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**BUDGET SPEECH**

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**28th March, 1990**

# C O N T E N T S

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**THEME: LAYING THE FOUNDATIONS FOR GROWTH  
IN THE 1990s**

## **A. INTRODUCTION**

## **CHAPTER 2**

### **1989 TARGETS, INSTRUMENTS AND PERFORMANCE**

#### **A. TARGETS AND INSTRUMENTS**

#### **B. HIGHLIGHTS**

- (i) Characteristic Features of Adjustment Process
- (ii) Monitored Agreement
- (iii) Performance of the Economy Under the Economic Recovery Programme
- (iv) Debt Rescheduling
- (v) Social Impact Amelioration Programme
- (vi) International Monetary Fund Targets

## CHAPTER 3

### GENERAL OBSERVATIONS AND PROBLEM AREAS:

.

- A. EXCHANGE RATE MECHANISM
- B. TRADE AND PAYMENTS LIBERALIZATION
- C. INCOMES POLICY
- D. DIVESTMENT
- E. DONOR ASSISTANCE
- F. SUPPLY SIDE PROBLEMS/PRODUCTION RESPONSE

## CHAPTER 4

### 1990 POLICIES

- A. MONITORED AGREEMENT: REMAINING STEPS AND BOTTLENECKS
- B. PROBLEMS TO BE ADDRESSED:
  - (i) Fiscal Gap
  - (ii) Exchange Rate Regime
  - (iii) Lifting Supply
- C. PUBLIC DISCUSSION AND DIALOGUE
- D. ISSUES PERTAINING TO PUBLIC DIALOGUE

- (i) Wages Policy
- (ii) Divestment
- (iii) Consumption Tax Regime
- (iv) The Role of the Private and Public Sectors in the Economic Recovery Programme
- (v) Commission

## CHAPTER 5

### PROJECTIONS: 1990

- A. SECTORAL AND OVERALL GROWTH TARGETS
- B. BALANCE OF PAYMENTS
- C. MONETARY
- D. FISCAL
- E. PUBLIC ENTERPRISES
- F. INVESTMENT
  - (i) Public Sector Investment Programme
  - (ii) Private Sector

# 1990 BUDGET SPEECH

March 28, 1990

**THEME: LAYING THE FOUNDATIONS FOR GROWTH  
IN THE 1990s**

## **A. INTRODUCTION**

Comrade Speaker, I rise to move the Motion for the approval of the Estimates of the Public Sector and the Budget for 1990. I should like to begin with some general observations of short compass aimed at providing a conspectus of the international environment within which this Budget has been fashioned.

For the developed countries, lower levels of growth in the 1990s than in the previous decade might reasonably be expected. The limited trickle-down of the benefits of the international economic growth is now widely recognised. This is partly attributable to structural changes in the global economy and, in the patterns of consumption and the efficiency of production in the developed countries. Efforts to maintain or restore economic balance in the developed countries of the West, and in particular, the more active use of interest rates and lax fiscal policies, have contributed to dampening the demand for the traditional products of countries such as ours. The prospects for the Third World growth in the 1990s remain dependent on the outcome of a variety of initiatives.

The changes taking place in Eastern Europe, the creation of a Single European market after 1992, and the developments within the Uruguay Round of GATT merely reinforce this fundamental change in international economic ethos and thought. We ourselves are party to efforts aimed at strengthening a regional common market and promoting the establishment of regional enterprises capable of surviving in an increasingly competitive environment.

The liberalization of trade in agricultural commodities and services which can be expected to take place either within or outside of the GATT framework in the coming years, makes it imperative that the traditional producers in the region, such as sugar, restructure themselves urgently in order not to be made redundant by the changes.

Concerns about the environment are giving rise to new initiatives. Many of these are exciting and relevant to a world which has the capacity to inadvertently destroy the very basis of its existence. The environmental thrust however, needs to be carefully pursued lest some members of the Global Village, in their quest to preserve their own and their progenies levels of living, simply seek to freeze the economic changes and levels of development in countries such as ours. Guyana's contribution to this dialogue between users and abusers of the environment has been set out by the Comrade President in the initiative outlined to the last Commonwealth Heads of Government Conference in Kuala Lumpur, Malaysia.

The economic problems of the international financial system, such as the debt crisis, have also stimulated new and

innovative thinking.

The impact of some these changes will be positive for countries such as Guyana. But whether they will be significant enough to offset the consequences of lower anticipated growth in developed countries is difficult to say. Our own responses and economic arrangements have a part to play. In this sense, it is hazardous to speculate about the prospects of the Caribbean and Latin American region growth exceeding the 1.7 percent per annum experienced during the period 1980 to 1988.

The wind of liberalization and market-mindedness which is blowing across the international economic globe brings with it changes in attitudes towards the need for, and the form of economic assistance to be provided to developing countries. The sources which have over the years provided official development assistance will give way to non-governmental organisations. The speed and the extent to which the international community can be expected to respond to the needs of countries and crises will probably decline as we approach the twenty-first century.

We of course, look forward to some of these initiatives yielding policies which enhance our own position economically, and perhaps provide the wherewithal for more rapid economic growth. In view of the relatively slow rate of acceptance of such rethinking however, and the wish of our populace to enjoy positive and rapid rates of economic growth, it is incumbent upon us to carefully fashion our own economic strategies and tactics so that the pace of economic development of Guyana can be determined essentially, domestically, notwithstanding the vagaries of the international economic

environment.

This then is the charge and challenge with which future Budgets will have to grapple. ;

## CHAPTER 2

### 1989 TARGETS, INSTRUMENTS AND PERFORMANCE

#### A. TARGETS AND INSTRUMENTS

The targets of the Economic Recovery Programme were set out in last year's Statement. In summary, the programme aims to rapidly resuscitate the productive capacity of the economy; to lay the basis for the sustained development of output and real incomes; and to restore our standing with the international financial community.

In order to achieve the objectives, the following measures were to be employed during the first year of the ERP:

- a. a flexible exchange rate policy;
- b. market-oriented pricing and tariff policies;
- c. phased abolition of foreign exchange retention scheme;
- d. liberalization of the import and foreign exchange licencing systems;
- e. restriction on public corporation expansion;
- f. rationalisation of the Central Government;
- g. administrative policy reforms: strengthening of the budget procedures; the establishment of a tax unit.

## B. HIGHLIGHTS

### (i) Characteristic Features of Adjustment Process

Comrade Speaker, as I had anticipated, the 1989 Budget generated a considerable degree of debate. In the conclusion of that Budget statement, I observed that the Budget was controversial and that it contained tough measures that would have wide spatial and temporal consequences. In keeping with that observation, that Budget, more than any other in the preceding twenty-three years, fostered a high degree of public debate and review. Let me hasten to add that this is a welcome and important development. For my own part and for that of the economic managers, we would like to see the quality of these commentaries improve. Frankly, a considerable portion of the initial response was either ill-informed or reckless. I draw your attention to supposedly technical analyses which attempted to impugn the quality of the policies by contending that they were fashioned by foreigners.

Many commentators overlooked the fact that an Economic Recovery Programme of the type that we have fashioned, being the product of both multi-sided negotiations and multilateral contributions, will inevitably be complex and delicately balanced. What this means Comrade Speaker, is that it is meaningless and naive to look for a point in time when one can simply say that the entire financing package is in place. The programme should be seen as analogous to the restoration of a crushed limb. The first step would be to stem the haemorrhage. Then one can turn to setting the bone, dealing with nerves, and so on. Clearly, multiple

operations would be involved and before the entire process is complete, some areas will have to be revisited. In the case of the ERP, the very first step is to stabilize the economy. Having stabilised it, attention could then be directed to less critical areas in a phased manner. Whilst the stabilization is taking place some of the potential producers will encounter severe difficulties. Some may even go under. This, Comrade Speaker, is not a reflection of an inept Government or of bad policy, but of limited resources in the face of chronic economic imbalances. Priorities have to be established and resolutely and systematically pursued in stages.

It was always recognised and acknowledged that the process would be protracted and painful. Indeed, the Report of the Commonwealth Advisory Group concludes that despite all misgivings Guyana should carry through with the ERP, "toughing it out through what are certain to be periods of hardship, difficulty and criticism".

The fact is, however, that the pre- ERP decline which the economy was experiencing is both visible and harsh and each day that it continued made the prospects of recovery more dim and distant. In order to minimize the burden of adjustment, the Government of Guyana sought the assistance of the international financial community. The specific objective of the intervention would be to help speed up the adjustment process, by supplementing domestic savings with foreign inflows; to help restore the country's international creditworthiness; and to secure resources for the implementation of a Social Impact Amelioration Programme (SIMAP).

(ii) Monitored Agreement

The ERP formulated by Guyana and announced in the 1989 Budget Statement was reviewed by the Executive Board of the International Monetary Fund (IMF) on 28th April, 1989. The Board concluded that the Programme satisfied the Fund's requirements for support. Guyana was the first country to meet the conditions established by the Interim Committee of the IMF under the new debt strategy. In the words of a member of the IMF Board, Guyana "had established a record of co-operation with the Fund; it had undertaken various economic reforms; and it was ready to implement a comprehensive adjustment programme, which, but for the arrears, would have been supported by Fund resources". The Board agreed to provide SDR 115.6m of resources to Guyana over a three year period provided that Guyana:

- a. cleared its arrears to the institutions (IMF, IBRD, CDB);
- b. performed satisfactorily under the Programme; and
- c. agreed on a specific Programme for the post-1989 period.

The strategy, termed the Intensive Collaborative Approach, aimed to deal with the problems of countries that have accumulated large and protracted arrears to the Multilateral Financial Institutions. Under this arrangement the Support Group committed itself to the mobilisation of about US\$96m over the period of adjustment. The IBRD and CDB indicated their willingness to provide US\$65m and US\$35m respectively, by way of Structural Adjustment Credits (SACs).

Complementary assistance was also to be provided by way of rescheduled interest

relief on debt. In this regard, the contribution of Trinidad and Tobago is worthy of special mention for as Guyana's largest creditor and a developing country, the Government of Trinidad and Tobago led the way, literally and figuratively in January 1989 by agreeing to extend to Guyana very favourable terms, worth some US\$53.1m. The contribution of Trinidad and Tobago was supported by that of the other members of the Caribbean Multilateral Clearing Facility (CMCF). The value of their assistance was roughly US\$7.3m.

After presentation of the 1989 Budget it was necessary for the Government of Guyana to negotiate or complete discussions on the following matters

- a. Paris Club rescheduling;
- b. bilateral debt rescheduling;
- c. bilateral flows of cash and commodities;
- d. full implementation of the measures set out in the 1989 Budget.
- e. clearance of the pre-March 1989 arrears.

Needless to say, these were Government's responsibilities as was the successful achievement of the Programme. We embarked on the Programme with this understanding. As guinea pig for the internationally sanctioned approach, we have been all too painfully aware of the extent to which a large number of issues had not in fact been fully finalized or adequately dealt with. In a sense we were required to adjust on the run - modifying, refining and improvising as the circumstances dictated. In that sense, it is clear that no one could have anticipated all the difficulties encountered and therefore could not have had answers to all

eventualities.

We have kept faith with our commitments. The exchange rate was devalued by 70 percent in US dollars terms.

Foreign exchange retentions were reduced.

The Prime rate was increased from 14 percent to 35 percent. As a consequence, interest rates now range from 30 to 41 percent. The commercial banks have been required to maintain their liquid assets to at least the levels of in March, above the legal minimum prevailing at that time.

The Government has gone beyond its commitment and has broadened its divestment programme.

Agreement was reached with the Paris Club for the rescheduling of some of Guyana's debts.

An agreement has been signed with the British Government for a study on the rationalization of the Public Services. Similarly, an interim review of the present budgetary procedures is currently underway, with the aim of seeking ways to tighten control over resources and expenditures, and so, ultimately, over the level of borrowing.

Finally, certain taxes were converted from a specific to an ad-valorem basis.

(iii) The Performance of the Economy  
under the Economic Recovery  
Programme

The value of output in 1989 was about 5 percent below that of 1988.

Whereas the value of sugar produced fell only marginally, despite the strike, that of mining and quarrying has shown the largest fall of any sector in the economy, declining in real terms by 26 percent. The value of manufacturing output declined by 10.8 percent. The only noticeable exception to this picture has been the output of rice, which increased by 9.5 percent. The improvement was, however, less than the 18.7 percent increase projected.

Not surprisingly, export earnings have mirrored poor production during the year.

<u>VALUE OF EXPORTS</u>	<u>PROJECTED</u> (\$M)	<u>ACTUAL</u> (\$M)
Sugar	2819	2247
Rice	600	367
Bauxite	3227	2007

All three of the country's major exports earned less than targeted. Sugar fell short by 20 percent. Despite a promising performance in the first half of the year, the value of rice exports was 39 percent below target. Bauxite was 38 percent short of its target.

The disappointing production figures and the lower than expected earnings from sugar and bauxite are reflected in the current

account of the balance of payments, which deteriorated when compared with 1988. However, this deterioration was less than that budgeted because our imports of critically needed inputs, including fuel, were curtailed.

It was expected that the devaluation would cause a sharp rise in prices. This took place immediately after the devaluation. Due to tight monetary and fiscal policies, it has not triggered a price spiral, and if anything, prices rose more slowly after April. The rises, were however, greater than those projected in the Monitored Agreement.

The Government was of course especially concerned about the rise in price of certain essential goods; the retail price of rice for example, rose by 224 percent in the first two months after devaluation, and that of cooking gas by 244 percent.

The adverse consequences of the decline in real wages have been most noticeable in the public sector. The most visible reaction to the consequences was of course the strikes in the bauxite and sugar industries

The main focus of Public Sector fiscal policy was to reduce the deficit by restricting expenditures, increasing revenue collection and increasing the profitability of, and transfers from, the public corporations.

The plans to 'restrict the current operating expenditures of the Central Government to \$5150m were, on the whole, successful, with actual expenditures only totalling \$3916m. This was largely achieved by the accumulation of arrears with respect to the servicing of external debt. However, a proportion of the savings on interest

payments arose out of the rescheduling agreements concluded in 1989. Additional arrears have unfortunately built up on some of the Central Government debt. External debt service as a proportion of current expenditure fell from 30.7 percent in 1988 to 20.8 percent in 1989.

Expenditure on most of the employment and other costs exceeded the budgeted provision. Current expenditures in 1989 were 82 percent above the 1988 level of \$2149m, with expenditure on employment and other costs increasing 98 percent above the 1988 figure of \$1306m. However, while it appears that in real terms, these expenditures are below those of 1988, it is clear that the government was unsuccessful in its effort to reduce non-interest current expenditures from 37 to 33 percent of GDP. Excluding the \$334m transfer to GEC, which was in any case \$49m, less than that anticipated in the last Budget, the outturn was 43.7 percent.

Current revenues rose from \$1723m in 1988 to \$3191m. Given the inflation experienced over the year, it is evident that the real value of these revenues declined relative to 1988. Most of this fall can be explained by Special Transfers which at \$225.3m were substantially less than budgeted. Despite the poor performance of the official economy in 1989, collections by both the Inland Revenue and Customs and Excise Departments represent an improvement on 1988. Collections by the Inland Revenue Department exceeded projections.

The net effect of these levels of expenditures and revenues was that the Central Government incurred a current operating deficit of \$725m in 1989, a deterioration of 70 percent on the 1988 deficit of \$426m.

The planned improvement in the financial and physical performance of the public enterprises was unfortunately thwarted during 1989.

The beneficial impact of the measures implemented in 1989 was offset in part by industrial disruptions during the second quarter of 1989 and led to the revision of both the production and financial targets. In general, the public enterprises encountered the usual production bottlenecks, scarce foreign exchange and a lack of adequate technical and managerial skills. Natural factors (weather and over-age canes in the case of GUYSUCO; equipment unavailability as well as delayed mining schedules in the case of GUYMINE) also served as effective constraints.

Output of exporting enterprises fell to unprecedented levels. As a result, export revenues were 5 percent below the revised budget, amounting to some \$5,866m. This, together with the 13 percent shortfall in revenues earned domestically, resulted in the total revenues from their current operations amounting to \$9,693m, 8 percent below the revised target for 1989.

Notwithstanding the lower level of production and tighter financial discipline, current expenditures were 0.1 percent higher than the revised target, amounting to \$9,707m.

The public enterprises generated an operating deficit of approximately \$14m. However, if the loss on devaluation amounting to some \$1764m is discounted, the operating surplus generated was approximately \$1750m. This level of surplus represents an

improvement of 1 percent over the revised target for 1989 computed in a similar fashion. Several corporations, including Guyana Electricity Corporation (GEC), Guyana Airways Corporation (GAC) and Guyana Fisheries Limited (GFL) managed to generate lower than budgeted operating deficits, somewhat attenuating the considerable decline in their financial performance.

Capital investment experienced a 27 percent shortfall. The largest programmes were associated with the Guyana Mining Enterprise (GUYMINE) (\$573m), Guyana Electricity Corporation (GEC) (\$201m), Guyana Sugar Corporation (GUYSUCO) (\$333m), and Guyana National Printers Limited (GNPL) (\$21m). These programmes were financed in the main from external sources through loans and suppliers' credits. Implementation of many programmes was hamstrung by lengthy procurement procedures employed by the international funding agencies, as well as, the enterprises' inability to complete the relevant documentation in a timely manner.

Local bank borrowing by the public enterprises was approximately 54 percent lower in 1989 than in 1988. Short-term financing for the activation of countertrade arrangements and to smooth-out fluctuations in liquidity was severely constrained. As a result, enterprises held lower stocks than usual and this will no doubt impinge on their revenue generating capability in 1990.

However, the enterprises' contribution to national savings in 1989 considerably exceeded that of the previous year. Payments of corporate income taxes and dividends amounted to \$313m and \$306m, respectively, as compared with the revised targets of \$322m and \$77m, respectively. When account is taken of the enterprises' investment

expenditures as well as special unrefunded transfers to the Central Government of about \$45m, the public enterprises generated an actual cash surplus of \$473m in 1989.

The 1989 public enterprise programme also included restructuring and divestment.

During 1989, the UNDP/UNIDO Technical Assistance to the Public Corporations Secretariat (PCS) was focused on the following:

- a. the further design of a management information system for the PCS;
- b. the presentation of a diagnostic study for the Guyana Airways Corporation;
- c. the presentation of a diagnostic study and market survey for the Guyana National Engineering Corporation;
- d. the management of the divestment programme.

By the end of 1989, the design of the management information system had been completed and implemented and additional equipment, including a standby generator, had been procured. The diagnostic studies for the Guyana Airways Corporation and Guyana National Engineering Corporation have also been completed and the reports submitted to the Public Corporations Secretariat. The market study for Guyana National Engineering Corporation is currently being compiled. A consultant has been retained to provide ongoing technical support to Guyana Airways Corporation.

In recognition of the need for greater emphasis on the divestment programme, a

short-term consultant was retained to advise on the establishment of the Divestment Unit within the Public Corporations Secretariat. The consultant's report, as well as the a framework for the divestment programme, has been submitted and a new technical assistance project has been requested from UNDP/UNIDO.

In view of the extensive public debate on the subject I would like to devote a few words to the issue of Divestment. The Government has been using this term to cover the reduction or elimination of government ownership of an enterprise. By the end of the year, the Guyana National Trading Corporation (GNTC) had been added to the list of ten companies identified for divestment. The government also initiated discussions aimed at securing foreign participation in the Guyana Sugar Corporation (GUYSUCO), Guyana Mining Enterprise (GUYMINE) and the Guyana Telecommunications Corporation (GTC).

These enterprises were finding it increasingly difficult to sustain a competitive advantage in their spheres of activity. Divestment is aimed at making the particular enterprises vibrant and to help the enterprise maintain a competitive advantage. The reflection of our inadequacy on this front is the poor returns to investment in the enterprise. Vibrancy advantage turns on access to relevant information, innovative management and technologies. These might be most easily facilitated by the establishment of joint ventures or strategic alliances, if you prefer.

The pace of divestment has been slowed by insufficient technical personnel to undertake the various tasks. The process has also been lengthened by the Government's concern to secure safeguards about the future

of the divested companies and the interests of workers . Although only the sale of Guyana Timbers Limited was completed in 1989, the groundwork for some others, such as Guyana Telecommunications Corporation, Guyana Fisheries Limited, Guyana Nichimo Limited and the National Paint Company, has been laid and will be completed by mid-1990.

Joint studies were initiated to determine the current state of and the nature of the participation required for, the Guyana Mining Enterprise and Guyana Sugar Corporation. The reports on these studies are expected by mid-year. The Government is in receipt of expressions of interest for participation in the Guyana Electricity Corporation and the Guyana Airways Corporation.

In the last analysis, the litmus paper test of the effectiveness of divestment must be the quality and quantity of the service supplied. In addition the contribution of the entity to national savings must loom large. A divested entity should contribute at least as much to national savings as the wholly-owned Government entity. This is to be regarded as a floor above which the new entity has to perform. This means that the divestment process is not to be seen as a device for granting exceptional fiscal concessions.

#### (iv) Debt Rescheduling

On May 24, 1989, the Government of Guyana signed an Agreed Minute providing for debt relief to Guyana through the reheduling or refinancing of our external debt arrears as at December 31, 1988 and debt service payments falling due between January 1, 1989 and February 28, 1990.

Guyana requested the maximum terms feasible in view of the fact that it was amongst the world's most seriously debt-distressed. At the end of some protracted negotiations, we secured terms which, although falling short of our request for Toronto terms, were more concessional than had been offered to any country outside of Africa's Sahel region.

Basically, the terms for the two main categories of debt are as follows:

	MORATORIUM	MATURITY	RATE OF INTEREST
	(yrs)	(yrs)	(%)
medium and long term	10	20	con- cessional
short-term, commercial, including credits, and arrears	5	10	appro- priate market rate

So far, agreements within that framework have been signed with the following countries:

- Federal Republic of Germany - Main Agreement and Implementing Arrangement signed.
- United States of America - Main bilateral agreement signed. Implementing Agreements with several US agencies to be signed.

- France - Main agreement signed. Letter of application to be submitted.
- Canada - CIDA loan agreement signed. Since then Canada has announced the forgiveness of the outstanding bilateral debt of approximately C\$37.5mn.
- United Kingdom - Agreement with ECGD signed. Official bilateral debt agreement still to be submitted.
- Brazil - Bilateral re-scheduling agreement signed.
- Sweden - Rescheduling Agreement signed.

Our assessment is that these terms, although generous, left us unable to service the rescheduled debt when due account is taken of the likely finances to be made available. In fact, projections are showing debt service absorbing as much as 70 percent of merchandise earnings in 1990.

(iv) Social Impact Amelioration Programme

The Government, in the 1989 Budget Statement, clearly recognised that the

poorer section of society would be vulnerable to the adverse consequences of the ERP's demand dampening measures. The Social Impact Amelioration Programme (SIMAP) was therefore formulated to cushion the sharp fall in real income. Unfortunately, external funding for the SIMAP was not available at the start of the Economic Recovery Programme, as was promised. As a result, the Government committed itself to making available out of its own limited resources, the equivalent of US\$2.0m to allow an emergency programme to commence.

The Emergency Relief Programme took the form of cash supplements for old-age pensioners and recipients of public assistance, as well as cash payments to needy pregnant and lactating mothers and children below the age of five years. Pensioners and recipients of public assistance received cash supplements of \$95.00 and \$47.50 per month, respectively, while each pregnant and lactating mother and each child benefited from cash payments of \$147.00 per month. In 1989, over \$17.5m was paid out in emergency relief to some 80,000 beneficiaries.

The Emergency Relief Programme has posed logistical problems, particularly for the health sector and in relation to the hinterland. Consequently, payments lagged significantly behind schedule. Further, because of the sudden gravitation of vulnerables to the health clinics, there has been a resultant increase in beneficiaries from 80,000, as was originally projected, to some 135,000. Whilst this is not an undesirable development, it does add to the cost and administrative burden of the programme.

The pension supplement aspect of the programme was able to capitalize on the

agency function performed by the Guyana Post Office Corporation. The payment of old-age pension and social assistance benefits has therefore been relatively smooth and on target.

In the course of 1989, an Administrative Unit was established for SIMAP.

The Inter-American Development Bank (IDB) is processing a loan of US\$14.3m for social and physical infrastructural projects (as well as institutional strengthening of the SIMAP Unit) aimed at relieving the plight of the vulnerable. This should be approved in the latter part of the year.

The European Economic Community (EEC) has already provided, under SIMAP, the sum of \$4m out of a pledge of \$15m from counterpart funds accruing from the sale of wheat flour.

Italian support to the programme was provided by way of rice which arrived in 1990. The choice of this commodity was not a reflection of our wishes or the state of our industry but of Italian capacity. This is the main agricultural commodity for which Italy is a significant net exporter. The alternative was pasta!

The United Nations Development Programme (UNDP) and the International Labour Organisation (ILO) provided technical assistance to the SIMAP Unit.

(v) International Monetary Fund  
Targets

The International Monetary Fund (IMF) has described our performance under the programme as mixed. That assessment is fair. The Government of Guyana initially implemented in full all its obligations under the Agreement with the Fund. The circumstances under which the measures were implemented have been widely acknowledged. The devaluation, the fiscal measures, and the rise in interest rates all helped to substantially correct relative prices, strengthen the current account and operating surpluses of the public enterprises and reduce the gap between parallel market and official exchange rates.

However, the seven-week strike in the bauxite and sugar industries, a decline in EEC preferential sugar prices in US dollar terms and widespread problems with power, adversely affected foreign exchange earnings, public finances and general economic activity, including demand. In addition, there were substantial price increases which well exceeded those anticipated in the Agreement. One of the most disappointing aspects of implementation was the shortfall in inflows arising from the late and non-disbursement of pledged assistance from some donors.

The specific performance targets agreed with the Fund were partly met. Net borrowing and domestic financing of the non-financial public sector exceeded the agreed limits. This was primarily a result of the factors mentioned above. It was also attributable to late implementation of some price increases by public sector agencies. These delays were a function of Government's

concern not to compound the high rate of inflation which was being experienced. Taking into account adjustment for the direct consequences of the strikes and the shortfall in inflows, Guyana met the adjusted targets for:

- a. net foreign assets;
- b. gross international reserves; and
- c. net domestic assets of the Bank of Guuyana.

Due to the adverse factors mentioned earlier we were unable to keep current with the obligations falling due with respect to Multilateral Financial Institutions (MFIs) during the year. As a consequence, arrears to the International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD) and Caribbean Development Bank (CDB) accumulated to the tune of an additional US\$18m. It was recognised that additional assistance would be needed to facilitate the clearance of these arrears. However, this assistance could not be garnered in 1989.

## CHAPTER 3

### GENERAL OBSERVATIONS AND PROBLEM AREAS

#### A. EXCHANGE RATE MECHANISM

The exchange rate mechanism agreed with the Fund has as its stated objective bringing the official and parallel rates to within 15 percent of each other, two months after the commencement of the Programme. The initial devaluation gave rise to considerably larger price increases than had been allowed for. There was therefore a steeper cut in real wages than had been intended. This compression in real wages had already

affected the supply and quality of labour to the public sector in particular. These circumstances militated against the implementation of the mechanism which had been agreed.

Between mid-April and the end of May, the average purchase price of the US dollar in the parallel market fell from \$54.00 to around G\$46.50. Indeed, this represented the lowest level to which the average buying price fell during the year. An upward trend was observed during the month of June with the price peaking at around \$51.00. Thereafter, the price declined persistently and by mid-September was hovering around \$47.25. Over the last quarter of the year the price exhibited an upward trend and at the end of 1989 the average price had stabilized at around \$49.50.

The liquidity sterilization, devaluation, and the other policy instruments applied, failed to impact on the parallel market to the extent initially envisaged. Inadequate balance of payments assistance and the foreign exchange costs from the strikes frustrated Government's attempts to make consumer goods and production inputs readily available. The consequential and persistent shortages and our inability to ease the supply constraints lessened the pressure that had initially been brought to bear on the parallel market rate. I should also add that the additional wage payments in 1989 were also a contributory factor.

## B. TRADE AND PAYMENTS LIBERALIZATION

The move to liberalize trade and payments arrangements in 1989 was undermined by the shortage of foreign exchange and our inability to properly patrol the borders. It

has been fairly well established that if this liberalization is not to create more problems than it solves, the process needs to be closely synchronized with increased foreign exchange availability.

Liberalization, particularly of trade restrictions, often leads to inflated expectations on the part of consumers and, more specifically, may add to demand pressures which, since they cannot be relieved by greater imports, compound the inflationary spiral. We are very concerned to entertain that particular morass. Secondly, in the face of extensive smuggling, not only is the anticipated revenue increases from tariffs elusive, but smuggling may actually serve to undermine domestic production and employment. This has clearly become a reality in Guyana. The phasing of the liberalization measures has therefore had to be revised. Since the general assistance required to support further liberalization of the import licencing system did not materialise we have not made as much progress on this front as was expected.

### C. INCOMES POLICY

Comrade Speaker I have already alluded to the problem posed by the exchange rate movement. The most visible impact of the exchange rate was on real incomes. The most painful consequence of the bauxite and sugar strikes was to further compress real incomes, by reducing our capacity to import. The shortage of imports was helped neither by the shortfall in inflows from the Support Group nor that Group's inability to bridge the new gap. In seeking to protest the devaluation then, the strikers merely reinforced its consequences.

There is a myth perpetrated by many who should know better, that in spite of the profitability of the sugar and bauxite industries, workers have not been paid what the corporations can afford.

Comrade Speaker, over the years 1987 to 1989 the sugar industry's net foreign earnings fell from US\$90.4mn to US\$73.5mn to US\$70.5mn. These declines were primarily the consequence of dramatic declines in production - 220,995 tons in 1987, 167,500 tons in 1988 to 164,100 tons in 1989.

Over these years, not only did sugar workers enjoy slightly higher across-the-board payouts than the remainder of the Public Sector but they were also paid a bonus as part of an incentive scheme when other sectors had merit awards frozen. This was true of 1989, although it was not publicized.

Between 1984 and 1986 the industry received some \$372mn in transfers from the government to help with the clearing of overdrafts. On the basis of these transfers workers were paid the only two profit shares they received to date.

In spite of the dramatic decline in production and export earnings, the industry earned more G\$ revenues. These increased earnings have been associated with devaluation.

Comrade Speaker, the intention of the fiscal policy was to improve our current accounts by squeezing the rest of the system so that the main net exporter would yield a surplus. It would have been doubly pleasing if this industry could have helped the process by increasing its production.

The bauxite case is even more chronic. Bauxite earnings fell from US\$86.2m in 1987 to an estimated US\$73.4m in 1989 mainly as a result of a sharp drop in production.

The industry's wage bill, like that of sugar, has increased significantly whilst production has fallen. In the mid and late 1980s the industry was unable to bring in enough foreign exchange to meet this wage bill. Consequently, its demands on the banking system have been very heavy and from time to time the government has had to make transfers to clear these overdrafts. Transfers of this kind amounted to \$796m in the 1980s. I leave these simple facts with you.

#### D. DIVESTMENT

When Government moved to effect the divestment of selected public enterprises, many persons and organisations, including trade unions, and the Parliamentary Opposition appeared to be taken off-guard. That this should have been so is surprising since Government had signalled its policy stance as early as Budget 1987, reiterated it in the 1988 Budget Statement, and enshrined it in the Investment Policy Paper which was widely circulated, discussed and tabled in Parliament.

Since the announcement, divestment has remained topical, as indeed it should be. Government has been facilitating, stimulating and participating in the dialogue which to date has yielded some useful ideas and suggestions with regards to how the process

should be advanced. This is not to say that the policy has been embraced by all. There are sceptics; in some of the enterprises earmarked for divestment workers are concerned about redundancy and possible retrenchment; in other quarters, the question of the transparency of procedures has been raised; hardly surprisingly, the trades union movement is seeking assurances about workers' security, and has asked for the opportunity to participate in the negotiations; the Parliamentary Opposition parties contend that the process is being pursued with undue haste.

While Government is keen to involve as many institutions as possible in the process and stands ready to make information available, this needs to be implemented with prudence and good sense lest it compromise the integrity of confidential information, and the negotiations themselves. Nor is it true that wider participation cannot frustrate progress and decision-making. A way needs to be found, therefore to impart sufficient and timely information without doing violence to the entire process.

Unfortunately, there does not exist somewhere outside of Guyana a large pool of foreign investors anxiously awaiting a signal to rush into the country and fall upon the slightest opportunity to invest. Consequently, whereas nationals accuse us of proceeding too quickly, in the perception of international businesses and funding agencies we are proceeding slowly.

Thirdly, while transparency is important it cannot be assessed only on the basis of the agreed price. The efficiency gains to be had from divestment need to be taken into account. If the costs of retaining an enterprise are sufficiently large,

abandonment (in the absence of a buyer) may represent a rational decision.

#### E. DONOR ASSISTANCE

The Support Group, ably chaired by Canada, has sought since last March to complete the financing of Guyana's programme. The Group has faced four problems in trying to carry out its task. Firstly, there remains the as yet unresolved problem of what is termed burden sharing. Secondly, in some cases the amounts pledged were not disbursed in a timely manner. Thirdly, almost all of the donors have a preference for commodity aid rather than cash.

Contrary to assertions by some ill-informed sections of the local press this is undesirable. This is because the commodities most easily available do not generate exports or release foreign exchange with a timeliness consistent with the obligations enshrined in the Programme, or which is required indirectly for its success. In addition, even with the excellent procurement support provided by each of the donors, the lag between our request and the landing of the products is so long as to render most of the commodity aid granted in 1989 irrelevant to 1989's performance.

Perhaps, in this context the fourth problem, that of generation of counterpart funds, should be mentioned. It has become commonplace for donors to require that countries in receipt of grants and loans of cash or commodities establish special accounts into which the proceeds of the sale are placed. The donors then require that these funds be spent on projects jointly agreed with them. This requirement poses problems for recipient countries because it can be inflationary. In the circumstances of

Guyana this is the case.

The Group has recognised that these constraints pose special difficulties for Guyana the success of the Programme, and the confidence of the populace. Together, we are seeking means of overcoming them.

#### F. SUPPLY SIDE PROBLEMS/ PRODUCTION RESPONSE

While the demand measures have been reasonably effective, supply response was largely frustrated by the compression of inputs. The lack of inputs, inadequate management and industrial action have stymied the expected supply responses. At the same time, the demand measures served to reduce the utilization of existing capacity.

### CHAPTER 4

#### 1990 POLICIES

##### A. MONITORED AGREEMENT: REMAINING STEPS AND BOTTLENECKS

Comrade Speaker, the Monitored Agreement was supposed to have come to an end on 31st December, 1989, by which time, we should have concluded the negotiation of the 1990 Agreement with the IMF and thereby triggered clearance of the pre-March 1989 arrears.

As a result of the problems enumerated earlier, we accumulated new arrears and were unable to complete the negotiations partly because of uncertainty over the future of the Support Group and its programme. The Support Group meeting of March, 1990, has re-opened the door to the next phase.

The bilaterals in the Group propose to provide US\$65m towards the anticipated Bank of Guyana gap in 1990. Both the gap and the contributions represent an increase over 1989 actual, and projections for 1990. The Multilateral Financial Institutions (MFIs) and creditors are being asked to increase the amounts already pledged by US\$27m. Guyana is also being asked to somehow compress its needs by an additional US\$7-12m. A commitment has already been secured from the Bank for International Settlements for the provision of a Bridging Loan at the appropriate time. It remains for us therefore to complete negotiations of the 1990 programme with the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the Caribbean Development Bank (CDB). Action could then be triggered for the clearance of all the arrears to the MFIs, an amount which will stand at some \$238m by May when the arrangements for clearing the arrears will be triggered.

It should not be felt that this represents the end of the line as far as hic-cups in this complex arrangement are concerned. The financing has only been agreed in principle and in working out the details we could encounter further problems, ranging from timing to donor conditionality. One thing is clear: the value of assistance still leaves the Programme perched on a razor's edge, with little tolerance. Clearly more funds are needed for imports and it has been left to us to find those funds as best we might.

The experience of the 1989 Programme points to the danger of over dependence on real wage cuts - they can be dysfunctional. Further compression of aggregate demand would

adversely affect small-scale manufacturers in particular, and manufacturers in general. Unreliable electricity supply is the single most debilitating infrastructural inadequacy whilst the shortage of imported inputs constrains the capacity of viable sectors, to contribute fully to the national productive effort. We will strive to address these problems constructively within the context of the 1990 IMF Agreement.

## B. PROBLEMS TO BE ADDRESSED

### (i) Fiscal Gap

The magnitude of the Central Government deficit was outlined at the start of this report. This section considers the deficit in more detail, and looks at the consequences of its size on the wider economy.

A budget deficit represents the net claim on resources by the Central Government, and so it is necessary to set it against the total domestic resources available. The total deficit of the Central Government, though viable, has been remarkably high over the last decade. The two notable peaks in 1982 and 1986 were caused by large equity injections to the public corporations, most notably, Guyana Mining Enterprise and Guyana Sugar Corporation.

## CENTRAL GOVERNMENT DEFICIT

Non-Int. Current Def  
as % of:

	Def./ GDP	P.Bal/ GDP	GDP	Rev. Curr.	Bank Borr.
1980	-34.2	-21.5	3.4	9.9	15.2
1981	-43.8	-25.6	5.0	12.2	40.2
1982	-77.8	-52.9	9.7	22.0	17.0
1983	-46.9	-11.4	10.6	22.4	43.7
1984	-53.6	-14.0	4.3	9.4	12.7
1985	-40.9	-19.8	3.3	6.8	17.6
1986	-71.9	-50.7	15.0	26.8	32.0
1987	-48.9	-15.7	1.9	4.5	4.3
1988	+36.4	-12.9	11.6	24.2	33.1
1989	-20.6	+ 5.0	11.6	18.8	29.4

SOURCE: MINISTRY OF FINANCE

The total deficit has declined as a proportion of GDP's since 1986. But Guyana's ratio is still the highest of all the Caribbean and Latin American countries. In 1988, when Guyana's budget deficit represented 37 percent of its GDP, the only countries in the region even approaching this level were Nicaragua, with 23.6 percent, and Suriname, with 23.4 percent. On average, deficits in the region are less than 10 percent of national income.

In addition to knowing how the Government lays claim on resources produced by the economy, it is useful to know whether or not current fiscal policies are adding to Government's indebtedness. A good measure of the Government's policy stance can be had by analysing the non-interest or primary balance. This has demonstrated a slight downward trend over the 1980s. Although this

is encouraging, with the exception of 1989, the balance was nevertheless in deficit throughout the decade and it is extremely doubtful whether this is sustainable. A surplus needs to be generated if only to help with the domestic debt incurred in the past. A surplus on the primary account is imperative if Government is to service the domestic debt. Unlike the external debt, this cannot be forgiven or written off without considerable damage to domestic confidence and the viability of the banking system. It is also necessary for the current account to show a surplus in order to help finance capital investment. Without that surplus all our capital programmes and their pace of implementation will be dependent on external financial sources.

Non-interest current account balance was in surplus over the period 1980 to 1989. Indeed, a slight upward trend was discernible, when expressed as a proportion of GDP, (but the balance may have been overstated in devaluation years because of an asymmetry in the way the Bank of Guyana's profits are accounted for). Whereas surpluses accrue to current revenues, losses must be met from the Bank's reserves. If, however, the Economic Recovery Programme is to be successful, in restoring internal balance, then it is the non-interest current balance which will have to be substantially improved, because the PSIP will give rise to a deficit on the capital account.

The non-interest current account thus represents an important source of government financing. Precisely how important it has been in practice can be seen by comparing it with other sources of financing. The balance has been increasing as a proportion of current revenues up to 1989, implying that tax and associated revenues have been meeting

an increasing proportion of current expenditures. The non-interest current account balance has however, represented an increasing percentage of domestic bank borrowing. This unfavourable trend implies financial crowding out of the private sector, and creates inflationary pressures.

## (ii) Exchange Rate Regime

Government has decided to employ a set of interim measures preparatory to the unification of the exchange rate. These measures are intended to help improve the availability and allocation of foreign exchange in the economy.

Perhaps the most widely known and talked about policy change was the introduction of a legal framework for parallel market currency transactions. The Dealers in Foreign Currency (Licensing) Act 1989 paved the way for the licensing of persons buying and selling foreign currency. It is expected that this mechanism could channel much needed foreign currency for the acquisition of critical inputs which the Central Bank is currently unable to finance.

The Hotels (Receipt of Charges in Specified Foreign Currency) Bill 1989 is another piece of legislation designed to increase the flow of foreign currency to the official system. In the past, some persons found it lucrative to change foreign currency at the unofficial rate in order to meet hotel expenses. The Bill seeks to give approved hotels the right to collect charges in foreign currency and retain a certain proportion, to be negotiated.

The sale of Travel Tickets (Amendment) Bill 1989 empowers the Minister of Finance to authorise an airline to receive and recover

the price of travel tickets sold by it in a currency other than Guyana dollars. Like the Dealers in Foreign Currency (Licensing) Bill 1989, this legislation is intended to be temporary. It would afford travellers a wider choice of airlines since the existing foreign exchange situation has inhibited our ability to repatriate funds and has served to discourage the operation of foreign airlines.

Two related pieces of legislation have recently been enacted. The Bank of Guyana (Amendment) Bill 1989 seeks to amend Section 21 of the Bank of Guyana Act, Chapter 85:02 to allow the settlement of monetary obligations or transactions in a foreign currency other than Guyana dollars, with the permission of the Minister of Finance. The Exchange Control (Amendment) Bill 1989 seeks to amend Section 4 of the Exchange Control Act, Chapter 86:01 to clarify that foreign currency utilised to settle in foreign currency, monetary obligations and transaction shall have been deemed to have been sold to an authorised dealer.

The Government will shortly be presenting to Parliament, a Hotels Encouragement Bill aimed at encouraging the construction of additional facilities, particularly for tourists.

### (iii) Lifting Supply

As previously mentioned, it is hoped that the measures outlined in the preceding section would be a stimulus to production by easing in part the foreign exchange constraint.

Pricing policy is relevant to the task of lifting supply. The virulent and pandemic parallel market thrives on premia made possible by the combination of commodity

shortages and administratively-set prices. Government proposes to maintain, market-determined domestic prices.

Greater reliance on market price formation will of course have implications for allocative efficiency. Inefficient users of resources will be deprived of those resources. Government envisages that the process of divestment will ensure that such corporations as remain in the public domain are efficient, viable, vibrant, and capable of contributing significantly to Government's fiscal muscle.

### C. PUBLIC DISCUSSION AND DIALOGUE

Prior to preparing the 1990 Budget the Ministry of Finance, as is customary, invited a representative set of organisations to discuss pressing problems and to present proposals to be incorporated in the 1990 Budget policy. The Guyana Trades Union Congress, the President's Advisory Committee on the Private Sector, the Guyana Manufacturers' Association, and the National Economic and Social Council, all met with the Minister of Finance. These organisations raised concerns such as: the consumption tax rates; the abolition of estate duty; the removal of the minimum export price on timber; the possibility of establishing a local garment school(s); the possibility of implementing an export credit scheme for manufacturers; rationalization and restructuring of the Public Service; widening the divestment net; approaches to the provision of education and health services; occupational health and safety; and the need for improvement in the facilities for fighting fire and crime.

The dialogue was in-depth and useful

It will come as no surprise for me to say that it is not possible for the Budget to address every possible concern. Indeed, it would hardly be appropriate. We have, however, been able to address in some way some of the main areas.

#### D. ISSUES PERTAINING TO PUBLIC DIALOGUE

##### (i) Wages Policy

The Public Sector in 1989 continued to lose skilled labour to private sector activities, the informal sector and through migration. This has meant that the economy as a whole is forced to operate at below normal levels of efficiency. While the level of remuneration, or more accurately, the size of the wage basket, is a primary consideration in skill loss in the Public Sector, management practices also contribute. Increased attention needs to be devoted to this aspect in 1990 as a complement to wages policy and non-wage incentives. In order to permit remuneration to be significantly increased above the anticipated level of inflation for the Public Sector as a whole, and the Public Service in particular, the way forward has to be one in which the size of the Public Sector is significantly reduced. Public Sector Agencies will then be in a better position to attract the appropriate skills.

Wages policy in 1990 will be informed by the following principles:

- a. priority to the retention of skills through increased remuneration for selected key skill categories;
- b. a more people-centred approach to management which seeks to

increase workers job satisfaction in the face of financial stringency; and

- c. a disaggregated wages policy will be applied to the Public Enterprises - Guymine, Guysuco, Guystac Corporations, COFA - where profitability and productivity, along with the overall policy framework set by Central Government, would serve as the parameters within which such a policy should operate. The Trades Union Congress (TUC) has already been alerted to our intention in this regard.

A ceiling will be set for the Public Service and related agencies. The actual increases will be informed by three principles:

- a. an across-the-board increase consistent with the programmed rate of inflation; and
- b. commercial enterprises may make approved additional payments in keeping with productivity gains experienced in 1990, provided that the enterprise has the wherewithal with which to pay.

(ii) Divestment

We expect to conclude, fairly early in 1990, divestment of the Guyana Telecommunications Corporation, National Paint Company and Quality Foods Limited. In addition, we plan to complete the divestment of Guyana Fisheries Limited, Guyana Nichimo Limited and at least some of the

Guyana National Trading Corporation's assets.

The sale of Guyana Fisheries Limited's trawlers is expected to yield between US\$1.6m and G\$1.8m. The processing plant is to be leased to a jointly-owned private company consisting of local and Japanese partners. In keeping with our commitments and the needs of the economy, the foreign currency obtained will contribute to a reduction of the balance of payments gap while the local receipts will go primarily towards a reduction in the stock of domestic debts.

The Government also intends to extend its divestment policy to agencies, the assets of which are grossly under-utilized. One such agency is the Colingden Workshop. During 1990, efforts will be made to complete the sale of all under-utilized assets under the purview of this agency.

Some traditional Public Sector Agencies have already been directed to generate proposals aimed at putting them on a firm commercial footing. This could be achieved through the formation of new entities which will acquire the existing assets under lease or outright purchase and in which there could be possible participation by employees and the private sector. The Institute of Applied Science and Technology and National Data Management Authority are two possible cases.

### (iii) The Consumption Tax Regime

You will recall that in December, 1984, the rate structure of the consumption tax was simplified; the applicable rates were reduced from 29 to 3. This step was the first in a proposed rationalisation of the Guyana tax system, the need for which Government clearly accepted.

In January, 1989, the specific consumption tax on a limited number of commodities, including tobacco and liquor, was amended to allow for the application of the tax on an ad valorem basis.

The private sector, particularly the domestic manufacturing sector, has contended that:

- a. Government should consider opting for a sales or value added tax;
- b. under-invoicing and smuggling are making legitimate manufacturers uncompetitive;
- c. consumption tax rates are too high; and
- d. even if Government does not agree that all rates should be lowered, Government should lower the rate on some commodities made uncompetitive by the tax.

It may well be appropriate to clear the air on some of these issues now, for emotion and mis-information have tended to cloud public discussion of the subject. In this regard, I am reminded of Edmund Burke's quip that, "To tax and to please, no more than to have and to be wise, is not given to men."

First of all, Government has long accepted the contention that the tax base needs to be broadened in the interest of fair and equitable taxation. There is a need to redesign the tax structure so as to reduce the incentive for tax evasion (both under-invoicing and smuggling); to promote economic

efficiency; , and to ease the burden on consumers. Government has already taken some initiatives such as improving assessment and collection, and elimination of a sizeable portion of exemptions. However, a comprehensive rationalization of the tax system cannot be undertaken overnight. It also needs to be recognised that any rationalisation, regardless of its long-term benefits, will result in short-term dislocations and revenue losses. Proposals to replace the consumption tax with either a sales tax or a value added tax will of course will be carefully studied but cognizance needs to be taken of their administrative appropriateness and feasibility. If we do not have the administrative capacity to collect the tax from 400 clearly defined and well established businesses, the likelihood of improving our success rate with 10 or 30,000, many of which are foot-loose, if not fly-by-night , would be slim indeed.

By the same token, we have to admit that many manufacturers are curenly in a precarious financial position, as a result of the smuggling of competitive products. The answer to this is not, to remove the tax but rather to close the obvious areas of abuse. We propose to provide the Customs and Excise Department and the Police with additional resources for this purpose. In addition, legislation has been recently laid to permit the establishment of a Coast Guard.

At the same, time I am driven to observe that the path of progressive liberalization on which we have embarked does require increased efficiency on the part of manufacturers. Cases where very high mark-ups have become a norm as a result of the legal or de facto monopolies enjoyed will not last forever.

If the domestic manufacturing sector is to have a claim to resources, the sector will have to strive for greater efficiency since, in the final analysis, only efficiency can ensure the triple benefits of lower consumer prices, remunerative producer prices and international competitiveness. Devaluation itself is meant to impart higher protection to domestic firms. The sector now needs more and cheaper inputs, not more protection.

It has been accepted that the case for an across-the-board reduction in the rates is weak. For many of the commodities discussed, the tax comprises less than 5 percent of the final price, while mark-ups of various kinds range up to 400 and 500 percent of the cost of manufacturing. In view of that, there is clearly more scope for reducing prices via reduced margins. In recent cases where Government has decided to forego taxes, the benefits have not been passed on to consumers.

The representatives of the manufacturers have proposed that in certain specified cases, taxes be reduced against commitments to ensure that the tax given up by taxpayers, benefits consumers. We propose therefore, on the basis of satisfactory conclusion of the proposed arrangements, to reduce the consumption tax on those products.

In addition, we have acceded to representation concerning the consumption tax on certain imported medical and essential items. I shall touch on the specific items later.

With the possible exception of alcoholic products, the other commodities cited do not appear to be uncompetitive as a result of the tax. These are however, the subject of

ongoing discussions. Apart from smuggling, the impact of generally depressed economic conditions needs to be taken into account. This is not a tax problem. Furthermore, the issue of quality control and appropriate pricing and cost control have to be addressed by the manufacturing sector itself. We are of course prepared to help, where possible.

(iv) The Role of the Private and Public Sectors in the Economic Recovery Programme

To understand what roles the private and public sectors should play in the context of the implementation of the Economic Recovery Programme, it is necessary to look at what the ERP seeks to achieve. The ERP involves three stages: stabilization, rehabilitation and recovery and, growth.

For a number of years, Guyana has incurred large budget and balance of payments deficits. Stabilization seeks to redress these.

Whereas it is true to say that the stabilization programme acts predominantly on the level of demand, policies have been introduced to improve the responsiveness of supply. Price distortions were reduced, and a PSIP was designed to improve the country's physical infrastructure. Perhaps of more significance, however, has been the Government's overt efforts to encourage and support the private sector. The scope for private sector activities has been considerably widened.

As the private sector assumes a larger and more pivotal role in production, this sector must assume a larger role in economic decision-making and responsibility. If it is to rise to this challenge and, indeed, to

survive in the rapidly changing international economic environment, it must be responsive to changes. The private sector must seek out new products and new markets. Reorientation is also essential for the success of the ERP. It needs to be realised that a temporary depression in the domestic market is a key feature of any stabilization programme. The re-orientation of the private sector towards foreign markets is, therefore, the first test of that sector's new role in the economy, under the ERP.

The main task of the Government under the ERP is to ensure an economic environment conducive to sustainable growth. This is to be achieved partly by restoring internal balance which would result in the increased availability of internal savings for private investment. Restoring the external balance will certainly improve foreign investors confidence in Guyana.

The role of the Government does not end however, at the macro level. There are also imperfections at the micro level which it must intervene to correct. The speed, and hence, ultimately, success, of the re-orientation, clearly depends upon the speed with which the private sector adapts to the changing economic environment. This in turn will depend upon the availability of information on those opportunities open to it and ultimately, whether this sector even realises the changes required of it. But no markets are perfect; no economic agent has perfect knowledge. Furthermore, the more costly that knowledge is to obtain, the less it will be acquired, and so the slower change will be. Such an obvious case of market failure demands action by the government, which must not only inform the private sector of what is required of it, but also provide timely data on the domestic economy.

Analogously, a changing economy is likely to demand new skills. Indeed, the speed of adjustment may even depend upon the rate at which these are forthcoming. Government may have to provide the required training or supplement the efforts of the private sector to do so.

Government accepts that the private sector will not grow without the wherewithal to acquire inputs. Equally, the private sector must appreciate that in order to discharge its responsibility, the Government also needs resources including foreign exchange. It is therefore imperative that the Government and the private sector work towards improving the current situation.

The ERP is an effort to create the conditions necessary for development. Development, however, does not simply comprise more output and greater projects. It is about improving peoples well-being. In assuming a greater role in the economy, the private sector also increases its social responsibilities. Indeed, a greater reliance on the market to allocate resources is likely to increase the inequalities inherent in the society. It is therefore an important function of Government to reduce the inequalities through a shared burden of taxation.

Obviously, the Government will face difficulties in funding the expenditure it must make under the Economic Recovery Programme, while reducing its budget deficit. Where expenditures can be cut sensibly, this will be undertaken. The Government is nevertheless, still hampered in its collections by the narrowness of the tax base. This is further eroded by movement of activities from the official to the parallel economy. Whereas the Government recognises that the parallel economy has served as a source of employment, commodities and services, parallel economy operators must realise that the Government has a legitimate right to tax them. They benefit from infrastructural and other improvements, but being free riders, place an unfair burden on companies and individuals in the official economy. The Government intends to correct this anomaly.

The Government has a duty to formulate the appropriate policies and measures which would lead to the incorporation of the parallel economy into the official economy. The former's continued existence outside the legal framework is not compatible with long-term development, because, as shown, it effectively penalises agents in the official economy. This discrimination goes counter to the incentives needed to encourage companies either to expand or start up in the official economy. Although merging the two economies maybe a difficult task, it is nonetheless, one which has to be undertaken.

In summary, the roles of the private and public sectors in the ERP should best be seen as symbiotic. Each depends upon the other for success. Given the greater role that the private sector will play in economic decision-making, then there must be greater

(v) Commission

In recognition of the problems being faced by the private sector and the manufacturers in production, the Government has decided to appoint a Commission to enquire into the total set of problems besetting the business community. The purpose of the Commission will be to formulate specific recommendations on the constraints and their removal. We all hope that these initiatives can give rise to a new era of private sector resurgence and expansion.

## CHAPTER 5

### PROJECTIONS: 1990

#### A. SECTORAL AND OVERALL GROWTH TARGETS

Real GDP growth is targeted at roughly 3.1 percent in 1990. The achievement of this target depends critically on outturn in the agricultural and mining sectors which together accounted for 45.6 percent of GDP in 1989. Private sector activities in mining will, for the first time in over 15 years, contribute significantly to the projected real growth.

Bauxite, which has a pivotal position in the overall recovery efforts, is expected to lift output by some 57 percent, to 2,080,000 tonnes. Sugar, on the other hand, is expected to contribute a modest 9 percent to the real growth target. It is doubtful whether the industry could realise an output level in excess of 180,000 tons. Gold is due to turn-in a declared production level of

to turn-in a declared production level of 30,000 ounces, representing a 73 percent increase over 1989.

## B. BALANCE OF PAYMENTS

The current account of the balance of payments is projected to deteriorate further in 1990, to a deficit of \$5142mn. This anticipated deterioration is attributable to two factors: (a) a relatively slow upturn in the performance of the key exports; and (b) a dramatic rise in the import of goods and services which is occasioned both by increased debt servicing, associated with the International Monetary Fund programme and greater inflows of capital goods, financed largely by bilateral and multilateral sources.

Merchandise exports are projected to increase in nominal terms to \$10.298b, 69 percent more than that recorded in 1989. This is to be realised through increases in sugar (24 percent); rice (44 percent); bauxite (119 percent); and other merchandise exports (75 percent). The achievement of these increases would again see bauxite as the country's most valuable export.

The export of services is targeted to improve on the 1989 outturn by 22 percent, to attain the level of \$2258mn.

The value of merchandise imports is expected to reach \$11.89b, an improvement of 70 percent. Consumer goods, though targeted to increase by 44 percent, represent, in reality, a decline relative to its share of total merchandise imports. Whereas in 1989, consumer goods in the share of merchandise imports was 10 percent, this share will decline in 1990 to 8.5 percent. Fuel and

lubricants will continue to command a sizeable proportion of merchandise imports - about 29 percent in 1990. The largest increase in merchandise imports is reflected under 'Capital Goods'. This category of imports is targeted to increase by 89 percent over the 1989 figure of \$2498mn.

Though the import of services is projected to rise by only 26.5 percent, it is apposite to remark that the bulk of this increase is attributable to a 37 percent increase in 'Investment Income', reflecting increased debt servicing to the multilateral institutions, as a result of the proposed implementation of an International Monetary Fund programme.

### C. MONETARY

The Bank rate has continued to be held at the level fixed on 1st April, 1989. Its maintenance beyond the period indicated in the Budget Statement was necessitated by the need to restrain the excess credit occasioned by the second round of wage adjustments and other factors. However, such high interest rates have undesirable implications for investments as well as Government's expenditure.

I propose therefore to reduce the Bank rate to a level that I shall indicate shortly. At the end of the second quarter the new rate will be reviewed. In light of the growth in liquidity in the banking system, during the period March to December, 1989, the commercial banks have been required to submit proposals for investing their excess liquid assets in medium-term debentures of the Government.

Current revenues are projected to rise to \$3,770mn in 1990, which represents a nominal increase of \$597.8mn (or 18 percent) on the 1989 collections. Current expenditures, however, are budgeted to rise by \$1,378.6mn to \$5,295.1mn, implying a deterioration in the current account balance from a deficit of \$725.6mn in 1989 to \$1,524.4mn. The largest part of the projected increase in expenditure is accounted for by the rise in debt servicing, which will increase from an actual payment of \$1,900.7mn in 1989, to \$3,397.6mn in 1990. Looking at the non-interest current balance, surplus of \$539.6mn is projected for 1990. Whereas this will clearly go some way to servicing the debt, this value still represents an absolute (and nominal) fall of \$59.0mn on the actual 1989 surplus. This is a worrying development, and one which will require careful monitoring.

The balance on the capital account is also projected to be in deficit, despite a considerable increase in foreign grants. With upturn of the PSIP in 1990, capital expenditure will rise from \$1280mn in 1989 to \$3673mn in 1990. This implies an overall primary deficit of \$713mn in 1990, compared with an atypical surplus, of \$239mn, in 1989. The overall Central Government deficit is projected to more than double in 1990, from \$1065mn in 1989 to \$2899mn. Financing for the largest part (80 percent) of this deficit has already been, or is in the process of being, arranged with bilateral and multilateral sources. Indeed, despite the large increase in the deficit, the Government will be relying less on borrowing from the domestic banking system in 1990 than

in 1989, which should in turn reduce inflationary pressures and release resources for greater private sector activity.

The projected rise in current revenues reflects relatively greater collections by the Customs and Excise and Inland Revenue Departments. Whereas receipts from the former are anticipated to increase by \$360mn, and those from the latter by \$290.8mn, current revenues collected under the remaining heads are expected to show a net decline of \$71mn.

Import duties are projected to raise an additional \$51mn, that is, a rise of 16.7 percent over 1989. Similarly, an extra \$314.6mn is expected to be collected from consumption tax (a 41.2 percent increase), due mainly to efficiency measures to be introduced by the Department.

Collections from company income and corporation taxes are projected to increase, largely as a result of policies introduced in the last Budget. Company income tax receipts are expected to rise by \$113.3mn, or 33.3 percent, whilst those from corporation tax should rise by \$125.4mn or 26.3 percent. The 8.3 percent increase projected for personal income taxes, a rise of \$15.1m, is partly due to the proposed salary increases for public sector employees in 1990.

The public corporations are anticipated to contribute \$82.2mn less in dividends, levies, and special transfers in 1990 compared with what they actually paid in 1989. The lower collection of special transfers has been formulated in light of the 1989 experience. It also reflects the impact of divestment.

With the exception of an increased provision to service the public debt, there has been a general policy of restraint in budgeting current expenditure.

The 23 percent increase in the wages and salaries bill is more a reflection of the whole-year effect of the two wage increases granted in 1989 than of a new increase in 1990. The same holds for total employment overhead expenses. For example, the statutory payments now fully reflect the three-fold increase in travel allowances introduced in late 1989.

Salary and related increases introduced in the course of 1989 mean that, for the given establishment, it was inevitable that provisions for expenditure on employment costs would rise in 1990. A greater measure of restraint was exerted in budgeting the Other Charges. Efforts were made to restrict expenditure under these subheads to their 1989 revised values. This necessarily entailed cuts under some subheads, but the increased provisions for other subheads have more than off-set these. Notable among the latter are:

#### 304 Rental and Maintenance of Buildings

The provision has increased by \$15.2mn; or 14 percent.

#### 310 Education Subventions, Grants and Scholarships

Expenditure on this subhead has been budgeted to rise by \$16.2mn, or 13 percent.

312 Subsidies and Contributions to Local and International Organisations

The largest increase, \$429.6mn, is under this subhead.

314 Other

The \$29.3mn increase, 8.2 percent, for which provision has been made under this subhead is explained by the \$38mn allocated to the Ministry of Health for the Social Impact Amelioration Programme

003 Pensions and Gratuities

These are budgeted to be \$6.9mn higher than in 1989, an increase of 22 percent.

The large increase in the budget to service the public debt has already been mentioned. Although the \$1,496.9mn (which includes principal, as well as interest) represent a rise of 78.8 percent over actual service payments made in 1989, the debt servicing as a proportion of the total current budget (including principal) is in fact budgeted to fall in 1990, compared with 1989. Last year it represented 59.2 percent of the budget, but is anticipated to decline to 51.3 percent in 1990. This illustrates the success Guyana has had in the rescheduling exercise to date.

Comrade Speaker, I now turn to the main sectors which are to benefit from this expenditure.

	1990 (\$mn)	% Change 1989
Health	314.6	12.7
Education	313.6	1.4
Agriculture	109.3	5.9
Disciplined Services	373.8	- 2.9
Transfers to GEC & GREB	805.0	92.1

There has been increased provisions for education, health and agriculture in 1990, even though these represented a smaller proportion of the total non-interest expenditure than in the 1989 outturn. Of the disciplined services, the Police, Prisons and Fire Service have received increased allocations. I might add that this is in keeping with the representation made by several of the groups with which we have had dialogue.

This analysis also puts the magnitude of the current transfers to GEC and GREB into perspective. GEC's continued inability to extricate itself from the financial debacle it has found itself in, means that the Central Government is forced to bear the burden. As a consequence, current transfers to GEC are projected to more than double the actual transfers made in 1989, to reach \$680mn. This is in addition to Government's financing of the bulk of this Corporation's investment programme. The transfers to GREB match the proposed payments to be made by that entity in respect of the rice levy.

## E. PUBLIC ENTERPRISES

The projected outturn of the public enterprises for 1990 anticipates better output levels than those realised in 1989. The projections have also taken account of the phased exclusion of certain public enterprises as a result of the Divestment Programme.

During 1990, the public enterprises are expected to generate export revenues of \$8,218mn and total current revenues of \$13.436b. These revenues when coupled with total operating expenditures of \$11.348b will result in the generation of operating surpluses just over \$2.ob.

Capital expenditures are expected to amount to \$2,318mn. The majority of the expenditures will be undertaken by the Guyana Mining Enterprise, Guyana Sugar Corporation, Guyana Electricity Corporation, and Guyana Telecommunication Corporation. As in 1989, the foreign component of the programme will again be financed primarily by loans from the Inter-American Development Bank, the European Economic Commission's Sysmin intervention facility, and Suppliers Credits.

The policies to improve the competitiveness and profitability of the public enterprises, as adumbrated in the 1989 Budget presentation, are to be reinforced in 1990. The enterprises will continue to pay taxes, dividends and special transfers to the Central Government, while their access to the domestic banking system will continue to be restrained. Indeed, in 1990 the enterprises contribution to national savings is expected to be higher than in 1989, with anticipated payments of income taxes, and dividends of about \$630mn.

## F. INVESTMENT

### (i) Public Sector Investment Programme

Given what we know to be the factors constraining national output expansion, it is obvious that realizing the sectoral growth targets, and consequently the global target, will depend critically on successful implementation of the Public Sector Investment Programme.

The Budget caters for the expenditure of \$4632mn on investment. Some \$3515mn of this is to be financed by foreign sources. Consistent with the policy position articulated in the Policy Framework Paper, the Programme is focused on high priority projects, and oriented towards rehabilitating productive infrastructure, increasing the utilisation of installed capacity and expanding production and exports in both the public and private sectors. Some 20.6 percent of the Programme's resources is earmarked for bauxite; 11.3 percent for sugar; and 9.5 percent goes directly to the private sector.

### (ii) Private Sector

A significant contributor to 1990 investment and growth will be the Government of Guyana/Reynolds International Inc. joint-venture project at Aoraima. Total investments associated with this project in 1990 is estimated to be in the vicinity of US\$75mn, and output has been projected at 750,000 tonnes of metal grade bauxite. Also, if we are able to finalise an agreement with Atlantic Tele-Network early in the second quarter, the economy will benefit from an investment of some US\$33mn during 1990.

## CHAPTER 6

### BUDGET MEASURES

#### A. Fiscal

1. With effect from 1st January, 1991, Estate Duty will be converted to a purely regulatory device rather than a revenue measure as it is at present. In other words only a nomina duty will be levied. In keeping with this change the filing of the inventory and declaration, and other attendant processes will remain.

2. With effect from year of assessment 1st January, 1990, interest on savings which is exempt from income tax will increase from \$500 to \$2,000.

3. Removal of consumption tax on some medical items such as anti hyper-tensive, and anti-diabetic drugs and specified dental and ophthalmic equipment as well as locally produced sanitary napkins.

4. Removal of consumption taxes on specified school uniforms and children's shoes, subject to the conditions mentioned earlier and with effect from a date to be announced.

#### 5. Licences, Fees and Tolls

- a. all imposts under the Motor Vehicles and Road Traffic Act, Chapter 51:02 are increased by 100 percent with effect from 1st January, 1990. As a result, motor vehicle licences, drivers' licences and other related charges are to be doubled.

b fees under the Weights and Measures Act, Chapter 90:14, are to be increased as shown in Appendix 'A' Inspection fees for Weights and Measures are to be increased by 200 percent each.

c. Tolls for -  
Corentyne Highway under the Roads Act, Chapter 51:01, are to be increased as shown in Appendix 'B'.

Soesdyke/Linden Highway under the Roads Act, Chapter 51:01, should be increased as shown in Appendix 'C'.

The increases range from 94 -122 percent.

The above fiscal measures should yield an additional \$24mn.

## B. Monetary

Changes in monetary instruments are: the bank rate will be 30 percent with effect from 30th March, 1990.

## C. Income: Adjustments

### (i) Pensions

- Old Age Pensions are to be increased by 7 percent with effect from 1st April, 1990;
- Pensions under the Dependents Pensions Fund are to be increased by 20 percent with

effect from 1st August, 1989;

Government Pensions are to be increased by 7 percent with effect from 1st April, 1990.

(ii) Wages and Salaries

Public Sector wages and salaries are to be increased by 7 percent across-the-board. Incentive payments within the Public Corporations and COFA will only be paid if they can be financed from operating surpluses and in such cases a ceiling of 10 percent of the 1989 wage bill, adjusted for the number of employees, is to apply. The actual percentage paid is to be determined by the actual percentage improvement in net after tax surplus of the individual enterprise.

Public Service employees in the following categories/agencies are to enjoy specified increases in their basic salary:

- a. Selected categories of Medical Officers and;
- b. Magistrates.

## CHAPTER 7

### CONCLUSION

Comrade Speaker, these are the elements of the 1990 Budget Statement. The tasks are fairly clear. It is necessary for us to take firm control of our destiny. Domestically, we need to urgently address the fiscal deficit so that the stringent monetary and foreign exchange measures are not implemented in vain. Incorporation of the parallel economy through effective policies and mechanisms is a must. A reduction in the stock of debt is necessary to bring the domestic debt service burden in line. This is potentially a greater problem than that of the external debt.

The support of the international financial community is a major springboard for the continued development of the Programme. It is quite likely that friendly countries will not find it possible to provide all the resources necessary to close the external gap. We must of necessity therefore fashion and implement timely and innovative policies and measures which will be bolstered by that support. It is pointless bemoaning the inadequacy of international economic support.

Comrade Speaker, I am aware that at times the road ahead appears to be lonely and daunting. If economic recovery is to be a reality in the near future we must grasp the nettle and recognise our own obligations in this regard. In spite of what members on the Minority benches will have us believe there is no easier or more comforting solution. In the place of imaginative solutions, they offer fanciful escapes. In this Budget, we

resuscitating the economy. These proposals represent the foundations for growth in the 1990s. With the 26th Budget we can look towards the silver lining.

Onward to economic recovery and growth in the 1990s!

Onwards with the P.N.C.

Comrade Speaker, I commend this Budget to the House.

TABLE 1

SELECTED SOCIO-ECONOMIC INDICATORS  
OF GUYANA

## AREA AND POPULATION

AREA	83,000 sq miles (215,000 sq km)				
Population (1989)	754,844				
Annual Rate of Population Increase	-0.01				
POPULATION CHARACTERISTICS	1985	1986	1987	1988	1989
Urban Population (percent of total)	30.9	28.3	30.4	32.5	32.0
Population density per sq. mile of agricultural land	119.8	121.3	123.2	121.2	121.0
Population Age Structure (percent)					
0 - 14 years	37.1	36.9	37.5	36.9	36.0
15 - 64 years	58.2	59.2	58.7	59.3	59.1
65 and above	4.7	3.9	3.8	3.8	3.8
Crude Birth Rate (per thousand)	25.5	24.0	24.0	26.1	26.5
Crude Death Rate (per thousand)	6.6	8.0	8.0	8.0	7.9
Total Fertility Rate	3.0	2.6	2.6	2.8	2.6
Life Expectancy at Birth	70.0	63.0	63.0	63.0	65.2
Infant Mortality Rate (per thousand)	43.9	45.3	49.0	47.0	45.0
FOOD, HEALTH AND NUTRITION					
Index of Food Production per capita (1974 - 76 = 100)	90.3	97.0	95.4	93.8	89.7
Per capita supply of:					
Calories (percent of requirements)	101.1	96.0	88.5	87.0	77.0
Proteins (grams per day)	65.0	59.2	61.9	58.0	50.1
Population per Physician (thousand)	6.2	3.2	5.0	5.5	0.4
Population per Nurse (thousand)	0.3	0.3	0.3	0.3	1.8
Population per Hospital Bed (thousand)	3.7	4.0	4.0	4.5	4.5

TABLE 1 (CONTD)

SELECTED SOCIO-ECONOMIC INDICATORS  
OF GUYANA

## POPULATION CHARACTERISTICS (CONTD)

	1985	1986	1987	1988	1989
Access to safe water (percent of population)					
Total	83.4	82.5	81.5	83.0	83.0
Urban	100.0	99.0	98.0	99.0	99.0
Rural	76.0	76.0	74.9	76.1	76.0

## EDUCATION

Students reaching Grade 6 (percent)	81.0	81.0	84.1	80.2	80.0
CXC Examination Results (percent)					
English Language (General Prof)	20.0	20.0	20.0	11.0	12.0
English Language (Basic Prof)	26.0	28.0	28.0	36.0	24.0
Mathematics (General Prof)	23.0	16.0	18.0	16.0	13.0
Mathematics (Basic Prof)	17.0	12.0	13.0	7.0	10.0
Social Studies (General Prof)	25.0	18.0	23.0	11.0	10.0
Social Studies (Basic Prof)	19.0	27.0	42.0	22.0	7.0
Integrated Science (Single Award General Prof)	34.0	27.0	27.0	24.0	22.0
Integrated Science (Single Award Basic Prof)	-	39.0	48.0	32.0	22.0

## EMPLOYMENT

Total Public Sector	75,947	74,048	74,578	70,394	
(i) Central Government	28,686	28,650	27,411	24,493	
(ii) Rest of Public Sector	47,261	45,398	47,167	45,901	

## CONSUMPTION

Energy Consumption - per capita (kg of oil equivalent)	361.6	379.4	347.7	382.2	385.4
Passenger Cars (per thousand population)	33.2	31.4	35.6	34.7	31.3
Newspaper Circulation (per thousand population)	96.2	105.4	85.9	78.3	38.2

SOURCE: STATE PLANNING SECRETARIAT

TABLE 2

**GUYANA: CONSOLIDATED FINANCIAL OPERATIONS  
OF THE PUBLIC SECTOR 1988 - 1990**

G\$ million

Number and Item	Latest		Budget 1989	Actual 1988
	Budget 1990	Estimate 1989		
1.0 Current Revenue	2774	3564	5440	1913*
1.1 Taxes from Government Corporations	565	313	839	80
1.2 Dividends from Government Corporations	67	306	168	46
1.3 Other Transfers from Corporations to Government 1)	423	270	1725	0
1.4 Current Transfers from Government to Corporations (-)	-805	-403	-470	0
1.5 Other Central Government Current Revenue	2715	2302	2228	1597
1.6 Current Surplus of Government Enterprises	-573	428	738	-26
1.7 Depreciation Allowances of Government Enterprises	345	227	212	203
1.8 Loss/Gain on Devaluation	0	0	n.a.	-1
1.9 Provisions and Accruals	37	121	n.a.	14
2.0 Current Expenditure	5612	3513	4678	2149
2.1 Employment Costs and Other Costs	3231	2592	2494	1306
2.2 Principal	2291	576	1744	522
2.3 Interest	3186	1324	2654	843
2.4 Current Transfers from Government to Corporations (-)	-805	-403	-470	0
2.5 Debt Funding and Repayment (-)	-2291	-576	-1744	-522
3.0 Current Financial Surplus of the Public Sector	-2838	51	762	-236
4.0 Capital Revenue	2421	940	634	66

Note: 1) Includes Special Transfers, Sugar Levy, and Rice Levy.

TABLE 2 (Cont'd)

**BUYANA: CONSOLIDATED FINANCIAL OPERATIONS  
OF THE PUBLIC SECTOR 1988 - 1990**

G\$ million

Number and Item	Latest		Budget 1989	Actual 1988
	Budget 1990	Estimate 1989		
5.0 Capital Expenditure	4632	2436	3834	1185
5.1 Central Government	3673	1280	2674	949
5.2 Corporations	2318	1348	1837	458
5.3 Capital Transfers from Government to Corporations (-)	-1359	-192	-677	-222
5.4 Equity Contributions	0	0	0	0
6.0 Overall Financial Surplus/Deficit	-5049	-1445	-2438	-1355
7.0 Financing	5049	1445	2438	1355
7.1 Net External Borrowing	3775	548	1542	-315
7.1.1 Central Government	(3132)	(89)		(-245)
7.1.2 Corporations	(643)	(459)		(-70)
7.2 Net Banking System Borrowing	802	2070	-240	1356
7.2.1 Central Government	(767)	(2039)		(1258)
7.2.2 Corporations	(35)	(31)		(98)
7.3 Central Government Net Sales of Securities	n.a.	773	n.a.	191
7.4 Corporations' Holdings of Securities (-)	n.a.	n.a.	n.a.	n.a.
7.5 Borrowing from non-Bank Financial System	n.a.	n.a.	n.a.	38
7.6 Interest Arrears	n.a.	n.a.	143	0
7.7 Principal Arrears	n.a.	n.a.	417	0
7.8 Rescheduled Debt	n.a.	n.a.	221	0
7.9 Other Miscellaneous Financing Transactions	472	-1946	-355	85

SOURCE: Ministry of Finance.

## COOPERATIVE FINANCE ADMINISTRATION

## CONSOLIDATED INCOME STATEMENT

1988 - 1990

66MM

	ACTUAL 1988	LATEST FORECAST	BUDGET 1990
1.0 Current Revenue	667.56	1,218.45	2,122.80
1.1 Premium income, Commissions and Fees†	39.86	143.11	89.59
1.2 Interest on loans, advances and mortgages	323.66	652.11	1,448.46
1.3 Contributions‡‡	74.32	124.54	176.70
1.4 Income from Investment	227.17	295.80	403.95
1.5 Other Income	2.64	2.89	4.10
2.0 Current Expenditure	397.15	1,017.93	1,794.05
2.1 Payment of claims, commissions and benefits	67.63	95.99	122.02
2.2 Interest expenses	200.32	645.39	1,274.16
2.3 Salaries and other staff expenses	53.79	72.17	101.71
2.4 Provision for loan and mortgage losses	39.18	129.68	206.93
2.5 Other operating expenses	36.23	74.70	89.23
3.0 Surplus	207.50	200.52	328.75

## Notes

† Fees include application, inspection, trustee, mortgage and management expenses

‡‡ National insurance receipts from employed and self-employed persons

Source: Cooperative Finance Administration

TABLE 3B

COOPERATIVE FINANCE ADMINISTRATION  
CONSOLIDATED INCOME STATEMENT

S\$Mn

	GNCB	GATBANK	SCMFB	CNCB TRUST	GCIS	NFS	TOTAL	%
1986 (ACTUAL)								
Total Revenue	149.98	24.49	3.22	15.81	19.62	184.56	397.68	
Total Expenditure	130.37	17.18	2.57	11.86	11.39	57.97	231.34	58.17
Net Surplus	19.61	7.31	0.65	3.95	8.23	126.59	166.34	41.83
Foreign Exchange Losses	-	6.18	-	-	-	-	6.18	
		-----					-----	
		1.13					160.16	
1987 (ACTUAL)								
Total Revenue	195.07	34.02	3.38	22.33	24.75	205.15	484.70	
Total Expenditure	152.62	31.79	3.20	16.82	15.46	70.86	290.75	59.99
Net Surplus	42.45	2.23	0.18	5.51	9.29	134.29	193.95	40.01
Foreign Exchange Losses	-	32.66	-	-	-	-	82.66	
		-----					-----	
		-80.43					111.29	
1988 (ACTUAL)								
Total Revenue	271.78	37.91	4.55	104.85	30.18	216.39	667.66	
Total Expenditure	230.92	40.27	4.46	23.37	18.82	79.31	397.15	59.48
Net Surplus	40.86	-0.36	0.09	81.48	11.36	137.08	270.51	40.52

TABLE 3B (Contd)

COOPERATIVE FINANCE ADMINISTRATION  
CONSOLIDATED INCOME STATEMENT

1989 BUDGET (REVISED)

Total Revenue	764.75	112.38	5.77	64.46	45.57	225.53	1218.46	
Total Expenditure	689.35	122.35	5.03	55.33	25.72	120.25	1018.03	88.55
Net Surplus	75.40	-9.97	0.74	9.13	19.85	105.28	200.43	16.45

1990 BUDGET

Total Revenue	1400.43	319.60	10.89	31.62	66.54	293.70	2122.78	
Total Expenditure	1359.93	145.06	7.20	102.98	35.85	143.03	1794.05	84.51
Net Surplus	40.50	174.54	3.69	-71.36	30.67	150.67	328.73	15.49

- Where Applicable: 1. Revenue - Includes Interest/Investment/Contribution/Commissions and Other Income.
2. Expenditure - Includes Employment Cost/Operational Expenses/Interest Expenses/Benefit Payments/Claims Payment/Commissions/Reinsurance payments and Other Expenses.

SOURCE: COFA SECRETARIAT.

TABLE 4

## 1990 TECHNICAL ASSISTANCE PROGRAMME

PROJECT TITLE	AGENCY	AMOUNT S\$'000	NATURE OF ASSISTANCE
SECTOR: AGRICULTURE FORESTRY & FISHING			
Institutional Strengthening	UNDP	27,227	Institutional Strengthening of NARI
Training & Consultancy	IDB	6,060	Provision of training in financial and environmental management
Consultancy	IDB	1,804	Provision of consultants for Black Bush Polder Rehabilitation Project
Consultancy	IDB	26,501	Provision of consultants for the rehabilitation of D & I
Infrastructure Rehabilitation Project	EEC	164,400	Rehabilitation of coastal sea defence, and financing of study for long-term sea defence improvement
Artisanal Fishery Infrastructure	CIDA	23,560	Construction of coastal facilities for artisanal fishermen
Geodetic Surveys	UK	1,200	Purchase of materials to reproduce maps

TABLE 4 (Cont'd)

## 1990 TECHNICAL ASSISTANCE PROGRAMME

PROJECT TITLE	AGENCY	AMOUNT G\$'000	NATURE OF ASSISTANCE
SECTOR: POWER			
GEC	IDB	214,216	Provision of management services and distribution equipment; improvement to Sophia and Garden of Eden plants
SECTOR: Mining & Quarrying			
Hydropower Development	OLADE	561	Identification and evaluation of hydropower sites
GNEC	CHINA	3,967	Improvement of Bel-Lu Clay-brick Factory
Quarries - GNS	EEC	15,000	Rehabilitation of Teperu Quarry
Quarries - Private Sector	EEC	57,744	Provision of equipment for Toolsie Persaud & Baracara Quarries
SECTOR, ENVIRONMENT & PURE WATER			
Water Improvement	IDB	3,300	Institutional Strengthening of the water supply sector; Master Plan Study
Rural Water Supply	EEC/UNICEF	70,000	Improvement of water supply in Municipalities and rural areas

TABLE 4 (Cont'd)

## 1990 TECHNICAL ASSISTANCE PROGRAMME

PROJECT TITLE	AGENCY	AMOUNT G\$'000	NATURE OF ASSISTANCE
<b>SECTOR: EDUCATION</b>			
Primary Education	IDB	600	Institutional Strengthening, Ministry of Education
Equal Opportunity for women	UNESCO	800	Provision of text books
Human Resources Development Project	IDB	14,780	Provision of scholarships and fellowships
Making of Exercise Books	CIDA	22,240	Provision of paper for the making of exercise books
Scholarship & Training	VARIOUS	44,031	Financing for scholarships & training courses
<b>SECTOR: HEALTH</b>			
Georgetown Hospital	IDB	15,000	Institutional Strengthening
Malaria Diagnostic Lab	EEC	4,835	Purchase of Laboratory equipment
Toxicology Unit	EEC	3,965	Purchase of Laboratory equipment
Communicable diseases	PAHO	990	Consultancy Services
AIDS Control	PAHO/WHO	7,768	Consultancy Services and equipment

TABLE 4 (Cont'd)

## 1990 TECHNICAL ASSISTANCE PROGRAMME

PROJECT TITLE	AGENCY	AMOUNT B\$'000	NATURE OF ASSISTANCE
<b>SECTOR: HEALTH (Cont'd)</b>			
TC - Cuba	PAHO/WHO	908	Strengthening Technical Cooperation between Guyana and Cuba
Health Manpower Development	PAHO/WHO	809	Training
Health Services Development	PAHO/WHO	4,074	Consultancy Services and equipment
Managerial Support	PAHO/WHO	1,492	Consultancy Services
National Health Development	PAHO/WHO	1,205	Consultancy Services
<b>SECTOR: TRANSPORT AND COMMUNICATION</b>			
Ferry Services	EEC	9,000	Design of ferry vessels and facilities
Navigational Aids	EEC	7,000	Purchase of navigational aids
Demerara Harbour Bridge	EEC	56,000	Replacement of floating units and other deteriorated components
<b>SECTOR: ADMINISTRATION</b>			
BUYHIDA	UNIDO/UNDP	13,100	Purchase of Office equipment and vehicle
Public Corporation Secretariat	UNDP	21,516	Institutional Strengthening

TABLE 4 (Cont'd)

## 1990 TECHNICAL ASSISTANCE PROGRAMME

PROJECT TITLE	AGENCY	AMOUNT G\$'000	NATURE OF ASSISTANCE
IAST	UNDP/CIDA/ BRF	25,000	Ongoing applied research work in the use of indigenous raw materials and ceramics
National Planning Project	UNDP/IDB	19,200	Purchase of office equipment and vehicles
Statistical Bureau	UNDP	1,100	Purchase of equipment and consultancy services
Ministry of Finance	UNDP	2,904	Purchase of equipment and vehicles
Public Service Ministry	UK	48,140	Review of Public Service Study - Training, Consultancy, and Equipment
Infrastructure Rehabilitation Programme	EEC	9,700	Various technical assistance to the social and productive sectors
SECTOR: INTERNAL SECURITY			
Fire fighting equipment	South Korea	6,600	Acquisition of fire fighting equipment
SECTOR: HDUSING			
Infrastructure Development and building	UNDP	7,260	Rehabilitation of Wortmanville flats and upgrading of a housing complex in Albouys- town

SOURCE: State Planning Secretariat  
& Ministry of Finance

TABLE 5

## MAJOR INVESTMENT PROJECTS BY SECTORS - 1990

PROJECT TITLE	AMOUNT (G\$'000)	NATURE OF FINANCING
<b>SECTOR: AGRICULTURE, FORESTRY &amp; FISHING</b>		
M.M.A.	51,940	Provision of secondary drainage and irrigation canals & hydraulic structures
Black Bush Polder Rehab.	57,656	Rehabilitation of primary and secondary drainage and irrigation facilities
Rehabilitation of Drainage and Irrigation Areas	76,000	Rehabilitation works at Buxton/Friendship, Vreed-en-Hoop/La Jalousie and Craig/Relief, water balance study
East Bank Essequibo Project	60,300	General rehabilitation of infrastructure such as drainage canals and access roads
Agri. Development	36,300	Provision of spares and equipment for the rice and sugar industries
<b>SECTOR: MINING &amp; QUARRYING</b>		
Guyana Electricity Corporation	525,484	Acquisition of equipment for the improvement of GEC
BUYMINE	600,000	Development of mines, rehabilitation of plant and acquisition of equipment
Quarries	16,600	Rehabilitation of the Teperu Quarry

TABLE 5 Cont'd)  
 MAJOR INVESTMENT PROJECTS BY SECTORS - 1990

PROJECT TITLE	AMOUNT (G\$'000)	NATURE OF FINANCING
<b>SECTOR: CONSTRUCTION</b>		
Infrastructure Rehabilitation Programme	224,400	Acquisition of equipment, spare parts and materials and the improvement of sea defence structures
Mabura/Lethem Road	525,000	Construction of Guyana/Brazil Road
<b>SECTOR: ENVIRONMENT AND PURE WATER</b>		
Rural Water supply	74,000	Improvement of water supply in municipalities and rural areas
<b>SECTOR: EDUCATION</b>		
Human Resource Development Programme	66,220	Construction and rehabilitation of University of Guyana and Technical Institutes
Primary Education	31,400	Construction of Primary schools
<b>SECTOR: HEALTH</b>		
Georgetown Hospital	47,000	Construction works for Public Hospital Georgetown, (PHG)
<b>SECTOR: TRANSPORT AND COMMUNICATION</b>		
Demerara Harbour Bridge	86,000	Replacement of floating units and other deteriorated components

SOURCE: STATE PLANNING SECRETARIAT

TABLE 6

LICENCES, FEES, AND TOLLS

A. Weights and Measures Act, Chapter 90:14

SCHEDULE

TABLES OF FEES TO BE TAKEN BY INSPECTORS  
OF WEIGHTS AND MEASURES

1. For examining, comparing, and stamping all weights within their respective jurisdictions:

	OLD RATES	NEW RATES
	\$	\$
(a) Each weight, from half a hundred weight to a stone, both included	1.00	3.00
(b) Each weight under a stone to a pound ...	0.50	1.50
(c) Each set of weights of a pound and under ...	1.00	3.00
(d) Each weighing machine and steelyard ...	1.50	4.50

2. For examining, comparing, and stamping all wooden measures within their respective jurisdictions

(a) Each bushel ...	0.30	1.50
(b) Each half bushel ...	0.30	1.50
(c) Each peck, and all under ...	0.30	1.50
(d) Each yard ...	0.30	1.50

3. For examining, comparing, and stamping all measures of capacity of liquids made of copper and other material, within their respective jurisdictions

(a) Each five-gallon ...	0.5	1.50
(b) Each four-gallon ...	0.5	1.50
(c) Each three-gallon ...	0.5	1.50
(d) Each two-gallon ...	0.5	1.50
(e) Each gallon ...	0.5	1.50
(f) Each half-gallon ...	0.5	1.50
(g) Each quart, and under ...	0.5	1.50

4. For examining, comparing, and sealing all petrol pumps within their respective jurisdictions

(a) Each petrol pump ...	4.00	12.00
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TABLE 6 (Cont d)

## LICENCES, FEES, AND TOLLS

## B. Schedule of Toll Fees - Corentyne Highway

VEHICLE	No.s 1, 2 & 3 TOLL STATIONS		
	OLD FEES		NEW FEES
	1 & 2	3	All Stations
Hire Car	\$ 1.80	1.80	4.00
Motor Car	1.80	1.80	4.00
Motor Cycle	0.90	0.90	2.00
Animal Drawn Vehicle	0.90	0.90	2.00
Vehicles Licensed as Goods Vehicles other than Lorries	3.75	3.75	7.00
Motor Bus	5.00	4.40	10.00
Motor Lorry with 2 Axles	5.00	4.40	10.00
Motor Lorry with 3 Axles	6.90	6.00	14.00
Tractor with Trailer	6.90	6.00	14.00
Tractor	1.80	1.40	4.00
Motor Hearse	1.80	1.80	4.00
Any other Vehicle not mentioned above	6.90	6.00	14.00

C. Schedule of Toll Fees - Kuru Kuru Toll Station  
Soesdyke/Linden Highway

	OLD FEES	NEW FEES
	\$	\$
Passage of Motor Lorry	28.80	57.00
Passage of any vehicle licensed as a Goods Lorry (other than a Motor Lorry)	21.60	43.00
Passage of any Motor Bus	21.60	43.00
Passage of any Motor Car	10.80	22.00
Passage of any Motor Cycle	7.20	14.00
Passage of any Other Vehicle	28.80	57.00