

**THE
PARLIAMENTARY DEBATES
OFFICIAL REPORT**

[VOLUME 7]

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

106th Sitting

2 p.m.

Thursday, 30th December, 1976

MEMBERS OF THE NATIONAL ASSEMBLY

Speaker

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

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

Prime Minister (1)

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

Deputy Prime Minister (1)

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

Senior Ministers (9)

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

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

*Cde. H.O. Jack,
Minister of Energy and National Resources

***Non-elected Ministers**

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

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

(Absent- on leave)

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

*Cde. G.B. Kennard, C.C.H.,
Minister of Agriculture

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

*Cde. F.R. Wills, S.C.,
Minister of Foreign Affairs and Justice

Ministers (5)

Cde. W.G. Carrington,
Minister of Labour

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

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

*Cde. O.M.R. Harper,
Minister of Health

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

Ministers of State (9)

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

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

***Non-elected Ministers**

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

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

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

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

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

(Absent)

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

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

Parliamentary Secretaries (6)

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

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

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

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

***Non-elected Ministers**

Cde. R.H.O. Corbin,
Parliamentary Secretary,
Ministry of Education and Social Development

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

Other Members (19)

Cde. L.M. Branco
Cde. E.M. Bynoe
Cde. E.H.A. Fowler (Absent)
Cde. J. Gill
Cde. W. Hussain
Cde. S. Jaiserrisingh
Cde. K.M.E. Jonas
Cde. M. Nissar
Cde. L.E. Ramsahoye
Cde. J.G. Ramson
Cde. P.A. Rayman
Cde. E.M. Stoby, J.P.
Cde. S.H. Sukhu, M.S., J.P.
Cde. C. Sukhu, J.P.
Cde. H.A. Taylor (Absent)
Cde. R.C. Van Sluytman
Cde. L.E. Willems
Cde. C.E. Wrights, J.P. (Absent)
Cde. M. Zaheeruddeen, J.P.

Members of the Opposition (16)

(i) People's Progressive Party (14)

Leader of the Opposition (1)

Cde. C.B. Jagan

Deputy Speaker (1)

Cde. Ram Karran

Other Members (12)

Cde. J. Jagan

Cde.Reepu Daman Persaud, J.P., Opposition Chief Whip

Cde. C. Collymore

Cde. S.F. Mohamed

Cde. L. Lalbahadur

(Absent)

Cde. B. James

(Absent)

Cde. C.C. Belgrave

Cde. R. Ally

Cde.Dalchand, J.P.

Cde.Dindayal

Cde. H. Nokta

(ii) Liberator Party (2)

Mr. M.F. Singh

(Absent – on leave)

Mrs. E. Da Silva

OFFICERS

Acting Clerk of the National Assembly - M.B. Henry, AMBIM

Acting - Deputy Clerk of the National Assembly – A.W.B Knight.

30.12.76

National Assembly

2.05– 2.10 p.m.

2.05 p.m.

ANNOUNCEMENT BY THE SPEAKER

Leave To Members

The Speaker: Leave has been granted to the Cde. Minister of Works and Housing up to 9th January, 1977 and to the hon. Member Mr. Feilden Singh who unfortunately is ill and regrets his absence today.

Death of wife of Acting Deputy Clerk

Since last we met the Acting Deputy Clerk, Cde. Knight, has lost his wife. I would therefore like to take this opportunity of extending to him the deepest sympathy of Members of the National Assembly and myself.

PRESENTATION OF PAPERS AND REPORTS

The following Paper was laid:

Estimates of Revenue and Expenditure for Financial Year 1977. [**The Minister of Finance.**]

INTRODUCTION OF BILLS – FIRST READING

The following Bill was introduced and read the First time:

Nurses and Midwives Registration (Amendment) Bill. /The Minister of Health.

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PUBLIC BUSINESS

MOTION

APPROVAL OF THE ESTIMATES OF EXPENDITURE 1977

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

Broadcasting of Budget Speech and Debate

The Leader of the Opposition (Cde. C.B. Jagan): I rise on a matter of privilege. I note that in this House at the present time there are microphones and other accoutrements, one of them marked Radio Demerara. I assume that during the course of

2.10 p.m.

the Budget Statement by the Minister of Finance recordings will be made and, as I understand it, a broadcast will be made live to the nation. I wish to say that I am not aware that any arrangement has been made in this House, with your consultation or approval, for these microphones to be brought into the House at this time.

I rise on a point of privilege on the following ground that the Budget, as we see it, is a review of the state of the nation's economic health – it is not very healthy at the moment. (**The Prime Minister:** "Like you.") [**Interruption**]

The Speaker: Cde. Leader of the Opposition.

Cde. C.B. Jagan: Tell the Prime Minister to shut up.

The Speaker: To begin with, I am granting you a great indulgence because in my own opinion there is no privileged matter before the House. What you are attempting to raise is not

property being raised but I will permit you to continue. Cde. Prime Minister, please let us hear what the Cde. Leader of the Opposition has to say.

The Prime Minister: My apologies, Cde. Speaker.

Cde. C.B. Jagan: As I was saying, the budget statement is an opportunity to review the state of the economy, the health or otherwise of the nation, and for the Government to present in the budget proposals what it proposes to do to resolve difficulties, if there are any, the economic problems, the financial problems and so on. It is my contribution, should also have an equal opportunity to put forward its point of view to the nation.

In a democracy under a multi-party system, a parliamentary system, it is assumed that there should be a battle of ideas in the market-place, in the population at large, in the nation. As such we content that if only one side of this House is given that opportunity and the other side is not afforded that opportunity, then the populace, the people of the country, are not in a position to make adequate judgements as to the course which this nation should take.

Since we have not been consulted and you have not indicated to us whether we will have the same facilities, I would like to know whether you have given permission to the Minister of Finance to have this facility of having his contribution to this important debate broadcast live to the nation and, if so, whether the same facility will be provided by the Opposition.

The Speaker: Hon. Member Mrs. DaSilva.

Mrs. DaSilva: Sir, I just crave your indulgence for a few seconds to add my support to that of the plea of the hon. Leader of the Opposition and to remind you, sir, that one of the tenets of socialism with which we abide is equal opportunity for all.

The Speaker: Comrades, the Leader of the Opposition has sought to raise what he considers to be a point of privilege. In my ruling I do not think that is a point of privilege. I think I have explained to him what is a point of privilege before, that is, where reports are made in the Press or over the radio which are inaccurate and which set out in synopsis form not the true content of what was said in the House. That is where a question of privilege will arise. However, in keeping with the tradition, that the Opposition must be given a fair hearing of its views, I will give consideration to that request in a different way. It has been the practice of this House, as far as I know, to have the Budget Speech, which is unique so far as this House is concerned, broadcast. I have before me two applications from the Radio Stations and I propose granting those requests. I am not aware that I have to consult the House to grant such permission. However, I shall permit the debate on the Budget Speech, as distinct from the debate in respect of the detailed Estimates, to be broadcast. I have had the undertaking of the Radio Stations that the broadcasts will be in proportion to the representation in this House. I have so agreed. Please proceed, Cde. Minister of Finance.

Cde. Hope: I now move the Motion for the approval of the Estimates of Expenditure for the Financial year 1977.

INTRODUCTION

Cde. Speaker, the Budget for 1977 which I have the honour now to present to the House and the Nation is being presented against the background of serious political and economic challenges to the people of Guyana. The fact that external powers, hostile to the path we have chosen for social and economic development, have been seeking throughout the year to create instability with the country is well known. A high point in this process of destabilisation was reached with the destruction in mid-air of the Cuban aircraft on 6th October, 1976, in which eleven Guyanese, among 73 passengers, lost their lives.

Today no one in the country has any doubts as to the seriousness of the threat to our political sovereignty and our right of social and economic self-determination. We have reacted to that threat by seeking to mobilise and alert the people to resist the forces that are at work to deflect the Nation from its chosen path. These efforts have been costly. Resources, financial and human, that could have been put into development had unfortunately to be deployed instead into defence and the maintenance and strengthening of our internal security. We are confident, however, that as we counter the threat with resolution we will eventually triumph, and be left

2.16 p.m.

alone to pursue our path to economic development and social justice free from hostile external influences.

Apart from the direct external political threat economic pressure and a hardening of attitudes to developing countries in general have been very evident. Prices of many export commodities from developing countries, including Guyana, have been declining during most of 1976. Sugar prices for instance fell so rapidly and steeply that within a matter of less than twelve months prices on the World Market had reduced to about one fifth of their 1975 peak. At the same time a number of developed countries embarked on a process of substituting sugar produced from maize for cane sugar. Even then the maize sugar or sweetener was subsidized in order to make it sufficiently competitive with cane sugar. Added to this, acreages under beet – a major source of home produced sugar in Europe – were expanded. As a result, the major cane sugar producing countries found themselves with surplus sugar stocks during the year. For the next year (1977) no one feels bold enough to predict any significant improvement in the supply/demand position for the commodity.

The position with regard to other commodities such as copper was hardly better. Prices were depressed and demand was sluggish. At the same time export prices for certain commodities and the manufactured goods produced in the developed countries, machinery and vehicles are examples, were moving upward rapidly. The position was only marginally relieved

by the improved demand for some commodities, notably aluminum, generated by the economic recovery of some large western economies. The developed countries Cde. Speaker, were in general using their economic power vis-à-vis the developing world, which by and large are not procedures of industrial goods, to force disproportionate increases in prices, and so to maintain favourable terms of trade for themselves in relation to the poorer and less technologically advanced countries of the world. Guyana, Cde. Speaker, experienced these economic pressures: while sugar prices were falling to one fifth of their 1975 levels, the prices of tractors were increasing; white corn wheat prices were raising fairly sharply, bauxite prices were moved up marginally. It is not surprising Cde. Speaker that the developing countries were amassing massive balance of payment deficits.

Cde. Speaker, it is by now nothing new to point to the fact that the Guyana economy is very open one. For instance in 1975 exports constituted some 57.0% of our gross domestic product and imports 95.0%. Indeed all of our capital goods, all our petroleum and most of our intermediate goods including fertilisers have to be imported. Because of this heavy reliance on imported capital goods, Guyana must have reserve capital flows from external sources to finance at least in part, its development expenditures. Therefore, economic and financial movements at the international levels inevitably effect our own economic fortunes and our standard of living. For these reasons the performance of the economy both in terms of production and of the Budget must be seen in the context of the economic and financial developments in the rest of the world. I would therefore seek to attract the attention of the House to some aspects of those relationships.

Commodities of the World Market

First of all Cde. Speaker, I would like to review briefly the position of commodities. I think it is necessary to observe that during 1976 most of the developed western economies with which trade have not only succeeded in pulling themselves out of the recession of 1974 and 1975;

but they have also managed to record fairly significant real economic growth, which has been estimated at something in the region of 3% - 4% per annum. This real growth has occurred

despite the presence of fairly high inflationary rates, running at something of the order of 7% to 8% and in some cases as high as 15% per annum.

As a consequence of the increased growth in the G.N.P. of the major developed countries – U.S.A., Japan, for example – there was some improvement in the demand for certain commodities compared with the very low levels of demand that were current in the recession years. There were therefore price and demand gains for such commodities as coffee and cocoa and to a smaller extent copper. Sugar on the other hand, among the leading commodities, was exceptional in that it remained weak on the commodity markets. In fact, the World Market price of sugar fell steeply at a time when the prices for most other commodities were showing an upward trend. Rice also suffered a significant setback in price. However, aluminum and bauxite along with other metal commodities, like copper, experienced market conditions that were somewhat stronger. Influenced by stronger demand conditions, export prices of bauxite, alumina and related products showed some significant improvement. In 1977 expectation is that the major industrialised economies would continue to show further growth, as domestic demand is stimulated by various mechanisms designed to maintain the expansionary process began in 1976.

This rise and fall in prices of primary commodities however, has led the developing countries to demand as recently as the May 1976 UNCTAD Conference in Nairobi, commodity arrangement that would stabilise prices at fair and remuneration levels. More specifically, at the Nairobi Conference the less developed commodity exporting countries proposed the establishment of a Common Fund to stabilize price through the creation of buffer stocks. Unfortunately no agreement was reached, largely because the proposals have not yet won the support of the commodity-importing countries.

Notwithstanding the unresponsive attitude adopted by many of the western developed countries at Nairobi towards the overwhelming problem of the developing countries, especially in such areas as debt servicing, low and unstable prices for primary commodities, and difficulty of access to capital markets, the developing countries continue to strive in other international

forums to correct this undesirable state of affairs in their economic relations with the richer countries.

Apart from the UNCTAD forum to which I have just alluded the developing countries as a group has been pressing for solutions to their problems in such other negotiations as the Conference on International Economic Co-operation (CIEC) – commonly known as the North-South Dialogue – in Paris.

While progress in this forum has been extremely slow it is encouraging to note that the OPEC countries have expressed their willingness to use their economic strength to secure a better deal for the non-oil exporting developing world.

In the meantime while solutions are being sought to these problems the balance of payments positions of most developing countries have continued to worsen in 1976 on account of higher cost of petroleum imports, depressed commodity prices and higher import prices.

In fact recent IMF estimates suggest a worsening in the current account position of the non-oil primary producing countries, whose combined balance of payments current account deficit has increased from US\$8.5 billion in 1973 to the astronomical level of US\$41.0 billion in 1976.

In the industrial world the current accounts of the most OECD countries would continue to be in surplus though at reduced levels compared with 1975. If a few developed countries in Europe have balance of payments problems such disequilibria is seen as being of a temporary nature. For the developing countries balance of payments disequilibria has become chronic and incapable of immediate solution.

The relatively better position of the industrialised countries vis-à-vis non-oil producing developing countries was possible first of all, because surplus oil funds have been recycled into investment in Europe and North America, and secondly because OPEC surplus countries have imported massively from the industrialised countries to push their own plans for industrial development. The large balance of payments deficits of non-oil developing countries were met

in large measure, particularly in the case of the middle income developing countries, by large borrowings on the international capital markets. These markets, heavily used in 1974 and 1975, may decline in importance next year as banks become more reluctant to provide balance of payments loans on a larger scale to developing countries.

Interest rates for borrowing in all major currencies except sterling have been relatively low during the year, maintaining a level that was just about half their 1974 levels. In a sense this was possible because of the reflationary policies pursued by a number of industrialised countries to combat recession and growing unemployment. The effect of this was that borrowings by Guyana involving variable market related interest rates were cheaper during the current year, that in the previous two years. In fact to a growing extent, the nationalized industries –sugar and bauxite – have been utilizing euro – dollars funds at rates of interest substantially below the sterling rates once paid by the Booker companies in Guyana.

It is anticipated that the private money markets will have to continue to play a major part in the financing of the deficits of the developing countries particularly as the resources available from the IMF are small relative to the needs of developing countries. However, there is already a danger that the current buildup of international bank credit may be followed in the next year or two by a sharp contraction either because of the revival of domestic loan demand in major industrial countries or mere stringent tests of creditworthiness being made applicable to the small economies of the world.

International Inflation

Cde. Speaker, inflation continues to be a major concern in all countries and domestic and external policies have, with varying degrees of success, been directed at bringing inflation down to more acceptable levels. For the O.E.C.D. countries, inflation was lowest in Switzerland (1 – 2%) and highest in Italy (over 20%). In between there was Germany (3 ½ %), USA (5 ½ %), Japan (8 ½ %), France (10 %), Canada (9%), Great Britain (15%) with the average rate of 8 ½% for this group of countries.

With wide differences in the rates of inflation and continuing disequilibria in the balance of payments a large share of the burden of adjustment fell on Exchange Rates. This was particularly so for the countries experiencing the highest rates of inflation and large payments deficits, - the United Kingdom, Italy and France being leading examples of this trend among European countries. The Comecon countries taken as a whole experienced sizeable payment deficits. Since however, that system does not permit of exchange rate variations between Comecon countries and those of the West, payment deficits were met from sales of gold and by International Bank borrowing.

In so far as the international exchange rates were concerned the major international currencies were still floating, the relative values being determined essentially by the varying rates of inflation prevailing in each country. The most stable relationship was between the Deutsche Mark and the U.S. Dollar – countries in which inflation was apparently under control. At the start of the year the Deutsche Mark was 2.62 to the US Dollar. It has now strengthened to 2.38 DM per US Dollar. At the other end of the scale there was the US Dollar sterling relationship which at the beginning of the year was 2.02 US Dollar to the pound sterling and is now 1.68 US Dollar to the pound, a depreciation of slightly over 17 per cent against the US Dollar within the period of a year. The consequence of this was that compared with last December when the pound sterling was equivalent to \$5.16 (G), today, the value of the Guyana Dollar has appreciated to \$4.25 - £1 Sterling.

Normally the appreciation in the value of the Guyana Dollar in relation to Sterling should have meant cheaper sterling imports into Guyana. This has not materialized however as the U.K. exporters have tended in response to the falling value of the Pound to denominate their sales to Guyana, and doubtless to all developing countries, in \$US where the relationship is stable as in the case of Guyana.

The non-oil developing countries had hoped that the strong recovery in economic activity in the developed countries which got underway in the latter half of 1975 would have continued during 1976. They expected that a strong recovery would have been followed by an improvement in their terms of trade thus reversing the declining trend in the two previous years.

However, the slower than expected recovery from recession has delayed both the anticipated price rises as well as strong demand for the commodities and raw materials that they produce. As a result the anticipated reduction in their payments deficits did not materialize.

These deficits of the non-oil developing countries have been financed in 1976 partly by grants, loans from O.P.E.C. countries, borrowing from bilateral and multilateral sources extensive resort to the Euro-currency markets particularly in the case of the middle income developing countries and through suppliers' credit.

Cde. Speaker, questions have been raised about the ability of the poorest of these countries – with per capita income less than \$2000 U.S- to finance increased market borrowing out of future exports, and a call has been made for them to place greater emphasis on Fund drawings to which substantial conditionality is attached.

International Monetary Reform

In the meantime as the developed countries have through mutual assistance and the recycling of surplus oil funds adjusted to the payment difficulties following the increase in the price of oil, the question of monetary reform has ceased to be the most urgent problem.

The Interim Committee completed its consideration of the amended Articles of Agreement in Jamaica in January this year and the articles were ratified by the Board of Governors in May. They now need to be accepted the legislatures of the individual countries. The exchange reform process has not been completed and it is expected to continue in the coming years.

The Amendments cover the Articles dealing with the exchange rate regime, surveillance by the Fund, the sale of gold, as well as provisions relating to the SDR's. The subject of the future role of the gold was settled at the August 1975 meeting of the Interim Committee and the amended articles give effect to that position. In fact, throughout the year the Fund has been selling gold, the profits from which are to be used for the assistance of the most seriously affected countries.

The articles on the exchange rate regime provide for the legalisation of the existing floating rate system subject to firm surveillance by the Fund. Provision is also made for a probable return to the par value system if a special majority of the Members of the Fund vote in favour of such change. The majority required is such as to give the United States an effective veto. The SRD becomes a more freely usable asset under the amendment articles but for it to become the major reserve asset we will have to await provisions which deal with the control of the creation of international liquidity and asset settlement.

Official Financial Flows To Developing Countries.

Cde. Speaker, the international picture would not be complete unless an attempt is made to indicate the state development assistance in the world today. In fact the position clearly demonstrates the need for countries – poor countries – to recognise that aid flows cannot be relied on for development; and that development financing is largely a matter for the effort of the developing country concerned.

The need for increased flows of resources for development is still accepted by all. But development assistance continues to fall well below the aid target set for developed countries. The target of 0.7% of the GNP of the development assistance countries continues to be beyond reach. Instead aid flows are still no more than 0.3% of the GNP of the rich countries; in real terms, the amount is much less. Only the OPEC countries have been able to achieve and even exceed this target. The figure confirm that when all sources of OPEC assistance are taken into account, resource flows from these countries to the poorer developing countries amount to approximately 1.7% of the GNP of the oil exporting countries.

Review of the Economy

Cde. Speaker, at this point I wish to turn the attention to the House to the domestic economic scene.

This year has been a bad year for production in Guyana. The economy, despite growth in a number of sectors – construction, forestry, fishing for instance – still depends heavily on sugar,

bauxite and rice. Together these three sectors account for 38.0% of our gross domestic product, and 86.7% of our export earnings. In a year when production in any one of these three commodities fails for any reason, the economy feels the shock in terms of lower domestic incomes and export receipts. In a year when all three sectors return a good output and export prices are strong, as in 1975, the economy booms. However, when in the same year the three sectors together fail to achieve normal output targets and in addition export prices are weak, the effect is catastrophic. Domestic incomes are severely depressed and export earnings shrink sharply. The year 1976 saw months of continual and exceptionally heavy rainfall, followed immediately by several months of virtual drought. Between mid-November 1975 and mid July 1976 we experienced rainfall which was 63% above the average of the last 94 years in Guyana. The rainfall in the earlier months of the year flooded the bauxite mines and retarded production. Both the sugar and the rice crops were adversely affected. In the case of rice, harvesting could not be done in several areas because of the flooded conditions. The drought conditions in its turn led to low yields in sugar and to a lesser extent in rice.

In fact rice output for the first crop was reduced by some 40% compared with 1975. The expected output for 1976 is now put at 110,000 tons compared with 180,000 tons last year. Exports of rice also declined and there were not adequate supplies to meet contractual markets. The Guyana Rice Board and the Government have however given substantial assistance to farmers to repair the damages caused by the floods and incentive bonuses have been offered to farmers for increasing their acreages under rice. It is projected that given normal weather, production in 1977 should recover to reach 200,000 tons.

The Sugar Industry also produced under adverse conditions. I have already referred to the bad weather which prevailed throughout the year. This led to a significant reduction in production compared to the target level. Added to this a strike in the industry in the early part of the year prevented the target for the first crop from being realized. Thus sugar output in 1976 is expected to reach just 340,000 tons. I have also alluded earlier to depressed prices on the world market for sugar. These two factors – low output in terms of capacity in the industry and

depressed prices – caused export earnings for sugar to slump from \$413.1 mn. in 1975 to \$219.6 mn. In 1976 a decline of almost \$200 mn.

Fortunately, the country had contractual arrangements for the sale of a significant proportion of the sugar, and this insulated the industry from the full effects of the disastrous fall in sugar prices. For instance approximately one half of the country's sugar was shipped to Europe – mainly the United Kingdom – under EEC/ACP arrangements. Algeria took another 43,000 tons at negotiated guaranteed prices. The remainder, approximately 48,600 tons was sold in the North American Market mainly at prevailing world prices.

During 1976, following growing economic recovery in the larger western economies, the demand for bauxite and bauxite products increased. Production in Guyana however declined, and full advantage could not be taken of the favourable market conditions. Heavy rainfall led to the serious flooding of the mines, thereby reducing mining operations. In addition, the strike at Alcan refinery at Arvada in Canada led to reduced shipments of raw bauxite.

As a result of these occurrences, output of bauxite was reduced. Dried bauxite is not expected to exceed 1.1. mn. tons compared to 1.4mn tons last year; 741,000 tons of calcined bauxite would be produced compared with 778,000 tons in 1975; and alumina would reach 274,000 tons against 313,000 tons the previous year.

The country's total exports as a result are not expected to exceed \$730 mn. for 1976, some 17.0% less than was projected for the year. Unfortunately, while export receipts were contracting, there was a substantial increase in imports. Total value of imports are not projected at \$1,100 mn. The dominant influence in this import surge was the large volume of capital goods imported. Imports therefore were investment-related rather than consumption-oriented. In deed the large amount of capital goods that were imported was a direct reflection of the high level of investment in the Public Sector to which reference be made later. It should also be remarked that at least 15.0% of the import cost represents inflationary prices rises. Imports of services also showed a strong upward trend. Payments with respect to insurance commissions and freight charges and external travel were all increasing fairly significantly.

Domestic, Monetary and Financial Developments

The consequence of high value of imports and depressed earnings from exports was a much larger deficit in our external current account balance than was earlier programmed. As net capital inflows were relatively small, the balance of payments gap or deficit was already some \$138.0 mn. at the end of July and is likely to be in the vicinity of some \$250.0 mn at the end of the year.

Resources flows into Guyana conformed to the trend in development assistance I have just outlined; Guyana is now classified internationally as a middle income developing country. Consequently, this country would have, to an increasing extent, to rely on access to capital markets for its external borrowings. In addition, flows from multilateral sources would be available largely on hard terms. In 1976 these flows were much reduced.

Capital receipts from external sources in 1976 fell by about \$6.4 mn. from a high of \$82.0 mn. in 1975. As a proportion of the total capital expenditure, external capital receipts were only 24% in 1976, compared with a much higher reliance of an average of 45% between 1971 and 1973 and 51.4% in 1974. Indeed, in a real sense there has been a tendency during 1976 to rely more on our resources for financing development and less on external capital flows. For instance, the Central Government did not go to the capital market in 1976 to the extent it did in 1975. However, publicly owned enterprises borrowed fairly heavily on the market during the year.

The budget as planned for 1976 projected substantial domestic banking system borrowing for financing the programme. The implication of this, it was recognized, was a substantial draw down of our international reserves which has been build up to a record level during the previous two years.

This in fact did occur. This year saw a sharp increase in credit to the Government and the rest of the public sector, as a resultant fall in the level of our international reserves. The resources of the banking system show an increase of about \$14 mn. At the same time credit to public sector (Government and Public Corporations and Companies) will increase by something

of the order of 246 mn. and as I have already indicated, the gross international reserves will fall by about \$250mn.

In order to cover the working capital needs of the nationalized enterprises other than bauxite, off shore loans amounting to nearly \$39 mn. were negotiated with the commercial banks for these enterprises. These amounts were supplemented by borrowings from the banking system under the close scrutiny of the Ministry of Finance and the Bank of Guyana.

The 1976 financial budget did not provide for borrowing from the local banking system by the bauxite sector to meet that industry's liquidity needs. However, because of lags in production and export receipts local borrowing was necessary to an extent of \$12.0 mn at the end of October, 1976.

It is expected that with better performance next year this sector would revert to its previous position of national reliance on domestic borrowing for financing its short term non-financial needs.

Background to Economic Review

Cde. Speaker, it is against the foregoing background – domestic and international – that I have just outlined to this House, that the expenditure programme and revenue performance for 1976 as well as that which would be proposed for 1977, should be interpreted. Let me recount briefly. We are confronted with a process of destabilisation by external powers and agents; the economy has been hampered by a soft market and lower prices for sugar, we have not escaped the burden of inflation in prices for industrial imports; domestic output has been plagued by bad weather and has consequently diminished, and we have been constrained by reduced financial flows from international institutions on concessionary terms because of per capita income lifts us just above the group of very poor countries.

It would become evident later in this presentation that the expenditure levels originally proposed for 1976 were in fact exceeded. This was due largely to higher expenditures on defence and security necessitated by the aggressive and hostile attitudes of our enemies abroad;

in part they arose from additional measures to rehabilitate flood –damaged farm areas; in part it was due to acceleration in a number of projects, including the Upper Mazaruni Hydro Power Road.

Also it would be brought out that the Revenue gap at the end of the year was larger than the gap originally anticipated. But this was the inevitable consequences of higher expenditure (on capital and defence) at a time when revenue yields were falling because of less than normal output in key sectors, low sugar prices and no new Government borrowings on the international financial markets.

The expenditure proposed in 1977, Cde. Speaker, inevitably take into account the experiences of 1976, as well as our expectations for 1977. The threat against our internal security is still there and must be countered; the bad weather experienced in 1976, would continue to have an effect on sugar production for 1977, even though bauxite and rice can expand their output given normal climatic conditions.

Prices for sugar are not expected to recover significantly or even at all from this year's level, though the prospect for bauxite prices are distinctly better. There is nothing to suggest that the rise in import prices would not continue or even accelerate in 1977. In fact the recent decision by all but two of the O.P.E.C. countries to increase their prices for petroleum by 10% from January 1st 1977, can be expected to increase significantly the financial burden this country must bear, not only in respect of petroleum and related products but also for imported manufactured goods. In addition, even apart from the expected increase in the prices of oil, certain industrialised countries are already projecting inflation rates that fall in the region of 17% to 18%.

Taken together, these expectations would suggest that the revenue position in 1977 may not be quite as buoyant as it was in recent years. The revenue from the sugar industry would probably show little growth and stabilize around this year's amount, and the industry is expected to generate a small surplus. If production is maintained at the high levels that the industry is

capable of, bauxite should generate both increased incomes and revenues to the Central Government.

Expectations for 1977 would however need to take into account the possibility of increased prices for imported consumer, intermediate and capital goods. In summary, the year ahead of us would be difficult, and would need every effort to accelerate production and productivity if we are to emerge from the difficult situation that certainly faces us. With careful management and deployment of resources, and certainly given normal weather, the economy is resilient enough to bounce back into prosperity and growth.

Consequently, the proposal I shall be putting forward later would require a reduction in expenditure on recurrent account thus bringing the current part of the budget more in balance with the level of resources that could reasonably be expected. The effect of this would be to ensure that bank credit is not expanded unduly because of a current account gap, and to make it possible for domestic savings to be used for development purposes.

Despite an overall reduction in expenditure, the programme of free education at all levels would be maintained and expanded in 1977; the programme for health services would similarly be maintained with increases in certain areas. Other aspects of expenditure have on the other hand been allocated less money and Ministries would be required to maintain strict economies in expenditure.

In 1977 a smaller Capital Programme is being proposed. The time period for the Second Five Year Programme 1972 – 1976 comes to an end tomorrow. The Third Five Year Programme is actively under preparation. If however, the Programme is to take into account, as it must, necessary changes in terms of the establishment of a Socialist State in Guyana as well as the fact, that as a consequence of nationalization of the Sugar Industry and other Bookers' enterprises in Guyana a new opportunity has been provided for the restructuring of the economy in keeping with our socialist philosophy, then the Third Five Year Programme could not be ready for commencement of implementation in 1977. Hence the programme for the coming year would concentrate on the completion or continuation of projects that were already in progress in 1976.

This would mean that the programme I shall be presenting for capital expenditure by the Central Government would be considerably lower than the amount spent in 1976, but greater than the amount actually spent in each of the years 1973 and 1974.

The rest of the Public Sector – Public Corporations and Government owned companies – anticipates capital outlays in excess of 1976. In summary, budgeted outlays are proposed at lower levels for 1977.

In proposing this level of expenditure due regard was taken of the likely effect on employment. Let me say at the outset it is not the Government policy or intention to lay off workers. There will be a contraction of project activity; but workers will not lose employment thereby, instead they will be deployed to projects for which finance has been made available and a concentrated effort made to complete those. Rather than continuing the thin spread of workers (and skills) over several projects with attendant inefficiencies and wastages there will be a full manning of fewer projects to ensure their completion. A committee headed by a Senior Permanent Secretary has already been identified to examine the situation and put up recommendations from time to time for the suitable deployment of persons and skills in the Public Sector to areas in which their skills and expertise can be used to a greater advantage.

Cde. Speaker, this coming year, more than any other, the need for financial discipline would be paramount. This discipline would be expected of the Government Ministries as well as of the Public Corporations and Government-owned Companies and financial institutions. As expenditures have been pruned in a number of areas, Accounting Officers would be expected to plan from the beginning of the year to spend within the limits imposed. As would become evident later on in my presentation there where is little or no way in which expenditure current services can be increased above the provided limits unless current revenues are increased. Similarly, administrative financial control mechanisms would be brought into operation to ensure that as far as it practicable expenditures on projects are kept within the limits of the financing available.

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

Government expenditure did in fact exceed public revenues; and there was reliance to a considerable extent on our International Reserves. For the next fiscal year our Reserves would be considerably less, requiring extraordinary care in the management of those resources. In fact, our domestic financial policy would have as one of its objectives, the stabilizing and augmenting of the Reserves during the ensuing fiscal years.

1976 Expenditure – Current and Capital

Current:

I turn now Cde. Speaker to examine some details of our expenditure programme as revised for this year.

Total recurrent expenditure in 1976 was originally projected at \$402.1 mn. but is now likely to be \$472.6mn. - \$70.5mn. more than any original forecast. The increases fall mainly under Other Charges (\$54.7mn.) and to a smaller extent under Public Debt payments (18.2mn). These payments were in fact the initial amounts due with respect to the nationalization of the Booker assets in Guyana, as well as bills of exchanges and similar documents for the purchase of equipment (\$.5.5mn) executed too late for inclusion in the last Budget and so far this year. In addition, the interest payments on Treasury Bills had to be increased by \$6.0mn. because of the large purchases of Treasury Bills made by persons and institutions in Guyana.

The increases under Other Charges resulted mainly from increases in expenditure for defence and internal security in the face of threats of destabilization, \$6.9 mn went into increased

subsidy for flour; \$4.1mn. for increased refunds of revenue received by the Income Tax Department; \$2.2mn was required for increased subsidy for poultry feed, and \$2.4mn. for the acquisition by Government of nursery, primary and secondary school.

Of the \$472.6 mn. spent in 1976, Personal Emoluments accounted for \$128.3 mn. or 27.0% of recurrent expenditure. Bearing in mind the range of activity in the Public Sector and the fact that the Government is responsible for the major development efforts in Guyana, outlays on personal emoluments are bound to be large. However, vacancies have not been filled unless the work of the Ministry clearly demand it; for this reason it was possible to show savings of \$2.4 mn. on Personal Emoluments during 1976.

With regard to Public Debt the payments on that account amounted to \$119.0 mn. in 1976. So far and only because our nationalization settlements have been favourable in terms of the period over which payments of compensation need to be made. Nationalisation payments account for about 30.0% of the total public debt service. Our external debt service ratio is estimated to be no more normal year would be significantly less than 10%. In fact it was just about 8% in 1975.

At this figure, Guyana is well below the level of the 15% - 20% ratio of a number of middle income developing countries that still have undiminished access to the Capital Markets of the world. Further it has become conventional and conservative to regard a debt service ratio of 20% as an upper limit for a developing country.

It therefore appears quite clearly that Guyana, with an excellent record for the repayment of its debts, and not a debt service ratio of less than 10.0%, has not assumed debt obligations beyond its capacity to repay. On the contrary the country still has substantial capacity to borrow, and that capacity would expand as the value of our exports increases.

Capital Expenditures

So far as capital expenditures are concerned, 1976 saw a tremendous acceleration in the momentum of Government's capital programme. The original estimates for this year envisaged

total capital outlay of \$261.8 mn. However, due to the rapid pace at which development has proceeded the expenditure on the programme for this year is now revised to \$322.6 mn. based on a number of amendments to the original programme during the year.

The Government's road construction programme in 1976 has cost over \$55.0mn. As was to be expected a large proportion of this sum i.e. some \$20 mn. was expended on the Upper Mazaruni Road. The importance of this project in the context of the development of hydro-electric power as well as in terms of accessibility to our vast forestry resources cannot be overemphasized.

In addition to this major project the Government spent \$5 mn. on construction of the West Demerara Road, approximately \$3.5MN. in developing the Georgetown road approaches, just under \$1Mn. on the Crabwood Creek-Orealla Road, \$ ½ Mn. on the Hababu/Maripa road and some \$29 mn on the Issano Road.

In the area of industrialization, Cde. Speaker, the Central Government alone invested some \$30 mn. this year to increase productive capacity within the economy as well as to diversify and expand the industrial base. Of this sum, \$2Mn. was spent on the completion of the clay brick factory at Hubabu. Operating at full capacity this factory is capable of producing in the vicinity of 10 million bricks annually. This should go a far way in reducing the shortage of building material for housing, and leave more lumber available for export.

A sum of \$3Mn. was allocated to Guyana Timbers Limited to carry out its expansion programme for timber and lumber production. Unfortunately, this Company was partly destroyed by fire recently and while this fact may result in a brief pause in production, arrangements are already in train to replace and improve the installation.

A sum of \$3Mn. was also spent on the proposed textile mill which is expected to come on stream by mid-1978 to manufacture cotton and textile fabrics. Just over \$1Mn. has been spent on infrastructural works for the bicycle plant, leather tannery and cheese factory.

In addition, during the current year the Small Industries Corporation has lent some \$1.7Mn for the development of small industries in private and co-operative hands.

While expenditure have been proceeding in the productive sector it was not possible to neglect defence in the particular international context in which the country has existed. Reference has already been made to the fact that attempts were in progress to destabilize the country. I have already alluded to the fact that scarce resources have had to be deployed to defence, in order to keep what we have.

Members would not be surprised therefore, to learn that whereas the sum of \$33.9 Mn. was originally voted for defence, this had to be revised upwards to some \$45Mn. This is the price we have to pay for our progressive non-aligned stand on domestic and International issues.

So far as Agriculture is concerned, approximately \$50.2 Mn. would have been spent this year on capital account for the further development of the agriculture sector. Of this amount approximately \$6.2Mn. was provided to the Guyana Rice Board which is intended to push the rice modernization programme through the construction of modernization programme through the construction of modern receiving, drying and storage silos for rice and paddy as well as for the purchase of equipment, fertilisers, etc. The Mahaica/Mahaicony/Abary Scheme continues to be a high priority project and a sum of \$4.2Mn. was spent this year in continuing the necessary drainage and irrigation works. An Exim Bank drawdown of \$3mn. was made in 1976 for the purchase and installation of pumps aimed at providing improved drainage, predominantly for rice lands. A sum of \$2Mn. was spent on emergency flood relief in order to alleviate farmers' difficulties arising from unseasonally wet weather during the first half of the year. Other important items of expenditure for agricultural development include \$1Mn. to the Guyana School of Agriculture to expand training facilities, \$4Mn. for the development of the North West Region which comprises the Matthews Ridge/Port Kaituma/Arakaka area, \$1.6Mn. for the Dairy Farming Programme, \$5Mn. for sea and river defence and \$2.1Mn. to provide for drainage and irrigation works at Canal No.2 Polder, Aliko, Northern Hogg Island, La Grange/Nimes Bagotville, Free Easy/ Maria's Lodge, Philadelphia/ Barnwell and Pomeroun areas.

The Ministry of Works and Housing (Works) was originally allocated a sum of \$58.4 Mn. but this amount had to be revised upward to \$91.1Mn. as a result of the pace at which development has proceeded this year. Of this sum approximately \$20Mn. is in respect of equipment, machinery and components purchased for the construction of the bridge across the Demerara River.

It is hoped that construction of the bridge will be completed during 1977. As I have just indicated the expenditure on the Upper Mazaruni Road will amount to \$20.2Mn. this year.

A sum of \$5.5 Mn, has been spent on the Port Kaituma quarry with a view to increasing quarry production and \$4Mn. have been spent, through force account, on water supply.

In summary, the major areas of capital works and the revised amounts allocated to them in 1976 are as follows:-

	\$ Mn.
Defence	7.8
Agriculture	50.2
Industrial Development	32.0
Education	11.2
Works and Housing (Works)	91.1
Works and Housing (Housing)	10.7
Health	2.5

The social services – such as Education and Health total \$13.7Mn. Housing absorbed \$10.7Mn. Because of the importance of these services - it would be remembered that 1976 was Health and Education Year – I propose to expand a little more on developments in these areas.

Social Services and Housing

I now turn to the Social Services. First of all Education. Last year the Government proposed the policy that education at all levels would be made free. Budgetary allocations were made to give effect to this policy, and supplementary Provisions were also granted to finance further development in this particular area. During the year all private Secondary Schools, and all Nursery Schools were taken over by the State, and the practice of fee-paying for education in these schools was abolished. School buildings that were dilapidated had to be refurbished, many more teachers were recruited, others had to be trained.

In the end, during 1976 a total of \$73.7Mn. would have been spent on education, of which some \$62.5Mn. would have been on current account and approximately \$11.2Mn. on capital account. The actual expenditure for 1975 indicate a total sum of \$53.4 Mn. of which \$45.2Mn. was on current account and \$8.2Mn. on capital account. The increase in total spending on education this year compared with the last, is about \$20.3Mn. i.e. 38.0%. Most of this increased expenditure resulted directly from the decision to provide free education. For example, additional teachers were brought on to the Ministry of Education's payroll, a number of non-teaching staff was also absorbed and other charges (including rents) had to be met. But this is only a partial picture. In 1976 an additional six primary school were completed in such areas as Skull Point, St. Mary's Quarry, Belladrum, etc. These schools provide an additional 1425 places for children of primary schools age; but more importantly they have been provided in the areas of greatest need. This apart, a further 900 additional primary school places have been provided through extensions on various schools.

To complete the picture for this year, it should be mentioned that the First Education project was also completed in the course of the year. This has meant that six additional Multilateral Schools providing 6,000 places came on stream as well as the Cyril Potter College of Education which provides 660 places for the training of primary school teachers.

Water

During the current year Cde. Speaker, the Government of the People's National Congress has accelerated its programme to supply potable pure water to various parts of Guyana. Through the Guyana Water Authority a sum of over \$3.6Mn. will have been spent on developmental works which include the drilling of wells and the laying of pipelines. Wells have been completed this year in the following areas – Hyde Park in the Mahaicony River, Victoria on the East Coast Demerara, Timehri, Henrietta on the Essequibo Coast, and Maria's Pleasure in Wakenaan, Success in Leguan, Adelphi and Canje, Mon Repos on the East Coast Demerara and Caledonia on the East Bank Demerara. The cost of these is approximately \$1.2Mn. It might be interesting to observe, Cde. Speaker, the fact that over 235,000 feet of pipelines were laid during 1976 at a cost of over \$1.8Mn. enabling water to be taken within easy reach of many people.

Quite apart from works done for the direct benefit of the general public, the Guyana Water Authority has completed wells for Government agencies costing under \$1Mn. For example, a well was dug at the Industrial Area for the Textile Mill, the Georgetown City Council had one dug at Turkeyen and the Guyana Rice Board, one at MARDS, Burma.

Housing:

In the field of housing the Government's objective of completely housing the people by the end of this year has not yet been achieved. Such bottlenecks as the shortage of building materials, particularly of cement was a severe constraint, and caused serious delays in the progress of housing projects. Skilled manpower was another constraint. These limiting factors were unfortunately prevailing throughout the plan period. Nevertheless important successes were scored in the area of housing. The largest number of building units was constructed during the five year period ending tomorrow than in any similar period in Guyana.

During 1976 the original sum voted for housing was of the order of \$6.4Mn. However, by additional votes through Supplementary Provisions the total sum spent for this year by the Central Government alone will be \$10.7 Mn. a clear reflection of the rate at which construction was taking place during the year. The emphasis during the year has been placed on providing

finances for aided self-help schemes and for rental units. Through this process a total of eight hundred and fifteen housing units have been completed at a number of different locations.

In addition to the above there are on-going projects on the West Coast, East Bank and East Coast of Demerara totaling another 500 housing units.

Electricity

Comrade Speaker, I now turn to the question of Electricity. Although the service is not a social service it is sufficiently critical to the improvement of the equality of life of the people to warrant some review of development within the sector.

During 1976, Government has through the Guyana Electricity Corporation, continued its electricity expansion programme with the completion of an electricity generating station and sub station at Garden-of-Eden at a cost of \$18.6Mn. Additionally, the construction of a 69 K.V. transmission line between Garden-of-Eden and Linden as well as the construction of another sub station at Linden at a cost of \$1.7Mn. had resulted in the recent commissioning of the Garden of-Eden station and the consequential link up between the Guyana Electricity Corporation and Guybau power systems.

This has also facilitated the construction of a 13.8 K.V. power line from Garden of-Eden to the Kuru Kuru highway agricultural settlement whose residents now enjoy the benefit of electricity as well as running water in their homes.

Construction of high voltage line between Garden-of-Eden and Sophia is well under way and, we weather permitting, should be completed very early in 1977.

Those high voltage lines will later continue on to Onverwagt, then across the Berbice and Canjie rivers on steel towers to No. 53 Village on the Corentyne Coast. The Cost already incurred in the construction of these high voltage transmission lines is near \$11Mn.

Works have also commenced on the construction of sub-stations at Canefield in East Canje, Wakenaam, Sophia, Onverwagt in West Coast Berbice, No. 53 Village on the Corentyne,

Everton on the East Bank Berbice and New Amsterdam. The cost to date on the construction of these sub stations, which will facilitate the national power link-up, is \$17.9 Mn.

In addition, work has already commenced on a frequency convertor station to convert the power of the Georgetown system from 50 Hz to 60 Hz. A system control centre is also now under construction at Sophia in Greater Georgetown. The cost to date on these two projects is \$16.6 mn. and they are expected to come on stream in 1977.

Over the past 4 years the Government, through the Corporation, spent \$65.8mn. in bringing electricity to rural districts in many cases at a price to the rural consumer that does not reflect the true cost of the service.

Thus, Comrade Speaker, the Central Government during 1976 outlayed Some \$322 mn, in capital works – Infrastructure, Roads, Buildings, Industrial Development and so on. The rest of the Public Sector comprising the State-owned companies and Corporations together invested in expansion approximately \$92.6 mn. Investment in Bauxite amounted to \$18.0 mn. to improve capacity in the production of calcined bauxite, and to facilitate more intensive mining operations. The Sugar Industry outlayed \$8.2mn. to improve and refurbish some of the nationalized estates, as well as to improve farming and sugar processing capacity at Enmore and Skeldon; the Guyana Electricity Corporation invested \$22.0 mn. in expansion of its services; and the Guyana Transport Services \$2.4 mn. in the acquisition of some new buses for improvement in the public transport services.

One effect of the high level of capital expenditure in the Government Sector was reflected most dramatically on the work force. Unemployment fell sharply. In fact for many skills the position has become one of over-full employment as it became progressively more difficult to find available workers in most skills. Any remaining unemployment was essentially of a structural nature arising from the fact that the person had no skill, although there was a vacancy, which he could not fill because of the lack of the relevant skills.

Expenditure and Revenue 1976

Revenue

Cde. Speaker, I now turn to the Revenue for 1976. In my last Budget Speech, I projected total recurrent revenue at \$362.5 mn; our expectations at the present time are that revenue **collections** are likely to be approximately \$380.3 mn - \$17.8 mn. more than my forecast.

Import duties and consumption taxes, which were estimated to yield \$89mn. are now expected to generate \$100mn. – an excess of \$11mn. This was mainly due to a higher level of imports – both volume and prices – and increased domestic activities attracting consumption tax. Excise duties, which were estimated to yield \$21.2 mn. are now expected at \$23.2 mn. due to increased revenue from Vodka, Whisky, Beer and other spirituous compounds. These improvements in customs and excise revenue to the tune of \$13 mn. do not however offset the shortfall of \$22.8 mn. expected from sugar levy - \$86 mn. projected as against \$63.2 mn. collected.

As this House is aware, the price of sugar on the world market has been hovering around £120 per ton within recent times. When the budget was prepared, the London daily price was somewhere in the region of £170 per ton C.I.F or £155 per ton F.O.B. The price being paid for the past two months is in the region of £120 per ton F.O.B. with a depreciated pound sterling equivalent of \$4.25 (G) to the pound. These drastic changes in the market price abroad not only affected the sugar industry's receipts but also the central government's revenue in the form of sugar levy and company and corporation tax.

Income tax taken as a whole nevertheless, is now estimated at \$111.4 mn – an increase of \$19.4 mn. over the original projection of \$92.0 mn. This was also increased revenue of \$0.5 mn. from property tax, \$0.4mn. from Travel Voucher Tax, \$0.5mn. from Purchase Tax on cars, \$0.9 mn. on duty on transport and mortgages and \$0.9 mn on Post Office Revenue.

Distributed surpluses from Public Corporations and Government Companies, which were estimated to provide \$35 mn. will now provide some \$46.0 mn. – an improvement of \$11.0 mn. with \$13.0 mn from the Bank of Guyana, \$28.7 mn. from Guybau, \$2.5 mn. from Bermine and \$1.8 mn. from the former Jessel Group to meet nationalization payments.

With recurrent expenditure at \$473 mn. and current revenue totaling \$380 mn. there was a deficit in 1976 on the recurrent account of \$93 mn.

Capital revenue on the other hand amounted to \$117 mn; some \$30 mn higher than was originally projected. Of this amount external loans and credits amounted to about \$74 mn., external grants \$2.0 mn. and long term loans raised internally totalled \$41.0 mn. The capital revenue of \$117mn was utilized in financing development expenditure amounting to \$322mn.

Hence there was also financing gap on the capital account of \$205 mn; bringing the total gap to be financed to \$298mn.

This deficit was met in part by short-term borrowing – through the sale of Treasury Bills and in part by utilizing our international reserves.

Public Corporations and State Owned Enterprises.

Cde. Speaker, the Central Government's financial performance which I have dealt with so far, is only part of the Public Sector. This sector by virtue of its size measured in terms of either its contribution to the G.D.P., the number of people it employs, or the amount of capital it deploys, is by far the dominant sector in Guyana today.

Consequently it would be expedient, if a complete range of Government activity is to be surveyed, that the activities of Public Corporations and State owned Companies be reviewed. In any case this part of the public sector very often relies on the Central Government budget for financing its expansion programme and just as often calls very heavily on the Banking System for advances which are guaranteed by the Central Government.

Since the presentation of my last budget to this House the number of Public Corporations has increased from 18 to 30 largely as a result of the acquisition from 18 to 30 largely as a result of the acquisition by the Government of the former Booker Group of Companies in Guyana. As a consequence it became necessary to undertake some structural and administrative reorganization to ensure that the activities of the Corporations and Companies were adequately streamlined. The various entities which fall under the Guystac umbrella have now been classified into six broad groups as follows:

Public Utilities and Services, Trading Group 1, Trading Group 1, Information and Communication Services Agricultural Products and Food Processing, and Industries.

The Companies and Corporations within each group fall under the control of an Executive Chairman who is responsible for setting the policy framework within which the Corporations and Companies under his control must operate.

It is estimated that for 1976 the Public Corporations and Companies as a group will earn a surplus on current account before tax of just over \$40.0 mn. On the other hand there was an increase in net capital employed from the 1975 level of \$280mn. to \$473.6 mn. at the end of 1976.

As is to be expected Cde. Speaker, the large surpluses this year has accrued within Trading Groups I and II taken as a whole, with Guyana Stores projecting a surplus of some \$8 mn., External Trade Bureau \$7.2 mn., Guyana National Trading Corporation \$4 mn., Guyana Gajraj \$2.8 mn. and Demerara Sugar Terminals approximately \$2 mn.

However, surpluses by themselves do not reveal the full extent of the involvement of the Public Corporations and Companies in the economic activity of this country. It is for this reason that I shall refer briefly to the gross trading revenues of the Public Corporations and Companies. It is estimated that in 1976 the group as a whole will have earned gross trading revenues amounting to some \$455.0 mn. an increase of 82.0% over 1975.

For the year ahead Cde. Speaker, it is anticipated that the trading results in 1976 will be significantly improved upon as the demand situation for the output of the Corporations – electricity, telephone, stockfeed – is expected to be fairly buoyant.

Financial Institutions within the Public Sector

Comrade Speaker, I would wish now to mention a few important aspects of performance of the Financial Institutions within the public sector for the year 1986.

This year in July has seen the addition of the Guyana Co-operative Insurance Service to the Institutions. The Service has only been engaged in non-life insurance but will start its life insurance section early in 1977. It is estimated that for the seven months in 1976 the Service would receive premiums of \$8.7 mn.

The Guyana Co-operative Mortgage Finance Bank lent \$5.6 mn. for housing - \$0.2mn for self-help housing, \$1.3 mn. for low income housing and \$4.1 mn. for middle income housing.

The Guyana National Co-operative Bank Trust Company Limited also lent \$2.2 mn. during 1976 for mortgages. The Trust Company took over the administration of the Bookers Guyana Pensions Scheme with assets of just over \$30 mn. during May, 1976.

In 1976, Cde. Speaker, the Guyana Agriculture Co-operative Development Bank lent \$6.5 mn to farmers engaged in a wide range of agricultural activities including rice farming (\$1.5 mn.), fishing, logging, and saw-milling, pig rearing and poultry rearing. From December, 1976, the Bank assumed responsibility for the livestock project.

The Guyana National Co-operative Bank increased its Deposits – savings, time and demand by \$15.6 mn. and its outstanding loans and advances by \$32.2 mn. It is expected that the Bank will earn an operating surplus of over \$1mn.

Revenue and Expenditure – 1977

Cde. Speaker, I now turn my attention to 1977 expenditure and Revenue proposals. Much will depend on the performance of our export sector and the economy as a whole.

The earnings from our major exports i.e. sugar rice and bauxite are expected to increase in 1977 by slightly over 17.0% above the 1976 level. Bauxite which contributed some \$276mn. in 1976 in foreign exchange earnings is now expected to earn over \$377mn. in foreign exchange in 1977. Rice which in 1976 grossed some \$73 mn. is now expected to earn about \$80.0 mn. in 1977. Sugar, Cde. Speaker, is forecast to show a slight decline in earnings in 1977. The industry is expected to earn some \$212.0mn. in foreign exchange in 1977, compared with \$219 mn. in 1976. Total earnings from all productive sectors are expected to increase from \$730 mn. to \$832.0 mn in 1977.

Gross Domestic Product at current market prices is projected to rise by 4% from \$1,149.0 mn. in 1976 to \$1190 mn. in 1977. This forecast is predicated upon assumptions of favourable weather conditions, reasonably peaceful industrial relations and an improved price for bauxite and related products, in particular calcined Bauxite. Even if all the assumptions proved correct, it would also be reasonable to expect successive increases in the prices of goods the country must import. The OPEC countries have recently announced price increases for oil. If precedence is followed, this will result in a more than proportionate increase in the price of capital and other goods which must be imported. In any case many industrialised countries are still projecting significant levels of inflation which in our experience is inevitable passed on to us through imports.

However, Cde. Speaker, given the assumption I have just made with respect to the weather and industrial relations, the economy will resume its growth in incomes, though such growth is not expected to be very substantial.

Current Revenue

Cde. Speaker, it is in the light of these expectations that the budgetary outlays are being proposed. Taking into account the level of economic activity and our assumptions on export and import prices for 1977, current revenue from all sources is estimated at \$411.5 mn.

Import duties and consumption taxes are estimated at \$94 mn. - \$6 mn. less than expected for 1976 – mainly because a conscious effort will be made to reduce the level of non-essential imports. Imports for domestic manufacture, and capital goods such as machinery and spare parts for machinery, will not be disturbed. In any case importation of machinery and industrial vehicles has been particularly heavy in 1976. For 1977 the emphasis will be concentrated more on the more effective use and deployment of the equipment and their proper maintenance and less on our success in the total supply of them. But on the other hand, the level of imports of cars will be however substantially reduced from the high import bill of \$24 mn. in 1976. Excise duties are estimated to yield \$23 mn. – the same level as in 1976. On the other hand, our prospects for sugar prices, as explained earlier, are still uncertain therefore the sugar levy is not projected to yield much more than they did in 1976.

Income taxes are estimated at \$106 mn. - \$5.4 mn. less than 1976 – due mainly to a lower level of arrears expected. With the Post Office becoming a Public Corporation as from 1st January, 1977, revenue from the sale of revenue stamps is estimated at \$1.0 mn. National Service is expected to provide about \$1.2 mn. in revenue.

Distributed surpluses from Public Corporations and Government Companies are estimated to provide \$9.6 mn. - \$7.4 mn. from the Bank of Guyana and, to meet nationalization payments, \$9.4mn. from Guybau, \$2.0 mn. from Bermine, \$1.8 mn. from the former Jessels Group, \$1.5 mn. from the Guyana National Engineering Corporation, and approximately \$9.0 mn. from the former Booker Group of Companies. It is also expected that the Guystac Group of Companies would provide, in addition, at least \$25.0mn. in dividends to the Treasury.

The sum of \$30 mn. had been estimated for Defence Bonds. As members are aware the introduction of the Bonds was in accordance with an agreement with the Trades Union Congress which, along with other organisations, such as the People's National Congress, the People's Progressive Party, the Georgetown and New Amsterdam Chamber of Commerce, the Consultative Association of Guyanese Industries and the Guyana Association of Local Authorities, will be mobilizing support for the purchase of these bonds. The Trades Union

Congress felt that every Guyanese should be concerned with the defence of his country and should render some tangible contribution to show the concern.

The Bonds will be fixed date for ten years, transferrable and registered in denominations of \$10, \$20, \$50, \$100 bearing interest at 3 ½ per annum tax free.

I would re-iterate what has been said elsewhere, that the purchase of these bonds is voluntary and that it is hoped that persons earning up to \$300 monthly would invest at least 7% of their salary, and those earning more at least 10% of their salary. Furthermore anyone – worker or not – may purchase any amount without limit.

If everyone contributes his fair share, the sum of \$30.0 mn could be realized.

Current Expenditure

Given our current revenue projections, Cde. Speaker, every effort was made to restrict current expenditure to anticipated recurrent revenue. The objectives underlying the expenditure programme are first of all to avoid a current account deficit, at least of the magnitude experienced in 1976. Secondly, it is intended that after taking the capital outlays into account, the overall deficit would be kept at a level that could be financed out of external long term borrowing with little, if any, reliance on expanded bank credit to the Government. It must also be an aim of public sector financial policy to ensure that as far as practicable there should be a reasonable improvement in our international reserves position.

The current expenditure for 1977 is projected at \$411.2 mn. - \$61.4 mn. less than the revised estimate for 1976, and marginally – (\$0.3 mn) – less than current revenue. The main reductions occur under Public Debt (\$2.6 mn) and other charges (\$77.2 mn).

The reduction in the Public Debt is mainly because in 1976 deferred payment of \$25.3 mn. net of withholding tax had to be made to Alcan for Guybau, while in 1977 the ordinary annual net installment of \$7.2 mn. will be payable. On the other hand, we have to pay in 1977 the first installments for the former Booker group of companies (\$8.0mn.) and for West Indian

Oil (\$0.1mn.), and increased installments of Eurodollar borrowing amounting to (\$8.6 mn) now that the moratorium on capital payments has expired.

The reduction under Other Charges resulted mainly from the reduction in subsidies of the order of \$22.8 mn. to which I will make more detailed reference later.

There were also some cuts in the level of defence expenditure and some \$7.5 mn. from the Ministry of National Development; \$10.3 mn. was pruned from the Ministry of Works and Housing (Works). There are also smaller reductions throughout the service which reflect the decision that 1977 must be a year of some austerity, and accordingly, that there should be efficiency in expenditure.

There is an increase of \$18.4 mn. under personal emoluments due mainly to an increase of \$10.3 mn. under Nursery, Primary and Secondary Schools. This increased level of expenditure in education reflects the decision of the Government that the implementation of a policy of free education for all and at all levels, must continue to be accorded top priority.

Hospital dispensaries have also had their allocations increased by something in the region of \$1.4mn.

Capital Programme for 1977

Let me turn now, Comrade Speaker, to the Government's proposed capital programme for 1977. Earlier in my presentation I made reference to the constraints, external and internal, likely to be placed upon our development efforts in 1977. The rapid pace of development in 1976 began towards the end of the year to reveal certain other constraints. For example skilled and semi-skilled manpower became relatively short in supply and the demand for certain items of building materials exceeded supply. This indicated that for the ensuing year the level of development activity in certain sectors should be geared down while other sectors are permitted to maintain or expand activities in order to permit a more efficient level of implementation of

existing projects. In addition as I indicated earlier the 1972-76 Development Plan is to be rolled over for one year, to give adequate time for the preparation of the new five year plan.

In 1977, Cde. Speaker, it is the intention of the Government to put increased emphasis on greater productivity and production particularly in Agriculture and in Forestry. To this end the road programme for 1977 will concentrate heavily on the construction of access and feeder roads in the agriculture areas to provide greater accessibility to and from farms for transporting inputs and produce.

The sum involved for this purpose in 1977 will be in excess of \$6.6 mn. and some 43 miles of farm-to-market roads will be constructed. At Wash Clothes/Cook Dam 9 miles of road will be constructed at an estimated cost of \$1mn. to serve between 1200 and 1500 acres of rice lands. In the Rosignal/Zeelust area an estimated sum of \$3/4 mn. will be spent to bring 15 miles of road to all weather status in a rice producing area. In the Woodley Park/Bath/Hopetown areas approximately 12 miles of road will be upgraded at an estimated cost of \$1.mn. The extension of the Ithaca Road to Ross Field is expected to cost some \$1.6 mn.

In addition, it is expected that a further sum of \$4.5 mn will be available from the Caribbean Development Bank in the form of a loan to assist in the construction of an additional 43 miles of feeder roads. These include feeder roads at Anna Regina (4) miles, Ruby Dam, West Demerara (3.5 miles): De Hoop, East Coast Demerara (1.8 miles), Burma Mill to Mahaica (3.0 miles); Hubu/Maripa (3.5 miles); Burma Mill to Mahaicony (2.1 miles) Onverwagt (6.3 miles); Fyrish (1 mile): Port Mourant (13.4 miles); and No. 72 Dam, Corentyne (3.7 miles).

The Upper Mazaruni Road will absorb capital expenditure next year totaling \$10 mn. This road it is well known is intended to facilitate development of the Hydropower project as well as to provide easy and ready access to our vast forestry and other resources.

Apart from the \$16.6 mn. I have specially identified there is a further sum of \$7.7 mn. assigned to other development works to be undertaken by the Ministry of Works and Housing (Works).

With respect to Agriculture, it is anticipated that in 1977 productive projects will be accorded the highest priority. The Mahaica/Mahaicony/Abary Scheme is one such and \$4 mn. is earmarked to be spent on it in 1977. When this area is finally developed, it is expected to bring into productive use approximately 226,000 acres of very fertile lands.

This project has attracted the clear interest of the Inter-American Development Bank for the purpose of financing on a very substantial scale. The Tapakuma Irrigation Scheme (\$5.5 mn), the Livestock Development Project (\$2.6 mn) and sea and river defence (\$2 mn.), have also been given high priority in 1977. These projects form part of the total projected capital expenditure of \$22.8 mn. to be spent in the agricultural sector next year.

Industrial development, Cde. Speaker, is another area which in 1977, will be accorded high priority. It is estimated that some \$17.6 mn. will be spent for this purpose next year. The enterprises responsible for timber and forestry development will be provided a sum of \$3.6 mn for the purpose of increasing production in this sector.

An additional sum of \$1 mn. will be spend on the development of the Demerara Fish Port Complex. The Glass Factory will absorb a further \$2.3 mn. the Textile Mill \$1.5 mn., Bicycle Plant \$0.5 mn. and the Small Industries Corporation will be provided with \$2.5 mn. for the promotion of small industries.

Cde. Speaker, whilst such emphasis will be placed on increased productivity and production in 1977, I wish to indicate that social services such as health and education will continue to be treated as high priority development services. A capital provision of \$4.0 mn. has been made for health in 1977 as against \$2.5 mn. spent in 1976, an increase of 60%. The capital expenditure on education in 1977 is proposed at \$6.0 mn. and while it is less than the \$11.0 mn. spent in 1976, the difference however is largely related to higher initial cost incurred in 1976 for the acquisition of certain schools as part of the exercise to bring the educational system fully under public control.

Finally, as I have remarked earlier, the security, of the country must continue to be of paramount importance since the development of any country assumes, first of all, its existence.

It is for this reason that the capital expenditure on defence is projected at \$8.3 mn. in 1977. This is just over 6% of the total capital expenditure proposed for next year.

The total capital programme for 1977 is expected to cost \$134.8 mn. and this is a clear indication by the Government of its realism in the present circumstances.

Financing the Programme

The total Budget Estimates for 1977 Cde. Speaker provide for expenditure on the current and capital accounts of the Government totaling \$546 mn. Of the amount \$411.2 mn. are projected to be spent on the current account and \$134.8 mn. on the capital account.

I have already given a detailed breakdown of the various sources, along with amounts, that maybe expected to yield revenue on the current account. The total that is expected on current account is \$411.5 mn. From this it will be evident that the current account is just marginally in surplus but could just as easily tilt into a deficit.

On the capital side External loans totaling \$26.7 mn. are expected during 1977 broken down as follows:-

IBRD	-	\$ 7 mn.
IDA	-	\$2.4 mn.
CDB	-	\$1.5 mn.
USAID	-	\$4.3 mn.
Other	-	\$11.5mn.

Internal loans amounting to \$30 mn. are expected to be raised during next month through the normal investment in government 10 year bonds. When to this are added certain other items of capital revenue such as refunds of loans (\$2.2mn), external grants (\$2.1 mn), external credits (\$1 mn) the total capital receipts, external and internal, projected for 1977 amount to \$62.2 mn.

The Government revenue – current and capital would aggregate to (\$473.7 mn); (\$411.5 mn) on current and (\$62.2 mn) on capital. With total expenditure programmed at \$546 mn. There is a deficit of \$72.3 mn. entirely on capital account.

It is proposed that this gap would be financed mainly by external loans from friendly countries and from borrowings on the Eurodollar Market with some short term domestic borrowing. I should indicate Cde. Speaker, that the Government proposes shortly to sign in Vienna an OPEC Special Fund Agreement, on the basis of which some of the financing would be forthcoming.

Government Subsidies

Cde. Speaker, I now must revert to the question of Government Subsidies. IT is common knowledge that the cost of living in Guyana is lower than in other Caricom and Latin American Countries. This has been as a result of an extensive system of subsidies coupled with price control. The objective of this policy has been to provide the Guyanese people some measure of relief from escalating consumer prices. In 1975 some \$36.6 mn. was spent in direct budgetary subsidies on a wide range of consumer goods. This meant that approximately 7.0% of the country's current revenue was spent in subsidies. By the end of 1976 Cde. Speaker, some \$47.8 mn. would have been spent by Government by direct budgetary allocations to reduce the cost of living in this country. This sum is apart from some \$16.0 mn. utilized to keep the price of sugar at 6 ½ cents per pound, and \$12 mn. to enable rice to be sold to the domestic consumer at prices which are in fact below what the farmer receives for that same rice. And Cde. Speaker, if I were to quantify the numerous hidden subsidies, for example in the price of fertilisers to farmers, in the duty free agricultural machines and equipments to farmers (on one tractor alone this could amount to some \$6,000:), in the amounts written down by the Government from the true cost of self-help and co-operative housing, in water rates in the rural district and in the price of fish at 35 cents per lb. – the \$75 mn in direct subsidies referred to earlier could swell to the astronomical figure of near \$100 mn.

The subsidy on consumer goods range from over-the-counter items such as flour, evaporated milk and cooking oil, to input items such as stockfeed, transport and electricity and housing which result in a reduction in the cost of final products. Our subsidy on stockfeed, for example, has the effect of reducing the cost of poultry meat and port, while the transport subsidy has the effect of not only reducing passenger fares for those who utilize this service directly but also of reducing the transport cost element of a host of foodcrop items, etc. that are transported from the farms to population centres via the transport services.

Cde. Speaker, what I have just said represents just broad outlines of the effects of the regime of subsidies that this Government has until now undertaken, but, I wish to point to some of the specific areas that are being subsidized. The subsidy on flour for 1976 was \$16.9 mn. and is in excess of \$15.00 per bag but this figure can fluctuate upward or downward depending on the cost of wheat. The subsidy on electricity at \$9.0 mn. in 1976 is in excess of 5 cents per k.w.h., evaporated milk at \$3.0 mn. in 1976 is in excess of 6 cents per tin but can fluctuate upward or downward depending on import price, while the subsidy on steamer transportation for 1976 is \$4.8 mn not to mention the subsidy on cooking oil at approximately \$3.00 per gallon. With respect to sugar and rice, Cde. Speaker, consumers are not being asked to pay the economic price for these commodities. The prices are kept well below the cost of production of these items.

It will be recalled, however, Cde. Speaker, That at the very beginning of my budget presentation I indicated that the economic picture for 1977 was unlikely to be any better on the international scene than in 1976; there is obvious responsibility on the part of the Government to take proper account of the forces of destabilization, and we now know for sure that our petroleum bill in 1977 will rise significantly.

Against this background the Government has been forced to review the whole question of subsidies in terms of their range and level. It is therefore proposed to reduce the quantum of direct budgetary subsidies from the 1976 level of \$47.8 mn. to a new lower level of \$21.7 mn. The items to be affected are as follows:

- (1) **Stockfeed:** The subsidy on this item will be reduced from \$6.6 mn in 1976 to \$3.0 in 1977. This means that the subsidy on poultry feed will be eliminated, but the subsidy on pig feed will remain. The effect of this was a rise in the control price of chicken and eggs which have already taken place and stable subsidized price for pork. It is however anticipated that as the farms recover from the effects of the bad weather earlier this year, and corn production increases, the need to import expensive corn as an input to poultry feed would be removed and it should then be possible to reduce the controlled price of poultry feed.
- (2) **Flour:** The subsidy on flour will be reduced from \$16.9 mn. in 1976 to a new level of \$10.0 mn. in 1977. This would mean an increase in the price of flour of 8 ½ cents per pound. The new price of flour would be 25 cents per pound.
- (3) **Transport:** The subsidy on transport will be reduced for the 1976 level of \$4.8 mn., to a new lower level in 1977 of \$1.5 mn. This would mean an increase in passenger fares. However, school children travelling on season tickets will not be affected. The rate will rise by an average of 75%.
- (4) **Electricity:** The subsidy on electricity will be removed in 1977. However, the rating system will be completely restructured to provide for a more uniform rate to customers.
- (5) The subsidy on oil, milk, rice and sugar are to remain untouched.

Cde. Speaker, as a result of the adjustments I have just announced, the cost of living in Guyana is expected to increase by about 3 – 3 ½ % when account is taken of some secondary effects.

Conservation of Foreign Exchange

Cde. Speaker, I have already alluded to the fact that it would be part of Government's policy in 1977 to adopt such measures as would enable the country to realise a balance of payment surplus and a rise in the level of its international reserves. One such measure would be to utilize and deploy more efficiently our existing stock of capital goods particularly vehicles and so that further importation would be permitted only where such importation is shown to be

absolutely necessary. This should have the effect of dampening a demand particularly in the Public Sector.

In addition the further importation of motor cars during 1977 would be severely restricted. Domestic banking guidelines would be applied limiting the growth of bank credit particularly for consumer durables. Further, it has also been already announced that the grant of foreign exchange for holiday travel would be suspended; this has already taken effect. We have also moved to restrain an abuse which had led to the loss of millions of dollars of foreign exchange through the transfer of funds by way of the purchase of airline tickets for persons resident overseas. The new system would permit such transfers but only with the permission of the Bank of Guyana who would act in conformity with guidelines set by the Government.

In addition, the Cabinet has recently approved the presentation of amending legislation to require that Sinking Funds established in support of securities issued in Guyana should be established in Guyana and controlled by the Bank of Guyana in preference to the existing system which requires such Sinking Funds to be established in the United Kingdom and administered by the Crown Agents.

This measure when passed would avoid the transfer of at least \$6.0 mn. annually as Sinking Fund Contribution, and would require the repatriation of some £4.5 mn. of Sterling securities back in Guyana.

3.55 p.m.

Suspension of Standing Order

The Speaker: Cde. Minister, perhaps this is a convenient time to ask the Leader of this House to move the suspension of the Standing Orders.

The Minister for Parliamentary Affairs and Leader of the House (Cde. Ramsaroop): As you are aware, Cde. Speaker, under the relevant Standing Order 9 (3) this session will terminate at 4 p.m. I respectfully move that this Standing Order 9 (3) be suspended in order to

enable the Cde. Minister of Finance to complete his presentation of the Budget Statement and for such other items to be taken as may seem relevant.

The Speaker: Is this agreed? [*The Members:* “Aye.”].

APPROVAL OF THE ESTIMATES OF EXPENDITURE 1977

Conclusion

Cde. Hope: In conclusion it is my firm conviction that the fundamental solution to the problem of the economy is a high level of production and increased productivity. While sugar, rice and bauxite must in the immediate future remain the main pillars of our economic prosperity, circumstances in the world have amply demonstrated the need to diversify the economy through rapid production in other fields. Our forests must be exploited on a more massive scale and agriculture needs to be expanded into other crops. More people need to find self-employment on farms, and our food surpluses must be greater.

Indeed our existing industries need to produce at a maximum capacity. Our sugar industry is rated as having a capacity to produce 400,000 tons of sugar per annum, but it has never achieved that target for one reason or another. Waste need to be eliminated in the production process so that production can take place with the least use of raw materials and manpower. In fact there must be a ruthless assault on waste, because it is in the elimination of waste of money, materials, man hours and machines that we increase our productivity.

It is only through increasing levels of exports, at competitive prices made possible by efficient production can the Nation maximize its foreign exchange earnings, for its economic and social development.

The Budget that I have presented Cde. Speaker, does not call for increased taxation. I think the Nation would be relieved at this. But if consumers will need to pay more for their flour, electricity, and steamer transportation, because the subsidies have been reduced it is necessary for all of us to recognise that the strongest economies of the world face periods of reserves – they

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National Assembly

3.55 – 4.00 pm

call it recession. The solution in all cases rests in high production and expanded exports. We have not sought to impose extensive imports controls and restriction although our Foreign Reserves need to be protected. It is up to us to work hard to pull the economy around without resort to such further measures.

This year the economy of Guyana is in temporary recession; but all the forecasts suggest that 1977 would see an improvement and 1978 given good weather could positively be prosperous. Therefore let us face a temporary difficulty with resolution in certain knowledge that a better period lies ahead. [Applause]

4.00 p.m.

The Speaker: The Motion is proposed. Cde. Minister.

Cde. Hope: Cde. Speaker, I now name Wednesday, 5th January, 1977, as the day for the resumption of the debate on the Motion.

The Speaker: Copies of the Estimates and the Motion will be circulated to members. Comrades and hon. Members, as this is the last sitting before the end of 1976 may I take this opportunity of wishing everyone of you, Members, and your families a very happy new year. I hope that we will meet the challenge which lies ahead with courage and fortitude. I am confident indeed that we shall overcome these difficulties for the resilience of Guyanese is well known. With the co-operation of all of you, with the co-operation and encouragement of all parties and the people of Guyana, the challenge will prove that Guyanese can successfully overcome the difficulties which face us. May I trust that this encouragement will be forthcoming from all parties?

Whilst the Budget has been termed austere by the Press it will not detract me from inviting all members, their advisers, and the Press for liquid refreshment after the Adjournment.

Hon. Member Mrs. DaSilva.

Mrs. DaSilva: Mr. Speaker, as is customary at this time of the year we in this House exchange greeting one with the other. We have just received for you, sir, your good wishes for all of us and our families. As you know, my Leader is unwell and cannot be present today, so on me falls the privilege and pleasure to extend our greetings to all in this House.

4.07 p.m.

This is the time of the year, sir, when we do not let Party differences or Party belief come between us as friends because we are all, in our own way, whether we belong to the P.N.C., the P.P.P. or the United Force, fighting for the best for Guyana according to our ideals and beliefs. We may not always see things the same way, but we all have the same goal – we are fighting for Guyana.

We have seen from the Budget that there is a hard year ahead. In spite of the so-called “no-taxation”, there will be very heavy taxation falling on the people who can least afford it, because it will fall on the small man. We have been told that the increase in the cost of living will be between 3 and 3 ½ per cent, which is not very much but to the small man 3 ½ percent means a lot. The curtailment of the subsidies on flour, transport and electricity will affect them, so it is not a Budget without taxation. As you said, we Guyanese are very resilient and we will bounce up again. This I hope and trust will not be only for the Guyanese people but for Guyana as a whole.

On behalf of the United Force, I wish you and your family, the Hon. Prime Minister and his family, all my friends across there on the P.N.C side and their families, my P.P.P. friends and their families, the Members of the staff of Parliament, the Press, the cleaners, not forgetting Mr. King our Sergeant-At-Arms, a happy, peaceful and joyful new year and for our country, I wish a hopeful 1977. [**Applause**]

Cde. C. Jagan: Mr. Speaker, I too would like to join the last speaker in expressing thanks to you for the wishes that you have expressed for the coming year. We should hope at this particular time that we not only conventionally get up and express good wishes for joy and

happiness and well-being for the new year. In some quarters, for centuries they have been moralizing and hoping for the best. I hope that we will, especially from the floor of this House, do more than express wishes, that we will try to implement the ethical values, the moral values and the good wishes that we many want for all Guyanese including all the Members of this House, yourself and family, Members of the staff, and that we will take the practical steps which will realise our aspirations. We, too, are unhappy that more burdens will fall on the Guyanese people. This will not be an easy year for the majority of Guyanese people. Things are very tough for them right now and will be tougher. All our wishes are not going to be realized just by pious declarations, hopes and slogans. What we have to do is to seek to attain those objectives that we all want, especially from the floor of this House, for all Guyanese. We have to see that there is mutual co-operation, mutual goodwill, so that we can iron out many of the difficulties, many of the obstacles which are in the way to progress and prosperity. I, too, would like to hope that things will be better and I hope that we do not only dream but that we can perform so that all Guyanese can truly say “A prosperous 1977!”

I would like to join my colleagues on this side of the House in expressing to you, to the Members of the Government, and to all the Members of this House and the staff, the Press and others who are associated with our work, a very Happy New Year. Let us hope that we can work together to make it truly happy for all the Guyanese people. [**Applause**]

The Prime Minister: Cde. Speaker, a few days ago it was my good fortune to listen to a commentary on the radio and the commentator said something like this “ “At Christmas time we indulge in the hypocrisy of extending good wishes and those good wishes, if they are really meant, are otiose because we always hold them towards those to whom we send them. But in the majority of cases they are an exercise in hypocrisy.” I should hope – in fact I am convinced that the good wishes which I extend to you and your family for 1977 will not fall into the second category.

May I remark that you have presided over this House, as usual, with charm and with fairness, with firmness and with a sense of humour. But sometimes you have, I am not sure whether I should say ascended or descended, if you will permit me, to the level of indulgence.

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National Assembly

4.15 – 4.25 p.m.

I know that your well-being has been contributed to by your dear spouse and those promising young children who are yours. Therefore, in thanking you for all that

4.15 p.m.

you have done during 1976, and looking forward to an excellent performance in 1977, I should also be extending wishes and thanks to those who have enabled you to keep in such fine form.

The year 1976 has been, undoubtedly, both a difficult and a good year. It has been difficult in the sense, as was prognosticated in 1975, that there was a chance of our having to draw down on our reserves but, as will come out in the debate, we will see how well those reserves have been used. The year 1977 is going to be a difficult year again we know because we have to build up our reserves, and without attempting to plagiarise the work of the Minister of Finance, I would like to emphasise that it will require Herculean efforts and greater levels of production and productivity.

In those circumstances, when I extend to you, Cde. Speaker, to the useful members of the Opposition and to my own party colleagues, good wishes for 1977. I am doing so with a hope that we would recognise that 1977 is not a time for nit-picking; 1977 is not a time for cheap politicking. The Constitution provides for 1978, therefore there is no need to indulge in electioneering in 1977 unless you are a macro-economic planner.

All of us during 1977 have to perform at our various tasks. There is sometimes the impression that performance, production and productivity are concepts limited to those who are in agriculture or in industry. But I had a recent experience in relation to one of our sister countries in the Caribbean with whom we were dealing and the bureaucracy was so heavy that a decision that was taken between two Heads took six months to fructify.

During the course of 1977 I would hope that our public sector would realise that whether they till in the fields toil in the factories theirs is the duty to produce because so many other

people are dependent upon their production and in the final analysis the country's welfare and future are dependent upon such productivity.

The staff has worked well as usual during the year. Honestly, Cde. Speaker, when I look at the labour that they put in, I promise myself that if I were to be born again I would not be a member of staff of the Parliament of Guyana, because it call for exceptional ability, understanding and tolerance to put into a reasonable form some of the statements that are made here, forgetting for a moment the interjections.

It is good that we did not have a meeting just shortly before Christmas but that the meeting comes shortly before the New Year which is much greater significance than that pagan festival and that commercial exercise is overspending. I take this opportunity on behalf of the Government benches to thank the staff and to wish them well; to wish them happiness in the performance of their duties and to wish them a continued high standard.

The Budget has already been delivered and I want to take this opportunity, contrary to tradition, to say a word of thanks and give some good wishes to the Cde. Minister of Finance [Applause]. Though the carping and uninformed critics and the soap-box experts may think differently, he has done an exceptionally good job during the year and also in the presentation of this Budget. [Applause]. He has been, sometimes, the object of hostility on the part of his Cabinet colleagues because he has exercised the control and the tight-fistedness on occasions which I know he does not exercise in so far as his own personal business is concerned. We would except him to do the same during 1977, showing a realism when realism is demanded.

I did not hope to anticipate the debate on the Budget but I speak after two who have sought in some measure to do so. Therefore, while I congratulate my colleague, I congratulate him upon producing something superior to the Kaldor Budget, an indication of the level of self-reliance which the people of Guyana have achieved which self-reliance is epitomized by the Cde. Minister of Finance.

Happy New Year to everyone! A happiness not from excessive spreeing but a happiness which comes from the satisfaction one derives from doing a job well and expeditiously. Happy

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4.15 – 4.25 p.m.

New Year to everyone! To you, Cde. Speaker, your staff, the Sergeant-at-Arms and to the Members of the Opposition whose efficient performance during the course of this Budget debate, I hope I can properly anticipate [Applause].

ADJOURNMENT

Resolved “That this Assembly do adjourn to Wednesday 5th January, 1977 at 2.p.m.
[Cde. Ramsaroop]

Adjourned accordingly at 4.23 p.m.
