

**RE-TOOLING
AND
RE-GROUPING FOR GROWTH**

**IN A FRAMEWORK OF
NATIONAL DISCIPLINE**

28TH MARCH, 1988

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BUDGET SPEECH

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28th March, 1988

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1988 BUDGET SPEECH

March 28, 1988

1. **THEME: RETOOLING AND REGROUPING FOR GROWTH WITHIN THE FRAMEWORK OF NATIONAL SELF DISCIPLINE**

Cde. Speaker, I rise to present the Annual Budget and Estimates for 1988. With the singular exception of 1986, the Budget has been laid in the month of January every year since 1983. This year we have chosen to present it in March, at the very outer limit of the statutory period, in order to allow us time to advance the work being undertaken on plans to further revamp the economy. For the remainder of 1988, the Government intends to devote a great deal of its time and resources to this effort which is intended to raise the level of growth that can be achieved from the employment of the country's productive resources.

To a large extent, the exercise to which I refer involves the process of building on the foundations already laid by way of the 1984, 1985, 1986 and 1987 Budgets and supporting policies. In 1988, however, we intend to take the process much further. Before I outline our intentions in this regard, permit me to briefly review the key tasks and objectives of our economic policies for the preceding year.

2. 1987: REVIEW OF KEY TASKS

2.1 Economic Policy Instruments

In the 1987 Budget, we set ourselves the task of reducing our economic imbalances, in addition to an as rapid as possible establishment of the other domestic conditions necessary for economic growth. If I might be permitted to borrow from the 1987 Speech, I would remind colleagues of my statement that, "the most pressing need at the moment, and therefore the primary intention of the Budget, is to place ourselves on a path of self-sustained growth".

You will recall Cde. Speaker, that last year I pointed to the need for dynamic and timely economic policy formulation. A case in point was the question of monetary policy which had been so accommodating that it had practically become dysfunctional. The pursuit of more flexible and responsive policy instruments is still paramount.

Our discussion last year, centred on the desirability of constraining Central Government expenditures and promoting Public Corporation savings in order to keep in harness, the accommodating creation of credit by the Central Bank. In this regard, policies aimed at reducing expenditure by operating on the rescheduling of debt and by putting a ceiling on the issue of treasury bills, were implemented. The result has been only partial success. It is rather akin to trying to force air into one corner of a large balloon. As the air is forced in one direction, it escapes through another or the balloon stretches in an unanticipated way. We need, therefore, to step back, analyse more carefully, and satisfy ourselves that the objective is desirable and the tools appropriate. We must move resolutely, but with the appropriate tools.

2.2 The Concept of Affordability

The concept of affordability introduced in 1987, with special reference to the Disciplined Forces and the social sector, may now be regarded as well entrenched. Its application in the Disciplined Forces has been prosecuted with the imagination and thoroughness that we have come to take for granted in the Forces.

It is now necessary to extend the concept to other sectors. In pursuit of this goal, we have re-instituted a review of all the 200 and more agencies financed by the Central Government. The team assigned this task is to assess whether the original objectives of these institutions are being met, the extent to which they resulted in improved performance, bearing in mind all options including mergers, closures and a more rational allocation of tasks. In every sense, therefore, the policy of rationalizing the expenditures of the Central Government is still being pursued actively and resolutely.

2.3 The Medium Term Plan.

Progress on the medium term plan which is an essential part of the framework for managing our economic renaissance, may be described as slow but sure. The draft Agricultural Plan has been revised and will shortly be discussed by Cabinet and subsequently published. Work continues on the establishment of systems for data collection and information generation in relation to the National Plan.

2.4 Promotion of Sports

In the field of sport, much was achieved during 1987. The site of the proposed sports complex at Thomas Lands has been cleared and the designs are being prepared. Noteworthy achievements during 1987, were our successes

in the junior and senior boxing championships; the Benson and Hedges Caribbean Rifle championship; the Southern Caribbean Squash championship, and our carrying off of the coveted Shell Shield in cricket.

2.5 Special Measures

I should now like to turn to the special measures instituted in support of the 1987 programme.

2.5.1 Completion of Debt Restructuring Exercise

Cde. Speaker, in keeping with the 1987 programme, five-year and ten-year debentures were issued with a ceiling on the total issue amounting to \$200 million. In addition, a cap of \$800 million was put on the issue of treasury bills. With regard to the five-year debentures, it was intended to issue only \$60 million. However, some \$35 million was refunded since the issue was oversubscribed. Similarly, with the ten year debentures, on which a ceiling of \$140 million was set, applications received amounted to \$263 million, \$123 million more than was being issued. However, given the serious liquidity overhang and the continued increased need to draw on the banking system by the Central Government, these measures were only of limited significance. As a consequence, the Central Bank was forced to open a special deposit window with a 12 percent rate of interest, in order to compensate for the limitation placed on the value of ninety (90) days treasury bills available for investment by the commercial banks. The need to continue attracting savings to the banking system and to utilize these savings to finance the Central Government deficit, remained an important objective of the Government's policy. Overall, interest payments rose to some \$565 million

compared with the \$160 million which was budgeted.

2.5.2 Measures to Stimulate Economic Activity

(a) Export and Land Development Allowances

In March 1988, the legislation for export and land development allowances was enacted and will be effective from Year of Income 1987.

The legislation pertaining to Export Allowances keeps faith with our promise in the last Budget to provide a direct and substantial benefit to exporters. Let me elaborate a bit on the categories of exporters covered since it appears that some lack of clarity persists about the objective of the incentive.

The device is intended to enhance the quantum and value of hard currency exports. In keeping with this objective, the Act is concerned with non-traditional exports to areas outside of Caricom. We have been advised by the legal officers that this incentive does not infringe the rules of the General Agreement on Tariffs and Trade (GATT) in any way. In fact, this very incentive is also employed by other Caricom countries.

I am aware that many exporters who currently serve the Caricom are keen on tapping this regime. We had examined the possibility of including regional exports within the regime, but such an inclusion would infringe upon the requirements of the Caricom Treaty which we endorse and support, that is, the Harmonisation of Fiscal Incentives Legislation.

The exercise of reviewing re-activation allowances is still in progress.

(b) Incentives to Miners

In response to the increase in prices paid for gold purchased by the Gold Board, the volume of gold declared to the Gold Board rose by 53 percent compared with 1986. The exchange rate used for gold is now tied to that prevailing at the free currency exchange window. This means that sellers to the Gold Board currently receive, a Guyana dollar amount equivalent to 21 times the London Gold Market Daily Fix.

The institution of the 2 percent gross revenue/sales tax in place of income tax for miners was, no doubt, also a contributory factor to this increase. Most importantly, however, this special fiscal regime for individual dredge operators has already served as an incentive for them to work more comfortably within the ambit of the law and the regulations of the Department of Inland Revenue.

It may be useful for me to say a few words at this point about the fiscal regime governing gold and diamond mining operations since many misconceptions abound about the equity that this system holds for various categories of miners.

Let me deal first with the advantages that the regime offers to individual miners or operators. The main advantage is that of simplicity. In an industry traditionally characterized by poor record-keeping and rapid entry and exit of operators, it is difficult to manage a tax regime which depends heavily upon meticulous and extensive documentation. It is common knowledge that gold and diamond operators, as a group, declare a minimal portion of their discoveries or finds. The regime enacted in 1987 was primarily intended to serve the dual purpose of: (i) facilitating those operators willing to work within the law but unable to

cope with the need for extensive records; and (ii) encouraging the fuller declaration of output to the Gold Board and/or the Guyana Geology and Mines Commission.

In the case of gold mining, an operator is required to pay 2 percent of the gross proceeds on his sales to the Gold Board in lieu of tax payments to the Inland Revenue Department. In the case of diamond mining, he is required to pay 2 percent of the value of the diamonds declared for the purpose of royalty to the Guyana Geology and Mines Commission.

While we recognize that this regime cannot capture the full extent of the tax burden that miners can reasonably be expected to bear, it does facilitate the collection of a greater volume of revenues than was the case prior to its introduction. In a sense, therefore, our fiscal policy on this front is akin to .. half a loaf is better than none .. to use a well known proverb. Once fully in place, the regime would also cover other operatives such as tributors, divers, sellers, cooks and those engaged in on-site operations. Obviously, the simplicity of the regime offers greater advantages to individual miners than to companies operating in the sector.

It should be evident, however, that some of the benefits enjoyed by such companies are not available to individual operators. Under this fiscal regime, tax is payable whether or not the operator makes a loss from the operations. When the new legislation relating to the mining sector is fully enacted and assented to, there will be a 10 percent withholding tax on the income of all tributors, whether as employees of companies or as individuals.

Companies on the other hand continue to operate under the Gold and Diamond Mining

Regulations. As such, they enjoy special incentives, in addition to relief afforded under the Income Tax Act, which include capital allowances and relief for losses. These concessions are not available to the individual operator.

As a final note on the question of incentives to miners, it must be emphasized that the Gold and Diamond Regulations and the Income Tax Act do not discriminate in favour of either local or foreign entrepreneurs or businesses.

2.5.3 Measures to Stimulate Greater

Productivity and to Cushion the Impact
of Inflation

(a) Personal Income Tax

Almost all personal income tax allowances were doubled in 1987 and separate assessment and filing of tax returns for married couples was instituted. In the light of these extensive tax reforms, the Department of Inland Revenue is in the process of gearing up to deal with an increased work load. In order to do this, the Department has acquired a computer and is in the process of acquiring the relevant software and the training of its staff. We will be in a position to look at further reforms of the fiscal system when the Department has completed this process.

(b) NIS Benefits

Cde. Speaker, I would like to report that the additional benefits announced in the 1987 Budget have yet to be implemented. Members will recall that the Government had proposed a modification in the structure of contributions. The change was intended to imbue it with a greater degree of economic and social

equity. In keeping with the standard practice of the Government, the TUC was invited to discuss the matter. Following two meetings in 1987, the TUC has been unable to give us a response to the proposal. The Government has been reluctant to proceed without such a reaction. We are cognizant, however, of the many complaints and calls for revision of benefits and even contributions. On our side, the matter is under active review and a decision will have to be taken, in light of pressing national needs, if nothing further is heard from the TUC within the near future.

(c) Government and TUC Wage Negotiations

Doubtless, members will recall the decision handed down by the Courts with regard to the constitutional status of the Labour Amendment Act of 1984. That decision has, *inter alia*, pronounced on the power of the TUC to conclude collective wage agreements with the Government, on behalf of public sector workers. In spite of this decision, the Government has honoured its commitment to implement the wage awards agreed with the TUC for the years 1987 and 1988. We do not feel that it would have been appropriate to deny workers benefits arising from agreements concluded by their representatives in good faith.

As for the future, I am not in a position to say what consequence will flow from the enactment of the Constitution Amendment Bill. The TUC itself has not yet taken a definitive position on these changes. It is, therefore, not even clear whether they are desirous of negotiating in the manner established since 1977. That, Cde. Speaker, is a matter for the TUC Executive. The Government of Guyana is prepared to consider this matter within any framework that is reasonable and practicable.

As a result of reviews into anomalies and differentials, the salaries of several institutions were adjusted during the course of 1987. GUYMINE and GUYSUCO enjoyed revisions amounting to five and ten percent of their wage bills respectively effective from January 1, 1987. Furthermore, both industries received the across-the-board and Merit Increment Awards averaging 12 per cent of their wage bills. GUYSUCO workers, in addition, benefited from the payout associated with the profit-sharing arrangement enjoyed by the industry.

Other agencies and categories of workers who were considered by the wages team and whose wages were or were due to be at least partially revised are:

- o Professionals within the Ministry of Education;
- o Technical Professional staff in Guyana Natural Resources Agency (GNRA) and Guyana Geology and Mines Commission (GGMC);
- o Selected categories of Guyana National Newspapers Limited (GNNL) staff, and
- o The GUYSTAC Secretariat where salary scales were rationalized.

(d) Transport

In the case of the concession to the transport sector, I can report that the concession, by way of duty free importation of transport vehicles, is still in place. Prominent among the beneficiaries of the concession have been individual importers of motor cycles (175cc and less), mopeds and cycles, on the one hand, and mini-buses on the other. In the case of mini-buses, an additional concession has also been granted by the waiver of consumption taxes.

I am pleased to report that these incentives have been most effective, as evidenced by the fact that of the 1600 mini-buses registered in 1987, some 1100 or 70 percent were imported under this regime. An additional 22 have been registered for 1988 so far. This fleet of mini-buses represents an important and integral part of our transportation system.

In addition to these concessions to the transport sector, consumption tax and customs duty have been removed on outboard motors of 25 horse power or less.

I should perhaps add here that these concessions are regularly monitored and reviewed. Some representations have already been made with respect to increasing the motor cycle and outboard engine capacities in the light of importation realities and constraints.

(e) Housing

The ceiling of \$50,000 per mortgage extended by the Guyana Co-operative Mortgage Finance Bank was raised to \$85,000, the additional \$35,000 attracting an interest rate of 13.5 percent. Effective January 1, 1988, the \$50,000 ceiling was raised to \$75,000 with interest at 8.5 percent, while the special window ceiling was increased to \$75,000 with interest rate at 13.5 percent. These new limits would make borrowers eligible to receive first mortgages of as much as \$150,000. These amendments have been effected without reducing the resources earmarked for low- and middle-income borrowers.

The housing debenture rate offered by the Guyana Cooperative Mortgage Finance Bank has been revised upwards from 6.5 percent to 10.5 percent. The old rate set in the 1970s had long ceased to be competitive and the revision will therefore strengthen the capi-

tal base of the Bank. Since the interest from housing debentures is tax exempt, the effective rate of interest on the debenture will be well in excess of 10.5 percent.

This additional flow of funds to borrowers has stimulated several initiatives by private sector entrepreneurs who are currently seeking to establish new housing programmes in areas where the need is greatest.

2.5.4 Measures Intended to Garner Available Foreign Exchange and Constrain the Range of Activities on the Parallel Market

a) Free Foreign Exchange Window

Effective February 2, 1987, a Free Foreign Exchange Window was established at the commercial banks with an initial exchange rate of G\$18.00 to US\$1.00. The Window was intended to provide for purchases of foreign currency from transactors other than the Central Government and Public Corporations. It was also intended that exports of goods and services monitored by the Central Bank should be excluded from the window. Sales of foreign currency from the window was to be on a first-come first-serve basis for imports of goods identified as important for an improved export performance and services deemed to be genuine, and not a source of capital flight.

During the period to December 1987, purchases by the banks at the window amounted to US\$4.5 million, Pounds Sterling 0.4 million and Canadian Dollars 0.3 million. During the same period, total sales amounted to US\$4.1 million, Pounds Sterling 0.4 million and Canadian Dollars 0.2 million.

The major categories in which the U.S. dollar purchases were utilized, included inputs and spares for the manufacturing industry (US\$1.5 million or 37 percent) and insurance, royalties and commissions (US\$1.1 million or 27 percent). In addition, almost US\$150,000 was devoted to the maintenance of private students studying abroad.

In June, 1987, in response to a reduction in the flow of foreign currency to the window, the banks increased the exchange rate for purchases of US dollars to G\$21.00 = US\$1.00. However, this move did not achieve the desired objective of attracting significant increased flows of foreign exchange. The parallel market, fueled by a high level of liquidity in the economy, continued to compete successfully. As a result foreign currency flows attracted to the window declined and there was a widening in the differential between the exchange rates at the window and those which obtained in the parallel economy.

(b) Exchange Rate Adjustment

The primary objective of the exchange rate adjustment, in 1987, was to restore reasonably efficient exporters to a position of profitability. The new official rate of US\$1=G\$10 and the Free Foreign Exchange Window rate of US\$1=G\$21 have served to help the main exporting enterprises along the way. It is clear from the performance of the main exporting entities in the public sector that substantial improvements in profits have indeed been realized. We shall continue to use the exchange rate as a tool of economic management over the coming year.

(c) Measures to Cushion the Impact
of the Exchange Rate Change

The three measures intended to cushion some of the impact of the rate change were speedily put in place. First, electricity consumers benefited from the consumption tax remission to GEC to the tune of some \$42 million which allowed tariffs to be constrained to 10 percent for users of less than 50KWH and 27 percent for users exceeding 50KWH. The tax was also remitted to Guyana Transport Services Limited (GTSL). Second, the consumption tax on cooking gas and kerosene was eliminated. Finally, the price of wheaten flour was kept down.

3. 1987: REVIEW OF ECONOMIC PERFORMANCE

Cde. Speaker, conscious as I am of the political maturity and economic awareness of the Guyanese people, I am confident that the members of this august assembly are knowledgeable about the present state of the world economy. I, therefore, do not propose to burden you with a long discourse on this subject. Suffice it to say that the economic woes that continue to plague the metropolitan economies are routinely transmitted to small, open economies like our own and serve to condition, to no small extent, our economic capabilities. I would therefore ask, Cde. Speaker, that as I discuss the 1987 outturn, we bear in mind the all pervasive influence exerted by the volatile external economic situation.

3.1 GDP Growth

In 1986, the economy realized real growth of less than 1 percent. In an attempt to improve on that performance, Budget 1987 addressed the question of economic restructuring with an emphasis on imbalances and I projected real growth in the vicinity of 3 percent. I have to report that physical production was only marginally better than that of 1986. Acute structural problems frustrated efforts to augment physical output. While it is true that encouraging output increases were recorded in the forestry and gold-mining sub-sectors, along with selected activities in manufacturing and agriculture, such increases could not compensate for the contraction in sugar, rice and bauxite output. Consequently, the real growth rate recorded for 1987 was a modest 0.7 percent.

3.2 Monetary Developments in 1987

The end of 1986 found the economy particularly liquid, with strong growth in deposit liabilities of the commercial banks being matched by the public sector's demand for credit to finance the fiscal deficit. The 1987 Budget policies implied a reduction in this demand, arising from the devaluation of the Guyana dollar and improved performance by the Public Corporations. However, in order to finance the overhang of debt associated with past borrowing, the Central Government had to have recourse to further borrowing.

Public sector expenditure, excluding debt, was held, but debt servicing rose as the stock of debt held by the banking system increased.

The non-financial public sector corporations, particularly sugar, in which a turn around in fortunes was evident, drew minimally on banking system credit.

Private borrowing from the banking system was uncharacteristically strong, mainly because of a high demand for consumer goods available through the parallel market. The commercial banks facilitated this new development in their search for improved financial results (profits). To this end they utilized the excess liquidity at their disposal.

The Central Bank has since taken steps to arrest this new development, via moral suasion in the first instance. Moral suasion is a useful tool. However, the Law provides for the use of credit ceilings if suasion does not succeed. The banks have been requested to extend loans for development purposes, rather than consumption. The latter merely contributes to the growth of the parallel economy, and provides the impetus for a further depreciation of the currency. This

sequence will compound or intensify the already problematic inflationary spiral.

3.3 Sectoral Performance

I now turn to the performance of the real sectors of the economy.

3.3.1 Sugar

The industry's total output fell by 10 percent relative to 1986, representing a 12 percent shortfall in the targeted production. Output of the first crop was 22 percent less than that of 1986 because of an 18 percent under-achievement of the harvesting target. Adverse weather conditions, frequent work stoppages and an insufficiency of harvesting labour were the principal causes of the latter. Additionally, the low sugar output was also attributable to declining yields. This disappointing physical performance was compensated by a terms of trade gain arising from the currency realignment.

3.3.2 Bauxite

The 1987 bauxite output of 1.4 million metric tonnes was 7 percent below the level achieved in 1986 and 18 percent short of the target. Calcined (RASC) and Chemical Grade (CGB) bauxite each fell by 3 percent relative to 1986, while Metal Grade (MAZ) bauxite fell by 11 percent. Abrasive Grade (AAC) bauxite recorded an increase of 5 percent over 1986 levels. Each of these production lines fell short of its respective target: RASC by 27 percent; CGB by 24 percent; and MAZ by 15 percent.

3.3.3 Rice

Whereas rice was projected to contribute some 20 per cent to the targeted 1987 real growth rate, the recorded outturn of 146,000 metric tonnes was 15 percent below that achieved in 1986 and about 23 percent less than the budgeted 1987 target. Late harvesting of the 1986 autumn crop restricted land preparation and sowing of the succeeding spring crop to 65 percent of the target. This situation was aggravated by a drop in the average yield of 21.6 bags per acre achieved in 1986 to 21 bags per acre.

On the other hand, rice exports for 1987 were an impressive 78 percent above the volume exported in 1986 and 25 percent over the revised export target. This export buoyancy is attributable to the organisational restructuring implemented in 1985 and the policies that accompanied it, as for example, licensing of private rice exporters. An additional factor was the initiatives which included the establishment of foreign currency retention accounts and the search for new "products".

3.3.4 Gold

Declared gold production, while not attaining the annual target, was nonetheless encouraging. Inflows to the Guyana Gold Board of 666.2 kilograms was 53 percent above declared production for 1986. The applicable rate of 14.00 times the London Gold Market Daily Fix which prevailed for three quarters of 1987, was changed in September, 1987, to 21.00 times this price. These attractive rates contributed to the greater than usual declarations attained in 1987.

3.3.5 Fish and Shrimp

Fish production of 40.8 million kilograms was 3 percent greater than the 1986 output. On the other hand, prawns production just maintained its 1986 level of 2.4 million kilograms. Shrimp production fell by 17 percent. The failure of prawns output to grow is partly attributable to efforts to conserve the fishery and protect stocks from over exploitation.

3.3.6 Forestry

Recorded timber production in 1987 was 188.7 million cubic meters, 10 percent in excess of the output realized in 1986 and 2 percent in excess of the target. In general terms, production in this sub-sector was creditable. Increases in output relative to 1986 were recorded for all the major forestry products with the exception of wallaba poles which fell by approximately 19 percent.

3.3.7 Manufacturing

Whereas the 1987 Budget projected that vibrant production would have permitted this sector to contribute approximately 5 percent to the projected real growth rate, the actual outturn was poor. The more established manufacturing lines such as rum (4 percent), paints (8 percent), beer and stout (19 percent), margarine (8 percent) were able to improve on their 1986 output. But of these, only paints surpassed its target. Throughout the remainder of the manufacturing sector, output levels were below both the 1986 actual figure and the 1987 target. The reasons for this performance are well known.

3.4 Balance of Payments

As I stated in 1987 when announcing the devaluation of the Guyana dollar the change in the exchange parity was necessitated by, among other things, the loss of our competitive edge in the Caribbean and other international markets, the imperative of ensuring that major domestic exporting industries remain profitable in Guyana dollar terms, and the equally important need to stem the cancerous expansion of the parallel economy. Having apprised you, Cde. Speaker, of the 1987 outturn of the national economy, this now seems the most appropriate point at which to undertake an evaluation of the impact of that exchange rate adjustment.

I shall deviate slightly from the manner in which I normally report on this aspect of our economic performance, in that I shall present all values in U.S. dollar terms. I do this in the interest of clarity of exposition.

Revenues from merchandise exports amounted to US\$242.2 million in 1987 as compared with US\$237.2 million in 1986, a mere 1 percent below the budgeted amount. Sugar, having benefited from the relative strength of the Pound Sterling and the European Currency Unit during 1987, earned US\$93.9 million which was 25 percent more than 1986 earnings and 21 percent above its target for the year. The earnings of both bauxite and rice increased marginally over 1986, even though neither attained its desired target. "Other Merchandise" exports realized total earnings of US\$48.5 million, surpassing both the year's target and the 1986 earnings.

On the other hand, the merchandise imports bill of US\$198.6 million was 17 percent less than that of 1986 and 24 percent below the budget. These declines were largely attributable to a contraction in the importation of intermediate and consumer goods.

However, unlike 1986, the reduction in the import bill did not give rise to disruptions in fuel supplies and consequential dislocations in production and transport.

The latest 1987 estimates indicate that the current deficit improved from about 27 percent of Gross Domestic Product in 1986, to 16 percent of Gross Domestic Product in 1987. The main reasons for this improvement were the reduction in the value of imports, the increases in export earnings, and some deceleration in the rate of growth of service payments.

The merchandise trade account recorded a surplus of about US\$40.0 million compared with the US\$2.0 million deficit in 1986. However, with a deficit in the services account of US\$90.0 million, the current account deficit was about US\$50.0 million. This deficit was financed by net capital inflows of US\$45.0 million and a further increase in commercial arrears amounting to US\$10.0 million. There was no significant change in the net foreign exchange reserves.

3.5 Public Sector Financial Performance

In 1987 we envisaged a total public sector outlay of \$2526 million. Of this amount, current expenditures of the Central Government were projected at \$1339 million, and the Other Public Sector Programme at \$1187 million. The Central Government earmarked to spend \$952 mn on its capital programme, while the rest of the public sector was allocated \$419 million. \$184 million of the latter amount, was to be financed by transfers from the Central Government. The major sources of finance for these expenditures were as follows:

- o Taxes and dividends from Government Corporations of \$190 million;
- o Other Current Revenues of \$1200 million;
- o Public Corporations Surpluses of \$949 million;
- o Net Capital inflows of \$378 million;
- o Net Banking System borrowing of G\$410 million.

According to the latest estimates, banking system borrowing was a hefty \$1564 million. This deterioration was largely due to the public corporations' surplus falling short of its target by 84 percent.

3.5.1 Central Government

Current revenues of the Central Government showed a 5.6 percent increase. Gross inflows did not achieve the 1986 level of \$171 million nor the \$360 million projected, rather it was \$160 million. This decline was due to the fact that several major foreign financed projects, such as the Guyana Electricity Corporation Rehabilitation Project, Human Resources Training and Development Programme and the Industrial Reactivation Programme did not proceed as rapidly as was planned at the beginning of 1987. In addition, a few projects such as the EEC-financed Infrastructural Rehabilitation Programme, budgeted for in 1987, did not get off the ground.

Though Current Revenues were \$74 million more than budgeted, Current Expenditures rose to \$1804 million or 35 percent over the budgeted figure of \$1339 million and 59 percent over the actual figure of \$1132 million for 1986. Two of the major reasons for the sharp increase in current expenditures were our inability to contain interest payments within

the budget limit and the steep rise in employment cost and other charges. In fact, employment cost increased by 20 percent over the budgeted amount and 47 percent over the 1986 actual figure of \$385 million. More serious efforts will have to be made to curtail these expenditures in the future.

Collection efforts by both the Customs and Excise and Inland Revenue Departments were mixed. Total revenue collected by the Customs and Excise Department amounted to \$486 million or about 85 percent of the budgeted figure of \$572 million. This shortfall was mainly due to a drop in import duties and Consumption Taxes from \$137 million to \$81 million and \$360 million to \$325 million, respectively. The chronic shortage of foreign exchange in the economy has continued to constrain importation of critical inputs into the manufacturing and industrial sectors. There were however, some improvements in tax collection by the Inland Revenue Department. Collections by the Department totaled \$524 million, an increase of about 1.5 percent. This improvement was associated with companies and personal income tax collections. This performance in combination with that of Current Expenditures resulted in the current deficit of the Central Government exceeding the budgeted amount of \$39 million by \$391 million.

3.5.2 Public Enterprises

As was mentioned earlier, the general performance of the corporate public sector was expected to significantly improve during 1987, partly because of the anticipated positive impact of the devaluation.

In spite of the positive effects of the currency devaluation, the latest estimate of the public corporations' performance during 1987 reflects a surplus of G\$148mn.

Though generally disappointing, several commercial and manufacturing enterprises either improved on their budgeted operating surplus or reduced their projected deficits. Among the most notable cases are the following:

| Corporations | Oper. Surplus/Deficit | |
|--------------|-----------------------|-----------------|
| | Budget '87 | Latest Estimate |
| GLC | 18.92 | 41.92 |
| GSL | (27.61) | 14.33 |
| GNTC | 12.74 | 26.53 |

Of those corporations performing below their budgeted levels:

| Corporations | Oper. Surplus/Deficit | |
|--------------|-----------------------|-----------------|
| | Budget '87 | Latest Estimate |
| GUYMINE | 25.18 | (99.84) |
| GUYSUCO | 298.38 | 20.66 |
| GTSL | (4.32) | (16.67) |
| GRMMA | 17.16 | (14.27) |
| GFL | (5.22) | (14.78) |

After account has been taken of the net loss on devaluation, as well as other non-cash items like depreciation, the corporations achieved a gross surplus of \$621 million. Corporate transfers to the Government continue to be disproportionate relative to the State's financial transfers to these enterprises. In 1987, corporate transfers to the Government amounted to G\$69mn while current capital transfers to the corporations amounted to G\$86 million. This is unacceptable given the improved liquidity situation

of the corporations as a whole and I shall return to it shortly. While on the subject of liquidity, let me say that some Corporations continue to have problems with the management of their cash flow. The two major public utilities, the Guyana Electricity Corporation and the Guyana Telecommunication Corporation, have an inadequate regime of billing and collection. Other corporations like the Guyana Rice Milling and Marketing Authority and Guyana Fisheries continue to exhibit an inability to control their expenditures, including production costs.

The corporate public sector was budgeted to expend G\$419mn to maintain, improve, and add to the productive capacity of the corporations. The programme consisted of both on-going and new projects such as the installation of the ten-tonne rice mill at Anna Regina and a new pharmaceutical plant for Guyana Pharmaceutical Corporation (GPC). Except for a few corporations, the programme was largely funded by Central Government transfers, foreign loans from bilateral and multilateral sources including the EEC and IDB, and by short- to medium- term trade credits (as in the case of Guymine and Guysuco).

During 1987, expenditure on the capital programme was about 31% below the revised estimate. This under-expenditure reflects not only the shortage of construction materials, but also delays in executing the capital works of several projects. More specifically, the problems maybe grouped as follows:

- o the inability to satisfy the preconditions associated with certain loans, of the Guyana Electricity Corporation is a case in point.
- o delays in the preparation of feasibility studies as in the case of Guyana Rice Milling and Marketing Authority (GRMMA).

- o shortage of foreign exchange to import spares, equipment and raw materials in an under-utilization of capacity.
- o shortage of skilled manpower.

Despite these problems, some major capital projects were completed, including:

- o the installation of an International Direct Distance Dialing facility at a cost of US\$5.5 million
- o the acquisition of one hundred buses from Yugoslavia at a cost of \$38 million
- o the installation of a new ten-tonne rice mill at Anna Regina
- o the acquisition of four fishing trawlers
- o the installation and commissioning of the new stockfeed mill, and
- o the installation of an alkyd resin plant by GPC.

4. 1988: FOCUSES OF RETOOLING AND REGROUPING

4.1 The Process of Consultation and Budget Formulation

Cde. Speaker, I should like to say a few words on the process of consultation which informs budget preparation and formulation. Obviously, the themes and influences on the process of Budget formulation are many and varied. In recent times, among the most important and prominent influences have been the institutions representing various and varied socio-economic groupings in the country. In the course of the preparation of the 1988 Budget, contributions were invited from the following agencies:

- o The President's Advisory Committee on the Private Sector;
- o The Guyana Manufacturers' Association;
- o The Georgetown Chamber of Commerce and Industry;
- o The Berbice Chamber of Commerce and Development;
- o The Trades Union Congress; and
- o The National Economic and Social Council, an organ of the State Planning Commission.

Contributions were received from all, except the Berbice Chamber of Commerce and Development. The proposals emanating from these groups, covered a wide spectrum of policy issues. I should like to take the opportunity on this occasion to dilate briefly on the most important areas of discussion.

One area of concern raised by the groups, was the programmes for the rehabilitation and maintenance of infrastructure such as water, electricity and communications. In addition, the need for a larger quantum of resources to be made available to agencies such as fire and ambulances services and the Drug Awareness Programme, was emphasized.

A common area of concern was housing. We explored policies for enhancing the house building programme, the house re-building programme and the house maintenance programme with various groups. Many devices were examined which might increase the number of houses but some also pose the risk of compounding the rapid escalation of house prices. We shall be pursuing some of the more worthy suggestions in this area during the course of 1988.

One of the most glaring consequences of our prolonged fiscal crisis has been our inability to maintain social and economic infrastructure. There has been, as a consequence, considerable deterioration of infrastructure, ranging from sea defences to schools and housing to roads. One very important focus of policy in the medium term has, therefore, to be the restoration and rehabilitation of social and economic infrastructure. Almost without exception, these areas require an extensive amount of foreign exchange, as well as, technical skills. We shall in this regard, be seeking both bilateral and multilateral assistance.

Policies for enhancing investment were also examined and some degree of consensus prevails with respect to the efficacy of the different devices available for achieving this goal. The ideas thrown up during the meetings in connection with expansion of manufacturing and agricultural capacity in production and exports, were also very helpful. In some areas, the discussion reflected

disappointment about the effectiveness of some of the economic instruments and policies. It is probably fair to say that many of the groups expected more of the free foreign currency exchange window than has been actually achieved. In two particular cases, persuasive arguments were led in favour of the unification of the exchange rates and the abolition of the window.

Another general concern of the group pertained to devaluation and its adverse consequences on low-income and fixed-income workers. There is also concern about the facilities available for supporting workers and their families, such as nurseries and canteens at work sites.

Another area worthy of mention in the context of our discussion, is the question of 'no-fund import licences'. It is generally felt that the extension of this arrangement to commercial importers has served to convert many average-sized traders into very wealthy businessmen. There is therefore a high degree of consensus for the removal of the no-fund licences. This is a matter, Cde. Speaker, to which I propose to return.

4.2 The Critical Issues

4.2.1 Taxation and Administrative Capacity

One theme running through all of the presentations was the pressure to reduce or remove various taxes. Most prominent amongst these was the Consumption Tax. This was by no means, however, the only tax attracting attention. There were several requests, for example, to raise personal income tax allowances.

It needs to be said, however, that at this point in time, proposals that are focused primarily upon fiscal relief pose special problems, unless they might reasonably be expected to increase the overall tax take. It has been said that a country can only have the tax regime it can afford. In Guyana's case, the limiting factor is the need to finance innumerable services required by the public. Perhaps a discussion of the consumption tax and personal allowances proposals would not be out of place at this point.

There is general recognition that a significant proportion of the consumption tax is levied on a fairly narrow base, consisting primarily of manufacturers. Out of this recognition has grown pressure for the devolution of the tax on a wider base, such as may be had if the tax were levied upon wholesalers and/or retailers. In effect this means a form of sales or turnover tax.

In response to these pressures, the Ministry and the Department of Customs and Excise have attempted to review the likely efficacy of the sales tax-type regime. It is certainly true that, other things being equal, a wider base such as that provided by a sales tax, might well be considered more equitable. Given appropriate circumstances, it could result in a larger tax take. However, the very width of the base threatens to impose a somewhat unmanageable burden on the administrative capacity of the Customs Department. It might also be added that with regard to the relative attractiveness of a sales tax relative to the current consumption tax, broad bases invariably involve increased administrative burdens. It is rather ironical that many groups argue for the replacement of the consumption tax on the ground that a more broad-based sales tax would be more fruitful. The latter tax would require the monitoring of tens of thousands of retailers. At the same time, it

has been argued that threshold tax allowances should be raised because the burden of collecting allowances from low-income and wage earners is not worth the trouble. There is no theory to guide us here. It is an empirical matter. Having undertaken an examination, we are satisfied that a favourable response to the sales tax proposal should follow, not precede, the re-equipping of the Department.

The removal of taxes is a function of what the economy can afford. We rarely have the luxury of removing a tax without a net loss of revenue. Replacing it with another, hitherto unused, tax which yields higher revenues, is the Treasury's favorite dream. In other words new tax concessions, when deficits are the order of the day, can only be entertained if someone else is prepared to bear the burden by way of a compensating increase or, if the concession is such as to induce greater taxable yields elsewhere. In reality, few tax reductions fall in the latter category.

Having only just substantially increased personal allowances and undertaken other reforms with regards to personal income taxes, it would be foolhardy to undertake additional tax reforms without considerable changes in the Department of Inland Revenue. That Department has only just geared itself to deal with the recent reforms and if confusion is not to become the order of the day, they need to be given time to put their 'house in order'. The Department's capacity should be considerably enhanced when computerization is fully established.

The administrative weaknesses and burdens facing the Department of Inland Revenue are similar to those to be found within the Customs and Excise Department.

In the coming year, resources will be devoted to enhancing the capacity of the fiscal agencies. As has already been mentioned, some of this enhancement will take the form of computing facilities. It would also be necessary to re-examine the range of skills recruited. The consultations also brought out a number of other issues. These included: access to resources, the impact of inflation, trade licensing policy, housing construction, infrastructural needs and science and technology. I will now say something on each of these areas of concern.

4.2.2 Access to Resources

This brings me to the question of timely utilization of available resources. It was commonplace of old/colonial Guyana that many small-businessmen were reluctant to borrow in the formal system because failure to keep proper accounts rendered them uncreditworthy. Many were also reluctant to borrow from the banks and non-banks because they feared the long fiscal arm of the State. Cde. Speaker, many of the sectors chronically short of imported inputs still live in pre-colonial Guyana.

In both the private and public sectors, some industries fail to utilize resources garnered with a great deal of effort and at significant expense/costs. In the case of both sectors, a major cause is their inability to provide up-to-date audited accounts. In some parts of the private sector, old attitudes which constrain ownership to family members, only, restrict ability to raise the necessary local capital.

At a national level, we have to recognize the efforts of some of our creditors to mobilize current lenders in support of a bid to force us to conform to what they regard as desirable and responsible economic policies.

With ingenuity and goodwill on the part of some bilateral and multilateral financial institutions, we have managed to get around these efforts, to some extent. It is not a terribly rewarding exercise however, and our energies could be better devoted to more beneficial pursuits.

4.2.3 The Impact of Inflation

Cde. Speaker, there can be little doubt about the widespread concern over the consequences of inflation on the distribution of incomes, access to resources and the quality of life of those on low- and particularly, fixed-incomes. We are conscious of these most serious and deleterious consequences and the main thrust of monetary and fiscal policy in 1988, will be to sterilize the large liquidity overhang which is the main symptom of inflation. Along with this should go control of the Central Government's expenditure.

Whilst these macro-measures are being implemented, we intend to support and reinforce them with micro- or subsidiary measures. Many government services are still being extended to individuals and sectors that we all agree, do not merit subsidies from the taxpayer. Many of the fees and fines fixed in times of more stable monetary movements, are now grossly inappropriate and do not cover the cost of the service or inputs provided by the State. We shall be progressively correcting this situation.

At the same time, there are some areas where taxes may be borne by groups of individuals whose income or earnings are such that the effect of the tax regime is to make them destitute. This is not the interest of the tax regime and provisions do exist for appeal to the Commissioner of Inland Revenue, an Appeal Tribunal and the Minister of Finance. Indeed, these mechanisms are often used.

This is however, not an ideal way of treating with a widespread problem. I shall return to a specific manifestation of our concern when I elaborate on the 1988 fiscal measures.

4.2.4 Trade Licensing Policy

You will recall, Cde Speaker, that I made reference earlier to the widespread concerns expressed about the operation of the "No Foreign Currency" licences policy. The Ministry of Trade has reviewed this policy measure and upon the Minister of Trade's advice, the Government has decided that with effect from May 1, 1988 "No Foreign Currency" transactions involving the importation of items for personal use will no longer require import licences.

The licensing requirement for transactions for commercial and industrial purposes is being reviewed with the objective of better facilitating the execution of such transactions.

You may recall further, Cde Speaker, that the Government in 1987 promised to eliminate the import licences requirement for commodities originating within the Caricom region. I am pleased to report that with effect from October 1, 1988 this becomes a reality. Importers of goods originating in Caricom will no longer be required to obtain from the Ministry of Trade an import licence. Instead, the Central Bank will have to be approached, through a commercial bank, for permission to commit funds to the proposed importation. In other words, such imports will be permitted entirely on the basis of foreign exchange availability.

Needless to say, if these two policies are not

to be permitted to aggravate the already wide breach in our trade and foreign exchange regulations, sufficient resources will have to be allocated for upgrading the skills and strengthening the administrative capability of the Department of Customs and Excise, the Bank of Guyana, and the Ministry of Trade and Tourism.

4.2.5. Housing and the Construction Sector

In 1987, some attention was devoted to financial resources for the house-building programme. However, over the years, a factor looming increasingly large in the building construction sector, has been the chronic shortage of building materials in terms of boulders, crushed stone and lumber. The capacity and age of public sector equipment on which most of the 1970 expansion was based, no longer allows for a vibrant or extensive programme of construction. As if this were not enough, skilled or unskilled labour has been in short supply to the public sector. Masons, carpenters and heavy duty equipment operators, in particular, have found more lucrative outlets for their skills than in the construction sector.

The Government recognizes the problems enumerated above and has been attempting to grapple with them. Already, on the housing front, we have:

- o increased the resources channelled to the Guyana Co-operative Mortgage Finance Bank (GCMFB) by \$3 million. This is in addition to the resources available at the Guyana National Co-operative Trust Bank (GNCB Trust) and other financial and non-financial institutions such as the Dependants Pension Fund.

- o been selling government-owned houses to tenants who satisfy the criteria set out for acquisition of such houses.
- o been seeking to encourage and assist private developers who are required to put in the basic infrastructure (land development), in some cases, and develop housing schemes in others. Government intends to offer attractive incentives to land developers to speed up the building of houses.

With regards to the construction sector, I intend to deal with this later.

4.2.6 Science and Technology

A draft of the science and technology policy paper promised in 1987, has been prepared and will be made available to the public in due course.

The Institute of Applied Science and Technology (IAST) has been developing a range of products and technologies for commercialisation. To date, their most notable success has been in biogas technology. A private entrepreneur recently turned to the commercial production and export of an IAST designed biogas lamp.

In recognition of the skills it has acquired in this area, the Institute has been chosen as the coordinator of the FAO regional biogas programme.

During the course of 1988, the Institute will devote its resources to the transfer of technology to all regions in Guyana where biogas is practicable. It is anticipated that 150 biogas digesters will be built in the course of this programme.

Two other developments to be pursued in 1988 are:

- o the commissioning of a pilot plant for semi-commercial production of plant extractives such as essential oils, an important ingredient in the cosmetic industry; and
- o the establishment of a laboratory dedicated to monitoring and evaluating all aspects of the proposed industrial waste incineration/co-generation facility.

5. THE 1988 PROGRAMME

5.1 In Support of Victims of Misfortune and Natural Disasters

The Government has often demonstrated its concern for citizens who from time to time, suffer as a result of some form of disaster. The establishment of the National Relief Committee is a tangible expression of Government's concern to alleviate the stress and strain experienced in cases of destruction of homes by fire, of crops and property by floods and of damages to property or loss of life in accidental circumstances. In the year ahead, Government proposes to give greater prominence to the tasks of the National Relief Committee and to adopt systematic procedures to garner substantial financial and material resources to aid fire and other victims of misfortune.

5.2 Sports and the Fine Arts

Over the years, the Government has placed a premium on the development and promotion of sport at both the national and international levels. In 1988, the Government is geared to intensify assistance to sporting activities. Playing fields will be upgraded and additional sporting equipment and facilities will be made available to local organisations and clubs.

Sports and the arts are of tremendous importance in heightening national consciousness and in projecting a positive image of the country abroad. Sportsmen, writers, sculptors and painters are, however, faced with considerable income problems. From the point of view of the fiscal system, some inequities may result from the uneven and fluctuating income associated with these oc-

cupations. We shall therefore be looking into the matter with a view to devising a more equitable basis on which to tax the incomes these categories of citizens.

5.3 Expenditure Control

5.3.1 Rationalizing and Reorganizing the Public Service

We have on several occasions in the past embarked on the exercise of rationalizing the Public Service and related agencies. All too often, such intentions have fallen foul of entrenched opposition by the Public Service. Normally, provision is made for all of the staff employed by the existing institutions, with the intention of arriving at an agreement about rationalization before the end of the fiscal year. Cde. Speaker, I should like to emphasize that the Government has charged a team with resolutely conducting the exercise of examining the goals of each of the 200 entities financed out of the Central Government Budget. Colleagues will note that the employment costs projected for 1988 do not reflect the 10.5 percent to 12.5 percent increase agreed as part of the 1987/88 wages agreement as an addition to 1987 expenditure. We intend, in other words, to have the rationalization and closures implemented with dispatch.

The Committee has already begun work on this matter with a view to recommending to Government, those agencies that should be merged, closed, revamped, etc. These measures will provide some measure of savings in Central Government expenditure.

5.3.2. Regional Development and the Problems of Expenditure Control

Since the formal establishment of the Regional Administration System in 1981, Government has sought to strengthen it in order to deliver services in a timely manner to the people for their benefit. In pursuit of this objective, there has been an organized shift of manpower, budgetary financing and control of resources from central Ministries/Departments to the various Regions throughout Guyana. Regional Executive Officers were appointed as Accounting Officers under the Financial Administration and Audit Act Chapter 73:01, and Sub-Treasuries were established under the control of the Accountant General in all Regions, except Region 8, to facilitate the speedy processing of transactions, while independently exercising the functions of examination of vouchers and effecting transactions on behalf of the Regions.

In the three years 1985-87, the allocation of funds to the Regions has increased from \$55.7 million to \$247 million in 1987. Last year's Estimates reflected an additional measure aimed at streamlining Budget development and execution in the Regions. There was provision of separate Heads of expenditure for the major services such as Health, Education and Agriculture. This has afforded better control of budget execution in the Regions and has brought a sectoral emphasis in terms of accounting and accountability on the part of Regional Executive Officers and associated sector managers.

Admittedly, there is still a lot to be done in terms of enhancing expenditure control in the Regional Administrative System. These include:

- o accelerating the submission of vouchers to the Central Data Processing Division in Georgetown by Regional Sub-Treasuries, in order to allow more timely presentation of expenditure and related reports,
- o staff development and training at all levels of the system in terms of accounting procedures and controls has now been spread out thinly into the Regions. It is necessary to appoint skilled officers to compensate for the regular diminution of overall staff levels.

5.4 Debt Rescheduling

Cde. Speaker, I have already addressed the problem of debt rescheduling encountered in 1987. For the very reasons outlined before and in the 1987 Budget Speech, it is necessary to tackle the subject of special debentures. Five- and ten-year debentures to a maximum value of \$400 million, will be issued in accordance with the terms outlined in the 1987 Budget Speech. As mentioned earlier, we propose to complement this measure with a disciplined expenditure control policy.

5.5 Monetary Policy in 1988

I indicated earlier, that the Bank of Guyana has sought to restrict the private sector's access to the banking system to finance consumption. This policy will continue throughout 1988, as part of a more active Central Bank role in the system.

The Central Bank will also be asked to introduce new legal reserve requirements for the commercial banks and other financial institutions. The existing banking legislation does provide for a liquid assets ratio, but

the banks have liquid assets far in excess of these minimum ratios required by law.

The Central Bank will therefore have to turn off deposits to ~~be held in legal assets~~ ~~perhaps deposits~~ ~~for sale~~ ~~for maintaining~~ ~~proportion~~ of liquid assets could be released to finance the reduction in liabilities. Attention is already being devoted to an interest rate policy and we shall be effecting changes on this front as the year progresses.

5.6 Public Enterprises

5.6.1 The General Programme

In the 1987 Budget, I gave notice of the Government's intention of closing loss-making enterprises that cannot formulate and implement programmes for financial resurgence. The entities singled out for mention at the time were the Guyana Rice Milling and Marketing Authority, Guyana Transport Services Limited, Guyana Fisheries Limited and the Guyana Airways Corporation. In view of the fact that most of these entities appear to be in no better a position than they were last year, action is to be initiated to correct this recurring problem.

The Guyana Rice Milling and Marketing Authority, Quality Foods (Guyana) Limited and the Guyana Airways Corporation will be the subject of detailed diagnostic studies to be undertaken under the GUYSTAC/UNDP institutional strengthening programme commencing shortly. Of the other two main loss makers, Guyana Transport Services Ltd and Guyana Fisheries Ltd., the former has been the subject of a study and report by a separate Task Force. The examination was aimed at finding expeditious means of rapidly eliminating the losses. The recommendations will shortly be laid before Cabinet.

5.6.2 Dividend Policies

Cde. Speaker, one of the intentions of the 1987 Budget was to promote effective public sector cash management. It had been proposed to reduce in part, the public sector claims on the banking system, using this device. However, it must be admitted that this management tool has not been successful to the extent intended. In spite of their accounting profits or losses, many public enterprises find themselves very liquid for any combination of the following reasons:

- o they may not have paid into the Export Payment Deposit Scheme, funds owed to foreign creditors.
- o they may have had devaluation losses, and
- o they may not have honoured loans being serviced on their behalf by the Central Government.

These balances held by the enterprises are invested in Government securities, directly or indirectly. The Government then borrows from the private sector to pay the interest on these investments. In order to avoid this hazard, enterprises will be obliged to transfer to the Treasury, surplus funds not necessary for the operations of their approved programmes. It is proposed to institute two new arrangements .

In the case of the public limited companies, the Government shall in future require payment of dividends in keeping with the rules embodied in their Articles of Association. If having paid dividends, companies still control funds in excess of their working capital needs or investment requirement, the

monies will be transferred to a Special Fund to be held by the Accountant General, out of which the company will be replenished to finance additional working capital or approved investment needs.

For corporations regulated by the Public Corporations Act, there is no provision for the payment of dividends. The Minister of Finance, is however, empowered to approve of loans by one corporation to another or to the Ministry of Finance. We propose to use this power. I should like to take this opportunity to stress, however, that the object of this exercise is not to deny the entities funds needed for their legitimate business activities but to manage the public sector's business and its cash and credit operations in an internally consistent manner.

5.6.3 Guystac Restructuring: Institutional Strengthening

The bill to establish the legal basis for the restructured grouping of certain corporations and the change in the role of the GUYSTAC Secretariat has been tabled in the National Assembly. Some corporations have adapted well to the operationalisation of the principle of constrained managerial autonomy while others are yet to take up the challenge.

In order to facilitate more careful and effective monitoring of the corporations, further strengthening of the GUYSTAC Secretariat through a technical assistance programme provided by UNDP/UNIDO, will be undertaken in 1988/89. The focus of this Programme will be the improvement of performance contract preparation, the installation of computerized management information systems and the upgrading of specific areas of the consultancy services rendered by GUYSTAC.

The Consultants engaged to conduct this

Programme will also undertake diagnostic studies of financial management and technical systems of selected corporations with a view to developing and implementing a plan for their "turn-around" in terms of profitability and efficiency levels. Specific corporations including chronic loss-makers identified earlier, will be participating in the Programme.

5.7 The 1988 Capital Programme and its Financing

The capital programme for 1988 was arrived at after applying the following criteria:

- o on-going, locally funded projects
- o on-going, foreign funded projects
- o new, locally funded projects
- o new, foreign funded projects

As a result, the main components of the capital programme by sector reads as follows:

Agriculture:

- o Rehabilitation of small Drainage and Irrigation Areas (Vreed-en-Hoop/La Jalousie, Buxton/Friendship and Craig/Relief) co-funded by the IDB.
- o East Bank Essequibo Agricultural Development Project, co-funded by IFAD.
- o Abary Drainage and Irrigation Project - Contract III, co-funded by the IDB.
- o Rehabilitation of Black Bush Polder, co-funded by the IDB.

Of the foregoing, the Abary Drainage and Irrigation Project will receive the largest infusion of capital, in 1988. The other projects are still in their implementation stages.

Fishing:

- o Completion of Phase 2 of the Inshore Fish Port complex, co-funded by the EEC.
- o Artisanal Fishery Infrastructural Programme, co-funded by CIDA.

Both projects are continuing apace. Phase 2 of the Inshore Fish Port complex involves the equipping of the facility. The CIDA-funded project involves the completion of three sites in 1988 and the commencement of two others.

Mining and Quarrying:

The rehabilitation of the GNS quarry at Teperu, co-funded by the EEC. This project is a component of the wider Infrastructural Rehabilitation Programme and is due to begin in the latter half of 1988.

Power Generation:

This project is co-funded by the IDB and entails the rehabilitation of GEC's power stations and other equipment as well as the institution of effective management systems.

Construction:

Projects in this sector involve the rehabilitation of sea and river defences, co-funded by the EEC. Sea and river defences continue to attract a significant annual investment. Later this year, these works will be boosted by the provision of equipment, materials and training of relevant personnel.

Transport and Communication:

- o Guyana/Suriname Ferry Project, co-funded by the EEC.

- Improvements to the Timehri International Airport, co-funded by CIDA.

The airport project is concerned largely with the re-surfacing of the runway and improving other facilities.

Education:

- Scholarships and Training co-funded by numerous external sources.
- Human Resources Training and Development Programme, co-funded by IDB.
- President's College.

The Human Resources Programme is expected to make significant progress in 1988, after overcoming major hindrances in 1987. The major building rehabilitation programme will be completed, equipment supplied, and staff trained. Furthermore, construction of six new buildings at the University of Guyana will commence.

Environment and Pure Water:

- Improving urban water supply, co-funded by the EEC.
- GUYWA's institutional strengthening, co-funded by the IDB.

The urban water supply rehabilitation programme concentrates on the Georgetown, New Amsterdam and Linden facilities. Like the other projects under the Infrastructure Rehabilitation Programme, this is not likely to start before the final quarter of 1988.

Internal Security and Defence:

The new prison in Georgetown is to be completed this year along with numerous

rehabilitation works on police stations and buildings.

In support of the Timehri Airport improvement programme, the Fire Service is in the process of constructing a new fire hall at the airport.

Administration:

In this sector, the most significant investment to be concluded early in 1988 will be the computerization of the operations of the Inland Revenue Department.

Of the financing required for the 1988 investment programme, 37 percent would go towards transfers, 23 percent to the Agriculture Sector and 10 percent to Education.

I should now like to single out for special attention, the investment initiatives directed at rehabilitating the social infrastructure. Among the projects to be undertaken in the health sector is a Toxicology Unit at the Georgetown Hospital and an AIDS Diagnostic Laboratory, together with technical assistance for establishment of a management unit and an effective health education programme.

A variety of projects are aimed at improving the delivery of potable water to rural and urban communities. These projects cover both the installation of new wells and the provision of technical assistance for strengthening and supporting the related institutions.

The quarries are to be returned to an effective operational level. In order to achieve this goal, the bulk of the equipment of the quarrying industry will be rehabilitated with assistance from EEC and IBD.

Similarly, lumber production should improve with the provision of CIDA funds to rehabilitate the industry.

6. 1988 PROJECTION

6.1 Gross Domestic Product

Real growth in 1988 is again being targeted at about 3 percent with the main pillars of the economy - sugar, rice and bauxite - projected to record slight improvements. Sugar is expected to grow by 4 percent over the 1987 revised level of 224,500 metric tonnes, while rice is expected to attain the level of 159,300 metric tonnes, an increase of 9 percent over the revised 1987 figure. Total bauxite production is targeted to rise by 40 percent. In addition, gold and diamonds are expected to show strong returns in 1988, largely as a result of the regime of incentives in place in the industry. When all factors are taken into account, including the measures being taken to improve efficiency in the overall system and stimulate productivity, GDP at factor cost is projected to rise to \$3683 million, as against the budgeted level of \$2915 million in 1987.

6.2 Balance of Payments

The earnings of merchandise exports are targeted to reach US\$295 million. The major exports - sugar, rice, bauxite - will contribute US\$104 million, US\$111 million and US\$17 million, respectively, to the total. Exports of services are projected to rise by 14 percent to US\$70 million in 1988.

Merchandise imports in 1988 are projected to rise by 39 percent to US\$277 million. Of this amount, imports of fuel will be US\$104 million or 37 percent of the total. Imports of services modestly targeted at US\$176 million. The external debt interest will continue to absorb a significant portion of services imports.

Despite the increases in export earnings, the current account deficit of the balance of payments will widen to US\$187 million. This deficit is expected to be financed exclusively by external inflows and the build up of debt arrears.

6.3 The Public Sector

Total Public Sector expenditure in 1988 is projected at \$3207 million, an increase of \$681 million over the previous year's Budget. The Central Government is expected to absorb \$1206 million and \$1074 million of this amount for its current and capital programmes respectively, while the public corporations are expected to spend \$559 million on their capital programme. Transfers to the public corporations will be \$213 million, an increase of 254 percent. This large increase is associated with the coming on stream of the foreign-financed GEC Rehabilitation Programme, the rehabilitation of sugar factories, the co-generation of electricity from bagasse, and alternative uses of the sugar cane plant. When these transfers are netted out from the total budgets of the corporations, the net capital expenditure of both Central Government and Corporations amounts to \$1420 million.

Our ability to finance these programmes will rest largely on the performance of Central Government, public corporations savings and foreign savings.

6.3.1 Central Government

Current revenues of the Central Government will be \$1642 million in 1988, representing an increase of 26 percent over the 1987 budget and 61 percent over the actual collections in 1986. This strong performance is dependent upon increased tax effort. Taxes

collected by the Customs and Excise Department are targeted at \$525 million, which is 8 percent above the realized figure in 1987. The Inland Revenue Department is expected to attain the level of \$560 million in collections.

Central Government Current Expenditures are expected to decline marginally in 1988 to a level of \$1787 million. Other charges will rise by 22 percent relative to the revised 1987 figure, while employment costs are expected to decline by 4 percent using the same comparison period. I have already mentioned that the 1988 wage adjustments are to be financed through savings realized as a result of the rationalization exercise currently being undertaken in the public sector.

As a result of the expected improvement in revenue collections and prudent expenditure controls, the current deficit of the Central Government in 1988 will show a sharp decline of 34 percent when compared with the revised 1987 figure. When the capital expenditure is taken into account overall deficit will stand at \$1099 million.

The financing of this deficit will continue to be dependent on foreign inflows and borrowing from the banking system and the public. The bulk of the \$120 million in external grants projected is expected to come from the EEC, UNDP and IDB. Gross inflows have been estimated at \$379 million, 92 percent from the IDB. This large contribution is premised on significant improvements in the execution of projects such as the GEC Rehabilitation Programme and the Human Resources Training and Development Programme.

Domestic Banking borrowing is expected to decline drastically, while borrowing from the public is expected to stabilize at \$300 million, 13 percent below the revised 1987 levels. It is to be noted that pressure on

the banking system to finance the capital programme will be reduced through the use of PL 480, CIDA and EEC Food Aid Counterpart Funds.

6.3.2 Public Corporations

The public corporations are budgeted to generate an operating surplus of \$708 million in 1988. This projection is premised on increases in the exports of bauxite, sugar, pharmaceutical and timber products, in particular. The decline in physical production occurring in 1987 is unacceptable because it jeopardizes the recovery of the economy as a whole. As I have noted earlier, a conscious decision has therefore been taken to critically review the future of some of the corporate public enterprises. In others the investment and pricing policies are to be carefully reviewed periodically.

Taxes and dividends to be paid during 1988 amount to \$164 million and \$26 million, respectively. This reflects an improvement over 1987. The corporations also intend to undertake capital expenditure programmes amounting to \$559 million. This expenditure is intended to complete or proceed with the execution of ongoing foreign - financed projects, as well as replace and/or improve critical items of equipment required for the maintenance or expansion of production.

The capital programmes will be financed by means of an increase in external borrowing amounting to \$113 million, mainly in the form of suppliers' credits to Guymine and Guysuco. The other major source of financing is Central Government transfers amounting to \$136 million. These will include external loans and grants received by the Government of Guyana from multilateral financial institutions and other agencies. Excluded from this amount, are loans to be made to GUYSUCO,

Demerara Distilleries Limited and Guyana National Printers Limited through GAIBANK, utilizing funds under the IDB Industrial Reactivation Programme.

In general, the projected financial performance of the public corporations hinges on the execution of certain critical capital and rehabilitation works, as well as the availability of off-shore raw materials. Specifically, the new projects to be executed during 1988 include:

- o Guyana Mining Enterprise Ltd. - Rehabilitation of bucket wheel system; Installation of No. 4 turbine; Acquisition of twelve barges.
- o Guyana Liquor Corporation - Acquisition of bottling and Fermentation Plant.
- o Guyana National Newspapers Ltd - Overhaul of Pacer press.
- o Guyana Sugar Corporation - Rehabilitation of factories
- o Guyana Electricity Corporation - 69KV transmission line.
- o Guyana Telecommunications Corporation - Strategic plan of cable overlay for business sector.
- o Guyana Fisheries Ltd. - Acquisition of fishing trawlers.
- o Guyana National Printers Ltd. - Acquisition of Printing machine.
- o Guyana Pharmaceutical Corporation. - Completion of new pharmaceutical plant.

The Consolidated Financial Operations of the Public Sector should record strong improve-

ments over 1987. Given the projected improvement in the financial performance of the Public Corporations and the Central Government, the current surplus of the consolidated public sector is expected to show an increase of 394 percent over the revised 1987 figure. The overall deficit of the consolidated public sector should decline by 3 percent when compared with the 1987 revised figure. This deficit is expected to be financed mainly through net external borrowing \$387 million, net banking system borrowing \$302 million. and net borrowing from the public of \$300 million.

It is clear that greater financial discipline would need to be exercised by the Central Government and the Corporations if this programme is to realized.

7. INVESTMENT FRAMEWORK

In 1987, the Government undertook to formulate and enact a statute covering private investment. A comprehensive draft of a policy statement on investment is to be presented by the end of March. This statement will be presented for perusal by socio-economic organisations after which it will be laid in the National Assembly for debate.

Discussions are in progress on bilateral investment treaties with the Federal Republic of Germany, and Switzerland. Similar discussions are due to commence with the United Kingdom. It is hoped that these will be completed in 1988. We have already negotiated a double taxation convention with Canada.

Cde. Speaker, members will be aware that we are engaged in discussions with the Government of the United States of America to be designated a beneficiary country under the Caribbean Basin Economic Recovery Act (CBI). CBI designation will give exporters of a number of non-traditional goods, duty-free access into the United States market.

Lately, the Government has been giving active consideration to the negotiation of Double Taxation Conventions with major trading partners including the United Kingdom and the United States of America. The conclusion of such agreements can serve as an important incentive to investment in Guyana.

By and large, an increasing number of foreign investors have been demonstrating interest in investing in Guyana. Among the reputable investors with whom we are already doing business are Placer Dome and Golden Star Resources, (of Canada); Giant Resources Limited and Eastern Caribbean Mining Company (of Australia); and Paranapanema of Brazil. Negotiations and discussions are underway

with London and Scottish Marine Oil Company
(of the United Kingdom), Broken Hill
Proprietary (of Australia) and Home Stake (of the
United States of America).

8. FISCAL MEASURES TO BE ENACTED

Cde. Speaker, I now turn to the fiscal measures to be enacted in relation to the 1988 Budget.

8.1 Property Tax

The rates for persons other than companies is to be amended to exempt the first \$200,000 (two hundred thousand dollars) of net property from the tax. The current exemption limit is \$50,000 (fifty thousand dollars).

The threshold above which individuals with net property will be required to submit returns is to be increased from \$25,000 to \$100,000.

8.2 Estate Duty

Estate Duty associated with deaths occurring on/or after January 1, 1988, will be levied in accordance with the graduated rates amended as at Appendix I. These changes will provide interim relief from the tax burden pending reform of the legislation on Estate Duty or the impost as a whole. As was hinted earlier, lack of liquidity at the time of the property owner's death has forced many families to seek remission of taxes assessed, as well as the waiver of interest. This problem has been compounded by devaluation and rapid inflation.

8.3 Fines for Traffic Offences

In a bid to make the roadways safer and also to force offenders to bear a tolerable share of the real cost of administering the system, the relevant section of the Motor Vehicles and Road Traffic Act Chapter 51:02 will be

amended to raise the minimum fine for any person who contravenes or fails to comply with the relevant laws/regulations, to \$500 from the current level of \$50.

8.4 Consumption Tax

In response to several abuses and violations associated with the Consumption Tax (Exemption from Registration) Order (44/1972, 14 8/1973), it has been decided to repeal the Order. The Order was intended to encourage those small artisans engaged particularly in the manufacture of furniture. It has become increasingly evident, however, that the concession has not really had the desired effect. The additional revenues enjoyed by the artisans have neither been transferred to the consumer nor stimulated a significant upsurge of production by small manufacturers. Instead, prices have been determined by the excess demand in the market and many large manufacturers masquerading as "bottom-house" operators, have avoided the payment of taxes which is their legal obligation.

Cde. Speaker, I also take this opportunity to announce the zero rating of several items under the consumption tax schedule. The most important of these will be books and reading (educational) materials which currently attract a 30 percent consumption tax.

8.5 Limitation of Allowable Savings Schemes Contributions.

For some time now, we have been concerned about the abuse, of the savings schemes. As a preventative measure against such abuse the amount allowable as deductions in respect of savings scheme contributions is to be limited. The schemes in question are Deferred Income Account (DIA), Home Investment Account (HIA) and Personal Retirement Account (PRA). This cap is to be effective for year of income 1988, (Year of Assessment 1989).

9. CONCLUSION

We have already shown that flexible use of policy instruments is imperative in our current economic circumstances. The PNC Government has always been prepared to bring flexible responses to bear on the political and economic issues facing Guyana. We do not apologise for this. We have sought wherever necessary to ensure that such responses take full cognizance of the needs of the poor and vulnerable in the community. When you take into consideration the severity of the external environment within which we have been operating it is difficult to avoid the conclusion that the Government has navigated some treacherous and uncharted waters with consummate skill and dexterity. Hard decisions have been taken along the way. Many remain to be taken. This is a fact of life.

Cde. Speaker, some of my colleagues have come to expect some dramatic announcement or the other towards the end of Budget Speeches. I should like therefore to put their minds at rest. I have nothing more to say on devaluation today except to refer members of parliament to what the Cde President said on this matter on February 22, 1988.

In keeping with the agreement, the 1988 wages and salary adjustments will be as follows: basic wages are to be increased by 5 percent across-the-Board. If real GDP growth exceeds 2 percent there will be an additional element to this across-the-board adjustment. As is usual a merit award of 5.5 - 7.5 percent will be paid for assessed performance during the year.

In recent times, it has also become fashionable to speculate on the Government's relations with the multilateral institutions. As far as the IMF and World Bank are concerned, suffice it for me to say that as a

responsible government and as a member of these institutions, we are prepared to hold discussions with their staff on matters of common interest. Indeed, we are obliged to do so in some instances. Again the Cde. President has pronounced clearly and unequivocally on this issue.

We are confident of our ability to prosecute the country's interests. Over the years, we have led the way on many issues. Many of us have lived to see those who had striven to ridicule us over our pioneering and principled positions adopt those very positions themselves. Furthermore, like Columbus they often claim originality for their late discoveries.

This has been the case even in the international arena. We are confident of our capacity to represent, persuade, achieve our goals and protect our hard won gains, whatever the forum. If an opportunity lends itself for fruitful discussions with the Fund, or any multilateral institution for that matter, we shall grasp it. Our need for resources has never and will never make us blind to the national interest. I make this assertion confident that no other party in the House can lay claim to such an achievement or goal.

I know that some of our colleagues on the minority benches will echo the sentiments of the ill-informed sections of the Press on this matter. Either we have already signed some agreement or the other with the IMF, or we are seeking assistance about where and how to sign, or harsh terms and conditions have already been accepted. Even as I speak, I can hear fanciful assertions and assumptions emanating from across the floor. Cde. Speaker, their speculation brings to mind a comment about a man with propensities similar to those of our colleagues across the floor: "he is a real pessimist -

he would look at a doughnut and only see the hole in it". Notwithstanding their pessimism, we shall retool and regroup for growth within the framework of national self-discipline.

Cde. Speaker, I have pleasure in commending the 1988 Budget to the House.

TABLE 1
SELECTED SOCIO-ECONOMIC INDICATORS
OF GUYANA

AREA AND POPULATION

| | |
|--|---|
| Area | 83,000 sq. miles (215,000 sq. kilometres) |
| Population (1987) | 756,300 |
| Annual rate of population increase (1981-87) | -0.1 percent |

POPULATION CHARACTERISTICS

| | 1984 | 1985 | 1986 | 1987 |
|---|-------|-------|-------|-------|
| Urban population (percent of total) | 31.8 | 30.9 | 28.3 | 30.4 |
| Population density per square mile of agricultural land | 117.8 | 119.8 | 121.3 | 123.2 |
| Population age structure (percent) | | | | |
| 0 - 14 years | 38.2 | 37.1 | 36.9 | 37.5 |
| 15 - 64 years | 57.7 | 58.2 | 59.2 | 58.7 |
| 65 - and above | 4.1 | 4.7 | 3.9 | 3.8 |
| Crude birth rate (per thousand) | 29.3 | 25.5 | 24.0 | 24.0 |
| Crude death rate (per thousand) | 7.6 | 6.6 | 8.0 | 8.0 |
| Total fertility rate | 3.3 | 3.0 | 2.6 | 2.6 |
| Life expectancy at birth (years) | 65.1 | 70.0 | 63.0 | 63.0 |
| Infant mortality rate (per thousand) | 33.6 | 43.9 | 45.3 | 49.0 |

FOOD, HEALTH AND NUTRITION

| | | | | |
|---|-------|-------|------|------|
| Index of food production per capita (1974 = 76 = 100) | 89.0 | 90.3 | 97.0 | — |
| Per capita supply of: | | | | |
| Calories (percent of requirements) | 103.7 | 101.0 | 96.0 | 88.5 |
| Proteins (grams per day) | 55.1 | 65.0 | 59.2 | 61.9 |
| Population per physician (thousand) | 3.2 | 6.2 | 3.2 | 5.0 |
| Population per nurse (thousand) | 0.6 | 0.3 | 0.3 | 0.3 |
| Population per Hospital bed (thousand) | 0.2 | 0.2 | 0.2 | 0.2 |
| Access to safe water (percent of population) | | | | |
| Total | 72.0 | 83.4 | 82.5 | 81.5 |
| Urban | 100.0 | 100.0 | 99.0 | 98.0 |
| Rural | 60.0 | 76.0 | 76.0 | 74.9 |

EDUCATION

| | | | | |
|-------------------------------------|------|------|------|------|
| Students reaching grade 6 (percent) | 81.1 | 81.0 | 81.0 | 84.1 |
|-------------------------------------|------|------|------|------|

CONSUMPTION

| | | | | |
|---|-------|-------|-------|-------|
| Energy consumption per capita (kg. of oil equivalent) | 334.1 | 361.6 | 379.4 | 349.7 |
| Passenger cars (per thousand population) | 34.2 | 33.2 | 31.4 | 35.6 |
| Newspaper circulation (per thousand population) | 88.9 | 96.2 | 105.4 | 85.9 |

SOURCE: STATISTICAL BUREAU

TABLE 2
GUYANA CONSOLIDATED FINANCIAL OPERATIONS
OF THE PUBLIC SECTOR – 1986 – 1988

G\$Mn.

| Item and Number | Budget 1988 | Latest Estimate 1987 | Budget 1987 | Actual 1986 |
|---|----------------|----------------------------|----------------|----------------|
| 1.0 CURRENT REVENUES | 2390 | 1926 | 2403 | 1176 |
| 1.1 Taxes from Government Corporations | 164 | 51 | 92 | 63 |
| 1.2 Dividends from Government Corporations | 24 | 18 | 8 | 9 |
| 1.3 Current Transfers from Government to Corporations (–) | 0 | 0 | 0 | 0 |
| 1.4 Other Central Government Current Revenue | 1454 | 1305 | 1200 | 948 |
| 1.5 Current Surpluses of Government Enterprises | 520 | 79 | 949 | 32 |
| 1.6 Depreciation Allowances of Government Enterprises | 176 | 116 | 154 | 102 |
| 1.7 Loss/Gain on Devaluation | 0 | 337 | 0 | 9 |
| 1.8 Provisions and Accruals | 52 | 20 | – | 13 |
| 2.0 CURRENT EXPENDITURE | 1787 | 1804 | 1339 | 1132 |
| 2.1 Employment Cost and Other Charges | 1206 | 1109 | 975 | 747 |
| 2.2 Principal | 1057 | 322 | 1152 | 198 |
| 2.3 Interest | 581 | 695 | 364 | 385 |
| 2.4 Current Transfers from Government to Corporations (–) | 0 | 0 | 0 | 0 |
| 2.5 Debt Funding and Repayments (–) | - 1057 | - 322 | - 1152 | - 198 |
| 3.0 CURRENT FINANCIAL SURPLUS OF THE PUBLIC SECTOR | 603 | 122 | 1064 | 44 |
| 4.0 CAPITAL REVENUES (e.g. Grants and Sale of Assets) | 120 | 112 | 171 | 26 |
| 5.0 CAPITAL EXPENDITURES | 1420 | 952 | 1187 | 541 |
| 5.1 Central Government | 1074 | 660 | 952 | 1222 |
| 5.2 Corporations | 559 | 376 | 419 | 259 |
| 5.3 Capital Transfers from Government to Corporations (–) | - 213 | - 84 | - 184 | - 209 |
| 5.4 Equity Contribution (–) | 0 | 0 | 0 | - 731 |
| 6.0 OVERALL FINANCIAL SURPLUS/DEFICIT OF THE PUBLIC SECTOR | - 697 | - 718 | 48 | - 471 |

TABLE 2

**GUYANA CONSOLIDATED FINANCIAL OPERATIONS
OF THE PUBLIC SECTOR – 1986 – 1988 (Cont'd)**

G\$Mn.

| Item and Number | Budget 1988 | Latest Estimate 1987 | Budget 1987 | Actual 1986 |
|--|----------------|----------------------------|----------------|----------------|
| 7.0 FINANCING | 697 | 718 | 48 | 471 |
| 7.1 Net External Borrowing | 387 | 455 | 284 | 117 |
| 7.1.1 Central Government | 274 | 95 | 241 | 106 |
| 7.1.2 Corporations | 113 | 360 | 43 | 11 |
| 7.2 Net Banking System Borrowing | 302 | 1564 | 410 | 1103 |
| 7.2.1 Central Government | 319 | 1564 | 379 | 1289 |
| 7.2.2 Corporations | 17 | 0 | 31 | -186 |
| 7.3 Central Government Net Sales of Securities | 300 | 343 | 200 | 311 |
| 7.4 Corporations' Holdings of Securities (--) | n.a. | - 72 | - 126 | - 76 |
| 7.5 Borrowing from Non-Bank Financial System | - 67 | 5 | - 4 | 13 |
| 7.6 Other Miscellaneous Financing Transactions | - 225 | - 1577 | - 812 | - 997 |

SOURCE: Office of the Budget
Ministry of Finance

TABLE 3
1988 TECHNICAL ASSISTANCE PROGRAMME

| PROJECT TITLE | AGENCY | AMOUNT | NATURE OF ASSISTANCE |
|--|---------------|----------------|--|
| SECTOR: Agriculture, Forestry and Fishing | | G\$'000 | |
| Institutional Strengthening | UNDP | 4,000 | Institutional Strengthening of NARI through training, construction and rehabilitation of staff houses and lab facilities and acquisition of equipment. |
| Training and Consultancy | IDB | 5,385 | Provision of consultancy services and external training for MMA personnel. |
| Artisinal Fishery Infrastructure | CIDA | 4,386 | Construction of Coastal facilities for artisinal Fishermen. |
| Inshore Fish Port Complex | EEC | 5,166 | Construction of Inshore Fish Port Complex at Houston. |
| Guyana Fisheries Limited | Japan | 21,109 | Purchase of two fishing trawlers and acquisition of spare parts. |
| Guyana Sugar Corporation | IDB | 2,533 | Study on alternatives for sugar cane development and study for co-generation of electricity from bagasse. |
| Geodetic Surveys | UK | 800 | Aerial photography of the coastal belt and preparation of Topographic maps. |
| Pest Control | EEC | 1,485 | Eradication of fruit fly. |
| Veterinary Services | IICA | 1,224 | Training and equipping of Vets in the areas of Epidemiology, dairy herd, health, fertility and tuberculosis control. |
| Seed Production | FAO | 1,000 | Rehabilitation of storage Units and acquisition of Equipment. |

TABLE 3
1988 TECHNICAL ASSISTANCE PROGRAMME (Cont'd)

| PROJECT TITLE | AGENCY | AMOUNT | NATURE OF ASSISTANCE |
|---|---------|--------|---|
| SECTOR: Mining and Quarrying | | | |
| Rehabilitation of Quarries | EEC | 1,000 | Rehabilitation of the Tiperu Quarry. |
| Other Minerals | IDRC | 865 | Quantifying and qualifying special mineral deposits. |
| SECTOR: Construction | | | |
| Infrastructure Rehabilitation Programme | EEC | 5,426 | Acquisition of equipment spare parts and materials, consultants and the improvement of sea defence structure. |
| SECTOR: Environment and Pure Water | | | |
| Rural Water Supply | EEC | 5,000 | Improvement of Water supply at Mahadia, Line Path, Hague, etc. |
| IAST - Laboratory | GRC | 1,000 | Establishment of quality control laboratory for industrial waste incineration project. |
| Urban Water Supply | EEC | 500 | Provision of equipment for improving water supply. |
| SECTOR: Education | | | |
| Scholarships and Training | Various | 8,660 | Financing for Scholarships and Training Courses. |
| Resources Development Centre | UNESCO | 979 | Provision of equipment for the improvement of curriculum development. |
| Strengthening National Vocational Programme | UNDP | 2,300 | Improvement of Vocational training programme. |

TABLE 3
1988 TECHNICAL ASSISTANCE PROGRAMME (Cont'd)

| PROJECT TITLE | AGENCY | AMOUNT | NATURE OF ASSISTANCE |
|--|--------|--------|--|
| SECTOR: Health | | | |
| Leprosy Control | NSL | 160 | Provision for training and control measures. |
| Malaria Diagnostic Laboratory | | 220 | Purchase Laboratory Equipment. |
| Toxicology Unit | EEC | 361 | Purchase Laboratory Equipment. |
| SECTOR: Tourism Development | | | |
| Tourism Development | EEC | 400 | Provision of Consultancy Service. |
| SECTOR: Transport and Communication | | | |
| Transport and Harbours Department | EEC | 9,920 | Rehabilitation of stelling, purchase of Spares, reconditioning of ships and replacement of navigational aids. |
| Demerara Habrour Bridge | EEC | 7,000 | Replacement of floating units and other deteriorated components. |
| Ferry Services | EEC | 2,370 | Completion of Study of Guyana Ferry Services |
| SECTOR: Administration | | | |
| GUYMIDA | UNDP | 4,857 | Upgrading of skills, office facilities and acquisition of equipment and vehicles. |
| Institutional Strengthening GUYSTAC | UNDP | 7,560 | Construction of buildings and institutional strengthening. |
| IAST | UNDP | 7,720 | Ongoing applied reserach work in the use of indiger:eous raw materials and promotion of the use of biogas digesters. |

TABLE 3
1988 TECHNICAL ASSISTANCE PROGRAMME (Cont'd)

| PROJECT TITLE | AGENCY | AMOUNT | NATURE OF ASSISTANCE |
|---|--------|---------|--|
| | | G\$'000 | |
| SECTOR: Administration (Cont'd) | | | |
| National Planning Project State Planning Secretariat | IDB | 2,000 | Development of information system, upgrading of skills, extension of building and purchase of vehicles and office equipment. |

**SOURCE: Office of the Budget
Ministry of Finance**

Graduated Rates for Estate Duty with
Respect to Deaths Occurring on or after 1/1/1985

| <u>Net Value of Property</u> | | <u>Rate percent of duty</u> | |
|------------------------------|------------------------------|-----------------------------|-------|
| Exceeds \$ | 2,000 but does not exceed \$ | 10,000 | 1/2 |
| " | \$ 10,000 " " " " | \$ 20,000 | 1 |
| " | \$ 20,000 " " " " | \$ 40,000 | 2 |
| " | \$ 40,000 " " " " | \$ 100,000 | 3 |
| " | \$ 100,000 " " " " | \$ 200,000 | 5 |
| " | \$ 200,000 " " " " | \$ 300,000 | 7 1/2 |
| " | \$ 300,000 " " " " | \$ 400,000 | 10 |
| " | \$ 400,000 " " " " | \$ 500,000 | 12 |
| " | \$ 500,000 " " " " | \$ 600,000 | 14 |
| " | \$ 600,000 " " " " | \$ 700,000 | 16 |
| " | \$ 700,000 " " " " | \$ 800,000 | 18 |
| " | \$ 800,000 " " " " | \$ 1,000,000 | 20 |
| " | \$ 1,000,000 " " " " | \$ 1,200,000 | 22 |
| " | \$ 1,200,000 " " " " | \$ 1,400,000 | 24 |
| " | \$ 1,400,000 " " " " | \$ 1,600,000 | 26 |
| " | \$ 1,600,000 " " " " | \$ 1,800,000 | 28 |
| " | \$ 1,800,000 " " " " | \$ 2,000,000 | 30 |
| " | \$ 2,000,000 " " " " | \$ 2,400,000 | 32 |
| " | \$ 2,400,000 " " " " | \$ 4,000,000 | 35 |
| " | \$ 4,000,000 " " " " | \$ 6,000,000 | 40 |
| " | \$ 6,000,000 " " " " | \$ 8,000,000 | 45 |
| " | \$ 8,000,000 " " " " | \$16,000,000 | 50 |
| " | \$16,000,000 " " " " | \$20,000,000 | 55 |
| " | \$20,000,000 | | 60 |

NOTES