financing the expansion of a West Indies Shipping Corporation (WISCO) – an institution responsible for operating a shipping service between member countries of the Caribbean Community and Common Market.

These developments demonstrate our continued support for regional integration. They also reflect our abiding interest in freedom – political and economic – for all Third World peoples. We believe, Cde. Speaker, that it is only in the context of self-determination and freedom from interference, that the peoples of Third World Countries like Guyana can proceed to find the social and political organisation that best satisfy their aspirations for a better life.

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### INTERNATIONAL ECONOMIC ISSUES

Cde. Speaker, in order to put the financial proposals of the Government in more illuminating perspective, it would be necessary to provide first of all some analysis of our domestic economic performance during the present year. But before doing so it would be convenient for me first of all to direct the attention of this House to some of the broad but relevant economic issues at the international level. Issues, Cde. Speaker, which in one way or another affected or conditioned our own economic fortunes.

During the past two or three years, most of the western industrialised economies were characterised by high and continuing inflation and severe monetary instability. Attendant upon this were high interest rates, soaring import costs for developing countries and economic uncertainty at national levels. Many of the industrialised countries therefore took steps to combat this inflation, including measures to reduce demand and limit money supply. As these measures began to take effect, inflation gave way to recession; so that in most of the developed western countries with the possible exception of about two, where inflation still continues at a high rate, the problem has become in 1975 one of sluggish or declining demand, excess productive capacity, production cut-backs and of course reduced demand for the raw materials and commodity exports of developing countries. The crucial problem facing the developed countries is to find a way of stimulating demand and reflating their economies without generating a new round of inflation.

In the meantime, as the recession in the developed countries persists, market conditions for many commodities during the year have become extremely soft, and commodity prices have tended to fall sharply. Sugar prices quoted in the London Daily Market have dropped from something in excess of £600 per ton a year ago, to a level that fluctuates between £160 and £170 per ton within recent weeks. Most minerals including bauxite and copper are experiencing similar depressing conditions. Fortunately for Guyana the fact that the Bauxite Industry is now

locally owned and controlled has enabled this country to avoid the production cut-backs and retrenchment that have attended the industry in a number of producing countries.

To avoid the dislocation in their economies caused by such fluctuations in the price and demand conditions for commodities, the developing countries are today demanding from the international community the application of mechanisms for stabilising their export earnings, including the creation and financing of international buffer stocks, as well as higher and more remunerative prices for their raw material exports.

While the price of commodity exports from developing countries continue to decline, wheat grain may again become in short supply and prices of flour may as a consequence rise above their present levels in the coming months. This may well be one of the consequences of the large purchase of wheat contracted by the Soviet Union from the United States from which this country gets its main supply of wheat. It is, however, expected that the four mills to produce cassava flour will come into production during 1976. The effect of this would be to reduce the need to import wheat grain in the usual quantities as cassava flour is to be blended with wheaten flour.

The Euro currency market has shown very little improvement in terms of accessibility to its resources by developing countries. Euro loans to these countries are still difficult to arrange; even where such loans could be negotiated, the terms are harder – shorter maturities, higher interest rates and a greater tendency to relate such loans to specific projects, rather than to development programmes. The Euro currency market however continues to be the most effective source of untied funds capable of being utilised for blending with other forms of loans and credits for project financing. Despite these difficulties Guybau has been able to arrange a Euro dollar loan for financing for its expansion, and there is every indication that the market could again be tapped by Guyana for further appropriate project financing.

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Cde. Speaker, in highlighting the international economic issues of relevance to Guyana, one must inevitably focus on the work and recommendation of the Seventh Special Session of the United Nations General Assembly which was recently concluded in New York. That Special Session addressed its attention to the main elements of a programme which if implemented would herald a New International Economic Order and reduce the ever widening gap between the rich countries and the poor of the World.

The New International Economic Order in the area of Commodities calls, among other things, for more remunerative and stable prices for commodity exports from developing countries; a just price relationship between the exports and the imports of developing countries; the establishment of producers' associations for the major commodities and increased processing of raw materials in developing countries so as to give these countries a greater share in the value-added of the finished product.

In the area of Trade, the programme envisages the creation of financing of international buffer stocks, the establishment of compensatory financing arrangements to assist developing countries to meet short-falls in their external earnings arising from fluctuations in commodity prices; and improved access for the manufactured products of developing countries to the markets of the developed countries. In addition, the programme calls for easier accessibility by developing countries to the financial markets of the world, as well as co-operation and self-reliance among the poor countries themselves.

It is of interest to note that the need for and a general outline of a programme to bring justice to the developing countries in their economic relations with the richer industrial countries were strongly supported by the Cde. Prime Minister of Guyana at the Commonwealth Heads of Government Conference in Kingston, Jamaica earlier this year. Many of its elements were examined and endorsed by a Group of Experts under the chairmanship of the CARICOM Secretary General, in an interim report to the Commonwealth Finance Ministers' Conference held in Georgetown during August of this year. The proposals in the Report commanded a wide

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measure of agreements; and the Ministers, without necessarily committing their governments to every aspect of the Interim Report, gave it general endorsement, and agreed that their early implementation would constitute a first step towards achieving the progressive removal of the wide disparities of wealth between sections of mankind.

Guyana of course, Cde. Speaker, strongly supports the establishment of producers' associations one of whose essential functions must be to fix prices for commodities. For this reason we have been one of the leading proponents, and continue to be an active supporter and member of the International Bauxite Association, an organisation the establishment of which had been mooted by Guyana five years ago. It is perhaps of some significance too that the Development Committee which is a Joint Committee of the World Bank and the International Monetary Fund, has recently put on its work programme for special attention, during the months immediately ahead, the question of commodity price fluctuations and their consequences on the export earnings of developing countries. The Committee agreed to give priority attention to these questions in its programme of work for 1976, including, in particular, measures for the financing of buffer stocks and for the stabilisation of export earnings, as well as efforts to assist the developing countries in the area of trade. The Committee also agreed to begin its examination of these matters at its meeting in January of 1976.

Balance of payments disequilibria which assumed dramatic proportions in 1974 were also very evident in 1975. The major oil exporting countries have witnessed a reduction in their trading surpluses. These are likely to fall from US\$65 billion in 1974 to an estimated US\$36 billion in 1975. This fall is a direct consequence of a reduced demand for fuel in the developed countries and, more importantly, an upsurge in imports by the oil-exporting countries from US\$50 billion in 1974 to an estimated US\$80 billion in 1975. About 80% of this increase will apparently arise from imports from developed countries.

On the other hand, the non-oil exporting developing countries have witnessed a worsening of their external payments position from a deficit on current account of about US\$28 billion in 1974 to an anticipated deficit of US\$35 billion this year. The terms of trade of these countries have worsened and the demand for the products they sell has fallen as I said before. The main burden of the world payments disequilibria is therefore being borne by the developing countries – the countries least able to finance deficits of this magnitude. These countries expect to finance their deficit this year by grants and loans from O.P.E.C. countries (US\$13 billion), borrowing from Euro markets, foreign banks and suppliers' credits (US\$13 billion), and drawings on their international reserves (US\$1.5 billion). Fears are being expressed that debt servicing will be a problem in the near future giving rise to either rescheduling or to defaults.

#### **MONETARY DEVELOPMENTS — International and Domestic**

Cde. Speaker, I have touched very briefly on some of the economic issues and developments which because they are international in ambit, affect directly and indirectly our economic circumstances and the pace or nature of our development. It would be convenient for me at this stage to go on to review the recent monetary developments - both international and domestic – that formed part of the economic scene.

I have already remarked on, and, will later in the presentation point to the large balance of payments disequilibria, the high and disparate rates of inflation and the uncoordinated monetary policies which characterised the economies of the main industrial countries. It was in this situation, Cde. Speaker, that the international exchange rate mechanism was supposed to function. The year 1975 therefore, saw the continuation of the floating exchange rate regime, with the countries of the EEC (excluding Italy, U.K. and until July, France) Norway and Sweden participating in a joint float, the USA and Canada forming another floating Bloc, the Japanese yen despite pressures, trying to maintain a stable relationship with the US dollar and the £ Sterling rapidly losing value in the course of its own float. Swings in nominal exchange rates

were therefore quite wide. For example, the US dollar/Sterling rate which was US\$2.32 = £1 at the start of the year, after an apparent weakening of the US balance of payments in the first two months of the year, declined to US\$2.42 = £1 in March. However, in the light of the continuing high rate of inflation in the United Kingdom and the strengthening of the US balance of payments, this rate moved to US\$2.20 = £1 in June and to US\$2.06 = £ at present.

The other key market rates, the Deutsche Mark/US dollar developed along similar lines. It was DM2.42 to the US dollar at the beginning of the year; rising to DM2.30 = US\$1 in March, and falling again to DM2.35 = US\$1 by the end of June to DM2.56 US\$1 at present. Domestically the US dollar/Guyana dollar rate working through a pegged Sterling/Guyana dollar rate of (G)\$5.21 = £1 moved from US\$1 = (G)\$2.20 at the start of the year to US\$1 = (G)\$2.40 in June to US\$1 = (G)\$2.55 in October when we changed our intervention currency.

The instability of the Exchange rates naturally underscores the importance which developing countries like Guyana must attach to a Reform of the International Monetary System. Yet this reform continues to elude the International Community. The major reserve currencies continue to float and the currencies of the developing countries continue to be tied to one or other of the floating national reserve currencies. Discussions of reform issues are currently taking place in the Interim Committee of the Fund which held its first meeting in October, 1974, and is to meet for the third time since then in January, 1976. The issues covered in these discussions have however been widened beyond purely reform matters, to take account of the serious payments disequilibria which followed in the wake of the petroleum and other import price increases last year.

These issues, Cde. Speaker, include the review of IMF quotas; devising of mechanisms for the phasing out of gold as an international reserve asset; the exchange rate regime; the liberalisation of the compensatory financing and the buffer stocks scheme; amendments to the Articles of Agreement governing the operations of the IMF; and the renewal of the Oil Facility

of 1975 (the Oil Facility is an IMF mechanism for providing balance of payments support to those countries that experience serious payments imbalances arising from their imports of petroleum).

At a Meeting of the Committee in January of this year, it was agreed to renew the Oil Facility for another year for an amount of 5 billion SDR's to be financed by contributions from the major oil exporting countries, and from other countries in a strong reserve and payments position. In addition, negotiations were also held between the Fund and the same group of countries to provide finance for an Interest Subsidy Account to be used to relieve the interest payable on Oil Facility drawings by the Most Seriously Affected countries. These negotiations have so far yielded committed resources amounting to SDR's 150 million. Guyana has not so far utilised this Facility because of the strong recovery in our reserves and payments position during 1974 and 1975; but the Facility will be available to this country should our balance of payments position deteriorate seriously during 1976, and the Oil Facility is renewed for that year.

During August of this year the Interim Committee reached agreement on gold. By virtue of this agreement one-sixth of the Fund's gold amounting to 25 million ounces will be sold at market prices. The surplus arising from this sale is to be entrusted to a Trust Fund to be used for the benefit of the developing countries. Another one-sixth of the Fund's gold would be returned to the member countries of the Fund.

A number of other issues however, remain to be settled. Chief among these are the future exchange rate system, the amendments to the provision relating to SDR's so as to make SDR's the only international reserve asset,; and the liberalisation of the compensatory financing and buffer stock facilities under which countries could receive balance of payments support where they are facing payments difficulties arising from a loss in export earnings.

Guyana drew on the IMF compensatory financing facility early in 1974 at the height of



our payments difficulties, but was able to repay this indebtedness to the Fund early in this year, after the dramatic improvement in our balance of payments position. Today Guyana is in the very strong position in which we have no indebtedness to the INF under any of its support facilities, but still retain our right to draw upon them in the appropriate circumstances.

As was to be expected Cde. Speaker, fluctuations of the floating reserve currencies affected the exchange rates at which our international transactions were effected through the Banking System. Until October 8th this year the Guyana dollar was tied to the £ Sterling at a fixed parity of £1 = (G)\$5.21. However, the rapidly declining value of the Sterling on the International exchange was leading to an automatic devaluation of the Guyana dollar against most of the leading currencies which entered our international payments system. Whatever might have been the merits of a devaluation of the Guyana dollar, it was nonetheless the case that any such changes in the exchange rate of our currency should be the result of a policy adumbrated and implemented by Guyana and not the fixed reflection of the strength or the weakness of another single currency. Accordingly, the Guyana dollar's traditional link with sterling was severed on October 8, 1975, and the Guyana dollar assumed a fixed but adjustable parity with the US dollar at a central rate of (G)\$2.55 to US\$1. Thus whereas the rate of the Guyana dollar with Sterling was fixed with no adjustments made, the relationship of the Guyana dollar with the US dollar is also fixed but now would be adjusted from time to time, depending on average movement in the rate of exchange of the currencies of a selected number of our trading partners.

### **International Financial Flows to Developing Countries**

Balance of payments disequilibria, international political considerations and the uncertainties generated by an unstable international monetary system were reflected in a general reduction of resource transfers to developing countries within recent years, but even more so during 1974 and 1975.

It is now common knowledge Cde. Speaker that financial resource flows to developing countries have been running at no more than about 0.3% of the G.N.P. of the Development Assistance Committee (DAC) group of countries. This is disappointingly below the target rate of 0.7% of the GNP of the industrialised countries which has come to be regarded as the minimum acceptable level for resource transfers to poor countries. It is this realisation that has led the Mc Intyre Group of Experts in their study of the elements of a new international economic order to urge the acceleration of these flows to at least 0.7% level as one tangible step the developed countries could take immediately to commence the task of closing the gap between the rich and the poor.

While aid flows are important for many countries Cde. Speaker, it is becoming more and more widely accepted that financial aid alone would be totally inadequate even at 1% of the GNP of the capital exporting countries to meet the needs of developing countries. For this reason Guyana like most developing countries take the view that the most effective means of transferring resources to developing countries would be through mechanisms that ensure first of all that the developing countries obtain remunerative and stable prices for their commodity exports; that more raw materials are processed in the developing countries; and that all tariff and non-tariff barriers are removed as early as possible so as to guarantee free access to markets of the developed countries for goods processed in developing countries.

At the same time, it has been recognised that in the area of development financing, self-reliance by and co-operation between developing countries are essential. It is this need to be self-reliant that explains at least in part the pursuit by the Government of Guyana of its present fiscal policies, its direct participation in the sale of sugar to external markets, and the maintenance of its present level of the levy on Sugar exported from this country.

While the direct financial flows have been reduced, there are however new possibilities associated with the trade. I refer to various forms of suppliers' credit on guaranteed terms. This

form of external capital flows is gaining prominence as the industrialised countries compete among themselves for markets in the Third World. I expect, Cde. Speaker, that a significant portion of our requirements for capital goods would be financed in this way.

But there is at the international level a Committee of the World Bank and the International Monetary Fund - the Development Committee - that is charged with the responsibility for promoting mechanisms for the transfer of resources to developing countries.

This Development Committee, Cde. Speaker, has been in existence now for one year. One of the most important results of the work of that Committee has been the establishment and funding of what is described as the Third Window of the Bank. This is a mechanism, so far temporary, to enable certain countries to receive World Bank loans at a rate of interest intermediate between IDA credits (the World Bank's soft loans) and the hard lending of the Bank - now fixed at 8½% per annum. Under present rules a country would however, qualify for this type of loan only if its per capita Gross National Product (GNP) in 1972 was not greater than US\$375. Under these terms Guyana would just qualify, and therefore expects that when the facility is introduced early in 1976 some of its World Bank loans would be under Third Window conditions.

However because of limited contributions to the interest subsidy account on which Third Window financing is based, the lending under this arrangement may not exceed US\$500 MN. in the first instance. Obviously this is a very small sum of money when placed against the demands of all the developing countries that qualify. Many countries, however, see it as an important beginning bearing in mind the objectives of the Bank's management to see the lending under Third Window arrangements reach a target of one billion (1000 MN) U.S. dollars.

**REVIEW OF THE ECONOMY IN 1975**

Cde. Speaker, I turn now to assess for the benefit of Members and of the Nation, the performance of our economy during the current year, particularly in the light of the economic and monetary trends I have just outlined. The performance of the economy has been the result of a number of factors. Partly it was the result of our domestic policies, including the direction and emphasis of public sector capital outlays. In part it has been conditioned by the economic trends, inflationary and recessionary, that have dominated the international scene over the past twelve months; to some extent the performance has been affected by the disruptive tactics of the opposition political party whose efforts since 1973 have been motivated by an intense desire to frustrate the Government's efforts at increasing production and lifting the standard of living of the masses.

But Cde. Speaker, despite these negative influences, the economy recorded significant growth both in output, and in the general well being of the people. During 1975 total value of output (GDP) grew in money terms by more than 22% and in real terms, that is, after the effect of domestic price movements have been eliminated, by approximately 14%. Gross Domestic Product which was estimated at (G) \$865 million in 1971 is now projected to reach \$1,060 million by the end of the year.

This is an impressive growth by any standard but what is more important is that the growth affected all the people - both urban and rural, both agricultural workers and industrial employees. A large number of employment opportunities was created and this was evident in the shortages of skilled and semi-skilled labourers which developed as the demand for these workers expanded; some 2,500 families were better housed in new housing units constructed by the Government, and by private individuals financed in part by the Guyana Co-operative Mortgage Finance Bank; and more than 2,000 households, most of them in rural districts, were served for the first time with electricity and potable water.

Bauxite production was maintained at a high level, despite the difficult market conditions, thanks to the efforts of a completely nationalised bauxite industry. In physical terms production of bauxite - calcined, alumina and metal grade - increased by an average of about 5% over the previous year. Sales in value terms, however, showed more buoyancy despite the recession in the consuming countries, rising from \$201 Mn. in 1974 to what now looks like \$250 Mn. in 1975 an increase of 25%. As was to be expected the expansion in output was most significant in the case of calcined bauxite (9%) for which the company continued to negotiate remunerative prices.

In the Sugar Industry the situation is disappointing. Poised to exceed last year's output and produce at least 360,000 tons of sugar, the industry is not expected now to produce more than about 310,000 tons. The sugar cane was available, the weather conditions have been excellent, and the quality of the cane has by all reports been most promising. Yet the industry will fall short of last year's output. This was the direct result of two major work stoppages in the industry - one in the first crop causing production to fall by about 16,400 tons below the projected output and the other lasting now for more than five weeks causing a likely shortfall in output of about 44,000 tons in the second crop.

While output was lagging the world price for sugar was also declining particularly in the latter half of this year from the high levels reached last year and even in the early months of the present year. In fact, as I speak, the world price for sugar as reflected in the London Daily Price is somewhere in the vicinity of £170 per ton and it has been fluctuating around that level for most of this year. However, the negotiated price for sugar delivered to the United Kingdom under arrangements negotiated with the EEC last year continued at about £260 per ton. This fact together with deliveries of forward sales at relatively high prices, in the early months of this year, has enabled the industry to project a gross value of export sales of approximately \$400Mn (assuming an early termination of the present strike in the Industry). This however, compares with \$280Mn. of sales during 1974.

In the **Rice Industry** the position was entirely different. Encouraged by favourable weather conditions throughout the year, remunerative prices, better water control facilities, and the availability of machines in adequate numbers, the output of rice is expected to reach a record level for any one year. By the end of December some 180,000 tons of rice would have been harvested for this year. This is 40,000 tons in excess of output for last year. Exports of rice are also expected to reach a value of \$88Mn. some \$39Mn. higher than in 1974.

On the demand side, Private consumption rose by just about 13% reflecting in part the rise in domestic price levels. Investment, Public and Private however, turned sharply upwards. The Bauxite Companies invested approximately \$145Mn. for increased capacity at Guybau and rehabilitation at Bermine. The Sugar Industry reported capital expenditures of \$15Mn. some of this going into expansion at Skeldon and Enmore with a view of increasing output by 1978.

The Public Corporations - particularly for electricity expansion, transportation, and fish processing, invested approximately \$108 million. The Guyana Agricultural Co-operative Development Bank granted about \$7 million in loans mainly for investment in Agriculture.

The Government itself invested approximately \$255 million in all sectors, as I would outline later, in the course of implementing its capital programme for 1975. In the final count investment in 1975 is expected to value some \$363 million compared with \$200 million in 1974.

It was however, in Exports that the economy showed considerable expansion. In terms of value it is projected that exports of goods would exceed \$812 million in 1975 an expansion of more than 33% above exports in 1974. This rise in the value of exports was due in part to an expansion in volume, but to a greater degree to better prices; for instance, no more than about 272,000 tons of sugar will be exported in 1975, but rice exports are expected to reach 80,000 tons compared with 50,000 tons in 1974; exports of calcined bauxite will rise by about 3%, or just about 23,000 tons, compared with the previous year, and alumina would move from 302,000 tons in 1974 to 315,000 tons in 1975. Dried Bauxite exports are not expected to reach last year's

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level of 1.33 million tons by a small margin, perhaps 1%. At the same time the average price of sugar exported was some 57% higher than in 1974; for rice the increase was 6.5% and for calcined bauxite 17%.

Imports also increased rising from \$567 million in 1974 to a projected \$780 million for 1975. Here price and volume factors were at work. As I said earlier, international inflationary trends abated only slightly during 1975. Consequently, import prices were still rising even though less steeply than 1974. At the same time the capital programme in the Public Sector, and to a smaller extent in the Private Sector generated large inflows of capital goods, mainly machinery and equipment, the value of which rose from \$143 million in 1974 to what now appears to be in the region of \$240 million in 1975.

Because of the remarkable expansion in the value of exports however, the country recorded a trade surplus of \$32 million. When receipts and payments on account of services are added, it would appear that Guyana will record surplus of some \$25 million on the Current Account of the Balance of Payments. This compares with a surplus of \$12 million in 1974. Further, when net capital inflows are added the indications are that the balance of payments would be in surplus by the record amount of at least \$85 million.

In short Cde. Speaker, the international payments position of the country during 1975 despite the large imports of capital goods has been particularly favourable. As a consequence the **net** international reserves has risen from \$94 million at the end of 1974 to \$190 million at the middle of November, but is expected after certain end of year public debt payments, particularly to Alcan, to settle at around \$179 million or \$256Mn. gross by the end of the year.

Thus Cde. Speaker, if the balance of payments is any measure of the soundness of the nation's economy then it would be clear to all that the policies - fiscal, financial and economic - that this Government has pursued over the past year have been both appropriate and successful.

Indeed the economy has been sensibly directed and the end result is a country that is economically sound and dynamic.

Further Cde. Speaker, it is now apparent that the stage is now firmly set for another major thrust in terms of investment towards the achievement of our major objectives of feeding, clothing and housing the Nation and improving the social services available to the people.

### **Prices**

During the year under review Guyana did not escape the world wide phenomenon of inflation. Domestic price levels, as measured by the Consumer Price Index for Guyana, increased by approximately 6%. Import prices on the other hand rose by about 25% suggesting that in large measure our inflation was externally generated. However, it is to be noted that this increase represented a dramatic slowing down of the rate of domestic inflation in contrast with 1974 when the rate of inflation was near 20% compared with a number of other countries in the Region where annual rate of inflation exceeds 16%. The inflation rate in Guyana was indeed contained at a moderate level.

The fact that inflation was restrained to this extent was the direct result of intervention by the Government. Price controls particularly with respect to essential consumer items like milk, poultry, eggs, sugar and rice were rigidly maintained, and in many cases price adjustments had to be sought and fully justified. Supplementing the price control was the maintenance of an extensive regime of subsidies - applicable to poultry meat, flour, electricity, public transportation, pure water supply and drainage and irrigation rates to name only some of the items of consumption that have been subsidised. This strong price restraint would continue as part of the Government's policy in 1976.



### Government Subsidy

Cde. Speaker, let us now look at the regime of subsidies maintained by the Government. In 1975 some \$36.6 million was spent in subsidies, affecting a wide range of consumer goods. This means approximately 7% of the country's current revenues or 36% of the revenue from consumption taxes and import duties taken together went into subsidies. The immediate objective of this policy is to provide the Guyanese people some measure of relief from rising consumer prices as well as to ensure that basic commodities reach the people at reasonable and stable prices. In addition to the \$36.6 million of direct subsidies an amount of about \$2.5 million would have been spent by the end of 1975 in providing free exercise and basic text books to school children.

The 1975 subsidy on consumer goods encompass a number of basic consumer items, including flour (\$14.0Mn.) evaporated milk (\$1.8Mn.) cooking oil (\$0.4Mn.) poultry feed (\$3.4Mn.) transport (\$4.7Mn.) electricity (\$5.3Mn.) water (\$3.7Mn.). These are the large items. In addition, the subsidy to the Guyana Marketing Corporation to enable that Corporation to purchase farmers' produce at remunerative guaranteed prices and to resell to consumers at reasonable prices, amounted to \$1.0Mn. in 1975; and the subsidy incurred in selling rice at its present price on the domestic market was valued at about \$12.0Mn. in the same period.

The Government intends in 1976 to continue its programme of subsidies to consumers; and this will cost an estimated \$39.0Mn. - as a direct charge on Central Government revenue or approximately 11% of revenue. The subsidy on electricity for example will increase in 1976 to \$9.0 million or by 67%, while that on flour, evaporated milk, pure water and transport will be approximately at their 1975 levels. The grants to Drainage and Irrigation areas will be more than doubled, from \$500,000 in 1975 to \$1.1 million in 1976, the intention being to reduce the burden of rate assessments in these areas. The subsidy to Guyana Marketing Corporation has been projected at \$1.0 million, but this could be much higher depending on the actual amount of farmers' produce purchased and sold in 1976. Further, the provision of basic text books and

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exercise books free of cost to school children is estimated to cost in excess of \$5.3 million in 1976.

### Financial Resources Mobilisation

Cde. Speaker, the relative buoyancy in the value of output that is implicit in a GDP growth of 22% was reflected in the resources that the Banking system and other financial institutions were able to mobilise during the year. It was to these resources that the investing enterprises, as well as the Government were able to have recourse in order to finance at least in part their investment outlays. Up to the end of September, resources placed at the disposal of the Banking System had increased by \$57 million or about 17% compared with just \$15.7 million or 5% during the same period in 1974. Of this amount the growth of deposits by individuals accounted for approximately \$21.6 million compared with just \$8.4 million during the same period in 1974 and \$18.3 million in 1973. Individuals therefore have been saving more, a trend which is consistent with the development aspirations of this country.

The acceleration in the growth in bank resources was therefore more than enough to meet the expansion in **bank credit** that was projected. These credit needs of the economy were fully met; indeed the Central Government was able to reduce its indebtedness to the Banking System by about \$75.6 million at the end of September, and the bauxite companies did similarly, reducing their indebtedness by about \$8.5 million. So far as the public sector was concerned the Public Corporations were the largest users of banking system resources during the year.

Cde. Speaker, apart from the banks, the rest of the financial sector also made significant advances in terms of financial resource mobilisation. In 1975 the Fund of the National Insurance Scheme will increase by something in the region of \$18 million; savings in the Insurance Fund of Domestic Insurance Companies is expected to increase by about \$10 million; the Pension Schemes will increase their resources by about \$8 million; and savings in the New Building Society will go up by at least \$7 million, according to present trends. In addition, private

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individuals and companies outside of the financial sector increased their holdings of Government Securities - short-term and long-term by a total that is likely to reach \$32 million, some \$5 million more than was saved in this way in 1974. Thus it would appear at this time, that private savings in the form of holdings of financial assets other than deposits in the commercial Banks have increased rapidly during 1975 the increase being in excess of \$50 million.

How have these resources so mobilised, been deployed? In large measure the Financial Institutions utilised a considerable portion of their resources to increase their holdings of Government securities. This has meant that the Government has had substantial recourse to sources of borrowing other than the Banking System during this year, for meeting its financial requirements. In these circumstances the Government did not make much use of the banking system for financing development programme as I anticipated in my Budget last year.

### **Expenditure and Revenue 1975**

Cde. Speaker, I now turn to the expenditure and revenue performance of the Government within the framework of the domestic economic and financial trends I have just outlined. The high value of output in practically all sectors of the economy during the course of this year reflected itself in buoyant revenues accruing to the Treasury. In my last Budget statement I forecast a Total Current Revenue of \$363.7Mn. In fact these expectations were significantly exceeded. It is now anticipated that by year end total current Revenue will be at least \$484.1Mn. some \$120.4Mn. more than has been originally predicted.

Customs duties, excise duties, and consumption taxes together previously estimated to yield \$92.9Mn. in fact yielded \$101.0Mn.; the sugar levy arising out of sugar exports adjusted for payment lags both in 1974 and 1975 will be at least \$225Mn. while Income taxes - both personal and business - are projected to yield \$104.3Mn. instead of 64.2Mn. forecast in the Estimates for 1975. However, distributed surpluses from the Public Corporations and Government Companies provided \$16.2Mn. including \$8.6Mn. from Guybau, and \$6.6Mn. from the Bank of Guyana,

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compared with the aggregated amount of \$15.6Mn. budgeted for these enterprises.

**Current Expenditure** also moved up more sharply than was expected previously. The budget estimates envisaged a total expenditure on current services of \$303.9Mn. In fact, these expenditures would rise to at least \$347.4Mn. by the end of the year, implying an increase of \$43.5Mn. above the estimates as presented. However, Cde. Speaker, these increases in the current expenditures need to be interpreted in the light of the inflation in the price of imported supplies and the increased current outlays particularly on personnel that was required to support a more active development thrust during 1975.

To be more specific the increases arose mainly in the Public Debt (\$9.7Mn.), and Other Charges (\$37.4Mn.). There was a saving of \$3.6Mn. on Personal Emoluments even after the creation of a large number of positions in support of the development programme. The increase on Public Debt arose largely out of the initial payment by the Government of \$5Mn. to the Jessels Group on the nationalisation of the Demerara Company Limited holding in Guyana during last May. In addition \$4Mn. was required to cover the higher Guyana dollar cost of meeting certain US dollar debt payments because of exchange rate fluctuations.

The increase on Other Charges arose out of increased costs affecting a number of services chief among these being subsidies (\$7.1Mn.) purchase of basic text books (\$1.5Mn.), Health facilities (\$1.0Mn.), Income Tax refunds (\$1.5Mn.) and maintenance of public buildings (\$0.8Mn.).

With Current expenditures now revised to \$347.4Mn. and Current Revenue also revised to \$484.1 Mn. the Government's current account in 1975 would realise a surplus of \$136.8Mn. some \$77Mn. more than was originally forecast for this year.

The whole surplus was transferred to the Capital Account to assist in financing development expenditures during the year.

On the Capital Account the Estimates as presented for 1975 envisaged total Outlay on Capital of \$227.3Mn. During the course of the year a number of projects for various reasons did not move ahead as rapidly as we expected and therefore did not absorb in full the allocations that were available to them. On the other hand, other projects made more rapid progress in terms of implementation and new projects became ready for financing. Consequently, the expenditure distribution was varied during the year to accommodate the changing situation in terms of proposed outlays.

As a result of these adjustments Cde. Speaker, development expenditures are now revised to \$255.1Mn. At this level capital expenditures did not vary too significantly from the \$227.3Mn. originally proposed for development outlays during 1975. The major areas of capital works and the revised amounts allocated to them are as follows:-

#### 1975 Expenditures

	\$MN.
<b>Agriculture</b>	<b>58.5</b>
<b>Power</b>	<b>19.2</b>
<b>Industrial</b>	<b>22.6</b>
<b>Roads</b>	<b>38.2</b>
<b>Housing (aided self-help/ rental purchase and Mortgage Finance Bank)</b>	<b>12.9</b>
<b>Education</b>	<b>11.5</b>
<b>National Service</b>	<b>28.4</b>
<b>Health</b>	<b>3.7</b>

Total Capital Revenue for financing Capital expenditures did not perform as well as was expected. I have already indicated that the public bought and held a large amount of Government Securities during the year. It is therefore now evident that by year-end capital receipts would amount to approximately \$101.3Mn. compared with the \$123.1Mn. forecast in the budget for 1975. The main sources of these receipts were a Euro Dollar loan syndicated by the Orion Bank for \$33Mn; Suppliers' Credit equivalent to \$4.2Mn.; World Bank/IDA loans and credit of \$10.3Mn.; a Caribbean Development Bank loan of \$6Mn. (for use by the Guyana Agricultural Co-operative Development Bank and the Guyana Co-operative Mortgage Finance Bank); bilateral official loans amounting to \$18.3Mn. and long-term domestic borrowing of \$25Mn.

In summary, therefore, Cde. Speaker, the Revised Expenditures of the Government during 1975 on Current and Capital Accounts amounted in total to \$602.5Mn. Total Receipts of Current and Capital Revenues for financing these expenditures amounted to \$585.5Mn. Consequently, the Government's overall account was in deficit by \$17Mn. This amount however, was financed by the growth in Government's holding of short-term securities to persons other than the Banking System.

### **The Economic Outlook for 1976**

I turn now Cde. Speaker to 1976. What prospects could reasonably be forecast for production, investment, and consumption in Guyana during the next twelve months. In a real sense revenue outlook for the budget depends on the achievement of certain production levels and the level of prices for our major exports. At the same time, the very realisation of our projections of economic activity depends in part on the achievement of the investment programme planned for next year.

Of critical importance would be the prices that our major exports could command on the international markets. Relevant to this would be consideration as to whether the economies of the industrialised countries are moving out of the present recession to enter into a new phase of high demand and expansion in economic activity. The present judgement is that the United States economy is probably moving out of its recession, and that the economies of Western Europe would follow soon after, both because of expansion in the United States and because of the reflationary policies being pursued by these countries.

If these things happen then it is felt that commodity prices would improve marginally, spurred by rising demand. For Guyana this should imply somewhat better conditions for marketing our bauxite.

The prices that are likely to be secured for sugar on the export market are still a matter of uncertainty, depending as they do on the vagaries of the World Market and on the time of negotiations which are soon to begin between the ACP countries and the European Economic Community (EEC).

Production of bauxite is expected to show some expansion - calcined bauxite by about 120,000 tons or 16% and dried bauxite by 55 tons or 4%. Aluminium production however, may well remain stable.

Assuming reasonable weather and industrial relations conditions, the Sugar Industry would again be capable of producing in excess of 360,000 tons. Rice output is projected to exceed this year's production again assuming favourable weather conditions - by another 10%. Based on new logging and sawmilling capacity which are to be installed, output of lumber should increase, and the domestic market should be better supplied with lumber. Most other productive activity in Agriculture, fishing, manufacturing and construction, particularly the latter should expand in 1976.

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Investment - both public and private - is expected to exceed the levels reached in 1975. Apart from the Central Government outlays on development works, Guybau proposes to invest \$30Mn. on expansion; Bermine \$10Mn; Demerara Sugar Company \$8Mn. and other Public Corporations within the Guystac Group some \$85Mn. Thus the rest of the public sector apart from the Central Government but including Guybau, Bermine and the Demerara Sugar Company should among them invest approximately \$133Mn. during 1976.

International inflation as it affects developing countries like Guyana is not expected to show marked reduction; in fact the trend may even be intensified, reflecting itself in higher import prices. These trends - high development expenditure, rising import prices and not too significant gains in export prices - if they materialise could seriously affect or even reverse our balance of payments position, and swing the terms of trade against this country. Consequently, a policy of trade diversification would be pursued with vigour, particularly with Socialist States, in order to ensure that imports are bought at the best prices available, and more of our export commodities are sold at reasonable prices. In addition, the restrictions on import and on certain currency transactions presently in force would be continued and higher private savings would be encouraged.

Further, Cde. Speaker, while interest rates on the international Capital markets may remain at reasonable levels and not rise to heights reached about the middle of 1974, it is anticipated that access to these markets could become progressively more difficult for developing countries seeking programme loans. However, I am confident that suitable projects in the public sector would attract euro-currency financing. Thus those publicly-owned enterprises which require large scale financial resources for investment in specific projects would be encouraged to seek external financing for the purpose in order to reduce the demand on the domestic banking system.

Domestic interest rates would be maintained at their present levels and it is expected that the Banking System would be able to accommodate an expansion of credit in line with our



development needs. However, bearing in mind the needs of the Public Corporations with respect to domestic credit (estimated at \$16Mn.) and those of the co-operatives and the Central Government it is clear that entities outside the Public Sector could not plan for any major increase domestic credit from the Commercial Banks during 1976. In fact, Commercial Bank credit will be subject to guidelines, which will favour lending to the productive sectors rather than to consumption as well as place limits of lending on the Private as distinct from the Public and the Co-operative Sectors. In addition, domestic credit to foreign companies would be subject to firmer restrictions than had been the case in 1975.

Despite expected increases in the volume of exports, an increase in total value of exports of goods is not expected; in fact total value of exports may fall, because of lower average prices for sugar, below this year's record value. Imports, however, are likely to rise reflecting the expansion in investment and the continued international price inflation to which I made reference earlier.

Consequently, Cde. Speaker, unless export prices improve very significantly, it is expected that the country's external account after net capital inflows are taken into account would record an overall external payments gap. This payment gap would in that case be met by a draw-down of our International Reserves. With gross International Reserves at approximately \$256Mn. at the end of 1975 these Reserves are at an adequate level to sustain without serious difficulty a payments deficit of reasonable size. In other words Cde. Speaker, after two successive years of Reserves accumulation, 1976 would see substantial use being made of these Reserves to finance the capital imports that are implicit in the large development programme being proposed for 1976.

**THE PUBLIC CORPORATIONS AND FINANCIAL INSTITUTIONS****The Financial Institutions:**

Now Cde. Speaker, I would like to turn my attention to the Financial Institutions and Public Corporations which form part of the Public Sector and briefly recount for the benefit of members some aspects of their growth and performance during the year.

By the end of 1975, after two years of operation the **Guyana Co-operative Mortgage Finance Bank** would have approved some 2,000 loans to provide better housing for Guyanese, most of them in the lower income ranges. Total loans approved at the end of October, 1975, was in excess of \$10Mn. of which \$6.7Mn. was actually disbursed. By the end of 1975 however, it is projected that \$16.5Mn. in loans would have been approved with a projected disbursement of approximately \$11.7Mn.

For the next fiscal year the Bank expects to approve loans totalling at least \$19Mn., some \$17Mn. of which would be applied to low income and aided self-help housing. The Bank continues to lend at an interest of 6½% for aided self-help housing.

**The Guyana Agricultural Co-operative Development Bank** has also been intensifying its role in the drive to develop the agricultural sector. By the end of 1975 the Bank would have approved a total of \$18.7Mn. in loans and would have disbursed \$12.4Mn. of this amount. In 1975 alone it is estimated that \$8Mn. in loans would be approved with a projected disbursement of \$6Mn.

In the course of its operations, the Bank has lent over the whole range of agricultural activity - rice farming, peasant cane farming, pig rearing, beef and dairy cattle and poultry. It has also lent to the timber and fishing industries. Most of its credit has however gone into rice farming.

The Bank's programme for 1976 anticipates that it would make available credit amounting to a further \$7Mn. to the agricultural sector. During the same period the Bank expects to introduce a measure of decentralisation into its operations so that by the end of the year there will be two functioning branches in the Berbice and Essequibo regions with loaning authority extended to their managers. It is hoped, Cde. Speaker, that in this way the Bank's services would be made more readily available to farmers.

With respect to the **Guyana National Co-operative Bank** growth continues to be rapid. In the twelve months ending 30th June, 1975, its resources moved from \$70Mn. to \$89Mn. an increase of \$19Mn. Deposits - savings time and demand - have grown from \$36.2Mn. at 30th June, 1974 to \$62.2Mn. at 30th June, 1975; while outstanding loans and advances in the same period expanded from \$25Mn. at 30th June, 1974 to \$35Mn. at 30th June, 1975.

In the half year ended 30th June, 1975, the Bank has earned an operating surplus of almost \$709,000 which compares with an operating surplus of \$605,000 for the corresponding period last year. Earlier this year, as I forecast in my last budget speech, the Bank was able to make a dividend declaration of 6½% to its shareholders.

### **The Public Corporations**

There are eighteen (18) Public Corporations and Companies falling under the aegis of the Guyana State Corporation (GUYSTAC). These Corporations and enterprises cover a wide field ranging from services, through marketing and public utilities to commercial and industrial companies. The commercial and industrial enterprises constitute the largest single grouping.

In 1975 these public sector corporations and companies increased their gross trading revenues from approximately \$155Mn. in 1974 to \$218.4Mn. an increase of 40%. In 1976 these revenues are projected to show a growth of about 43% moving up to \$312Mn. The growth in

revenue (94Mn.), is expected to be shared largely between the Electricity Corporation (\$17.0Mn.), the Guyana Rice Corporation (\$59.2Mn.) - of which about \$40.0Mn. will come from export sales, and Guyana Timbers (\$2.0Mn.).

The gross current expenditures however, increased from \$146.5Mn. in 1974 to what now appears to be in the region of \$213.4Mn. in 1975. In 1976 these outgoings are expected to rise by a further \$66Mn. to \$279Mn.

On the basis of these revenue and expenditure figures, the generated surplus on the current operations of all the corporations and companies in the Guystac Group is likely to be about \$5.0Mn. in 1975, but based on present projections the surplus should be in the region of \$33Mn. in 1976.

In terms of capital outlays these corporations and companies together invested \$74.0Mn. in 1975 and expect to see this value rise to \$85Mn. in 1976. Of this amount the Guyana Electricity Corporation expects to invest \$28.7Mn.; the Guyana Telecommunication Corporation \$8.3Mn.; the Guyana Rice Corporation \$15.0Mn.; and the Guyana Housing Corporation something of the order of \$15Mn. The consolidated Receipt and Expenditure account of these enterprises show that in 1975 there was a revised overall financing need arising largely out of their capital outlays of \$69.6Mn. compared with \$33.5Mn. in 1974. In order to finance this gap the Corporations in 1975 relied on the Banking System for 17.9Mn., and on Central Government Capital transfers for the remaining \$55.1Mn. Of this latter amount \$20.2Mn. represented external borrowing by the Government for on-lending to corporations for specific projects.

The estimates indicate that for 1976, the financing requirements of the corporations (and companies) would rise to about \$85Mn. To finance this gap the Banking System should provide something in the region of \$16Mn.; undistributed surpluses should provide another \$33Mn.; and capital transfers from the Central Government approximately \$33Mn. of which

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\$15.3Mn. is expected to come from external sources. The rest of the financing requirement (about \$3Mn.) is to be met by additional short term and suppliers' credit.

### **THE EXPENDITURE PROGRAMME FOR 1976**

#### **Current Expenditure:**

Cde. Speaker, I now come to the Estimates of Expenditure proposed by Government for 1976. These estimates - Current and Capital for 1976 call for total Government spending of approximately \$663.9Mn. - \$402.1Mn. on Current services and \$261.8Mn. on Development works. With respect to the Current Estimates, \$130.8Mn. has been allocated for Personal Emoluments, \$100.8Mn. for Public Debt, and \$170.5Mn. for Other Charges - mainly goods and services. This level of expenditure on Current services is \$54.7Mn. or some 16% above the Revised Current expenditures for 1975.

This increase in the Current Estimates arise from a number of sources. First of all the deferred payments due to Alcan on behalf of Guybau in the fifth year - 1976, in accordance with the repayment schedule, adds an extra \$22.3Mn. to payments in respect of Public Debts (this is an addition to the \$7.9Mn. which is also payable to Alcan with respect to the 1976 instalment); secondly, payment with respect to other nationalised enterprises add another \$2.8Mn. to the Public Debt; thirdly, new posts which were created to support the development effort add another \$9Mn. in addition to \$10Mn. for the normal increments to expenditure on personal emoluments; and fourthly, inflation will add another \$8Mn. to the cost of goods and services required for Government's operations.

Apart from maintaining the Current Services at their present levels the Estimates as presented for 1976 attempt to reflect the main aspects of Government's development thrust. Thus the Ministry of Agriculture is allocated \$21.0Mn. compared with \$19.0Mn. last year; the Ministry of Works and Housing \$49.2Mn. compared with \$44.2Mn.; the Ministry of Information

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and Culture \$4.6Mn. compared with \$3.7Mn.; the Ministry of Health \$27.6Mn. compared with \$25.4Mn. It is however, in the Ministry of Education with \$61.6Mn. that the largest increase in allocations would go.

Education in keeping with our commitment to revolutionise the Educational System was allocated \$61.6Mn. for their recurrent expenditures in 1976, compared with \$47.0Mn. in 1975. Government's policy in Education calls for an expanded and improved educational system; for free education at all levels - University, Secondary and Kindergarten and free basic text books for students in Primary and Secondary Schools. The estimates through the allocation of an extra \$14Mn. for recurrent expenditure seek to provide the financial support for the implementation of this policy in Education. Thus free school books would take \$5.3Mn. Primary and Secondary schools have been granted \$7.2Mn. more, the Ministry of Education itself was allocated an extra \$2.4Mn.; new Residential Secondary Schools at Port Kaituma, Kwakwani, Mabaruma and St. Ignatius have been allocated \$0.7Mn. and the multilateral schools have got an extra \$1.5Mn. The Curriculum Development Unit has received an extra \$0.4Mn. bringing their total allocation to \$1.3Mn. to promote the production of new text books that would more reflect the social and cultural aspirations of the people of Guyana. At the same time the Teachers' Training College and the Technical Institutes have together got an extra \$0.6Mn. The University of Guyana has also been allocated an extra \$1.5Mn. bringing its subvention to \$6Mn. in 1976.

In passing it might be mentioned that the Capital Estimates provided \$10Mn. for Education largely for the construction of schools, thus bringing the total to be spent on Education in 1976 to \$71.6Mn. or 10.8% of the total Budget.

With respect to Health that Ministry has been allocated \$27.6Mn. of which some \$4Mn. has been allocated to the purchase of drugs, \$3Mn. for dietary; \$0.6Mn. for in-service training of para-medical personnel and technologist for the Central Medical Laboratory. Here again in addition to the current allocations an additional \$8.2Mn. has been provided to the Health Services for Capital expenditure mainly for re-equipping the hospitals thus bringing the total

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proposed expenditure on Health Services to \$35.8Mn. in 1976.

Culture and Sport in the Ministry of Information and Culture are to be encouraged more vigorously in 1976. Hence that Ministry has received a larger allocation - approximately \$4.5Mn. in 1976 - compared with \$3.7Mn. in 1975. Other large allocations go to subsidy (\$39.0Mn.) and Pensions (\$11.5Mn.).

### **CAPITAL PROGRAMME 1976**

The Development Expenditures projected for 1976 amount to \$261.8Mn. compared with a revised outlay for 1975 of \$255.1Mn. A Substantial proportion of this projected outlay Cde. Speaker - in fact 80% - will be financed from local resources, in contrast to 1975 when 70% of the revised capital outlays were financed from domestic resources.

The capital programme for next year has been designed to permit not only the continuation of ongoing projects, but also to concentrate on the productive sectors including, for example, a textile mill, a fish port complex, a glass factory and expansion in sawmilling. The social services sectors - Education and Health - have also received significant allocations, emphasising thereby the new priority that has been accorded these services. Broadly, Cde. Speaker, the distribution of the capital expenditure among the high-priority sectors, including Education and Health, is as follows –

	<b>\$MN</b>
<b>Agriculture including</b>	
<b>agricultural access roads</b>	<b>55.3</b>
<b>Industrial Development including</b>	
<b>Thermal Power</b>	<b>15.0</b>

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		<b>\$MN</b>
	<b>Forestry and Mining</b>	<b>12.1</b>
	<b>Power - Hydro including Hydro-power Road</b>	<b>25.7</b>
	<b>Transport and Communication</b>	<b>29.4</b>
	<b>Education including National Service</b>	<b>30.0</b>
	<b>Health</b>	<b>8.2</b>
	<b>Housing</b>	<b>9.4</b>

These sectors, which are expected to form the basis for the continued growth and development of the economy will absorb approximately \$215.1 million or 82% of the proposed capital expenditure.

Under Agriculture, defined broadly to include water control and fisheries, \$1.5 million has been allocated for Land Development; \$18.4 million for Drainage and Irrigation of which \$4.0 million will be spent on the 1976 phase of the Mahaica/Mahaicony/Abary Scheme; \$4.0Mn. for the purchase and installation of pumps; \$4.0Mn. for Sea Defences; \$1.0Mn. for the acquisition of equipment, and \$2.6Mn. for the 1976 phase of the Tapacuma Irrigation Project on which work has already begun, designed to bring some 57,000 acres under livestock and crop. In addition, \$1.5Mn. will be spent to assist the development of small scale agriculture, \$0.4Mn. to assist the Swine Industry, \$1.0Mn. for the development of beer cattle at the Mara/Ebini Livestock station and \$0.5Mn. for Guyana's contribution to the equity of the Company which



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will implement the CARICOM Regional Corn/Soya Bean Project.

The two World Bank assisted Livestock and Sea Defence projects will continue and provisions of \$2.2Mn. and \$5.0Mn. respectively have been made to meet anticipated expenditures in 1976. The agricultural Products Corporation will continue its work of developing both primary and secondary agricultural products in Guyana and in 1976 the sum of \$3.0Mn. has been provided for the continuation of this work. For the establishment of the Demerara Fish Port Complex in 1976, with the expected assistance from Japanese investors, the World Bank, and the European Development Fund, a sum of \$3.0Mn. has been provided. This project would consist of fishing vessels, a fish processing plant and adequate berthing facilities for the vessels. The total cost of this project including vessels is estimated at \$38Mn.

In Forestry and Mines, an allocation of approximately \$7.4Mn. has been made for quarrying operations of which the amount of \$6.5Mn. will be spent on the establishment of a new Quarry at Kaituma in the North West Region. Forest Co-operatives will receive \$0.2Mn. and with assistance from the United Nations Development Programme, \$1.5Mn. will be spent for demonstration and training in Forestry. Guyana Timbers will also receive \$3.0Mn. for expanding its sawmilling capacity.

Within the Industrial sector, the sum of \$15.2Mn. will be invested, and distributed as follows:-

	<b>\$ MN.</b>
(a) Textile Mill	1.0
(b) Cement Plant	1.0
(c) Glass Factory	1.0
(d) Paper Re-cycling Plant	0.7
(e) Composite Textile Plant	1.5
(f) Leather Tannery	0.5

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(g) Upper Demerara Forestry Project	1.0
(h) Guyana Timbers Limited	3.0
(i) Guyana Forest Industries Corporation	0.5
(j) Other Projects	5.0

The above allocations will in most cases finance the initial work to be done in 1976. In addition, \$3.5Mn. will be spent to assist the development of small industries through the Small Industries Corporation. The sum of \$1.0Mn. has been allocated for preliminary works in connection with the Upper Demerara Forestry Project, which when completed is expected to cost more than \$100Mn. In its first stage the project will involve logging and sawmilling and the production of veneers, parquet flooring and poles. The second stage will see the production of plywood and block-boards. Financial participation in this project is expected from the World Bank and the European Development Fund as soon as management and marketing contracts are completed.

Construction of the Textile Mill with assistance from the People's Republic of China will begin in 1976. When completed this Mill will produce annually an estimated eleven million square yards of cotton fabrics and provide employment for an additional one thousand (1,000) persons. The coming into operation of this mill will complement the cotton production now being spear-headed by the Guyana National Service, and will promote one of the three objectives of the development plan.

The proposed cement plant is a joint Guyana/ Barbados project, and will be financed largely from funds to be provided by the Caribbean Development Bank and from contributions from the participating governments themselves. This project is expected to produce about 140,000 tons annually and provide additional employment for about fifty one (51) persons. The total cost of the project is estimated at \$20Mn. and it will be located at Makouria on the Essequibo River.

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The proposed Glass Factory is to be located along the Soesdyke/Linden Highway and is expected to cost about \$14.7Mn. and will be capable of producing eleven million square-feet of sheet glass and all the bottles required for local consumption. The project when completed is expected to provide employment for an additional four hundred (400) persons. Further, the Government of India has shown an interest in providing all necessary assistance for the setting up in Guyana of a Paper Re-Cycling Plant. This project is expected to cost about \$10Mn. and produce annually about five thousand (5,000) tons. Expected employment from this plant when in full operation is projected at three hundred and fifty (350) persons.

In order to achieve major forward linkages in the bauxite industry, the Government has been pushing the development of its hydro-power resources as a necessary concomitant to the establishment of an aluminium smelter in Guyana. Works commenced in 1975 on the Road Construction phase of the project and will be accelerated in 1976. For the construction of the Upper Mazaruni Road, to give access to the hydro-power site, \$15.0Mn. has been provided in 1976 and a further \$10Mn. has been allocated to the Upper Mazaruni Hydro-power Authority to meet the cost of essential preliminary work that must precede the launching of the project.

The need to encourage settlement in the hinterland if we are to exploit its resources has necessitated the electrification of certain priority hinterland areas. The Government therefore proposes in 1976 to spend \$3.0Mn. for this purpose the greater share of which will go to the Matthews Ridge/Kaituma area. In the meantime Government will spend \$12.0Mn. in 1976 to continue the expansion programme of the Guyana Electricity Corporation in order to allow that Corporation to meet the increasing demand for electric power until hydro-power comes on stream.

Within the Transport and Communication sector, apart from the Upper Mazaruni road, the Government proposes to spend \$2.5Mn. on the East Coast Demerara Road; \$1.2Mn. to rehabilitate the East Bank Demerara road; \$0.7Mn. to upgrade the Crabwood Creek/Orealla road; \$2.5Mn. on the East Berbice roads; \$2.0Mn. on Georgetown Approaches, and \$2.0Mn. on

hinterland roads. The construction of the roads on the West Bank and West Coast of Demerara will be continued. A sum of \$5.5Mn. has been allocated for this purpose in 1976. In addition, the Kaieteur airstrip will be completed in 1976 and a number of airstrip facilities will be provided at various points in the hinterland in order to facilitate the movement of passengers and cargo. The sum of \$3.0Mn. has been provided to cover these costs in 1976.

In the Education sector, 1976 will see the completion of the multilateral schools and staff houses as well as the new Primary Teachers' Training College. A sum of \$2.0Mn. has been provided to complete these schools with adequate furnishings. In addition, Cde. Speaker, work will commence on the construction of a Secondary Teachers' Training College; there will be extensions to the existing secondary schools and the Guyana School of Agriculture; and the construction of the Community High Schools will be commenced. For these purposes the Government has allocated \$3.0Mn. for 1976.

The Health facilities available to the nation will be given higher priority in the Government's expenditure programme for 1976. Of a total allocation for capital works of \$8.2Mn., \$2.6Mn. has been provided for the physical improvement of hospitals throughout the country, including the commencement of construction of a new hospital at New Amsterdam. In addition, \$0.3Mn. will be spent on preliminary work connected with a new medical training centre at the University of Guyana and \$3.5Mn. for equipment for the hospitals.

## **FINANCING THE PROGRAMME**

### **Current Revenue:**

Taking into account the level of economic activity and the value of exports projected for 1976, Current Revenue from all sources is estimated at \$362.5Mn. for 1976. Indirect taxes are projected to rise by about 10% to \$115Mn.; the Sugar levy on the other hand is estimated to yield

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just about \$86Mn. based on certain assumptions relating to production and export prices. Income Taxes on Companies are estimated to yield approximately \$52.0Mn.; clearly less than in 1975. But it should be noted that collection of company taxes in 1975 were inflated by arrears due from 1974. Personal income taxes at \$32.5Mn. have been projected to rise only about 5% over 1975. The National Service through the sale of their surpluses production - chicken, meat, eggs, cotton - is expected to contribute at least \$5.0Mn. to Revenue, and this sum has been included in the estimates. Highway tolls are expected to yield \$2.2Mn.; land development schemes \$0.68Mn. - about the same level in 1975, and Rent and Royalties \$1.1Mn.

The Government owned enterprises are expected to contribute approximately \$36.2Mn. including \$9.0Mn. from the Bank of Guyana, \$25.0Mn. from Guybau and \$1.0Mn. from Bermine. With respect to Guybau the distribution expected is roughly equivalent to the sum payable to Alcan and a large portion of it is likely to come out of Reserves held by the Company. In the case of Bermine the expected distribution is equivalent to the Governments' obligations to the Reynolds Metal Company in 1976 with respect to the nationalisation of Reynolds Mines (Guyana) Limited.

Thus Cde. Speaker, with Current Expenditure at \$402.1Mn. and Current Revenue estimated to yield \$362.5Mn. the Government's Current Account is projected to be in deficit to the tune of \$39.6 Mn.

### **Capital Revenue:**

The Capital Revenues that are likely to be available for financing the capital programme appear at this time to be in the region of \$87.3Mn. Of this amount \$59.7Mn. comprise loans, credits, and grants from external sources; and \$26.5Mn. are loans expected to be raised locally from debenture issues. The expected external loans and grants consist of \$14.2Mn. from the World Bank for Education, Sea Defence, Livestock development, and the Tapakuma Project; \$8.0Mn. from the United Kingdom for Electricity; \$8.4Mn. from the United States of America

with respect of Rice Rehabilitation and Roads; \$1.7Mn. from Canada with respect to a Veterinary laboratory, Scholarships, and Pure Water Supply; and \$1.2Mn. from the People's Republic of China with respect to the construction of the Clay Brick Factory, the New Amsterdam hospital and the Textile Mill; \$9.4Mn. from Suppliers' Credit; and \$3.0Mn. from the European Development Fund, in connection with the Demerara Fish Port Complex, the Upper Demerara Forestry Project, and farm-to-market roads on the East Bank Berbice.

The Figures, however, do not assume a borrowing on the Euro-dollar Market.

Thus with Capital Expenditure pitched at \$261.8Mn. and Capital Revenues of \$87.2Mn., there will be a deficit of \$174.6Mn. on the Capital account.

In summary therefore Aggregate Expenditure - Current and Capital - is expected to be of the order of \$663.9Mn.; total Revenue, Current and Capital is expected to yield \$449.8Mn., consequently the Government's overall budget would reflect a deficit of \$214.2Mn.

This financing gap in the absence of additional taxation or further market borrowing will need to be met by utilising Banking System resources, and therefore in the final analysis by calling upon the large external Reserves which the country has accumulated over the past two years.

Cde. Speaker, I have come to the point at which I would normally present my fiscal proposals. Let me however say that for 1976, there will be no additional taxation measures. It is true that there is a large financing gap with which we have to cope. It is, however, the Government's view that additional taxation is not the answer. We, as a Nation, have built up over the last two years substantial external reserves. We did this partly by our own sacrifices from 1974; partly they were the result of remunerative prices for our exports; in part they represent the result of careful management of our resources.

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Since there is no intention to increase taxation, the extra financial resources required to meet the proposed expenditures will be secured through the Banking System; this will inevitably mean that we shall be drawing down our international reserves. It is however entirely appropriate that these reserves should be used to finance another thrust forward in our efforts to development in Guyana.

### **CONCLUSION**

Cde. Speaker, this brings me to the end of my Budget presentation for 1976. In the year ahead we shall have to accelerate production as the only basis for further investment and development outlays; we shall have to increase our exportable surpluses, so that we increase our earnings of foreign exchange; and, finally, we shall have to deploy our financial resources with judicious care so as to ensure that our capital expenditures yield economic returns and promote real economic development in Guyana.

If these things happen, if there is a minimum of disruption to production, then 1976 would be another prosperous year for this country and for the socialist revolution of Guyana.

**Cde Speaker:** Cde Minister of Finance you may now move the Motion for the approval of the Estimates of Expenditure.

**Cde Hope:** Cde Speaker I now move the Motion for the Approval of the Estimates of Expenditure for the financial year 1976.

I name Monday, 1st December, 1975 as the day for the resumption of the debate on the Motion for the approval of the Estimates of Expenditure for the financial year 1976.

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

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**The Minister for Parliamentary Affairs and Leader of the House** (Cde Ramsaroop):  
Cde Speaker before I move the formal adjournment, may I indicate to this House that after meaningful consultation with my hon. and learned friend, the Leader of the Opposition, it has been decided to commence and conclude the debate on the Budget Motion next Monday, that is on the 1st December and to start consideration of the Estimates of Expenditure on Tuesday 2nd December and conclude our consideration of the Estimates on Friday 5th December.

### ADJOURNMENT

**Resolved**, “That this Assembly do now adjourn until Monday 1st December, 1975 at 2 p.m.” [Cde. Ramsaroop]

**Adjourned accordingly at 3.47 p.m.**

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