

BRITISH GUIANA

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Under the

British Guiana (Constitution) Order in Council, 1961

THIRD SESSION

1963 — 1964

STATEMENT BY THE GOVERNMENT OF

BRITISH GUIANA ON THE JACOBS REPORT

and on

THE INSOLVENCY ALLEGATION BY THE

SECRETARY OF STATE FOR THE COLONIES

The Government Printery, Georgetown.
(C.G.P. & S. 219/64.)

STATEMENT

by

THE GOVERNMENT OF BRITISH GUIANA ON THE JACOBS REPORT AND ON THE INSOLVENCY ALLEGATION BY THE SECRETARY OF STATE FOR THE COLONIES

Because of the grave harm that was likely to follow the allegation by the Secretary of State for the Colonies (the Right Honourable Duncan Sandys, M.P.) on October 31, 1963, that the Government of British Guiana is (or was) insolvent, this Government requested Mr. Sandys in December last to publish in one White Paper:

- (a) the Report on the Financial Position of British Guiana by Mr. K.C. Jacobs, dated August 12, 1963;
- (b) the Statement by the Government of British Guiana on the Jacobs Report and on the Allegation that it is Insolvent, dated November 30, 1963; and
- (c) the Government's Revised Forecast of Financial Position, 1963, dated December 7, 1963.

2. The Government felt that the only effective way of rebutting the injurious insolvency allegation was to have the Jacobs Report and the Government's Statement and Revised Forecast published at the same time and in the same manner.

3. The Secretary of State has now rejected the Government's request and proposes to publish the Jacobs Report *without* the documents mentioned in (b) and (c) of the first paragraph above, although it was pointed out that simultaneous publication of the Report and these documents was absolutely necessary because of the grave harm already done by his allegation and likely to continue by one-sided publication.

4. The Government has lodged a strong protest with Mr. Sandys at his refusal to comply with its request, pointing out:

- (a) that Mr. Jacobs's forecasts, admittedly difficult to make, were utterly wrong;

- (b) that the indiscriminate use of the forecast figures of Mr. Jacobs was not only an act of irresponsibility, but also a means of justifying decisions handed down at the 1963 Independence Conference;
- (c) that he (Mr. Sandys) had originally decided not to publish the Jacobs Report, but released it to the political opposition, and that it subsequently leaked to certain local and Trinidad newspapers;
- (d) that as soon as actual figures of revenue, expenditure and cash balances were available, the Minister of Finance (Dr. Charles Jacob, Jr.) made a public rebuttal of Mr. Sandys's allegation on November 16, 1963; and
- (e) that the 1964 Budget Speech, delivered on December 31, 1963, confirms that the Government is not insolvent and was, indeed, not insolvent when the allegation was made.

5. The Government has also requested Mr. Sandys to make a public retraction of the false insolvency statement. He has, apparently, refused to do this also.

6. In view of the foregoing, the Government of British Guiana, in order to prevent further damage to the territory's reputation and credit, has no alternative but to publish, simultaneously with Mr. Sandys's publication of the Jacobs Report, this Statement together with the documents mentioned in (b) and (c) of the first paragraph hereof, and the text of the Statement made by the Minister of Finance in the Legislative Assembly on November 21, 1963. The documents (b) and (c) are attached as Appendix I and Appendix II, respectively, and the Minister's Statement as Appendix III.

7. This Government hopes that the publication of the Jacobs Report and the relevant documents and statement, together with the fact that the cash balances of the Government were over \$4 million on December 31, 1963, and a probable surplus of some \$2 million on the 1963 Recurrent Budget was indicated in the 1964 Budget Speech, will go a long way towards undoing the harm done to this territory by the indiscriminate use or misinterpretation of forecasts which, even when taken by themselves, do not support the allegation of insolvency made by the Secretary of State for the Colonies.

BRITISH GUIANA

January 27, 1964.

APPENDIX I

*STATEMENT BY THE GOVERNMENT OF BRITISH GUIANA
ON THE JACOBS REPORT AND ON THE ALLEGATION
THAT IT IS INSOLVENT*

THIS STATEMENT has become necessary for two main reasons: firstly, because of the statement made by the Secretary of State for the Colonies, the Right Honourable Duncan Sandys, M.P., that the Government of British Guiana is insolvent; and secondly, because the forecasts made in the Jacobs Report, soon to be published, have turned out to be a long way off the mark.

2. The Secretary of State for the Colonies, in his final statement to the British Guiana Independence Conference on October 31, 1963, said that the Government of British Guiana was insolvent. The Report on the Conference (Cmnd. 2203), which was presented to the British Parliament in November, 1963, contained in Annex A (page 7) the assertion: "the Government is insolvent."

3. Because of the harmful effects of the Secretary of State's allegation on the reputation and credit of British Guiana, the Minister of Finance, Dr. Charles Jacob, Jr., was obliged to make a statement in the Legislative Assembly of British Guiana on November 21, 1963, in rebuttal of the statement by Mr. Sandys.

4. Since Mr. Sandys is of the opinion that British Guiana is faced with a "crisis of confidence," it is all the more amazing that he should have aggravated the "crisis," not only by attempting to bring discredit to the Government, but also by inflicting damage to the country's credit, both internal and external. It is a deplorable act thus to shake confidence in the ability of a government to pay its debts, upon which confidence rests the whole superstructure of governmental credit in any country.

5. The Government of British Guiana categorically refutes the statement by Mr. Sandys that it was insolvent on October 31, 1963, when the Secretary of State so announced to the British Guiana Independence Conference. The Government was then able, as it is now, to meet its financial obligations, in spite of difficulties deliberately created by dissentient elements and the rising burden of debt charges due to high interest rates on development loans.

6. At the request of the Government of British Guiana, the Secretary of State appointed a Colonial Office official, Mr. K.C. Jacobs, to undertake an assessment of the financial and economic situation in British Guiana resulting from the recent strikes, lockouts and disorders. Mr. Jacobs reported to Mr. Sandys on August 12, 1963, and copies of the Report were forwarded to the Government of British Guiana in October last. In his report, Mr. Jacobs made certain forecasts of revenue, expenditure and cash balances of the Government to the end of 1963.

7. With actual figures now available, however, the financial position is found to be vastly different from what it was predicted to be by Mr. Jacobs on August 12 last.

8. The forecasts in the Jacobs Report show overdrafts on the Government's cash balances (including invested surplus balances, but excluding till money, etc.) at the end of August, September and October ranging from \$4.7 to \$2.9 million — an average end-month overdraft of \$3.7 million.

9. The actual cash position was in balance at the end of August and rose to a credit balance of nearly \$4 million in October — an average credit balance of about \$2 million. The actual position was therefore nearly \$6 million better than the forecast for this period.

10. The cash position at mid-November was in credit to about \$4.5 million, and it appears that the end-November position will be in the vicinity of \$2.5 million in credit — again about \$7 million better than forecast (an overdraft of \$4.6 million).

11. A comparison of the forecast and actual cash balances (including invested surplus balances, but excluding till money, etc.) of the Government from August to November, 1963, is shown below in millions of BWI dollars:

	Jacobs Forecast	Actual	Under-estimate	
August 31	-4.7	0.0	4.7	
September 30	-3.5	÷ 2.4	5.9	+ = Surplus
October 31	-2.9	÷ 3.8	6.7	= Deficit
November 30	-4.6	÷ 2.5*	7.1*	

* Estimated at November 30

12. In view of the consistently better results over the last four months - \$5 to \$7 million better than forecast - it now appears highly improbable that there will be any substantial cash deficit, if any at all, at the end of 1963, as forecast in the Jacobs Report.

13. It is perfectly clear that the financial position of the territory was not one of insolvency on October 31, 1963, as stated by Mr. Sandys, and that the Government is not now insolvent.

14. The Government of British Guiana hopes that the simultaneous publication of this Statement and the Jacobs Report will assist in repairing some of the damage done to the territory's reputation and credit.

BRITISH GUIANA

B.G.T 19/1955^{III}

November 30, 1963.

APPENDIX II

REVISED FORECAST OF FINANCIAL POSITION, 1963

(1) The attached Revised Forecast is based on the Revised Estimates of Expenditure and of Revenue and development receipts for the year. Since figures of actual receipts from the major Revenue groups (Customs and Excise and Inland Revenue) and of development funds are available to the end of November, it was possible to get some check on the reliability of the revised estimates of Revenue and development receipts. The estimates for December are consistent with the receipts scheduled for collection by departments in that month (i.e., Inland Revenue receipts and development receipts) and with past experience and present trends (i.e., for Customs and Excise). But since no expenditure figures are yet available for the recent past, these forecasts depend solely on the expenditure estimates of departments as adjusted by this Ministry after analysis and discussion with the departments. However, since the cash balances are known to the end of November, it is possible to reconcile the expenditure estimates to this date with the known receipts and cash balances. Moreover, the quanta of two elements of the expenditure side of the Recurrent Budget - Personal Emoluments and Public Debt Charges - can be ascertained fairly reliably. It is evident that there has been some backing-up of expenditure accounts; but the estimates for December (\$8.6 mn.) under other recurrent and development expenditure make allowance for this.

(2) Revenue in 1963 should total about the same as the forecast in the Jacobs Report (about \$60 mn.). It is not unlikely that actual receipts from both the major groups will be higher than now forecast (perhaps by as much as \$1 mn.).

(3) Recurrent Expenditure should also total about \$60 mn. - \$3.5 mn. less than forecast in the Jacobs Report. It seems unlikely to be much below this and may well be as high as \$61 mn.

(4) It is very unlikely therefore that the actual results will fall outside the following limits:

Revenue:	\$59.5	\$61.0 mn.
Recurrent Expenditure:	\$59.5	\$61.0 mn.

(5) The Recurrent Budget should therefore be in balance for 1963 - at best \$1.5 mn. in surplus and at worst \$1.5 mn in deficit as compared with a deficit of \$3.5 mn. forecast in the Jacobs Report.

(6) Development receipts should total \$15.3 mn. including as receipts in December \$0.5mn. from Colonial Development and Welfare grants and \$3.1 mn. from Exchequer Loan - as compared with the estimate of \$15.5 mn. in the Jacobs Report.

(7) Development Expenditure is likely to be in the vicinity of \$12 mn. - as compared with \$14.5 mn. in the Jacobs Report.

(8) With the Development Fund overdrawn by \$4.1 mn. at the beginning of 1963 and receipts and disbursements as above, the Development Fund would still be in deficit at the end of 1963 by nearly \$1.0 mn.

(9) It appears that for the year Post Office Savings Bank withdrawals will exceed deposits by about \$1.0 mn.

(10) The local bank balance at the end of November was \$1.5 mn. (in credit). It appears (but information is not yet available) that the London balance at the end of November was in the vicinity of \$1 mn. (assuming that currency profits were credited in this month as advised by the Currency Board). With the other elements of the cash balances as indicated, the cash balances at November 30 totalled \$4.1 mn.

(11) Even without the realization of Post Office Savings Bank investments or advances from the J.C.F. to cover the net Post Office Savings Bank withdrawals (\$1 mn.), it is unlikely that there will be any significant overdraft at December 31, 1963.

MINISTRY OF FINANCE

(T 19/55 III)

December 7, 1963.

REVISED FORECAST OF FINANCIAL POSITION, 1963

Appendix II

	ACTUAL 1961	ACTUAL 1962 (d)	ORIGINAL TARGET 1963	JACOBS REPORT	REVISED FORECAST, 1963							\$ mn.
					Year	1st Qr.	2nd Qr.	3rd Qr.	October	November	December	
CASH BALANCES: (Opening)	+ 6.8	+ 4.3	- 0.1	- 0.1	- 0.1	- 0.1	+ 0.3	+ 0.4	+ 3.6	+ 5.0	+ 4.1	
(1) Local: (a) Main bank account	+ 1.3	+ 0.3	- 2.3	- 2.3	- 2.3	- 2.3	- 2.9	2.3	+ 0.2	+ 1.8	+ 1.5	
(b) Sub. Bank A/cs., till money, etc.	+ 1.1	+ 0.9	+ 1.3	+ 1.3	+ 1.3	+ 1.3	+ 1.1	2.3	+ 1.2	+ 1.2	+ 1.2	
(2) London	+ 4.0	+ 2.7	+ 0.5	+ 0.5	+ 0.5	+ 0.5	+ 1.7	-	+ 1.8	+ 1.6	+ 1.0	
(3) Invested Surplus Balances	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	0.4	+ 0.4	+ 0.4	+ 0.4	
REVENUE:	60.0	59.5	67.7	60.0	60.1	14.0	8.9	17.1	4.8	6.1	9.2	
(4) Customs and Excise	29.8	28.0	31.2	26.0	26.0	6.3	2.6	8.7	2.8	3.0	2.6	
(5) Inland Revenue	20.8	21.5	25.3	24.3	24.3	5.5	5.1	5.9	1.0	1.1	5.7	
(6) Other	9.4	10.0	11.2	9.7	9.8	2.2	1.2	2.5	1.0	2.0	0.9	
RECURRENT EXPENDITURE:	57.0	62.0	67.7	63.5	60.0	15.6	8.6	15.3	4.4	5.6	10.5	
(7) Personal Emoluments	22.6	27.0	27.6	25.0	23.5	6.3	3.7	6.4	2.2	2.2	2.7	
(8) Public Debt Charges	6.6	8.0	10.2	10.4	10.1	3.3	1.7	2.2	0.2	0.4	2.3	
(9) Other	27.8	27.0	29.9	28.1	26.4	6.0	3.2	6.7	2.0	3.0	5.5	
DEVELOPMENT RECEIPTS:	16.9	17.1	20.7	15.5	15.3	4.5	0.9	4.2	1.9	-	3.8	
(10) C.D.W. Grants	6.2	4.2	4.5	3.4	3.0	0.9	-	1.6	-	-	0.5	
(11) Exchequer Loan	8.0	9.1	8.0	8.0	8.0	2.5	-	2.4	-	-	3.1	
(12) National Development Savings Levy	-	1.4	4.0	3.0	3.0	1.1	0.8	0.2	0.7	-	0.2	
(13) Local Market Loan	2.5	-	2.0	-	-	-	-	-	-	-	-	
(14) Contractor-finance	-	2.0	-	-	-	-	-	-	-	-	-	
(15) IBRD Loan	-	0.3	2.0	1.0	1.3	-	0.1	-	1.2	-	-	
(16) Other	0.2	0.1	0.2	0.1	-	-	-	-	-	-	-	
(17) DEVELOPMENT EXPENDITURE:	21.6	18.8	17.6	14.5	12.0	2.3	1.0	3.3	0.8	1.5	3.1 (b)	
BELOW-LINE A/cs (change in balance):	- 0.8	- 0.2	-	- 0.9	- 1.5	- 0.2	- 0.1	+ 0.5	- 0.1	+ 0.1	- 1.7	
(18) P.O.S.B.	- 0.9	- 0.4	-	- 0.5	- 1.0	- 0.1	+ 0.1	- 0.9	-	-	- 0.1	
(19) Other	+ 0.1	+ 0.2	-	- 0.4	- 0.5	- 0.1	- 0.2	(+ 1.7(a))	- 0.1	+ 0.1	(- 1.7 (a))	
								(- 0.3)			(+ 0.1)	
CASH BALANCES: (Closing)	+ 4.3	- 0.1	+ 3.0	- 3.5	+ 1.8	+ 0.3	+ 0.4	+ 3.6	+ 5.0	+ 4.1	+ 1.8	
(20) Local: (a) Main Bank accounts	+ 0.3	- 2.3		- 4.5	+ 0.4	- 2.9	- 2.3	+ 0.2	+ 1.8	+ 1.5	+ 0.4	
(b) Sub. Bank A/cs., till money etc.	+ 0.9	+ 1.3	2.6	+ 1.1	+ 1.0	+ 1.1	+ 2.3	+ 1.2	+ 1.2	+ 1.2	+ 1.0	
(21) London	+ 2.7	+ 0.5		- 0.5	- (c)	+ 1.7	-	+ 1.8	+ 1.6	+ 1.0	- (c)	
(22) Invested Surplus Balances	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	+ 0.4	

(a) Receipt (+) and repayment (-) of GIMPEX loan

(b) Includes reimbursement of Credit Corporation from receipts of IBRD loan

(c) This will be increased by the proceeds of any investments sold to cover net P.O.S.B. withdrawals

(d) Provisional: accounts not yet finalised

APPENDIX III

LEGISLATIVE ASSEMBLY

Thursday, November 21, 1963

STATEMENT BY THE MINISTER OF FINANCE

Dr. the Hon. Charles Jacob, Jr.

The Secretary of State for the Colonies, Mr. Duncan Sandys, M.P., presented to the Parliament of the United Kingdom earlier this month a Report (Command Paper 2203) on the reconvened British Guiana Independence Conference, 1962, which was concluded on October 31, 1963.

2. The full text of Mr. Sandys's statement to the three British Guiana delegations at the conclusion of the Conference was annexed to the Report to Parliament. In this statement, Mr. Sandys, speaking in relation to British Guiana, said: "the Government is insolvent" (Cmnd. 2203, H.M.S.O., London, page 7).

3. I am deeply concerned about the harmful effects a false statement of this nature can have on British Guiana, especially when it comes from a source that would be considered by most to be unimpeachable - a Minister of Her Majesty's Government in the United Kingdom.

4. The statement of Mr. Sandys that the Government of British Guiana is insolvent is utterly without foundation. There is no evidence to support it. I am, therefore, surprised and alarmed that for the second time in recent months the British Parliament has been deliberately deceived by a Member of the Cabinet - this time without apology thus far. I am left with no alternative but to conclude that Mr. Sandys's allegation, which is but an echo of one of the many malicious statements made by irresponsible elements in this country, is an attempt to justify before Parliament the "rigging" of the constitution against the Government Party.

5. There has never been a shadow of doubt that the Government would be able to meet the commitments of the territory as they become due. On this confidence in the power of a Government to pay its debts, rests the whole superstructure of governmental credit in any country. Anyone who irresponsibly shakes this confidence, whether for

political or other ends, not only attempts to bring discredit to the Government, but also inflicts grave damage to the country's credit, both internal and external.

6. I categorically refute Mr. Sandys's statement that the Government is insolvent, and I challenge him to prove his allegation.

7. The Government was able to meet its financial obligations on October 31 when Mr. Sandys made his statement, and has, indeed, at all times been able to do so since it assumed office in September, 1961, in spite of difficulties created by dissentient elements and the rising burden of debt charges due to high interest rates on Exchequer loans for development.

8. In British Guiana, Mr. Sandys's statement has been seized upon with alacrity by the opposition, and has been linked with a report and certain forecasts in it made by Mr. K.C. Jacobs, a Colonial Office official who visited British Guiana recently to assess the financial situation resulting from the recent strikes and disorders.

9. Mr. Jacobs's forecasts have proved to be wide off the mark, but even so, they do not show that the Government is insolvent. The forecasts were based on the prompt settlement of commitments due by the Government. The debit balances in the forecasts were calculated after allowance was made for all payments which the Government had to make. And it is important to note that even after this was done, the balances were well within the limit of the current overdraft facilities provided by the commercial banks. Consequently, according to the forecast figures, the Government was always in a position to meet its commitments by using its normal sources of finance. Upon what, therefore, if not upon Mr. Jacobs's figures, is Mr. Sandys's statement based? Rumour? Gossip? Malice? Perversity?

10. The Government is now in a position to compare the predictions made by Mr. Jacobs with what has actually occurred a few months after; and the situation has turned out very different from what it was predicted to be. For example, it was predicted that the deficiency in the cash balances of the Government at October 31 would be \$1.7 million. The actual position at October 31 was that there was a cash balance of \$4.66 million, \$6.36 million better than the forecast. Similarly, a deficiency of \$2.3 million was forecast for September 30. In actual fact, there was a cash balance of \$2.7 million at that time, \$5 million better than the forecast.

11. It is perfectly clear that the financial position of the territory is anything but one of insolvency, as stated by Mr. Sandys. Indeed, I have every confidence that the revenue yield will be substantially increased in the future by measures now being worked out to close avenues to the avoidance of tax by the fictitious pricing of certain imports and exports.

12. It is necessary to restate: the Government is not insolvent, as Mr. Sandys, the Colonial Secretary, reported to the British Parliament in Command Paper 2203; the Government was not insolvent when Mr. Sandys so stated to the Independence Conference on October 31; and the Government was at no time insolvent since it assumed office in September, 1961.

13. I am advised that, contrary to his own decision that the Jacobs Report would not be published, Mr. Sandys furnished copies of it to the two opposition delegations to the recently concluded Independence Conference. The members of one of these delegations included persons other than members of the Legislature.

14. Since newspapers hostile to the Government are suggesting, in defence of Mr. Sandys, that the report is being kept secret by this Government, I wish to inform the House that the Jacobs Report was made to the Right Honourable Duncan Sandys, M.P. - not to the Government of British Guiana. Suggestions or requests for its publication must, therefore, be addressed to Mr. Sandys and not to this Government.

15. The Secretary of State may have good reasons for restricting publication of the report to the political opposition only, but I have none. Indeed, the Government of British Guiana would welcome publication, in view of Mr. Sandys's statement to the Independence Conference and his report to Parliament that this Government is insolvent. This might help repair some of the damage already done to this territory by the publicity given to his false statement. I call upon Mr Sandys to publish the Jacobs Report.