INTERNATIONAL MONETARY FUND

IMF Country Report No. 17/175

GUYANA

June 2017

2017 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUYANA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2017 Article IV consultation with Guyana, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 24, 2017 consideration of the staff report that concluded the Article IV consultation with Guyana.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 24, 2017, following discussions that ended on March 17, 2017, with the officials of Guyana on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 9, 2017.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Guyana.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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June 28, 2017

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IMF Executive Board Concludes Article IV Consultation with Guyana

On May 24, 2017, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Guyana.

Real economic activity expanded by 3.3 percent in 2016. Subdued agricultural commodity prices, adverse weather and delays in public investment weighed down on activity, while large increases in gold output helped support growth. Consumer prices increased by 1.5 percent in the twelve months ending in December 2016, as weather-related shocks to food prices reversed the deflationary trend. The overall non-financial public sector deficit widened to 2.9 percent of GDP in 2016 from 0.2 percent in 2015. Despite slower-than-expected economic growth, fiscal revenue increased owing to improvements in tax administration and higher mining royalties. Total expenditure increased by 2.8 percentage points of GDP, but the increase was lower than budgeted due to delays in capital expenditure. The current account moved from a 5.7 percent of GDP deficit in 2015 to a 0.4 percent surplus in 2016, driven by the large increase in gold exports and improved terms of trade. Gross international reserves stood at 3.6 months of import at end-2016.

Bank capital adequacy ratios appear comfortable (averaging 25.4 percent as of end-2016). But nonperforming loans remain high, at 12.9 percent of total loans at end-2016 from 11.5 percent at end-2015 and provisioning remains very low (45.8 percent at end-2016). Progress in strengthening the financial stability framework was assessed in detail during this Article IV consultation as part of the IMF's Financial Sector Assessment Program (FSAP), which analyzes financial sector soundness and associated policies. The FSAP's findings are summarized in the accompanying Financial System Stability Assessment (FSSA).

The macroeconomic outlook is positive for 2017 and the medium-term. Growth is projected at 3.5 percent in 2017, supported by an increase in public investment, continued expansion in the extractive sector, and a recovery in rice production. Twelve-month inflation is expected to remain low at around 2.6 percent by year-end. The fiscal deficit is projected to widen to 7.2 percent of GDP in 2017, due in part to delayed capital spending from 2016. The shares of current and capital spending in GDP are projected to increase by 0.6 and 1.8 percent, respectively. Tax

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

revenue is projected to remain stable at about 21.5 percent of GDP. The current account deficit is projected at -3 percent of GDP, financed by investment inflows and donor-supported investment. Net international reserve cover is projected to remain stable at 3.6 months of imports at end-2017.

Executive Board Assessment[2]

Executive Directors broadly agreed with the thrust of the staff appraisal. They welcomed Guyana's continued economic growth, the improvement in its external position, and its positive medium-term outlook, which is supported by the expected start of oil production in 2020. Noting that the economy is vulnerable to external shocks and domestic challenges remain, Directors underscored the importance of preserving macroeconomic and financial stability while making growth more broad-based and inclusive.

Directors welcomed the authorities' plans to establish a comprehensive framework for managing oil wealth, and stressed the importance of having a transparent and rules-based framework in place before oil production starts. Most Directors supported staff's recommendation for a moderate fiscal consolidation to slow debt accumulation and safeguard against adverse shocks before the onset of oil production. A few Directors considered a more gradual consolidation appropriate in light of the country's development needs. More generally, Directors recommended moderating the growth of current expenditures and moving ahead with the reform of public enterprises, notably the sugar and electricity companies, while providing a safety net for those affected by these reforms.

Directors concurred that issuance of longer-term domestic debt instruments could provide a stable source of financing, be used to settle the government's negative balance at the central bank, and help develop domestic capital markets. They cautioned, however, that a significant increase in domestic debt could drive up borrowing costs. In this regard, Directors commended the authorities for continuing to refrain from non-concessional external borrowing. Regarding Guyana's ongoing negotiations with bilateral non-Paris Club creditors, a few Directors reiterated the importance of preserving comparability of treatment across official bilateral creditors.

Directors welcomed the recent increase in exchange rate flexibility, and encouraged the authorities to allow the exchange rate to play a stronger automatic stabilizer role going forward. They noted that a clear communication strategy will be important in this regard, and encouraged the authorities to auction foreign exchange when conducting official transactions to help improve price discovery and transparency in the foreign exchange market. Directors agreed that the currently accommodative monetary policy stance is appropriate, but stressed the importance of remaining vigilant for possible inflationary pressures and being ready to tighten monetary policy as appropriate.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Directors noted that the banking sector appears resilient to severe shocks, and welcomed the authorities' plans to continue bringing the supervisory and regulatory frameworks in line with the 2016 FSAP recommendations. They encouraged further steps to reduce the stock of nonperforming loans, and higher provisioning to account for slow collateral recovery, unrecorded related-party exposures, and loan misclassifications. Directors also called for amending the Financial Institutions Act to operationalize the crisis management framework and establish an emergency liquidity assistance framework.

Directors commended the authorities for exiting the Financial Action Task Force follow-up process, and encouraged further strengthening the anti-money laundering and combating the financing of terrorism framework, drawing on the recent National Risk Assessment. They also noted the progress on replacing correspondent banking relationships, and suggested continued vigilance of this issue.

Directors underscored that further improvements to the business climate, diversification efforts, and structural reforms of key economic sectors are needed to support more broad-based and inclusive growth.

It is expected that the next Article IV consultation with Guyana will take place on the standard 12-month cycle.

Table 1. Guyana: Selected Social and Economic Indicators

I. Social Indicators

Population, 2015 (thousands)	767	Population not using an improved water source (%), 2010	6.0
Life expectancy at birth (years), 2014	66	Gini index, 1992-2007	44.6
Under-five mortality rate (per 1,000 live births), 2010	30	HDI rank, 2014	124
Population living below the poverty line (%), 2000-06	35		

II. Economic Indicators

				Est.	Projections	
	2013	2014	2015	2016	2017	2018
Production and prices						
Real GDP	5.2	3.8	3.1	3.3	3.5	3.6
Real GDP per capita	4.8	3.4	2.7	3.2	3.2	3.3
Consumer prices (average)	1.9	0.7	-0.9	0.8	2.3	2.7
Consumer prices (end of period)	0.9	1.2	-1.8	1.5	2.6	2.7
Terms of trade	-4.5	-3.0	22.6	7.5	-7.8	-0.2
(In percent of GDP)						
National accounts						
Investment	16.9	16.6	13.9	14.9	16.9	17.1
Private sector	8.3	8.3	8.3	8.0	8.2	8.3
Public sector	8.6	8.2	5.6	6.9	8.7	8.8
National saving 1/	3.6	6.9	8.2	15.3	14.9	12.9
Private sector	-1.2	4.9	3.7	11.9	14.2	12.3
Public sector	4.8	2.1	4.5	3.4	0.7	0.7
External savings	13.3	9.6	5.7	-0.4	2.0	4.1
Nonfinancial public sector						
Revenue and grants	24.6	23.6	27.8	28.0	26.1	26.8
Expenditure	28.3	29.3	28.1	30.9	33.3	33.1
Current	19.6	21.1	22.5	24.0	24.6	24.3
Capital	8.6	8.2	5.6	6.9	8.7	8.8
Overall balance (after grants) 2/	-3.6	-5.7	-0.2	-2.9	-7.2	-6.3
Total public sector gross debt (end of period) 3/	57.9	51.9	48.3	49.6	55.1	58.5
External	41.8	39.5	35.9	33.8	34.2	34.6
Domestic	16.1	12.3	12.4	15.8	20.9	23.9
(Annual percentage change, end of period)						
Money and credit						
Broad money	3.8	5.2	1.5	5.0	14.9	10.2
Domestic credit of the banking system	25.8	20.5	17.6	6.4	11.5	8.2
Public sector (net) 4/	14.9	34.5	75.0	137.8	800.5	62.8
Private sector	14.5	9.1	6.2	2.1	3.0	3.0
(In millions of U.S. dollars, unless otherwise indicated; end of period)						
External sector						
Current account balance 2/	-398.5	-296.2	-181.4	13.7	-71.4	-153.8
(Percent of GDP)	-13.3	-9.6	-5.7	0.4	-2.0	-4.1
Gross official reserves	776.9	665.6	598.5	615.3	664.6	755.1
Months of imports of goods and services	4.0	3.5	3.5	3.6	3.6	3.8
Memorandum items:						
Nominal GDP (G$ billion)	614.1	635.3	657.4	709.7	755.1	800.4
Per capita GDP, US$	3,929	4,029	4,151	4,475	4,662	4,817
Guyana dollar/U.S. dollar (period average)	205.4	206.4	206.5	206.5	…	…

Sources: Guyanese authorities; UNDP Human Development Report; and Fund staff estimates and projections.

1/ Includes public enterprises.

2/ Including official transfers.

3/ The 2015-16 public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.

4/ The increase in public sector (net) is from a small base, which makes the series volatile.

INTERNATIONAL MONETARY FUND

GUYANA

STAFF REPORT FOR THE 2017 ARTICLE IV CONSULTATION

May 9, 2017

KEY ISSUES

Background: Economic activity continued to expand but growth was uneven. In 2016, subdued agricultural commodity prices, adverse weather conditions and delays in public investment led to a contraction in non-mining sectors. Nevertheless, GDP increased by 3.3 percent buoyed by very large increases in gold output. Increased exports of gold and improved terms of trade helped the current account achieve a surplus of 0.4 percent of GDP from a 5.7 percent deficit in 2015. Guyana is expected to become an oil producer by mid-2020.

Focus of the discussions. Discussions focused on policies to preserve macroeconomic and financial stability and promote broad-based and inclusive growth.

Key policy recommendations:

- ***Preserving macroeconomic stability.*** The projected large fiscal deficits will lead to an increase in the debt to GDP ratio of over 10 percentage points before the start of oil production in 2020 reverses that trend. Staff argued for moderate fiscal consolidation of a cumulative 2½ percent of GDP spread over 2017–19 to slow debt accumulation and safeguard against adverse shocks in the near term, supported by moderating the growth of current expenditures and public enterprise reform. A fiscal framework for managing oil revenue should be in place before 2020 to guide fiscal policy after oil production starts. Exchange rate flexibility should play a more active role in mitigating external shocks. Monetary policy should gradually move from an accommodative to a neutral stance in 2017.
- ***Strengthening financial stability.*** The supervisory and regulatory frameworks should be brought further in line with the 2016 FSAP recommendations, including enforcing timely and effective remedial actions from banks. The high NPLs and under-provisioning in the banking sector need to be addressed. Operationalizing the crisis management framework will require proper sequencing and amendments of the Financial Institutions Act.
- ***Supporting broad-based and inclusive growth.*** Further improvement of the business climate and structural reforms of key sectors are needed to remove long-standing impediments to growth.

Approved By
Jorge Roldos (WHD) and Andrea Richter-Hume (SPR)

The team, comprising Marcos Chamon (head), Abdullah AlHassan, Jacques Bouhga-Hagbe, and Kalin Tintchev (all WHD), visited Guyana during March 3–17. Daryl Cheong (OEDBR) participated in the meetings. The team met with Finance Minister Winston Jordan, Central Bank Governor Gobind Ganga, other senior government officials, representatives of the labor community, of the private sector, and members of the political opposition. Research support was provided by Chuan Li and Franz Loyola; editorial support was provided by Heidi Canelas (all WHD).

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BACKGROUND

1. **Guyana's economic growth has consistently exceeded the regional average over the past decade.** Nevertheless, per capita income remains among the lowest in the English-speaking Caribbean. The economy depends on the export of six commodities—gold, rice, sugar, bauxite, shrimp and timber—which represent 90 percent of total exports. Guyana's total indebtedness reached 186 percent of GDP at end-2003. The country benefited from debt relief under the HIPC, enhanced HIPC and MDRI initiatives, which helped bring the debt-to-GDP ratio to 65 percent by 2009. The authorities' commitment to prudent macroeconomic policies and over a decade of uninterrupted growth reduced debt to 49.6 percent of GDP as of 2016.

2. **In 2015, Guyana had the first change of government in 23 years and the second since independence in 1966.** The opposition coalition of A Partnership for National Unity-Alliance for Change (APNU-AFC) won the elections and formed a majority government. Their platform stresses ethnic unity, good governance, and social justice.

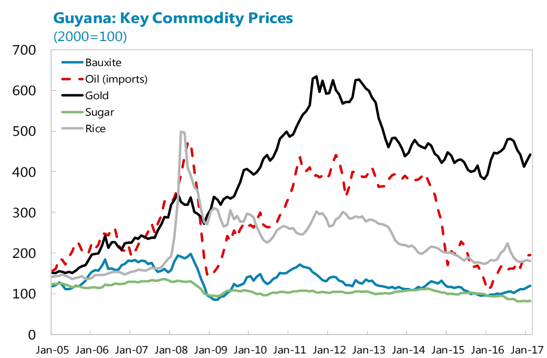
3. **Guyana is expected to become an oil-producer by 2020.** In 2015, Exxon Mobil made a significant oil discovery offshore, which is conservatively estimated to hold between 800 and 1,400 million barrels. Commercial production is planned to commence by mid-2020, with an output of 100,000 barrels/day. At present, oil exploration and drilling is not included in the national accounts and balance of payment statistics. Thus, official statistics underestimate GDP, the imports of goods and services, and FDI.[1] The oil sector is fairly isolated from the rest of the economy, with no significant spillovers at this time. Oil will have a large impact on GDP, but a much smaller impact on GNP. Staff's estimates and projections are based on data as currently compiled, but with a conservative *ad hoc* inclusion of oil production from 2020 onwards. The main direct effect on the domestic economy will be through fiscal revenue. The revenue-sharing agreement sets the government's share at 50 percent of "profit oil." With 75 percent of total oil revenues initially allocated for "cost recovery," the government's share is only 12.5 percent, but will increase significantly after Exxon Mobil and partners recover their initial upfront investment.

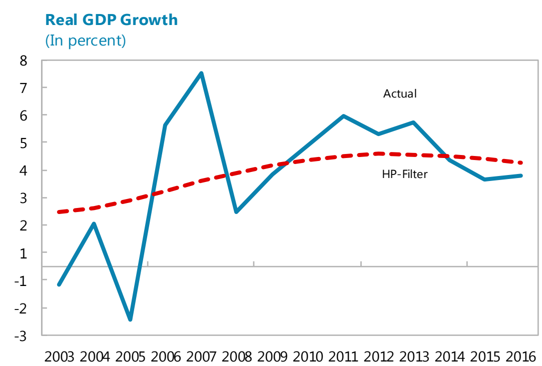
4. **The authorities' policies have been broadly in line with Fund advice.** Some of the key past Fund recommendations include fiscal consolidation to preserve buffers, refraining from nonconcessional financing, improving the efficiency of public enterprises, allowing exchange rate flexibility to play a larger role in facilitating the adjustment to external shocks, and addressing deficiencies in the AML/CFT framework. The authorities' response to these recommendations has been broadly consistent (Annex I).

[1] While the offshore activity by foreign companies is not captured in the national accounts, some of the investment in supportive infrastructure is.

RECENT DEVELOPMENTS

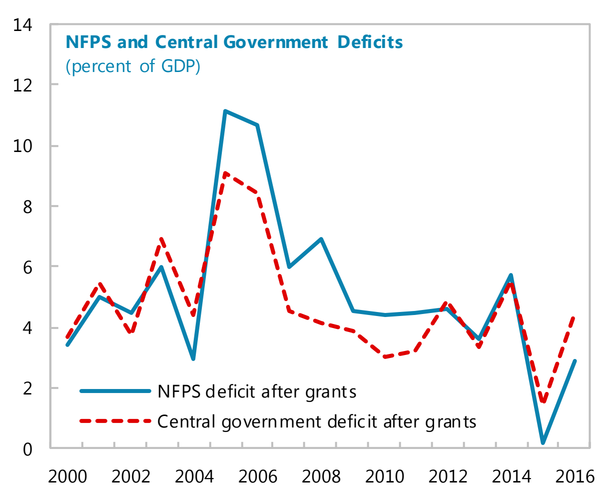
5. **Guyana's economy continued to expand, although growth was uneven.** In 2016, subdued agricultural commodity prices and adverse weather conditions led to a contraction in agriculture with negative spillovers to manufacturing while delays in public investment remained a drag on construction (Figure 2). Nevertheless, GDP was buoyed by large increases in gold output, including from new mines. The economy grew by 3.3 percent, up from 3.1 percent in 2015, despite a 1.9 percent contraction in non-mining GDP. Weather-related shocks to food prices reversed the deflationary trend. Inflation was 1.5 percent (y/y) as of end-2016.





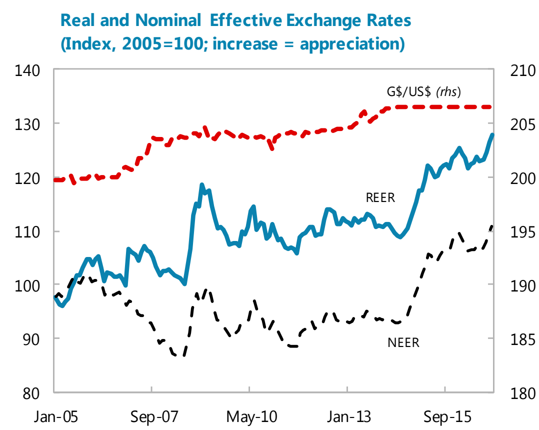
6. **Increased exports of gold and improved terms of trade helped Guyana achieve current account and balance of payments surpluses.** The current account balance improved to 0.4 percent of GDP in 2016 from a 5.7 percent deficit in 2015. The increase in official reserves was contained by lower private flows and official disbursements from donors due to delays in public investment, and foreign mines' repatriation of gold sale proceeds. Reserve cover remained at about 3.5 months of imports.

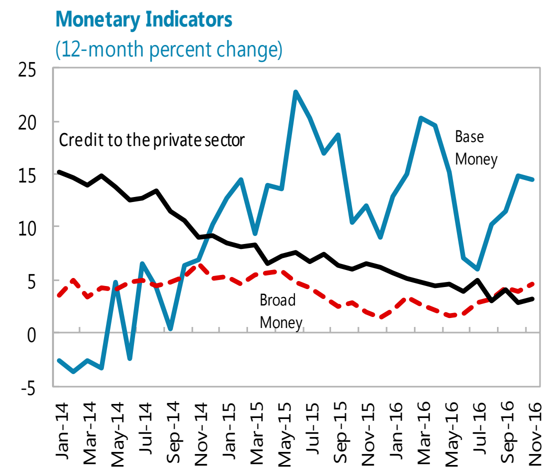
7. **The nonfinancial public sector (NFPS) deficit widened to 2.9 percent of GDP in 2016, but was lower than the budgeted 5.5 percent.** The deficit increased from 0.2 percent in 2015. Despite slower than expected economic growth, fiscal revenue increased due to improvements in tax administration and higher mining royalties. Total expenditure increased less than projected due to 23 percent lower than budgeted public investment. Current expenditure increased by 2 percentage points of GDP relative to 2015, driven by transfers to constitutional agencies, subsidies to the state-owned Guyana Sugar Corporation



(GuySuCo) and a few one-off expenditures. The central government's deficit was 4.5 percent of GDP.

8. **Growth in monetary aggregates and credit has been subdued due to the economic slowdown and lower lending from banks seeking to strengthen their balance sheets.** Private credit growth further declined to 2.1 percent in 2016 from 6.2 percent in 2015 mainly owing to a significant fall in credit to businesses (-2.9 percent) and reduced lending to households and the real estate sector. The 91-day Treasury rate declined to 1.68 percent at end-2016 from 1.9 percent at end-2015, implying an ex ante real rate close to zero.





9. **The risks to the banking system have increased with weak activity in key sectors of the economy.** The nonperforming loan (NPL) ratio rose to 12.9 percent of total loans at end-December 2016 up from 11.5 percent at end-2015 and provisioning remains very low. Banks continue to respond by tightening credit. One domestic bank accounts for about a half of NPLs, though it has extended only a fifth of loans. The banking system reports high profitability and capital buffers, which for some banks are overstated due to under-provisioning, loan misclassifications and unrecorded related-party exposures.

10. **The financial system continues to experience a reduction in Correspondent Banking Relationships (CBRs).** CBRs have dropped from 42 in 2011 to 34 in June 2016, with a retreat mainly by US banks. While replacement CBRs have been obtained, the value and the number of CBR transactions dropped by 15 and 32 percent, respectively over the same period. Moreover, foreign banks are charging higher fees and have increased processing times for existing CBRs. However, the largest banks continue to have CBRs, and the impact on the economy has been limited.

11. **Guyana had successfully exited the FATF/CFATF follow-up process in October 2016, and was removed from the list of countries with strategic deficiencies.** Nevertheless, it needs to continue strengthening its AML/CFT framework in line with international standards.

OUTLOOK AND RISKS

12. **The development of oil resources and public investment will support medium-term growth.** Economic growth is projected to hover around 3½-3¾ percent during 2017–19, driven by an increase in public investment, continued expansion in the extractive sector, and a recovery in rice production.[2] This assumes that oil production starts in mid-2020 at 100,000 barrels per day for up to 8 years, before gradually declining.[3] The prospects of others fields (Liza-2, Payara and Snoek) are still in the exploration stage and could substantially increase oil production and proven reserves. The long-term outlook hinges on the government's ability to improve the business climate and use the oil windfall to increase potential growth through productivity-enhancing reforms and economic diversification. Inflation is expected to be around 2½-3 percent over the medium term.

13. **The external outlook remains broadly favorable, and will improve with the start of oil production.** A current account deficit of 3 percent of GDP is projected for 2017 with low oil prices and increased gold exports continuing to offset weak sugar exports. That deficit widens to 5 percent of GDP by 2019, as import growth outpaces export growth. The deficit will be financed largely by investment inflows and donor-supported investment. The start of oil production in 2020 will swing the current account into a persistent surplus, boosted by a significant increase in exports. It will also increase official reserves significantly (import cover will decline due to the increase in imports, including oil-related ones, but will remain above 3 months throughout the medium-term).

14. **Continued expansionary fiscal policies will increase the public debt.** The NFPS deficit is projected to increase to 7.2 percent of GDP in 2017 (due in part to delayed capital spending from 2016) and to gradually narrow to 4.3 percent by 2022. The baseline outlook includes continued spending in the State-Owned Enterprise (SOE) sector, including 1½-2 percent of GDP per year on subsidies to GuySuCo. Financing needs will remain relatively high, which may raise borrowing costs. The public debt-to-GDP ratio is projected to increase from 49.6 percent in 2016 to about 61 percent in 2019 and gradually decline with oil-related revenues.[4] As Guyana grows richer, it could lose access to grants and concessional financing, which are projected to taper off with the start of oil production.

15. **FSAP stress tests show that some domestic banks are vulnerable to severe downside risks.** High profitability and capitalization levels support the banking system's ability to withstand adverse shocks. However, their role as a cushion is undermined by inadequate provisioning, high related-party lending and loan classification issues. Under an extreme stress scenario, some institutions would require recapitalizations of up to

[2] The recovery in the construction and rice sectors could reduce NPLs, supporting a recovery in credit.

[3] Assuming a 60 percent value-added of gross oil production, GDP growth will be 38.5 percent in 2020 and 28.5 percent in 2021.

[4] Despite sizable deficits, debt accumulation is slowed by concessional interest rates, and strong growth.

4 ½ percent of 2016 GDP. Banks' large holdings of CARICOM securities (about 30 percent of the banking system capital) could also account for significant valuation losses in the event of fiscal stress in the region.

16. **Overall, risks are tilted to the downside in the short-term but to the upside over the medium-to long-term (Table 8).** Losses of CBRs continue to be a concern, which could impact the economy through trade finance and remittances, and increase the financial stability risks in the affected banks. Weak global growth can weigh on commodity prices.[5] A strong US dollar can erode external competitiveness in the absence of greater exchange rate flexibility. Lower energy prices would provide further relief to Guyana's oil import bill, but could delay the development of its oil fields. Domestic risks include contingent liabilities from Public Private Partnerships (PPPs), the ailing sugar industry, undercapitalized banks and the National Insurance Scheme. Over the medium- and long-term, risks are tilted to the upside given the potential for further oil discoveries.

POLICY DISCUSSIONS

A. Fiscal Policy

17. **Staff recommended a moderate fiscal adjustment to safeguard against unanticipated shocks before the start of oil production**. Debt distress risk remains moderate and debt service manageable due to its concessional nature. But in the meantime, higher debt increases the vulnerability to adverse external and domestic shocks. Narrowing the deficit by 0.5 percent of GDP in 2017 and 1 percent in 2018–19 would prevent the debt from rising above 60 percent of GDP (Text Table). Due to the relatively high tax effort and the recent VAT reform, adjustment should take place by reducing expenditures. Given the large public investment program and recent experience with delays, it is possible that the deficits would end up smaller than expected, as was the case in 2016. However, staff's advice is to preserve capital expenditure, and adjust by curtailing the growth of current expenditures. Staff recognizes the importance of preserving social expenditures given pressing socio-

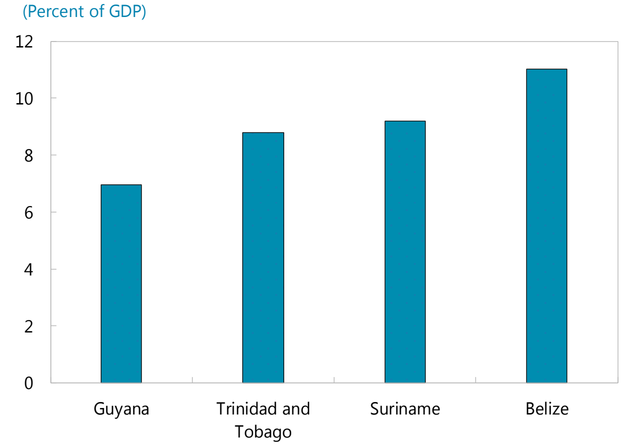
Guyana: Baseline and Active Scenarios
(In percent of GDP)

		Est.	Projections					
	2015	2016	2017	2018	2019	2020	2021	2022
Baseline								
Non-oil real GDP growth	3.1	3.3	3.5	3.6	3.7	3.7	3.9	3.9
Overall balance after grants	-0.2	-2.9	-7.2	-6.3	-6.0	-4.8	-4.5	-4.3
Public sector debt 1/	48.3	49.6	55.1	58.5	61.2	54.3	49.7	51.6
Current expenditure	22.5	24.0	24.6	24.3	24.5	21.2	19.2	19.3
Active Scenario								
Non-oil real GDP growth 2/	3.1	3.3	3.3	3.2	3.3	3.7	3.9	3.9
Overall balance after grants	-0.2	-2.9	-6.7	-5.3	-5.0	-4.8	-4.5	-4.3
Public sector debt 1/	48.3	49.6	54.6	57.2	59.1	52.6	48.2	50.1
Current expenditure	22.5	24.0	24.1	23.3	23.5	21.2	19.2	19.3

1/ The 2015-16 public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.

2/ The fiscal multiplier used in the calculation is 0.4 percent.

Central Government Wages and Salaries
(Percent of GDP)



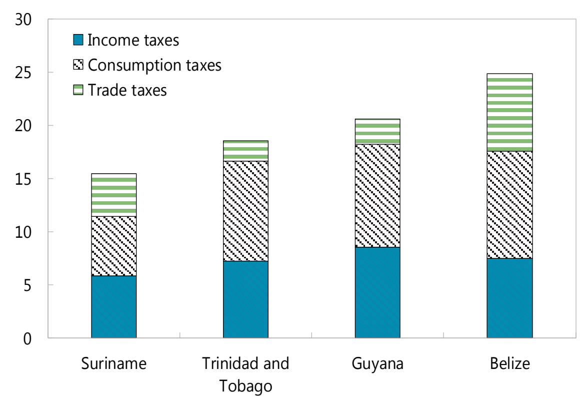
[5] There is little trade with Brazil and Venezuela, which limits their spillovers.

economic needs. Staff also notes that the wage bill already appears moderate by regional comparisons. Despite these challenges, just stabilizing the share of current expenditures in GDP would achieve the consolidation proposed for 2017. The growth in current expenditures should continue to be moderated in 2018–19, when gains from SOE reforms could start to materialize and help achieve the proposed fiscal consolidation. From 2020 onwards, fiscal policy should be guided by a rules-based framework that should be put in place before the onset of oil production.

18. **Enhancing the efficiency of public investment management could help foster economic growth.** Public investment has been relatively low for the past two years, due to the 2015 elections, and delays in the procurement and execution of projects in 2016. This has been a drag on construction, with spillovers to other sectors. It is therefore important to avoid similar delays in 2017. Bringing project selection, public procurement and investment management in line with international best practices would enhance the efficiency, timeliness and quality of public investment, including through PPPs. In the near term, it could also help unlock additional external concessional financing, reducing domestic financing needs and bringing foreign exchange into the economy. Staff noted that the IMF's Public Investment Management Assessment (PIMA) could help streamline the appraisal, selection and execution of projects. Authorities expressed their interest in that assessment.

19. **Staff welcomed the recent VAT reform and the authorities' focus on strengthening tax administration.** The VAT reform (based on CARTAC's recommendations) broadened the tax base to include electricity and water consumption, reclassified zero-rated items as tax exempt, and reduced the rate from 16 to 14 percent. Other measures include lowering the personal income tax rate by about 2 percentage points (varying by income brackets), and the corporate tax rate (non-commercial firms) from 30 to 27.5 percent. On balance, tax revenue as a share of GDP is projected to increase by 0.1 percentage points. The reform is expected to increase the contribution of consumption taxes and will bring the tax mix even more closely in line with regional comparators. Staff noted that improvements in the payment system that facilitate the use of electronic payments could enhance the recording of transactions and tax enforcement. Tax administration can be further strengthened following the recent IMF Tax Administration Diagnostic Assessment Tool (TADAT) mission.

Main Tax Revenue Sources
(Percent of GDP)



20. **Medium-term fiscal consolidation should be underpinned by the reform of public enterprises.** GuySuCo's current business model is unsustainable given low competitiveness, depressed sugar prices and the expected dismantling of the EU sugar quota system in 2017 (Box 1). Staff supports the authorities' efforts to overhaul the sugar industry.

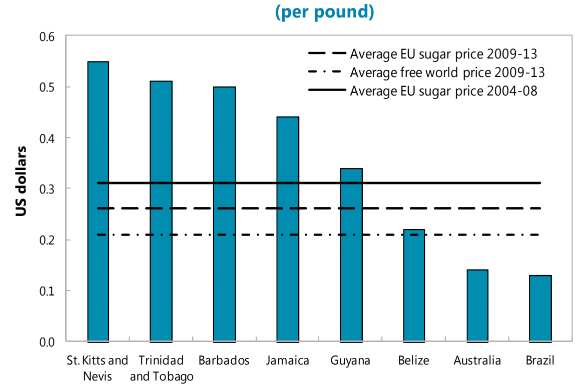
Given its large social impact, it is important to provide a safety net to protect those affected by that process. That, plus the time it will take for efficiency gains to materialize, will substantially limit the fiscal gains in the short-term. These efforts may well entail upfront costs that are larger than the costs of continuing to muddle through. But the positive long-term fiscal impact of a successful restructuring of the sugar sector would outweigh the short-term costs. Staff acknowledged improvements in Guyana Power and Light's (GPL) performance but noted that further progress in reducing technical and commercial losses would strengthen its resilience to adverse oil price shocks.

Box 1. The Reform of the EU Sugar Regime

For several decades, Guyana and other Caribbean sugar exporters have enjoyed tariff-free access to the EU market. However, since 2005, the EU has embarked on a liberalizing reform of its sugar regime and intends to dismantle EU production quotas on September 30, 2017.

The reform is expected to further compress the already small EU sugar market premium due to increased competition from EU beet sugar producers. Some Caribbean countries have already closed their structurally uncompetitive sugar industries upon the announcement of the EU reform. Trinidad and Tobago and St. Kitts and Nevis phased out sugar production in mid/late-2000s given their significant cost disadvantage relative to large-scale producers like Brazil and Australia. Guyana mainly exports sugar to the United Kingdom (UK), which will still be affected by the new EU sugar regime until the UK's formal separation (and it is unclear what sugar regime the UK will have afterwards).

Sugar Production Costs in the Caribbean
(per pound)



Sources: Bulte and Ruben (2007); various articles on sugar in the Caribbean; WEO, and Fund staff estimates.

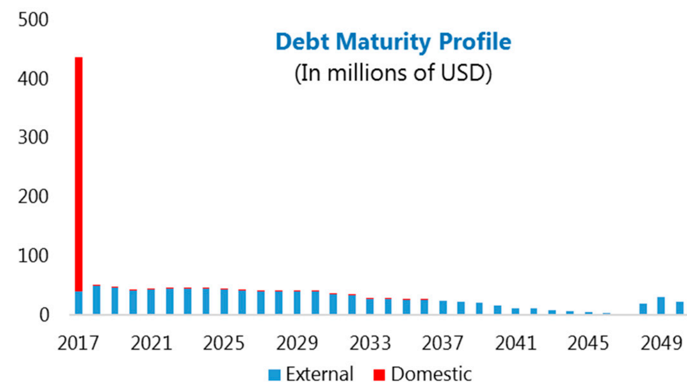
Refined sugar could be sold at a premium in the CARICOM market if there was a refinery in the region, which would boost demand for Guyanese raw sugar.

21. **Managing future oil revenue should be anchored by a transparent rules-based fiscal framework.** An appropriate rules-based approach would delink the budget and the economy from the volatility of oil revenue (Annex II describes international best practices). It would also limit the room for procyclical spending and economic overheating.[6] Sound fiscal practices suggest saving a share of the oil revenue for future generations. Oil-financed spending should be transparent and channeled through the budget toward projects that enhance the economy's physical and human capital. Staff commended the authorities for drafting a Natural Resource Fund legislation and requesting Fund technical advice on this topic. Staff stressed the importance of transparency and good governance in the

[6] See IMF Board Paper "Macroeconomic Policy Frameworks for Resource-Rich Developing Countries," August 2012.

management of the oil industry and welcomed the authorities' plans to join the Extractive Industries Transparency Initiative and adhere to the Santiago Principles for Sovereign Wealth Funds (SWFs).

22. **Developing longer-term domestic debt instruments would provide a more stable source of government financing.** This is particularly important given the significant increase in domestic borrowing required to finance the expected deficits. At present, the domestic debt consists of short-term T-bills with maturities of up to 1 year (Text Figure). In 2016, the government maintained outstanding balances at its central bank account (about 3 percent of GDP at end-2016). Staff stressed the importance of settling such balances through issuance of debt, and staff has already included these balances in the public debt figures in this report. Issuing a longer-term bond would lengthen the maturity of domestic debt and meet demand for longer-term instruments from banks, insurance and pension funds, thereby contributing to the development of capital markets. It can also provide an attractive opportunity for investors seeking to diversify from other CARICOM holdings. Authorities have already requested Fund TA. Staff commended the authorities for continuing to refrain from non-concessional external borrowing.



Authorities' views

23. **The authorities noted the impact of one-off factors on 2016 fiscal performance**. The consolidation of expenses of constitutional agencies in a single chart of account, local government elections, catching-up with overdue maintenance, 50th Independence Celebrations and increased costs from expanding services in the hinterland contributed to higher current expenditures. They also noted that in addition to recent revenue measures, a range of initiatives are being pursued to strengthen tax administration and arrears collection.

24. **The authorities agreed with the need to reduce deficits over the medium-term, but argued for a more gradual approach that further takes into account development and social objectives.** The authorities expect the NFPS deficit to remain above 6 percent of GDP during 2017-19 given pressing social and infrastructure needs. It will take some time for the efficiency gains from the sugar industry's restructuring to materialize, so the industry will continue to rely on fiscal support in the short-term. Transfers to constitutional agencies will increase during the preparation for the 2019 local and the 2020 general elections. Nevertheless, the authorities aim to gradually reduce the deficit to about 4.5 percent of GDP by 2022. The adjustment will be achieved as various revenue and expenditure measures take effect, SOE reforms proceed, and oil production starts. The authorities hope to realize

revenue gains from the VAT reform and from measures taken to strengthen tax administration and arrears collection.

25. **The authorities remain committed to avoid non-concessional external borrowing and develop domestic capital markets.** They confirmed that large infrastructure projects will continue to rely on grants and concessional loans from donors, including new funding available from the U.K. Caribbean Infrastructure Partnership Fund. Nevertheless, they noted a decline in concessional financing, and worry that grants may decrease with Guyana's upgrade to upper middle income status by the World Bank in 2016. In that context, the authorities continue to stress the importance of donors adopting a multidimensional approach to measuring income and development needs. To assist in capital market development the authorities plan to rely more on medium-to long-term bond issuances. They noted that the planned issuance of a long-term domestic bond aims primarily to substitute for the use of short-term T-bills in domestic financing. They agreed with staff on the need to review and address government balances at the central bank as part of an overall review of options for domestic financing.

26. **The authorities reiterated their plans to anchor future oil wealth management in a comprehensive legal framework.** They sought the Fund's advice on the recently drafted Natural Resource Fund legislation. The authorities informed that they are also working on other key elements of the fiscal regime, including drafting the Petroleum Law and establishing a Petroleum Commission. They intend to use future oil revenue to help meet key development objectives based on a transparent and rules-based framework.

B. External Stability

27. **Staff assessed Guyana's external position as stronger than levels consistent with fundamentals.** External Balance Assessment (EBA) based estimates suggest the current account balance in 2016 to be about 2.5 percent of GDP higher than the current account norm, implying a moderate real exchange rate undervaluation (Annex III). The Real Effective Exchange Rate (REER) model also points to a moderate undervaluation. Between June 2015 and December 2016, the REER and the nominal effective exchange rate (NEER) have appreciated by 5 and 6 percent, respectively, mostly driven by the appreciation of the US dollar vis-à-vis other major currencies. The current account gap is expected to narrow over the short-term, given the projections of a negative terms-of-trade shock in 2017, an acceleration of the public investment program, and a recovery of domestic demand. This expected narrowing of the current account gap would imply an exchange rate that is broadly in line with fundamentals. International reserves remain above the traditional metrics and also meet the Fund's composite adequacy metric (Annex IV).

28. **Staff noted the recent increase in exchange rate flexibility, which should facilitate adjustment to external developments, and safeguard reserves.** The exchange rate regime is a *de jure* float. But the nominal exchange rate vis-à-vis the U.S. dollar remained virtually constant for over two years before a small but noteworthy increase in flexibility

starting in late 2016. The exchange rate at commercial banks has depreciated by about 3 percent since during December 2016–March 2017. Staff commended the Bank of Guyana (BoG) for allowing market forces to move the exchange rate.

29. **The inter-bank foreign exchange market appears illiquid, and could be further developed,** including by enhancing the transparency of market activity. The mission recommended that official foreign exchange purchases and sales use a market mechanism similar to the one used for auctioning T-bills, to improve price discovery and transparency in the FX market. The authorities have capped the bid-ask spread banks can charge in an effort to curb what they perceive as excessive profits and speculation.

Authorities' Views

30. **The authorities noted that the exchange rate remains market determined, and have refrained from intervening.** However, liquidity and full price discovery may be limited by the relatively small number of banks and major suppliers of FX. They attribute the recent depreciation to hoarding and speculation, and to a few banks trying to compensate for declining interest income with FX transactions. That was the motivation for limiting the bid-ask spread that banks can charge (capping it at a spread that was much higher than the one charged by the market until recently). FX shortages in other countries in the region have also been driving their firms and banks to use Guyana's market as a way to access hard currency, which also contributes to pressures on the exchange rate. In response, the BoG has stopped buying certain regional currencies. They expect the recent volatility to decline. The authorities expect the current account to move to a deficit in 2017, and view the exchange rate as broadly in line with fundamentals.

C. Monetary Policy

31. **The accommodative monetary policy is appropriate but should gradually move towards a neutral stance in 2017.** Inflationary pressures are contained. But the policy stance should gradually move to neutral, as the economic recovery becomes broad based and inflation rises to 2.6 percent by year-end. The transmission of monetary policy to private sector credit is constrained by credit losses at some banks. Pass-through from the exchange rate to inflation should be closely monitored. Pass-through from the VAT reform should also be monitored in case downward price rigidities lead to an asymmetric impact on inflation (if for example, firms do not pass the lower VAT rate to consumers, while some prices increase with the broadening of the tax base).

Authorities' views

32. **The authorities will remain vigilant on inflation**. They will continue to monitor movements in international prices and their impact on inflation and growth, as well as pass-through from the exchange rate. They agreed that addressing the high level of NPLs would

improve the effectiveness of monetary policy in supporting lending and have already taken actions in this regard.

D. Strengthening Financial Sector Resilience

33. **Staff encouraged the authorities to improve the oversight framework in line with the May 2016 FSAP recommendations (Annex V).** Heightened banking sector vulnerabilities raise the urgent need for ensuring consistency of bank supervisory oversight, from routine supervision to intervention and resolution which, despite some progress, needs to be improved further. The BoG should also undertake more timely and effective remedial actions to address banks' severe under-provisioning and related-party lending, and should seek prompt corrective actions from banks based on deficiencies identified in onsite supervisory monitoring. Other FSAP recommendations include raising the minimum capital adequacy requirement to 12 percent; eliminating reduced provisioning requirements for "well-secured" portions of NPLs; discouraging the use of overdraft lending to facilitate better credit risk monitoring; and aligning the definition of "related parties" with international standards. Upstream and downstream ownership of institutions should be monitored to ensure better consolidated supervision.

34. **Staff recognized the BoG's progress on formulating a crisis preparedness and management framework, but underscored the need for further improvement.** Importantly, the crisis management framework should legally empower the BoG to resolve failing institutions in an orderly resolution without requiring court approvals. The authorities have drafted a deposit insurance scheme (DIS). But in line with FSAP recommendations, staff cautioned that the DIS should be established only after introducing an effective resolution regime and formalizing the framework for Emergency Liquidity Assistance (ELA). This will require amending the Financial Institutions Act (FIA). The introduction of a formal ELA framework should provide needed support for the financial system in case of a liquidity crisis.

35. **Staff also encouraged the authorities to undertake further steps to ensure financial sector resilience and deepen financial development.** These involve enhancing the collection of bank and non-bank data and pursuing systemic risk monitoring, including of banks' ownership linkages and related-party lending; implementing the new pension and insurance laws swiftly and thus aligning regulation and supervision with international standards; and designing a strategy for integrated development of the National Payment System to support the payment needs of the economy and financial deepening. The further strengthening of the supervisory and regulatory regime, and establishment of regional CBR accounts can help international banks exploit economies of scale and dampen the impact of CBR losses.

Authorities' views

36. **The authorities emphasized that the past deterioration in asset quality has triggered enhanced monitoring and intensive follow-up actions in an effort to ensure**

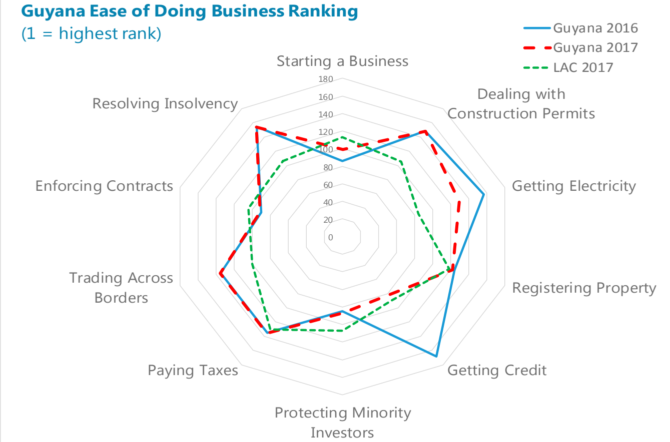
that the level of credit risk does not escalate further. They noted that NPLs are concentrated among a few large borrowers who have solvent businesses, but are facing liquidity problems for different reasons (some were affected by the loss of the Venezuelan rice market, others by delays in government capital spending). Provisioning has also increased significantly. They continue their risk-based approach to onsite inspection of banks. More frequent examinations of banks are conducted with greater emphasis on assessing the institutions' credit risk management practices and asset quality reviews. Meetings are also convened with the Board of Directors of the institutions to discuss concerns in relation to asset quality, credit risk management and remedial actions to be undertaken to reduce the level of NPLs. More frequent reporting is also required from institutions to track progress on actions taken to reduce the high level of NPLs. The BoG also conducts stress testing of the loan portfolio to determine its vulnerability to various shocks.

37. **The authorities will continue to closely monitor the strength of the financial system and plan to accelerate implementation of other FSAP recommendations, with technical assistance.** They have started implementing many of the recommendations from the FSAP and have engaged with the banks to make them aware of the main challenges facing the financial system. They are reviewing BoG's guidance on provisioning requirements for "well-secured" loans but are waiting for the recommendations of a regional working group on the matter. Discussions are under way with the World Bank on technical assistance to amend the FIA. The draft Pension Act should be passed by the end of the year. A new Insurance Act was passed in June 2016 and implementing regulations are being drafted. This Act, which was prepared with technical assistance from the World Bank, will correct regulatory and supervisory failures that were highlighted by CLICO's bankruptcy. The authorities will continue monitoring global banks' de-risking decisions and are open to supporting potential solutions discussed within CARICOM. They will continue to strengthen their AML/CFT framework, with lessons learned from the National Risk Assessment which was completed in March 2017.

E. Supporting Strong and Inclusive Growth

38. **Staff stressed that further improvements in the business environment would help lay a foundation for private sector-led growth.** Guyana advanced 16 places to 124th (of 190 countries) in the World Bank's 2017 Doing Business Report. Nevertheless, the country ranks significantly below the regional average in dealing with construction permits, getting electricity and resolving insolvency. Improving the latter should be a priority in light of high NPLs.

Guyana Ease of Doing Business Ranking
(1 = highest rank)



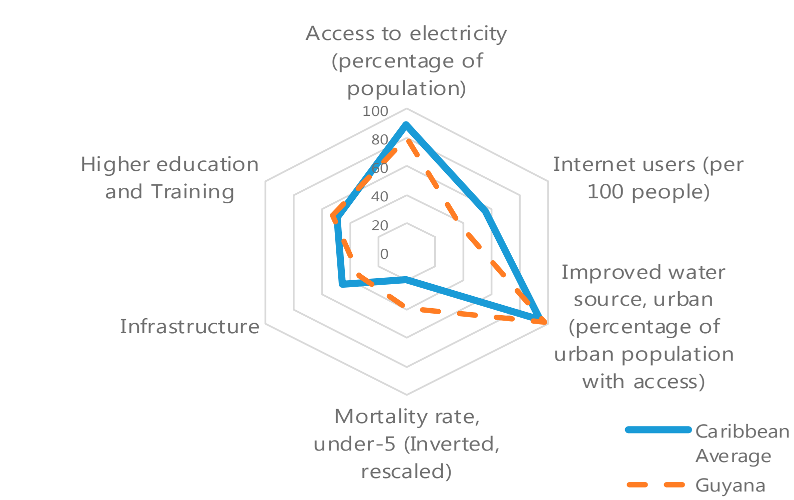
39. **Modernizing traditional sectors will boost growth and strengthen resilience to external shocks.** Given the liberalization of the EU sugar market in 2017, the mission encouraged the authorities to press ahead with the overhaul of the sugar industry by scaling down and privatizing inefficient units (while providing a safety net to those affected) and diversifying the revenue stream. In this context, the authorities' efforts in developing a strategic plan for the sector are welcome. Overall, successful reforms in the agriculture sector would support growth and employment, facilitate diversification into higher value-added activities (e.g., agri-business, agro-processing, and light manufacturing), lift the standard of living of the population, and help bridge the divide with the hinterland.

40. **Staff supported the authorities' focus on developing a green economy and modernizing telecommunication services.** Staff welcomed the authorities' plans to increase the contribution of low cost renewables to the energy matrix and improve transportation links. Staff commended the authorities for moving forward with the liberalization of the telecommunications sector, which provides new opportunities in business outsourcing.

41. **Staff welcomed the authorities' continuing efforts to promote inclusive growth.** There is limited up-to-date information on poverty. The 2015 UN Human Development Report noted progress in improving life expectancy, access to education and the standard of living. The incidence of extreme poverty is concentrated in the hinterland. The mission supported authorities' focus on improving access to services in priority areas, including electricity, education, maternal and reproductive health and banking. Staff acknowledged progress in strengthening sea defenses in collaboration with international donors. Building resilience to climate change and natural disasters could also help promote inclusive growth. The IMF Board Paper on Small States' Resilience to Natural Disasters and Climate Change could provide guidance in that area.[7]

Infrastructure, Education, and Health

(100 = percentage or best score)



[7] Available at https://www.imf.org/en/News/Articles/2016/12/12/PR16550-IMF-Discusses-Small-States-Resilience-to-Natural-Disasters-and-Climate-Change-and-IMF-Role.

Authorities' views

42. **The authorities remain strongly committed to restructuring the sugar industry.** They recognize that the sugar sector in its current structure is inefficient and needs to be placed on a financially sustainable path. A Cabinet Sub-Committee has been established, tasked with making definitive recommendations. Options are being considered for the Skeldon Sugar Factory, which never performed as expected. The restructuring of GuySuCo, including the scaling down of the most inefficient operations, remains a priority for the authorities. They continue to engage with key stakeholders, including the Guyana Agricultural and General Workers' Union, in an effort to enhance the sector's efficiency and economic viability.

43. **The authorities are pressing ahead with efforts to diversify the energy matrix.** They are working closely with key stakeholders on the draft energy policy, to be finalized in 2017, that will move Guyana away from fossil fuels. One of the key objectives is for the electricity sector to rely 100 percent on renewables by 2025. Further, there are plans to examine the feasibility of natural gas.

OTHER ISSUES

44. **While data are broadly adequate for surveillance, further improvements are needed.** Staff encouraged the authorities to revise the national accounts and BOP statistics to include the oil sector, submit Financial Soundness Indicators data, compile house price statistics and to seek TA to address statistical weaknesses.

STAFF APPRAISAL

45. **Following a decade of robust growth, Guyana's medium-term economic outlook remains positive.** Though growth was uneven in 2016, it is expected to become more broad based over the medium term, boosted by increased public investment, the expansion of the extractive industry, and a recovery of the rice sector. Going forward, sustaining the growth momentum hinges upon improvements in the business climate and private sector confidence, and productivity-enhancing reforms in key sectors.

46. **Guyana's external position has strengthened although it remains vulnerable** to external shocks due to its dependence on imported oil and the concentration of exports on a few commodities. Productivity enhancing reforms on its key export sectors can improve their resilience to external shocks.

47. **The shift towards greater exchange rate flexibility should be maintained**, and the exchange rate should play a stronger automatic stabilizer role going forward. A clear communication strategy is important, to prevent disproportionate market reactions as participants become more familiar with this increase in flexibility. Official foreign exchange

purchases and sales should be auctioned, which can help improve price discovery and transparency in the FX market.

48. **Developing domestic capital markets can help finance the large projected deficits, but obstacles to obtaining concessional financing should be addressed.** Issuing a domestic bond would provide a stable source of financing for the government and a suitable investment instrument for financial institutions and long-term investors. However, a significant increase in domestic debt can drive-up borrowing costs. The government's negative balances at the central bank should be settled through issuance of debt. Public investment project selection and implementation should aim to increase access to concessional external funding, which would relieve domestic financing pressures. Non-concessional external borrowing should continue to be avoided.

49. **A moderate fiscal consolidation during 2017-19 would slow debt accumulation and safeguard against adverse shocks before the onset of oil production.** Staff recommends a reduction in the fiscal deficit of ½ percent of GDP in 2017, and 1 percent in 2018 and 2019. That can be achieved by reducing the growth of current expenditures, an effort that can be supported by the eventual gains from SOE reform.

50. **Fiscal policy should be guided by a transparent rules-based framework after the onset of oil production.** Authorities should press ahead with their plans to establish a comprehensive framework for managing oil wealth. It is important that this framework be in place prior to the 2020 budget. As a new oil producer starting from scratch, Guyana is in a good position to put in place a framework that limits procyclical spending and attenuates the impact of oil price volatility on the budget and the economy. Other fiscal structural reforms related to public financial management, procurement, and investment are important to ensure that the oil wealth is used efficiently.

51. **The accommodative monetary policy is appropriate, but should gradually move towards a neutral stance in 2017.** Pass-through from the exchange rate and from the VAT reform to inflation should be closely monitored.

52. **The supervisory and regulatory frameworks should be brought further in line with the 2016 FSAP recommendations.** The internal consistency of supervisory oversight and the effective enforcement of prudential standards need further strengthening. Remedial actions from banks should be improved. Guidelines should be revised to eliminate reduced provisioning requirements for "well-secured" NPLs and overdraft lending for commercial purposes; bring the definition of related-party in line with international standards; and increase the minimum capital requirement from 8 to 12 percent of risk-weighted assets. Banks' strong interlinkages with the domestic and regional sovereigns and complex ownership structures should be closely monitored.

53. **Operationalizing the crisis management framework will require proper sequencing and amendments of the FIA.** An effective resolution regime and a formal

framework for emergency liquidity assistance are prerequisites for a DIS. The FIA should give BoG powers and tools to carry out orderly resolution of banks and prevent courts from reversing BoG's actions.

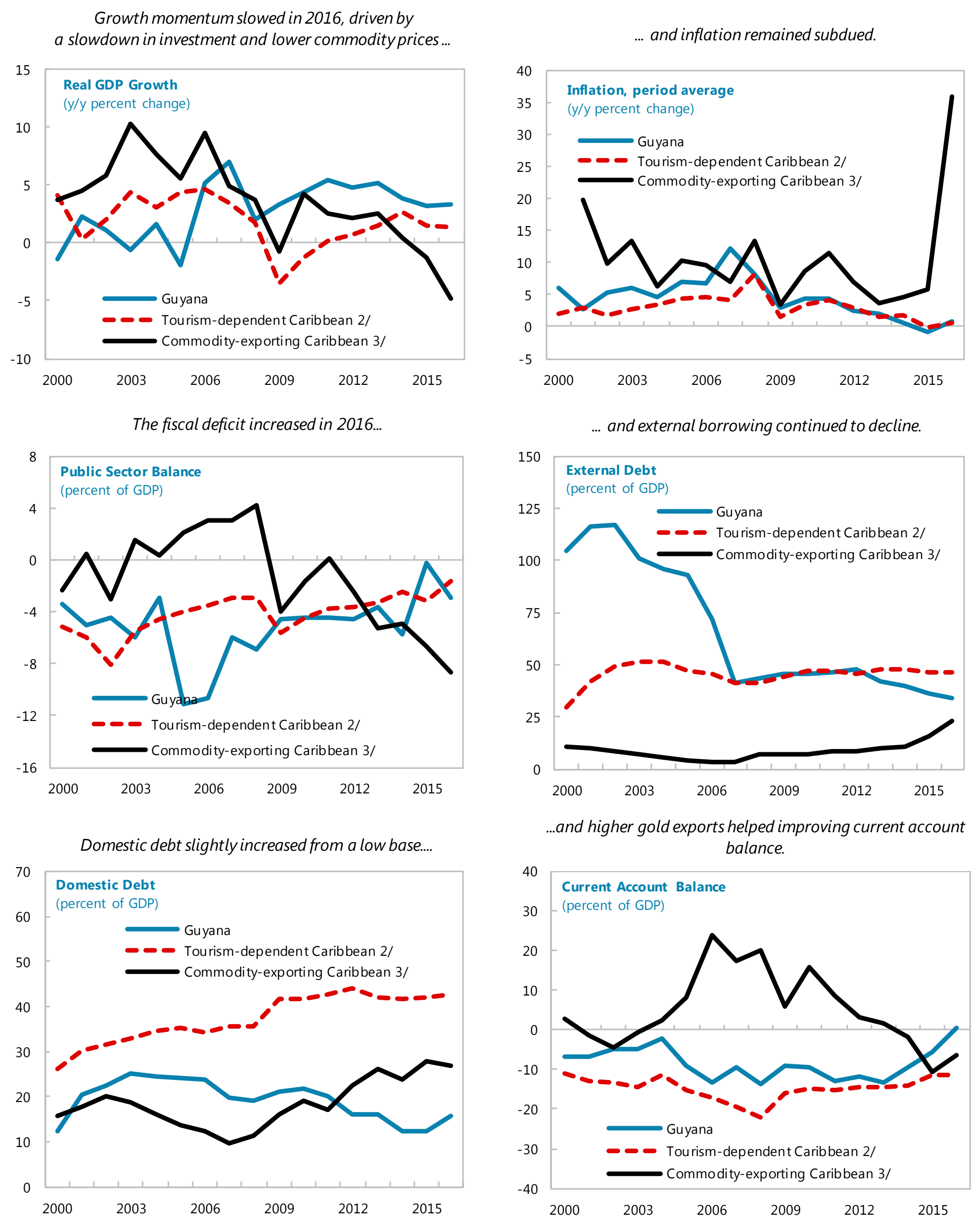
54. **The AML/CFT framework should continue to be strengthened**, taking into account lessons from the recently completed National Risk Assessment.

55. **Finally, the authorities should include oil exploration and production when they rebase the national accounts** to 2018 and also include it in the BOP statistics.

56. **Staff recommends that the next Article IV consultation with Guyana be held on the standard 12-month cycle.**

Figure 1. Guyana: Comparative Regional Developments 1/

Guyana continues to perform in line or better than its regional peers.



Sources: Country authorities; and Fund staff calculations.

1/ Caribbean region measured as simple averages of corresponding variables.

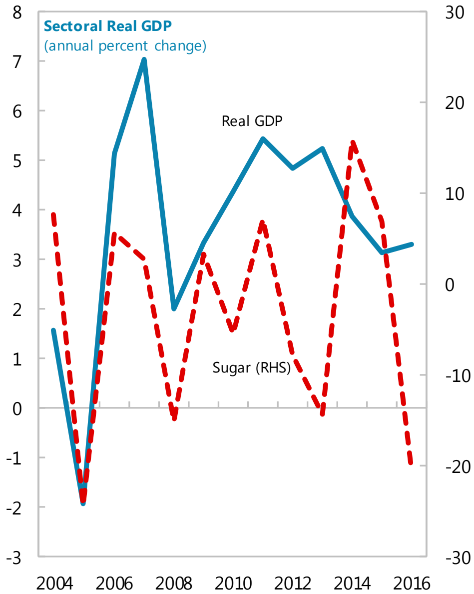
2/ Tourism-dependent Caribbean includes Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

3/ Commodity-exporting Caribbean includes Suriname and Trinidad and Tobago.

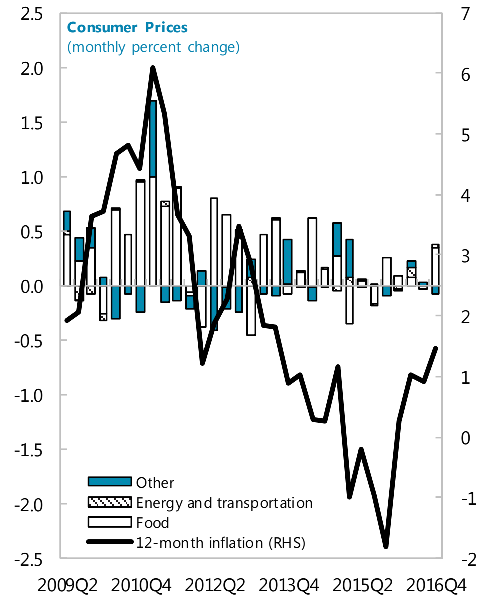
Figure 2. Guyana: Real Sector Indicators

Economic activity grew in 2016, despite a contraction in non-mining GDP, and inflation edged up.

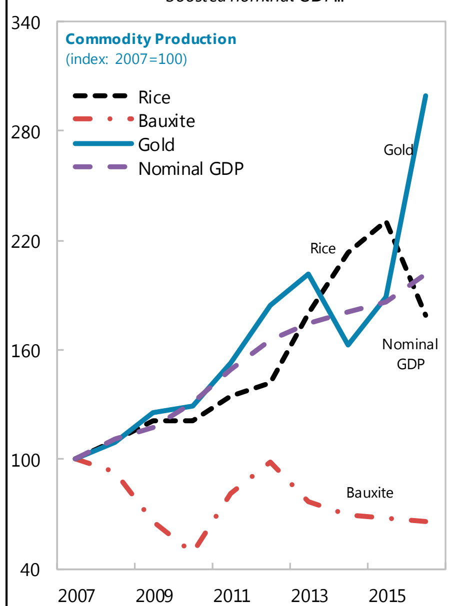
Adverse weather conditions affected the rice and sugar sectors...



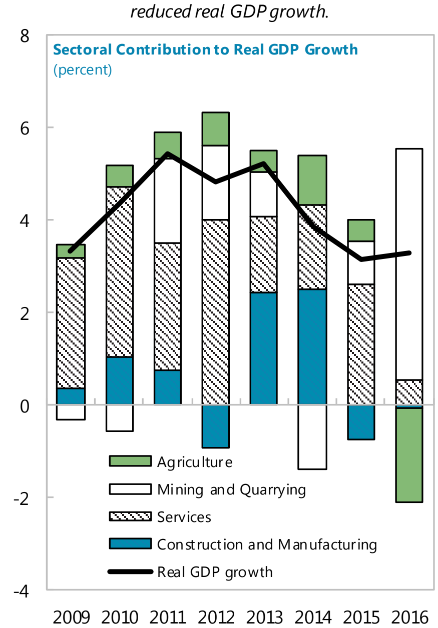
... and higher food prices reversed the deflation trend.



High gold production and prices boosted nominal GDP...



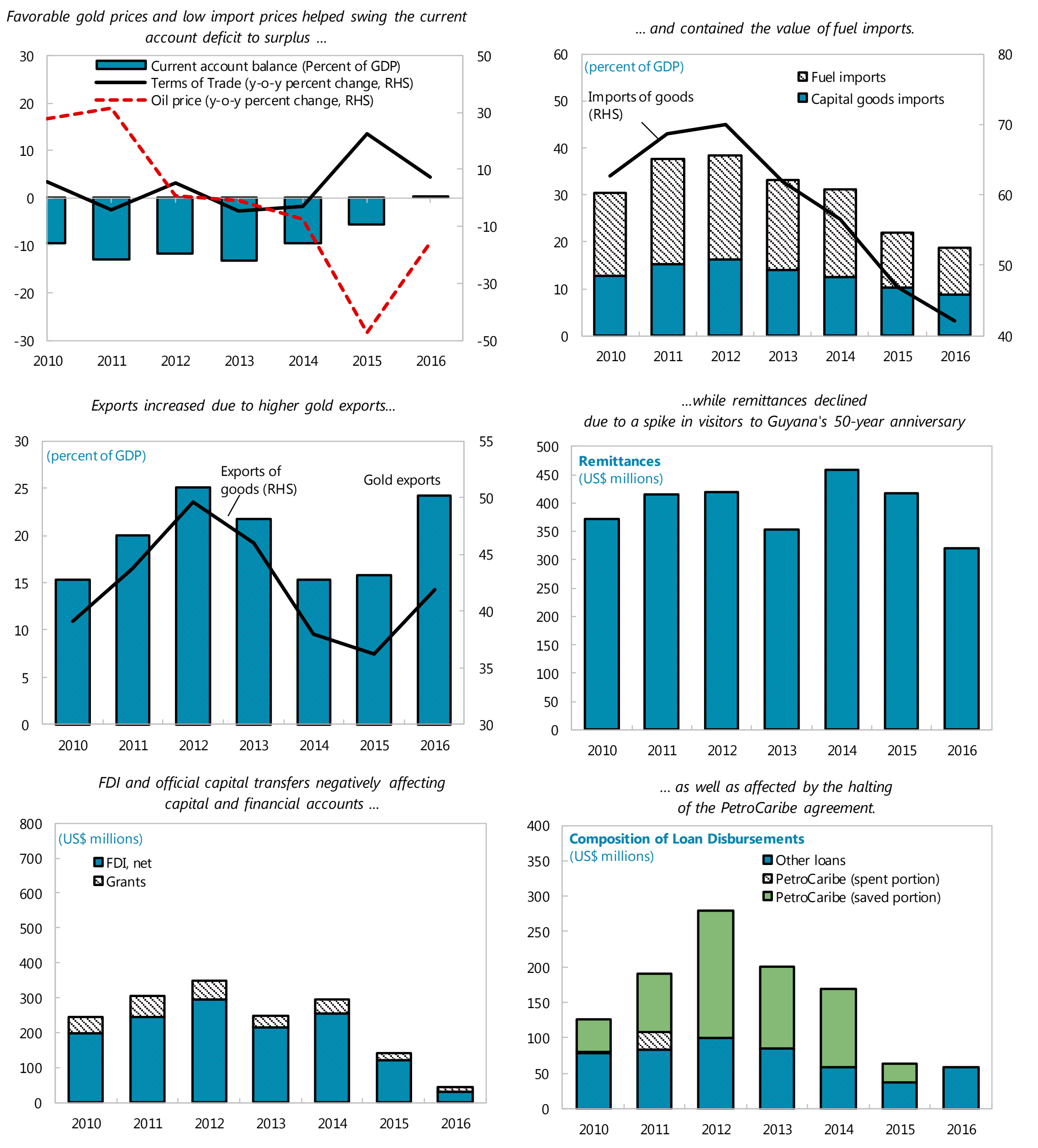
... while a slowdown in agriculture and manufacturing reduced real GDP growth.



Sources: Bank of Guyana; Ministry of Finance; and Fund staff estimates.

Figure 3. Guyana: External Sector Developments

Increased gold exports and improved terms of trade in 2016 turned current account to surplus

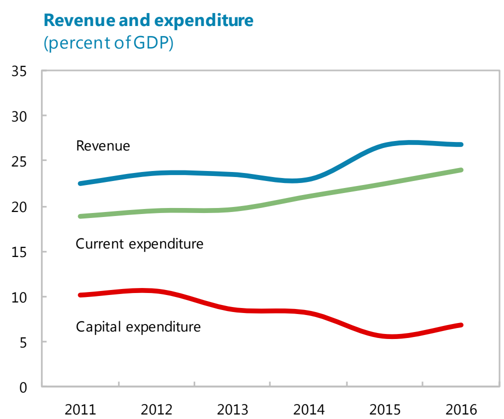


Sources: Bank of Guyana; and Fund staff estimates.

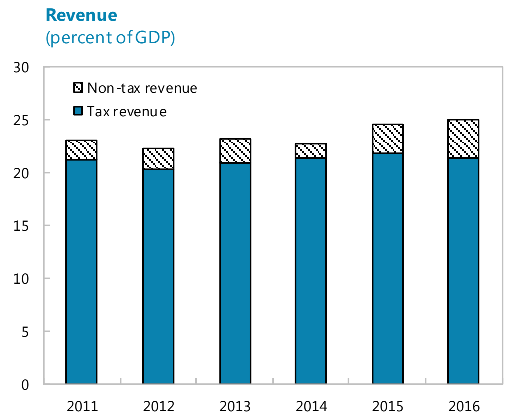
Figure 4. Guyana: Fiscal Sector Developments

Fiscal measures are needed to slow debt accumulation.

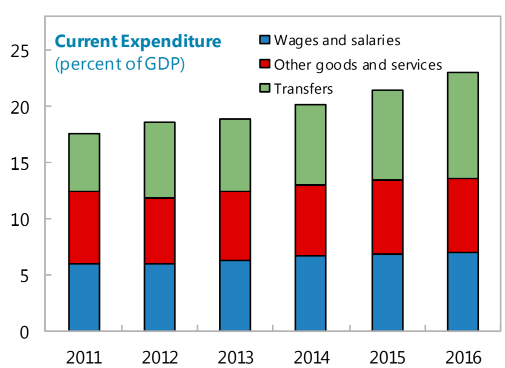
The 2016 NFPS deficit was smaller than the budget target due to lower capital spending and ...



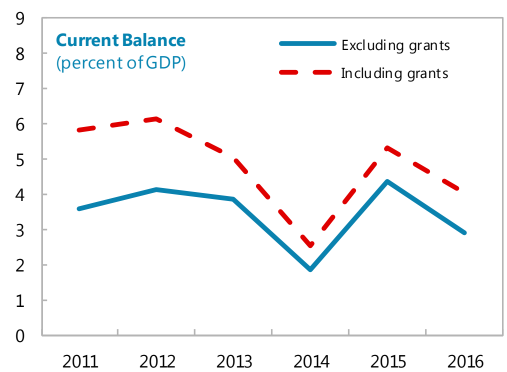
...stable revenue, despite slowing economic activity.



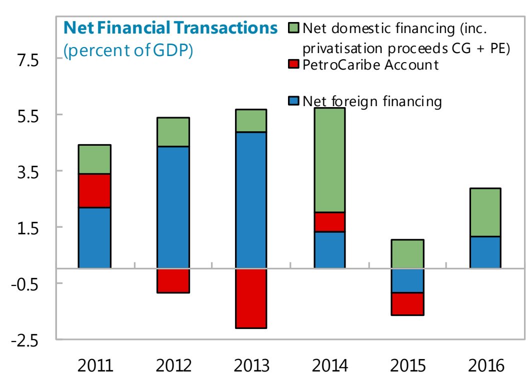
Current expenditures increased,...



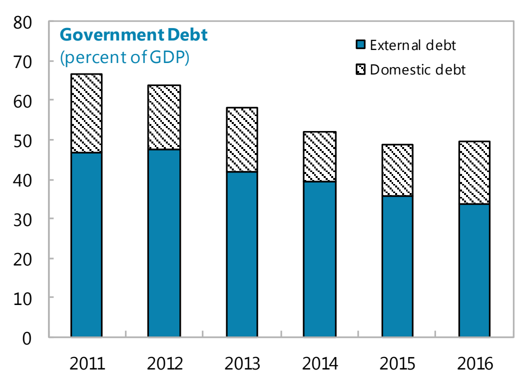
...reducing fiscal savings.



Much of the 2016 deficit was financed by domestic debt...



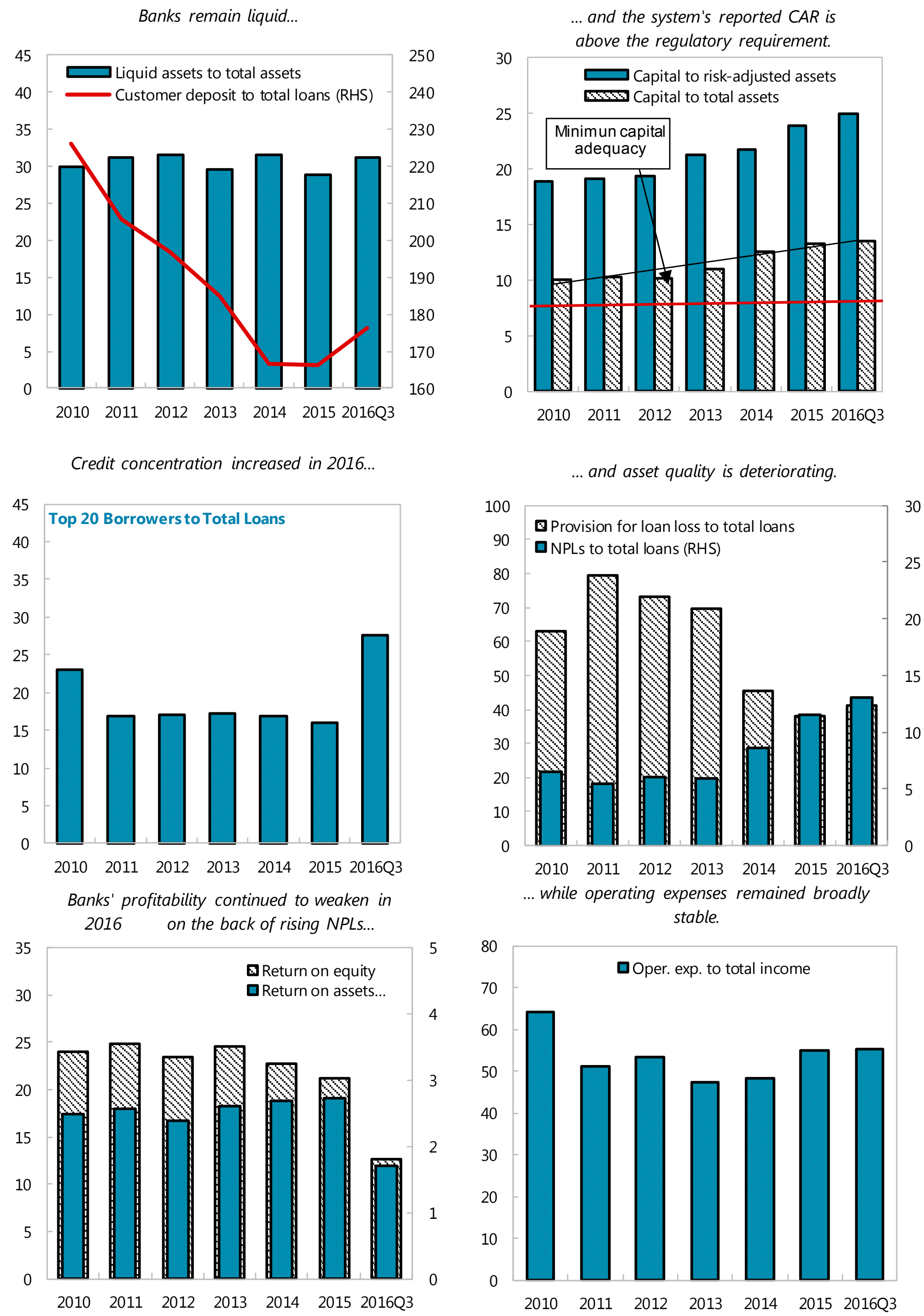
... and external debt slightly declined.



Sources: Ministry of Finance; and Fund staff estimates.

Figure 5. Guyana: Financial Soundness Indicators

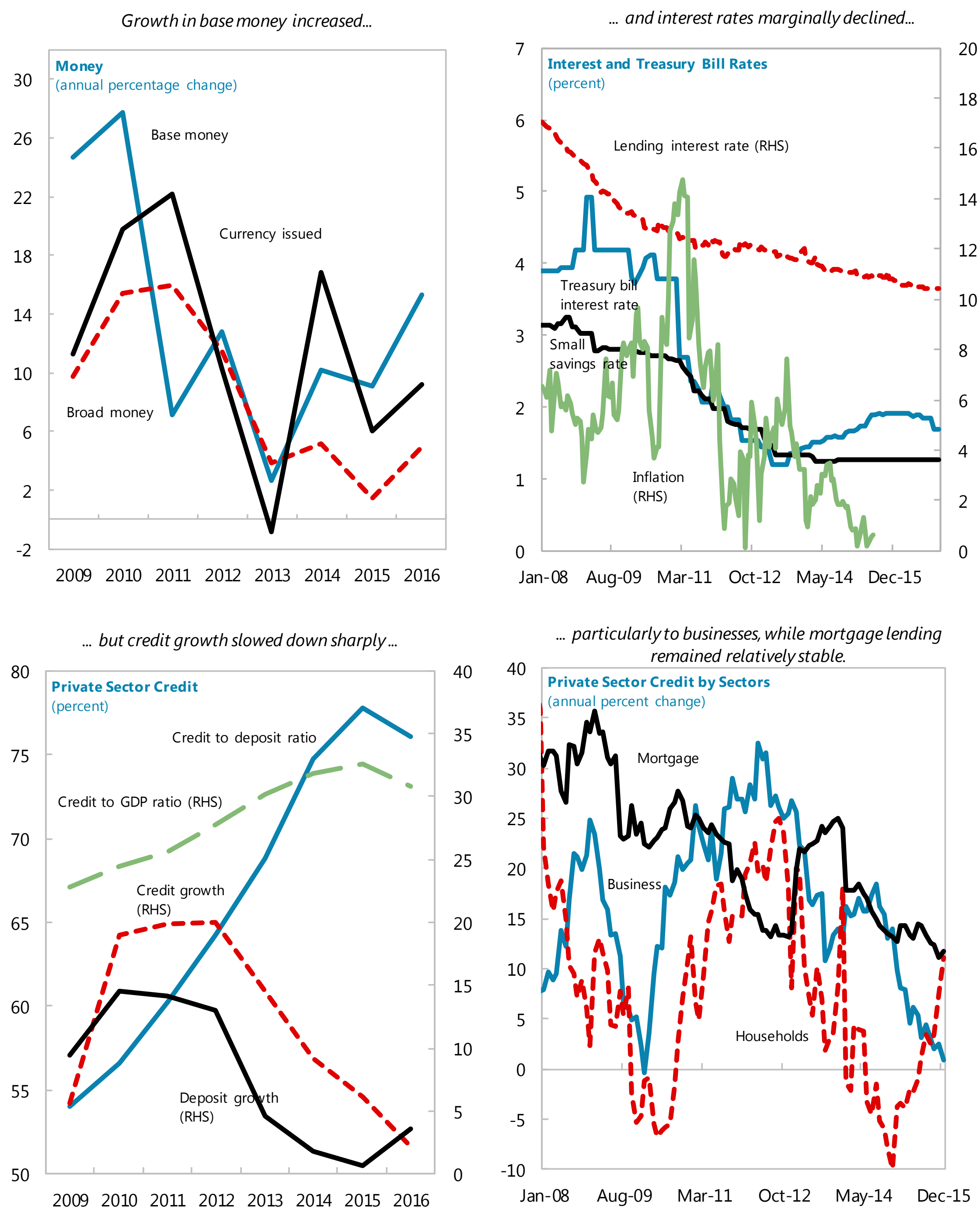
The banking system is well capitalized and liquid but asset quality and profitability continued to deteriorate in 2016.



Source: Bank of Guyana.

Figure 6. Guyana: Monetary Developments

Monetary conditions are broadly supportive of growth.



Source: Bank of Guyana.

Table 1. Guyana: Selected Social and Economic Indicators

I. Social Indicators

Population, 2015 (thousands)	767	Population not using an improved water source (%), 2010	6.0
Life expectancy at birth (years), 2014	66	Gini index, 1992-2007	44.6
Under-five mortality rate (per 1,000 live births), 2010	30	HDI rank, 2014	124
Population living below the poverty line (%), 2000-06	35		

II. Economic Indicators

	2013	2014	2015	Est. 2016	Projections 2017	Projections 2018
(Annual percent change)						
Production and prices						
Real GDP	5.2	3.8	3.1	3.3	3.5	3.6
Real GDP per capita	4.8	3.4	2.7	3.2	3.2	3.3
Consumer prices (average)	1.9	0.7	-0.9	0.8	2.3	2.7
Consumer prices (end of period)	0.9	1.2	-1.8	1.5	2.6	2.7
Terms of trade	-4.5	-3.0	22.6	7.5	-7.8	-0.2
(In percent of GDP)						
National accounts						
Investment	16.9	16.6	13.9	14.9	16.9	17.1
Private sector	8.3	8.3	8.3	8.0	8.2	8.3
Public sector	8.6	8.2	5.6	6.9	8.7	8.8
National saving 1/	3.6	6.9	8.2	15.3	14.9	12.9
Private sector	-1.2	4.9	3.7	11.9	14.2	12.3
Public sector	4.8	2.1	4.5	3.4	0.7	0.7
External savings	13.3	9.6	5.7	-0.4	2.0	4.1
Nonfinancial public sector						
Revenue and grants	24.6	23.6	27.8	28.0	26.1	26.8
Expenditure	28.3	29.3	28.1	30.9	33.3	33.1
Current	19.6	21.1	22.5	24.0	24.6	24.3
Capital	8.6	8.2	5.6	6.9	8.7	8.8
Overall balance (after grants) 2/	-3.6	-5.7	-0.2	-2.9	-7.2	-6.3
Total public sector gross debt (end of period) 3/	57.9	51.9	48.3	49.6	55.1	58.5
External	41.8	39.5	35.9	33.8	34.2	34.6
Domestic	16.1	12.3	12.4	15.8	20.9	23.9
(Annual percentage change, end of period)						
Money and credit						
Broad money	3.8	5.2	1.5	5.0	14.9	10.2
Domestic credit of the banking system	25.8	20.5	17.6	6.4	11.5	8.2
Public sector (net) 4/	14.9	34.5	75.0	137.8	800.5	62.8
Private sector	14.5	9.1	6.2	2.1	3.0	3.0
(In millions of U.S. dollars, unless otherwise indicated; end of period)						
External sector						
Current account balance 2/	-398.5	-296.2	-181.4	13.7	-71.4	-153.8
(Percent of GDP)	-13.3	-9.6	-5.7	0.4	-2.0	-4.1
Gross official reserves	776.9	665.6	598.5	615.3	664.6	755.1
Months of imports of goods and services	4.0	3.5	3.5	3.6	3.6	3.8
Memorandum items:						
Nominal GDP (G$ billion)	614.1	635.3	657.4	709.7	755.1	800.4
Per capita GDP, US$	3,929	4,029	4,151	4,475	4,662	4,817
Guyana dollar/U.S. dollar (period average)	205.4	206.4	206.5	206.5	…	…

Sources: Guyanese authorities; UNDP Human Development Report; and Fund staff estimates and projections.

1/ Includes public enterprises.
2/ Including official transfers.
3/ The 2015-16 public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.
4/ The increase in public sector (net) is from a small base, which makes the series volatile.

Table 2. Guyana: Balance of Payments

				Est.	Projections					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
				(In millions of U.S. dollars)						
Current account (incl. official transfers)	**-398.5**	**-296.2**	**-181.4**	**13.7**	**-71.4**	**-153.8**	**-185.3**	**-129.3**	**77.3**	**76.2**
Current account (excl. official transfers)	-425.4	-331.8	-181.4	12.9	-107.4	-158.6	-190.1	-134.1	72.5	71.4
Merchandise trade (net)	**-471.4**	**-570.7**	**-340.3**	**-7.2**	**-181.9**	**-213.7**	**-240.8**	**322.1**	**898.7**	**905.7**
Exports (f.o.b.)	1,375.9	1,167.1	1,151.3	1,440.6	1,453.7	1,512.8	1,566.0	2,639.2	3,723.4	3,802.2
Bauxite	134.7	124.7	104.3	92.1	115.4	106.0	109.2	117.4	117.3	121.7
Sugar	114.3	88.0	78.4	73.4	75.1	72.0	72.3	70.0	67.9	68.2
Rice	239.7	249.5	220.8	178.8	209.7	211.1	221.7	232.8	244.4	256.6
Gold	648.5	469.8	501.1	830.7	797.4	845.6	881.1	915.0	951.2	990.0
Timber	38.5	53.4	43.7	40.4	40.2	38.4	38.8	39.2	39.6	40.0
Oil	-	-	-	-	-	-	-	1019.4	2055.3	2076.1
Other	200.2	181.7	202.9	225.2	215.9	239.7	243.0	245.4	247.7	249.5
Imports (c.i.f.)	1,847.3	1,737.9	1,491.6	1,447.9	1,635.7	1,726.5	1,806.8	2,317.0	2,824.7	2,896.5
Capital goods	415.2	387.5	329.0	302.8	366.9	404.3	428.4	659.9	910.2	918.9
Fuel and lubricants	574.7	573.4	367.4	344.3	433.4	455.0	471.9	534.3	589.8	612.2
Other	857.4	776.9	795.1	800.7	835.4	867.2	906.5	1122.9	1324.6	1365.3
Services (net)	**-307.2**	**-218.7**	**-257.6**	**-300.2**	**-225.4**	**-251.2**	**-261.6**	**-774.2**	**-1149.8**	**-1163.7**
Net private transfers	**353.2**	**457.6**	**416.5**	**320.4**	**300.0**	**306.4**	**312.3**	**318.0**	**323.6**	**329.4**
Capital and financial accounts	**315.6**	**170.5**	**96.2**	**-13.4**	**156.7**	**249.0**	**279.3**	**169.3**	**13.0**	**9.1**
Financial account	**315.6**	**170.5**	**96.2**	**-20.1**	**156.7**	**249.0**	**279.3**	**169.3**	**13.0**	**9.1**
Nonfinancial public sector (net)	79.0	-34.7	-51.5	-13.9	81.9	139.1	157.6	139.2	110.9	110.2
Net official transfers	37.4	42.8	20.7	12.8	55.8	60.0	63.8	59.8	51.2	51.2
Net official borrowing	16.7	18.0	-18.1	-20.0	26.1	79.2	93.8	79.4	59.9	59.3
Other public sector (net) 1/	24.9	-95.5	-54.1	-6.7	-20.0	-0.3	-0.3	-0.3	-0.3	-0.3
Private sector (net)	236.6	205.2	147.8	-6.2	74.8	109.9	121.7	30.2	-97.8	-101.3
Foreign direct investment (net)	214.0	255.2	121.7	32.0	139.0	141.1	143.4	41.6	-82.6	-84.3
Portfolio investment (net)	3.7	7.8	3.3	-33.8	-12.2	-9.9	-7.9	4.3	7.1	5.5
Other (net) 2/	18.9	-57.8	22.7	-4.4	-52.0	-21.3	-13.9	-15.7	-22.4	-22.6
Errors and omissions, and short-term flows	31.1	50.1	18.0	17.3	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	**-78.7**	**-111.3**	**-67.1**	**16.7**	**49.4**	**90.5**	**89.2**	**35.3**	**85.6**	**80.5**
Financing	**78.7**	**111.3**	**67.1**	**-16.7**	**-49.4**	**-90.5**	**-89.2**	**-35.3**	**-85.6**	**-80.5**
Bank of Guyana net foreign assets	78.7	111.3	67.1	-16.7	-49.4	-90.5	-89.2	-35.3	-85.6	-80.5
Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:										
Current account, incl. off. transfers (in percent of GDP)	-13.3	-9.6	-5.7	0.4	-2.0	-4.1	-4.7	-2.7	1.4	1.3
Current account, excl. off. transfers (in percent of GDP)	-14.2	-10.8	-5.7	0.4	-3.0	-4.3	-4.9	-2.8	1.3	1.2
Gross international reserves	776.9	665.6	598.5	615.3	664.6	755.1	844.2	879.5	965.1	1,045.6
(in months of imports of goods and services)	4.0	3.5	3.5	3.6	3.6	3.8	4.1	3.4	3.1	3.2
Oil price assumption (US$/b)	104.1	96.2	50.8	42.8	54.9	55.7	55.7	55.9	56.3	56.9
GDP (US$ million)	2,990	3,078	3,183	3,437	…	…	…	…	…	…
				(Annual percent change)						
Exports of goods	-2.3	-15.2	-1.7	25.3	0.8	4.1	3.6	69.5	41.4	2.1
Imports of goods	-7.5	-5.9	-14.2	-2.9	13.0	5.6	4.6	28.2	21.9	2.5
Terms of trade	-4.5	-3.0	22.6	7.5	-7.8	-0.2	1.5	0.8	0.2	0.2

Sources: Bank of Guyana; Statistical Bureau of Guyana; Ministry of Finance; and Fund staff estimates and projections.

1/ Includes capital flows of PetroCaribe financing.

2/ Includes capital flows to finance the Berbice bridge and short-term capital flows.

Table 3a. Guyana: Nonfinancial Public Sector Operations

(In billions of Guyanese dollars)

				Est.	Projections					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	**144.2**	**145.6**	**176.2**	**190.8**	**182.6**	**198.1**	**212.4**	**259.7**	**308.0**	**324.8**
Central government	143.0	145.7	162.7	177.3	186.0	199.4	212.9	258.3	306.3	321.9
Tax revenue	127.9	135.9	142.9	151.7	162.6	174.6	185.1	200.5	217.3	230.2
Income taxes	47.2	51.2	54.5	60.6	58.6	62.1	65.8	71.4	77.5	82.1
Consumption taxes	60.5	65.7	68.8	68.7	79.7	86.1	91.4	98.9	107.0	113.4
Trade taxes	14.9	13.9	14.0	16.9	16.7	18.3	19.5	21.1	22.8	24.2
Other	5.3	5.1	5.6	5.5	7.6	8.0	8.5	9.2	10.0	10.6
Non-tax revenue	14.2	8.8	18.8	25.5	23.4	24.4	27.3	57.3	88.5	91.1
Oil revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.4	55.8	56.9
Capital revenue	0.0	0.0	1.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Public enterprises 1/	1.3	-0.1	13.5	13.5	-3.4	-1.3	-0.5	1.4	1.7	2.9
Expenditure	**173.6**	**186.2**	**184.7**	**219.2**	**251.2**	**265.0**	**280.1**	**319.5**	**368.7**	**385.4**
Current expenditure	120.6	133.8	147.6	170.2	185.8	194.8	207.8	222.7	242.0	256.1
Wages and salaries	38.5	42.3	44.7	49.4	54.8	58.1	61.7	66.7	72.2	76.5
Other goods and services	37.5	40.1	43.2	46.8	51.6	54.7	58.0	62.8	68.0	72.0
Transfers	39.9	45.1	53.3	67.3	71.1	72.0	76.4	79.9	86.5	91.7
Interest 2/	4.7	6.3	6.5	6.7	8.3	10.0	11.8	13.3	15.2	15.8
Domestic	1.7	1.5	1.7	1.9	2.1	5.3	6.9	8.2	10.0	10.5
External	2.9	4.8	4.8	4.8	6.2	4.6	4.9	5.1	5.3	5.3
Capital expenditure	53.0	52.4	37.1	49.1	65.4	70.2	72.3	96.8	126.7	129.3
External PSIP	13.8	11.2	9.7	15.9	22.1	40.6	43.5	32.4	26.5	23.4
Local PSIP	29.7	35.1	18.9	30.8	34.6	24.0	22.9	30.3	36.8	41.1
Oil-financed projects 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.4	55.8	56.9
Public enterprises	2.6	1.4	6.4	2.4	8.6	5.6	5.8	6.7	7.7	8.0
Overall balance before grants	**-29.1**	**-40.6**	**-8.5**	**-28.4**	**-68.6**	**-66.8**	**-67.7**	**-59.7**	**-60.6**	**-60.6**
Grants	7.1	4.2	6.3	7.8	14.1	16.4	16.5	9.0	3.5	3.5
Overall balance after grants (excluding Skeldon)	**-22.0**	**-36.4**	**-2.2**	**-20.6**	**-54.5**	**-50.5**	**-51.2**	**-50.8**	**-57.1**	**-57.0**
Capital expenditure on Skeldon	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance after grants	**-22.3**	**-36.4**	**-1.2**	**-20.6**	**-54.5**	**-50.5**	**-51.2**	**-50.8**	**-57.1**	**-57.0**
Financing	**22.3**	**36.4**	**1.2**	**20.6**	**54.5**	**50.5**	**51.2**	**50.8**	**57.1**	**57.0**
Net foreign financing	29.9	8.4	-5.6	8.2	8.2	17.0	20.3	17.4	13.2	13.2
Net domestic financing 4/	5.1	23.7	6.9	12.3	46.2	33.5	30.9	33.4	43.9	43.8
Memorandum items:										
Non-oil NFPS balance	-22.0	-36.4	-2.2	-20.6	-54.5	-50.5	-51.2	-58.0	-72.5	-71.8
NFPS wage bill	64.1	67.0	72.8	74.8	81.3	84.2	89.1	93.6	99.6	101.4
Total capital expenditure	53.0	52.4	37.1	49.1	65.4	70.2	72.3	96.8	126.7	129.3
Current balance before grants	23.6	11.8	28.6	20.7	-3.2	3.3	4.6	37.0	66.1	68.7
Debt relief	2.2	0.5	0.7	0.5	0.4	0.2	0.2	0.2	0.2	0.2
Primary balance	-17.6	-30.1	4.2	-13.9	-46.2	-40.5	-39.4	-37.4	-41.9	-41.2
Nominal GDP at market prices (G$ billion)	614.1	635.3	657.4	709.7	755.1	800.4	848.9	1050.0	1262.3	1327.0

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ Net current surplus or deficit. There is a break in 2017 due to a reclassification of government transfers from a revenue item to a financing item.

2/ Reflects interest and amortization after total debt relief.

3/ It is assumed that oil revenues finance investment projects through 2024 and a certain fraction is saved afterwards.

4/ Includes statistical discrepancies.

Table 3b. Guyana: Nonfinancial Public Sector Operations

(In percent of GDP)

				Est.	Projections 1/					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	**23.5**	**22.9**	**26.8**	**26.9**	**24.2**	**24.8**	**25.0**	**24.7**	**24.4**	**24.5**
Central government	23.3	22.9	24.8	25.0	24.6	24.9	25.1	24.6	24.3	24.3
Tax revenue	20.8	21.4	21.7	21.4	21.5	21.8	21.8	19.1	17.2	17.4
Income taxes	7.7	8.1	8.3	8.5	7.8	7.8	7.8	6.8	6.1	6.2
Consumption taxes	9.8	10.3	10.5	9.7	10.6	10.8	10.8	9.4	8.5	8.5
Trade taxes	2.4	2.2	2.1	2.4	2.2	2.3	2.3	2.0	1.8	1.8
Other	0.9	0.8	0.8	0.8	1.0	1.0	1.0	0.9	0.8	0.8
Non-tax revenue	2.3	1.4	2.9	3.6	3.1	3.0	3.2	5.5	7.0	6.9
Oil revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6	4.4	4.3
Capital revenue	0.0	0.0	0.2	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Public enterprises 2/	0.2	0.0	2.1	1.9	-0.5	-0.2	-0.1	0.1	0.1	0.2
Expenditure	**28.3**	**29.3**	**28.1**	**30.9**	**33.3**	**33.1**	**33.0**	**30.4**	**29.2**	**29.0**
Current expenditure	19.6	21.1	22.5	24.0	24.6	24.3	24.5	21.2	19.2	19.3
Wages and salaries	6.3	6.7	6.8	7.0	7.3	7.3	7.3	6.4	5.7	5.8
Other goods and services	6.1	6.3	6.6	6.6	6.8	6.8	6.8	6.0	5.4	5.4
Transfers	6.5	7.1	8.1	9.5	9.4	9.0	9.0	7.6	6.9	6.9
Interest 3/	0.8	1.0	1.0	0.9	1.1	1.2	1.4	1.3	1.2	1.2
Domestic	0.3	0.2	0.3	0.3	0.3	0.7	0.8	0.8	0.8	0.8
External	0.5	0.8	0.7	0.7	0.8	0.6	0.6	0.5	0.4	0.4
Capital expenditure	8.6	8.2	5.6	6.9	8.7	8.8	8.5	9.2	10.0	9.7
External PSIP	2.2	1.8	1.5	2.2	2.9	5.1	5.1	3.1	2.1	1.8
Local PSIP	4.8	5.5	2.9	4.3	4.6	3.0	2.7	2.9	2.9	3.1
Oil-financed projects 4/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6	4.4	4.3
Public enterprises	0.4	0.2	1.0	0.3	1.1	0.7	0.7	0.6	0.6	0.6
PetroCaribe projects	0.8	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance before grants	**-4.7**	**-6.4**	**-1.3**	**-4.0**	**-9.1**	**-8.4**	**-8.0**	**-5.7**	**-4.8**	**-4.6**
Grants	1.2	0.7	1.0	1.1	1.9	2.0	1.9	0.9	0.3	0.3
Overall balance after grants (excluding Skeldon)	**-3.6**	**-5.7**	**-0.3**	**-2.9**	**-7.2**	**-6.3**	**-6.0**	**-4.8**	**-4.5**	**-4.3**
Capital expenditure on Skeldon	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance after grants	**-3.6**	**-5.7**	**-0.2**	**-2.9**	**-7.2**	**-6.3**	**-6.0**	**-4.8**	**-4.5**	**-4.3**
Financing	**3.6**	**5.7**	**0.2**	**2.9**	**7.2**	**6.3**	**6.0**	**4.8**	**4.5**	**4.3**
Net foreign financing	4.9	1.3	-0.9	1.2	1.1	2.1	2.4	1.7	1.0	1.0
Net domestic financing 5/	0.8	3.7	1.0	1.7	6.1	4.2	3.6	3.2	3.5	3.3
PetroCaribe savings	-2.1	0.7	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Non-oil NFPS balance	-3.6	-5.7	-0.3	-2.9	-7.2	-6.3	-6.0	-5.5	-5.7	-5.4
NFPS wage bill	10.4	10.5	11.1	10.5	10.8	10.5	10.5	8.9	7.9	7.6
Total capital expenditure	8.6	8.2	5.6	6.9	8.7	8.8	8.5	9.2	10.0	9.7
Current balance before grants	3.8	1.8	4.3	2.9	-0.4	0.4	0.5	3.5	5.2	5.2
Debt relief	0.4	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Primary balance	-2.9	-4.7	0.6	-2.0	-6.1	-5.1	-4.6	-3.6	-3.3	-3.1
Nominal GDP at market prices (G$ billion)	614.1	635.3	657.4	709.7	755.1	800.4	848.9	1050.0	1262.3	1327.0

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ The decline in fiscal accounts' GDP shares are due to the large GDP increase after the start of oil production.

2/ Net current surplus or deficit. There is a break in 2017 due to a reclassification of government transfers from a revenue item to a financing item.

3/ Reflects interest and amortization after total debt relief.

4/ It is assumed that oil revenues finance investment projects through 2024 and a certain fraction is saved afterwards.

5/ Includes statistical discrepancies.

Table 4. Guyana: Summary Account of the Bank of Guyana and Monetary Survey

				Est.	Projections					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
				(In billions of Guyanese dollars, end of period)						
				I. Bank of Guyana						
Net foreign assets	125.4	111.5	99.7	103.9	118.2	139.0	159.8	169.2	190.0	210.0
Foreign assets	160.2	137.5	123.6	127.0	141.4	162.1	183.0	192.4	213.2	233.2
Foreign liabilities 1/	-34.8	-25.9	-23.9	-23.1	-23.1	-23.1	-23.1	-23.1	-23.1	-23.1
Net domestic assets	-64.5	-39.1	-23.9	-25.0	-30.0	-45.4	-60.6	-61.9	-73.7	-86.8
Of which:										
Credit to public sector (net) 1/	-56.9	-29.6	-3.8	7.4	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to commercial banks	-54.1	-53.4	-62.4	-75.7	-80.6	-85.4	-90.6	-98.0	-106.1	-112.4
Other items (net)	49.1	44.0	42.5	43.4	50.7	40.1	30.1	36.3	32.5	25.7
Currency in circulation	60.9	72.5	75.8	83.0	88.3	93.6	99.2	107.4	116.3	123.2
Base money	108.4	119.5	130.4	150.3	159.9	169.5	179.8	194.6	210.7	223.2
Of which: Excess reserves	6.0	6.2	11.1	24.3	42.2	43.4	48.7	73.9	67.5	61.3
				II. Monetary Survey						
Net foreign assets	174.6	172.8	156.2	161.3	177.8	199.1	218.4	226.2	245.3	263.6
Bank of Guyana 1/	125.4	111.5	99.7	103.9	118.2	139.0	159.8	169.2	190.0	210.0
Commercial banks	49.2	61.2	56.5	57.4	59.5	60.1	58.5	56.9	55.3	53.6
Net domestic assets	138.8	156.9	178.3	189.7	225.7	245.6	271.8	304.3	325.8	348.5
Credit to public sector (net) 1/	-38.2	-25.0	-6.3	2.4	21.3	34.7	47.1	60.4	78.0	95.5
Private sector credit	185.1	202.0	214.5	219.1	225.7	232.4	240.6	250.2	260.2	271.9
Other items (net)	-8.1	-20.1	-29.9	-31.8	-21.3	-21.5	-15.8	-6.3	-12.4	-18.9
Broad money	313.4	329.6	334.5	351.0	403.4	444.7	490.2	530.5	571.1	612.1
				(Percentage change, 12–month basis)						
Net foreign assets	-7.5	-0.9	-8.5	2.9	10.2	12.0	9.7	3.6	8.5	7.5
Net domestic assets	31.0	15.5	15.9	7.3	19.0	8.8	10.7	11.9	7.1	7.0
Domestic credit	25.8	20.5	17.6	6.4	11.5	8.2	7.7	8.0	8.9	8.6
Of which:										
Private sector credit	14.5	9.1	6.2	2.1	3.0	3.0	3.5	4.0	4.0	4.5
Business sector	13.2	14.0	0.8	-2.9	…	…	…	…	…	…
Household sector	18.2	-10.0	11.0	6.5	…	…	…	…	…	…
Mortgage sector	24.1	13.2	11.7	4.0	…	…	…	…	…	…
Other sectors	3.1	-9.2	17.3	0.9	…	…	…	…	…	…
Public sector net	14.9	34.5	75.0	137.8	800.5	62.8	35.6	28.4	29.1	22.5
Broad money	3.8	5.2	1.5	5.0	14.9	10.2	10.2	8.2	7.7	7.2
				(Contribution to changes in base money, 12–month basis)						
Base money	2.7	10.2	9.1	15.3	6.4	6.0	6.1	8.2	8.3	6.0
Net foreign assets	-12.0	-12.8	-9.9	3.3	9.5	13.0	12.3	5.2	10.7	9.5
Other including net credit to public sector	14.7	23.0	19.0	12.0	-3.1	-7.0	-6.2	3.0	-2.4	-3.6
				(In million of U.S. dollars, unless otherwise indicated)						
Memorandum items:										
Bank of Guyana's net foreign assets 1/	608.0	540.1	482.6	503.6	552.5	643.0	732.2	767.4	853.0	933.6
Commercial banks' net foreign assets	238.6	296.4	273.7	278.1	278.1	278.1	268.1	258.1	248.1	238.1
Money multiplier	2.9	2.8	2.6	2.3	2.5	2.6	2.7	2.8	2.7	2.7
Income velocity of broad money	2.0	1.9	2.0	2.0	1.9	1.8	1.7	1.7	1.7	1.7
Excess reserves (ratio to required reserves)	0.2	0.2	0.3	0.5	1.0	1.0	1.1	2.3	1.9	1.7
Average lending rates, in percent	11.2	11.2	11.2	11.2	…	…	…	…	…	…

Sources: Bank of Guyana, and Fund staff estimates and projections.

1/ Includes Fund debt relief.

Table 5. Guyana: External Financing Requirements and Sources

(In millions of U.S. dollars)

				Est.	Projections					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Financing requirement	**529.8**	**372**	**196**	**75**	**198**	**298**	**326**	**212**	**57**	**54**
External current account deficit										
(excludes official transfers)	425.4	332	181	-13	107	159	190	134	-73	-71
Debt amortization	194.4	163	92	76	41	49	46	43	44	45
NFPS amortization 1/	183.2	151	81	72	41	49	46	43	44	45
Bank of Guyana amortization	11.3	12	10	4	0	0	0	0	0	0
Of which:										
IMF net credit	11.3	12	10	4	0	0	0	0	0	0
Gross international reserves (increase = +)	-90.0	-123	-77	12	49	90	89	35	86	81
Available financing	**530**	**372**	**196**	**75**	**198**	**298**	**326**	**212**	**58**	**54**
Capital transfers (MDRI)	0	0	0	0	0	0	0	0	0	0
Official transfers	37	43	21	13	56	60	64	60	51	51
NFPS loans	200	169	63	58	87	129	140	122	104	104
Other public sector net 2/	25	-96	-54	-7	-20	0	0	0	0	0
Private sector (net) 3/	268	255	166	11	75	110	122	30	-98	-101
Exceptional financing	0	0	0	0	0	0	0	0	0	0
Financing gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

1/ Scheduled amortization of NFPS after debt relief.

2/ Includes the unspent portion of PetroCaribe financing.

3/ Including change of commercial banks NFA, short-term flows and trade credits, net foreign direct investment, and errors and omissions of balance of payments.

Source: Fund staff estimates and projections.

Table 6. Guyana: Indicators of External and Financial Vulnerability

(In percent, unless otherwise indicated)

							Est.	Projections					
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Financial indicators													
Public sector debt-to-GDP 1/	67.9	66.7	63.7	57.9	51.9	48.3	49.6	55.1	58.5	61.2	54.3	49.7	51.6
NPV of public sector debt-to-GDP	47.4	49.9	43.0	41.6	36.8	35.8	37.8	43.2	46.1	48.4	43.2	40.0	42.0
NPV of public sector debt-to revenue	180.4	202.2	167.7	168.8	156.0	128.9	135.1	165.9	172.1	179.5	168.9	162.2	169.7
Share of nonperforming loans in total loans	6.5	5.4	6.0	6.0	8.6	11.5	12.9	…	…	…	…	…	…
Share of nonperforming loans to total assets	2.4	2.2	2.6	2.7	4.2	5.6	6.1	…	…	…	…	…	…
Loan loss provisions to nonperforming loans	63.2	79.5	73.1	69.5	45.4	38.0	45.8	…	…	…	…	…	…
Risk-based capital-asset ratio (end of period)	18.9	19.1	19.3	21.2	21.8	23.9	25.4	…	…	…	…	…	…
Return on assets	2.5	2.6	2.4	2.6	2.7	2.7	2.7	…	…	…	…	…	…
Three-month T-bill rate (end of period)	3.8	2.4	1.5	1.5	1.7	1.9	1.7	…	…	…	…	…	…
CPI-inflation (end of period)	4.4	3.3	3.5	0.9	1.2	-1.8	1.5	2.6	2.7	3.0	3.1	3.1	3.1
External indicators													
Exchange rate (per US$, end of period)	203.5	203.8	204.5	206.3	206.5	206.5	206.5	…	…	…	…	…	…
REER appreciation (12-month basis)	-1.2	-2.2	3.2	0.2	-0.2	12.2	2.1	…	…	…	…	…	…
Current account balance-to-GDP	-9.6	-13.0	-11.6	-13.3	-9.6	-5.7	0.4	-2.0	-4.1	-4.7	-2.7	1.4	1.3
Gross official reserves (in millions of U.S. dollars)	780.0	798.1	855.6	776.9	665.6	598.5	615.3	664.6	755.1	844.2	879.5	965.1	1045.6
Gross official reserves in months of imports	5.2	4.3	4.1	4.0	3.5	3.5	3.6	3.6	3.8	4.1	3.4	3.1	3.2
Gross official reserves to short-term external public sector debt	3,778	2,123	2,099	400	408	652	810	1,630	1,532	1,818	2,056	2,184	2,332
External public sector debt to GDP	46.0	46.7	47.7	41.8	39.5	35.9	33.8	34.2	34.6	35.0	30.0	26.0	25.7
NPV of external public debt (in millions of U.S. dollars)	762	772	769	763	752	744	758	800	826	867	902	928	955
NPV of external public sector debt to exports	69.2	54.0	46.1	49.4	52.2	53.1	44.0	43.1	43.2	43.7	28.5	21.1	21.2
NPV of external public debt-to-central government revenue	142.1	133.1	114.0	108.7	106.7	87.1	82.1	92.1	89.7	88.7	76.2	66.8	65.8
NPV of external public debt-to-GDP	33.7	29.9	26.9	25.5	24.4	23.4	22.1	22.3	22.2	22.2	18.9	16.3	16.1

Sources: Bank of Guyana; and Fund staff estimates and projections.

1/ The 2015-16 public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.

Table 7. Guyana: Medium-Term Macroeconomic Framework

				Est.	Projections					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
(Annual percent change)										
Production and prices										
Real GDP	5.2	3.8	3.1	3.3	3.5	3.6	3.7	38.5	28.5	2.8
Non-oil real GDP	5.2	3.8	3.1	3.3	3.5	3.6	3.7	3.7	3.9	3.9
Consumer prices (average)	1.9	0.7	-0.9	0.8	2.3	2.7	2.9	3.1	3.1	3.1
Consumer prices (end of period)	0.9	1.2	-1.8	1.5	2.6	2.7	3.0	3.1	3.1	3.1
Terms of trade	-4.5	-3.0	22.6	7.5	-7.8	-0.2	1.5	0.8	0.2	0.2
(In percent of GDP)										
National accounts										
Investment	16.9	16.6	13.9	14.9	16.9	17.1	16.9	16.5	16.5	16.3
Private sector	8.3	8.3	8.3	8.0	8.2	8.3	8.4	7.3	6.5	6.6
Public sector	8.6	8.2	5.6	6.9	8.7	8.8	8.5	9.2	10.0	9.7
National saving 1/	3.6	6.9	8.2	15.3	14.9	12.9	12.2	13.8	17.8	17.6
Private sector	-1.2	4.9	3.7	11.9	14.2	12.3	11.4	10.0	12.5	12.3
Public sector	4.8	2.1	4.5	3.4	0.7	0.7	0.8	3.7	5.4	5.3
External savings	13.3	9.6	5.7	-0.4	2.0	4.1	4.7	2.7	-1.4	-1.3
Nonfinancial public sector										
Central government revenue and grants	24.6	23.6	27.8	28.0	26.1	26.8	27.0	25.6	24.7	24.7
Tax revenue	20.8	21.4	21.7	21.4	21.5	21.8	21.8	19.1	17.2	17.4
Non-tax revenue	2.3	1.4	2.9	3.6	3.1	3.0	3.2	5.5	7.0	6.9
Capital revenue	0.0	0.0	0.2	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Grants 2/	1.2	0.7	1.0	1.1	1.9	2.0	1.9	0.9	0.3	0.3
Public enterprises operational balance	0.2	0.0	2.1	1.9	-0.5	-0.2	-0.1	0.1	0.1	0.2
Expenditure	28.3	29.3	28.1	30.9	33.3	33.1	33.0	30.4	29.2	29.0
Current 3/	19.6	21.1	22.5	24.0	24.6	24.3	24.5	21.2	19.2	19.3
Capital	8.6	8.2	5.6	6.9	8.7	8.8	8.5	9.2	10.0	9.7
Overall balance (before grants)	-4.8	-6.4	-1.1	-4.0	-9.1	-8.4	-8.0	-5.7	-4.8	-4.6
Overall balance (after grants)	-3.6	-5.7	-0.2	-2.9	-7.2	-6.3	-6.0	-4.8	-4.5	-4.3
Financing	3.6	5.7	0.2	2.9	7.2	6.3	6.0	4.8	4.5	4.3
Net external financing 3/	4.9	1.3	-0.9	1.2	1.1	2.1	2.4	1.7	1.0	1.0
Net domestic financing	0.8	3.7	1.0	1.7	6.1	4.2	3.6	3.2	3.5	3.3
Oil-related revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6	4.4	4.3
Total public sector gross debt (end of period) 4/	57.9	51.9	48.3	49.6	55.1	58.5	61.2	54.3	49.7	51.6
External	41.8	39.5	35.9	33.8	34.2	34.6	35.0	30.0	26.0	25.7
Domestic	16.1	12.3	12.4	15.8	20.9	23.9	26.2	24.4	23.7	25.9
(In millions of U.S. dollars, unless otherwise indicated; end of period)										
External sector										
Current account balance	-398.5	-296.2	-181.4	13.7	-71.4	-153.8	-185.3	-129.3	77.3	76.2
Gross official reserves	776.9	665.6	598.5	615.3	664.6	755.1	844.2	879.5	965.1	1045.6
Months of imports of goods and services	4.0	3.5	3.5	3.6	3.6	3.8	4.1	3.4	3.1	3.2
Memorandum items:										
Nominal GDP (G$ billion)	614.1	635.3	657.4	709.7	755.1	800.4	848.9	1,050.0	1,262.3	1,327.0
Per capita GDP, US$	3,929	4,029	4,151	4,475	4,662	4,817	5,043	6,157	7,306	7,581
Guyana dollar/U.S. dollar (period average)	205.4	206.4	206.5	206.5	...	...	...	...	...	...

Sources: Guyanese authorities; and Fund staff estimates and projections.

1/ Includes public enterprises.
2/ Includes debt service savings under HIPC and MDRI.
3/ Reflects interest and amortizations after debt stock operations.
4/ The 2015-16 public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.

Table 8. Guyana: Risks Assessment Matrix 1/

Source of Risk	Risk[2]	Impact[2]	Policy Response
Global Risks			
Reduced financial services by correspondent banks ("de-risking").	H	H	Address the withdrawal of CBRs by tackling drivers related to risk and risk perceptions, including greater compliance with international standards and removal of impediments to information sharing, as well as drivers related to profitability, including technological innovations.
Policy uncertainty and divergence, including two-sided risks to U.S. growth and uncertainty associated with post-Brexit arrangements.	H	M	Greater exchange rate flexibility.
Significant further strengthening of the US dollar and/or higher rates.	H	M	Greater exchange rate flexibility to stem real appreciation and attenuate impact on current account deficit.
Significant China slowdown.	L/M	M	Greater exchange rate flexibility.
Lower energy prices.	L	M	This would reduce the oil import bill in the short-run. But could delay investments in the oil sector, which would call for earlier fiscal consolidation.
Country-specific risks			
A significant deterioration in the quality of domestic banks' credit portfolio.	M	H	Strengthen capital and provisioning requirements and risk-based supervision; introduce emergency liquidity assistance and crisis resolution frameworks.
Larger than expected slowdown in key sectors and losses/contingencies at public enterprises, PPPs and the National Insurance Scheme.	M	M	Allow automatic stabilizers to work in the short-term; fiscal consolidation/restructuring of problem enterprises; medium-term expenditure framework.

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" indicates a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.
2/ Low (L), Medium (M), High (H).

Annex I. Authorities' Response to Past IMF Recommendations

Box 1. Authorities' Response to Past IMF Policy Recommendations
(Scale – fully consistent, broadly consistent, or marginally consistent)

IMF 2016 Article IV Recommendations	Authorities' Response
Fiscal policy Fiscal consolidation to preserve buffers. Moderate the growth in current expenditure, particularly subsidies to SOEs, broaden the revenue base and strengthen tax administration. Refrain from nonconcessional borrowing.	**Broadly consistent** The authorities narrowed the NFPS deficit to 2.9 percent of GDP in 2016 from a budgeted 5.5 percent, although mainly as a result of delays in capital expenditure. The authorities implemented a VAT reform in 2017 that broadened the tax base while reducing the rate. External borrowing remained on concessional terms. Various restructuring measures for the sugar industry are currently being considered to reduce its reliance on government support.
Monetary and exchange rate policies Maintain an accommodative monetary policy stance. Allow exchange rate flexibility to play a larger role in facilitating external adjustment.	**Broadly consistent** The monetary stance remained accommodative and nominal and real interest rates declined. There was a small but significant increase in nominal exchange rate flexibility vis-à-vis the US dollar.
Financial sector policy Heightened vigilance given rise in NPLs. Tighten provisioning requirements and closely monitor related-party lending. Strengthen the AML/CFT framework and promptly implement the action plan agreed with the FATF.	**Broadly consistent** The authorities passed the Insurance Act and strengthened stress testing practices. They have made some progress in implementing recommendations from the 2016 FSAP (Annex V). Guyana addressed AML/CFT deficiencies and exited the FATF follow-up process.
Structural reforms Move towards greater economic diversification by advancing reforms to promote competition and improve the business climate. Well targeted public investment and liberalizing reforms to lower the high costs of electricity, transportation and telecommunications and raise productivity.	**Broadly consistent** The authorities liberalized the telecommunications sector and improved their rankings in the World Bank Doing Business Report. They are also taking steps to increase the share of renewables in the energy matrix and integrate remote regions in the hinterland.

Annex II. Best Practices in Managing Oil Wealth

1. **The magnitude of oil resources is still subject to further exploration and proceeds are not expected to start flowing before 2020.** Nevertheless, the authorities have made it a priority to put in place a credible framework for the management of future hydrocarbon revenues. This will contribute toward resolving potential uncertainties regarding how these revenues would be spent and how they could affect macroeconomic developments. Once the draft SWF law, and the resource management framework embodied in it, is finalized, it will contribute to building confidence in the general public and financial markets.

2. **To ensure that the operation of the SWF is consistent with the macro-fiscal objectives, the SWF law should be linked to a fiscal responsibility law (FRL)**. All hydrocarbon revenues and any public spending related to these revenues should be channeled through the state budget. As the SWF investment activities will have direct domestic macroeconomic implications, these activities can be usefully coordinated with relevant authorities such as the owner (Ministry of Finance) and the Bank of Guyana through regular meetings (e.g., quarterly). That can help ensure consistency with the overall macroeconomic policies.

3. **The building up of assets in a SWF and its investment strategy should be seen in the broader context of Sovereign Asset and Liability Management (SALM) framework.** One related aspect for indebted resource-rich countries is striking the right balance between debt repayments and the building up of SWF assets for stabilization purposes. Hydrocarbon revenues can be used to reduce the stock of government foreign debt to sustainable levels. The exact target for debt reduction would be guided by the FRL. The appropriate level of the stabilization fund should be evaluated in a SALM framework; taking account of interest rate levels and the size of the public debt**.**

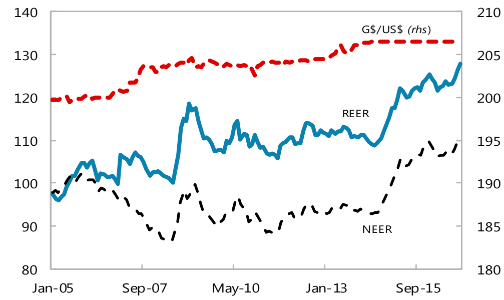
4. **Communication with the general public is a critical part of maintaining legitimacy domestically, as well credibility internationally.** Informing the general public about the characteristics of the investment strategy and the risks that are taken should contribute to making the implementation of the strategy more robust in times of high market volatility. To this end, it is common for many SWFs to organize educational seminars, engage with the media, and maintain an active website with up-to-date information on the SWF's activities.

Annex III. External Balance Assessment

Guyana's external position in 2016 is assessed to be stronger than levels consistent with fundamentals and the real exchange rate continued to appreciate. The temporary improvement in the current account is largely due to the sharp increase in gold exports and favorable terms of trade. Nevertheless, the current account gap is expected to narrow over the short-term. More flexibility in the nominal exchange rate would help Guyana cope with potential external shocks, and fiscal consolidation would help preserve buffers.

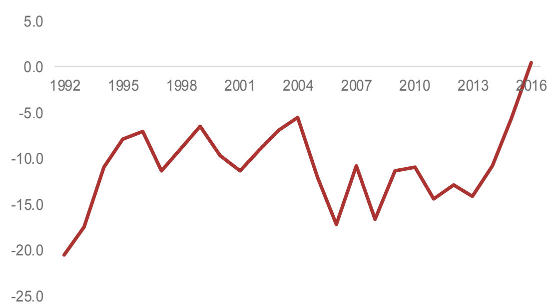
1. The real effective exchange rate (REER) has appreciated by 5 percent during June 2015–December 2016. That closely follows the Nominal Effective Exchange Rate (NEER), which appreciated by 6 percent during that same period. This appreciation largely reflects developments in the value of the US dollar—which the Guyanese dollar follows very closely—against the Euro and other major currencies.[1]

Real and Nominal Effective Exchange Rates
(Index, 2005=100; increase = appreciation)



2. EBA-Lite based estimates suggest that the external position in 2016 was stronger than warranted by medium-term fundamentals and desirable policy settings.[2] For 2016, the current account norm declined to -2.1 percent compared with an actual level of 0.4 percent of GDP, producing an estimated current account gap of 2.5 percent. The CA gap consists of a policy gap of 1.4 percent of GDP and an unexplained residual of 1.1 percent of GDP. That implies a moderate real exchange rate undervaluation, which is also supported by the alternative REER model. The current account gap is expected to narrow over the short term, given the projections of negative terms of trade shock in 2017, an acceleration of the public investment program, and a recovery of domestic demand. That expected narrowing of the current account gap would imply an exchange rate that is broadly in line with fundamentals. Developments in the external sector will continue to be shaped by idiosyncratic shocks to oil prices, and to the gold, rice and sugar sectors given the large concentration of exports on those commodities.

Current Account Balance
(Percent, excluding official transfers)



Current Account and REER Gaps
(In percent of GDP, unless otherwise indicated)

	EBA (2016)
Current Account Approach	
Current account norm	-2.1
Current account balance	0.4
Current account gap, *of which:*	2.5
Policy gap	1.4
CA elasticity to REER 1/	-0.3
Exchange rate gap (percent)	-8.1
REER Approach	
REER actual	4.7
REER norm	4.8
REER gap	-5.9

Source: Fund staff estimates.
1/ This elasticity is computed using the exchange rate elasticities for imports (0.92) and exports (-0.71) and the values of imports and exports of goods and services as a share of GDP.

[1] Guyana's exchange rate regime is a *de jure* floating regime, but a *de facto* stabilized arrangement.

[2] This methodology ensures cross-country consistency and facilitates cross-country comparison.

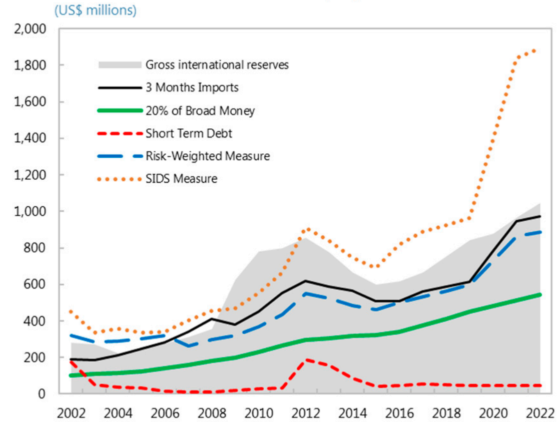
Annex IV. External Reserve Adequacy

Staff's assessment indicates that international reserves are above traditional and risk-weighted measures through 2022. The current account balance is projected to deteriorate slightly in 2017 on the back of less favorable terms of trade. The external outlook remains broadly favorable and will improve with the expected commencement of oil production in 2020.

1. **The level of international reserves is better than suggested by traditional non-risk based adequacy metrics.**[1] Reserves have been above 3 months of imports since 2008. As of end-2016, reserves were well-above 20 percent of broad money (M2) and around 1400 percent of short-term debt, providing sufficient buffers against capital flight and limited market access in the event of adverse shocks.

2. **Guyana's international reserves also meet the adequacy range of risk-weighted metrics.**[2] Guyana's level of international reserves stood at 123 percent of the Assessing Reserve Adequacy (ARA) metric at end-2016, placing it in the middle of the 100-150 percent adequacy range. Guyana's international reserves stood around 75 percent of the risk-weighted measure for Small Island Developing States (SIDS), placing it on the lower end of the 75-100 percent adequacy range. The large decline in cover relative to the SIDS metric starting in 2020 (Text Figure) is driven by the surge in oil-related exports.[3] Since initially most oil revenue is used for cost recovery, the increase in foreign reserves, while substantial, is smaller than the increase in exports.

Gross International Reserves and Adequacy Metrics
(US$ millions)



3. **Given a favorable external outlook, international reserves are projected to rise and surpass traditional and risk-weighted metrics, except SIDS.** Terms of trade should remain relatively favorable. The current account will swing into a surplus in 2021 following the start of oil production, which will maintain the reserve coverage well-above standard "rules of thumb" and risk-based adequacy metrics despite the significant increase in oil-related imports and repatriation of direct investment income.

[1] Though traditional indicators ("rules of thumb") are simple and transparent, they may underestimate other potential outflows pressures (e.g., falling export income, outflows from other debt and equity liabilities).

[2] The Assessing Reserve Adequacy (ARA) Board paper in 2011 proposed a new metric for assessing the adequacy of reserve held by emerging market economies. The ARA 2015 updated some of the weights.

[3] The SIDS metric includes 35 percent of exports.

Annex V. 2016 FSAP Recommendations[1]

Recommendations	Time[1]	Authorities' responses
To improve systemic risk monitoring and stress testing		
Analyze system-wide risks by clearly mapping upstream and downstream ownership of banks, collecting data on housing market developments; and corporate and household balance sheets. ¶20, ¶50	I	Initial discussions have been held with the Bureau of Statistics, as this agency may be best suited to source the data.
Assess credit risk without considering collateral values, given difficulties in collateral recovery. ¶20, ¶29	I	Done in June 2016. Further, a new model is being reviewed which applies haircuts instead to total removal of collateral.
Develop real estate price indices (possibly the Bureau of Statistics) ¶20, ¶50	NT	Initial discussions have been held with the Bureau of Statistics.
Expand BoG's stress testing toolkit to incorporate macrofinancial scenarios; collect more detailed data; and carry out validity checks to ensure data accuracy and reliability. ¶27	NT	
To enhance banking supervision, regulations, and financial safety nets		
Ensure consistency across the continuum of supervisory functions, from routine supervision to intervention and resolution. ¶42	I	Risk-Based Supervision Manual revised
Continue to enforce timely and effective remedial actions from banks, as recently initiated by the BoG, to ensure bank compliance with requirements of bank examinations ¶44	I	BoG has been more assertive in follow-up of actions to be implemented.
Eliminate reduced provisioning requirements for "well-secured" portions of NPLs and ensure that loan classification and provisioning reflect borrowers' true financial conditions. ¶45	I	SG No. 5 is currently being reviewed.
Fill information gaps on banks' condition and group structures to facilitate consolidated supervision and to design ex-ante contingency plans for takeover when necessary. ¶46, ¶50, ¶56	I	Questionnaire to be sent to relevant institutions.
Require banks to develop contingency funding plans to manage liquidity risks due to deposit concentration. ¶35, ¶37, ¶56	I	First draft of guideline received as part of TA from FIRST Initiative.
Clarify the instruments, policies, required collateral and procedures for providing ELA. ¶58	I	Will be determined following results of TA from CARTAC with regards to BOG's CMP.
Reinforce the role of the Financial Stability Committee as a forum for rigorous systemic assessments, including activation of crisis protocols. ¶52, ¶55	I	Will be determined following results of TA from CARTAC with regards to BOG's CMP.

[1] The May 2016 FSAP will be discussed at the Board with the 2017 Article IV Consultation.

Amend the FIA to make the definition of banks' related parties more stringent and reduce the large exposure limit from 40 percent to 25 percent of capital. Start mapping the amounts and types of related-party transactions to quantify hidden concentrations and wind-up excess risks as soon as possible. ¶45-46	NT	Discussions with the WB on required technical assistance have commenced.
Increase the minimum capital adequacy requirement, including charges for market and operational risk, to at least 12 percent. ¶50	NT	Dates to be finalized.
Phase out the zero-risk weighting of CARICOM government securities, and align the weights with individual countries' risks. ¶45	NT	
Encourage banks to cease the practice of overdraft lending. ¶47	NT	Intent to implement and already communicated to the commercial banks.
Streamline and operationalize the draft Crisis Management Plan. ¶52	NT	
Provide resolution powers to the BoG and, to the extent possible, limit courts' ability to reverse the BoG's decisions. ¶54	NT	FIA to be amended. Technical assistance being sought from World Bank.
Organize a small group at the BoG to develop resolution plans for vulnerable financial institutions. ¶57	NT	
Amend FIA (Part VIII) to enable effective resolution of failing or about-to-fail banks. ¶53-54	NT	
Set up a resolution group for regionally active entities and request group recovery and resolution plans. ¶57	NT	
Review the draft DIS, eliminate its participation in open bank assistance, and ensure that all preconditions for its introduction are satisfied. ¶59	NT	
To further develop the financial system and promote responsible access to finance		
Expedite preparation of required regulations to support the recently adopted insurance law. ¶48	I	
Adopt a robust law to govern the NPS and enable the safe and efficient use of electronic payments, and strengthen the regulatory framework. Grant the BoG enforcement powers. ¶64	I	
Strengthen the AML/CFT framework in line with international standards. ¶65	I	Done, legislation amended.
Extend maturities of government securities to facilitate capital market development and use in sterilizing structural liquidity. ¶39	NT	Technical Assistance to be provided by the IMF.

1/ I: immediate; NT: near term; MT: medium term. Paragraph numbers refer to the FSSA.

INTERNATIONAL MONETARY FUND

GUYANA

STAFF REPORT FOR THE 2017 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

May 9, 2017

Prepared by Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of February 28, 2017)

Membership Status. Joined: September 26, 1966; Article VIII.

General Resources Account	**SDR Million**	**Percent Quota**
Quota	181.80	100.00
IMF's Holdings of Currency (Holdings Rate)	181.80	100.00
Reserve Tranche Position	0.00	0.00

SDR Department	SDR Million	**Percent** Allocation
Net cumulative allocation	87.09	100.00
Holdings	0.87	1.00

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF[1]	Sep 20, 2002	Sep 12, 2006	54.55	54.55
ECF[1]	Jul 15, 1998	Dec 31, 2001	53.76	24.88
ECF[1]	Jul 20, 1994	Apr 17, 1998	53.76	53.76

Overdue Obligations and Projected Payments to Fund[2]

(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2017	2018	2019	2020	2021
Principal					
Charges/Interest	0.19	0.25	0.25	0.25	0.25
Total	**0.19**	**0.25**	**0.25**	**0.25**	**0.25**

[1] Formerly PRGF.

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Previous Decisions and Article IV Consultation Cycle:

a. On December 18, 2003, the Executive Board determined that Guyana had reached the completion point under the enhanced HIPC Initiative (IMF Country Report No. 04/123).
b. On February 27, 2009, the Executive Board concluded the 2008 Article IV consultation.
c. On March 17, 2010, the Executive Board concluded the 2009 Article IV consultation (IMF Country Report No. 10/292).
d. On February 16, 2011, the Executive Board concluded the 2010 Article IV consultation (IMF Country Report No. 11/152).
e. On November 9, 2012, the Executive Board concluded the 2012 Article IV consultation (IMF Country Report No. 12/254).
f. On December 19, 2013, the Executive Board concluded the 2013 Article IV consultation (IMF Country Report No. 14/294).
g. On May 9, 2016, the Executive Board concluded the 2016 Article IV consultation (IMF Country Report No. 16/216). Guyana is on a 12-month cycle for Article IV consultations.

Safeguard Assessments

The most recent safeguards assessment of the Bank of Guyana (BOG) was completed in May 2007 in respect of the then expected PRGF arrangement. Overall the assessment noted capacity constraints, including in the internal audit function. Recommendations were made to enhance internal audit reporting and to improve external audit quality to enable compliance with International Standards on Auditing (ISA) and IFRS. In the reserves management area, staff recommended the establishment of an investment committee. The latter has been implemented. The BOG continues to be audited by the Audit Office of Guyana and the reports state compliance with ISA. The BOG's financial statements refer to IFRS and are published.

Exchange Rate Arrangement

Guyana has accepted the obligations of Article VIII—Section 2, 3, and 4—and maintains an exchange system that does not have any multiple currency practices, and is free of restrictions on the making of payments and transfers for international transactions, with the only exception of certain exchange restrictions for the preservation of national and international security. Guyana's *de jure* exchange rate regime is floating. Guyana's *de facto* exchange rate regime is classified as a stabilized arrangement. The BOG conducts transactions on the basis of the weighted average quotations of the three largest dealers in the exchange market. The currency of Guyana is the Guyana dollar. The exchange rate was G$206.50 per U.S. dollar on December 31, 2016.

ROSC, FSAP, EPA Participation

a. A fiscal ROSC was undertaken in July 2002.
b. A WB/IMF FSAP took place in November 2005 and concluded in September 2006.
c. Ex-Post Assessment findings were discussed with the authorities in June 2006 and concluded on October 23, 2006.
d. A WB/IMF FSAP took place in May 2016 and concluded in March 2017.

Technical Assistance

Fiscal Affairs Department

May 2006	Develop program to prepare for VAT implementation.
Aug. 2006	Monitor preparation for VAT implementation.
Sep. 2006	Monitor preparation for VAT implementation.
Dec. 2006	Monitor preparation for VAT implementation.
Dec. 2006	Update progress in strengthening the public expenditure management system.
Jun. 2007	VAT implementation follow-up.
Apr. 2008	CARTAC (budget management).
Feb. 2012	CARTAC (Guyana Revenue Authority, customs enforcement).
May 2012	CARTAC (Tax and customs administration mission).
Oct. 2012	CARTAC (Public finance management)
Feb. 2013	CARTAC (Management mission to Guyana Revenue Authority)
Feb. 2013	CARTAC (Risk Management mission to the Guyana Revenue Authority)
Oct. 2013	CARTAC (Customs Risk Management Mission)
Apr. 2014	CARTAC (Internal audit training)
Feb. 2015	CARTAC (Training on chart of accounts)
Mar. 2015	CARTAC (Tax Administration)
Jun. 2015	CARTAC (Statistical data analysis and revenue forecasting mission)
Sep. 2015	CARTAC (Tariff classification of goods using the Harmonized System)
Jan. 2016	CARTAC (Customs Valuation training)
Jan. 2016	CARTAC (Debt Management)
Aug. 2016	CARTAC (VAT administration and policy review)
Mar. 2017	CARTAC (Tax Administration)

Monetary and Capital Markets Department

Mar. 2009	CARTAC (Regulation of market risk capital charge).
Oct. 2009	CARTAC (Development of stress-testing).
Nov. 2009	CARTAC (Risk-based supervision training).
Dec. 2009	CARTAC (Development of stress-testing).
Jun. 2010	CARTAC (Credit bureau-related regulation and training).
Oct. 2012	CARTAC (Financial sector supervision and financial stability mission).
Jan. 2014	CARTAC (Financial stability workshop).
Jun. 2014	CARTAC (Meeting with the Central Bank).
Jan. 2015	CARTAC (Risk-based supervision training).
Apr. 2015	CARTAC (Identifying and developing measures of systemic risk).
Sep. 2015	CARTAC (Financial soundness indicators for insurance sector).
Sep. 2016	CARTAC (Systemic risk indicators)
Mar. 2017	CARTAC (Stress testing the insurance sector)
Apr. 2017	CARTAC (Financial health indicators for the pension sector)
Apr. 2017	CARTAC (Financial crisis management framework)
Aug. 2017	MCM (Capital market development)

Statistics Department

Apr. 2005	Monetary and financial statistics.
Apr. 2005	Government Finance Statistics.
Apr. 2006	CARTAC (national accounts).
Apr. 2007	CARTAC (national accounts).
Oct. 2007	CARTAC (LTE: Improvement of annual GDP estimates).
Nov. 2007	CARTAC (Macroeconomic statistics for economists course).
Jun. 2009	CARTAC (Training on balance of payments).
Jun. 2009	CARTAC (Needs assessment on national accounts).
Jun. 2009	CARTAC (CPI revision of Georgetown index).
Jun. 2009	CARTAC (Training in CPI methods and procedures).
Aug. 2009	CARTAC (National accounts rebasing).
Aug. 2009	CARTAC (CPI revision of Georgetown index).
Oct. 2009	CARTAC (National accounts rebasing).
Nov. 2009	CARTAC (CPI revision of Georgetown index).
Jan. 2010	CARTAC (National accounts rebasing).
Apr. 2011	GDDS Metadata development mission.
Feb. 2014	CARTAC (External sector statistics mission).
Apr. 2015	CARTAC (Training on balance of payments).
Aug. 2015	CARTAC (Macro TA need assessment).
Nov. 2015	CARTAC (Medium-term macro framework).
May 2016	CARTAC (National accounts)
Aug. 2016	CARTAC (External sector statistics mission).
May 2017	CARTAC (National accounts)

Legal Department

May 2005	Tax legislation.
Aug. 2005	VAT regulations.
Sep. 2005	Update AML/CFT legislation.
Apr. 2006	Income-tax regulations.
Aug. 2006	Tax drafting.

Resident Representative

The office was closed in end-January 2009.

BANK-FUND COLLABORATION UNDER THE JMAP AND RELATIONS WITH THE BANK

A. Bank-Fund Collaboration Under the JMAP

The Fund and the World Bank are collaborating in responding to the Government's request for assistance with debt management. Support has been requested from the IMF to develop the domestic debt market and ensure proper coordination with monetary policy. In addition, a staff from the Government of Guyana's debt management department is on secondment with the World Bank, under the Debt Management Practitioner's Program. Guyana would benefit from strengthened capacity to formulate and implement a debt management strategy to assess the cost risk tradeoffs of the portfolio.

The World Bank Country Engagement Note (CEN), 2016–2018, was endorsed by the World Bank's Board of Executive Directors in March 2016. The current IBRD/IDA portfolio is comprised of three projects totaling US$35.6 million.[1] IFC's committed portfolio in Guyana amounts to $35 million (December 2016), and includes one project in the mining sector. IFC also has four advisory services projects: i) the Guyana Bank for Trade and Industry (GBTI) Risk Management ($0.3 million for Risk Management and SME Banking); ii) the LAC regional Indicator-Based Reform Advisory ($2.1 million); iii) the Caribbean Regional Credit Bureau ($2.1 million); and iv) Trade Logistics in the Caribbean ($2.3 million). Currently, MIGA has no exposure in Guyana.

The work of the World Bank is aligned along the three main areas of the CEN.

- **Enhancing Resilience of Selected Infrastructure and Building Disaster Risk Management.** The World Bank has two active projects focused on flood risk management: the IDA funded Flood Risk Management Projects ($11.9 million), supporting the reduction of vulnerability of coastal areas to flooding of coastal areas; and the grant funded (Guyana REDD + Investment Fund – GRIF) Cunha Canal Rehabilitation Project (US$3.7 million), approved in December 2015.

- **Setting up the Foundations for High Quality Education.** The Bank is helping Guyana to improve the quality of education delivered through three projects. The current two IDA projects include the Guyana Secondary Education Improvement Project (US$10 million), and the University of Guyana Science and Technology Support Project (US$13.7 million. The third project, Early Childhood Education, is grant funded by the Global Partnership for Education.

[1] Financing to Guyana is usually done at concessional rates and channeled through the International Development Association (IDA), the World Bank's fund for the poorest, which provides interest-free loans and grants to low-income countries and through a series of trust funds managed by the World Bank. Guyana's total IDA 16 allocation for FY12–14 is 14.3 SDR/US$21.9 million. The IDA 17 allocation for FY15–17 is 16.5 SDR/US$22.7 million.

- **Laying the Ground for Private Sector Development.** The World Bank is conducting work in support of the financial sector through: a Financial Sector Reform and Strengthening Initiative (FIRST) grant to the Bank of Guyana (US$0.5 million), a Supervisory Capacity Building and Consumer Protection grant funded project (US$0.26 million), and a Financial Sector Assessment Project. The World Bank is also providing additional support via the following two Caribbean regional projects: the Caribbean Growth Forum, and the Entrepreneurship Program for Innovation in the Caribbean funded by a grant from Canada.

B. Financial Relations

Statement of World Bank Projects

(In millions of U.S. dollars, as of December 20, 2016)

Operation	Original Principal	Available[1]	Disbursed
Guyana Secondary Education Improvement (loan)	10.0	7.1	1.6
UG Science and Technology Support (loan)	13.7	2.1	9.8
GY Flood Risk Management (loan)	11.9	7.8	2.5
Total	**35.6**	**17.0**	**13.9**

[1] Amounts may not add up to original principal due to changes in the SDR/USD exchange rate since signing.

Disbursements and Debt Service

(Calendar Year)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total disbursements	12.6	2.6	5.7	8.3	3.0	0.9	1.1	2.0	2.4	7.2	5.7
Repayments	2.0	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.3
Net disbursements	10.5	2.5	5.5	8.2	2.9	0.8	1.0	1.8	2.2	6.9	5.2
Interest and fees	0.9	0.1	0.1	0.1	0.1	0.1	0.08	0.08	0.1	0.1	0.2

* January – December 20, 2016

RELATIONS WITH THE INTER-AMERICAN DEVELOPMENT BANK

(As of February, 2017)

Approvals and Highlights

- Four new investment loans totaling $40 million were approved during the last quarter of 2016, the second year of the biennial FSO/OC allocation, in the areas of Health, Agriculture, Justice and Private Sector Development. Approved loans are outlined in the Table below. Already all loans have been signed and that for Agriculture (GY1060) is eligible for disbursement of resources under the facility. Also, resources from the Small and Vulnerable Countries (SVC) allocation were used to finance 3 new technical cooperation projects totaling $1.7 million.

Approved Investment Loans in 2016	
	Amount (US$M)
GY-L1044: Support to the Criminal Justice System	8.0
GY-L1058: Support to Improve Maternal and Child Health	8.0
GY-L1059: Enhancing the National Quality Infrastructure for Diversification and Trade Promotion	9.0
GY-L1060: Sustainable Agricultural Development Program	15.0
Total 2016	**40.0**

- Country Strategy: Preparation of a new CS commenced in December 2016 and is scheduled for approval in November 2017.

- Net cash flows: In 2016, for the second consecutive year, net flows were negative because of low disbursements.

2017 Program

- The IDB is in the transition period of the existing Country Strategy (CS) for Guyana 2012-2016. The Strategy supports the priority areas of: sustainable energy, natural resources management, private sector development and public sector management, as well as the strategic dialogue areas of transport, citizen security and water and sanitation, with the cross-cutting theme of concerns affecting Amerindian communities.

- For 2017, no investment project is included in the pipeline. Listed for approval in 2017 is one Investment Grant, Institutional Strengthening in Support of Guyana's Low Carbon

Development Strategy (LCDS) II estimated at $24 million to be financed with resources from the Guyana REDD+ Investment Fund (GRIF) on a non-reimbursable basis.

- Three new TCs are scheduled for approval in 2017: (i) GY-T1135: Water and Sanitation Governance Strengthening in the Guyanese Regions (ii) GY-T1125: After BEAMS—Status of IRI Mathematics & Literacy in Guyana; and (iii) GY-T1120: Institutional Strengthening to Guyana Social Safety Net. Other new TCs will come on stream as the 2017 allocation of US$1.76 million received for Guyana under the Small and Vulnerable Countries Funding is fully programmed.

Portfolio in Execution

- The active investment portfolio consists of fourteen (14) investment loans for an approved amount of US$240 Million; two investment operations co-financed with EU/CIF grant resources for US$41.7million; one loan guarantee for US$2.5 million and three investment grants for US$15.92 million, representing a total approved amount of US$297.62 million with a total undisbursed balance of US$214.3 million.

- Undisbursed balances, representing 73 percent of approvals, are concentrated in the Transport, Energy and Water & Sanitation sectors with support for major infrastructural works in the country.

- Technical Cooperation projects (grants) total US$18.72 million and comprise approximately 6 percent of the existing portfolio for Guyana. TC resources mostly support the Country Strategy priority area of Public Sector Management, contributing to capacity building and improvements in the statistical as well as fiduciary capabilities of Guyana.

- Disbursements: In 2016, investment loan disbursements totaled US$8.6 million, a decline of 45 percent in terms of actual amounts disbursed since 2015 and 77 percent since 2014. In 2017, investment loan disbursement performance is expected to improve with projections at US$22 million. Investment grant disbursements are expected to remain healthy with an increase from US$7.3 million in 2016 to US$12.3 million in 2017.

- Net loan flows are projected to be positive at $7.2 million in 2017, resulting from increased disbursements under the investment loan portfolio. These projections do not include expected disbursement of investment grants.

Main Indicators of the loan portfolio SG (February 2017)	
Investment loans in execution	
Number of operations	14
Approved amount (US$ millions)	240
Investment (US$ millions)	240
PBL (US$ millions)	0.0
Disbursements (percent)	27
Portfolio performance	
Operations in problem or alert	
Number of operations	3
Approved amount (US$ millions)	120.7
Percent of the total portfolio	50
Disbursements (percent)	11.1
Average age in years	2.7

Net Flow of IDB Convertible Currencies

(US$ million)

	2012	2013	2014	2015	2016	2017 (e)
Loan Disbursements	51.4	58.5	26.2	14.7	8.6	29
of which PBL disbursements	9.9	16.9	0	17.2	0	0
Repayments (principal)	2.5	4.5	5.3	8.1	10	12.1
Net Loan Flow	**48.9**	**54**	**20.9**	**6.6**	**-1.4**	**16.9**
Subscriptions and contributions	0.5	0.0	0.0	0.0	-0.5	0.0
Interests and charges	5.3	6.4	7.4	8.4	9.4	9.7
Net Cash Flow	**43.1**	**47.6**	**13.5**	**-1.8**	**-10.3**	**7.2**

Note: (e) Estimated.

Loans and Investment Grants in Execution as of December 31, 2016
(US$ million)

Project Name	Approval Date	Approved	Disbursed	Percent Disbursed	Available
LOANS					
Road Improvement and Rehabilitation Program	Oct-09	24,800,000	20,746,715	83.7	4,053,285
Expansion and Integration of Basic Nutrition Program	Sep-09	1,885,006	1,875,976	99.5	9,030
Expansion and Integration of Basic Nutrition Program	Dec-09	3,100,000	265,022	8.6	2,834,978
Georgetown Sanitation Improvement Program	Oct-10	9,500,000	9,500,000	100.0	0
East Bank Demerara Four Lane Extension	Nov-10	20,000,000	20,000,000	100.0	0
Linden Water Supply Rehabilitation Program	Jun-11	12,000,000	12,000,000	100.0	0
Sustainable Operation of the Electricity Sector and Improved Quality of Service	Sep-11	5,000,000	2,176,230	43.5	2,823,770
Road Network Upgrade and Expansion Program	Jun-12	66,200,000	1,410,000	2.1	64,790,000
Power Utility Upgrade Program	Jun-14	15,141,750	0	0.0	15,141,750
Water Supply and Sanitation Infrastructure Improvement Program	Jul-14	9,338,250	0	0.0	9,338,250
Citizen Security Strengthening Programme	Dec-14	15,000,000	1,000,000	6.7	14,000,000
Support to Improve Maternal and Child Health	Oct-16	8,000,000	0	0.0	8,000,000
Sustainable Agricultural Development Program	Nov-16	15,000,000	0	0.0	15,000,000
Enhancing the National Quality Infrastructure for Economic Diversification	Nov-16	9,000,000	0	0.0	9,000,000
Support for the Criminal Justice System	Dec-16	8,000,000	0	0.0	8,000,000
Georgetown Solid Waste Management	May-06	15,187,394	15,187,394	100.0	0
Power Utility Upgrade Program	Jun-14	22,500,000	1,885,250	8.4	20,614,750
Water Supply and Sanitation Infrastructure Improvement Program	Jul-14	7,500,000	1,000,000	13.3	6,500,000
Total Loans: 18		**267,152,400**	**87,046,588**	**32.6**	**180,105,812**
INVESTMENT GRANTS					
Power Utility Upgrade Program	Jun-14	20,731,250	2,218,203	10.7	18,513,047
Water Supply and Sanitation Infrastructure Improvement Program	Jul-14	11,422,250	1,107,107	9.7	10,315,143
Testing a Prototype Caribbean Regional Fund for Wastewater management GEF	May-11	3,512,500	3,234,534	92.1	277,966
Sustainable Energy Program for Guyana	Jul-13	5,000,000	63,307	1.3	4,936,693
Institutional Strengthening in support of Guyana LCDS	Feb-12	3,073,904	2,983,971	97.1	89,933
Institutional Strengthening in support of Guyana LCDS	Feb-12	2,850,073	2,850,073	100.0	0
Micro and Small Enterprise (MSE) Development and Building Alternative Livelihood	Feb-13	5,000,000	3,284,210	65.7	1,715,790
Total Investment Grants: 7		**51,589,977**	**15,741,406**	**30.5**	**35,848,571**

RELATIONS WITH THE CARIBBEAN DEVELOPMENT BANK

(As of December 2016)

- CDB remains one of Guyana’s most important development partners, accounting for over 20 percent of the country’s multilateral debt stock. Total loans approved for Guyana from

CDB's inception (January 26, 1970) to December 31, 2016 amounted to $286.5 million, representing 6.8 percent of CDB's total approved lending, and making Guyana CDB's sixth largest borrower out of its 19 borrowing member countries. Guyana is also the largest recipient of grant funding from CDB after Haiti, with cumulative grant approvals amounting to US$46.0 million as of December 31, 2016.

- Of the total amount of loans approved, outstanding balances totaled $146.7 million as of December 31, 2016. As of that date, undisbursed balances were $48.78 million, detailed in the table below.

Summary Statement of Loan Approvals and Undisbursed Balances, December 31, 2016
(In US$ million)

Approval Date	Description	Approved	Undisbursed
10-Dec-2008	Enhancement of TVET	7.50	0.08
22-Jul-2010	Community Roads Improvement Program	16.29	0.16
12-Dec-2012	Fourth Road Project	34.20	12.74
12-Dec-2013	Sea and River Defense Resilience Project	25.00	24.10
08-Dec-2016	Skills Development and Employability Project	11.70	11.70
Total		94.69	48.78

Source: Caribbean Development Bank.

- **Most of the interventions programmed in CDB's 2013-17 Country Strategy Paper (CSP) for Guyana had been approved as of December 31, 2016.** These included the Sea and River Defense Resilience Project, which remains under implementation. The $7.5 million loan for the Sugar Industry Mechanization Project, approved in 2014, was cancelled in late 2016. In December 2016 CDB's Board of Directors approved a Skills Development and Employability Project ($11.7 million). In advance of a new CSP, grants totaling $0.22 million were approved to provide technical assistance in development planning, and in assessing market demand for a development bank. Guyana also continued to benefit from grant funding under CDB's Caribbean Technological Consultancy Services (CTCS) program, as well as the Stand-by Facility for Caribbean Single Market and Economy (CSME) Implementation.

- **An uptick in approval activity is anticipated from the first half of 2017.** In December 2016, CDB's Board approved a new CSP for 2017-2021, with a notional resource envelope of $194 million. This includes Guyana's grant allocation of about $65 million[1] from the United Kingdom Caribbean Infrastructure Partnership Fund (UK – CIF). The resource envelope reflects the emphasis of the Government of the Co-operative Republic of Guyana (GOGY) that each intervention being financed with external resources must include a grant element of at least 35 percent.

[1] Guyana's allocation is GBP 53.2million. This equated to $64.6 million as at November 2, 2016, shortly before Country Strategy Paper was submitted for approval.

STATISTICAL ISSUES

(As of March 2017)

A. Assessment of Data Adequacy for Surveillance

General: Data provided to the Fund is broadly adequate for surveillance purposes, although timeliness, reliability, and coverage can be improved. Selected data are only available during missions and upon request. Monetary and external statistics, exchange rates and interest rates are reported to the Fund and available also from the website of the Bank of Guyana (BOG) but with certain lags. The Ministry of Finance (MOF) provides macroeconomic and fiscal statistics in semiannual publications on its website. While specific statistics areas have received technical assistance, some limitations remain in the compilation and dissemination of data for certain sectors. The authorities are currently not incorporating the effects of increased exploration and investment activities in the emerging oil sector. Future technical assistance should focus on helping them incorporate reliably the contribution of the oil sector in national statistics.

National accounts: The technical assistance mission from CARTAC produced a Data Quality Assessment Framework for the national accounts system. The mission also assisted the Bureau of Statistics to develop a five-year work plan for the development of the national accounts. This will involve undertaking a new benchmarking exercise for the annual gross domestic product (GDP) estimates for the year 2018 and will require considerable support from international agencies, in terms of funding and TA. The authorities intend to rebase GDP, which will help them incorporate the effects of future oil production. There are also plans to start publishing quarterly GDP by the end of 2017. Future work will focus on compiling expenditure-side GDP, an Industrial Production Index and Producer Price Index. The Bureau of Statistics (BOS) could increase the coverage of surveys, particularly with respect to the services sector. There is also room to improve the timeliness of statistics on labor markets, gender and poverty, which are outdated.

Government finance statistics: Fiscal statistics are disseminated through several Ministry of Finance (MOF) publications, including the Mid-Year Report on the annual budget, the Budget Speech and other budget-related documents. Technical assistance delivered by CARTAC in 2016 focused on strengthening custom tariff classification and valuation, debt management, a review of VAT policy and administration framework and developing a medium-term macro-fiscal framework. Authorities plan to upgrade their fiscal statistics to reflect the impact of future oil revenue and to incorporate it in their future budget projections.

Monetary and financial stability statistics: The BOG has made significant progress in improving the quality of monetary statistics, especially about the institutional coverage. The monetary statistics currently include the BOG, other depositary corporations (commercial banks, the New Building Society, and trust companies), and other financial corporations (finance companies, life insurance companies, non-life insurance companies, pension funds, and asset management companies). The BOG's monetary statistics provide data for publication in the IFS Supplement, based on standardized report forms. The BOG publishes on a regular basis prudential indicators for commercial banks, depository and nondepository nonbanks in its quarterly report and on its website. CARTAC has helped make progress with developing macro-prudential/systemic risk indicators and financial stability indicators for the insurance sector.

Balance of payments: In 2016, a mission from CARTAC assisted the BOG in strengthening the compilation and dissemination of external sector statistics. Progress has been made on most of the main recommendations, including implementing a pilot enterprise survey, compiling a partial international investment position (IIP), and preparing quarterly balance of payments data in sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) format. The mission provided hands-on guidance to major enterprises to complete and submit the survey forms. BOG staff continues to follow up on the completion of the survey with the companies. For the IIP, beside capacity constraints at the BOG, the main data gaps include direct investment and other financial assets and liabilities of the nonfinancial private sector and public corporations. A pilot FDI survey was conducted and further administrative data on FDI was requested from data-producing agencies. The BOG publishes quarterly balance of payments data in their national publications in an aggregated format similar to BPM4, and compiles quarterly estimates for internal purposes in the BPM6 format. The mission also followed up on the recommendation of the 2014 TA mission to revise imports of goods data in the balance of payments to remove double counting for freight and insurance.

B. Data Standards and Quality

Participant in the General Data Dissemination System (GDDS) since 2011.

C. Reporting to STA (Optional)

No data are being reported for publication in the Government Finance Statistics Yearbook.

Guyana: Table of Common Indicators Required for Surveillance

(As of March 2017)

	Date of Latest Observation (dd/mm/yy)	Date Received (dd/mm/yy)	Frequency of Data[8]	Frequency of Reporting[8]	Frequency of Publication[8]
Exchange Rates	01/17	03/17	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	01/17	03/17	M	M	M
Reserve/Base Money	01/17	03/17	M	M	M
Broad Money	01/17	03/17	M	M	M
Central Bank Balance Sheet[2]	01/17	03/17	M	M	M
Consolidated Balance Sheet of the Banking System[2]	01/17	03/17	M	M	M
Interest Rates[3]	01/17	03/17	M	M	M
Consumer Price Index	12/16	03/17	M	Monthly	Monthly
Revenue, Expenditure, Balance and Composition of Financing[4] – General Government[5]	2016	12/16	Q	Half yearly	Half yearly
Revenue, Expenditure, Balance and Composition of Financing[4] – Central Government	2016	12/16	Q	Half yearly	Half yearly
Stocks of Central Government and Central Government-Guaranteed Debt[6]	2016	12/16	M	M	A
External Current Account Balance	2016	12/16	A	A	A
Exports and Imports of Goods[7]	2016	12/16	Q	Q	Q
GDP	2016	12/16	A	A	A
Gross External Debt	2016	12/16	A	A	A
International Investment Position	N/A	N/A	N/A	N/A	N/A

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

[2] Balance sheet information of the Bank of Guyana and the consolidated balance sheet of the other depository corporations on standardized report forms are submitted to the Statistics Department of the IMF.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic nonbank financing (partial information).

[5] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[6] Only domestic debt, including currency and maturity composition (partial information).

[7] Quarterly data are only available for exports and imports of goods, not of services.

[8] Daily (D), Weekly (W), Monthly (M).

INTERNATIONAL MONETARY FUND

GUYANA

STAFF REPORT FOR THE 2017 ARTICLE IV CONSULTATION —DEBT SUSTAINABILITY ANALYSIS

May 9, 2017

Approved By
Jorge Roldos and Andrea Richter Hume (IMF) and Paloma Anos-Casero (IDA)

Prepared by the staff of the International Monetary Fund in consultation with the World Bank Staff.

Guyana's risk of external debt distress remains moderate and debt service manageable.[1] The update of the debt sustainability analysis (DSA) shows the indicators of external debt distress to remain under relevant thresholds in the baseline. The PV of external debt declines to 20 percent of GDP and debt service is 5 percent of revenue.

Nevertheless, stress tests indicate the vulnerability of public debt to adverse shocks. There are small breaches of the external debt threshold (within the borderline band) under a stress test shock to debt concessionality, suggesting a borderline moderate/low rating. An alternative approach that models the probability of debt distress shows a larger breach of threshold, which lends support to a moderate risk rating.

The medium-term outlook is favorable given the expected start of oil production by 2020. Guyana has ongoing negotiations with bilateral non-Paris Club and commercial creditors who did not participate in the Heavily Indebted Poor Countries (HIPC) Initiative with a view to settling these debts (about 5 percent of GDP). A positive outcome of the negotiations could help further reduce its external indebtedness.

[1] This DSA uses the template for low income countries and is based on Guyana's Policy Performance Rating for 2016-17, which is grounded in the Country Policy and Institutional Assessment Rating (CPIA).

BACKGROUND

1. **Debt relief and PetroCaribe debt write-offs have helped reduce Guyana's debt burden over the past decade.** Total public sector debt declined from 96 percent of GDP in 2006 to about 49.6 percent in 2016. Under the Multilateral Debt Relief Initiative (MDRI), the Fund, the World Bank, and the IDB provided debt relief amounting to US$611 million in 2006–07. Paris Club bilateral creditors and some non-Paris Club creditors granted debt relief as part of the 2004 Paris Club agreement.[1] Negotiations with other non-Paris Club creditors are protracted with the debt in question amounting to about 9 percent of total debt or about 5 percent of GDP.[2] Meanwhile, part of the debt owed to Venezuela under the PetroCaribe agreement was repaid through Guyana's rice exports to that country. The rate of external debt accumulation slowed because further borrowing under the PetroCaribe agreement with Venezuela had been halted since mid-2015 following the revival of a border dispute.

2. **Over the last seven years, total gross public debt has declined significantly.** The debt to GDP ratio declined from 67 percent in 2009 to 49.6 percent in 2016. Over the same period, external debt declined from 46 percent of GDP to 34 percent (Table 1), and domestic debt from 21 percent of GDP to about 16 percent. Multilateral institutions—particularly the Inter-American Development Bank, the Caribbean Development Bank and the International Development Association—are the main external creditors, accounting for about 40 percent of total debt. The loan portfolio has a long maturity profile and low average interest rates.

3. **Over the years, Venezuela had become an important donor but the PetroCaribe agreement with Guyana was suspended in 2015.** PetroCaribe's concessional loans financed Guyana's oil imports. Although these loan disbursements were sizable, part of the oil proceeds were deposited in an account at the Central Bank of Guyana to be used as a 'sinking fund' to service external debt. In addition, Guyana repaid part of its PetroCaribe debt with rice exports and accumulated savings under the financing arrangement.[3]

4. **Remittances are an important source of foreign exchange in Guyana, and are included in the base case.** Average remittances represented 12.3 percent of GDP and 21.2 percent of exports of goods and services during 2014-16 and have been relatively steady, except a decline in 2016, which was to some extent driven by one-off factors. Therefore, remittances are sufficiently large to be considered in the base case.[4]

[1] Debt relief under the Heavily Indebted Poor Country (HIPC) Initiative was granted by all multilateral creditors except one, by Paris Club bilateral creditors, and four non-Paris Club creditors (China, India, Venezuela, and Cuba). Debt owed to Brazil and North Korea was paid off without relief.

[2] These creditors include Argentina, Kuwait, Libya, United Arab Emirates, and Serbia, as well as a loan from an Indian commercial entity (Tata).

[3] The balance on the PetroCaribe account was about US$ 0.5 million as of end-2016.

[4] Remittances are presented as a base case if they are both greater than 10 percent of GDP and greater than 20 percent of exports of goods and services, with both ratios measured on a three-year average basis.

5. **Guyana's external debt thresholds correspond to the ones associated with a medium policy performance rating.** The three-year average of the Country Policy and Institutional Assessment (CPIA) of Guyana has remained stable at 3.3, corresponding to a medium policy performance rating. Therefore, the relevant external debt thresholds with remittances are as follows: (i) a PV of debt to GDP plus remittances ratio of 36 percent; (ii) a PV of debt to exports plus remittances ratio of 120 percent; (iii) a PV of debt to revenue ratio of 250 percent; and (iv) debt service to exports plus remittances and revenue ratios of 16 percent and 20 percent respectively.

BASELINE SCENARIO ASSUMPTIONS

6. **The baseline assumes that oil production will start as expected in mid-2020**. The oil price follows the trajectory of the January 2017 WEO projections, rising from US$43 dollars per barrel in 2016 to about US$57 dollars by 2022 and converging to a long-run value of US$60 dollars per barrel afterwards. The impact on real GDP is estimated based on US$60 dollars per barrel and the assumption that total oil production amounts to 100,000 barrels per day from mid-2020 to 2028, 80,000 barrels during 2029-32, and 60,000 barrels during 2033-37. Based on the experience from other countries, it is assumed that the value-added of the oil sector is about 60 percent of gross production. The impact on GDP will be much larger than the impact on GNP.

7. **The oil sector will have limited direct spillovers to the rest of the economy, and its main effect will be through fiscal revenue.** In line with public information on Guyana's fiscal regime for oil production, it is assumed that the government's oil revenue will equal 50 percent of "profit oil", after paying 75 percent of total revenue as "cost of oil". The government's share is therefore 12.5 percent of gross revenues in the beginning but increases significantly after the oil companies recover their initial investment (to 33 percent under our conservative assumptions). The stronger inflows are assumed to lead to moderate exchange rate appreciation and accumulation of reserves by the central bank.

8. **The fiscal impact of oil production rises as the project matures.** Oil revenue amounts to 2.6 percent of GDP in 2020 and rises to about 4.6 percent in 2021, which is the first full year of oil production. The shares of fiscal revenue and expenditure in GDP decline due to the larger increase in the latter with the start of oil production. The oil is exported, with 50 percent of Exxon's (and its partners) proceeds repatriated through the current account and the remainder through the financial account. Several countries experienced competitiveness problems in other sectors after they became oil producers. These Dutch Disease considerations should be manageable given the magnitude of the windfall. Another consideration is the loss of access to grants and concessional loans as Guyana grows richer. They are assumed to taper off with the start of oil production.

9. The growth outlook has improved with the prospects of oil production coming online over the medium term (Text Table 1). The oil sector's share of GDP is projected to peak at about 40 percent during 2021-22. Expanding oil production and increased public investment are expected to increase growth to about 13 percent on average during 2017–22, while non-oil growth will remain at about 3.7 percent.[6,7] Inflation is projected to remain around 3 percent in the medium term, as the flexible exchange rate regime and an appropriate monetary policy stance contain the inflationary pressures following the start of oil production. The external current account is expected to turn into a surplus of 1.3 percent with the start of oil production in 2021. Gross international reserves increase, despite profit repatriation by the oil company. However, reserve cover remains at about 3 months of imports during 2020-22 due to the increase in oil-related imports.

Text Table 1. Evolution of Selected Macroeconomic Indicators between DSA Updates

	Medium term					Averages		
	2015	2016	2017	2018	2019	2017-22	2023-37	2017-37
Real GDP growth (%)								
Previous DSA	3.0	4.0	3.9	3.8	3.8	3.8	3.8	3.8
Current DSA	3.1	3.3	3.5	3.6	3.7	13.4	1.4	4.9
Consumer prices (eop)								
Previous DSA	-1.8	2.1	2.1	2.4	2.8	2.7	3.0	2.9
Current DSA	-1.8	1.5	2.6	2.7	3.0	2.9	2.4	2.6
Overall balance 1/								
Previous DSA	-0.2	-5.5	-5.5	-5.0	-5.0	-5.1	-4.5	-4.7
Current DSA	-0.2	-2.9	-7.2	-6.3	-6.0	-5.5	-0.5	-2.0
Current account balance								
Previous DSA	-4.6	-3.2	-6.0	-6.3	-7.6	-7.3	-13.6	-11.8
Current DSA	-5.7	0.4	-2.0	-4.1	-4.7	-1.8	1.5	0.5
Foreign direct investment								
Previous DSA	3.8	5.6	6.9	6.7	6.5	6.5	6.5	6.5
Current DSA 2/	3.8	0.9	3.9	3.8	3.7	1.6	-2.5	-1.3

Sources: Guyanese authorities; and Fund staff estimates and projections.

1/ After grants, includes public enterprises.
2/ FDI declines because a significant share of the repatriation of profits takes place through the financial account.

10. In the baseline, fiscal consolidation is expected to be insufficient to prevent debt ratios from rising before the start of oil production in 2020. The fiscal deficit will be about 5.5 percent of GDP on average over the medium term as capital spending on infrastructure projects will remain high. The government's oil revenue averages 4 percent of GDP during 2020-22 and 3.5 percent of GDP in the long run. It is assumed that the government spends all of the oil revenue during 2021-24, saves one third of it during 2025-29 and 50 percent afterwards. Oil savings reduce the deficit and eventual fiscal surpluses are accumulated in a stabilization fund. Under these assumptions, public debt rises to about 61 percent of GDP by end-2019, and stabilizes at about 52 percent following oil production. The increase in government's oil revenue from 2033 onward reduces debt to 31.6 percent of GDP by 2037.

[6] The authorities' data and projections on the national accounts and balance of payments currently do not reflect the foreign companies' investments in developing Guyana's offshore oil resources during the preparatory phase. This causes GDP, imports and FDI to be underestimated. For consistency and because of the lack of reliable information, this investment is not covered in staff's projections.

[7] This GDP increase is consistent with values observed in other small states with large oil and gas discoveries (e.g. Mozambique, Equatorial Guinea). After the initial jump, growth is projected to converge to its steady state value.

ASSESSMENT OF BASELINE SCENARIO: GROSS EXTERNAL PUBLIC DEBT

11. The analysis suggests that Guyana's external public debt remains sustainable under the baseline but the country faces a moderate risk of debt distress as external debt ratios are vulnerable to shocks. In the baseline, all sustainability indicators remain comfortably below their thresholds, although there is some moderate trend increase. The PV of the external public debt to GDP plus remittances ratio increases gradually to 20 percent in the long term, compared to 28 percent in the previous DSA (Table 2). Most of the improvement compared to the previous DSA is due to the effect of oil on the deficit and GDP. Debt service to exports plus remittances and debt service to revenue ratios also remain well below their respective thresholds. Nevertheless, this result should be interpreted with caution because only a fraction of the oil export revenue represents income that Guyana's government could tap into to meet debt service obligations.

12. Stress tests show that Guyana's external public debt ratio is vulnerable to an increase in non-concessional borrowing (Table 2, Figure 1). In particular, the PV of debt to GDP plus remittances ratio breaches the sustainability threshold by 2037 under a stress test shock that assumes that new borrowing is on non-concessional terms. However, the breach is small (about 2 percent of threshold) and falls within the borderline ±5 percent band around the threshold. Although stress tests suggest no breach of thresholds for Guyana's repayment capacity under this scenario, public debt service to exports plus remittances and debt service to revenue ratios are also higher than in the baseline.

13. The results suggest that the risk of debt distress is borderline moderate/low. This rating is assigned to countries where the PV of all debt burden indicators are below thresholds in the baseline scenario but there is a small breach of threshold under a standardized stress test. In the case of Guyana, the breach of the external public debt to GDP plus remittances ratio occurs under a stress test at the far end of the forecast horizon and is a small breach.

14. In borderline cases the standard analysis is complemented by a probability approach. Under this approach, the estimated probability of debt distress (expressed as a percent) corresponding to each debt burden indicator is compared to a threshold level, once again in the baseline scenario and under stress test scenarios. The probability of debt distress is derived from the same equation used to estimate the external debt thresholds. However, the probability approach is based on a country's individual CPIA score and average GDP growth rate. In contrast, the standard approach uses fixed CPIA thresholds (3.25 for weak performers, 3.50 for medium performers, and 3.75 for strong performers) and the average GDP growth rate of all LICs.

15. The probability approach lends support to a moderate risk of debt distress rating. The results show that the PV of the external public debt to GDP plus remittances ratio breaches the threshold under the scenario that assumes that new borrowing is on non-concessional terms (Figure 3). This is a much earlier breach than in the previous analysis and occurs in 2027. The magnitude of the breach is also larger and lies outside of the ±5 percent borderline band.

ASSESSMENT OF BASELINE SCENARIO: GROSS PUBLIC DEBT

16. The analysis of total gross public debt shows that the risk of debt distress remains moderate (Tables 3 and 4). The total public sector debt to GDP ratio peaks at about 61 percent in 2019 but then declines with the start of oil production to about 52 percent by 2022 and 31.6 percent by 2037. Accordingly, the PV of the public sector debt to GDP ratio decreases monotonically from 48 percent in 2019 to 22 percent in 2037.

17. Nevertheless, stress tests reveal that total public debt is vulnerable to standard shocks, indicating the importance of fiscal consolidation. The PV of the debt to GDP ratio is most vulnerable to a shock to the primary balance (Table 4, Figure 2). Assuming that the primary balance is unchanged from 2017, the PV of the debt to GDP ratio would increase to 49 percent by 2022 and 95 percent by 2037. However, this scenario freezes the primary deficit at an unusually high level of 6 percent, which partly reflects shifts in capital expenditure from the 2016 to the 2017 budget.[8] Therefore, the shock has a low probability of occurrence. Debt service also increases to 29 percent of revenues by 2037 in the scenario with a shock to the primary balance, from 11 percent in 2022. This increase could reduce resources for investment and social spending. Finally, the composition and maturity profile of domestic public debt is also a source of risk. Domestic debt is estimated to be about 15 percent of GDP at end-2016 and consists of short-term Treasury bills with maturity up to 1 year. The volume of refinancing required per year is large and there is some refinancing risk.

18. Guyana's debt profile is also vulnerable to risks arising from oil production. In an alternative scenario where oil revenues fail to materialize, total public debt increases to about 67 percent by 2022 and 80 percent of GDP by 2037 in the absence of fiscal consolidation.[9] Stabilizing public debt in this scenario at the same level as in the baseline scenario with oil requires a significantly deeper fiscal adjustment. Staff estimates that an average deficit of about 1.5 percent of GDP will be needed to bring the debt to GDP ratio down to 35 percent by 2037. However, in a scenario where oil revenues fail to materialize, Guyana is likely to receive more grants and concessional financing, which would allow for debt to be stabilized with a higher deficit.

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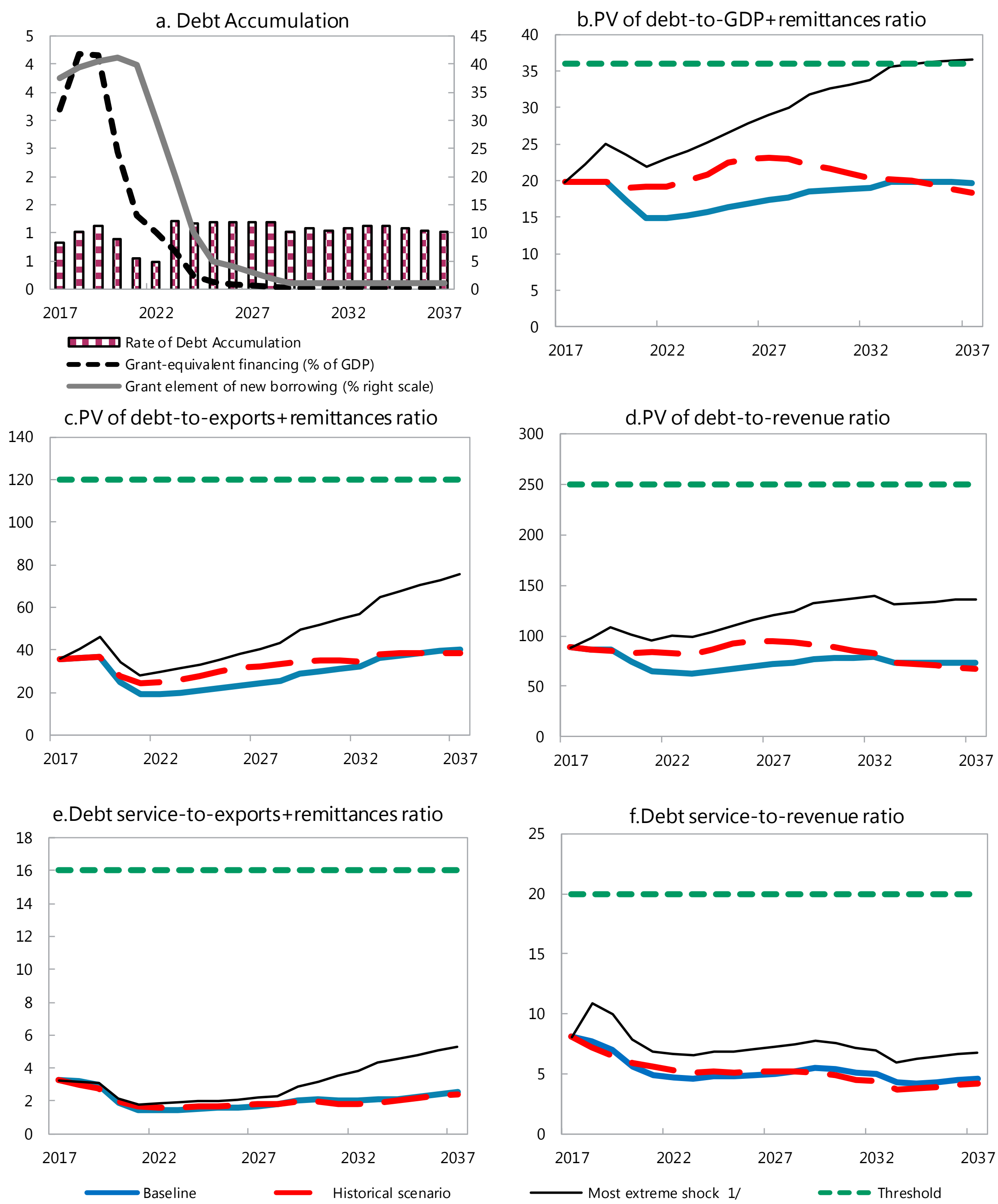
[8] Running primary deficits at this level could be motivated with expectations of large future oil revenues.

[9] Representatives from the oil industry indicated that the geological risks associated with the oil production are small. A scenario where oil revenues are significantly lower than in the baseline would hinge on a large adverse shock to oil prices. For simplicity, we modeled the scenario as one where oil revenues fail to materialize altogether.

CONCLUSION

19. Despite improved debt dynamics under the baseline with oil production, Guyana is vulnerable to stress test shocks and the risk of debt distress is moderate, albeit declining. In the baseline scenario, debt indicators remain well below their respective thresholds over the projection period. The PV of external debt to GDP ratio declines to about 20 percent in the long run. Nevertheless, stress tests indicate that Guyana's external debt to GDP ratio is vulnerable to shocks to the interest rate on new loans. The gross public debt to GDP ratio also breaches the standard threshold in the scenario with a shock to the primary balance but debt service remains manageable. Financing the large deficits projected over the medium-term may require an increasing reliance on non-concessional debt, including domestic borrowing. The volatility of oil prices, which could negatively impact future oil revenue, is another important source of risk. The gross public debt to GDP ratio is projected to reach 61 percent by 2019, a relatively high level, which can bring heightened financing risks on the non-concessional component. These risks are not fully captured in this LIC DSA, and warrant close monitoring.

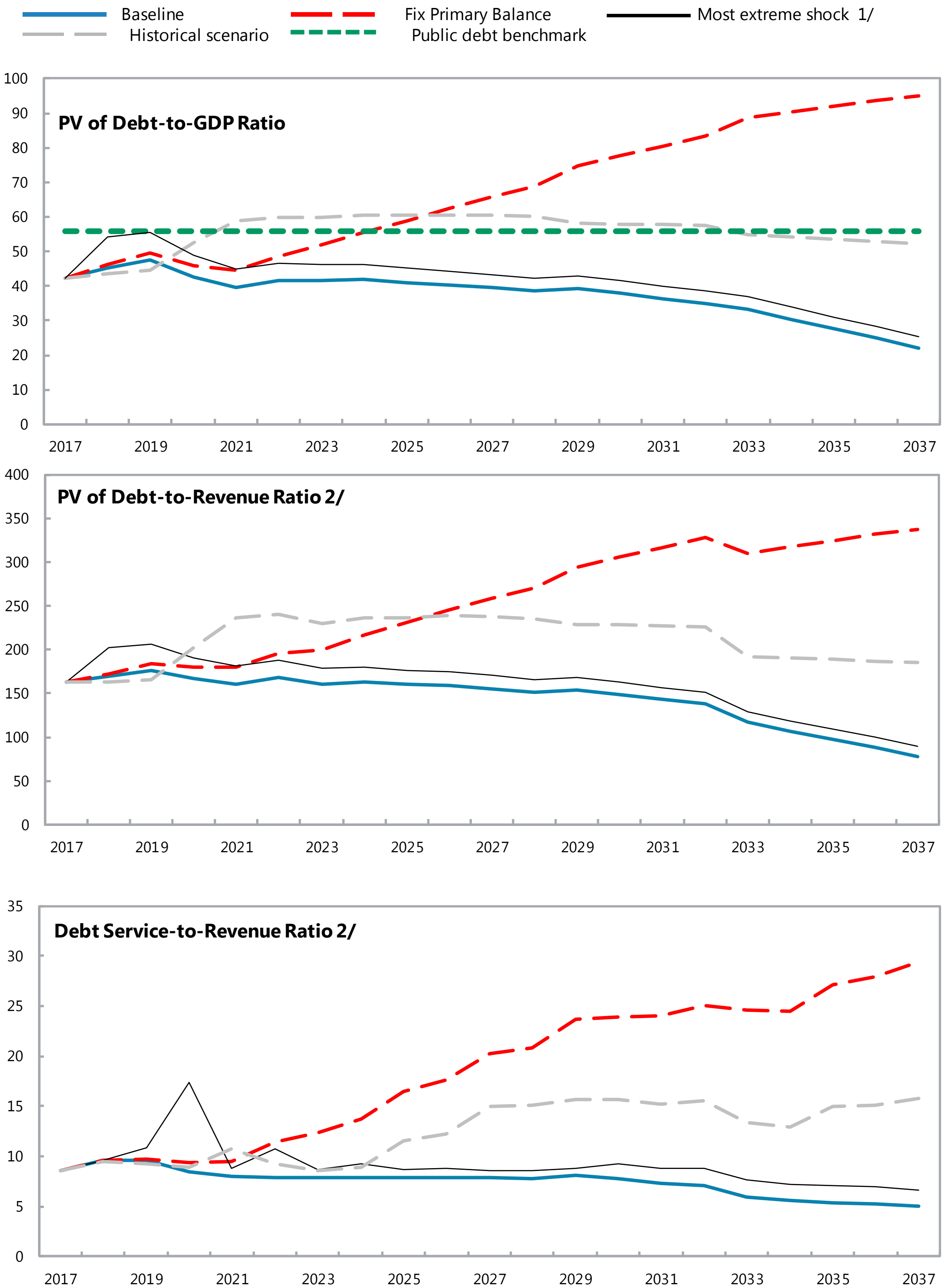
Figure 1. Guyana: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2017-2037 1/



1/ The most extreme stress test is the test that yields the highest ratio on or before 2027.

Sources: Country authorities; and staff estimates and projections.

Figure 2. Guyana: Indicators of Public Debt Under Alternative Scenarios, 2017-2037 1/

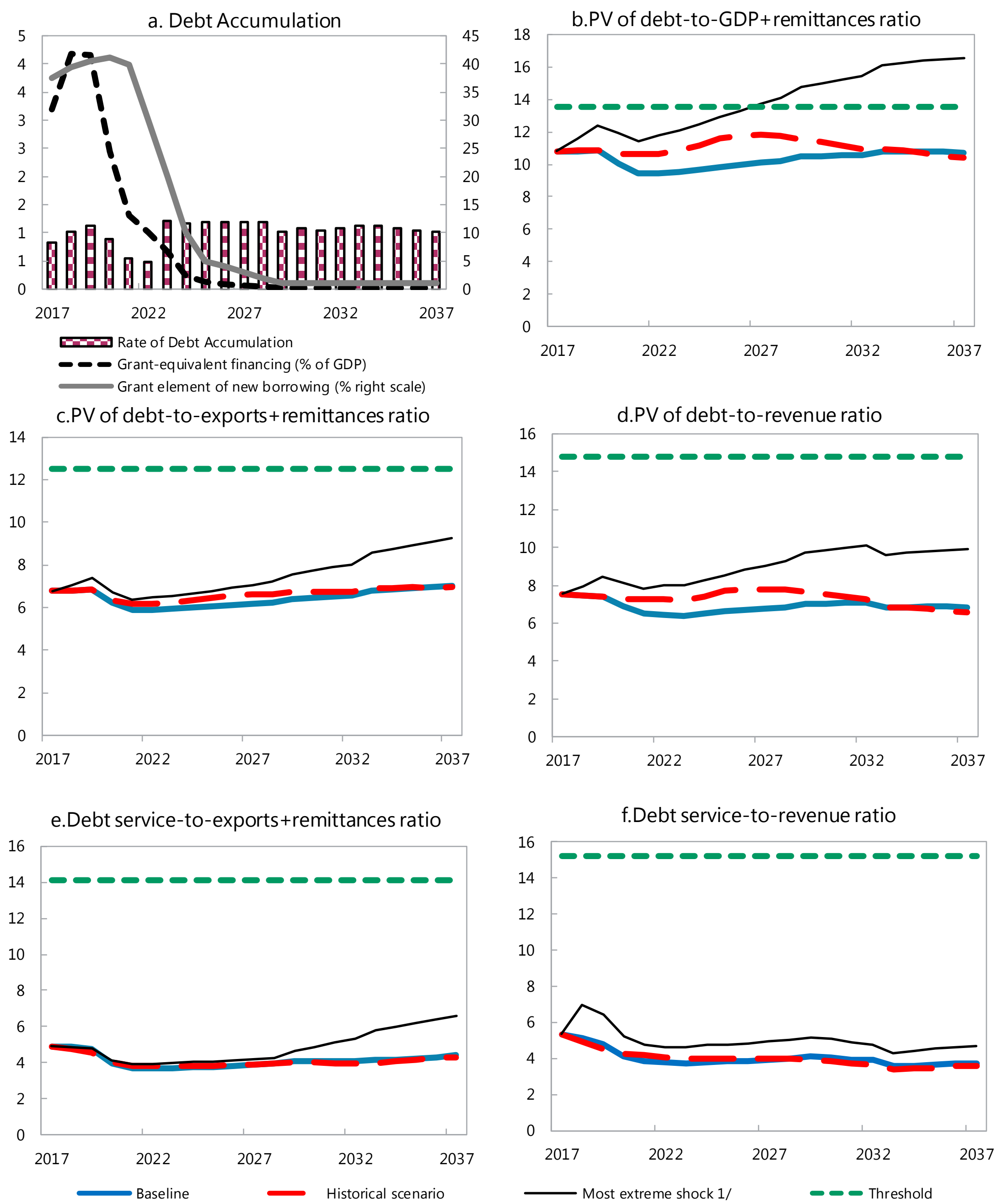


Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027.

2/ Revenues are defined inclusive of grants.

Figure 3. Guyana: Probability of Debt Distress of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2017-2037 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027.

Table 1. Guyana: External Debt Sustainability Framework, Baseline Scenario, 2014-2037 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical [6/] Average	Standard [6/] Deviation	Projections									
	2014	2015	2016			2017	2018	2019	2020	2021	2022	2017-2022 Average	2027	2037	2023-2037 Average
External debt (nominal) 1/	**39.5**	**35.9**	**33.8**			**34.2**	**34.6**	**35.0**	**30.0**	**26.0**	**25.7**		**28.7**	**30.0**	
of which: public and publicly guaranteed (PPG)	39.5	35.9	33.8			34.2	34.6	35.0	30.0	26.0	25.7		28.7	30.0	
Change in external debt	-2.3	-3.6	-2.1			0.4	0.3	0.4	-5.0	-4.0	-0.3		0.4	-0.5	
Identified net debt-creating flows	0.1	0.6	-4.0			-3.0	-0.8	-0.1	-9.2	-7.1	-0.5		0.1	0.7	
Non-interest current account deficit	**8.9**	**5.0**	**-1.1**	**8.9**	**4.3**	**1.2**	**3.6**	**4.2**	**2.2**	**-1.8**	**-1.7**		**-5.2**	**0.4**	-2.0
Deficit in balance of goods and services	26.5	19.7	8.8			10.8	11.9	12.3	-0.8	-10.8	-10.3		-12.2	2.4	
Exports	46.8	44.0	50.2			51.6	51.3	50.8	66.1	77.2	76.1		69.9	46.1	
Imports	73.3	63.7	59.0			62.4	63.3	63.1	65.3	66.5	65.7		57.7	48.5	
Net current transfers (negative = inflow)	-16.0	-13.1	-9.3	-15.4	2.9	-9.4	-8.4	-8.1	-6.7	-5.8	-5.6		-5.3	-4.1	-5.1
of which: official	-1.2	0.0	0.0			-1.0	-0.1	-0.1	-0.1	-0.1	-0.1		0.0	0.0	
Other current account flows (negative = net inflow)	-1.6	-1.6	-0.5			-0.2	0.0	0.0	9.8	14.8	14.3		12.4	2.1	
Net FDI (negative = inflow)	**-8.3**	**-3.8**	**-0.9**	**-7.5**	**2.9**	**-3.9**	**-3.8**	**-3.7**	**-0.9**	**1.4**	**1.4**		**5.4**	**0.5**	2.5
Endogenous debt dynamics 2/	**-0.4**	**-0.6**	**-2.0**			**-0.3**	**-0.6**	**-0.6**	**-10.5**	**-6.8**	**-0.3**		**-0.1**	**-0.2**	
Contribution from nominal interest rate	0.8	0.7	0.7			0.8	0.6	0.6	0.5	0.4	0.4		0.5	0.6	
Contribution from real GDP growth	-1.6	-1.2	-1.1			-1.1	-1.2	-1.2	-11.0	-7.2	-0.7		-0.6	-0.8	
Contribution from price and exchange rate changes	0.4	-0.1	-1.5			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-2.4**	**-4.2**	**1.9**			**3.4**	**1.2**	**0.6**	**4.1**	**3.1**	**0.3**		**0.3**	**-1.1**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	21.2			21.4	21.4	21.5	18.3	15.8	15.6		18.2	20.5	
In percent of exports	...	...	42.2			41.5	41.7	42.2	27.6	20.5	20.6		26.1	44.5	
PV of PPG external debt	**...**	**...**	**21.2**			**21.4**	**21.4**	**21.5**	**18.3**	**15.8**	**15.6**		**18.2**	**20.5**	
In percent of exports	**...**	**...**	**42.2**			**41.5**	**41.7**	**42.2**	**27.6**	**20.5**	**20.6**		**26.1**	**44.5**	
In percent of government revenues	**...**	**...**	**78.7**			**88.6**	**86.5**	**85.7**	**73.8**	**64.8**	**63.9**		**71.6**	**72.9**	
Debt service-to-exports ratio (in percent)	**12.1**	**7.5**	**3.5**			**3.8**	**3.7**	**3.5**	**2.1**	**1.5**	**1.5**		**1.8**	**2.8**	
PPG debt service-to-exports ratio (in percent)	**12.1**	**7.5**	**3.5**			**3.8**	**3.7**	**3.5**	**2.1**	**1.5**	**1.5**		**1.8**	**2.8**	
PPG debt service-to-revenue ratio (in percent)	**24.8**	**12.2**	**6.4**			**8.1**	**7.7**	**7.0**	**5.6**	**4.9**	**4.7**		**5.0**	**4.6**	
Total gross financing need (Billions of U.S. dollars)	0.2	0.1	0.0			0.0	0.1	0.1	0.1	0.0	0.1		0.1	0.2	
Non-interest current account deficit that stabilizes debt ratio	11.2	8.6	1.0			0.8	3.2	3.7	7.2	2.2	-1.4		-5.6	0.8	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.8	3.1	3.3	4.2	1.4	3.5	3.6	3.7	38.5	28.5	2.8	13.4	2.3	2.8	1.4
GDP deflator in US dollar terms (change in percent)	-0.9	0.3	4.5	4.6	4.3	0.9	0.0	1.3	-11.6	-7.4	1.3	-2.6	1.5	3.1	2.6
Effective interest rate (percent) 5/	1.9	1.9	2.1	1.4	0.4	2.5	1.8	1.7	1.7	1.7	1.6	1.8	1.9	2.1	1.9
Growth of exports of G&S (US dollar terms, in percent)	-6.7	-2.7	23.1	9.6	12.5	7.5	3.0	3.9	59.4	39.0	2.5	19.2	1.3	2.5	0.7
Growth of imports of G&S (US dollar terms, in percent)	-4.0	-10.1	0.0	6.8	13.3	10.6	5.0	4.7	26.7	21.2	2.9	11.9	2.8	3.4	2.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	37.6	39.5	40.5	41.2	39.8	30.0	38.1	3.0	1.0	3.5
Government revenues (excluding grants, in percent of GDP)	22.9	26.8	26.9			24.2	24.8	25.0	24.7	24.4	24.5		25.5	28.2	26.5
Aid flows (in Billions of US dollars) 7/	0.2	0.1	0.1			0.2	0.2	0.2	0.2	0.1	0.1		0.2	0.2	
of which: Grants	0.0	0.0	0.0			0.1	0.1	0.1	0.0	0.0	0.0		0.0	0.0	
of which: Concessional loans	0.2	0.1	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.2	0.2	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.2	4.2	4.2	2.4	1.3	1.0		0.1	0.0	0.1
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			59.2	56.1	56.1	51.9	45.6	36.7		3.0	1.0	3.9
Memorandum items:															
Nominal GDP (Billions of US dollars)	3.1	3.2	3.4			3.6	3.7	3.9	4.8	5.7	5.9		7.2	10.8	
Nominal dollar GDP growth	2.9	3.4	8.0			4.5	3.6	5.0	22.5	19.0	4.1	9.8	3.8	6.0	4.1
PV of PPG external debt (in Billions of US dollars)			0.7			0.8	0.8	0.8	0.9	0.9	0.9		1.3	2.2	
(PVt-PVt-1)/GDPt-1 (in percent)						0.8	1.0	1.1	0.9	0.6	0.5	0.8	1.2	1.0	1.1
Gross workers' remittances (Billions of US dollars)	0.5	0.4	0.3			0.3	0.3	0.3	0.3	0.3	0.3		0.4	0.5	
PV of PPG external debt (in percent of GDP + remittances)	...	...	19.4			19.8	19.8	19.9	17.1	15.0	14.8		17.3	19.6	
PV of PPG external debt (in percent of exports + remittances)	...	...	35.6			35.7	35.9	36.5	25.1	19.1	19.2		24.2	40.3	
Debt service of PPG external debt (in percent of exports + remittance	...	...	2.9			3.3	3.2	3.0	1.9	1.4	1.4		1.7	2.5	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 2. Guyana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2017-2037
(In percent)

	Projections							
	2017	2018	2019	2020	2021	2022	**2027**	2037
PV of debt-to-GDP+remittances ratio								
Baseline	20	20	20	17	15	15	**17**	20
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	20	20	20	19	19	19	**23**	18
A2. New public sector loans on less favorable terms in 2017-2037 2	20	22	25	24	22	23	**29**	37
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	20	20	20	17	15	15	**18**	20
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	20	21	25	22	19	19	**21**	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	20	20	20	17	15	15	**17**	20
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	20	16	13	12	10	10	**13**	17
B5. Combination of B1-B4 using one-half standard deviation shocks	20	14	9	8	7	7	**9**	15
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	20	27	27	24	21	21	**24**	28
PV of debt-to-exports+remittances ratio								
Baseline	36	36	36	25	19	19	**24**	40
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	36	36	37	28	24	25	**32**	39
A2. New public sector loans on less favorable terms in 2017-2037 2	36	40	46	34	28	30	**40**	75
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	36	36	36	25	19	19	**24**	40
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	36	41	52	36	27	27	**34**	51
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	36	36	36	25	19	19	**24**	40
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	36	28	23	17	13	13	**18**	35
B5. Combination of B1-B4 using one-half standard deviation shocks	36	24	16	12	9	9	**13**	31
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	36	36	36	25	19	19	**24**	40
PV of debt-to-revenue ratio								
Baseline	89	86	86	74	65	64	**72**	73
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	89	87	85	82	84	83	**95**	67
A2. New public sector loans on less favorable terms in 2017-2037 2	89	97	108	101	95	99	**120**	136
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	89	87	87	75	65	65	**73**	74
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	89	94	109	94	82	81	**89**	82
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	89	86	86	74	65	64	**72**	73
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	89	73	59	50	44	43	**52**	63
B5. Combination of B1-B4 using one-half standard deviation shocks	89	62	39	34	29	29	**37**	54
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	89	123	122	105	92	91	**102**	104

Table 2. Guyana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2017-2037 (concluded)
(In percent)

	Projections							
	2017	2018	2019	2020	2021	2022	2027	2037
Debt service-to-exports+remittances ratio								
Baseline	3	3	3	2	1	1	**2**	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	3	3	3	2	2	2	**2**	2
A2. New public sector loans on less favorable terms in 2017-2037 2	3	3	3	2	2	2	**2**	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	3	3	3	2	1	1	**2**	3
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	3	3	3	2	2	2	**2**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	3	3	3	2	1	1	**2**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	3	3	3	2	1	1	**2**	2
B5. Combination of B1-B4 using one-half standard deviation shocks	3	3	2	1	1	1	**1**	2
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	3	3	3	2	1	1	**2**	3
Debt service-to-revenue ratio								
Baseline	8	8	7	6	5	5	**5**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	8	7	6	6	6	5	**5**	4
A2. New public sector loans on less favorable terms in 2017-2037 2	8	8	7	6	6	6	**7**	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	8	8	7	6	5	5	**5**	5
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	8	8	7	6	5	5	**6**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	8	8	7	6	5	5	**5**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	8	8	7	5	4	4	**5**	4
B5. Combination of B1-B4 using one-half standard deviation shocks	8	7	6	4	4	4	**4**	3
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	8	11	10	8	7	7	**7**	7
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	35	35	35	35	35	35	**35**	35

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3. Guyana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2014-2037

(In percent of GDP, unless otherwise indicated)

	Actual			Average [5/]	Standard Deviation [5/]	Estimate						Projections							
	2014	2015	2016			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-22 Average	2027	2037	2023-37 Average
Public sector debt 1/	51.9	48.7	49.6			55.1	58.5	61.2	54.3	49.7	51.6	51.6	52.0	51.2	50.7		50.0	31.6	
of which: foreign-currency denominated	39.5	35.9	33.8			34.2	34.6	35.0	30.0	26.0	25.7	26.1	26.8	27.5	28.2		28.7	30.0	
		0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0		
Change in public sector debt	-6.1	-3.2	0.9			5.6	3.3	2.7	-6.9	-4.6	1.9	0.0	0.3	-0.8	-0.5		-0.7	-3.0	
Identified debt-creating flows	3.9	-1.4	-0.7			5.4	3.5	3.0	-6.6	-4.4	2.1	0.0	0.3	-0.8	-0.5		-0.7	-2.9	
Primary deficit	4.7	-0.6	2.0			6.1	5.1	4.6	3.6	3.3	3.1	1.4	1.2	0.0	0.2		0.2	-1.7	
Revenue and grants	23.6	27.8	28.0			26.1	26.8	27.0	25.6	24.7	24.7	25.9	25.6	25.5	25.4		25.5	28.2	
of which: grants	0.7	1.0	1.1			1.9	2.0	1.9	0.9	0.3	0.3	0.2	0.0	0.0	0.0		0.0	0.0	
Primary (noninterest) expenditure	28.3	27.1	29.9			32.2	31.9	31.6	29.2	28.0	27.8	27.4	26.8	25.5	25.6		25.6	26.4	
Automatic debt dynamics	-0.9	-0.8	-2.6			-0.7	-1.5	-1.6	-10.2	-7.7	-1.0	-1.4	-0.8	-0.8	-0.7		-0.9	-1.2	
Contribution from interest rate/growth differential	-1.7	-1.0	-1.6			-1.6	-1.8	-1.8	-14.0	-10.0	-1.1	-1.3	-1.1	-1.0	-0.9		-0.9	-0.9	
of which: contribution from average real interest rate	0.5	0.6	-0.1			0.1	0.2	0.2	3.0	2.0	0.2	0.0	0.3	0.2	0.2		0.3	0.1	
of which: contribution from real GDP growth	-2.1	-1.6	-1.6			-1.7	-1.9	-2.1	-17.0	-12.1	-1.3	-1.3	-1.3	-1.2	-1.1		-1.1	-0.9	
Contribution from real exchange rate depreciation	0.8	0.3	-1.0			0.9	0.2	0.2	3.9	2.3	0.2	-0.1	0.2	0.2	0.2		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-9.9	-1.8	1.6			0.2	-0.2	-0.3	-0.3	-0.3	-0.2	0.0	0.0	0.0	0.0		0.0	-0.1	
Other Sustainability Indicators																			
PV of public sector debt	...	...	36.9			42.4	45.3	47.7	42.6	39.5	41.5	41.6	41.8	40.9	40.3		39.5	22.1	
of which: foreign-currency denominated	...	...	21.2			21.4	21.4	21.5	18.3	15.8	15.6	16.1	16.6	17.2	17.8		18.2	20.5	
of which: external	...	...	21.2			21.4	21.4	21.5	18.3	15.8	15.6	16.1	16.6	17.2	17.8		18.2	20.5	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...	...	...	...	...		...	...	
Gross financing need 2/	26.2	14.8	15.8			23.2	27.4	29.8	26.9	25.6	27.6	27.9	27.6	26.1	24.9		23.7	3.6	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	131.9			162.6	169.2	176.7	166.5	160.2	167.9	160.3	163.0	160.2	158.5		155.3	78.6	
PV of public sector debt-to-revenue ratio (in percent)	...	...	137.3			175.1	183.1	190.5	172.3	162.1	169.7	161.4	163.0	160.2	158.5		155.3	78.6	
of which: external 3/	...	...	78.7			88.6	86.5	85.7	73.8	64.8	63.9	62.4	64.8	67.4	70.1		71.6	72.9	
Debt service-to-revenue and grants ratio (in percent) 4/	25.1	12.8	7.1			8.6	9.6	9.5	8.4	8.0	7.9	7.9	7.9	7.9	7.9		7.8	5.0	
Debt service-to-revenue ratio (in percent) 4/	25.8	13.2	7.4			9.2	10.4	10.3	8.7	8.1	8.0	7.9	7.9	7.9	7.9		7.8	5.0	
Primary deficit that stabilizes the debt-to-GDP ratio	10.8	2.6	1.1			0.6	1.7	1.9	10.4	7.9	1.2	1.4	0.8	0.8	0.7		0.9	1.3	
Key macroeconomic and fiscal assumptions																			
Real GDP growth (in percent)	3.8	3.1	3.3	4.2	1.4	3.5	3.6	3.7	38.5	28.5	2.8	2.6	2.7	2.4	2.3	13.4	2.3	2.8	1.4
Average nominal interest rate on forex debt (in percent)	1.9	1.9	2.1	1.4	0.4	2.5	1.8	1.7	1.7	1.7	1.6	1.7	1.7	1.8	1.8	1.8	1.9	2.1	1.9
Average real interest rate on domestic debt (in percent)	2.0	1.8	-2.2	-1.5	3.3	-0.8	1.0	1.3	16.1	11.1	1.2	0.2	1.3	1.2	1.2	5.0	1.3	0.7	0.5
Real exchange rate depreciation (in percent, + indicates depreciation	2.0	0.7	-2.8	-2.8	3.4	2.8	...	...	...	...	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-0.4	0.3	4.5	4.9	4.4	2.8	2.3	2.3	-10.7	-6.5	2.3	3.3	2.0	2.1	2.1	-1.2	2.0	2.6	2.8
Growth of real primary spending (deflated by GDP deflator, in percer	6.8	-1.2	14.1	2.0	4.8	11.2	2.6	2.9	27.8	23.4	2.2	0.9	0.7	-2.6	2.5	11.7	2.5	2.7	1.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	37.6	39.5	40.5	41.2	39.8	30.0	20.0	10.0	5.0	4.0	38.1	3.0	1.0	...

Sources: Country authorities; and staff estimates and projections.

1/ Gross debt of the nonfinancial public sector.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4. Guyana: Sensitivity Analysis for Key Indicators of Public Debt 2017-2037

	Projections							
	2017	2018	2019	2020	2021	2022	2027	2037
PV of Debt-to-GDP Ratio								
Baseline	42	45	48	43	40	42	40	22
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	42	44	45	52	59	60	60	52
A2. Primary balance is unchanged from 2017	42	46	50	46	44	49	66	95
A3. Permanently lower GDP growth 1/	42	46	48	43	40	43	43	35
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	42	46	49	44	41	43	43	28
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	42	45	48	43	40	42	40	22
B3. Combination of B1-B2 using one half standard deviation shocks	42	45	47	42	39	41	39	22
B4. One-time 30 percent real depreciation in 2018	42	54	56	49	45	47	43	25
B5. 10 percent of GDP increase in other debt-creating flows in 2018	42	53	55	48	44	46	44	26
PV of Debt-to-Revenue Ratio 2/								
Baseline	163	169	177	167	160	168	155	79
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	163	163	166	203	236	240	237	185
A2. Primary balance is unchanged from 2017	163	172	184	180	180	196	258	337
A3. Permanently lower GDP growth 1/	163	170	178	169	164	173	171	124
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	163	171	181	172	166	175	168	98
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	163	169	177	167	160	168	155	79
B3. Combination of B1-B2 using one half standard deviation shocks	163	166	173	163	158	166	154	79
B4. One-time 30 percent real depreciation in 2018	163	202	206	191	181	188	171	90
B5. 10 percent of GDP increase in other debt-creating flows in 2018	163	197	204	188	180	187	173	93
Debt Service-to-Revenue Ratio 2/								
Baseline	9	10	10	8	8	8	8	5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	9	10	9	9	11	9	15	16
A2. Primary balance is unchanged from 2017	9	10	10	9	9	11	20	29
A3. Permanently lower GDP growth 1/	9	10	10	9	8	8	9	9
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	9	10	10	9	9	9	9	7
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	9	10	10	8	8	8	8	5
B3. Combination of B1-B2 using one half standard deviation shocks	9	10	9	8	7	8	8	5
B4. One-time 30 percent real depreciation in 2018	9	11	12	11	11	11	11	9
B5. 10 percent of GDP increase in other debt-creating flows in 2018	9	10	11	17	9	11	9	7

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

Statement by Mr. Alexandre Tombini, Executive Director
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May 24, 2017

1. The Guyanese authorities wish to express their gratitude to the Article IV and FSAP mission teams for the fruitful discussions and expert analysis during their respective visits. The authorities continue to view the Fund as a trusted advisor and value the policy advice provided by the missions. They generally view both reports as well balanced, but would like to highlight areas where progress is being made and their medium-term economic plans. They found the FSAP particularly useful and plan to incorporate its recommendations within the strategic plan of the Bank of Guyana (BoG).

2. **Guyana stands at the dawn of a transitory stage in the country's history.** After more than a decade of steady economic growth, on a per capita gross national income (GNI) basis, Guyana has recently been reclassified as an upper middle-income country. The medium-to long-term prospects are bright given the potential windfalls from the discovered hydrocarbons off the northern coast. However, broader development indicators continue to trail its regional peers and there are substantial infrastructure and social needs. The authorities remain committed to sustainable and prudent macroeconomic policies, aimed at delivering inclusive growth and national development.

Economic Developments and Outlook

3. **Notwithstanding the challenging external environment, the Guyanese economy continued to expand at a measured pace.** Real GDP growth was estimated at 3.3 percent in 2016, representing a slight uptick from 3.1 percent in 2015. With prices stabilizing, gold production benefited from a full year's output from two large mines which began operations in the last quarter of 2015. As such, activity in the mining and quarrying sector grew by roughly 45 percent and was the main driver of overall growth. On the other hand, operational deficiencies and adverse weather conditions brought about by the *El Niño* phenomenon negatively affected the production of sugar, rice and other agricultural crops. The latter contributed to an unexpected increase in food prices which resulted in headline inflation of 1.5 percent in 2016 following deflation of 1.8 percent in the prior year.

4. **The external account position improved in 2016.** For a small developing economy such as Guyana, the export base which currently includes six main commodities and soon oil, is relatively diversified. A combination of increased gold production and lower energy import prices saw Guyana register a current account surplus in 2016—the first as far as consistent data records are available (1980). Accordingly, the BoG accumulated some reserves, which stood at roughly 3.6 months of import cover.

5. **The authorities share staff's view that growth could be in the region of 3.5 percent in 2017.** Although the expansion in gold production will not be as sharp as in 2016, the

authorities believe that a rebound in capital spending will stimulate construction activity, while rice production is also expected to recover.

6. **Following the discovery of relatively large oil reserves, Guyana's medium-term prospects are bright.** Discussions with ExxonMobil revealed that "first oil" is expected around mid-2020—earlier than initially expected. With an estimated production capacity of around 100,000 barrels of oil per day over an eight-year horizon, this find should have a positive impact on growth and the external balance, as well as assist the authorities in achieving their long-run national development goals.

Fiscal Reforms and Policy

7. **The Guyanese authorities are committed to prudent fiscal management.** The 2017 national budget introduced a suite of tax reforms designed to increase collections and improve compliance. The government requested and received technical assistance (TA) from the Caribbean Regional Technical Assistance Center (CARTAC) on the application of VAT and improvements in revenue administration, following which the authorities have implemented several recommendations. As such, the budget broadened the VAT base by eliminating zero rated items and introduced VAT on electricity and water in excess of stipulated usage thresholds. Meanwhile, the VAT rate was lowered from 16 to 14 percent and the minimum threshold for VAT registration was increased. Further, steps are being taken to strengthen revenue and tax administration, including by upgrading the government's IT systems. Additionally, the Guyana Revenue Authority (GRA) will be focusing its attention on the collection of arrears, audit and review, and compliance. To encourage accurate and timely payment of taxes, the budget introduced stronger penalties and fines for improper book keeping and the late payment of taxes. Public sector procurement is being streamlined by mandating all ministries to hire a procurement officer and procurement planning is being prioritized.

8. **The overall general government deficit measured around 2.9 percent of GDP in 2016 compared with 0.2 percent of GDP in 2015.** In 2016, one-off events such as local government elections and celebrations to mark Guyana's 50th Anniversary of Independence led to an increase in current expenditure compared with 2015, while the review of public investment projects and procurement procedures saw a dip in capital spending. The deficit is expected to deepen in 2017, as capital spending not executed in 2016 is brought forward. The authorities acknowledge that there will be some uptick in debt levels over the near-term, but due to the concessional nature of a large portion of borrowing, debt service will remain manageable. Further, Guyana's debt sustainability is set to improve significantly over the medium-term as oil production commences in 2020.

9. **There are substantial infrastructure gaps and development needs in both the urban centers and the remote hinterland.** To meet some of these developmental needs, the authorities envisage a medium-term fiscal deficit of around 4.5 – 5.5 percent of GDP financed largely by concessional external borrowing as well as domestic bond issuances. In addition to being a more efficient mechanism to finance the budget deficit than short-term treasury bills, the issue of

intermediate to long-term domestic bonds will also help deepen the local capital markets. The authorities have already engaged IMF staff for TA on this matter and noticed appetite for such instruments from discussions with local banks and investment funds.

10. **Notwithstanding the progress made to date, the authorities recognize that further progress is needed to ensure long-term fiscal sustainability.** The authorities welcomed the possibility of benefiting from Public Investment Management Assessment (PIMA) TA, which can help improve the efficiency of public investment. Additionally, given the prospects for oil revenues on the horizon and their recognition on the need to properly manage non-renewable resources, they also welcomed TA on developing an appropriate fiscal regime for the energy sector and Fund advice on establishing a sovereign wealth fund.

Monetary Policy and Foreign Exchange Market

11. **Monetary policy remained broadly accommodative in 2016.** The BoG maintained the bank rate at 5 percent and ensured that liquidity levels in the banking system were conducive to facilitate lending to the private sector. According to BoG data, domestic interest rates fell during 2016 and in the first quarter of 2017. The authorities note staff's recommendation to gradually tighten monetary policy in 2017. However, with benign price pressures and moderate growth, the BoG will continue to closely monitor domestic and international conditions before adjusting its policy stance.

12. **Private sector borrowing recorded modest growth in 2016.** Subdued confidence levels associated with the slowdown in non-mining GDP and the delay in capital spending, restrained private sector borrowing. To support the efficient functioning of the credit markets, the authorities expanded in 2016 the coverage of the Credit Bureau, which records loans contracted with major financial institutions. It is envisaged that this will allow banks to better assess their customers' debt profile and reduce the risk stemming from moral hazard.

13. **Despite the improvement in the external accounts, some pressure has recently emerged in the domestic foreign exchange market.** However, the authorities view this as largely temporary and reflects in part lower foreign exchange inflows from key sectors and the economic challenges faced by Guyana's regional neighbors, amid a relatively narrow market. They view the exchange rate as broadly in line with Guyana's macroeconomic fundamentals. Committed to a flexible exchange rate regime, the BoG has allowed the exchange rate to adjust to the changing market dynamics. In the first quarter of 2017, the Guyanese dollar has depreciated marginally against the US dollar after being relative stable for the past few years.

SOE Reform and Inclusive Growth Strategies

14. **The authorities plan to reform several state-owned enterprises (SOE).** Key among these is the Guyana Sugar Company (GuySuCo), which has suffered from declining yields, poor management, labor shortages, a lack of investment and refining deficiencies over the past years. Further, restructuring of the European Union (EU) - Africa, Caribbean and Pacific (ACP) Sugar

Protocol will also negatively affect the domestic sugar industry. Therefore, in consultation with key stakeholders including the labor union, the authorities plan to close inefficient estates and privatize others. They are exploring possible crops that can be profitable to diversify away from sugar. In this regard, they will be getting assistance from the EU to help transition former GuySuCo workers to become independent farmers utilizing the lands of closed sugar estates.

15. **The authorities are also reviewing the operations of the Guyana Gold Board (GGB) as well as the national electricity matrix.** The GGB serves as an intermediary between small scale-local gold miners and the international market. The authorities are reviewing the pricing mechanism, including embedded freight and insurance costs between the GGB, the local miners and the world market, in order to minimize the former's exposure to market risks. Meanwhile, in collaboration with key stakeholders, the authorities have recently completed a draft national energy policy (NEP) which provides a roadmap for Guyana to transition towards its 100 percent renewable energy target by 2025. Initial plans consist of two medium-sized hydro-electric dams (100 megawatt capacity each) and initiatives to encourage solar farms to provide electricity to isolated hinterland communities. Further, Guyana Power and Light (GPL), the local electricity provider, has embarked on a program to enhance its institutional capacity, improve operational efficiency and upgrade its infrastructure to increase the reliability of domestic electricity supply.

16. **Guyana is geographically the largest country in the Caribbean.** To open its vast potential, the authorities are actively seeking to expand the road network into the southern regions of the country, with the long-term goal of connecting to the North of Brazil. The authorities envisage that the expanded road network will open opportunities for gold and timber production, as well as connect portions of the isolated hinterland population. The Caribbean Development Bank (CDB) has already completed a terms of reference for project consultation and design, while discussions with the UK Caribbean Infrastructure Partnership Fund for project financing are ongoing. The authorities are also in discussions with the European Investment Bank for funding to increase cargo capacity at the Georgetown Port to roughly 35,000 tons and dredge the Demerara River.

Financial Sector Assessment and Financial Policy

17. **The authorities have made good progress in strengthening their financial supervision oversight and regulatory framework.** Despite capacity constraints, the authorities have introduced risk-based supervision, enhanced on-site inspection capabilities and drafted a Crisis Management Plan. They plan to build on this progress by following-up on several of the recommendations from the FSAP over the near- to medium-term, including the implementation of Basel II minimum capital requirements, enhancing the quality of data for risk analysis and reviewing the treatment of collateral in banks' provisioning. Additionally, the authorities are improving the regulatory framework. The Insurance Act was passed in June 2016, the Pensions Act is expected to be passed by end 2017 and amendments to the Financial Institutions Act (FIA) are being made with the help of the World Bank. These pieces of legislation will enhance the supervisory powers of the BoG, including in the areas of enforcement, resolution and financial

inspection. The BoG is also undertaking a comprehensive approach to modernize the national payment system with assistance from the World Bank. This will better serve the economy's payment needs and realize cost savings, while helping to transition towards a greater reliance on electronic payments and promote financial inclusion.

18. **Notwithstanding some weakness in asset quality, the banking system is well capitalized and profitable.** Capital to risk-weighted assets stood at 25 percent at the end of December 2016, and has consistently been above 20 percent over the last four years—much higher than the minimum 8 percent capital requirement and the 12 percent as recommended by the FSAP mission. With high net interest margins, bank profitability has been relatively robust over the past few years. The BoG continues to closely monitor the evolution of non-performing loans (NPLs) and holds regular discussions with commercial banks, who in turn are working with their clients to find actionable solutions. Meanwhile, although the authorities recognize that provisioning may be lower than international standards and continue to review their guidelines, they are confident that the current levels are sufficient to protect against adverse shocks. Further, BoG and the more stringent FSAP stress tests reveal that the banking system is resilient to negative shocks given the strong capital and liquidity positions.

19. **The issue of correspondent banking relationships (CBR) withdrawals has stabilized since the time of the FSAP mission in mid-2016.** However, the authorities remain vigilant and continue to build on the progress made to date. They have significantly strengthened their anti-money laundering/combatting the financing of terrorism (AML/CFT) framework, enacting both the supervisory and regulatory requirements. The authorities' actions have resulted in Guyana's removal from the Caribbean Financial Action Task Force's (CFATF) process in November 2016 and therefore the country is no longer subject to CFATF monitoring. Since then, local banks were able to replace some correspondent banking services that were lost. With the help of the World Bank, the authorities have recently completed a National Risk Assessment which will also assist in improving the AML/CFT regime. They stressed that the FSAP was helpful in identifying gaps in the regulatory and supervisory framework.

Conclusion

20. **Guyana has enjoyed a decade of uninterrupted growth and the medium-term outlook is clearly favorable.** However, despite its upper-middle income status, there are substantial infrastructure gaps (including many locations that are still inaccessible by road), social needs and pockets of poverty. This is confirmed, among other indicators, by the last United Nations' Human Development Index (HDI), which ranked Guyana 127 out of 188 countries. The authorities have made steadfast progress on economic and financial reforms, but resource and human capacity constraints are real challenges which can slow this progress. Nevertheless, they are committed to the implementation of sound macro-economic and financial sector policies. In this regard, the authorities reiterate their appreciation for the expert analysis, policy advice and TA provided by staff, and look forward to continued close collaboration with the Fund and CARTAC.