

THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

[VOLUME 1]

PROCEEDINGS AND DEBATES OF THE FIRST SESSION OF THE
FIRST PARLIAMENT OF GUYANA UNDER THE
CONSTITUTION OF GUYANA.

33rd Sitting

Monday, 16th January, 1967.

The Assembly met at 2p.m.

Prayers

[Mr. Deputy Speaker in the chair]

Present

His Honour the Deputy Speaker, Mr. R. C. Tello

Members of the Government

Ministers

The Honourable L. F. S. Burnham, Q.C.,	— Prime Minister
Dr. the Honourable P. A. Reid	— Minister of Trade
The Honourable P. S. d'Aguiar	— Minister of Finance
The Honourable N. J. Bissember	— Minister of Information (Leader of the House)
The Honourable R. E. Cheeks	— Minister of Local Government
The Honourable E. F. Correia	— Minister of Communications
The Honourable L. John	— Minister of Home Affairs
The Honourable R. J. Jordan	— Minister of Agriculture and Natural Resources
The Honourable M. Kasim	— Minister of Works and Hydraulics
The Honourable C. A. Merriman	— Minister of Labour and Socio Security

Parliamentary Secretaries

Mr. D. B. deGroot

- *Parliamentary Secretary,
Prime Minister's Office*

Mr. G. Bowman

- *Parliamentary Secretary, Min-
istry of Labour and Social
Security*

Mr. O. E. Clarke

- *Parliamentary Secretary, Min-
istry of Education*

Mr. P. Duncan

- *Parliamentary Secretary, Min-
istry of Local Government*

Mr. J. G. Joaquin, O. B. E., J.P.,

- *Parliamentary Secretary, Min-
istry of Works and Hydraulics*

Mr. C. V. Tee-Chung

- *Parliamentary Secretary, Min-
istry of Finance*

Other Members

Mr. W. A. Blair

Mr. J. Budhoo

Mr. W. G. Carrington

Mr. E. G. B. Field-Ridley

Mr. D. Maharaj

Mr. H. Prasad

Mr. T. A. Sancho

Mr. M. F. Singh

Mr. J. H. Thomas

Rev. A. B. Trotman

Mr. H. M. S. Wharton, J.P.

Members of the Opposition

Dr. C. B. Jagan, Leader of the Oppositio

Mr. J. R. S. Luck

Mr. A. Chase

Mr. D. C. Jagan

Mr. Ram Karan

Mr. H. Lall

Mr. R. Chandisingh

Mr. M. Khan, J.P.

Mr. E. J. M. Hubbard

Mr. Y. Ally

Dr. Charles Jacob, Jr.

Mr. R. D. Persaud

Mr. C. V. Nunes

Mr. M. Poonai

Dr. F. H. W. Ramsahoye

Mr. E. M. Stoby

Mr. E. M. G. Wilson

Mr. S. M. Saffee

Mr. M. Hamid, J.P.

Clerk of the National Assembly - Mr. F. A. Narain

Deputy Clerk of the National Assembly - Mr. M. B. Henry

Absent:

His Honour the Speaker, Mr. A. P. Alleyne

The Honourable Mrs. W. Gaskin, Minister of Education

The Honourable W. O. R. Kendall, C. B. E.,

Minister of Health and Housing

The Honourable S. S. Ramphal, C. M. G., Q.C.,

Attorney-General and Minister of State

Mr. R. H. Benn - on leave

Mr. L. Linde - on leave

Dr. S. A. Ramjohn

Mr. M. Huggins

**ANNOUNCEMENT BY THE
SPEAKER**

Leave to Member

Mr. Deputy Speaker: Hon. Members, Mr. Benn has been granted six weeks' leave as he will be out of the country.

**PRESENTATION OF PAPERS
AND REPORTS**

The following Papers were laid:

(i) Constitutional Offices (Remuneration of Holders) Order, 1967 (No.2) made under section 5 of the Constitutional Offices (Remuneration of Holders) Ordinance, 1962, by the Minister of Finance on the 7th of January, 1967, and published in the Gazette on the 14th of January, 1967 —

(ii) Estimates of Revenues and Expenditure for the year 1967.

In terms of Article 80 (2) of the Constitution, the Minister of Finance signified that the Cabinet had recommended that the Assembly should proceed upon the Motion for the approval of the Estimates of Expenditure for the year 1967.

(iii) Customs Duties (Amendment and Imposition) Order, 1967 (No. 3) made under section 8 of the Customs Ordinance, Chapter 309, on the 15th of January, 1967, and published in the Gazette on the 16th of January, 1967 — [Minister of Finance.]

2.10 p.m.

INTRODUCTION OF BILLS

FIRST READING

The Minister of Finance Mr. d' Aguiar: I beg to give notice of the introduction and First Reading of the following Bills:

- (i) Tax (Amendment) Bill, 1966
- (ii) Tax (Amendment) (No.1) Bill, 1967

In order that the provisions of the latter Bill relating to excise may

take immediate effect, the Governor-General has signed a Provisional Collection of Taxes Order (No. 4 of 1967).

Bills read the First time.

PUBLIC BUSINESS

MOTION

**APPROVAL OF ESTIMATES OF
EXPENDITURE FOR 1967**

BUDGET SPEECH

Whereas the Constitution of Guyana requires that estimates of the revenues and expenditure of Guyana for any financial year should be laid before the National Assembly not later than sixty days after the commencement of that year;

And whereas the Constitution also provides that when the estimates of expenditure have been approved by the Assembly an Appropriation Bill shall be introduced in the Assembly providing for the issue from the Consolidated Fund of the sums necessary to meet that expenditure;

And whereas estimates of the revenues and expenditure of Guyana for the financial year 1967 have been prepared and laid before the Assembly on 16th January, 1967;

Now, therefore, be it resolved that this National Assembly approve the estimates of expenditure for the financial year 1967, totalling one hundred and ten million, six hundred and forty-five thousand, nine hundred and five dollars (excluding seventeen million, nine hundred and fifty-six thousand, five hundred and nine dollars which is chargeable by law) as detailed therein and summarised in the undermentioned schedule, and agree that it is expedient to amend the law and to make further provision in respect of finance.

Mr. d' Aguiar: The budget I now present to this Honourable Assembly proposes expenditure of nearly \$129 mn. on current and capital services. It is the first independence budget.

[MR. D'AGUIAR]

It reflects the full costs of running the government of a sovereign nation. We are not masters of our own destiny. We must rely on ourselves to improve our lot. We have a good country with many natural advantages. We have many friends who have generously demonstrated their willingness to help us. But it is only by helping ourselves that we can put this generous assistance to good use and achieve a better life. This involves some sacrifice, but nothing worthwhile can be achieved painlessly.

We have made good progress in the past two years. Peace and confidence in the future have been restored. Capital inflow from abroad, which is a measure of the confidence the outside world places in our future, has expanded from about \$15 mn. in 1964 to \$30 mn. in 1966. This year it should rise to about \$50 mn. With the help of these funds from abroad and our own savings, gross domestic investment — total investment in the country — has risen from about \$55 mn. in 1964 to nearly \$100 mn. in 1966. In the past two years the Government has raised \$21½ mn. from voluntary subscriptions to its issues of Treasury Savings Certificates and debentures — more than was raised in the previous quarter of a century and about four times as much as was raised by forced subscriptions in 1962 and 1963. The response of the revenue has been remarkable. It has grown by \$16 mn. (25%) in the last two years, of which by far the greater part (\$13½ mn.) was due to the buoyance of the economy; \$2½ mn. came from higher taxation. The Government's revenue — the ordinary revenues from taxes, fees, property and enterprise — has grown just as fast as the national income.

But we have been trying, especially in the past year, to take more out of the economy than we have put in. We are tending to live above our means

Demands for a standard of living higher than the country can afford at present can gain us nothing, but can frustrate our efforts to develop the economy and realise our aspirations for a better life. Interruptions of production arising from wage demands which cannot be supported at the present level of productivity will defeat the whole scheme of development by wasting productive capacity and discouraging the investment without which, there can be no prosperity.

The expenditure of \$129 mn. the budget calls for, is \$13 mn. more than we spent last year, and nearly \$50 mn. more than we spent in 1964. The greater part of the increase — nearly \$30 mn. — since 1964 is for development works and services. A further \$4 mn. of the increase goes indirectly into development by way of the additional debt charges incurred since 1964 to support the borrowing for development. Fortunately, we have been able to borrow on better terms recently thus lightening the burden of these debt charges. The costs of independence have added something like \$6 mn to our expenditure.

The money that Government spends is coming out of the pockets of all of us. We must see that it is spent effectively and economically for its purposes, so that we as a community get full value for our money. This is the purpose of good government.

RESULTS AND PROSPECTS

Production (as measured by the gross domestic product at factor cost) in Guyana in 1966 totalled about \$360 mn. — \$60 mn. or 20% more than in 1964. Thus in spite of lower average export prices for sugar and rice, which account for a fifth of the product, the country's production has been rising since 1964 at the rate of about 10% per annum in value. With the tumble in world sugar prices, exports fell from a peak level of \$175 mn. in 1963 to \$167 mn. in 1965. But in 1966 they reached their highest level (\$180

mn.) in spite of the continuing low level of sugar prices. This success is attributable to the bauxite-alumina industry. With the assurance given by this Government when it assumed office of a stable basis for development, the industry has increased its annual production by \$20 mn. (30%) since 1964. The full fruits of the development thus initiated will not be garnered until after 1967, when, with the development of additional calcining capacity, production should rise by a further \$10 mn. per annum.

This higher level of production has raised local incomes (the gross national income and product at factor cost) by some \$60 mn. — 22% — since 1964. National income per head of population rose from \$400 in 1964 to \$470 in 1966 — an increase of 18%.

But local expenditure (domestic expenditure on goods and services at factor cost) on public and private consumption and investment has expanded even more — by about \$100 mn. (a third) since 1964. The gap of \$40 mn. between income and expenditure was covered mainly by gifts, loans and direct investment (capital inflow) from abroad, but partly by running down our reserves of foreign exchange (the nation's bank balance). Both in 1965 and 1966 the nation had to run down its reserves of foreign exchange in order to finance the heavy demand for imports.

Looked at from another viewpoint, the increase in our annual consumption and investment (\$100 mn.) since 1964 could not be supplied entirely from the increase in our own resources (the increased production of \$60 mn.). We had to make good the deficiency by expanding our imports (of which commodity imports rose by \$50 mn. to an all-time record in 1966 of \$200 mn.) beyond the level we could finance from exports and capital inflow.

We have been spending heavily on development. Gross investment (nearly \$100 mn. or

22% of total expenditure in 1966, was \$40 mn. or 75% higher than in 1964, of which the increase in Government investment accounted for about half. Foreign-owned companies invested \$35 mn. in 1966 as compared with \$25 mn. in 1965 and \$20 mn. in 1964. Private building and construction, which by 1964 had fallen from the high level of \$14 mn. in 1960 to \$7 mn. in 1964, had expanded by 1966 to \$15 mn. Government building and construction in 1966 was some \$12 mn. higher than in 1964.

This is a picture of an economy which, despite the setbacks of low world prices for its principal agricultural crops, sugar and rice, has nevertheless stirred itself from the doldrums of 1963 and 1964, and by dint of hard pushing by the Government (which has expanded its expenditure, mainly on the economic, social and administrative development required for an independent Guyana, by \$35 mn. or nearly 50% since 1964), and the resurgence of confidence and private investment, is forcing the pace of its development with the inevitable strains and stresses.

But since the slack in the economy at the beginning of this effort has now been fully taken up, we can only maintain this increasing tempo of development by holding down expenditure on consumption, especially on non-essential imports. We cannot take out of the economy more by consumption and investment than we put in by production, or can entice from abroad. We can consume more only if we produce more; we can earn more only if we produce more. To think otherwise is to delude ourselves. To absorb our unemployment and to raise the community's standard of living we must invest heavily. If this objective is to be achieved, consumption must be restrained and must be directed in such a way that local production benefits. The country must increase its production to expand employment and reduce the level of its im-

[MR. D'AGUIAR]

ports. When we spend we must think not only of what we can get for our money but also how much we can increase our earnings by buying local products in preference to imports. Keep the money at home where it can multiply and fructify.

If we can moderate our propensity to import, the outlook for next year is good. There should be a moderate rise of perhaps as much as \$10 mn. in exports. The inflow of capital from abroad to help us in our development effort could be as much as \$20 mn. higher than in 1966. It should therefore be possible to redress any imbalance in our international payments. But all will be lost if we as workers or consumers try to get more out of the economy than we are putting in.

The mission from the International Monetary Fund which recently examined our economy in its fiscal and monetary aspects was satisfied that it was in good health in spite of the strains and stresses to which it has been referred. We must keep it so.

1966 REVENUE AND CURRENT EXPENDITURE

The 1966 Estimates provided for current expenditure of \$84.2 mn. It was estimated that the revenue, including a special budgetary grant from the United Kingdom Government of \$4.8 mn., would just about cover this expenditure. The 1966 Revised Estimates indicate a surplus of \$0.8 mn., including only \$3 mn. of the United Kingdom budgetary grant. Indeed, since the revised estimate of the surplus is based on a redefinition of the ordinary revenues to exclude capital receipts of \$0.6 mn. formerly treated as current receipts, the result for the year is likely to be \$1.4 mn. better than the forecast, despite the fact that United Kingdom support was \$1.8 mn. less than estimated.

The actual yield of the revenue (86.3 mn.) per the Revised Estimates) was \$2.7 mn.

more than estimated. Indeed, if the United Kingdom grant is excluded, the actual yield (\$83.3 mn.) was \$4.5 mn. (nearly 6%) higher than the projected yield (\$78.8 mn.) and \$6 mn. (8%) higher than actual receipts in 1965. At \$32.5 mn. import duties yielded \$1.3 mn. less than the estimate (\$33.8 mn.) and \$4.5 mn. more than the actual receipts in 1965. \$2.5 mn. of this increase over the 1965 yield must be attributed to the increased rates of duty introduced with the last budget; the remaining \$2 mn. (7%) reflects the growth in the value of imports. The yield (\$9.5 mn.) of excise duties was higher than expectations (\$9.2 mn.) and \$1.1 mn. or nearly 15%, higher than in the previous year. The other major element of the revenue — income tax — yielded \$25 mn. about the same as in the previous year, and \$4.5 mn. higher than expectations when the budget was framed. The other significant deviations from the Approved Estimates relate to the United Kingdom grant and Currency Board profits, which together show a net reduction of \$1.0 mn. Both are subject to adjustment.

The revenue has been remarkably buoyant since 1965. Between 1961 and 1964 it had risen by only about \$8 mn. (13%), the bulk of which was attributable to higher rates of taxation. Between 1964 and 1966 the revenue (excluding the United Kingdom budgetary grant) rose by \$16 mn. (25%), of which only \$2.5 mn. was attributable to higher rates of taxation. Between 1964 and 1966 the G.D.P. at factor cost rose by 20%; the revenue (excluding the yield of higher taxation introduced in 1966 and the United Kingdom budgetary grant) rose by the same percentage. The revenue is thus fully responsive to changes in the national income.

Current expenditure in 1966 is now estimated at \$85.4 mn. — only \$1.2 mn. more than the Approved Estimates despite supplementary provision of \$6.3 mn. Thus, the greater part of the supplementary provision

was offset by savings elsewhere. The actual expenditure in 1965 was \$82 mn., so that expenditure in 1966 (\$85.4 mn.) was \$3.4 mn. higher than in the previous year. The significant increases on 1965 expenditure were: under Public Debt — \$1.1 mn.; under Refunds of Revenue — \$1.3 mn.; under Defence — \$1.1 mn.; under Police and Prisons — \$0.6 mn.; under Agriculture — \$0.6 mn.; and under External Affairs — \$0.3 mn. There were substantial reductions under Special Service Unit and General Emergency totalling \$0.8 mn.; under Transport and Harbours — \$0.8 mn.; under Works and Hydraulics — \$0.4 mn.; and under Revision of Wages, etc., — \$0.6 mn.

1967 CURRENT EXPENDITURE

The Estimates of Current Expenditure now presented to this Assembly call for expenditure of \$89.4 mn. — \$4 mn. higher than the Revised Estimates for 1966 and \$7.4 mn. higher than the actual expenditure in 1965

Public debt charges account for \$1.5 mn. of the increase of \$4.0 mn. on 1966 expenditure. Debt charges have grown from nearly \$6 mn. (12% of expenditure) in 1960 to \$14.5 mn. (16% of expenditure) in 1967. This growth reflects the consequences of a development programme involving expenditure of about \$170 mn. during the period. For this, the Government will have borrowed about \$50 mn. in each of the periods 1960 to 1964 and 1965 to 1967. Fortunately, we have been able to get better terms recently. The USAID loans are for a period of 40 years with a moratorium of 10 years, and carry interest at 1% per annum during the moratorium and thereafter at 2½% per annum. The latest United Kingdom loans, which are repayable over 25 years, allow a waiver of interest for 6 years and a 2-year grace period for repayment followed by 5 years of graduated payments. A 50-year interest-free loan with a 10-year moratorium has been granted by Canada for topographical sur-

veys. Moreover, we have been able to avoid contractor-finance arrangements, the high cost and short currency of which throw a heavy burden of debt charges on the budget.

The remainder of the increase arises from Personal Emoluments — for new posts, the filling of vacant posts and salary increments. The increases fall mainly under Defence (\$0.8 mn.), Police and Prison (\$0.5 mn.), External Affairs (\$0.5 mn.), Works and Hydraulics (\$0.4 mn.) Education (\$1.1 mn.), and Health (\$0.7 mn.); with an offsetting reduction (\$0.6 mn.) for the telecommunications Department which will be established as a separate corporation very shortly. Personal Emoluments now account for 44% of the expenditure under the Current Estimates as compared with 41% in Trinidad. Our high percentage (44%), though not the highest, is among the highest in the world and must cause us some concern

The Other Charges provision has been reduced by \$1.3 mn. under General Emergency, by \$0.2 mn. included last year for the ex gratia payment to Government workers in respect of pay lost during the 1963 strike, and by removal from the Estimates of provision (\$0.5 mn.) for the Telecommunications Department.

I referred last year to the mountain of subsidies largely hidden in the public debt charges which required for their accommodation a large proportion (a fifth) of the Government's revenues. The major group, as I pointed out, comprised the subsidies that go into agriculture mainly through the unrecouped capital charges on drainage and irrigation and land development works and guaranteed prices for farm produce. The Government proposes in 1967 to formulate detailed proposals for a substantial reduction and rationalisation of these subsidies so as to relieve the public purse of some of this burden and to provide incentives in new direc-

[MR. D'AGUIAR]

tions necessary for the development of local crops to replace imports.

Current expenditure has expanded from \$70 mn. in 1964 to nearly \$90 mn. projected for 1967 — an increase of nearly 23%. Three-fifths of this increase arises from Debt Charges (\$4 mn.), Education (\$4½ mn.), Health (\$2½ mn.), and Agriculture, Forest and Mines (\$1 mn.). Of the remainder, \$2½ mn. for Defence, \$1½ mn. for Police, \$1 mn. for External Affairs, and perhaps a further \$1 mn. for expansion of the other administrative services, contributions to international bodies, etc., may be regarded as the direct costs of independence. The remaining \$2 mn. has been absorbed in price and wage increases of one kind or another.

The Estimates for 1967 have been very tightly framed. Strict control and every effort at economy will be necessary if expenditure is to be kept within their bounds. Past history in this respect has not been satisfactory although there are signs of greater awareness of the need for control and economy.

1967 CURRENT RECEIPTS

The current receipts of the Government — its ordinary revenues — are expected to yield \$89.1 mn. This is \$2.8 mn. more than the Revised Estimates for 1966 (\$86.3 mn.) and \$11.8 mn. more than the actual receipts in 1965 (\$77.3 mn.). Since the 1966 current receipts include an extraordinary receipt of \$3 mn. from the special United Kingdom budgetary grant, the regular elements of the 1967 current receipts are in fact projected at a level \$5.8 mn. or 7% higher than in 1966.

Import duties are estimated to yield \$34 mn. — \$1.5 mn. more than the 1966 revised estimate (\$32.5 mn.). The estimate allows for a full year's yield at the higher rates of duty introduced last year on a level of imports \$15 mn. (7½%) higher than this year's, but with a greater proportion of capital goods dutiable at low rates.

It has been assumed that the excise yield will rise by 4% to \$9.9 mn., which is perhaps optimistic in view of the sharp rise in 1966 due to the special circumstances of that year.

The income tax yield this year is estimated to be \$27.5 mn. — \$2.5 mn. or 10% higher than last year's. The incomes of companies and traders in 1966 should provide \$2 mn. of this increase and PAYE incomes (from employment, etc.) in 1967, the remaining \$0.5 mn. (5% increase).

The higher rates of vehicle licence duties and the travel tax introduced in the last budget effectively from this year should add about \$0.5 mn. to the revenue.

Arrears of rent, royalties, interest and Currency Board profits account for about \$1½ mn. of the estimated increment in revenue this year. With the establishment of a separate corporation to administer telecommunications, the gross revenue (about \$1¼ mn. per annum) from this source will no longer appear in the Estimates; however, interest charges will include \$0.6 mn. from the yield of debentures held by the Government against assets handed over to the corporation.

SUMMARY OF CURRENT ESTIMATES

From the foregoing, it is evident that insofar as the Current Budget is concerned results last year and prospects this year give no cause for concern. With \$3 mn. of the United Kingdom special grant included, the 1966 Current Estimates show a surplus of \$0.8 mn. On the estimates I have just discussed, the 1967 Current Estimates show only a small deficit (\$0.3 mn.) — a net surplus for the two years of \$0.5 mn. — and I have hopes that with effective expenditure control, the actual results for 1967 will show a surplus.

However, our development effort requires that the revenue should be made to contribute substantially towards the fin-

ancing of capital expenditure. This is necessary for three reasons. First, our development needs are so pressing and so huge that even the generous level of assistance made available to us on soft loan or grant is insufficient; and hard loans, both internal and external, are limited in supply and limited by our ability to bear the burden of their heavy loan charges. Secondly, foreign assistance tends to be limited (although fortunately with some exceptions) to the import content of projects and for this and other reasons many worthy schemes have to depend in whole or in part on local funds. Thirdly, to get our friends to help us, we must show them that we are really trying to help ourselves.

1966 CAPITAL ESTIMATES

Capital expenditure last year totalled \$30.4 mn. — \$6.3 mn. more than in 1965 and \$20.8 mn. more than in 1964. Of this expenditure, sea defences, drainage and irrigation works, land clearance and other agricultural works and services accounted for \$6.0 mn.; roads accounted for \$7.0 mn.; the railways, steamers and airways for \$1.6 mn.; the Bank of Guyana (building and other capital) for \$2.3 mn.; school buildings and other capital for education for \$1.5 mn.; health for \$0.7 mn.; housing for \$0.6 mn.; and Defence and police for \$1.5 mn. \$2 mn. was spent on loans to corporations and for other development purposes and on contributions to internal and external financial institutions.

This expenditure (\$30.4 mn) was financed to the extent of \$21.5 mn. from revenue, grants and loans received during the year. There was thus a deficiency in cash accounting terms of \$8.9 mn. However, a further \$4.2 mn. was receivable at the end of the year against expenditure incurred in 1966, so that the true deficit was \$4.7 mn.

Of the total of \$25.7 mn. received or receivable in 1966, local funds supplied \$8.9 mn. (33%) — \$8.1 mn. from local issues of debentures and Treas-

ury Savings Certificates and \$0.8 mn. from revenue receipts of a capital nature or earmarked for capital expenditure. Foreign aid provided \$16.8 mn. (67%) — \$11.1 mn. in the form of grants and \$5.7 mn. in the form of loans.

The response to the Government's efforts to raise local loans is very heartening. In the two years 1965 and 1966, \$21.5 mn. was raised by the issue of Treasury Savings Certificates and debentures — more than was raised in the past 25 years by voluntary subscriptions, and nearly four times the amount raised by forced subscriptions in 1962 and 1963.

The deficit of \$8.9 mn. (of which \$4.2 mn. was covered by anticipated further receipts in 1967 against 1966 expenditure) together with the accumulated capital deficits of previous years (\$8.2 mn.) — a total of about \$17 mn. — was financed by bank overdraft and Treasury Bills. This kind of financing has been carried as far as is practicable and desirable. Further deficits on capital account must be avoided.

1967 CAPITAL ESTIMATES

The Capital Estimates as now presented to this Assembly call for expenditure of \$39.2 mn. — \$8.8 mn. more than the actual expenditure in 1966. This, I feel, is for the first time in our history, a realistic estimate of what capital works and services are feasible of execution in a year, and can be financed from funds likely to be available.

The provision proposed for sea defences is \$1.5 mn. — for works of the highest priority, certainly well within the capacity of the department to execute; and that for drainage and irrigation and other agricultural works and services, \$2.1 mn. Roads carry provision totalling \$9.5 mn., of which the Atkinson Field-Mackenzie road accounts for \$7 mn. Feasibility surveys for the West Coast and the Corentyne roads are being undertaken with a view to financing their reconstruction from USAID loans. Railways, steam-

[MR. D'AGUIAR]

ers and airfields (including the new airport building and the rehabilitation of the runways at Atkinson Field) account for \$3.4 mn. The University of Guyana and the school building programmes should absorb \$2.5 mn. Surveys — hydro-electric, geological, forest and topographic — of our natural resources call for expenditure of some \$3.7 mn. Housing and building-land development require provision of \$1.1 mn. Loans for various development purposes require provision of \$4.5 mn. Equipment and vehicles for various purposes call for provision of \$2.9 mn.

In addition to \$4.2 mn. receivable in respect of 1966 expenditure, funds in sight for the purposes of 1967 expenditure total \$34.9 mn. — \$4.3 mn. from miscellaneous capital revenues (the major element being the expected distribution by mid-1967 of the surplus assets of the Currency Board); \$12.0 mn. from foreign grants; \$15.6 mn. from foreign loans; and \$3.0 mn. from local loans.

Receipts against this year's expenditure are thus \$4.3 mn. less than the projected expenditure

SUMMARY OF FINANCIAL POSITION

At the end of 1965 the Government owed the banks \$5.9 mn., and holders of Treasury Bills \$1.8 mn. — a total of \$7.7 mn. With a surplus of \$0.8 mn. on current account, a deficit on capital account of \$8.9 mn. and a further advance of \$1 mn. to the Rice Marketing Board, this short-term indebtedness had risen to about \$17 mn. at the end of 1966.

Of this short-term indebtedness of \$17 mn. at the end of 1966, about \$15 mn. was supplied by the banking system.

This short-term indebtedness is all attributable to capital account, which was overdrawn by about \$17 mn. at the end of 1966, and reflects the strain on our finances arising from the high level of develop-

ment expenditure — \$55 mn. in two years.

The 1967 budget as presented projects a deficit of \$0.3 mn. on current account and a deficit of \$0.1 mn. on capital account (including \$4.2 mn. receivable in 1967 in respect of 1966 expenditure). Indeed, if only capital receipts against 1967 capital expenditure are taken into account, the total budget in 1967 is in deficit by \$4.6 mn.

Steps must be taken to remove this deficit and reduce the short-term debt to manageable proportions.

As I have indicated earlier in my speech, the economic financial situation requires that the current budget should throw up a surplus to help finance capital expenditure and liquidate some of the short-term indebtedness. Fiscal and monetary measures must be taken to relieve the pressure of demand for imports in the short-run and to increase local production for import substitution in the longer run. The Government has had the assistance of missions from both the International Bank for Reconstruction and Development and the International Monetary Fund in formulating a policy that will achieve these results.

The present economic structure and circumstances require that the main assault be levelled at imports. The pressure of demand, which the high level of Government deficit spending on investment has generated, has with the high propensity of the community to import, raised imports to a level beyond the bounds set by the foreign exchange the country can earn from its exports or beg, borrow or entice from abroad. Higher taxation on imports will in the short-run, help to restrain the demand for imports (by raising their cost and mopping up some of the disposable income of the community now directed to imports) and provide some of the additional revenue required to throw up a budget surplus. In the longer run it will help towards import substitution.

The Government therefore proposes to introduce the following revenue measures, yielding \$5.4 mn. per annum as follows:-

(i) Additional import duties	\$2.55 mn.
(ii) Higher excise duty on matches	0.05 "
(iii) Higher trade licence duties	0.15 "
(iv) Licence duties on betting shops	0.05 "
(v) Higher duties on transfers of property	0.10 "
(vi) Tax on long-term capital gains at 10%	
(vii) Spreading initial allowances granted under Income Tax (in Aid of Industry) Ordinance	2.5 "

The additional import duties will be imposed on a limited range of imports — less than 10% by value of the total. Of these imports, alcoholic drinks and tobaccos will provide about 40% of the additional yield. The price effect of the additional duties on these groups of commodities will be such as to add about 2¢ to the price of a packet of local cigarettes and \$1.50 to the price of a bottle of whisky. Guyana certainly produces and adequate quantity and range of alcoholic liquors — and, I am sure, can produce more varieties; and there is no reason why she should not produce more of her tobacco needs. If we must spend scarce foreign exchange on liquor and tobacco and stint our contribution to local employment, we should not grudge a bigger contribution to the revenue. The additional duty on non-essential food-stuffs and on clothing should provide 30% of the increased yield. Here again we can buy more local produce with benefit to local employment. The increased rates applicable here

are 5% *ad valorem* on commodities now subject to duty at rates not exceeding 20% preferential, and 40% general, and 10% on commodities now carrying higher rates of duty. The price effect is therefore small. The same scheme of additional duties (5% and 10% *ad valorem*) will apply to consumer durables and miscellaneous manufactured goods, which should provide 30% of the increased yield. I hasten to assure the ladies that I have no designs on their cosmetics. These increased duties will raise the index of retail prices by less than one point.

It is also proposed to make certain adjustments to the tariffs on small revenue significance to correct anomalies or as concessions to industry, e.g. the rates of duty on trailers for agricultural use will be dutiable at 5% preferential and 10% general, instead of the present rates 20% and 40% respectively, and the frames of pre-fabricated buildings for industrial use will be dutiable at 5% and 10% instead of 20% and 40%, preferential and general, respectively.

The excise duty on matches will be increased from 25¢ to 50¢ per gross boxes raising the controlled price retail from 2½¢ to 3¢ a box, but leaving the effective retail price for a single box — at 3¢.

The trade licence duties were last revised in 1940 when the rental values on which they were based were less than half the present levels. The upper limit of licence duty in Georgetown and New Amsterdam is now \$250 per annum for a rental value in excess of \$10,000 per annum. The effect of the increased rates proposed for Georgetown and New Amsterdam will be to increase the licence duty for rental values up to \$200 a month by \$5 to \$15 per annum; and to increase them substantially for the more valuable premises. The maximum licence duty will now be \$1,000 per annum instead of \$250 per annum, but will apply only to premises the rental value of which is over \$20,000

[MR. D'AGUIAR]

per annum. In the rural areas, where the only practicable basis is floor area, the licence duties will be increased by \$5 to \$12 per annum for the smaller shops of a floor area not exceeding 2,000 square feet and substantially (to a maximum of \$50 per annum) for the larger shops.

It is proposed in the course of the year to rationalise and simplify the scheme of business licence duties generally, extending them with effect from next year to factories and to premises where services are supplied to the public.

A licence duty on \$2,500 per annum will be imposed on all betting shops. This is the first step towards a complete revision of the gambling laws and controls.

Duties are now levied on every conveyance or transport of immovable property at the rate of 1% ad valorem. It is proposed to raise the rate of duty to 2% ad valorem. Conveyances or transfers of other property (e.g. shares) are now dutiable at $\frac{1}{4}$ % of the consideration, or in the case of bonds, debentures, scrip, stock or shares, at $\frac{1}{4}$ % of the face value. The rate will be increased to $\frac{1}{2}$ % and levied on the amount or value of the consideration in every case.

The capital gains tax, which is not levied at 15% only on short-term (not exceeding 7 years) gains, will be extended to long-term gains not exceeding 25 years from a commencing date not earlier than 1st January, 1960, at the rate of 10%.

Initial allowances, whereby 40% of the value of plant and machinery and 10% of the value of industrial buildings may be written off as depreciation initially for tax purposes, must be taken in the year immediately after the investment takes place or immediately after the end of the tax holiday period. It is proposed to permit these allowances to be spread over three years in any proportions the taxpayer wishes. This will have

no long-run consequences for the revenue, but is expected to benefit the revenue in 1967 substantially.

The Government proposes to introduce legislation extending the period prior to death during which *inter vivos* transfers are exigible to estate duty, from three to five years.

Government is concerned at the wasted potential of idle land. It is considering the introduction of tax and incentive measures to encourage the productive use of land.

I should add that the Government proposes to examine the rate structure of the personal income tax with a view to decimalising it and correcting any anomalies or inequities.

In addition to these negative measures to increase the Government's take from the community, i.e. to shift income from your pockets into the public purse, the Government proposes to take further positive steps to accelerate the growth of the community's production and income, so that, both directly from your own expenditure and indirectly through the Government's expenditure on community services, you may benefit from a higher level of income. It is only by making the national cake bigger than the community as a whole can benefit; taking a slightly bigger slice away from you by taxation is only a means to this end, but not an end in itself. Much more can be achieved by making the cake bigger.

With this objective in view, the Government will expand its development expenditure especially in directions which facilitate and stimulate private investment.

The Government has, with the assistance of the USAID, established a fund the Private Investment Fund in the trusteeship of the Bank of Guyana for financing industrial development. The fund will eventually build up to some \$6.4 mn. available as it revolves for helping to finance worthy industrial projects. It is also proposed to set up a small fund whereby

the Guyana Development Corporation can participate to some extent in new industrial developments. Thus, by helping on the finance side by loans through the P.I.F. and the Credit Corporation, by direct participation and by technical assistance, the Guyana Development Corporation will be enabled to fulfil its function of stimulating industrial development. The Guyana Development Corporation also proposes to increase the availability and liberalise the terms on which factory sites are provided on the industrial estates.

The pace of industrial development must be accelerated. The Government appreciates that it must demonstrate directly by its tax policy that it is prepared to maintain the right climate for investment. To this end it is proposed to liberalise the present system of tax concessions in ways which I shall now discuss in general terms.

Tax holidays. The present income tax concessions will be improved. The Government will offer, as an alternative to the present form of tax holidays, a tax holiday in the form of investment allowances, whereby tax is waived by writing off for tax purposes at the beginning of their life a substantial proportion of the amount invested in fixed assets. This form has the advantage that the investor is assured that he will be allowed to recover a substantial proportion of his investment before his profits become taxable. Provision will be made for extending the present five-year income tax holiday granted under the Income Tax (In Aid of Industry) Ordinance by a further period of up to five years where the Government is satisfied that the benefits received under the initial five-year tax holiday have not been adequate in the particular circumstances. It is also proposed to provide for the grant, without restriction, of a two-year tax holiday to any new approved secondary industry.

Initial allowances. The range of industries eligible for initial allowances will be extended to include all secondary industry.

Raw materials for industry. As a general policy, except where there are adequate local substitutes, provision will be made to the maximum extent practicable, for the duty-free importation of industrial raw materials, subject to the imposition, where necessary or advisable, of an excise or sales tax on local sales of the finished product.

Protection to industry. The Government will continue its policy of granting reasonable protection to local industry against imports.

With the additional revenue measures yielding \$5.4 mn., the deficit on the Current Estimates of \$0.3 mn. will be converted to a surplus of \$5.1 mn. The total budget will therefore show a surplus of \$5 mn.

FISCAL AND FINANCIAL ORGANISATION

I have been trying ever since I assumed office to develop the fiscal organisation of the Government; to collect taxes efficiently; and to spend public funds economically, and in the amounts and for the purposes for which they were provided. These are basic essentials to sound management of the Government's finances. Some progress has been made in these respects but we still have some way to go to achieve what is required.

With the help of British Technical Assistance, which has supplied a specialist in training in Customs and Excise work, improved methods and procedures for collection of these taxes have been worked out, and staff is being trained in their application. On a more practical and immediately rewarding plane, the campaign against bushrum has achieved considerable success. During the period 1st January to 30th November, 1966, 519 offences were detected; fines imposed by the Courts amounted to \$83,025; 51 persons were sentenced to peremp-

[MR. D'AGUIAR]

tory imprisonment; 31 cases are still pending; 437 stills were destroyed along with 794 gallons of the illegal spirits and 32,900 gallons of the wash. In the same period 258 persons were detected committing offences against the Customs Laws. The total fines imposed during the year by the Courts, together with compensation paid to the department, amounted to nearly \$200,000.

On the Inland Revenue side, technical assistance is being arranged to provide the services of two experts; one to establish internal training arrangements; and the other to improve the organisation and methods for curbing tax evasion. Data processing equipment that will enable the accounting side of the department's work to be brought and kept up to date has been installed and will be in operation this year. With the expansion of the functions of the department and the growth in the number of taxpayers, the accounting system had become hopelessly inadequate for its purposes. Under the new system the entire process of billing taxpayers, tracking arrears, making refunds and accounting for tax receipts will be carried out by electronic methods. This will ensure prompt billing of taxpayers with full information about arrears and efficient tracking of the taxes due in relation to assessments. The next step — indeed the vital step — as I have indicated before, is to improve the assessment side. The main hindrance here is the shortage of professional staff. The department must be enabled to supply its own needs of skilled staff of this kind by setting up internal training arrangements and it must improve its methods for catching tax dodgers.

So much for the efficiency of tax collection.

The other side of financial administration — adequate control and economy in the expenditure of public funds — has been a matter of great concern to me, as it should be to all of you. The whole system of par-

liamentary democracy is based on the premise that the Legislature can exercise adequate control over the expenditure of public funds. Indeed, even on the lower level of practical expediency, in order to mesh expenditures with the resources available for their financing, it is necessary that expenditures should be made to conform with the budgeted provision for them. The system of financial control must achieve this or fail the high ideals of the Constitution and the needs of practical finance. I must say that there are signs of a greater awareness of this need, but again we have some way to go in order to achieve what is required.

Part of the lack in this respect has been due to the inefficiency of the accounting system which failed to throw up quickly, and in sufficient detail, adequate expenditure figures. I have introduced with effect from this year a "punched-card" (unit record) electro-mechanical accounting system which will provide prompt expenditure information and enable central tracking of the progress of expenditure.

However, this is only part of what is required. Ultimately, the effectiveness of the system will depend on the sense of responsibility which all those whose duty it is to expend public moneys show in their work. I hope to intensify the work of the Inspection Division of the Treasury; to ensure that the methods and procedures required for expenditure control are carried out effectively and that accounts are paid promptly. I should also like to see the Public Accounts Committee functioning as it should this year.

Control, of course, while it is a vital part of sound financial administration, is not by itself sufficient. The public business must be organised in a way that ensures that public funds are spent economically. The spending departments must have the will, and the Treasury must have the means, to ensure that the system of administrative control, especiall

through financial, accounting and stores procedures, is effective for ensuring that the work or service is executed economically for its purpose. The Treasury must be in a position to test expenditure proposals by examining their proposed basis of execution to ascertain whether the public funds allocated to them are the minimum required to accomplish their purpose. Without such an organisation the Treasury can have no rational basis for pruning expenditure proposals to bring them within the bounds of the scarce funds required for their implementation. Last year the Organisation and Methods Division undertook the re-organisation and mechanisation of both the accounting and the stores systems.

Guyana joined the International Monetary Fund last year and has opted for full convertibility of its currency under Article VIII of the Articles of Agreement of the Fund. The economic stresses and strains of the past two years have proved the strength of its currency and justified this course. The free exchangeability of our currency since this Government took office has stimulated a welcome inflow of funds from abroad.

In the field of local financial institutions, 1966 saw the establishment of yet another commercial bank, the Bank of Baroda Limited, the second new commercial bank within two years to establish itself here — remarkable testimony to the rebirth of confidence in the future, especially when we consider that the number of commercial banks had been two for almost a century.

1966 saw an acceleration of the expansion of loans to the private sector from \$30 million at the end of 1965 to \$42 million at the end of November 1966. In the same period Savings Deposits in the commercial banks grew from \$45 million to \$50 million, with other deposits growing to a lesser extent.

1966 was the first year of the wider operations of our new Central Bank, the Bank of Guyana,

which opened accounts for the commercial banks in March and took over the Government accounts in April. The Government's financial operations are now channelled through one bank which manages its bank accounts and supplies short-term credit on overdraft.

The Bank also furthered the progress of the market for Treasury Bills by buying and selling bills outside the monthly tender operations. At the end of last year \$6.3 mn. in Treasury Bills was outstanding. A growing number of institutions and persons participated in this market, although there is scope for further development as people become more familiar with this type of security. There was also some progress in respect of an improvement of the market for other Government securities. I am informed that the Bank of Guyana will soon enter into an agreement with institutions and persons active in the market for securities, for the exchange of information on prices and on offers for sales and purchases which will be published regularly — a first step towards a stock exchange in Guyana.

The progress made in respect of financial institutions in Guyana in recent years leaves us with the question of what further developments we should aim at. The question which comes first to mind is whether the existing institutions can meet the financial needs of the private industrial and agricultural development we are striving for. Here we must, of course, be careful not to lose sight of the fact that the mere establishment of such an institution does not provide the funds which can be utilised for its purpose nor the management to put them to good use. We have made progress in the direction of finding funds for industrial investment by setting up a Private Investment Fund under the trusteeship of the Bank of Guyana, from which loans can be made for medium and longer terms by commercial banks after consultation with the Guyana Development Corporation. The

[MR. D'AGUIAR]

fund started somewhat slowly, which in part confirmed the impression that at the moment loan capital is not the main bottleneck for private industrial development.

The Credit Corporation has now completed a comprehensive stock-taking of its activities and loan cover with a view to assessing the resources available for further development of its functions. Since its establishment in 1954, \$16 mn. in capital has been put into the organisation and \$4 mn. lost or in jeopardy through bad and doubtful debts. While some such losses are inevitable in an institution of this kind, which must have an eye to development potential and not merely to financial security, high losses of this kind arising from unproductive use of these funds harm the economy by diverting real resources from productive use and drying up the fund which supports these loans.

In this context I feel that too much emphasis has been put on the housing sector of the Corporation's activities. I intend that this emphasis should shift substantially to primary and secondary industry. I should add that it is proposed to allocate funds which the Credit Corporation, on the recommendation of the Guyana Development Corporation, can use for making small loans to artisans and the like. An allocation of funds will also be made for the purpose of stimulating agricultural development.

The Radio Bingo and the National Lottery are now well established. The public spent about \$½ mn. on Bingo tickets last year; and \$¼ mn. on National Lottery tickets. These yielded about \$100,000 in revenue which can be used for desirable hospital development. The Committee is to be congratulated on the successful organisation and administration of these schemes.

CONCLUSION

In brief, the budget for 1967 calls for expenditure — current

and capital — of \$128.6 mn. This is \$12.7 mn. more than in 1966 — an increase of nearly 10%. With the revenue measures I have outlined, the funds in sight for financing this expenditure total \$133.6 mn. There will therefore be a surplus of \$5.0 mn. to help liquidate some of the short-term indebtedness (\$17 mn. at the end of 1966).

The progress in the last two years is heartening. But we have yet a long way to go. And it will not be an easy way. There will have to be sustained and conscientious effort if the country is to realise its potential for development. There are few who would dispute with me when I say that the country's production can be increased by better co-operation between labour and capital. We must produce more efficiently both in agriculture and industry. We must discard our prejudices against articles of local manufacture. Buying local products is one of the ways in which we can help our country to progress.

I have had ample evidence of the willingness of people to change their ways and work for a better future. Many have brought me ideas and given me support without my asking.

There have been disappointments in the public service, but there have been many encouragements. I am satisfied that, in spite of the difficulties under which public officers work, there is a genuine will to serve their country.

Pride in our new country and its independence is not confined to the Public Service. Many firms and individuals, both inside and outside the country, have demonstrated their interest in Guyana's future by making gifts to mark the occasion of independence. I take this opportunity to thank them publicly on behalf of the Government.

One thing this year of independence has shown — that there is a fund of goodwill in the outside world for Guyana. The support — both in finance and technical assistance — we

receive from our friends in Canada, Germany the United Kingdom and the United States, and also the United Nations and its specialised agencies, we gratefully acknowledge.

What then is the prospect which faces the newly independent territory of Guyana? There are those who say that it is in the grip of stagnation, that the policies pursued by the present government are doing little to advance it towards progress and prosperity. These prophets of doom have already been routed on another front; their predictions of a \$10 mn. current deficit in 1966 are slightly off the mark. The 1966 current budget has shown, not a deficit, but a surplus. They would have done better to have followed the technique of the ancient Oracle of Delphi.

The facts are indicative of optimism and not pessimism. Never in the history of this country has the outlook for the future been better. We see a stable and peaceful country; we see signs everywhere of a substantial injection of capital and expansion of employment; we see many new buildings going up; we see new industries budding in a favourable climate for investment; we see new roads being built; we see a zest for knowledge and skills.

All these add up to a tremendous development and potential for further development.

If these favourable factors can be joined with more efficient administration; greater productivity, stricter financial discipline and united effort, then independent Guyana would be well on the highway to prosperity.

3.35 p.m.

I now beg for the approval of the Estimates of Expenditure for 1967, as outlined on the Order Paper, and I name Friday, 20th of January as the date for the resumption of this debate. Applause.]

Dr. Jagan: Where are the Estimates?

The Leader of the House (Mr. Bissember): I suggest that the Estimates be circulated with copies of the hon. Minister's Speech before I move the Adjournment.

Mr. Deputy Speaker; Certainly,
[Estimates and Budget Speech circulated.]

ADJOURNMENT

Resolved. "That this Assembly do now adjourn until Friday, 20th January, at 2 p.m." [Mr. Bissember.]

Adjourned accordingly at 3.39 p.m.