



WILL TO SURVIVE

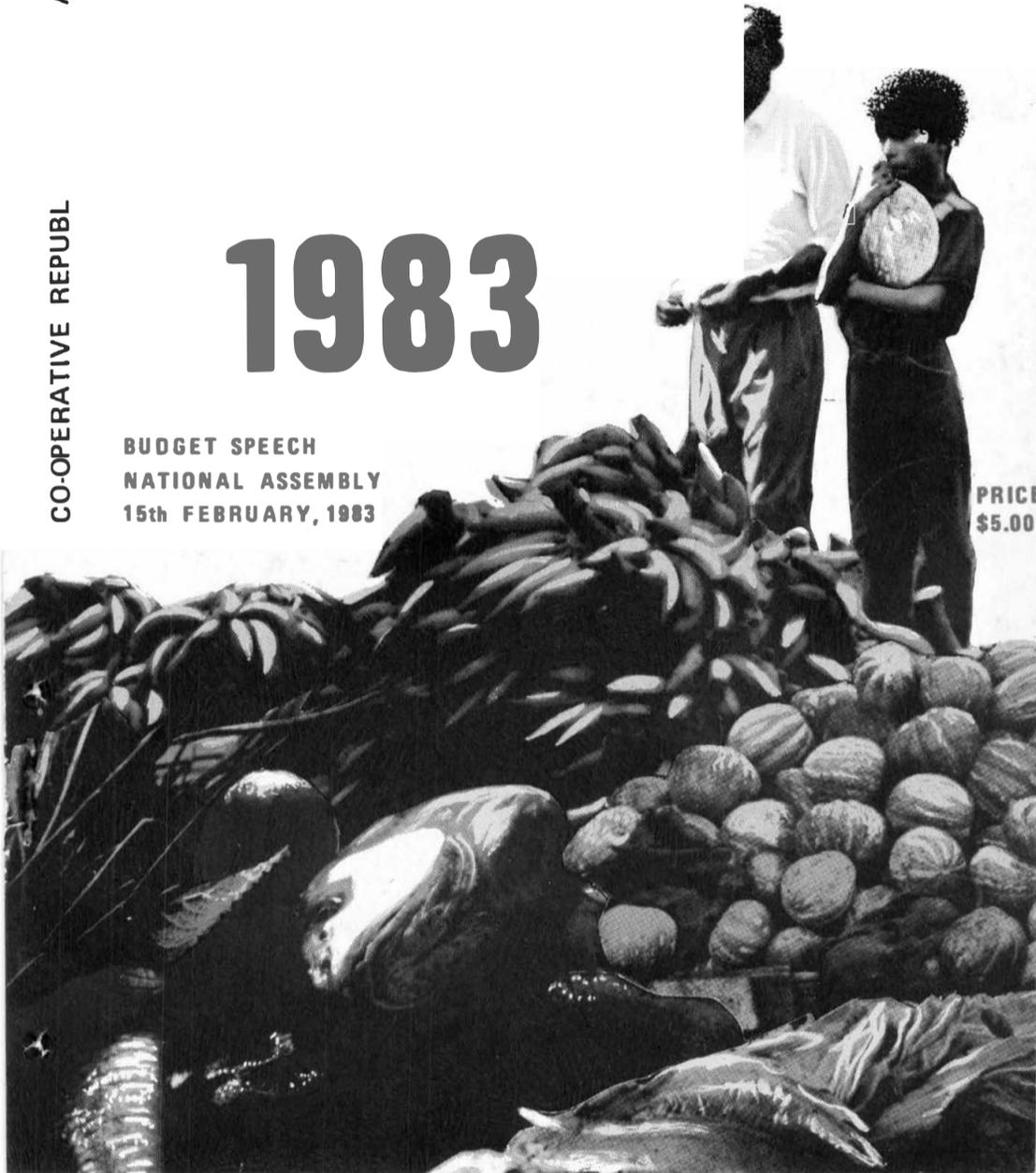
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BUDGET SPEECH

Cde. Desmond Hoyte, S.C., M.P.
Vice President, Economic Planning and Finance

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A. INTRODUCTION

Comrade Speaker,

I have the honour to present the nineteenth annual Budget of the People's National Congress Government.

This Budget Statement is designed to be a summary review of last year's economic performance and this year's prospects; but it will also identify the changes we will have to make in our economic structures in order to survive in a world which is becoming more unpredictable and more perilous.

The brevity of this statement is intended to be a reminder of the need to be economical in the use of both words and resources, as we confront the pressing problems which beset our country.

Essentially, we will be making proposals for the survival of our small nation, whose very existence, like that of most developing countries, is at risk in an international system made founderous by deep-seated recession and dangerous by the social tensions it has engendered.

The uncertainties inherent in this situation of necessity make it impracticable for us to make other than highly tentative predictions about the likely behaviour of our economy or to link our tactics rigidly to any forecasts. In such circumstances, our strategy for survival must include strong structural transformation of our economic and administrative machinery to enable us to respond to the variations of the economic environment; to emphasize production in the areas indicated by world market conditions and domestic requirements; and to ensure that all sections of our society are involved in the economic programme.

Accordingly, we must see this year's Budget as an indicative statement. It gives warning of what lies ahead if we fail to make appropriate structural and tactical adjustments, it signals the radical changes we are determined to make; and it outlines specific facilitating policies designed to underpin our programme for survival. This Budget, therefore, is an initial step in what is intended to be a

sequence of resuscitative activities which will derive from wide-spread consultations, and which will be closely monitored and readily adjusted in response to our changing situation.

These are the main thoughts which have informed our approaches to the Budget preparation and they have also determined the methodology used. I conclude this introduction by summarising the salient characteristics of our strategy for survival. These are:-

1. an unwavering emphasis on efficient production;
2. a major production and export drive centred on non-traditional agricultural and manufactured commodities, in accord with external market possibilities and our own food security needs;
3. the allocation of adequate resources to preserve the health and morale of our population and secure our territorial integrity, with all else committed to efficient production and export;
4. the creative pursuit of export initiatives, particular attention being given to the area of counter-trade.

5. the gearing and re-gearing of our corporate, administrative and regulatory structures to facilitate production and export in both the public and the private sectors, especially where productive activities correlate positively with the national objectives.

6. speeding up the process of devolution of authority to the regions, within the context of centrally adumbrated policy guidelines, to improve effectiveness of decision-making, facilitate the efficient use of resources and ensure accountability.

B. BUDGET METHODOLOGY

Within recent years, we have been adapting our methodology to ensure that the Budget became not simply a catalogue of numbers but a guide to action and a tool for development. This year, we refined the methodology further. We began the process of giving effect to those articles of the Constitution which confer upon socio-economic organisations the right and the duty to participate at a national level, in the task of economic decision-making and management. Consequently, the Budget Preparation Team circulated to the major participants in the economy documentation which outlined among other things, economic policy issues, governmental objectives and budgetary targets. The team invited them to discuss these matters, express opinions and criticisms and make suggestions and recommendations. Organisations which contributed to this dialogue were the Government Ministries, Public Sector Corporations, the National Congress of Local Democratic Organs, Regional Chairmen, the Trades Union Congress, the Georgetown Chamber of Commerce and Industry and the Guyana Manufacturers' Association.

The discussion with these various groupings proved invaluable in terms of informing the thinking of the Budget Preparation Team. They served to clarify

the directions in which the Central Government wishes to go and ways in which various sectors and interests can best participate in the task of development. This type of consultation and dialogue will be institutionalised in order to develop a tradition of national economic planning organised on the basis of close collaboration among the public and private sectors, the major socio-economic organisations such as the T.U.C., the local government institutions and the State Planning Secretariat.

It is our belief that, with this deepening of involvement, a closer harmony of understanding and action will result among the various participants who comprise the economic machinery.

Nevertheless, despite this consultative approach which included a clear statement of economic objectives and directions, we did not achieve a complete understanding by the whole of the public sector and a consequential adequacy of response. We have noted some areas of weakness which will have to be addressed with vigour and a sense of urgency. For example, the consolidated submissions of the public corporations indicated levels of capital expenditure and banking system borrowing which are untenable in our economic circumstances.

Thus, there is clearly a need for further programme adjustments in that group. As a result, the Budget has proposed performance criteria for the corporations that the Government considers reasonably desirable and achievable in all the circumstances. A readjustment of the corporations' programmes will be obligatory and will have to be pursued with immediacy once the overall targets and directions have been approved by this Honourable House.

This year, budgetary allocations have been used deliberately to achieve two interrelated policy objectives, the achievement of which is vitally necessary to the success of both short-term and long-term national programmes. The first concerns our continued development of the Regional system. Our view is that responsibility and accountability for implementing all but the larger national projects should devolve on the Regional administrations. They are on the spot and are best placed to monitor and ensure efficiency of implementation. The role of institutions at the centre is being changed progressively to one of co-ordinating, facilitating, advising and providing common core services which the Regions need not duplicate. Obviously, for this effort to succeed, we must strengthen the Regional administrations. This objective has been advanced by shifting financial

allocations and personnel away from the central agencies to the Regions.

The second objective is to divert current expenditure away from the bureaucracy of central administration into the more directly productive activities based in the Regions. This attempt is admittedly difficult for two reasons:- The first is of course the overall paucity of resources; and, the second arises from the fact that, the real success of these efforts will depend ultimately upon the creative restructuring of the central institutions which have a 'natural' tendency to retain their bureaucracies.

Accordingly, the indicative figures of the Budget represent an attempt to achieve these objectives while still allowing adequate allocations for the critical social services and those activities directly connected with the maintenance of our national security and integrity.

This method of approaching our economic problem has produced a package of policies which we regard as an indispensable adjunct to our thrust. The package will be discussed in the final section of this statement. However, it is best to highlight the stepwise nature of our intended application of these policies. Our own analyses have indicated

in respect of each of the policy initiatives, the advantages and drawbacks which require a nicety of judgment in assessing their likely net effects. In these circumstances, we have opted for an empirical approach. We will try out the policy, monitor its effects and determine the manner in which we should vary its applicability, if necessary. This method accords both with our pragmatic approach to the pursuit of our socialist objectives and with the need to be flexible in the prevailing conditions of economic uncertainty in the world in which we live.

C. ECONOMIC PERFORMANCE IN 1982

In 1982, the world's economies across the spectrum of ideological persuasion continued to slide downward in a deepening recession which in some circles was described as a 'depression'. Predictably, our economy with its openness, low domestic demand and structurally rigid dependence on the tripod of bauxite, sugar and rice found its own internal inefficiencies dwarfed but exacerbated by the sharp contraction of demand and the softening of prices for its traditional exports.

In 1982, export earnings from bauxite fell by about 33 per cent; sugar some 14 per cent and in the case of rice by almost 50 per cent below the 1981 level. In relation to the targets set in 1982, bauxite achieved about 54 per cent; sugar 84 per cent and rice only 50 per cent.

These three major exports, taken together, earned about G\$607 M. in 1982, a shortfall of G\$386 M. from the 1982 budget target, and a decline of G\$230 M. from the actual 1981 performance.

This depressed export performance denuded the overall economy of its capacity to import both goods for consumption and inputs for production - a serious setback which throttled production

performance in the public and the private sectors. Total imports of goods fell by 30 per cent from G\$1209 M. in 1981 to the inadequate level of G\$846 M. in 1982, some 27 per cent below the 1982 budget level of G\$1152 M.

The resulting shortage of intermediate and capital goods had at least two major disruptive effects: the progress of important capital projects was impeded severely, and strong stimulus was given to the 'parallel' market which trafficked in one fashion or another in a wide range of commodities.

The inadequacy of the standard data-gathering mechanisms to deal with economic aggregates in the presence of a very active parallel market is well-known. Economic activity takes place outside the accounting mechanisms of the system and estimates of the overall value-added become increasingly unreliable. That unreliability apart, it is clear that, Gross Domestic Product fell significantly - as opposed to the small 2.5 percentage increase which had been targeted at the beginning of the year

Simultaneously, the Government's attempt to pursue its development objectives and in particular to implement its capital programme was severely hampered. The shortage of building materials,

especially cement, brought many projects to a standstill or imposed stop/start inefficiencies. Cost over-runs necessitated reformulation and reduction of many others. Additionally, foreign inflows did not materialise as expected. Out of a total anticipated inflow of about G\$178.5 M. approximately two-thirds was realised.

The financial reflection of these occurrences was a decline in the net international reserves by G\$176.8 M and a build-up of external payment arrears of G\$147.4 M.

These bald economic aggregates do not, however, highlight all the main aspects of the problem. More important than the unsatisfactory performance was the clear warning given by the external stringencies that some of our economic structures were unresponsive to the radically changed circumstances and therefore inappropriate to the times.

It became clear, in the first place, that some major problems in the state enterprise sector had nothing to do with any alleged inherent inefficiency in the corporations themselves, but arose out of the way the sector is structured. In its ongoing efforts to impose a regime of efficiency and high-level performance on the public corporations, the Government commissioned a study of the state sector and,

on the basis of the report recently received, has taken certain policy decisions which are intended to correct the identified shortcomings and stimulate improved performance.

Then, too, given our current circumstances, our apparatus for allocating foreign exchange in support of export earning activities proved to be not sufficiently flexible to cope with the unusual situation which had developed in our economy.

Moreover, experience has shown that the chain of command through which our central institutions seek to co-ordinate and exercise control over major activities is too long and allows those who should be accountable to "delegate" their responsibilities upwards and otherwise evade responsibility.

And, additionally, the various shortages we suffered have highlighted the inadequacy of relevant research and development activity aimed at utilising local resources and maximising employment opportunities which would be provided by the use of such resources. Simultaneously, they caused the commercial possibilities of hitherto ignored local resources to be identified, but full advantage is yet to be taken of them. We need to motivate both our public sector and private sector entrepreneurs to be truly enterprising.

Perhaps, most important of all is the fact that with our very existence threatened we must now rely in a mature manner primarily on our own ordered efforts to survive in a hostile world environment. The developed nations are increasingly looking inward with decreasing dispositions to make financial transfers in the form of "aid".

D. THE 1983 THRUST

The overall objectives which we must continue to pursue can be encompassed in nine categories, all of roughly equal interdependent importance. These are: Nutrition; Health; Education; Housing; Recreation and Culture; Utilisation of Human Resources and Production Capacity; Income; Investment, and National Security.

We have to produce food sufficient in amount and nutritional variety to ensure the well-being of our population and, at the same time, deliver health care, at acceptable standards, under a system which makes such care available to the entire citizenry without reference to individual incomes. Similarly, equal access to education for children; the opportunity for workers to acquire their own homes; the creation of facilities for all people to have ample scope for personal development through recreational and cultural activities; these are, Cde. Speaker, policy objectives which we must endeavour to maintain.

We have to seek to deploy all available human and material resources to productive use, maintaining a balance between resources destined for direct production and those allocated for supporting services; and we have to be conscious of the

importance of using technology which is optimally appropriate. It is important that we achieve a discernible measure of fairness in the distribution of income, linking rewards to work and removing disincentives to greater effort. And equally vital is the need to gear our society to pursue, in a systematic way, production and saving activities which result in a continual increase in the society's capital stock as the basis for self-sustaining economic growth. But all of these things require social order and tranquillity. A necessary objective must therefore be to maintain internal peace, so that all citizens can be assured of their own security and that of their families and their personal possessions.

These are not new objectives; but it is important to reiterate our inflexible adherence to them as the basis of the just, productive and humane society we would like to build.

Given the prevailing market and other conditions in 1983, we cannot rely on either bauxite or sugar to provide the resources for achieving the norms we desire in the nine areas described above as the overall objectives.

Thus, although we have to expend effort and resources in resuscitating and restructuring these two major industries in anticipation of their future contribution, our policy in 1983 must involve reliance on the efficiency of other initiatives.

These initiatives have been clearly set out in two recent speeches, by the Cde. President, namely, his address to the first session of the Supreme Congress of the People on Friday December 10, 1982, and his New Year Message to the nation. The Cde. President outlined the course we have to take, based upon our understanding of the following principles:

1. that efficient maximum production of goods is the key to survival and revival;
2. that, in 1983, the rôle of agriculture is pivotal and inputs to agricultural activity must have the highest priority;
3. that an aggressive and imaginative export drive is necessary to finance the importation of those foreign goods and services which we need as inputs for production;

4. that one of the principal objectives in 1983 is to be self-sufficient in food at an individual level, and by projection at a regional level and a national level as well, bearing in mind that though no one person can produce all the food he needs, as a joint effort, national food self-sufficiency can be achieved.

5. that included in the agricultural thrust should be an emphasis on and support for production of rice, legumes, greens, plantains, root crops, edible oil (from coconuts, oil palm, cotton seed, wild palms and rice bran), fish, shrimp, animal protein, fresh and preserved fruits and vegetables. In all these, the objective should be to supply our own basic needs and export the surpluses, particularly to Caricom territories but also further afield;

6. that in the area of non-agricultural activities, there should be an emphasis on:

- a. the re-organisation and re-structuring of the gold industry;
 - b. mineral oil exploration;
 - c. textile production and export based on the operations of Sanata Textile Mill;
 - d. claybrick production particularly for export;
 - e. timber and wood products, and
 - f. pharmaceutical products.
7. that specific attention has to be paid to efficiency of energy utilisation. This arises from the fact that our fuel import bill for 1983 is estimated at about G\$360 million, so that even small percentage improvements in efficiency can yield very large savings in foreign exchange. A planned, concerted, monitored effort in this area is therefore of the highest priority;

8. that regional self-sufficiency is to be vigorously and imaginatively pursued, not only in food but also in commodities of everyday use, including energy sources. The aim is to identify and utilise optimally the resources native to each Region to satisfy that Region's internal needs, and to generate surpluses which could be exported from the Region to other Regions and other countries;

9. that in our choice of the sources of imports and markets for exports we should endeavour to promote trade with our Caricom partners. Additionally, in a wider sense, we should be alert to and seek to accept opportunities for countertrade.

E. THE 1983 TARGETS

The indicative figures for 1983 derive from an intention to put a brake on the slide of overall economic performance through a strategy of reliance on agriculture and manufacturing. Realism constrains us not to set too ambitious a target. Despite the faith which we have in the efficacy of the policies which we have proposed, we estimate that time lags are bound to occur.

Accordingly, we have aimed to hold Gross Domestic Product at slightly above the 1982 performance to achieve a level of G\$1274 million. This is to be achieved mainly through a 7.8 per cent rise in the contribution to the G.D.P. by the agricultural and forestry sectors, i.e. sugar, rice, other agriculture, livestock, forestry and fishing. Manufacturing is programmed to increase its contribution by at least 7.5 per cent.

The traditional sectors of bauxite and sugar are together expected to yield export earnings of G\$562 million, about 69 per cent of total 1983 merchandise exports, as compared with the 1982 proportions of 75 per cent. Total exports of goods and services are expected to rise by about 13 per cent to just under G\$900 mn., while the rate of increase of imports of goods and services

will be held to about 3.5 per cent thereby rising to G\$1243 M. Priority in imports will be given to the raw materials and capital goods required to support the programme.

The Central Government's capital programme for 1983 will be restricted to G\$311 million, a level deemed to be manageable in terms of the likely availability of foreign financing (approximately G\$237 million) and its relevance in terms of its concentration on agricultural development and activities supportive of agriculture.

On the side of the Central Government's current expenditure, this will be held to about G\$760 mn., while the revenue effort is targeted to yield G\$600 million.

We intend to reconfigure the activities of the Public Corporations to restrict the increase in borrowing from the banking system to about G\$60 million, some 30 per cent of the likely level of savings through the banking system which is estimated at about G\$200 million.

We expect that this type of internal effort, together with the longer-run benefits which should flow from the specific facilitating policies

described in the following section, will form an adequate basis for a formal rescheduling of our external debt and for the kind of balance of payments support which will complete the financing of the balance on current account.

F. SPECIFIC FACILITATING POLICIES

The specific facilitating policies which we propose arise out of our analysis of the economic system which we are operating, that analysis having had the benefit of pre-budget dialogue with the representatives of the major participating segments of the economic machinery. It is our view that the Budget targets set can be met and surpassed if these policies are speedily implemented, and if the potential beneficiaries seize the opportunity and react with enthusiasm.

The policies cover the following categories:

1. Policies designed to stimulate greater efficiencies in the existing system by closing obvious loopholes;
2. Policies designed to bring about structural changes in the existing system and allow the pursuit of efficiencies in the areas of production and export;
3. Policies designed to remove disincentives to individual and corporate earnings;
4. Policies designed to provide incentives to individual and corporate saving;

5. Policies designed to enhance the co-ordination of planning and plan implementation;
6. Policies designed to enhance revenue collections to support the thrust.

Category 1. Policies designed to generate efficiencies in the existing system by closing obvious loopholes.

In this category is a set of measures designed to improve tax collection efficiency by restricting the incidence of tax evasion and increasing the penalties for tardy compliance with the law. They include:

- a. substantial increases in the penalty rates of interest for late payments of Income Tax, National Development Surtax and Estate Duty;
- b. restrictions on the amounts which individuals can donate from their personal incomes to approved charitable organisations and legitimately claim as tax deductible. Some individuals have been donating their full incomes to organisations classified as charitable while these

organisations have in turn fed, clothed, and housed them and even provided them with luxuries.

- c. revisions to inhibit the avoidance of the payment of withholding tax on deemed distribution by the technique of investing in short-term securities which mature within a year.

Category 2. Policies designed to change structurally the existing system to allow pursuit of efficiencies in the areas of production and export.

This category comprises initiatives which include the following:-

- a. restructuring of the Guystac group of corporations to achieve improvements in financial performance and overall efficiency and weld them into an economically vibrant grouping. The restructuring will include the closure of some corporations, mergers and joint ventures where such joint action presents clear technological, marketing or other economic advantages. The general scheme will provide corporations with a

constrained operating autonomy through the device of performance contracts which will hold their management accountable for and will link their remuneration to corporate performance.

- b. Special measures for the resuscitation of the Bauxite Industry. Shortly the Industry will be signing contracts with one or more major transnational corporations to do studies to establish the steps required for its resuscitation and long-term viability. These studies, which are expected to take about three to four months from the date of signing, will be the basis for determining the form and content of the marketing and production management arrangement which the industry might require for its revival.

- c. Reconfiguration of Ministries. Pursuit of the Regional thrust will result in the transference to the Regions of a number of the functions and the staff associated with implementation of projects in the Regions. The opportunity will be seized to rationalise the Ministries which will perform the common core services for the Government system.

d. Instituting a system of foreign exchange accounts to facilitate the importation of needed spares and inputs by operations in selected sectors which are pivotal to the export thrust and whose performance clearly accords with the policy objectives. The underlying principle will be the automatic allocation of a proportion of their export earnings for the import of needed spares and inputs. These arrangements, which we are programming to be in place by the end of March, will bolster initiatives already being taken to support manufacturing industries through the devices of the Export Development Fund, the Export Promotion Council, the Industrial Development Council, the Industrial Recovery Programme to be financed by the Inter-American Development Bank and special lines of credit being established on a Government-to-Government basis. These devices will reinforce the concessions recently given to the manufacturing sector by way of remission of consumption taxes on imported inputs for the production of goods for export. The sectors which will attract initial attention will be Gold, Forestry, and Manufacturing. The assistance will be aimed at both private

and public sector entities operating in these sectors.

Category 3. Policies designed to remove disincentives to individual and corporate earnings

With respect to individual earnings it is proposed to ameliorate the effects of the incidence of income tax by instituting the following devices:

- a. Raising the exemption limit of G\$500 per annum of chargeable income to G\$1,000 per annum.
- b. Putting a ceiling of 50 per cent on the average rate which an individual pays as income tax on his total chargeable income. This avoids the open-ended application of the high top marginal rate of 70 per cent on an individual's chargeable income.

Category 4. Policies designed to provide incentives to individual and corporate saving.

These changes will include the following:

- a. Revising the valuation date for property tax purposes from 1 January, 1956 to 1 January, 1981, and increasing the exemption rates for certain personal assets to bring them more in line with current market valuations. It is also proposed to amend similarly the Capital Gains Tax Act.
- b. Instituting schemes to allow tax deductible contributions to be made from personal income for specified categories of saving. The three categories under consideration are: savings for individual retirement income; savings for house building or home acquisition; and savings based on deferred income. In each case the applicable principle will be that of giving a tax benefit to the individual for the act of choosing to save his income for specified periods of time and for specified purposes. These schemes should be operable from the second quarter of 1983.

- c. Making a special provision by which holders of Government securities can choose to reinvest their principal and interest payments in two-year securities at attractive interest rates. These two-year securities will be available only to investors who have first invested in the Government securities and only amounts accruing as principal or interest can be invested in them.

Category 5. Policies designed to enhance the co-ordination of planning and plan implementation.

These policy initiatives involve essentially the establishment of standing arrangements designed to ensure a continuity of discussion and monitoring of the major aspects of the country's economic performance. These institutional links will involve the TUC, the Private Business Sector and the Local Democratic Organs.

Category 6. Policies designed to enhance revenue collections to support the thrust

The rates of excise duties on beer, ale and stout will be increased with immediate effect by \$9.60 per liquid gallon to a new level of \$18.00 per liquid gallon. The consumption tax on cigarettes, aerated and alcoholic beverages excluding rum will also increase to \$67.00 per kg., 10 cents per bottle and to \$24.15 per proof gallon respectively. The Travel Voucher Tax will increase from thirty per cent to fifty per cent of the fare for the journey to be undertaken by a traveller. It is estimated that these new measures should yield an additional \$48 million during 1983.

G. CONCLUSION

Cde Speaker,

This budget is intended to chart a course for dynamic aggressive action. It is a measured response to the difficulties and problems which beset us in these troublous and disquieting times. While we would be foolhardy to underestimate the magnitude, the complexity and the dangers of these problems, we would serve ourselves ill, if, on the other hand, we were to rush precipitately into the slough of despair.

We are not a passive people who readily succumb to difficulties. We are possessed of strong moral fibre. We survived 1982 - and that was a great achievement

There were those who in their arrogance, if not stupidity, had predicted our demise in that year; but they can never understand the resilience, fortitude, and ingenuity of the Guyanese people. Undeterred by their failure as soothsayers they continue to prophesy; but the date of our disappearance as a Nation has become a moveable feast. In their efforts to make their prophecies self-fulfilling, they have intensified their efforts to corrupt and subvert our senior functionaries. But their attempts to create dissensions in our society

and undermine public order will continue to fail, because they cannot recognise a simple truth, namely that the Guyanese masses are a proud people who cling tenaciously to their human dignity and have no intention of ever submitting themselves again to the colonial yoke.

Because we place a transcendental value upon our human dignity, we will continue to maintain our integrity as a free people, pursue our own path to development, and continue to strive unwaveringly to organise our society on those principles of social justice for which there is an overwhelming national consensus.

We pursue this ideal of a just society, even as we struggle for survival; because, for us, survival is not an end in itself but a necessary condition for the process of national development. We have now set our course. Let us follow it resolutely with courage and confidence and above all, with that priceless Guyanese virtue of good humour.

There cannot be any doubt about it. We will survive, not because of any accident or fortuitous circumstance, but because we as a proud and independent people, individually and collectively, have the WILL to survive.