



GUYANA

July 2018

2018 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

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 2018 Article IV consultation with Guyana, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on May 4, 2018, 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 31, 2018.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the IMF staff.

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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IMF Executive Board Concludes Article IV Consultation with Guyana

On June 15, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Guyana and considered and endorsed the staff appraisal without a meeting.²

Economic growth slowed in 2017, but became more broad-based. The economy grew by 2.1 percent, down from 3.4 percent in 2016, on the account of lower than expected mining output and weak performance in the sugar sector. Nonetheless, non-mining growth rebounded to 4.1 percent following a contraction in 2016. Inflation remained stable at 1.5 percent at end-2017, largely driven by food items, while core inflation was close to zero. The external balance turned negative due to weaker than expected export growth and higher oil prices. In 2017, the current account recorded a deficit of 6.7 percent of GDP from a surplus of 0.4 percent in 2016. The financial account improved due to FDI, particularly in the oil and gas sector, and higher loan disbursements to the public sector. Gross reserve cover stood at 3.2 months of imports at end-2017. The central government's deficit remained stable at around 4.5 percent of GDP in 2017. Improvements in tax administration contributed to a 1.2 percentage point increase in the tax revenue to GDP ratio, which was partly offset by a 0.4 percentage point decline in the ratio for non-tax revenue. Public debt stood at 52.2 percent of GDP at end-2017. Credit to the private sector grew 2.1 percent in 2017 due to a combination of weak demand and banks continuing to strengthen their balance sheets. Guyana's banking system remains relatively stable. Although banks remain profitable and have adequate capital buffers, non-performing loans (NPLs) remain high at 12.2 percent of total loans at end-2017, down from 12.9 percent at end-2016.

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.

² The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Guyana's medium-term prospects are very favorable. Oil production is expected to commence in 2020, and additional oil discoveries have significantly improved the medium- and long-term outlook. Economic growth is projected to be 3.4 percent in 2018, driven by continued strength in the construction and rice sectors, and a recovery in gold mining. The current account deficit is projected to narrow to 6.1 and 4.3 percent of GDP in 2018 and 2019, respectively. The deficit will be financed largely by FDI inflows and donor-supported investment. The central government deficit is projected to widen to 5.4 and 5.1 percent of GDP in 2018 and 2019 due to the cost of restructuring the sugar sector and an increase in infrastructure-related capital expenditure. Public debt is projected to rise in the short-term, before declining with the onset of oil production.

Executive Board Assessment

In concluding the 2018 Article IV Consultation with Guyana, Executive Directors endorsed staff's appraisal as follows:

Guyana's macroeconomic outlook remains favorable. While growth slowed down in 2017, it became more broad-based, and is expected to accelerate in the run-up to the start of oil production in 2020. The extractive industries and public investment will be key drivers of economic growth over the medium-term. Reducing the costs of doing business, strengthening private sector confidence, and advancing productivity-enhancing reforms are essential for sustaining growth in the short-term, and for reaping the full benefits of the oil windfall once it materializes.

Short-term financing needs should be carefully managed. The authorities' prudence and restraint towards borrowing in anticipation of future oil revenue is commendable. They should rely as much as possible on Multilateral Development Banks, including their non-concessional financing operations. Developing the domestic capital markets would provide a more stable source of financing and help meet the needs of domestic long-term institutional investors. Private external borrowing should continue to be avoided, and central bank financing should not be used at all. Staff welcomed the authorities' intention to close the overdraft balances at the central bank in the near-term. Saving the one-off gains from the tax amnesty would reduce financing needs, and also help preserve external buffers.

The quality and efficiency of government expenditure should continue to be improved. It is important to address the shortcomings identified by the PIMA before public investment is significantly scaled-up with oil revenues. For similar reasons, it would be useful to review current expenditures to ensure they achieve the maximum welfare and inclusion benefits.

The rules-based fiscal framework for managing oil wealth should be transparent and consistent with the resource fund deposit/withdrawal rules. It should provide the basis for determining the allocation of annual oil revenue for stabilization and domestic capital expenditure, as well as intergenerational savings. The consistency between the fund deposit/withdrawal rules and a fiscal rule could be reinforced by a fiscal responsibility legislation.

Monetary policy should gradually revert towards a neutral stance as the economic recovery gains pace, and inflationary pressures arise.

The exchange rate should play a more active role in cushioning external shocks going forward. Guyana remains vulnerable to external shocks given the concentration of its exports in a few commodities and its reliance on imported oil in the short-term. Over the long-term, building an adequate buffer stock of savings from the oil revenues would also help cope with external shocks.

Significant progress has been made in implementing the 2016 FSAP recommendations, but further progress is needed in some areas. Ensuring the internal consistency of supervisory function from routine supervision to intervention and resolution remains a priority. Other important areas where work still needs to be finalized include: eliminating reduced provisioning requirements for “well-secured” portions of NPLs; refining the definition of “related parties” with the international standards; reducing the reliance on overdraft lending; clarifying the upstream and downstream ownership of institutions; and raising minimum capital adequacy requirement to 12 percent; and reducing the banks’ large exposure limits.

Enhancing competitiveness and supporting inclusive growth should remain a high priority. Greater efforts are needed to lower the cost of doing business by addressing infrastructure-related bottlenecks, reducing energy costs, and cutting red tape. Increasing female labor force participation and bridging the gaps with the Hinterland can boost growth and help spread its benefits more widely.

Oil exploration and production should be included in the national accounts when they are rebased, and also in the BOP statistics. Strengthening external sector statistics and compiling an international investment position should be a priority.

Table 1. Guyana: Selected Social and Economic Indicators

I. Social Indicators						
Population, 2018 (thousands)	782				Population not using an improved water source (%), 2015	1.7
Life expectancy at birth (years), 2015	66.5				Gini index, 1998	44.6
Under-five mortality rate (per 1,000 live births), 2016	32.4				HDI rank, 2015	127
Population living below the poverty line (%), 2000-06	35					
II. Economic Indicators						
	2014	2015	2016	2017	Projections	
					2018	2019
	(Annual percent change)					
Production and prices						
Real GDP	3.9	3.1	3.4	2.1	3.4	4.8
Real GDP per capita	3.5	2.7	2.5	0.1	1.4	4.5
Consumer prices (average)	0.7	-0.9	0.8	2.0	1.3	2.9
Consumer prices (end of period)	1.2	-1.8	1.5	1.5	2.2	3.0
Terms of trade	-8.8	20.7	11.5	-10.5	-1.8	2.4
	(In percent of GDP)					
Central government						
Revenue	22.9	24.6	24.5	26.0	26.7	27.6
Grants	0.7	1.0	1.1	1.6	1.5	1.3
Expenditure	29.1	27.0	30.0	32.1	33.6	34.1
Current	21.1	22.4	23.5	24.2	25.9	25.3
Capital	8.0	4.6	6.4	7.8	7.7	8.7
Overall balance (after grants)	-5.5	-1.4	-4.4	-4.5	-5.4	-5.1
Total public sector gross debt 1/	51.9	50.1	50.7	52.2	57.0	57.2
External	39.5	35.7	33.2	35.5	36.0	32.8
Domestic	12.3	14.4	17.6	16.7	21.0	24.4
	(Annual percentage change, end of period)					
Money and credit						
Broad money	3.3	3.7	5.4	-0.7	10.7	7.0
Domestic credit of the banking system	10.5	12.3	7.8	1.5	10.1	10.0
Public sector (net) 2/	13.6	34.4	23.6	0.4	26.4	22.3
Private sector	9.7	5.8	2.0	2.1	2.8	3.2
	(In millions of U.S. dollars, unless otherwise indicated)					
External sector						
Current account balance	-	-	13.2	-237.2	-220.2	-168.5
(Percent of GDP)	291.5	163.0				
Gross official reserves	-9.5	-5.1	0.4	-6.7	-6.1	-4.3
Months of imports of goods and services	665.6	598.5	596.7	584.6	612.1	631.6
	3.7	3.7	3.7	3.2	3.2	3.1
Memorandum items:						
Nominal GDP (G\$ billion)	635.4	660.2	723.6	748.7	780.0	834.7
Per capita GDP, US\$	4,030	4,168	4,531	4,578	4,649	4,939

Guyana dollar/U.S. dollar (period average)	206.4	206.5	206.5	210.3
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Sources: Guyanese authorities; UNDP Human Development Report; and Fund staff estimates and projections.

1/ The 2015-17 public debt to GDP ratios are adjusted to reflect unsettled government balances at the central bank.

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



GUYANA

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION

May 31, 2018

KEY ISSUES

Context: Economic growth slowed down, but became more broad-based. In 2017, real GDP growth was 2.1 percent, with the non-mining GDP rebounding from its contraction in 2016. The external balance turned negative due to weaker than expected export growth and higher oil prices. Inflation remains relatively low, and the monetary stance accommodative. Oil production is expected to commence in 2020, and additional oil discoveries have significantly improved the medium- and long-term outlook.

Focus of the Discussions: Policies to strengthen the fiscal policy framework, particularly aspects related to managing mineral wealth, safeguarding financial stability, enhancing competitiveness and promoting inclusive growth.

Key Policy Recommendations:

- **Preserving macroeconomic stability.** Continued expansionary fiscal policy will lead to an increase in the public debt before the start of oil production. While debt sustainability risks are contained, staff cautioned that how these short-term deficits are financed can have implications for macroeconomic stability and recommended relying to the extent possible on concessional and non-concessional Multilateral Development Bank financing, and long-term domestic borrowing. Staff suggested undertaking an expenditure review to enhance the quality and efficiency of government expenditure. Monetary policy should be gradually tightened towards a neutral stance. Greater exchange rate flexibility would help cope with potential external shocks and safeguard foreign reserves.
- **Safeguarding financial stability.** Staff welcomed the authorities' efforts to implement the 2016 FSAP recommendations and strengthen financial sector resilience. Addressing high non-performing loans and under-provisioning in the banking system should remain a priority.
- **Boosting inclusive growth.** Staff called for further efforts to improve the business climate, enhance economic diversification, reform public enterprises, reduce youth unemployment, and boost female labor force participation.

Approved By
Jorge Roldos (WHD)
and Ali Mansoor
(SPR)

The team, comprising Marcos Chamon (head), Abdullah AlHassan, Julian Chow, and Ippei Shibata (all WHD), visited Guyana during April 23 to May 3. Pedro Fachada (Alternate Executive Director, FEDBR) joined the concluding meetings. Daryl Cheong (Senior Advisor to the Executive Director, FEDBR) participated in the meetings. The team met with Finance Minister Winston Jordan, Natural Resources Minister Raphael Trotman, 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 Lulu Shui; editorial support was provided by Heidi Canelas and Adriana Veras (all WHD).

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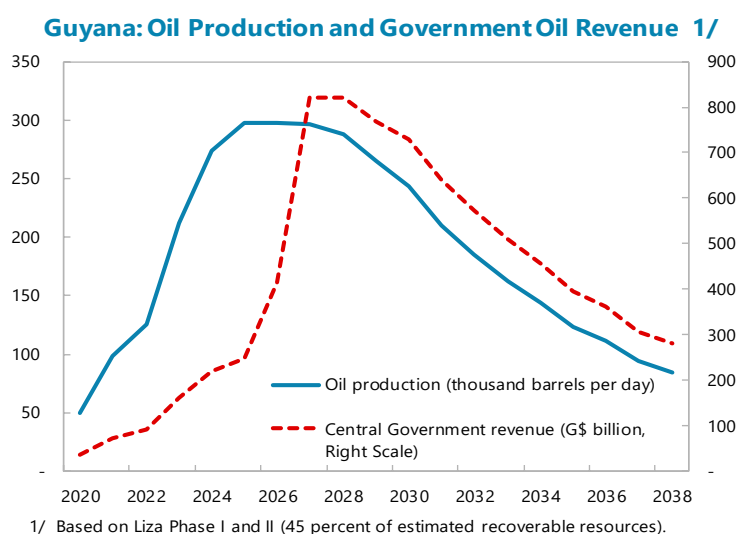
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BACKGROUND

1. Guyana is expected to become an oil-producer in 2020, with much higher oil reserves than estimated in the 2017 Article IV Staff Report. In 2015, ExxonMobil made a significant offshore oil discovery, conservatively estimated to hold between 800 and 1,400 million barrels. Following additional discoveries in 2017-18, recoverable resources are now conservatively estimated at around 3.2 billion barrels of oil. Commercial production is planned to commence in early-2020, with an output conservatively estimated at 100,000 barrels/day (bpd), rising to 300,000 bpd in 2025.¹ Oil exploration and drilling is partially included in the balance of payment statistics, but not in the national accounts.² The main direct effect of the oil sector on the domestic economy will be through fiscal revenue. Under the revenue-sharing agreement, 75 percent of oil production is initially allocated to “cost recovery” to ExxonMobil and its partners. The remaining 25 percent is considered “profit oil” and is shared 50-50 with the government. The agreement sets a royalty of 2 percent on gross earnings, which brings the initial government share to 14.5 percent of total oil revenues.³



2. 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 external financing, improving the efficiency of public enterprises, allowing exchange rate flexibility to play a larger role in facilitating the adjustment to external shocks, and strengthening supervisory and regulatory framework in line the 2016 FSAP. The authorities' response to these recommendations has been broadly consistent (Annex I). In addition, the authorities continue to take full ownership of the various strains of Technical Assistance (TA) and Capacity Development (CD) delivered by the Fund and other providers. There are strong synergies between this TA and Fund surveillance, with the latter helping identify areas where TA is needed, and the delivery of TA helping increase the traction and implementation of the Fund's policy advice.

¹ Some recent estimates have production as high as 120,000 bpd in 2020 (Liza I) and 340,000 bpd in 2025 (Liza I and Liza II combined).

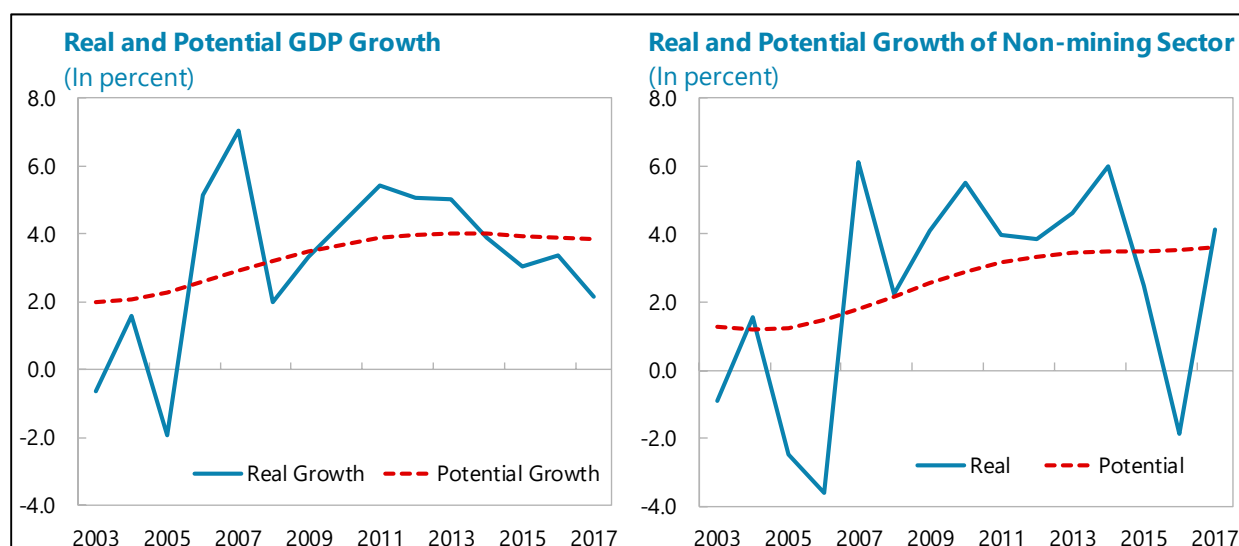
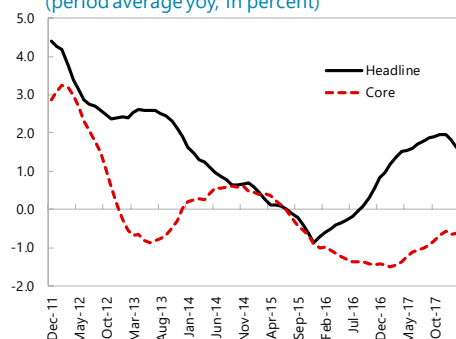
² While the offshore activity by foreign companies is not captured in the national accounts and balance of payments, some of the investment in supportive infrastructure is. Staff's estimates and projections are based on official data as currently compiled, but with a conservative *ad hoc* inclusion of oil production.

³ The government share will increase substantially once cost recovery on the initial investment is met (in the late 2020s), and most of production consists of “profit oil.”

RECENT DEVELOPMENTS

3. Economic growth slowed in 2017, but became more broad-based. The economy grew by 2.1 percent, down from 3.4 percent in 2016, on the account of lower than expected mining output and weak performance in the sugar sector. Nonetheless, non-mining growth rebounded to 4.1 percent following a contraction in 2016. Construction expanded significantly for the first time since 2015, buoyed by higher public investment. The rice sector recovered from weather-related shocks. Inflation remained stable at 1.5 percent at end-2017, largely driven by food items, while core inflation was close to zero.

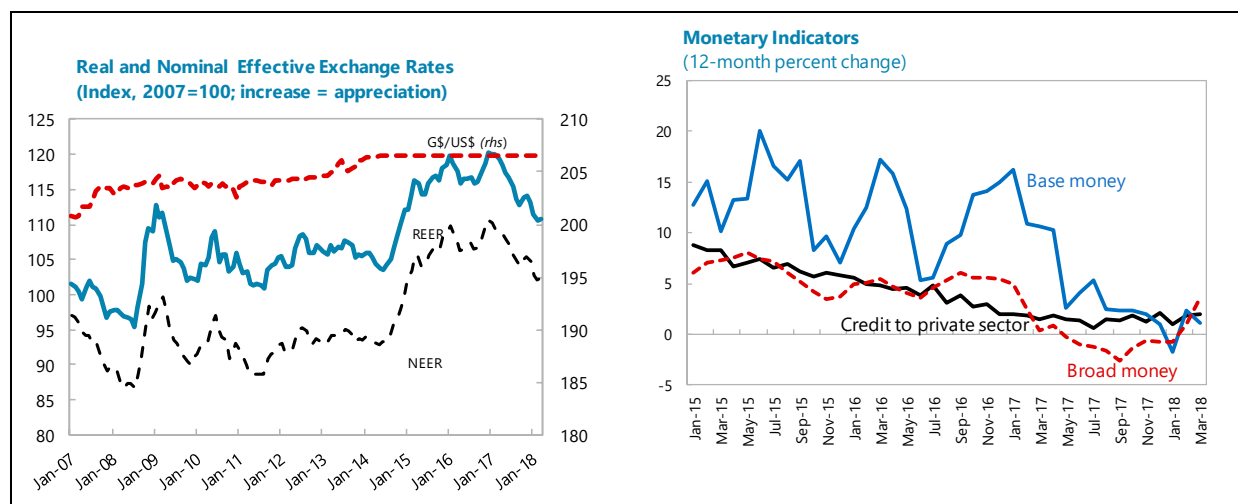
Headline and Core Inflation
(period average yoy, in percent)



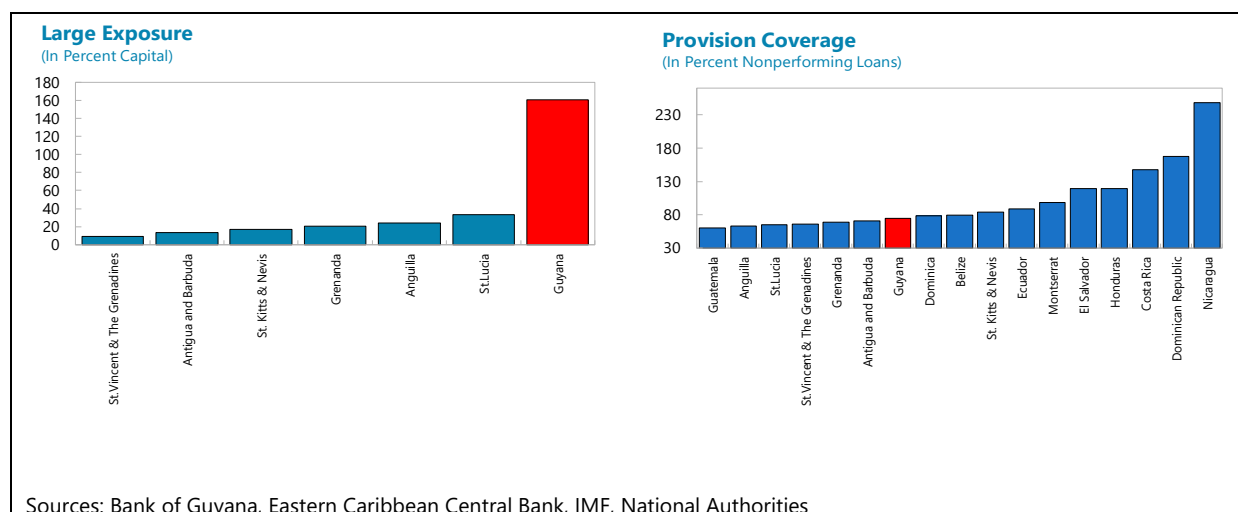
4. Weaker than expected export growth and higher oil prices contributed to the current account balance turning negative. In 2017, the current account recorded a deficit of 6.7 percent of GDP from a surplus of 0.4 percent of GDP in 2016. The financial account improved due to FDI, particularly in the oil and gas sector, and higher loan disbursements to the public sector. Gross reserve cover declined to 3.2 months of imports. During January-December 2017, the real and the nominal effective exchange rates depreciated by about 6 and 5 percent, respectively, mostly driven by developments of the U.S. dollar vis-à-vis other currencies. Guyana's exchange rate regime remains a *de jure* float, but a *de facto* stabilized arrangement.

5. The central government's deficit remained stable at around 4.5 percent of GDP in 2017, lower than the budgeted 5.6 percent. Improvements in tax administration contributed to a 1.2 percentage point increase in the tax revenue to GDP ratio, which was partly offset by a 0.4 percentage point decline in the ratio for non-tax revenue. Public debt stood at 52.2 percent of GDP at end-2017.

6. Credit to the private sector grew 2.1 percent in 2017 due to a combination of weak demand and banks continuing to strengthen their balance sheets. Credit growth was stronger in the mortgage (4.5 percent) and household (2.7 percent) sectors, but weaker in the business sector (0.9 percent) in line with the evolution of activity. The 91-day Treasury Bill rate declined to 1.54 percent at end-2017, from 1.68 percent at end-2016, continuing to imply negative ex ante real rates.



7. Guyana’s banking system remains relatively stable. Although banks remain profitable and have adequate capital buffers, non-performing loans (NPLs) remain high at 12.2 percent of total loans at end-2017, down from 12.9 percent at end-2016. The business sector accounts for 72 percent of NPLs. One domestic bank accounts for about half of NPLs, though it has extended only a fifth of loans. Credit concentration appears high while provisioning is low in comparison with other countries in the region. Banks have responded to higher NPLs by tightening credit.



8. Pressures on Correspondent Banking Relationships (CBRs) have stabilized. However, some banks noted higher charges for cross-border transactions, stricter requirement for customers' information, and higher operational costs due to the AML/CFL compliance. While banks continue to have CBRs, two of the three domestically-owned banks cannot conduct business with third-party foreign currency cheques but can still execute wire transfers.

OUTLOOK AND RISKS

9. Guyana's medium-term prospects are very favorable. Economic growth is projected to be 3.4 percent in 2018, driven by continued strength in the construction and rice sectors, and a recovery in gold mining. The commencement of oil production in 2020 will be a turning point. Further oil exploration is likely to increase long-term production and proven reserves. Reaping the benefits of this mineral wealth will hinge on structural reforms to improve the business environment, increase resilience to external shocks, promote inclusive growth, and the effective use of the oil windfall to enhance the economy's physical and human capital.

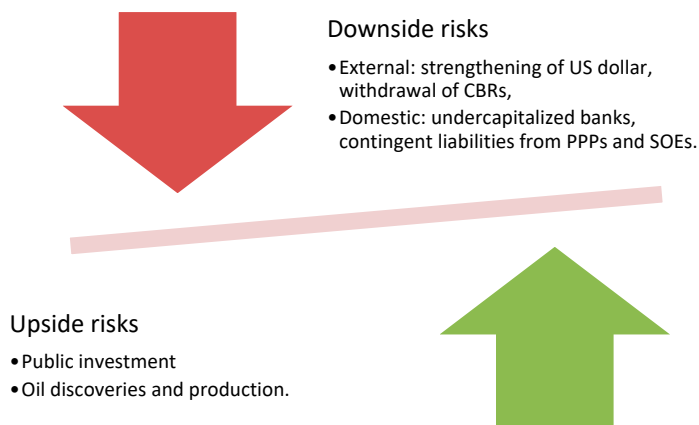
10. The external outlook is expected to improve significantly after the start of oil production in 2020. The current account deficit is projected to narrow to 6.1 and 4.3 percent of GDP in 2018 and 2019, respectively. The deficit will be financed largely by FDI inflows and donor-supported investment. The balance of payments will swing sharply to positive in 2020. The current account will move to large surpluses, which will be partially offset by deficits in the financial account as repatriation of "cost recovery" revenues by oil companies.⁴

11. Public debt is projected to rise in the short-term, before declining with the onset of oil production. The central government deficit is projected to widen to 5.4 and 5.1 percent of GDP in 2018 and 2019 due to the cost of restructuring the sugar sector and an increase in infrastructure-related capital expenditure. The public debt is projected to peak at 57.2 percent of GDP in 2019. A publicly guaranteed 5-year syndicated external bond, with a 4.75 percent interest and amounting to 3.7 percent of GDP is being issued by the National Industrial and Commercial Investments Limited (NICIL) to finance the restructuring of the state-owned sugar enterprise (GuySuCo).⁵ It will push the total public and publicly-guaranteed debt slightly above 60 percent of GDP in 2018–19. That ratio is projected to decline sharply after 2020, reaching 41.4 percent by 2023.

⁴ Such repatriation is recorded as a divestment of FDI, while repatriation of "profit oil" is recorded in the current account.

⁵ NICIL is as a Private Limited Company that is 100 percent owned by the Government of Guyana.

12. Overall, risks are tilted to the downside in the short-term but to the upside over the medium to long-term (Table 8). Weaker-than-expected global growth can weigh down on commodity export prices. Low energy prices would benefit Guyana in the short-term, by reducing its oil import bill. But a persistent shock would hurt its eventual exports (in the first years of production, changes in oil prices have a one-for-one impact on fiscal revenue.)⁶ A strong U.S. dollar can erode external competitiveness in the absence of greater exchange rate flexibility. A disorderly restructuring of the sugar sector would have major economic and social costs. Further CBR losses remain a risk. 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. On the upside, further oil discoveries and production, as well as successful implementation of envisaged reforms within the public sector, would significantly improve economic growth over the medium- to long-term.



POLICY DISCUSSIONS

A. Fiscal Policy

13. Debt sustainability concerns are attenuated by future oil revenues, but the financing of short-term deficits should be carefully managed. The authorities have been prudent and refrained from private external borrowing in anticipation of future oil income. The one instance of such borrowing has been the publicly guaranteed NICIL bond to finance the restructuring of GuySuCo, which should strengthen the fiscal position over the medium-term by eliminating further government bailouts to that company.⁷ Staff encouraged the authorities to rely as much as possible on Multilateral Development Banks, including non-concessional financing.

14. Domestic financing options remain limited. At present, domestic debt consists of short-term Treasury bills. The government has maintained an outstanding balance at the central bank of about 6 percent of GDP at end-March 2018 (from 3 percent at end-2016 and 3.5 percent at end-

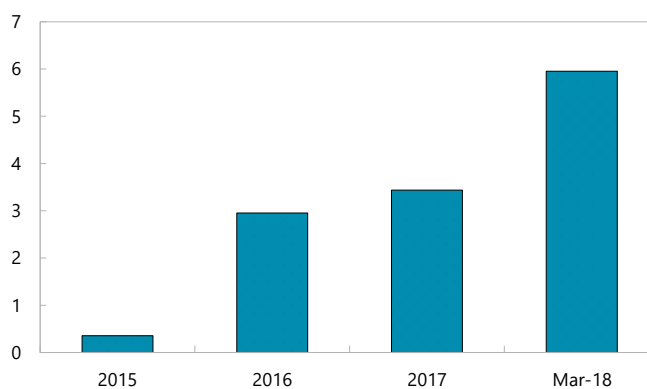
⁶ Lower oil prices would also hurt fiscal revenues over the medium- and long-term by prolonging the “cost recovery” period. The breakeven price for Liza Phase 2 is relatively low at around \$35 per barrel.

⁷ GuySuCo received 1-2 percent of GDP per year in transfers in the last three years.

(continued)

2017). Staff includes this overdraft in the debt figures in this report. These operations provide limited benefits in terms of reduced borrowing costs since the interest rate on the Treasury Bills issued for monetary policy operations is paid by the Treasury.⁸ Staff reiterated and stressed the importance of settling these balances at the central bank, which the authorities agreed to do in the short-term through the issuance of Treasury Bills. Staff encouraged the authorities to follow-up on their plans and TA recommendations provided by MCM in 2017 to develop the domestic bond market (Annex II). That could provide a stable source of financing while meeting the demand for longer-term instruments from banks, insurance and pension funds. Initial issues will likely carry a premium to compensate investors while a critical mass of liquidity builds up in the bond market, but the eventual benefits will outweigh these costs.⁹ If longer-term bonds cannot be issued in the near term, there is scope for additional financing through Treasury Bills. Private external debt should continue to be avoided if possible, and central bank financing should not be used at all.

Overdraft from the Bank of Guyana
(In Percent GDP)



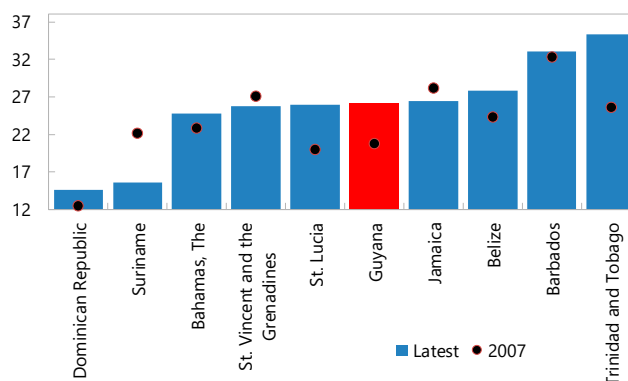
Source: Bank of Guyana

1/ This amount is net off Treasury bills issued by the Bank of Guyana for monetary policy operations.

15. While consolidation is not needed for the sake of debt sustainability, a moderation of the deficit would reduce financing needs and preserve external buffers.

An undershooting of the planned deficits of ½-1 percent of GDP is likely to materialize due to one-off revenues from a tax amnesty,¹⁰ and staff encouraged the authorities to save that overperformance. Staff cautioned that scaling up public investment without addressing the shortcomings identified in the 2017 Public Investment Management Assessment (PIMA) could undermine its

Central Government Current Expenditure
(In Percent GDP)



Sources: National Authorities, IMF FAD dataset

⁸ These balances provide subsidized financing from the central bank to the Treasury in an environment of monetary easing, but would not do so if the central bank needs to reduce the monetary base through the issuance of Treasury Bills. In that case, these overdrafts may even lead to double counting of the debt liabilities (the overdraft itself, and the Treasury Bill issued to mop-up the excess liquidity generated).

⁹ In fact, one of the assumptions in the DSA is that the government issues domestic bonds for the purposes of capital market development despite the accumulation of large assets over the long-term in a Sovereign Wealth Fund (SWF).

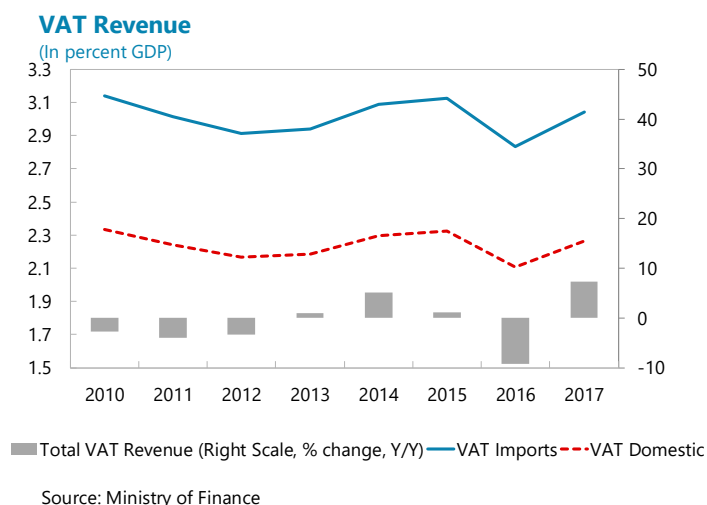
¹⁰ Principal taxes paid by June 30, 2018 have all interest and penalties waived, while those paid between July 1–September 30, 2018 have a 50 percent reduction in interest and penalties.

effectiveness. Current expenditure as a share of GDP used to be among the lowest in the region, but has increased significantly in recent years. Staff recommended an expenditure review to assess the efficiency and effectiveness of public spending, and provide opportunities for safety net reform and more effective action on inclusive growth. The authorities' intent to conduct the third Public Expenditure and Financial Accountability (PEFA) assessment in 2018 is welcomed.

16. Staff supports the authorities' efforts to reform public enterprises. The restructuring of GuySuCo included a reduction in its workforce and the establishment of a Special Purposes Unit at NICIL, tasked with divesting some of its assets. As part of that process, different revenue streams are being pursued, including co-generation of electricity with sugar cane bagasse, production of plantation white sugar, and investment in packaging facilities. That process envisions the privatization of 3 out of 6 sugar estates. It involves significant upfront costs, but should strengthen the fiscal position in the medium-term by placing a downsized GuySuCo on sustainable financial footing. Staff emphasized the importance of providing a safety net to protect those affected by this process given the economic and social implications, geographic concentration of the displaced workers (which amplifies spillovers to the impacted regions' economies) and the difficulties sugar workers may face transitioning to other occupations. Further, the reliability of electricity is low, linked to technical and institutional deficiencies in Guyana Power and Light (GPL). Technical losses in electricity transmission are about 10 percent, while commercial losses are about 30 percent. GPL reported a loss of US\$ 3 million in 2017, and has asked the government for financial support to upgrade its power generation and electricity grid to increase reliability and meet the growing energy demand. Any significant investment would likely require additional borrowing or a Public Private Partnership (PPP) arrangement.

17. The authorities are working closely with the Fund and other TA providers to adopt a transparent rules-based fiscal framework for managing oil wealth. Plans for establishing a natural resource fund are well-advanced, and legislation is expected to be presented to the Cabinet and to Parliament later this year. Fiscal policy objectives, after oil revenue comes on stream, should strike a balance between development spending and preserving macroeconomic stability. An appropriate macro-fiscal policy framework will provide the basis for determining the allocation of annual oil revenue for stabilization and domestic capital expenditure, as well as intergenerational savings. It should be integrated into the budget framework with no parallel spending authority. It is important to ensure consistency between the fund deposit/withdrawal rules and a fiscal rule. This should be reinforced by an overarching fiscal responsibility legislation. Annex III provides country experiences in managing natural resource windfalls.

18. Tax administration and PFM efforts are ongoing (Box 1). Staff supports continued efforts by the authorities to enhance the quality and efficiency of government expenditure and tax administration, in response to the 2017 PIMA and Tax Administration Diagnostic Assessment Tool (TADAT). They include modernizing revenue administration, and reinforcing public financial management systems, including strengthening public investment management. The 2017 VAT reform broadened the base while reducing the rate, yielding a gain in the VAT revenue to GDP ratio. Staff welcomed recent efforts in improving tax administration, including the establishment of a Large Taxpayers Unit and creation of new outposts to improve tax collection. Nonetheless, staff cautioned that the expectation of future amnesties can weaken compliance.



Box 1. Fiscal Structural Reforms

Fiscal structural reforms are important as Guyana prepares to become an oil producer. Major oil discoveries and the government's plan to ensure that new extractive industry projects support a diversification of the economy will require: (i) modernizing the revenue administration; (ii) strengthening public financial management systems, including enhancing the efficiency of public investment management; (iii) and fine-tuning fiscal policy objectives to achieve a balance between development and macroeconomic stability.

Modernizing the Revenue Administration

There are some areas of good practice in tax administration. The recent TADAT identified strong performance in several areas. The range and accessibility of tax information and assistance provide strong foundations for voluntary compliance. Robust internal and external controls along with an independent graduated dispute resolution process are in place. Income Tax legislation mandates advance installment payments and withholding at source.

The operational framework of the Guyana Revenue Authority (GRA) has been weakened by the absence of a strategic planning management system. Lack of a strategic plan and structured risk management approaches have led to uncoordinated programs related to day-to-day operations and reform initiatives. Data integrity and availability are major issues—hampering effective compliance management and credible reporting. Weak filing and payment compliance are pervasive. There is no e-filing facility, which impacts the cost of compliance and increases the burden for taxpayers to meet their filing obligations. Furthermore, disjointed case selection and management of audits compromise audit outcomes.

Box 1. Fiscal Structural Reforms (Concluded)

Reform strategies for modernizing revenue administration include:

- Developing a three to five-year strategic plan as a roadmap to guide operational delivery.
- Establishing a dedicated reform unit to coordinate the implementation of reforms, and improve management control through performance targets.
- Improving information technology, particularly in the use of third party data, business process simplification, and data analytics to build an evidence-driven compliance strategy.
- Addressing inadequacies in the integrity of the taxpayer register and accounts.
- Institutionalizing a compliance risk management program to enable risk profiling and assessment.
- Reorganizing the GRA's structure to place all core specialized functional areas of Customs under the full purview of the Head of Customs.
- Reorganizing field offices along segmentation principles.
- Establishing the GRA as the single revenue collection agency for the petroleum sector, and creating a specialized petroleum revenue team within the Large Taxpayers Unit.

Enhancing Public Financial Management

Public financial management needs to be reinforced. An initial step would be to strengthen a medium-term fiscal framework, eventually integrating the revenue forecasts from extractive industries. The revenue forecasting framework could be enhanced by developing project-specific cash flow models for the petroleum project and the two large gold mines. At the same time, continued efforts to improve the annual budget process, including enhancing the presentation of the budget, will increase credibility.

Public Investment Management (PIM) capacity must be strengthened. Guyana's PIM has many desirable features, but the system is less efficient than comparator countries, based on a recent IMF assessment.¹ It is affected by significant weaknesses in the planning, budgeting, appraisal, selection, procurement, and implementation of capital projects. Reform should include:

- Putting in place a transparent rules-based fiscal framework by 2020.
- Identifying key strategic public investment projects to guide medium-term budgeting.
- Completing and publishing the policy framework on PPPs.
- Improving the monitoring of SOEs to coordinate their public investments and to monitor fiscal risks.
- Preparing and disseminating detailed guidance on project preparation and appraisal, allocating sufficient resources to pre-investment planning, and increasing the budget agencies' capacity to undertake appraisals.
- Enhancing access to public procurement information and updating regulatory framework to international standards, including the requirement for procurement planning.
- Issuing detailed guideline on project management, enforcing ex-post reviews for major projects, and building a database for monitoring project implementation.
- Taking small but gradual steps in monitoring public assets by conducting regular surveys, keeping record of value, condition, and location of non-financial assets.

¹ Capital and recurrent budgets are prepared within the Ministry of Finance (MoF) albeit by two separate divisions, information on capital spending is quite extensive despite poor budget presentation, elements of a medium-term budget framework are being put in place, and the coordination between the central and lower levels of government is relatively orderly.

Authorities' Views

19. Notwithstanding the positive prospects of energy revenues on the horizon, the authorities are committed to maintaining fiscal discipline. Given the immediate social and infrastructure needs and the costs of GuySuCo's restructuring, they expect the central government deficit to remain in line with previous years during 2018-19, before gradually falling over the medium-term. In addition to the on-going tax amnesty, improvements in tax collections including through the recovery of arrears, court judgement awards, and fines are already having a positive impact on government revenues. Efforts to enhance the quality and efficiency of government expenditure and tax administration are ongoing, albeit capacity constraints have made progress slower than the authorities would have liked. They noted that moral hazards associated with expectations of future tax amnesties are well contained since the last amnesty was in the 1980s, and further amnesties are not expected.

20. More broadly, the authorities highlighted that the adoption of an oil and gas fiscal framework, the establishment of a SWF, and considerations for a medium-term debt strategy will help frame fiscal policy. The latter will help clarify the sources of domestic and external financing, and cost-risk trade-offs. The authorities agreed, in principle, that an appropriate funding mix will involve limited private external borrowing, and they will rely on Multilateral Development Banks to the extent possible. They are also keen to issue medium- to long-term bonds to assist in capital market development, but highlighted that capacity constraints have delayed those plans. They plan to settle government balances in the Bank of Guyana (BoG) in the short-term. They have set up an inter-agency MoF-BoG working committee, and note that the establishment of a Treasury Single Account will help narrow the balance by consolidating government funds, while the issuance of Treasury Bills will also help close that balance in the near term.

21. The authorities noted the on-going restructuring and downsizing of GuySuCo, and recognized the importance of an appropriate safety net for those affected by that process. Several programs have been put in place to help displaced workers, including re-employment in the revitalization of sugar estates, and in drainage and irrigation activities. Many former employees have received severance payments, and pay-outs to others who qualify are in progress. Re-training programs are being offered, as well as some assistance to support workers in starting small businesses.

B. Monetary Policy and External Stability

22. Monetary policy should gradually revert towards a neutral stance. An accommodative stance was appropriate due to the economic slowdown, weak credit growth, and low inflation. But as the economic recovery strengthens and inflationary pressures arise, monetary policy will need to be tightened. International prices and their pass-through to domestic inflation should be closely monitored, as well as the effects of changes in the interest rate differential vis-à-vis the United States.

23. Staff assessed Guyana’s external position as moderately weaker than levels consistent with fundamentals. External Balance Assessment (EBA) based estimates suggest the current account balance in 2017 to be around 1.9 percent of GDP lower than its norm of a 4.8 percent deficit, implying a moderate real exchange rate overvaluation (Annex IV. A). The current account gap is expected to narrow over the short-term, given the expansion of commodity exports and a favorable terms-of-trade shock in 2019. This expected narrowing of the current account gap would imply an exchange rate that is broadly in line with fundamentals. International reserves remained above traditional metrics and meet the Fund’s composite adequacy metric (Annex IV.B).

24. Staff recommended more exchange rate flexibility, which would facilitate the adjustment to external shocks and safeguard foreign reserves. The nominal exchange rate has remained broadly stable since a small depreciation in early 2017. Guyana remains vulnerable to terms of trade shocks given its dependence on imported oil and the concentration of exports on a few commodities.

25. The foreign exchange interbank market remains limited. Banks tend to rely on a few exporting customers to meet their other customers’ FX demand needs, with relatively few transactions among banks. This leads to hoarding of FX by banks, since they cannot rely on a well-functioning interbank market to supply eventual needs. Banks attributed this problem to the small scale of the market. Prudential limits on the net open FX position could create incentives for more interbank FX market transactions.

Authorities’ Views

26. The authorities are of the view that the recent slowdown in growth and low inflation provided the space for monetary policy to be supportive. Since spillovers from global financial conditions affect the domestic economy with lags, higher international rates have not yet begun to fully impact domestic rates. The BoG remains focused on achieving its output and inflation objectives, and the future path of monetary policy will continue to be informed by domestic and international economic and financial conditions.

27. The authorities remain committed to a market determined flexible exchange rate regime. After some tightness in early 2017, the FX market is now in a strong surplus position of U.S. dollars. While the exchange rate has adjusted to some degree to reflect this position, due to the oligopolistic nature of the market and resulting frictions, rates remain somewhat weaker than justified by market fundamentals.

C. Strengthening Financial Sector Resilience

28. There has been significant progress in implementing the 2016 FSAP regulatory framework recommendations (Annex IV). In April 2018, four bills were submitted to Parliament: amendments to the Bank of Guyana’s Act to provide an emergency liquidity assistance (ELA) to deposit taking financial institutions; amendments to Part VIII of the Financial Institutions Act (FIA) for orderly resolution of a failing institution; the National Payment System (NPS) law to facilitate the establishment, regulation and oversight of a modern national payment system; and the Deposit

Insurance Act to foster financial stability by protecting depositors and by contributing to the resolution of member institutions. The authorities confirmed that the deposit insurance scheme (DIS) would be introduced after an effective resolution regime and the ELA framework are formalized.

29. The BoG continues to strengthen financial sector resilience as per the FSAP's recommendations. It established a Financial Stability Unit (FSU) to monitor and identify systemic risks, and to support the Financial Stability Committee. The BoG continues to closely monitor and request frequent reporting on commercial banks' asset quality and remedial actions to reduce NPLs. A sustained recovery in the non-mining sectors will help reduce the stock of NPLs. Moreover, the Crisis Management Plan (CMP) and Supervision Guideline (SG) are currently being reviewed to fill information gaps on banks' conditions and group structures, tighten the definition of related party lending, and refine loan classification and provisioning. CARTAC provided TA on Basel II/III in February 2018, and the BoG drafted the road map for Basel II implementation—focusing on the minimal capital requirement in the first phase (Pillar 1), followed by enhancing supervisory review requirements (Pillar 2) and improving market discipline through effective public disclosure requirements (Pillar 3). The draft Financial Consumer Protection legislation is also being prepared. The authorities have addressed significant deficiencies in the AML/CFT framework, and are encouraged to continue working towards fully aligning it with the FATF standard and ensuring its effective implementation.

30. A balance sheet analysis shows that households are the principal domestic creditor with banks serving as the center of linkages to other domestic sectors. In stock terms, households provided about 26 percent of GDP to the banking sector (commercial banks and central bank) in 2016. Government external funding has the largest share of total inter-sectoral net credit. The government financed externally 33.8 percent of GDP, largely from concessional loans. Its domestic financing from the BoG and commercial banks were 2.9 percent and 6.9 percent of GDP, respectively.

Balance Sheet Analysis Matrix, 2016 Net positions								
<i>(In percent of GDP)</i>								
	Government	Central Bank	Banks	NBFIs	NFCs	HHs	ROW	Total
Government		-2.9	-6.9	-0.1			-33.8	-43.7
Central Bank	2.9		-10.7	-0.5	0.4	-11.3	14.1	-5.1
Banks	6.9	10.7	-0.7	-1.7	0.7	-26.1	7.5	-2.6
NBFIs	0.1	0.5	1.7	0.5	4.5	-6.7	3.7	4.2
NFCs		-0.4	-0.7	-4.5				-5.6
HHs		11.3	26.1	6.7				44.1
ROW	33.8	-14.1	-7.5	-3.7				8.5

Source: Fund staff calculations.
 NBFIs: non-bank financial institutions; NFCs: non-financial corporations; HHs: households; and ROW: rest of the world.

Authorities' Views

31. The authorities are committed to making further progress in implementing FSAP recommendations. They highlight the efforts made to enhance the BoG's supervisory powers and establishing the ELA framework, while noting the progress on the legislative front pertaining to the insurance bill, national payments system and deposit insurance. They have also been holding discussions with commercial banks on upcoming revisions in regulatory frameworks, including the guideline on provisioning requirements for "well-secured" loans.

32. The authorities continue to closely monitor the asset quality of commercial banks. Although still relatively high, NPLs have declined and are concentrated among a few large borrowers who have solvent businesses. They have been conducting follow-up examinations on a more regular basis and are requesting frequent periodic reporting to assess the institutions' credit risk management practices and asset quality. They have also been meeting with the Board of Directors and senior management of institutions to discuss areas of significant concern.

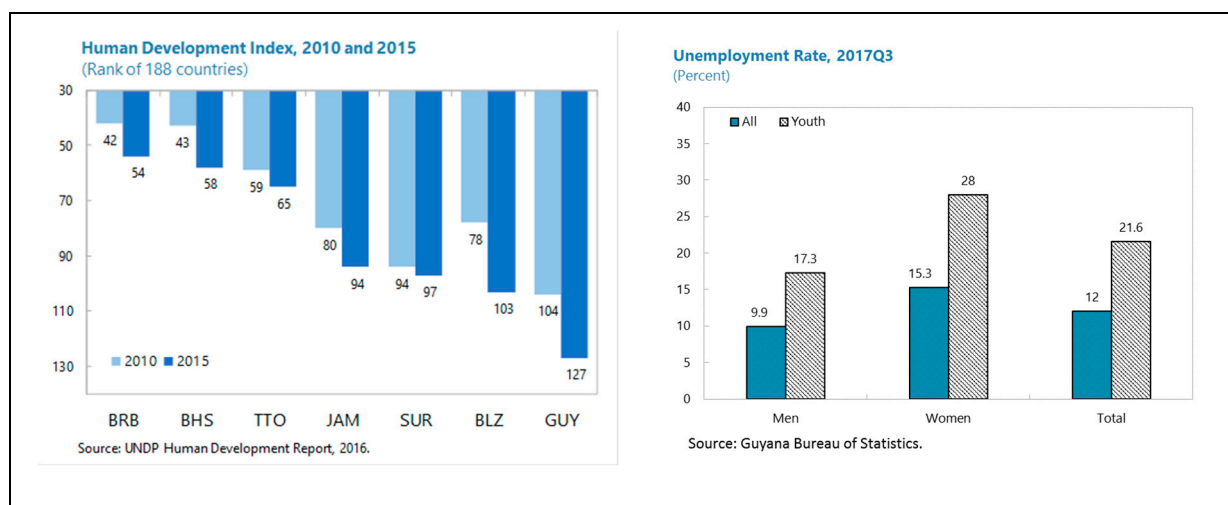
33. The authorities have significantly strengthened their AML/CFT framework, and are committed to keeping it up-to-date with international best practices. As such, although CBR withdrawals remain a concern, the situation has stabilized. Indeed, the authorities are cautiously optimistic that on-going discussions with international banks regarding new CBRs will yield positive results.

D. Enhancing Competitiveness, and Supporting Inclusive Growth

34. Productivity-enhancing reforms are needed to improve competitiveness and facilitate inclusive growth.

- *Traditional sectors:* The ongoing reforms to the sugar sector will increase its productivity, but reduce its size. As the sector shrinks, the authorities should continue to facilitate the retraining of workers and diversification into other crops and activities. Prospects for the rice sector are favorable, and yields continue to rise, supported by an active rice research program.
- *Diversification:* Staff noted ongoing efforts to support diversification of the economy by increasing backward linkages of the oil industry to the rest of the domestic economy. Notwithstanding the upside benefits, the prospect of the oil sector could lead to real exchange appreciation, eroding competitiveness in non-energy intensive sectors. It will be important to mitigate such appreciation through improvements in the business climate and infrastructure.
- *Energy sector:* High energy costs are a longstanding obstacle to growth. Plans to use Guyana's natural gas for power generation could provide a cleaner and more affordable alternative to the current energy matrix. That would help meet immediate needs while renewable energy initiatives, to which the authorities remain committed, are pursued. Large commercial users are finding solar panels to be a cost-effective investment.

- *Inclusion:* The reduction of economic and social disparities between the coast and the Hinterland remains a priority to the authorities. Improved access to transportation, including improvements on the road to the border with Brazil, health, education, electricity and telecommunication services should spread the benefits of growth more widely and enhance employment opportunities. Moving from the flood-prone coastal region to the interior would also improve resilience to climate change.
- *Labor market:* A recently published labor force survey fills important data gaps (Annex IV). The youth unemployment rate is 21.6 percent compared to an average unemployment rate of 12 percent. Female labor force participation increased from 34.6 percent in 2012 to 43.6 percent in 2017, but remains much lower than male participation. The authorities are currently discussing family-friendly labor policies with a possible extension of maternity leave and some early childhood intervention programs.



35. Staff emphasized the importance of unlocking private sector-led growth. The costs of doing business remain high, and Guyana lags its peers in several areas, including: dealing with construction permits, resolving insolvency, getting electricity, and trading across borders. Guyana is rated at 56.3 out of 100 in terms of the World Bank Doing Business Distance to Frontier, despite a small improvement in 2017.¹¹ The public investment program can help relieve infrastructure-related bottlenecks and high energy costs. To reduce the cost of setting up a business, the authorities established a memorandum of understanding with line ministries to resolve duplicate or overly cumbersome procedures. Guyana's score in the



¹¹ An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the regulatory best practice.

Corruption Perception Index has significantly improved since 2015, rising from 29 to 38 (out of 100) in 2015–17.¹² Becoming a candidate member of the Extractive Industries Transparency Initiative (EITI) and committing to ensure transparency and accountability under EITI 2016 standard is a welcome step.

Authorities' Views

36. The authorities remain committed to environmentally sustainable and socially inclusive growth. They are in the process of preparing the Green State Development Strategy (GSDS), which is expected to focus on creating an enabling environment for private sector-led economic diversification and growth. The GSDS priorities are: building a green economy, diversifying the economic base, transitioning to renewable energy, supporting resilient infrastructure, sustainable management of natural resources, human development, governance and transparency, and the development of knowledge-driven growth industries. Innovations in rice production and access to new markets will expand exports. The authorities stressed that bridging the divide between the coastal area and the Hinterland is underway, by improving infrastructure and access to healthcare, education, and other social services which continues to be a major cost driver for government expenditure.

OTHER ISSUES

37. Data provision, while broadly adequate for surveillance, should be strengthened. Problems persist with the quality and timeliness of macroeconomic indicators, due to pervasive staffing issues and coverage. In the current circumstances, effective surveillance warrants a timely provision of high frequency data to monitor developments, revision of the national accounts and BOP statistics to include the oil sector, dissemination of IIP, submission of FSI data, and compilation of house price indexes. Staff welcomed compilation of balance of payments using the classification of the BPM6. The authorities are finalizing an all-urban CPI, a household budget survey, and a living conditions survey. Capacity constraints remain an obstacle in addressing these statistical weaknesses.

STAFF APPRAISAL

38. Guyana's macroeconomic outlook remains favorable. While growth slowed down in 2017, it became more broad-based, and is expected to accelerate in the run-up to the start of oil production in 2020. The extractive industries and public investment will be key drivers of economic growth over the medium-term. Reducing the costs of doing business, strengthening private sector confidence, and advancing productivity-enhancing reforms are essential for sustaining growth in the short-term, and for reaping the full benefits of the oil windfall once it materializes.

¹² A score of zero indicates the highest level of corruption. There is a degree of uncertainty around these estimates with a standard deviation of almost 2 for 2017.

39. Short-term financing needs should be carefully managed. The authorities' prudence and restraint towards borrowing in anticipation of future oil revenue is commendable. They should rely as much as possible on Multilateral Development Banks, including their non-concessional financing operations. Developing the domestic capital markets would provide a more stable source of financing and help meet the needs of domestic long-term institutional investors. Private external borrowing should continue to be avoided, and central bank financing should not be used at all. Staff welcomed the authorities' intention to close the overdraft balances at the central bank in the near-term. Saving the one-off gains from the tax amnesty would reduce financing needs, and also help preserve external buffers.

40. The quality and efficiency of government expenditure should continue to be improved. It is important to address the shortcomings identified by the PIMA before public investment is significantly scaled-up with oil revenues. For similar reasons, it would be useful to review current expenditures to ensure they achieve the maximum welfare and inclusion benefits.

41. The rules-based fiscal framework for managing oil wealth should be transparent and consistent with the resource fund deposit/withdrawal rules. It should provide the basis for determining the allocation of annual oil revenue for stabilization and domestic capital expenditure, as well as intergenerational savings. The consistency between the fund deposit/withdrawal rules and a fiscal rule could be reinforced by a fiscal responsibility legislation.

42. Monetary policy should gradually revert towards a neutral stance as the economic recovery gains pace, and inflationary pressures arise.

43. The exchange rate should play a more active role in cushioning external shocks going forward. Guyana remains vulnerable to external shocks given the concentration of its exports in a few commodities and its reliance on imported oil in the short-term. Over the long-term, building an adequate buffer stock of savings from the oil revenues would also help cope with external shocks.

44. Significant progress has been made in implementing the 2016 FSAP recommendations, but further progress is needed in some areas. Ensuring the internal consistency of supervisory function from routine supervision to intervention and resolution remains a priority. Other important areas where work still needs to be finalized include: eliminating reduced provisioning requirements for "well-secured" portions of NPLs; refining the definition of "related parties" with the international standards; reducing the reliance on overdraft lending; clarifying the upstream and downstream ownership of institutions; and raising minimum capital adequacy requirement to 12 percent; and reducing the banks' large exposure limits.

45. Enhancing competitiveness and supporting inclusive growth should remain a high priority. Greater efforts are needed to lower the cost of doing business by addressing infrastructure-related bottlenecks, reducing energy costs, and cutting red tape. Increasing female labor force participation and bridging the gaps with the Hinterland can boost growth and help spread its benefits more widely.

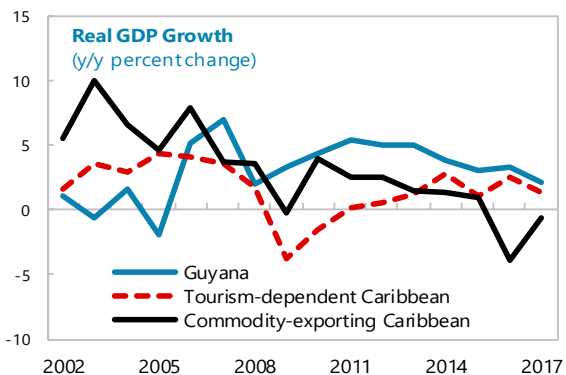
46. Oil exploration and production should be included in the national accounts when they are rebased, and also in the BOP statistics. Strengthening external sector statistics and compiling an international investment position should be a priority.

47. It is proposed that the next Article IV consultation takes place on the standard 12-month cycle.

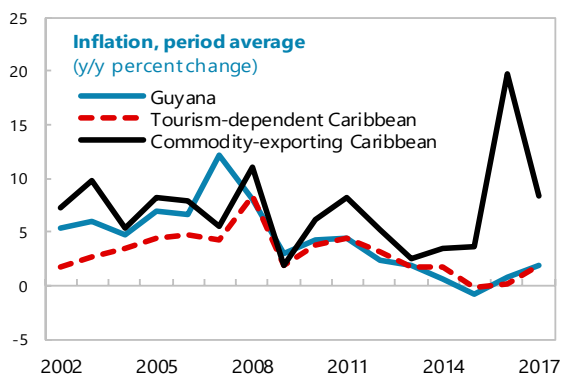
Figure 1. Guyana: Comparative Regional Developments 1/

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

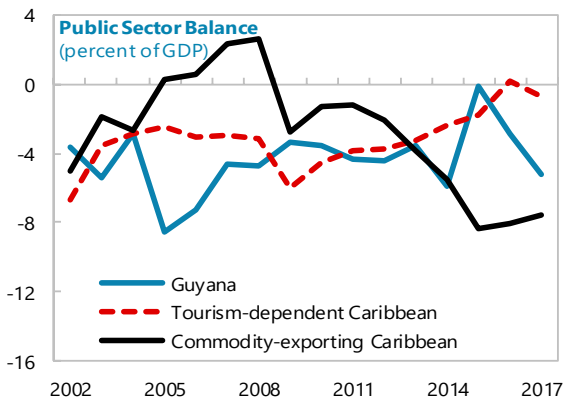
Growth was lower in 2017, driven by a slowdown in mining and sugar sectors...



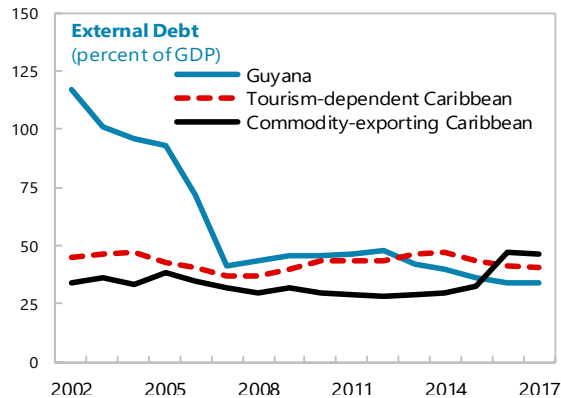
... and inflation remained subdued.



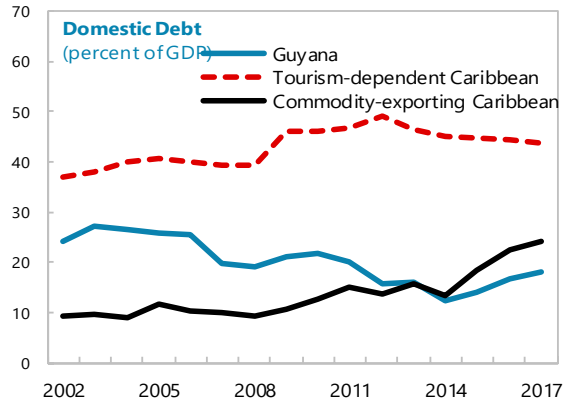
The fiscal deficit deteriorated in 2017...



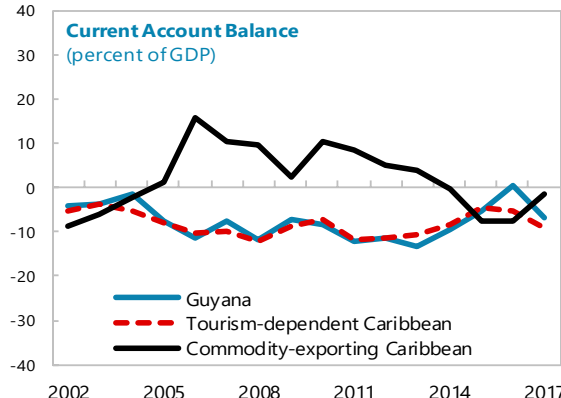
... and external borrowing remained flat.



Domestic debt slightly increased from a low base...



...and weaker than expected export growth and higher oil prices worsened the current account balance.



Sources: Country authorities; and Fund staff calculations.

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

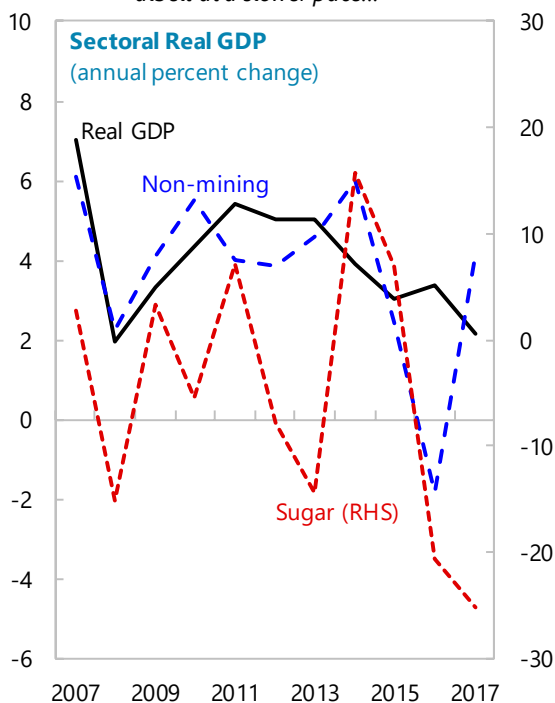
Tourism-dependent Caribbean includes Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

Commodity-exporting Caribbean includes Belize, Suriname and Trinidad and Tobago.

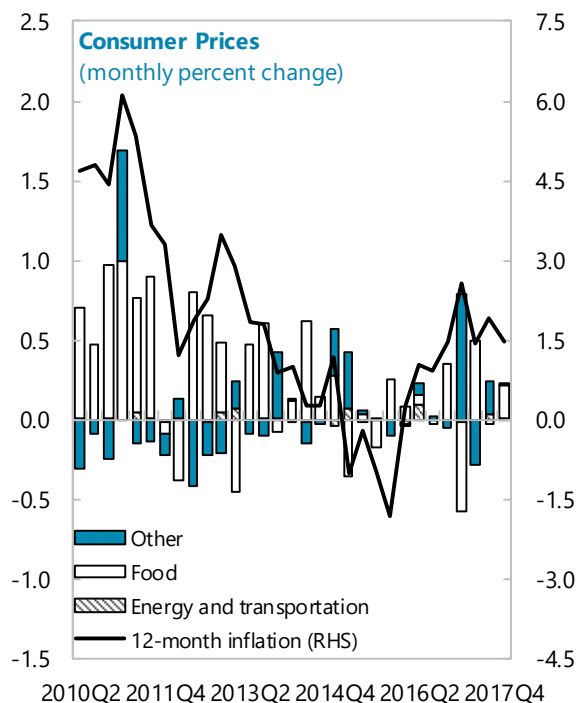
Figure 2. Guyana: Real Sector Indicators

Economic activity slowed in 2017, but became more broad-based.

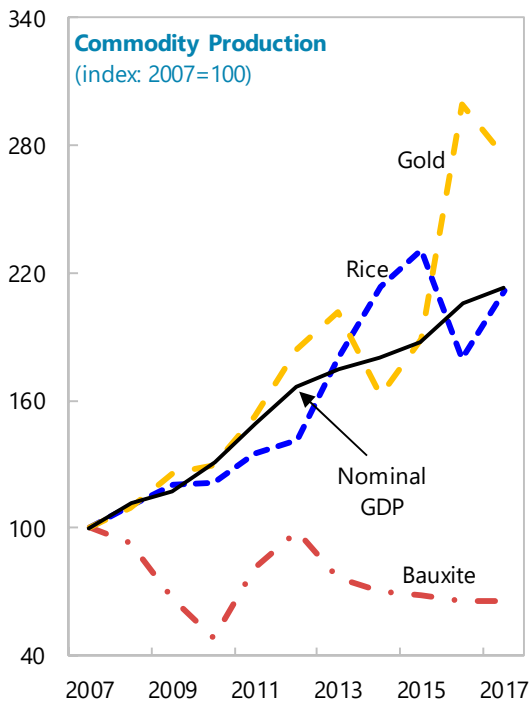
Economic expansion continued, albeit at a slower pace...



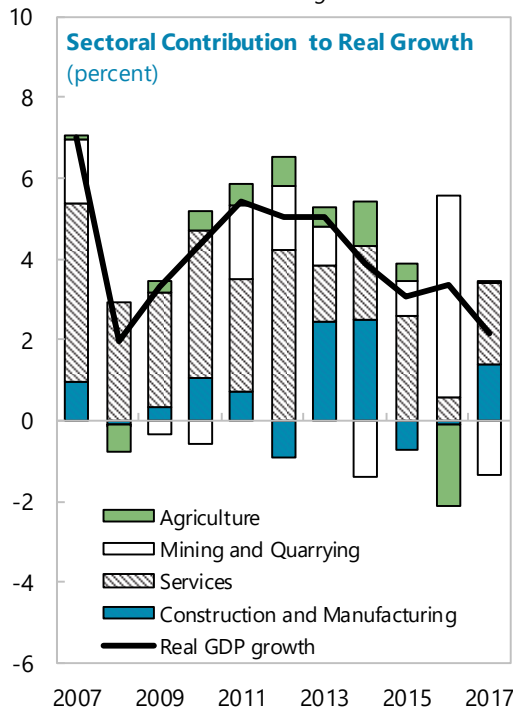
... and Inflation remained subdued.



Rice production recovered...



... while weakness in mining and sugar sectors reduced real GDP growth.

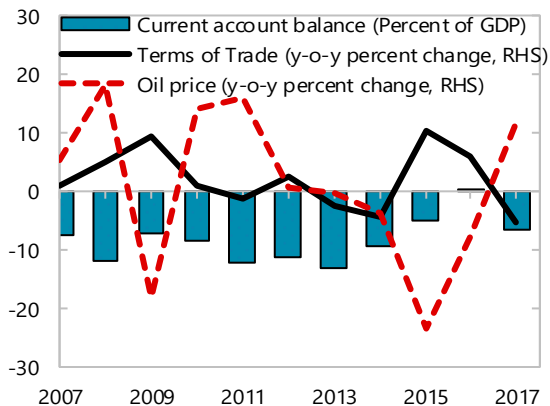


Sources: Bank of Guyana; Ministry of Finance; and Fund staff estimates.

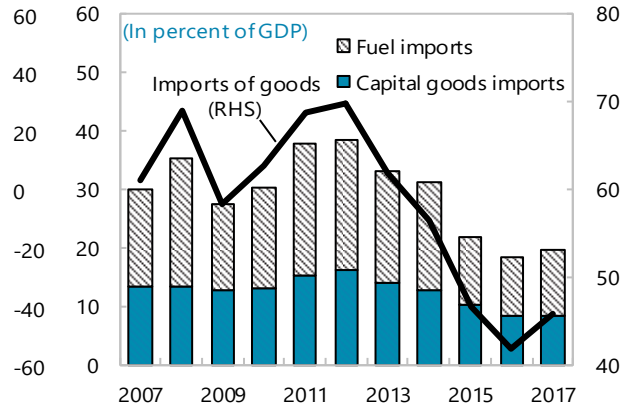
Figure 3. Guyana: External Sector Developments

Higher imports and net services in 2017 turned current account to deficit.

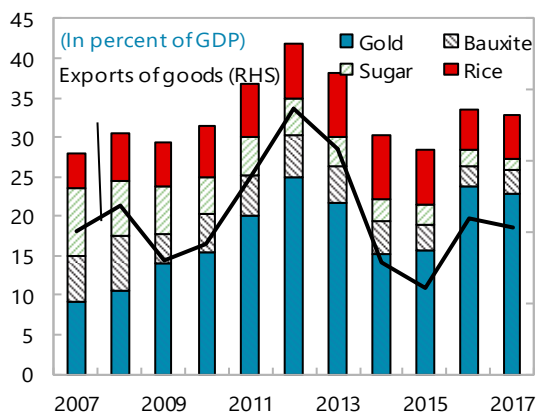
Weaker exports and higher oil prices negatively affected the current account balance...



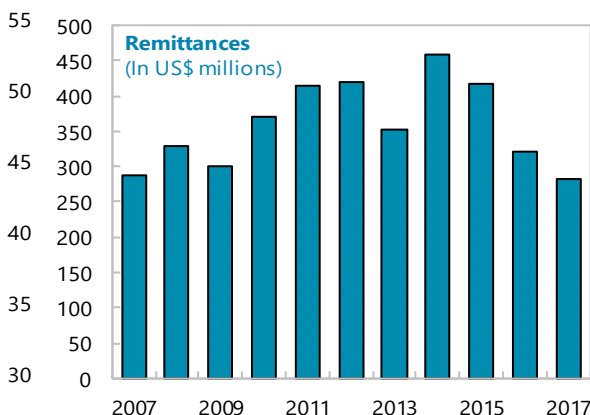
... and increased the value of fuel imports.



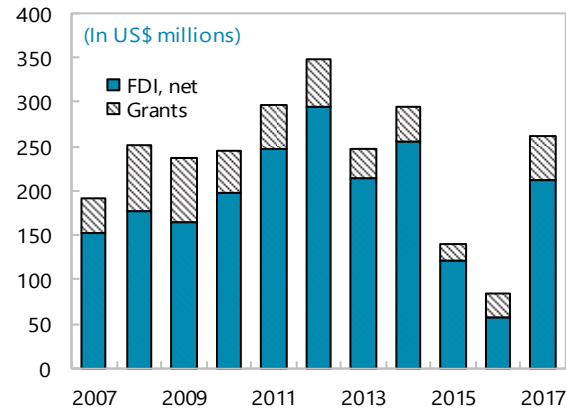
Exports remained almost flat despite increase in rice exports...



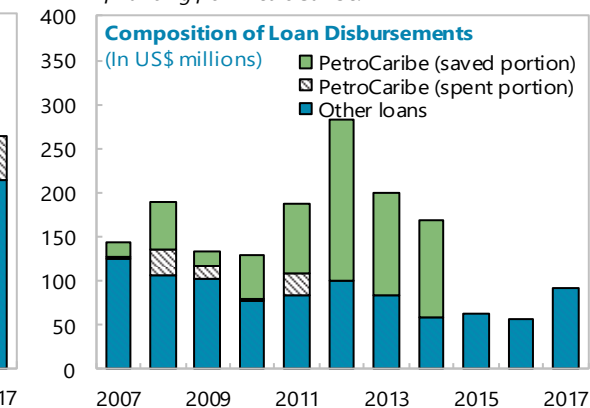
...and remittances continued to decline



Grants and FDI positively affected current and financial accounts...



...while official borrowing only partially replaced financing from PetroCaribe.

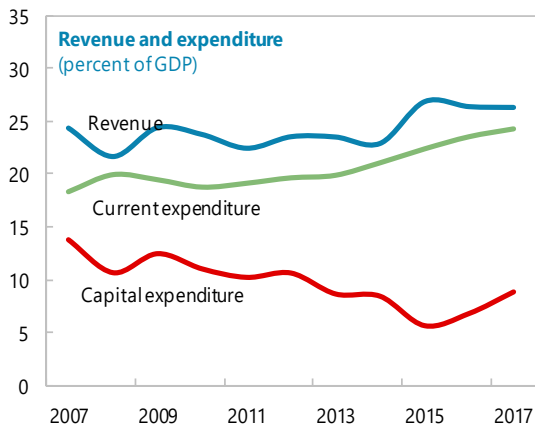


Sources: Bank of Guyana; and Fund staff estimates.

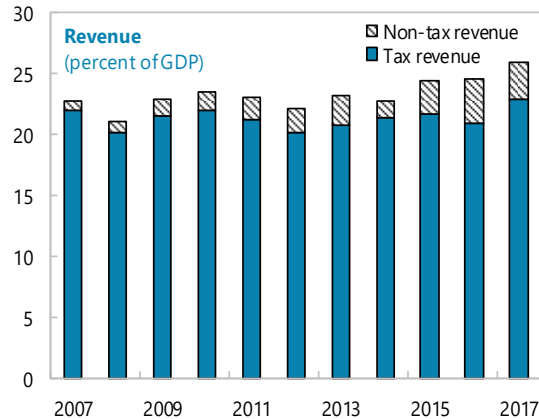
Figure 4. Guyana: Fiscal Sector Developments

Fiscal deficit widened despite narrowing of the central government deficit.

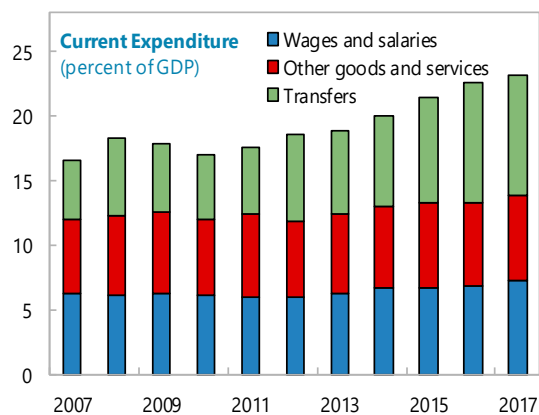
The 2017 NFPS deficit increased due to higher expenditure...



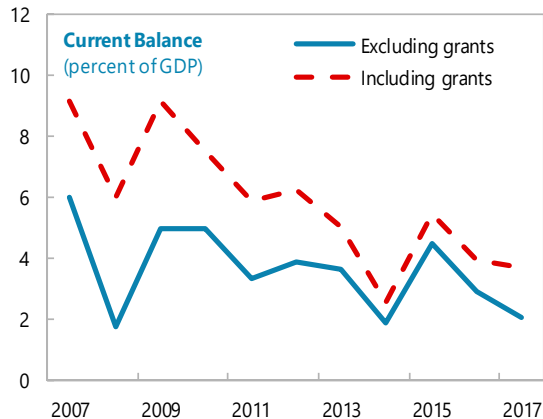
...despite increase in revenue from improvements in tax administration.



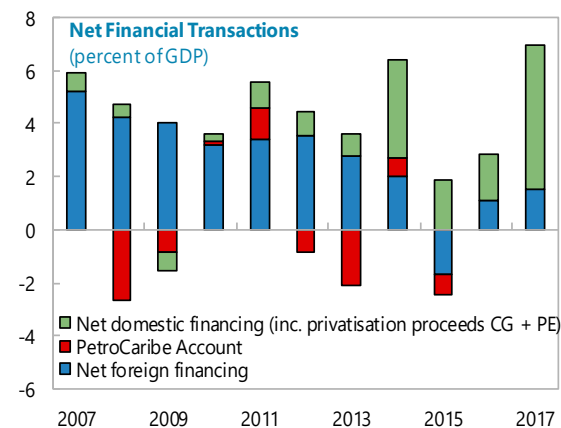
Current expenditures continue to increase...



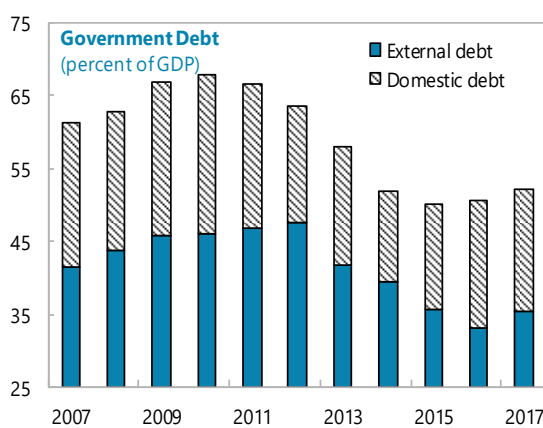
...reducing fiscal savings.



Much of the 2017 deficit was financed by domestic debt...



... while external debt increased slightly

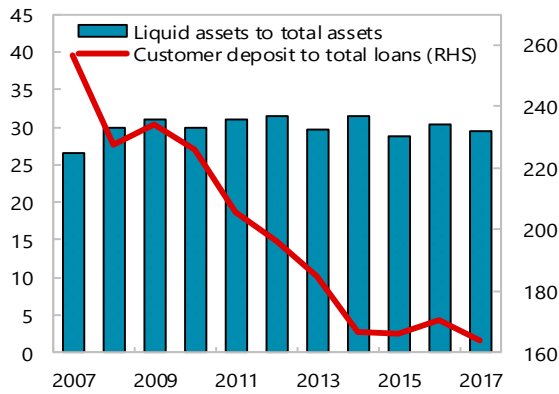


Sources: Ministry of Finance; and Fund staff estimates.

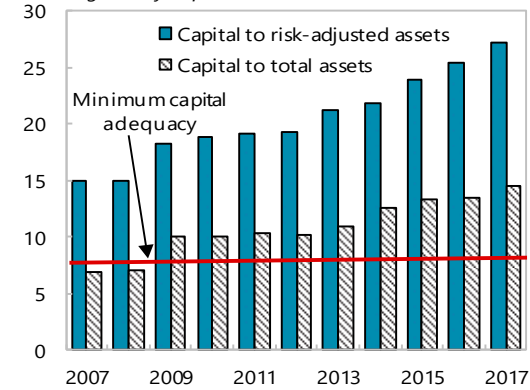
Figure 5. Guyana: Financial Soundness Indicators

The banking system is well capitalized and liquid, asset quality has slightly improved, and bank profitability remained stable in 2017.

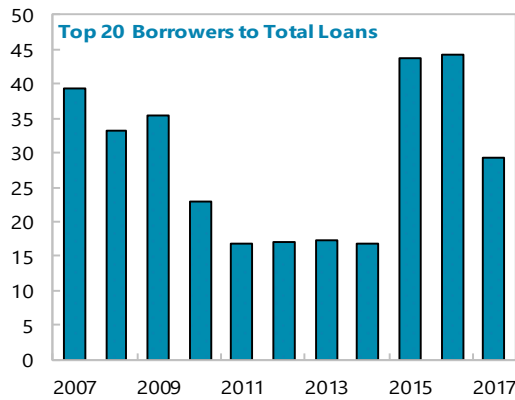
Banks remain liquid...



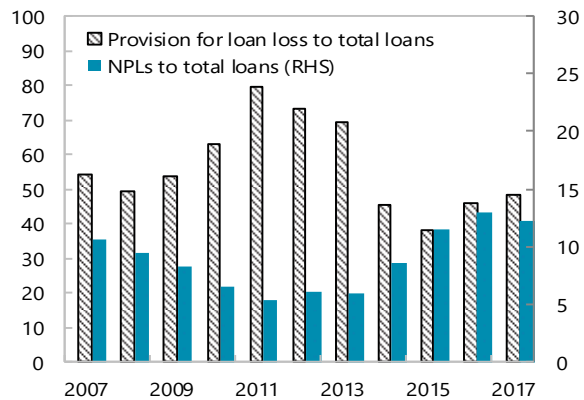
... and the system's reported CAR is above the regulatory requirement.



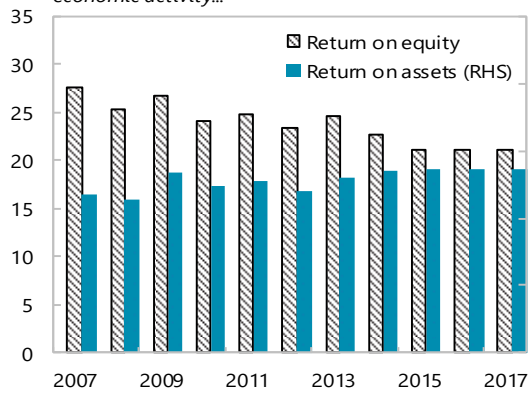
Credit concentration decreased in 2017...



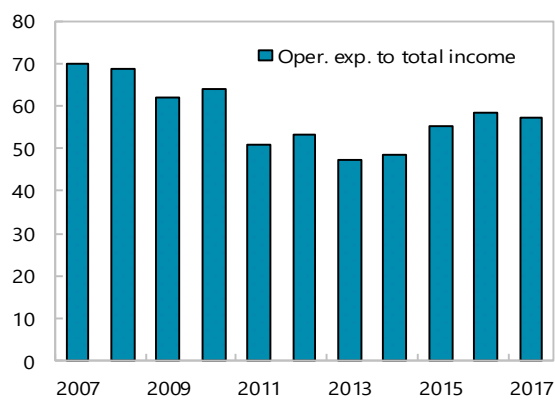
... and asset quality slightly improved.



Banks' profitability remained flat despite weaker economic activity...



... and operating expenses remained broadly stable.

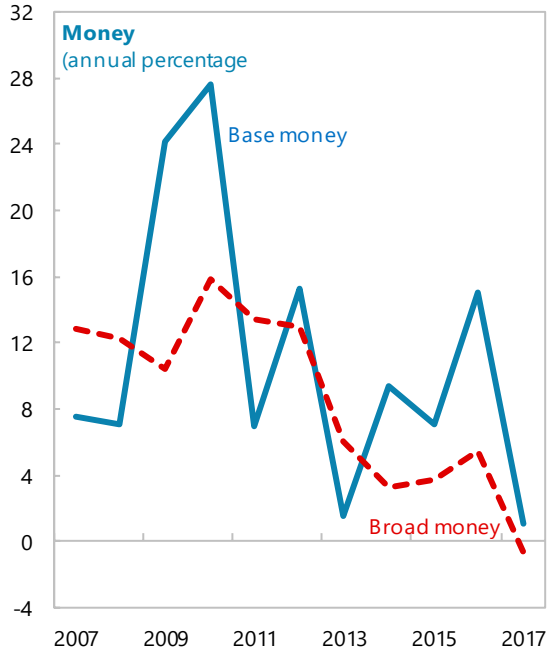


Source: Bank of Guyana.

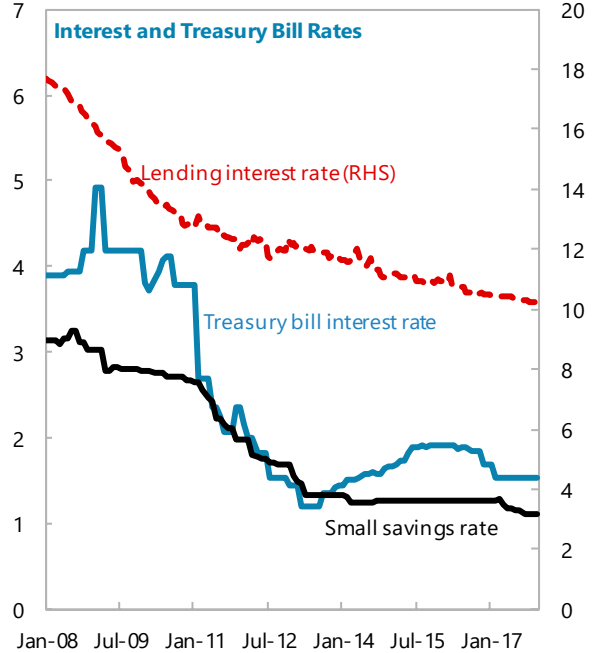
Figure 6. Guyana: Monetary Developments

Monetary conditions are broadly supportive of growth.

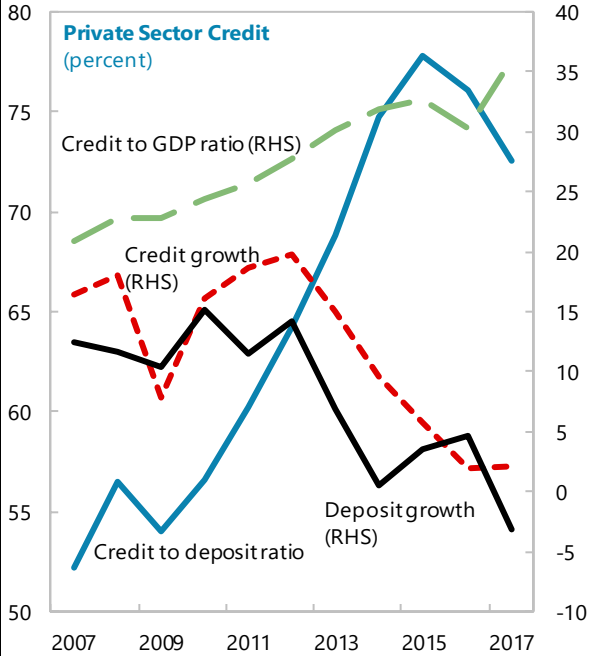
Growth in base money decreased...



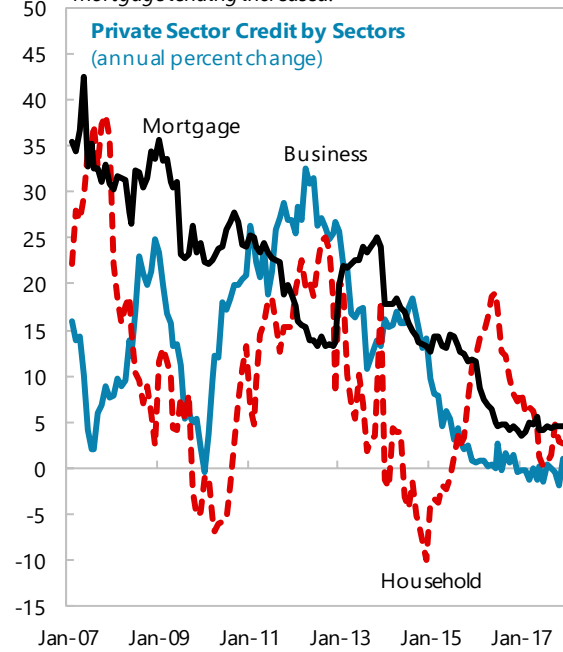
... and interest rates marginally declined...



... but credit growth stabilized ...



... particularly to businesses, while household and mortgage lending increased.



Source: Bank of Guyana.

Table 1. Guyana: Selected Social and Economic Indicators

I. Social Indicators						
Population, 2018 (thousands)	782				Population not using an improved water source (%), 2015	1.7
Life expectancy at birth (years), 2015	66.5				Gini index, 1998	44.6
Under-five mortality rate (per 1,000 live births), 2016	32.4				HDI rank, 2015	127
Population living below the poverty line (%), 2000-06	35					
II. Economic Indicators						
	2014	2015	2016	2017	Projections	
					2018	2019
	(Annual percent change)					
Production and prices						
Real GDP	3.9	3.1	3.4	2.1	3.4	4.8
Real GDP per capita	3.5	2.7	2.5	0.1	1.4	4.5
Consumer prices (average)	0.7	-0.9	0.8	2.0	1.3	2.9
Consumer prices (end of period)	1.2	-1.8	1.5	1.5	2.2	3.0
Terms of trade	-8.8	20.7	11.5	-10.5	-1.8	2.4
	(In percent of GDP)					
Central government						
Revenue	22.9	24.6	24.5	26.0	26.7	27.6
Grants	0.7	1.0	1.1	1.6	1.5	1.3
Expenditure	29.1	27.0	30.0	32.1	33.6	34.1
Current	21.1	22.4	23.5	24.2	25.9	25.3
Capital	8.0	4.6	6.4	7.8	7.7	8.7
Overall balance (after grants)	-5.5	-1.4	-4.4	-4.5	-5.4	-5.1
Total public sector gross debt 1/	51.9	50.1	50.7	52.2	57.0	57.2
External	39.5	35.7	33.2	35.5	36.0	32.8
Domestic	12.3	14.4	17.6	16.7	21.0	24.4
	(Annual percentage change, end of period)					
Money and credit						
Broad money	3.3	3.7	5.4	-0.7	10.7	7.0
Domestic credit of the banking system	10.5	12.3	7.8	1.5	10.1	10.0
Public sector (net) 2/	13.6	34.4	23.6	0.4	26.4	22.3
Private sector	9.7	5.8	2.0	2.1	2.8	3.2
	(In millions of U.S. dollars, unless otherwise indicated)					
External sector						
Current account balance	-291.5	-163.0	13.2	-237.2	-220.2	-168.5
(Percent of GDP)	-9.5	-5.1	0.4	-6.7	-6.1	-4.3
Gross official reserves	665.6	598.5	596.7	584.6	612.1	631.6
Months of imports of goods and services	3.7	3.7	3.7	3.2	3.2	3.1
Memorandum items:						
Nominal GDP (G\$ billion)	635.4	660.2	723.6	748.7	780.0	834.7
Per capita GDP, US\$	4,030	4,168	4,531	4,578	4,649	4,939
Guyana dollar/U.S. dollar (period average)	206.4	206.5	206.5	210.3	...	...

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

1/ The 2015-17 public debt to GDP ratios are adjusted to reflect unsettled government balances at the central bank.

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

Table 2. Guyana: Balance of Payment 1/

	2014	2015	2016	2017	Projections					
					2018	2019	2020	2021	2022	2023
	(In millions of U.S. dollars)									
Current account (incl. official transfers)	-291.5	-163.0	13.2	-237.2	-220.2	-168.5	501.1	1,190.5	1,564.7	2,962.1
Current account (excl. official transfers)	-331.8	-181.4	-12.4	-287.4	-259.0	-228.1	452.2	1,136.6	1,515.3	2,913.5
Merchandise trade (net)	-570.7	-340.3	-30.7	-196.2	-192.6	-136.1	697.5	1,532.8	2,007.5	3,667.4
Exports (f.o.b.)	1,167.1	1,151.3	1,434.4	1,435.9	1,584.6	1,743.8	3,001.3	4,219.8	4,955.3	7,114.0
Bauxite	124.7	104.3	92.1	102.3	119.3	125.0	130.9	137.0	143.5	150.8
Sugar	88.0	78.4	73.4	48.5	23.6	29.0	33.4	35.1	36.5	36.8
Rice	249.5	220.8	178.8	201.0	220.0	221.1	229.9	239.1	248.7	258.6
Gold	469.8	501.1	830.7	817.5	933.5	1072.2	1,174.8	1,279.9	1,359.8	1,439.4
Timber	53.4	43.7	40.4	35.8	36.8	37.2	37.6	37.9	38.3	38.7
Oil	-	-	-	-	-	-	1,127.6	2,220.1	2,854.7	4,913.9
Other	181.7	202.9	219.0	230.8	251.3	259.3	267.1	270.7	273.9	275.6
Imports (c.i.f.)	1,737.9	1,491.6	1,465.1	1,632.1	1,777.1	1,879.8	2,303.8	2,687.0	2,947.8	3,446.5
Capital goods	387.5	329.0	294.0	298.3	338.6	392.9	690.0	928.5	1,062.9	1,313.9
Fuel and lubricants	573.4	367.4	344.7	394.5	481.3	471.5	470.4	479.1	497.4	522.0
Other	776.9	795.1	826.4	939.3	957.2	1,015.5	1,143.4	1,279.4	1,387.5	1,610.6
Services (net)	-245.4	-282.3	-297.5	-361.4	-349.6	-374.1	-398.3	-425.2	-454.3	-484.6
Primary income (net)	26.7	24.7	-4.6	-11.5	-8.5	-23.1	-164.7	-301.5	-381.5	-626.4
of which:										
Repatriated oil earnings							394.7	777.0	999.1	1,719.9
Secondary income (net)	498.0	434.9	346.0	331.9	330.5	364.8	366.6	384.4	393.1	405.6
Financial account	353.0	206.0	0.8	231.1	220.2	168.5	-501.1	-1190.5	-1564.7	-2,962.1
Nonfinancial public sector (net)	36.6	-8.9	5.2	58.1	112.2	6.9	44.6	23.8	105.8	94.7
Net official borrowing	18.0	-18.1	14.4	56.3	102.0	6.9	44.6	23.8	105.8	94.7
Other public sector (net) 2/	18.6	9.2	-9.2	1.8	10.3	0.0	0.0	0.0	0.0	0.0
Private sector (net)	205.2	147.8	-6.2	160.9	135.5	181.1	-344.1	-911.1	-1,249.4	-2,344.4
Foreign direct investment (net)	255.2	121.7	58.0	212.2	219.4	229.9	-351.4	-925.0	-1,257.6	-2,338.6
Portfolio investment (net)	7.8	3.3	-59.8	-52.8	-49.7	-47.3	7.3	13.1	7.4	-6.8
Other (net)	-57.8	22.7	-4.4	1.6	-34.2	-1.5	0.1	0.9	0.8	1.0
Errors and omissions	-61.5	-43.0	-14.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-111.3	-67.1	-1.8	-12.1	27.5	19.5	201.6	303.2	421.2	712.3
Memorandum items:										
Current account, incl. off. transfers (in percent of GDP)	-9.5	-5.1	0.4	-6.7	-6.1	-4.3	10.7	21.9	26.1	40.7
Current account, excl. off. transfers (in percent of GDP)	-10.8	-5.7	-0.4	-8.1	-7.1	-5.9	9.7	20.9	25.3	40.0
Gross international reserves	665.6	598.5	596.7	584.6	612.1	631.6	833.2	1,136.4	1,557.6	2,270.0
(in months of imports of goods and services)	3.7	3.7	3.7	3.2	3.2	3.1	3.5	4.1	5.2	6.6
Oil price assumption (US\$/b)	96.2	50.8	42.8	52.8	62.3	58.2	55.6	54.1	53.6	53.6
GDP (US\$ million)	3,079	3,197	3,504	3,561	...	...	...	...	...	...
	(Annual percent change)									
Exports of goods	-14.9	-1.7	25.3	0.2	9.7	10.2	73.0	40.9	17.5	43.7
Imports of goods	-5.9	-14.2	-1.8	11.4	8.9	5.8	22.6	16.6	9.7	16.9
Terms of trade	-8.8	20.7	11.5	-10.5	-1.8	2.4	3.3	1.1	0.7	0.4
Sources: Bank of Guyana; and Fund staff estimates and projections.										
1/ Table has been revised to BPM6 presentation.										
2/ Includes capital flows of PetroCaribe financing.										

Table 3a. Guyana: Nonfinancial Public Sector Operations
(In billions of Guyanese dollars)

	2014	2015	2016	2017	Projections					
					2018	2019	2020	2021	2022	2023
Central government revenue	146.7	162.7	177.3	194.7	208.0	230.7	281.2	332.8	372.1	460.8
Tax revenue	135.9	142.9	151.7	171.1	187.5	197.1	212.4	227.0	242.7	259.5
Income taxes	51.2	54.5	60.6	67.7	77.8	79.2	88.9	95.2	101.9	109.2
Consumption taxes	65.7	68.8	68.7	76.3	81.6	87.3	92.9	99.2	106.0	113.1
Trade taxes	13.9	14.0	16.9	18.5	19.3	21.2	20.4	21.8	23.2	24.8
Other	5.1	5.6	5.5	8.6	8.9	9.5	10.1	10.8	11.6	12.4
Non-tax revenue	8.8	18.8	25.6	23.5	20.5	33.6	68.8	105.7	129.4	201.3
<i>Of which:</i>										
Oil revenue	0.0	0.0	0.0	0.0	0.0	0.0	35.9	71.3	92.7	161.1
Net revenue from PE and statutory bodies	5.3	12.4	15.3	15.3	12.2	13.6	15.1	15.4	16.4	18.6
Capital revenue	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	4.2	6.3	7.9	12.2	11.7	11.1	8.9	6.1	5.5	5.5
Central government expenditure	184.8	178.3	216.8	240.3	261.8	284.3	338.7	394.6	434.3	469.5
Current expenditure	133.8	147.6	170.2	181.5	202.1	211.6	225.9	242.0	259.3	272.4
Wages and salaries	42.3	44.7	49.4	54.5	61.0	65.1	69.3	74.0	79.1	84.3
Other goods and services	40.1	43.2	46.8	49.3	55.7	62.6	66.4	70.7	75.4	80.2
Transfers	45.1	53.3	67.3	69.7	76.7	75.1	77.3	82.5	88.2	86.5
Interest 1/	6.3	6.5	6.7	8.0	8.7	8.8	12.8	14.7	16.7	21.4
Domestic	1.5	1.7	1.9	2.0	1.4	3.3	7.1	8.8	10.4	14.5
External	4.8	4.8	4.8	6.1	7.3	5.5	5.7	6.0	6.4	6.9
Capital expenditure	51.0	30.7	46.6	58.7	59.7	72.7	112.8	152.6	175.0	197.1
External PSIP	11.2	9.7	15.4	19.8	27.3	30.1	33.9	35.6	52.9	50.4
Local PSIP	35.1	18.9	29.7	35.9	32.4	22.5	33.4	44.2	52.0	52.4
Oil-financed projects 2/	0.0	0.0	0.0	0.0	0.0	0.0	12.9	25.8	33.2	56.4
Overall balance (before grants)	-38.1	-15.6	-39.4	-45.6	-53.8	-53.5	-57.5	-61.8	-62.3	-8.7
Overall balance (after grants)	-33.9	-9.3	-31.6	-33.4	-42.1	-42.4	-48.6	-55.7	-56.8	-3.3
Primary balance (after grants)	-27.6	-2.8	-24.8	-25.4	-33.4	-33.7	-35.8	-41.0	-40.1	18.1
Financing	34.9	9.3	31.6	33.4	42.1	42.4	48.6	55.7	56.8	3.3
Net foreign financing	10.3	-5.3	7.8	7.4	9.2	1.5	9.7	5.2	23.5	21.3
Net domestic financing 3/	24.6	14.6	23.7	26.0	32.9	40.9	38.9	50.5	33.2	-18.0
Memorandum items:										
NFPS overall balance	-37.6	-1.2	-20.5	-38.8	-47.8	-41.5	-46.9	-44.9	-45.2	8.8
NFPS Primary balance	-31.3	5.2	-2.8	-30.7	-39.1	-32.8	-34.0	-30.2	-28.5	30.2
Public enterprises capital expenditure	2.5	6.4	-8.6	7.5	14.3	14.3	9.8	11.4	12.5	15.1
Nominal GDP at market prices (G\$ billion)	635	660	724	749	780	835	1,012	1,195	1,333	1,637

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

1/ Reflects interest and amortization after total debt relief.

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

3/ Includes statistical discrepancies.

Table 3b. Guyana: Nonfinancial Public Sector Operations
(In percent of GDP)

	2014	2015	2016	2017	Projections 1/					
					2018	2019	2020	2021	2022	2023
Central government revenue	22.9	24.6	24.5	26.0	26.7	27.6	27.8	27.9	27.9	28.2
Tax revenue	21.4	21.6	21.0	22.9	24.0	23.6	21.0	19.0	18.2	15.9
Income taxes	8.1	8.3	8.4	9.0	10.0	9.5	8.8	8.0	7.6	6.7
Consumption taxes	10.3	10.4	9.5	10.2	10.5	10.5	9.2	8.3	8.0	6.9
Trade taxes	2.2	2.1	2.3	2.5	2.5	2.5	2.0	1.8	1.7	1.5
Other	0.8	0.8	0.8	1.1	1.1	1.1	1.0	0.9	0.9	0.8
Non-tax revenue	1.4	2.8	3.5	3.1	2.6	4.0	6.8	8.9	9.7	12.3
<i>Of which:</i>										
Oil revenue	0.0	0.0	0.0	0.0	0.0	0.0	3.5	6.0	7.0	9.8
Net revenue from PE and statutory bodies	0.8	1.9	2.1	2.0	1.6	1.6	1.5	1.3	1.2	1.1
Capital revenue	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.7	1.0	1.1	1.6	1.5	1.3	0.9	0.5	0.4	0.3
Central government expenditure	29.1	27.0	30.0	32.1	33.6	34.1	33.5	33.0	32.6	28.7
Current expenditure	21.1	22.4	23.5	24.2	25.9	25.3	22.3	20.3	19.5	16.6
Wages and salaries	6.7	6.8	6.8	7.3	7.8	7.8	6.8	6.2	5.9	5.2
Other goods and services	6.3	6.5	6.5	6.6	7.1	7.5	6.6	5.9	5.7	4.9
Transfers	7.1	8.1	9.3	9.3	9.8	9.0	7.6	6.9	6.6	5.3
Interest 2/	1.0	1.0	0.9	1.1	1.1	1.0	1.3	1.2	1.3	1.3
Domestic	0.2	0.3	0.3	0.3	0.2	0.4	0.7	0.7	0.8	0.9
External	0.8	0.7	0.7	0.8	0.9	0.7	0.6	0.5	0.5	0.4
Capital expenditure	8.0	4.6	6.4	7.8	7.7	8.7	11.1	12.8	13.1	12.0
External PSIP	1.8	1.5	2.1	2.6	3.5	3.6	3.3	3.0	4.0	3.1
Local PSIP	5.5	2.9	4.1	4.8	4.2	2.7	3.3	3.7	3.9	3.2
Oil-financed projects 3/	0.0	0.0	0.0	0.0	0.0	0.0	1.3	2.2	2.5	3.4
Overall balance (before grants)	-6.2	-2.4	-5.4	-6.1	-6.9	-6.4	-5.7	-5.2	-4.7	-0.5
Overall balance (after grants)	-5.5	-1.4	-4.4	-4.5	-5.4	-5.1	-4.8	-4.7	-4.3	-0.2
Primary balance (after grants)	-4.3	-0.4	-3.4	-3.4	-4.3	-4.0	-3.5	-3.4	-3.0	1.1
Financing	5.5	1.4	4.4	4.5	5.4	5.1	4.8	4.7	4.3	0.2
Net foreign financing	1.6	-0.8	1.1	1.0	1.2	0.2	1.0	0.4	1.8	1.3
Net domestic financing 4/	3.9	2.2	3.3	3.5	4.2	4.9	3.8	4.2	2.5	-1.1
Memorandum items:										
NFPS overall balance (after grants)	-5.9	-0.2	-2.8	-5.2	-6.1	-5.0	-4.6	-3.8	-3.4	0.5
NFPS Primary balance	-4.9	0.8	-0.4	-4.1	-5.0	-3.9	-3.4	-2.5	-2.1	1.8
Public enterprises capital expenditure	0.4	1.0	-1.2	1.0	1.8	1.7	1.0	1.0	0.9	0.9
Total public debt	51.9	50.1	50.7	52.2	57.0	57.2	54.4	51.7	51.6	41.4
Domestic	12.3	14.4	17.6	16.7	21.0	24.4	24.8	24.8	25.6	20.8
External	39.5	35.7	33.2	35.5	36.0	32.8	29.6	26.9	26.0	20.6
Nominal GDP at market prices (G\$ billion)	635	660	724	749	780	835	1,012	1,195	1,333	1,637

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

1/ The declines in tax revenue and expenditure as a ratio to GDP after 2019 are due to the large increase in GDP after the start of oil production.

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

	2014	2015	2016	2017	Projections					
					2018	2019	2020	2021	2022	2023
(In billions of Guyanese dollars, end of period)										
Bank of Guyana										
Net foreign assets	103.5	92.3	96.5	92.3	98.8	103.5	148.8	218.2	315.7	479.3
Foreign assets	137.9	124.0	127.1	121.7	128.2	132.9	178.2	247.6	345.1	508.7
Foreign liabilities	34.4	31.7	30.6	29.4	29.4	29.4	29.4	29.4	29.4	29.4
Net domestic assets	22.0	42.2	58.1	64.0	64.1	70.8	36.7	-20.1	-104.2	-253.6
<i>Of which:</i>										
Credit to public sector (net)	24.4	46.7	67.1	70.8	70.8	70.8	70.8	70.8	70.8	53.2
Liabilities to commercial banks	-0.1	-3.4	-3.7	-6.2	-6.4	-6.9	-7.3	-7.8	-8.3	-8.9
Currency in circulation	78.4	83.2	90.9	100.5	104.7	112.0	119.3	127.3	136.0	145.1
Base money	125.5	134.4	154.5	156.1	162.6	174.0	185.3	197.8	211.3	225.4
<i>Of which:</i> Excess reserves	7.0	9.2	19.2	11.8	...	...	...	...	...	...
Monetary Survey										
Net foreign assets	162.5	145.9	150.0	146.0	153.1	158.3	204.2	274.1	372.2	536.3
Bank of Guyana	103.5	92.3	96.5	92.3	98.8	103.5	148.8	218.2	315.7	479.3
Commercial banks	58.9	53.6	53.5	53.7	54.3	54.8	55.4	55.9	56.5	57.0
Net domestic assets	264.8	297.1	316.9	317.9	360.2	390.9	462.0	512.0	504.9	540.5
Credit to public sector (net)	72.9	97.9	121.1	121.6	153.7	188.0	226.0	267.5	300.0	263.8
Private sector credit	244.9	259.2	264.3	269.8	277.4	286.3	296.3	308.1	320.5	334.9
Broad money	427.2	442.9	466.9	463.7	513.2	549.1	666.1	786.0	877.0	1,076.7
(Percentage change, 12-month basis)										
Net foreign assets	-1.3	-10.2	2.8	-2.6	4.8	3.4	29.0	34.3	35.8	44.1
Net domestic assets	5.7	12.2	6.7	0.3	13.3	8.5	18.2	10.8	-1.4	7.1
Domestic credit	10.5	12.3	7.8	1.5	10.1	10.0	10.1	10.2	7.8	-3.5
<i>Of which:</i>										
Private sector credit	9.7	5.8	2.0	2.1	2.8	3.2	3.5	4.0	4.0	4.5
Business sector	14.0	0.8	-0.4	0.9	...	...	...	...	...	...
Household sector	-10.0	11.0	7.3	2.7	...	...	...	...	...	...
Mortgage sector	13.2	11.7	4.0	4.5	...	...	...	...	...	...
Other sectors	-9.2	17.3	0.9	-23.4	...	...	...	...	...	...
Public sector net	13.6	34.4	23.6	0.4	26.4	22.3	20.2	18.3	12.1	-12.1
Broad money	3.3	3.7	5.4	-0.7	10.7	7.0	21.3	18.0	11.6	22.8
(Contribution to changes in base money, 12-month basis)										
Base money	9.4	7.1	15.0	1.0	4.2	7.0	6.5	6.7	6.8	6.7
Net foreign assets	-11.8	-9.0	3.1	-2.7	4.2	2.9	26.0	37.4	49.3	77.4
Other including net credit to public sector	21.2	16.1	11.9	3.8	0.0	4.1	-19.6	-30.7	-42.5	-70.7
(In million of U.S. dollars, unless otherwise indicated)										
Memorandum items:										
Bank of Guyana's net foreign assets	501.3	446.9	467.3	431.3	459.5	479.5	682.4	987.3	1,410.2	2,123.5
Commercial banks' net foreign assets	285.4	259.4	259.2	251.1	252.5	254.0	254.0	253.1	252.3	252.8
Money multiplier	3.4	3.3	3.0	3.0	3.2	3.2	3.6	4.0	4.1	4.8
Income velocity of broad money	1.5	1.5	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Excess reserves (ratio to required reserves)	0.2	0.3	0.5	1.2	...	...	...	...	...	...
Average lending rates (in percent)	10.9	10.6	10.4	10.2	...	...	...	...	...	...

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

Table 5. Guyana: External Financing Requirements and Sources
(In millions of U.S. dollars)

	2014	2015	2016	2017	Projections					
					2018	2019	2020	2021	2022	2023
Financing requirement	372	196	54	310	340	330	-169	-749	-1,011	-2,120
Current account balance (excl. official transfers)	-332	-181	-12	-287	-259	-228	452	1,137	1,515	2,913
Debt amortization	151	81	43	35	54	82	82	84	83	81
Gross international reserves (increase = +)	-111	-67	-2	-12	28	20	202	303	421	712
Available financing	372	196	54	310	340	330	-169	-749	-1,011	-2,120
Official transfers	40	18	26	50	39	60	49	54	49	49
NFPS loans	169	63	58	91	156	89	127	108	189	176
Other public sector net 1/	19	9	-9	2	10	0	0	0	0	0
Private sector (net) 2/	144	105	-20	167	135	181	-344	-911	-1,249	-2,344
Financing gap	0	0	0	0	0	0	0	0	0	0

Source: Fund staff estimates and projections.

1/ Includes the unspent portion of PetroCaribe financing.

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

Table 6. Guyana: Indicators of External and Financial Vulnerability
(In percent, unless otherwise indicated)

	2014	2015	2016	2017	Projections					
					2018	2019	2020	2021	2022	2023
Financial indicators										
Public sector debt-to-GDP 1/	51.9	50.1	50.7	52.2	57.0	57.2	54.4	51.7	51.6	41.4
NPV of public sector debt-to-GDP	...	...	...	39.7	48.5	48.2	45.9	43.6	43.6	34.9
NPV of public sector debt-to revenue	...	...	...	151.0	174.6	163.5	158.6	146.9	146.8	117.2
Share of nonperforming loans in total loans	8.6	11.5	12.9	12.2	...	...	...	...	...	...
Share of nonperforming loans to total assets	4.2	5.6	6.1	5.8	...	...	...	...	...	...
Loan loss provisions to nonperforming loans	45.4	38.0	45.8	48.5	...	...	...	...	...	...
Risk-based capital-asset ratio (end of period)	21.8	23.9	25.4	27.2	...	...	...	...	...	...
Return on assets	2.7	0.6	0.6	0.6	...	...	...	...	...	...
Three-month T-bill rate (end of period)	1.7	1.9	1.7	1.5	...	...	...	...	...	...
CPI-inflation (end of period)	1.2	-1.8	1.5	1.5	2.2	3.0	3.2	3.5	3.5	3.1
External indicators										
Exchange rate (per US\$, end of period)	206.5	206.5	206.5	214.0	...	...	...	...	...	...
REER appreciation (12-month basis)	-0.2	8.8	1.6	-2.1	...	...	...	...	...	...
Current account balance-to-GDP	-9.5	-5.1	0.4	-6.7	-6.1	-4.3	10.7	21.9	26.1	40.7
Gross official reserves (in millions of U.S. dollars)	666	599	597	585	612	632	833	1,136	1,558	2,270
Gross official reserves in months of imports	3.7	3.7	3.7	3.2	3.2	3.1	3.5	4.1	5.2	6.6
Gross official reserves to short-term external public sector debt	408	652	1,473	1,665	1,140	766	1,015	1,349	1,884	2,800
External public sector debt to GDP	39.5	35.7	33.2	35.5	36.0	32.8	29.6	26.9	26.0	20.6
NPV of external public debt (in millions of U.S. dollars)	...	...	...	818	998	920	984	1,028	1,082	1,027
NPV of external public sector debt to exports	...	...	...	50.8	57.5	48.3	31.0	23.4	21.0	14.0
NPV of external public debt-to-central government revenue	...	...	...	87.3	98.9	80.6	72.9	63.6	60.8	47.3
NPV of external public debt-to-GDP	...	...	...	23.0	27.5	23.7	21.1	18.9	18.1	14.1

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

1/ The 2015-17 public debt to GDP ratios are adjusted to reflect unsettled government balances at the central bank.

Table 7. Guyana: Medium-Term Macroeconomic Framework

	2014	2015	2016	2017	Projections					
					2018	2019	2020	2021	2022	2023
	(Annual percent change)									
Production and prices										
Real GDP	3.9	3.1	3.4	2.1	3.4	4.8	29.8	22.1	11.8	27.9
Non-oil real GDP	3.9	3.1	3.4	2.1	3.4	4.8	4.6	4.6	4.8	4.9
Consumer prices (average)	0.7	-0.9	0.8	2.0	1.3	2.9	3.1	3.4	3.5	3.3
Consumer prices (end of period)	1.2	-1.8	1.5	1.5	2.2	3.0	3.2	3.5	3.5	3.1
Terms of trade	-8.8	20.7	11.5	-10.5	-1.8	2.4	3.3	1.1	0.7	0.4
	(In percent of GDP)									
Central government										
Revenue	22.9	24.6	24.5	26.0	26.7	27.6	27.8	27.9	27.9	28.2
Tax revenue	21.4	21.6	21.0	22.9	24.0	23.6	21.0	19.0	18.2	15.9
Non-tax revenue	1.4	2.8	3.5	3.1	2.6	4.0	6.8	8.9	9.7	12.3
of which: Oil-related revenue	0.0	0.0	0.0	0.0	0.0	0.0	3.5	6.0	7.0	9.8
Capital revenue	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants 1/	0.7	1.0	1.1	1.6	1.5	1.3	0.9	0.5	0.4	0.3
Expenditure	29.1	27.0	30.0	32.1	33.6	34.1	33.5	33.0	32.6	28.7
Current 2/	21.1	22.4	23.5	24.2	25.9	25.3	22.3	20.3	19.5	16.6
Capital	8.0	4.6	6.4	7.8	7.7	8.7	11.1	12.8	13.1	12.0
Overall balance (before grants)	-6.2	-2.4	-5.4	-6.1	-6.9	-6.4	-5.7	-5.2	-4.7	-0.5
Overall balance (after grants)	-5.5	-1.4	-4.4	-4.5	-5.4	-5.1	-4.8	-4.7	-4.3	-0.2
Financing	5.5	1.4	4.4	4.5	5.4	5.1	4.8	4.7	4.3	0.2
Net external financing 2/	1.6	-0.8	1.1	1.0	1.2	0.2	1.0	0.4	1.8	1.3
Net domestic financing	3.9	2.2	3.3	3.5	4.2	4.9	3.8	4.2	2.5	-1.1
Total public sector gross debt 3/	51.9	50.1	50.7	52.2	57.0	57.2	54.4	51.7	51.6	41.4
External	39.5	35.7	33.2	35.5	36.0	32.8	29.6	26.9	26.0	20.6
Domestic	12.3	14.4	17.6	16.7	21.0	24.4	24.8	24.8	25.6	20.8
	(Annual percentage change)									
Money and credit										
Broad money	3.3	3.7	5.4	-0.7	10.7	7.0	21.3	18.0	11.6	22.8
Domestic credit of the banking system	10.5	12.3	7.8	1.5	10.1	10.0	10.1	10.2	7.8	-3.5
Public sector (net) 1/	13.6	34.4	23.6	0.4	26.4	22.3	20.2	18.3	12.1	-12.1
Private sector	9.7	5.8	2.0	2.1	2.8	3.2	3.5	4.0	4.0	4.5
	(In millions of U.S. dollars, unless otherwise indicated)									
External sector										
Current account balance	-291	-163	13	-237	-220	-168	501	1,190	1,565	2,962
Gross official reserves	666	599	597	585	612	632	833	1,136	1,558	2,270
Months of imports of goods and services	3.7	3.7	3.7	3.2	3.2	3.1	3.5	4.1	5.2	6.6
	(In percent of GDP, unless otherwise indicated)									
Memorandum items:										
Nominal GDP (G\$ billion)	635	660	724	749	780	835	1,012	1,195	1,333	1,637
Central government Primary balance	-4.5	-0.4	-3.4	-3.4	-4.3	-4.0	-3.5	-3.4	-3.0	1.1
General government overall balance (CG and NIS)	-5.4	-1.2	-4.3	-4.4	-5.4	-5.0	-4.8	-4.6	-4.2	-0.2
NFPS overall balance	-5.9	-0.2	-2.8	-5.2	-6.1	-5.0	-4.6	-3.8	-3.4	0.5
Total public sector gross debt (including government guarantees) 4/	51.9	50.1	50.7	52.2	61.0	60.3	56.3	52.8	52.1	41.4
External	39.5	35.7	33.2	35.5	40.0	35.8	31.5	28.0	26.5	20.6
Domestic	12.3	14.4	17.6	16.7	21.0	24.4	24.8	24.8	25.6	20.8
Per capita GDP, US\$	4,030	4,168	4,531	4,578	4,649	4,939	5,931	6,896	7,570	9,169
Guyana dollar/U.S. dollar (period average)	206.4	206.5	206.5	210.3	...	...	...	...	...	...

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

1/ Includes debt service savings under HIPC and MDRI.

2/ Reflects interest and amortizations after debt stock operations.

3/ The 2015-17 public debt to GDP ratios are adjusted to reflect unsettled government balances at the central bank.

4/ In 2018, government-owned NICIL issued a GY\$30 billion bond secured by its own assets and guaranteed by the Government of Guyana.

Table 8. Guyana: Risks Assessment Matrix ^{1/}

Source of Risk	Likelihood	Impact	Policy Response
Global Risks			
Tighter global financial conditions, including strengthening of the U.S. dollar and/or higher rates.	H	M	Allow the exchange rate to play a more active automatic stabilizer role; tighten monetary policy to prevent interest rate differential with the U.S. from narrowing.
Weaker-than-expected global growth in key advanced economies and China.	M	M	Allow the exchange rate to play a more active automatic stabilizer role; Accelerate structural reforms to support growth.
Lower energy prices.	L	M	This would reduce the oil import bill in the short-run. But could adversely affect investments in the oil sector, which would call for 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 and PPPs.	M	M	Allow automatic stabilizers to work in the short-term; fiscal consolidation/restructuring of problem enterprises; medium-term expenditure framework.
Reduced financial services by correspondent banks ("de-risking").	L	M	Monitor the status of CBRs; address drivers behind CBR pressure, including AML/CFT compliance and impediments to information sharing; effectively communicate efforts.
<p>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. Low (L), Medium (M), High (H).</p>			

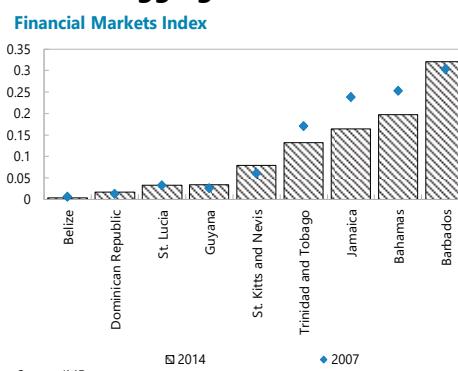
Annex I. Progress on 2017 Article IV Policy Recommendations

Box 1. Authorities' Response to Past IMF Policy Recommendations (Scale – fully consistent, broadly consistent, or marginally consistent)	
IMF 2017 Article IV Recommendations	Authorities' Response
<p>Fiscal policy</p> <p>A moderate fiscal consolidation during 2017-2019 to preserve buffers, through a reduction in the growth in current expenditure, particularly subsidies to SOEs, broaden the revenue base and strengthen tax administration. Refrain from nonconcessional borrowing.</p>	<p>Broadly consistent</p> <p>The central government deficit (after grants) was 4.5 percent of GDP in 2017 compared to the budgeted 5.6 percent. The authorities improved tax administration and took measures to restructure the sugar SOE and reduce its reliance on government support. External borrowing remained largely on concessional terms.</p>
<p>Monetary and exchange rate policies</p> <p>Maintain an accommodative monetary policy stance, but gradually move towards a neutral stance in 2017.</p> <p>Allow greater exchange rate flexibility to play a larger role in facilitating external adjustment.</p>	<p>Broadly consistent</p> <p>The monetary stance remained accommodative, due to the economic slowdown, and low inflation.</p> <p>Following up a small but significant movement in the exchange rate in early 2017, it has remained broadly stable. The authorities have refrained from intervention.</p>
<p>Financial sector policy</p> <p>Strengthen supervisory and regulatory framework in line with the 2016 FSAP recommendations.</p> <p>Operationalize the crisis management framework.</p> <p>Continue to strengthen the AML/CFT framework.</p>	<p>Broadly consistent</p> <p>The authorities have made some progress in implementing recommendations from the 2016 FSAP by drafting: (i) amendments to the Financial Institutions Act (FIA) to enhance the supervisory power of the BoG, including inspection, enforcement, and resolution; (ii) amendments to the draft Pension Act to bring it in line with international standards; (iii) stress testing guidelines for a bottom-up approach; and (iv) draft legislation for a deposit insurance scheme (DIS). After addressing AML/CFT deficiencies and exiting the FATF grey list, the government completed the National Risk Assessment as mandated by the Financial Action Task Force (FATF).</p>
<p>Structural reforms</p> <p>Continue with further improvements to the business climate, diversification efforts, and structural reforms of key economic sector.</p>	<p>Broadly consistent</p> <p>The authorities continue to reduce the cost of doing business through the public investment program and administrative reforms. They remain committed to a cleaner and more affordable energy matrix, to eliminating infrastructure deficits, and integrating remote regions in the Hinterland.</p>

Annex II. Developing Guyana's Domestic Bond Market

1. Guyana's financial market development appears to be lagging behind some neighboring countries, and progress seems to have stalled since the Global Financial Crisis.

The country's progression from low income status would mean that access to long-term concessional financing will taper off, at a time of burgeoning infrastructure needs. At present, domestic debt consists mainly of short-term T-bills with maturities of up to 1 year.



2. Issuing longer-term government bonds will enhance capital market access and create a benchmark yield curve that will spearhead the development of the domestic bond market.

This could provide a stable source of financing for the government while meeting the demand for longer-term instruments from banks, insurance, and pension funds. An active domestic government debt market would also provide a cleaner demarcation between monetary and fiscal policies. A recent MCM diagnostic assessment recommends the following actions:

- **Primary market.** A key priority is establishing a clear distinction between instruments issued for monetary vis-à-vis fiscal purposes. This can be achieved via the issuance of short-term central bank bills exclusively for open market operations on an as-needed basis, with T-bills and 2-year T-notes issued periodically for government cash flow management and capital expenditure purposes respectively.
- **Investor base and secondary markets.** Measures to expand the investor base and spearhead secondary markets development include publication of auction results, upcoming issuance plans, and a medium-term debt strategy.
- **Legal framework.** A single consolidated public debt management law should be enacted to replace the current patchwork, and to establish a system of borrowing limits which allows for natural growth in the economy over time.
- **Institutional arrangements.** Debt management functions need to be integrated in the debt management division, requiring a significant expansion in capacity. Infrastructure plans to modernize Guyana's financial infrastructure should proceed expeditiously, with the central bank to establish a central securities depository.

Annex III. Managing Natural Resource Windfalls: Country Experiences

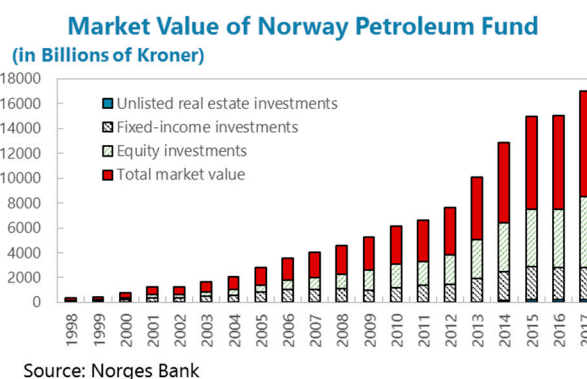
1. **New oil discoveries present opportunities and challenges.** The discoveries provide countries with additional revenues for growth-supportive investment and social expenditure, as well as financial buffers against adverse shocks. However, oil discoveries also tend to make non-oil sectors less competitive via the appreciation of the real exchange rate (Dutch disease) and can induce macroeconomic volatility (van der Ploeg and Poelhekke, 2009).
2. **The experiences of natural resource rich countries are mixed.** Expenditure decisions should be based on the likely duration of the resource boom, the expected income (subject to price assumptions), extraction costs, and the time horizon during which exhaustible resources are depleted. However, in a large number of cases, fiscal decisions were based on optimistic assumptions about the size and extent of natural resource booms. In some other cases, the authorities did not rely on natural resource revenues alone and tried to diversify the economy. Some examples of policies adopted by developed and developing countries in managing windfalls from natural resource booms during the 1970s and 1980s are highlighted below.
3. **There has been a tendency to spend higher revenues from a natural resource boom rather than reduce budget deficits.** Counting on high current and future income, expenditures were increased in line with the rise in income within a relatively short period of time. As a result, the budget deficit widened. In some cases, countries borrowed heavily against their anticipated future oil income. Non-sustainable expenditures are difficult to reverse once the windfall subsides. Some countries approved large public sector wage increases, and financing the increased wage bill eventually contributed to higher inflation.
4. **Natural resource windfall often weakened the commitment to undertake necessary restructuring of underdeveloped sectors.** Gylfason (2001) found that the authorities of countries endowed with rich natural resources tended to be overly confident and underestimated the need for the creation and development of growth-supporting infrastructure and institutions. While subsidies to under developed sectors were easy to finance during the resource boom, they became difficult to maintain after boom revenues declined. These ailing sectors would have functioned without subsidies, or with substantially smaller subsidies, had they undergone the necessary restructuring during the boom times. The study also found that only 4 out of 65 resource rich developing countries achieved an average GDP growth above 4 percent and investment above 25 percent of GDP over three decades.
5. **Expectations of continued resource boom revenue prompted ambitious public and private investment projects with low economic rates of return.** Some of these projects had politically attractive payoffs, inadequate screening, and undiversified risk. Moreover, the maintenance costs of some of these large projects were underestimated, and governments faced the difficult tradeoff of sharply reducing other expenditures, postponing their implementation or stopping project maintenance completely. The discontinuation of such projects left resources wasted and contributed to higher unemployment.

6. In some instances, policies to counteract Dutch disease led to further distortions. Some countries employed protectionist policies such as import quotas, higher tariffs, and other administrative restrictions. These policies were often counterproductive, leading to worse long-term outcomes than what could be achieved by undertaking productivity enhancing structural reforms.

7. The exploitation of natural resources also led to rent-seeking behavior, particularly where property rights were not well defined and law enforcement was lax. Windfall revenue from an export boom contributed to social problems in some countries, such as corruption, adding to further imbalances in income distribution. Environmental neglect also led to unrecoverable damages and high restoration costs.

8. Many natural resource-rich countries created savings or stabilization funds. Their objectives include saving windfall resources for future generations or protecting the domestic economy from the volatile natural resource revenues. A study by Fasano (2000) showed that saving natural resource revenues in such funds and investing the funds' resources abroad have contributed to limiting domestic spending pressures and thus, reducing real exchange rate appreciation during periods of rising natural resource prices. The study also found that stabilization funds had, at times, been less positive due to frequent changes in the fund's rules and deviations from their intended purposes. Successes did not lie in the creation of these funds, but rather in fiscal discipline and sound macroeconomic management.

9. Norway is among the successful stories of good management of oil revenues. Norway established the Oil Fund, now called the Government Pension Fund Global (GFCG), in 1990 to invest surplus petroleum revenues. The establishment of the fund received public support due to increasing pension payments stemming from the aging population (Fasano, 2000). The fund is only accumulated when the government's overall budget is in a surplus. The decision of how much to save is made every year via the budget process. The central bank manages the fund's investment, achieving an average annual return of 6 percent since 1996 (Matsen, 2017). The country adopted a countercyclical fiscal policy, tightening the fiscal stance during the oil price upswing to contain inflationary pressures and adopting an accommodative policy during downturns. Currently, the market value of the fund is around 8,100 billion NOK (Norges Bank, 2018).



10. Timor-Leste is another success story of natural resource management. The country established a fund under the Petroleum Fund Law in 2005.¹ The law provides mechanisms to

¹ More detailed information is available at <https://www.mof.gov.tl/budget-spending/petroleum-fund/?lang=en>. The Petroleum Fund Law of Timor-Leste is available at <https://www.mof.gov.tl/wp-content/uploads/2011/09/Management-Agreement-25-June-2009-English.pdf>, and the 2016 Annual Report is available at <https://www.mof.gov.tl/wp-content/uploads/2017/09/English-Final-Report-2016.pdf>

manage oil revenue, defines risk limits and asset allocation of the fund, governs the collection and management of receipts from the investment, and regulates transfers to the government budget. Under the law, the entire oil revenue is transferred to the fund and invested in financial assets abroad. Withdrawals require a parliamentary approval. The central bank manages its operation following the guidelines established by the Ministry of Finance. From 2005 to June 2009, the Fund was entirely invested in US Government bonds, but in June 2009, the Bank of International Settlements began managing 20 percent of the fund and broadened the investment portfolio. In October 2010, Schroder Investment Management began managing 4 percent of the total Petroleum Fund in global equities. In 2016, the fund's investment generated a return of 4.1 percent with annual investment income amounting to US\$648 million.

11. Preventing over-reliance on natural resources revenues and promoting economic diversification are key to ensuring success in resource windfall management. As an example, Indonesia's experience with oil windfall management stood out as relatively successful, and the country remained as a strong non-oil exporter throughout its oil boom. On the other hand, some countries were less successful in diversifying their economies, with declines in previously competitive agricultural and non-oil industrial sectors.

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Annex IV. External Stability Assessment

Guyana's external position in 2017 is assessed to be moderately weaker than levels consistent with fundamentals. The real exchange rate continued to depreciate in line with the value of the U.S. dollar vis-à-vis other major currencies. More flexibility in the nominal exchange rate would help Guyana cope with potential external shocks, and fiscal consolidation would help preserve external buffers. Further, staff's assessment indicated that international reserves are above or very close to meeting traditional and risk-weighted measures over the medium-term. Foreign reserves will increase sharply with the expected commencement of oil production in 2020.

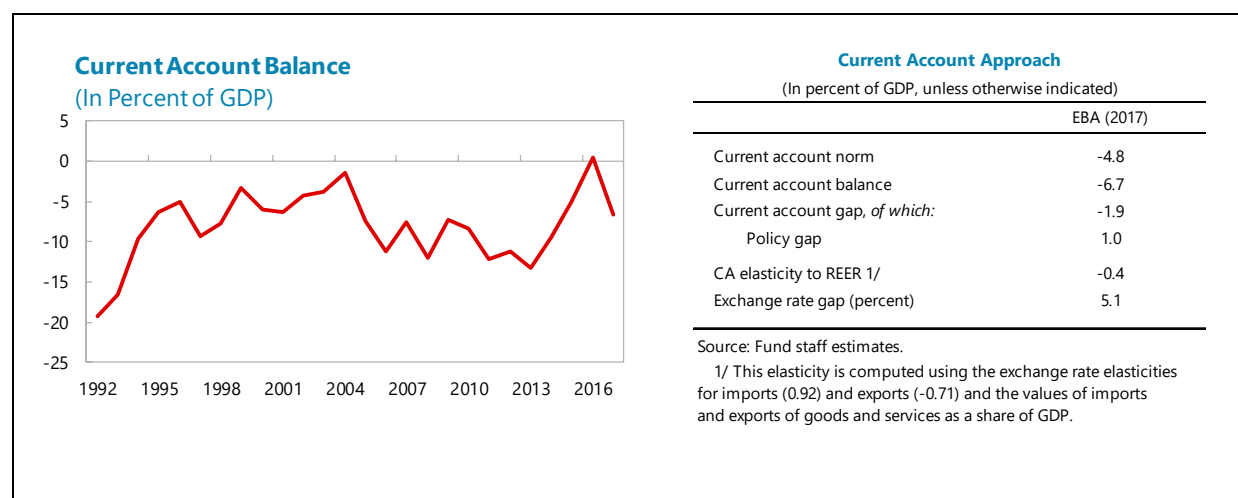
A. External Balance Assessment

1. The real effective exchange rate (REER) depreciated by about 6 percent during 2017.

That closely follows the Nominal Effective Exchange Rate (NEER), which depreciated by around 5 percent during that same period. This depreciation largely reflects developments in the value of the U.S. dollar—which the Guyanese dollar follows very closely—against the Euro and other major currencies, as Guyana's exchange rate regime is a *de jure* floating regime, but a *de facto* stabilized arrangement.

2. EBA-Lite based estimates suggest that the external position in 2017 was moderately weaker than levels consistent with medium-term fundamentals and desirable policy settings.¹

The current account norm was -4.8 percent compared with an actual level of -6.7 percent of GDP, producing an estimated current account gap of about -1.9 percent and a policy gap of 1 percent of GDP. That implies a moderate real exchange rate overvaluation. The expected narrowing of the current account in 2018 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 import prices, and to the gold, rice and sugar sectors given the large concentration of exports on those three commodities.

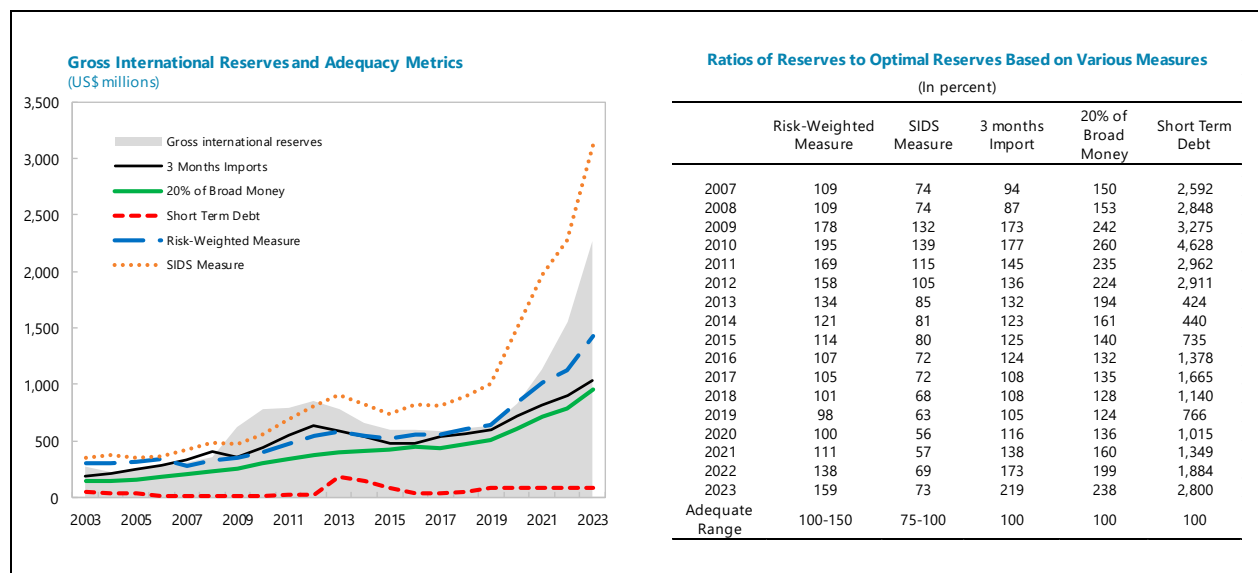


¹ This methodology ensures cross-country consistency and facilitates cross-country comparison.

B. Reserve Adequacy

3. The level of international reserves is above traditional non-risk based adequacy metrics.² Reserves have exceeded 3 months of imports since 2008. As of end-2017, reserves were well-above 20 percent of broad money (M2) and around 1665 percent of short-term debt, providing sufficient buffers against capital flight and limited market access in the event of adverse shocks.

4. Guyana’s international reserves are above most risk-weighted metrics.³ Guyana’s level of international reserves stood at 105 percent of the Assessing Reserve Adequacy (ARA) metric at end-2017, placing it in the lower end of the 100-150 percent adequacy range. Guyana’s international reserves stood around 72 percent of the risk-weighted measure for Small Island Developing States (SIDS), slightly below the lower end of the 75-100 percent adequacy range. Reserves will increase substantially after the start of oil production. That will bring foreign reserves well-above standard “rules of thumb” and risk-based adequacy metrics except SIDS. The latter metric includes 35 percent of exports, which explains why reserves do not meet that threshold right after the start of oil production.



² 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).

³ 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.

Annex V. Implementation of 2016 FSAP Recommendations

Recommendations	Time ¹	Authorities' Responses
<i>To improve systemic risk monitoring and stress testing:</i>		
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, ¶150	I	The ownership structure of the banks is in the process of being updated. Data on upstream ownership will be obtained. Initial discussions have been held with the Bureau of Statistics on collecting data on housing market development and corporate and household balance sheets.
Assess credit risk without considering collateral values, given difficulties in collateral recovery. ¶20, ¶129	I	Stress tests were completed in June 2016. A new model is currently being reviewed which applies haircuts instead to total removal of collateral. To be addressed during revision of Supervision Guideline (SG) No. 5.
Develop real estate price indices (possibly the Bureau of Statistics). ¶20, ¶150	NT	Initial discussions have been held with the Bureau of Statistics.
Expand BoG's stress testing toolkit to incorporate macro financial scenarios; collect more detailed data; and carry out validity checks to ensure data accuracy and reliability. ¶27	NT	The BoG has requested TA from IMF in the modelling and implementation of macro-financial scenarios for its stress testing toolkit.
<i>To enhance banking supervision, regulations, and financial safety nets:</i>		
Ensure consistency across the continuum of supervisory functions, from routine supervision to intervention and resolution. ¶42	I	Revised Risk-Based Supervision Manual is currently being reviewed.
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	The BoG has continued to intensify its follow-up action to ensure all recommendations of examinations are adequately addressed prior to the next examination cycle. Some of the initiatives undertaken are: <ol style="list-style-type: none"> 1. More frequent follow-up examinations 2. More frequent periodic reporting 3. Meetings are convened with the Board of Directors and senior management of institutions to discuss areas of significant concern
¹ I: immediate; NT: near term; MT: medium term. Paragraph numbers refer to the FSSA.		

Recommendations	Time	Authorities' Responses
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	On completion of ownership structure update, a questionnaire will be sent to relevant institutions before end-June 2018.
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 World Bank's (Financial Sector Reform and Strengthening Initiative) FIRST Initiative.
Clarify the instruments, policies, required collateral and procedures for providing ELA. ¶58	I	The World Bank provided draft procedures which are expected to be approved by the BoG Board soon.
Reinforce the role of the Financial Stability Committee as a forum for rigorous systemic assessments, including activation of crisis protocols. ¶52, ¶55	I	A Financial Stability Unit was established in July 2017 to support the Financial Stability Committee, and focuses on, inter alia, identifying and measuring systemic risks.
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	Several amendments to the FIA have been drafted, but a policy decision was taken to prioritize amendments to Part VIII of the FIA on bank resolution. The amendment to Part VIII of the FIA has been submitted to the Parliament
Increase the minimum capital adequacy requirement, including charges for market and operational risk, to at least 12 percent. ¶50	NT	TA was provided by CARTAC on Basel II/III – Pillar I implementation, which reviewed the increase in the capital adequacy requirement and the risk weights. This is expected to be completed by June 30, 2019.
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 has already been communicated to the commercial banks.
Streamline and operationalize the draft Crisis Management Plan. ¶52	NT	The draft Crisis Management Plan will be revisited subsequent to the finalization of amendments to the FIA Part VIII, and implementation of ELA and Deposit Insurance.

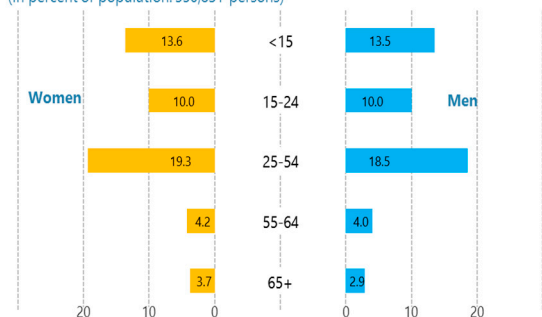
Recommendations	Time	Authorities' Responses
Legislative Amendments:		
Provide resolution powers to the BoG and, to the extent possible, limit courts' ability to reverse the BoG's decisions. ¶154	NT	Draft amendments to the Part VIII of the FIA have been prepared, shared with the financial industry, and consultations with stakeholders were held on February 13, 2018. The amendment was submitted to Parliament in April 2018.
Organize a small group at the BoG to develop resolution plans for vulnerable financial institutions. ¶157	NT	
Amend FIA (Part VIII) to enable effective resolution of failing or about-to-fail banks. ¶153-54	NT	
Set up a resolution group for regionally active entities and request group recovery and resolution plans. ¶157	NT	
Review the draft DIS, eliminate its participation in open bank assistance, and ensure that all preconditions for its introduction are satisfied. ¶159	NT	Draft law has been prepared, shared with the financial industry, and consultations with stakeholders were held on February 13, 2018. The draft law was submitted to the Parliament in April 2018.
Amend the BOG Act 1998 to facilitate the ELA framework	NT	The amendment to the BoG Act 1998 was submitted to the Parliament in April 2018.
To further develop the financial system and promote responsible access to finance:		
Expedite preparation of required regulations to support the recently adopted insurance law. ¶148	I	Regulations reviewed by Attorney General Chambers and submitted to Minister of Finance for publication in Gazette.
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. ¶164	I	The National Payments Systems laws has been drafted and submitted to the Parliament in April 2018.
Strengthen the AML/CFT framework in line with international standards. ¶165	I	Completed. The legislation has been amended.
Extend maturities of government securities to facilitate capital market development and use in sterilizing structural liquidity. ¶139	NT	IMF TA was provided in July 2017. The implementation of TA recommendations are being examined.

Annex VI. Guyana's Labor Force Survey

1. The Guyana Bureau of Statistics (BOS) has published its first ever Labor Force Survey (LFS), covering the third quarter of 2017. The LFS, conducted between July and September 2017, was supported by the Inter-American Development Bank. This note summarizes some of the findings and compares the evolution of labor market indicators with those in the 2012 Census, whenever available.¹

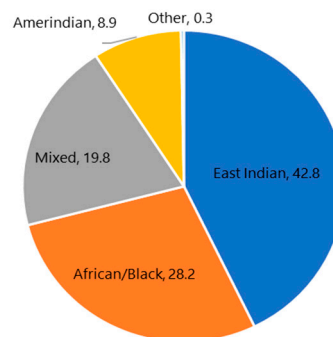
2. Guyana's population is young and ethnically diverse. The average age is 39.8 years old and almost half (47.1%) of its population is under 25 years old (Figure 1). Persons of East Indian descent comprise 42.8 percent of the working age population by ethnicity (Figure 2), followed by persons of African descent at 28.2 percent.

Figure 1. Population by age
(in percent of population: 550,831 persons)



Source: Guyana Bureau of Statistics.

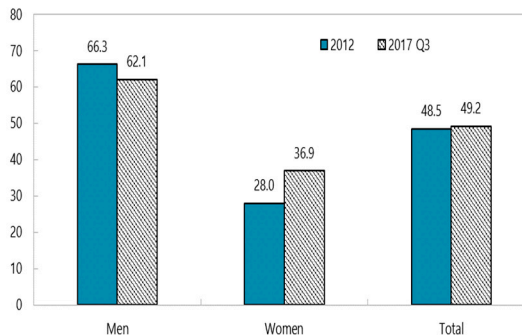
Figure 2. Share of Working-age Population by Ethnicity
(Percent)



Source: Guyana Bureau of Statistics.

3. The labor market participation of women has improved, but a significant gap remains relative to male participation. The employment-to-population ratio has been slightly less than 50 percent (Figure 3). The employment-to-population ratio of men has slightly declined from 66.3 percent to 62.1 percent compared to the 2012 Census while that of women has increased from 28 percent to 36.9 percent. Despite the improvement, the female employment-to-population ratio remains much lower than that of men.

Figure 3. Employment to Population Ratio
(Percent)

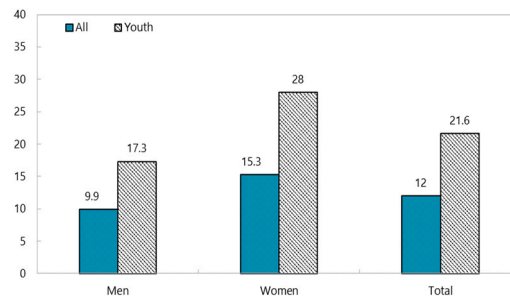


Source: Guyana Bureau of Statistics.

¹ The Guyana Labor Force Survey, published by Guyana Bureau of Statistics, is available at <http://www.statisticsguyana.gov.gy/surveys.html#csurveys>.

4. Unemployment rates are higher for women and the youth. The unemployment rate for persons aged 15 and above was 12 percent, but the women’s unemployment rate (15.3 percent) was much higher than that of men (9.9 percent) (Figure 4). Youth unemployment rates were higher than the average unemployment rates for both men and women. The youth unemployment rate for men was 17.3 percent while that of women was 28 percent.

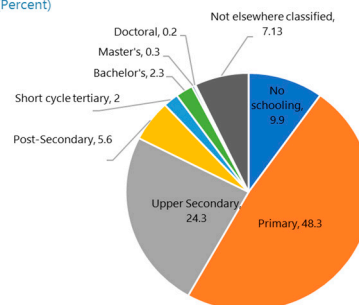
Figure 4. Unemployment Rate, 2017Q3
(Percent)



Source: Guyana Bureau of Statistics.

5. Guyana’s labor force has low educational attainment. More than half of the working-age population received only primary education (48.3 percent) or no schooling (9.9 percent) (Figure 5). About a quarter of the working age population has upper secondary education, but only 2.8 percent has a Bachelor’s degree or above. Brain drain of educated workers is an important factor contributing to this pattern.

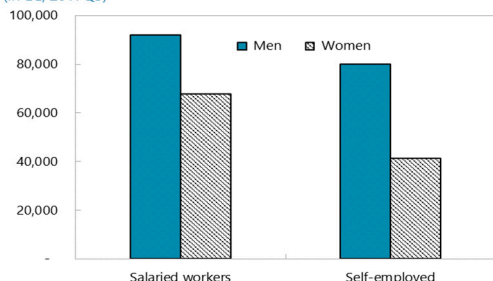
Figure 5. Share of working-age population by education
(Percent)



Source: Guyana Bureau of Statistics.

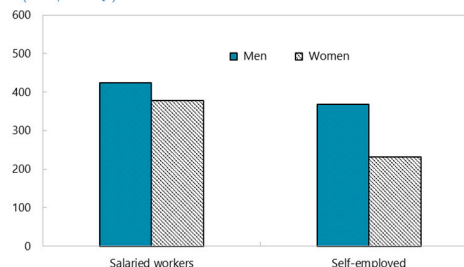
6. Earnings gaps exist between employment types and gender, and across occupations. Salaried workers earn more than self-employed workers for both men and women. Men earn on average 1.36 times the monthly earnings of women for salaried workers and 1.94 times that of self-employed workers (Figure 6). However, part of the gender earnings gap can be attributed to longer working hours for men. In terms of implied hourly wages, men on average earn 1.12 (1.59) times as much as women among salaried (self-employed) workers (Figure 7).²

Figure 6. Average monthly income
(in LC, 2017Q3)



Source: Guyana Bureau of Statistics.

Figure 7. Implied Hourly Wage by Usual Hours Worked
(in LC, 2017Q3)

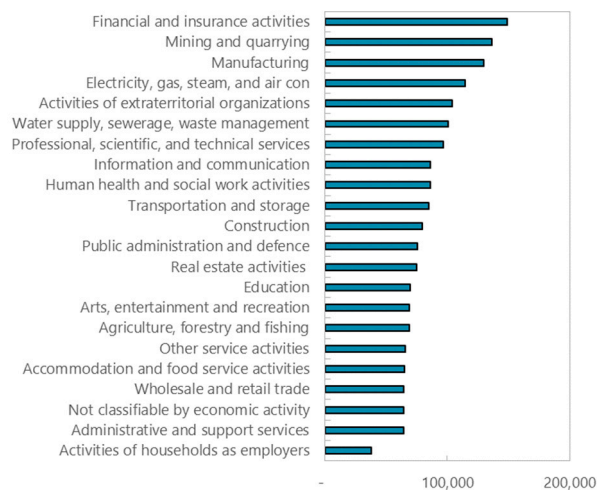


Source: Guyana Bureau of Statistics; and IMF staff calculations.

² Implied hourly wages are calculated based on the following formula: (Implied hourly wages) = (monthly earnings)/(weekly usual hours worked*52 weeks/12 months). Since men on average work longer hours than women, (continued)

7. Monthly earnings differ greatly across occupations, with workers in financial and insurance services, and mining and insurance services, and mining and manufacturing sectors earning more than workers in other occupations (Figure 8).

Figure 8. Monthly Earnings by Occupation
(in LC, 2017Q3)



Source: Guyana Bureau of Statistics.

the gender gaps in hourly wages are lower than in monthly earnings. This gender gap, however, still does not account for heterogeneity among workers including differences in education attainment level, occupation, and age.



GUYANA

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

May 31, 2018

Prepared By

Western Hemisphere Department

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FUND RELATIONS

(As of April 30, 2018)

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 Million	Percent Allocation
SDR Department		
Net cumulative allocation	87.09	100.00
Holdings	0.38	0.43

Outstanding Purchases and Loans: **None**

Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
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

¹ Formerly PRGF.

Overdue Obligations and Projected Payments to Fund¹

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

	<u>Forthcoming</u>				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Principal					
Charges/Interest	0.56	0.76	0.76	0.76	0.76
Total	0.56	0.76	0.76	0.76	0.76

¹When 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:

- 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).
- On February 27, 2009, the Executive Board concluded the 2008 Article IV consultation.
- On March 17, 2010, the Executive Board concluded the 2009 Article IV consultation (IMF Country Report No. 10/292).
- On February 16, 2011, the Executive Board concluded the 2010 Article IV consultation (IMF Country Report No. 11/152).
- On November 9, 2012, the Executive Board concluded the 2012 Article IV consultation (IMF Country Report No. 12/254).
- On December 9, 2013, the Executive Board concluded the 2013 Article IV consultation (IMF Country Report No. 14/294).
- 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.
- On May 24, 2017, the Executive Board concluded the 2017 Article IV consultation (IMF Country Report No. 17/175). 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 current 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 currency of Guyana is the Guyana dollar. The exchange rate was G\$208.50 per U.S. dollar on May 1, 2018.

ROSC, FSAP, EPA Participation

- A fiscal ROSC was undertaken in July 2002.
- A WB/IMF FSAP took place in November 2005 and concluded in September 2006.
- Ex-Post Assessment findings were discussed with the authorities in June 2006 and concluded on October 23, 2006.
- 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)
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)
Apr. 2017	Tax Administration Diagnostic Assessment Tool (TADAT)
July 2017	A Reform Agenda for Petroleum Taxation and Revenue Management
Sept. 2017	Next Steps in Modernizing the Revenue Administration (TADAT)
Sept. 2017	Public Investment Management Assessment (PIMA)
Mar. 2018	Selected Petroleum Fiscal Issues

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 framework for the insurance sector)
Apr. 2017	CARTAC (Financial health indicators for the pension sector)
Apr. 2017	CARTAC (Financial crisis management framework)
Aug. 2017	Government Debt Market Development
Feb. 2018	CARTAC (Implementation of Basel II and III)

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 (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
Feb. 2014	CARTAC (External sector statistics)
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)
May 2017	CARTAC (National accounts)

June 2017 CARTAC (External sector statistics)

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

(As of April 24, 2018)

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. 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\$41.2 million.¹ IFC's committed portfolio in Guyana amounts to \$0.5 million (March 2018). 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 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 Project (\$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 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 Guyana Education Sector Improvement Project (US\$13.3 million). The third project, Early Childhood Education (US\$1.7 million), is a 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 17 allocation for FY15–17 was US\$22.7 million. Its allocation for IDA 18 is approximately US\$85 million.

- **Laying the Ground for Private Sector Development.** The World Bank is conducting work in support of the financial sector through one IDA funded project, the Guyana Payment System Project (US\$6 million). Additional support includes the Guyana Payments System—Policy, Legal and Regulatory Framework via a Financial Sector Reform and Strengthening Initiative (FIRST) grant to the Bank of Guyana (US\$0.3 million), a Supervisory Capacity Building and Consumer Protection grant funded project (US\$0.5 million). 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 April 5, 2018)			
Operation	Original Principal	Available¹	Disbursed
Guyana Secondary Education Improvement (loan)	10.0	6.4	3.0
Guyana Education Sector Improvement (loan)	13.3	13.	1.2
GY Flood Risk Management (loan)	11.9	1.7	9.0
Guyana Payments System (loan)	6.0	5.8	0.65
Total	41.2	27.14	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	2017	2018 ¹
Total disbursements	12.6	2.6	5.7	8.3	3.0	0.9	1.1	2.0	2.4	7.2	5.6	9.0	2.4
Repayments	2.0	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.3	0.3	0.0
Net disbursements	10.5	2.5	5.5	8.2	2.9	0.8	1.0	1.8	2.2	6.9	5.4	8.7	2.4
Interest and fees	0.9	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.4	0.0

¹ January – April 5, 2018

RELATIONS WITH THE INTER-AMERICAN DEVELOPMENT BANK

(As of March 31, 2018)

Approvals and Highlights

- **There were no new investment loans for the year 2017.** On the other hand, ten new technical cooperation (TC) projects were approved in 2017 at an amount of US\$4.9 million. One infrastructure loan was reformulated to support urban development including roads and low-income housing.
- **Country Strategy:** A new IDB Country Strategy with Guyana was approved in November 2017 and covers the period 2017-2021.
- **Net cash flows:** Net cash flows were positive (\$3.6 million) in 2017. This comes after two consecutive years of negative flows in 2015 and 2016 with amounts of -\$1.8 million and -\$10.3 million, respectively.

TCs Approved in 2017	
Operation Name	Original Amount (USD)
Institutional Strengthening to Guyana Social Safety Net	600,000
Climate Resilience Support for the Adequate Housing and Urban Accessibility Program in Georgetown, Guyana	500,000
Action Plan C&D	502,111
Policy and Project Implementation Support	145,000
Implementation of a Secured Transaction Regime and Green Business Framework in Guyana	500,000
Market Development for climate Resilient Food Products in Guyana	950,000
Definition of Government's National Priorities and Delivery Management Model for the Public-Sector Investment Program (PSIP)	700,520
Agribusiness Knowledge Exchange Program	14,352
Tapping the Promised Land: Guyana's Future as an Oil Producer	400,000
Guyana's Emerging Oil & Gas Sector: Getting Institutions Right	580,000
Total	4,891,983

2018 Program

- **For 2018, IDB investment programming will mark a full transition to the new Country Strategy with Guyana 2017– 2021.** The Strategy outlines four strategic areas of interventions as: (i) establishing a modern national strategy; (ii) strengthening fiscal policies and the framework for managing natural resource revenues; (iii) facilitating private sector development to support the delivery of better services, mainly through enhancing the business environment; and (iv) delivering critical infrastructure to facilitate human and private sector development.
- **For 2018, two Investment loans and a programmatic Policy based loan with a combined total of US\$38.8 million are included in the pipeline.**

2018 Pipeline Projects	
Project Name	Amount (USD)
Establishing an Electronic Single Window for Trade and Investment in Guyana	6,000,000
Improving the Framework for Sustainable Development in Guyana	11,640,000
Diversification of the Energy Matrix and Energy Security in Guyana	21,160,000
TOTAL	38,800,000

- **To date, one new TC is scheduled for approval in 2018: (i) EcoMicro – IPED Green Finance for Renewable Energy and Energy Efficiency for MSMEs.** Guyana will also benefit this year from the 2018 allocation of grant resources amounting to US\$1.78 million under the Small and Vulnerable Countries Funding.

Portfolio in Execution

- **The active investment portfolio consists of eleven investment loans for an approved amount of US\$225.45 million; two investment operations co-financed with EU/CIF grant resources of Euros €30.05 million (US\$41.7 million); and two investment grants for US\$10.00 million.** These operations represent a total approved amount of US\$277.15 million.
- **Undisbursed loan balances amount to US\$146.9 million.** The largest amounts concentrated in the Transport, Agriculture, Energy and Water & Sanitation sectors, providing support for major infrastructural works in the Country.
- **Technical Cooperation projects (grants) total US\$17.95 million and comprise approximately 6 percent of the existing portfolio for Guyana.** TC resources mostly support the strengthening of public sector institution and planning, contributing to capacity building for better service delivery and improvements in statistical capabilities, financial management and procurement priority areas, as well as fiduciary capabilities of Guyana.

- **Disbursements in 2017 for investment loans totalled US\$25.1 million, which was 13.7 percent above the projections and tripled the amount disbursed in 2016.** Equally, Investment Grants disbursements were healthy with an increase from US\$7.3 million in 2016 to US\$11.3 million in 2017.
- **Net cash flows were positive in 2017 for the first time in three years after two successive years of negative flows.** This positive outcome stems from increased disbursements under the investment loan portfolio, considering the 20 percent increase in the level of principal repayments in 2017.

Annex. Sovereign Guaranteed Portfolio in Execution

Investment Loans					
Name	Approval Date	Amount	Disbursed	Disb (%)	Available
Road Improvement and Rehabilitation Program	28-Oct-09	24,800,000	24,800,000	100%	-
Expansion and Integration of Basic Nutrition Program	11-Sep-09	1,876,549	1,875,976	100%	573
Sustainable Housing Program	11-Dec-09	3,100,000	1,299,022	42%	1,800,978
East Bank Demerara Four Lane Extension	17-Nov-10	20,000,000	19,991,022	100%	8,590
Sustainable Operation of the Electricity Sector and Improved Quality of Service	7-Sep-11	5,000,000	5,000,000	100%	-
Road Network Upgrade and Expansion Program	21-Jun-12	66,200,000	10,410,000	16%	55,790,000
Power Utility Upgrade Program	25-Jun-14	15,141,750	0	0%	15,141,750
		22,500,000	6,899,338	31%	15,600,662
Water Supply and Sanitation Infrastructure Improvement Program	3-Jul-14	9,338,250	0	0%	9,338,250
		7,500,000	5,675,145	76%	1,824,855
Citizen Security Strengthening Programme	3-Dec-14	15,000,000	4,620,013	31%	10,379,987
Support to Improve Maternal and Child Health	26-Oct-16	8,000,000	258,656	3%	7,741,344
Sustainable Agricultural Development Program	16-Nov-16	15,000,000	1,001,205	7%	13,998,795
Enhancing the National Quality Infrastructure for Economic Diversification and Trade	30-Nov-16	9,000,000	300,000	3%	8,700,000
Support for the Criminal Justice System	14-Dec-16	8,000,000	445,803	6%	7,554,197
TOTAL		230,456,549	82,576,569	36%	147,879,980

Investment Grants (IGR)					
Project Name	Approval Date	Approved Current	Disbursed Life	% Disb	Available Amount
Water Supply and Sanitation Infrastructure Improvement Program	3-Jul-14	14,838,250	6,934,209	47%	7,904,041
Power Utility Upgrade Program	25-Jun-14	26,931,250	9,308,004	35%	17,623,246
Micro and Small Enterprise (MSE) Development and Building Alternative Livelihood	27-Feb-13	5,000,000	4,284,210	86%	715,790
Sustainable Energy Program for Guyana	12-Jul-13	5,000,000	570,685	11%	4,429,315
Institutional Strengthening in support of Guyana LCDS	1-Feb-12	5,923,977	5,834,044	98%	89,933
Total		57,693,477	26,931,152	47%	30,762,325

March 2018	
Investment loans in execution	
Number of operations	11
Approved amount (US\$ millions)	225
Investment (US\$ millions)	225
PBL (US\$ millions)	0
Disbursements (percent)	35.5
Portfolio performance	
Operations in problem or alert	
Number of operations	4
Approved amount (US\$ millions)	69.6
Percent of the total portfolio	31
Disbursements (percent)	20
Average age in years	2

NET Flow of IDB Convertible Currencies						
(US\$ million)						
	2012	2013	2014	2015	2016	2017
Loan Disbursements	51.4	58.5	26.2	14.7	8.6	25.1
<i>of which</i> PBL disbursements	9.9	16.9	0	17.2	0	0
Repayments (principle)	2.5	4.5	5.3	8.1	10	12
Net Loan Flow	48.9	54	20.9	6.6	-1.4	13.1
Subscriptions and contributions	0.5	0	0	0	-0.5	0
Interests and charges	5.3	6.4	7.4	8.4	9.4	9.6
Net Cash Flow	43.1	47.6	13.5	-1.8	-10.3	3.6

Loans in Execution as of December 31, 2017				
(US\$ Million)				
Project Name	Approval Date	Approved Current	% Disb.	Available Amount
LOANS				
Expansion and Integration of Basic Nutrition Program	9/11/2009	1,876,549	100%	573
Expansion and Integration of Basic Nutrition Program	12/11/2009	3,100,000	42%	1,800,978
Road Network Upgrade and Expansion Program	6/21/2012	66,200,000	5%	62,790,000
Citizen Security Strengthening Programme	12/3/2014	15,000,000	31%	10,379,987
Support to Improve Maternal and Child Health	10/26/2016	8,000,000	3%	7,741,344
Sustainable Agricultural Development Program	11/16/2016	15,000,000	7%	13,998,795
Enhancing the National Quality Infrastructure for Economic Diversification and T	11/30/2016	9,000,000	3%	8,700,000
Support for the Criminal Justice System	12/14/2016	8,000,000	6%	7,554,197
Power Utility Upgrade Program	6/25/2014	22,500,000	31%	15,600,662
Water Supply and Sanitation Infrastructure Improvement Program	7/3/2014	7,500,000	76%	1,824,855
Road Improvement and Rehabilitation Program	10/28/2009	24,800,000	100%	-
East Bank Demerara Four Lane Extension	11/17/2010	20,000,000	100%	-
Sustainable Operation of the Electricity Sector and Improved Quality of Service	9/7/2011	5,000,000	100%	-
Power Utility Upgrade Program	6/25/2014	15,141,750	0%	15,141,750
Water Supply and Sanitation Infrastructure Improvement Program	7/3/2014	9,338,250	0%	9,338,250
Georgetown Sanitation Improvement Program	10/27/2010	9,390,287	100%	-
Total Loans: 16		239,846,836	44%	154,871,390

Investment Grants in Execution as of December 31, 2017				
Project Name	Approval Date	Approved Current	% Disb.	Available Amount
Investment Grants				
Power Utility Upgrade Program	6/25/2014	26,931,250	35%	12,678,594
Water Supply and Sanitation Infrastructure Improvement Program	7/3/2014	14,838,250	47%	5,686,361
Sustainable Energy Program for Guyana	7/12/2013	5,000,000	11%	4,429,315
Institutional Strengthening in support of Guyana LCDS	2/1/2012	3,073,904	97%	89,933
	2/1/2012	2,850,073	100%	0
Micro and Small Enterprise (MSE) Development and Building Alternative Livelihood	2/27/2013	5,000,000	86%	715,790
Total Investment Grants: 5		57,693,477	59%	23,599,993

TC & Grants Active Portfolio (As at March 31, 2018)				
Project Name	Approved Current	% Disb	Available Amount	Approval Date
Forest Carbon Partnership Facility Project in Guyana	3,800,000	13%	3,289,782	12/4/2013
Promoting a Cluster Approach for Agricultural Diversification in Guyana	150,000	0%	150,000	11/21/2016
Sustainable Livelihoods and Community Economic growth	1,161,000	100%	-	11/9/2012
Institutional Strengthening to Guyana Social Safety Net	600,000	0%	600,000	12/1/2017
Leveraging Natural Capital in Guyana's Rupununi	1,102,869	100%	-	5/2/2012
Promoting a Cluster Approach for Agricultural Diversification in Guyana	782,544	12%	686,821	11/10/2016
Market Development for climate Resilient Food Products in Guyana	950,000	0%	950,000	12/14/2017
Pool account for audits and training in financial management & procurement	22,195	32%	15,021	8/5/2009
Support for Management for Development Results	1,143,000	100%	437	9/26/2013
Guyana - Brazil Land Transport Link and Deep-Water Port	1,500,000	29%	1,041,820	11/19/2013
Support for the implementation of the Citizen Security Strategy	1,670,996	100%	-	12/18/2013
Institutional Strengthening of the Audit Office of Guyana Phase 4	488,053	100%	-	12/16/2014
Public Procurement Modernization and Financial Management Strengthening	740,000	45%	406,173	12/16/2014
Design and Execution of a Household Survey of Living Conditions	750,000	83%	0	11/24/2015
Design and Execution of a Labour Force Survey	400,000	100%	-	11/24/2015
Enhancing Statistical Capacities of Guyana	442,092	31%	305,492	12/16/2015
Action Plan for C and D Countries	469,746	100%	-	1/22/2016
Fiscal Management Modernization in Guyana	745,000	16%	625,962	12/7/2016
Exchange for the Strengthening of the Caribbean Banking System	13,504	100%	-	12/7/2016
Support for a National Aviation Master Plan for Guyana	500,000	0%	500,000	12/9/2016
Action Plan C&D	500,698	61%	-	1/3/2017
Agribusiness Knowledge Exchange Program	14,352	77%	3,275	10/23/2017
Total	17,946,048	52%	8,574,783	

Investment Grants Active Portfolio (As at March 31, 2018)				
Project Name	Approved Current	% Disb	Available Amount	Approval Date
Power Utility Upgrade Program	26,931,250	39%	12,678,594	06-25-2014
Water Supply and Sanitation Infrastructure Improvement Program	14,838,250	47%	5,686,360	07-3-2014
Sustainable Energy Program for Guyana	5,000,000	11%	4,429,315	07-12-2013
Micro and Small Enterprise (MSE) Development and Building Alternative Livelihood	5,000,000	100%	0	02-27-2013
Total	51,769,500	56%	22,794,270	

RELATIONS WITH THE CARIBBEAN DEVELOPMENT BANK

(As of December 2017)

- 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, 2017 amounted to US\$291.9 million, representing 6.2 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\$53.2 million as of December 31, 2017.
- Of the total amount of loans approved, outstanding balances totaled US\$147.8 million as of December 31, 2017.** As of that date, undisbursed balances were \$25.11 million, detailed in the table below. In addition, the US\$11.7 million Skills Development and Employability Project, which was approved in December 2016, remains pending.

Summary Statement of Loan Approvals and Undisbursed Balances, December 31, 2016			
(In US\$ million)			
Approval Date	Description	Approved	Undisbursed
22-Jul-2010	Community Roads Improvement Program	16.29	0.16
12-Dec-2012	Fourth Road Project	34.20	2.61
12-Dec-2013	Sea and River Defense Resilience Project	25.00	22.50
Total		59.20	25.11

Source: Caribbean Development Bank.

Loan Transactions							
(In millions of U.S. Dollars)							
	2011	2012	2013	2014	2015	2016	2017
Net flows	0.31	2.18	(3.32)	(0.16)	(2.90)	(0.14)	0.63
Gross disbursements	8.06	10.37	5.13	9.53	6.90	7.78	11.00
Amortization	4.50	4.93	5.06	6.24	6.35	6.64	7.06
Interest and charges	3.26	3.27	3.38	3.45	3.45	3.27	3.32

- At the end of 2016, CDB’s Board approved a new CSP for 2017-2021.** This had a notional resource envelope of US\$194 million, including Guyana’s grant allocation of

about \$65 million from the United Kingdom Caribbean Infrastructure Partnership Fund (UK – CIF).¹ 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.

- **Technical work is being undertaken to inform the UK-CIF projects, which will include an element of blending with CDB’s Ordinary Capital Resources.** These are expected to be approved in late 2018. The GOGY has also signaled its intention to utilize its allocation of Special Fund Resources to fund further infrastructure works. CDB is also grant-funding some technical assistance in development planning; strengthening the national mechanism for climate change; and estimating the likely demand for a development bank.

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 May 20, 2018)

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 annual and semiannual publications on its website in a PDF format. While specific statistics areas have received technical assistance, some limitations remain in the compilation and dissemination of data for certain sectors. Oil exploration and drilling is partially included in the balance of payment statistics, but not in the national accounts. Future technical assistance should focus on helping Guyana incorporate reliably the contribution of the oil sector in national statistics and balance of payment statistics.

National accounts: The 2017 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. The authorities commenced disseminating quarterly GDP in 2017. Future work will focus on compiling expenditure-side GDP, an Industrial Production Index and a Producer Price Index. The Bureau of Statistics (BoS) could increase the coverage of surveys, particularly with respect to the services sector. It also published the first Labor Force Survey since 2014. The BoS aims to launch All-Urban CPI, Households Budget Survey, and Living Conditions Survey later in 2018.

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 2017 focused on strengthening tax administration. Technical assistance delivered by IMF in 2017 and 2018 focused on reforming and modernizing Guyana's revenue administration, public investment management, and fiscal analysis, modelling and forecasting future petroleum revenue. Authorities plan to upgrade their fiscal statistics to reflect the impact of future petroleum 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 non-depository 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.

External sector statistics (ESS): In 2017, a follow-up mission from CARTAC assisted the BoG in strengthening the compilation and dissemination of external sector statistics. There were some improvements in the quality of balance of payments data. 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 following the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) format. The 2017 mission also provided hands-on guidance to major enterprises to complete and submit the survey forms. The 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 enterprise survey was conducted, but the response rate is low.

B. Data Standards and Quality

Participant in the General Data Dissemination System (GDDS) since 2011. Implementation of a National Data Summary Page, a component of e-GDDS, would improve data transparency and accessibility.

C. Reporting to STA (Optional)

In 2017, the BoG submitted to STA for dissemination the quarterly balance of payments in BPM6 format, starting with data for 2015. No data are being reported for publication in the Government Finance Statistics Yearbook.

Guyana. Table of Common Indicators Required for Surveillance
(As of May 2018)

	Date of Latest Observation (dd/mm/yy)	Date Received (dd/mm/yy)	Frequency of Data⁷	Frequency of Reporting⁷	Frequency of Publication⁷
Exchange Rates	03/18	04/18	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	03/18	03/18	M	M	M
Reserve/Base Money	03/18	05/18	M	M	M
Broad Money	03/18	05/18	M	M	M
Central Bank Balance Sheet ²	03/18	05/18	M	M	M
Consolidated Balance Sheet of the Banking System ²	03/18	05/18	M	M	M
Interest Rates ³	03/18	05/18	M	M	M
Consumer Price Index	03/18	04/18	M	Monthly	Monthly
Revenue, Expenditure, Balance and Composition of Financing ⁴ – General Government ⁵	2017	05/18	Half yearly	Half yearly	Half yearly
Revenue, Expenditure, Balance and Composition of Financing ⁴ – Central Government	2017	05/18	Half yearly	Half yearly	Half yearly
Stocks of Central Government and Central Government-Guaranteed Debt ⁶	2017	05/18	A	A	A
External Current Account Balance	2017	04/18	A	A	A
GDP	2017	04/18	A	A	A
Gross External Debt	2017	05/18	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 Daily (D), Weekly (W), Monthly (M).



GUYANA

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION— DEBT SUSTAINABILITY ANALYSIS

May 31, 2018

Approved By
Jorge Roldos and Ali Mansoor
(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, but debt dynamics will improve markedly with the start of oil production in 2020. The debt sustainability analysis (DSA) update shows that indicators of the risk of external debt distress remain under the relevant thresholds in the baseline. The PV of external debt-to-GDP is projected to decline to 8 percent over the medium-term while debt service will decrease to 2 percent of revenue.

Stress tests indicate the susceptibility of public debt to adverse shocks before oil revenues place the debt on a downward trajectory. Guyana's external public debt ratio is sensitive to extreme shocks to exports and to the exchange rate. These shocks cause temporary but significant breaches in the external debt thresholds, prompting a moderate risk rating.

Nevertheless, Guyana's medium- and long-term outlook is very favorable given the projected oil revenues, which will eventually underpin fiscal surpluses and a reduction in external indebtedness.

BACKGROUND

1. **Total gross public debt has declined significantly over the past decade.** Debt relief and PetroCaribe repayments through in-kind rice exports have helped reduce Guyana's debt burden, prompting a decline in total public-sector debt from 61.2 percent of GDP in 2007 to 50.7 percent of GDP in 2017. The IMF, World Bank (IDA), and IADB provided debt relief amounting to US\$640 million in 2006–07, under the Multilateral Debt Relief Initiative (MDRI). Paris Club bilateral creditors and some non-Paris Club creditors also granted debt relief as part of the 2004 Paris Club agreement.¹ Negotiations with other non-Paris Club creditors are protracted, with debt amounting to around 12 percent of total external debt or 4 percent of GDP.² Most of the external debt is owed to multilateral institutions (58.5 percent). The IADB is the largest creditor, accounting for 40.8 percent of total external debt at end-2017. China's state-owned Export-Import Bank is now the largest bilateral creditor, accounting for 14.6 percent of total external debt at end-2017. Part of the debt owed to Venezuela under the PetroCaribe agreement was repaid through Guyana's rice exports to that country. The pace of external debt accumulation has slowed after the PetroCaribe agreement was suspended in 2015 following the revival of a border dispute, and no further borrowing was made since then.

2. **Exxon Mobil made a significant offshore oil discovery in 2015,** conservatively estimated to hold between 800 and 1,400 million barrels. Additional major oil discoveries in 2017, in the Stabroek block (Liza, Liza Deep, Payara, Snoek and Turbot), are estimated to bring the total gross recoverable resources to 3.2 billion oil-equivalent barrels. Two other discoveries have been made recently, in Ranger and Pacora, underscoring considerable upside potential. In addition to oil, there is associated gas production planned for the domestic market which could replace diesel or fuel oil for power generation.

3. **Commercial production is planned to commence in mid-2020,** with a conservatively estimated output of 100,000 barrels/day (bpd) from Liza Phase I.³ Liza Phase II is expected to commence production in 2022, with a capacity of 220,000 barrels per day.⁴ In combination, Liza Phase I and Phase II comprise close to 45 percent of total oil reserves in the country (14.1 percent and 30.7 percent respectively). The two phases are estimated to produce around 300,000 bpd by 2025. The main direct effect of oil on the economy will be through fiscal revenues. Under the revenue-sharing agreement, 75 percent of oil production is initially

¹ Debt relief under the Heavily Indebted Poor Country (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) was granted by all multilateral creditors, by Paris Club bilateral creditors, and five non-Paris Club creditors (China, India, Venezuela, Bulgaria, and Cuba). Debt owed to Brazil and North Korea was paid off without relief.

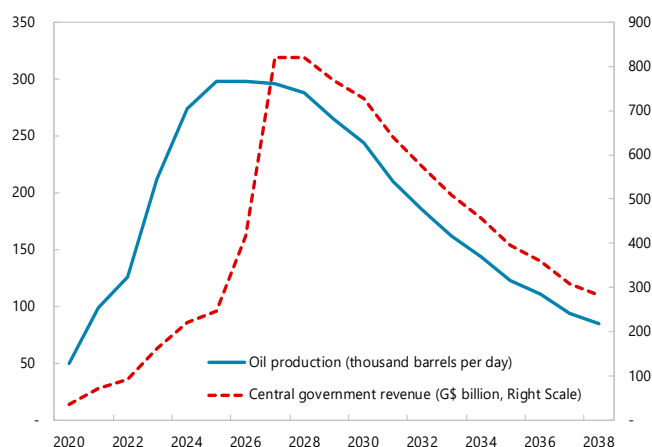
² These creditors include Argentina, Kuwait, Libya, United Arab Emirates, and Serbia.

³ The Liza Phase 1 development plan includes a floating production, storage and offloading (FPSO) vessel designed to produce up to 120,000 barrels per day. The production estimate of 100,000 barrels per day is premised on a ramp up period from the planned starting point in March 2020.

⁴ Some recent estimates have production as high as 120,000 bpd in 2020 (Liza I) and 340,000 bpd in 2025 (Liza I and Liza II combined).

allocated to “cost recovery” to ExxonMobil and its partners. The remaining 25 percent is considered “profit oil” and is shared 50-50 with the government. The agreement sets a royalty of 2 percent on gross earnings, which brings the initial government share to 14.5 percent of total oil revenues.⁵ As a result, changes to oil prices have a one-for-one impact on fiscal revenue in the first years of production (but lower oil prices would prolong the “cost recovery” period). The breakeven price for Liza Phase 2 is relatively low at around \$35 per barrel, so it would take a major adverse price shock to delay its development plans. It is worth noting the considerable upside potential as there are other offshore blocks besides Stabroek, and many companies have expressed interest for the ultra-deep offshore block.⁶

Guyana Oil Production and Government Oil Revenue



4. **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. This implies the following thresholds: (i) a PV of debt-to-GDP ratio of 40 percent; (ii) a PV of debt-to-exports ratio of 150 percent; (iii) a PV of debt-to-revenue ratio of 250 percent; and (iv) debt service-to-exports and revenue ratios of 20 percent, respectively.

BASELINE SCENARIO ASSUMPTIONS

5. **The baseline assumes that oil production in Liza Phase I and Phase II will commence in 2020 and 2022, respectively.** The estimates are conservatively derived by considering only oil revenues from Liza Phase I and Phase II where a production license has either been issued (Phase I) or there is a very high probability of being issued (Phase II).⁷ Oil production is projected to increase from 100,000 barrels per day in mid-2020 to 300,000 barrels per day in 2025-2026, and to average around 111,000 barrels per day in 2034-38. To account for the risk of delays in Liza Phase II, its production ramp-up period is extended over three years,

⁵ The government share will increase substantially once cost recovery on the initial investment is met, and most of production consists of “profit oil.”

⁶ They include 4 exploration wells in 2018 and 20 additional prospects in the Stabroek block, as indicated by Exxon Mobil. In addition, there are 7 other offshore blocks awarded besides Stabroek which have not been drilled.

⁷ ExxonMobil has submitted an application to Guyana’s Environmental Protection Agency (EPA) for environmental authorization for Liza Phase II.

(continued)

from 2022 to 2025. Given the additional major oil discoveries in 2017, prospects of associated gas, and Exxon Mobil's indication of committing additional resources for the project, there is substantial potential upside to oil revenues than is presently assumed in the baseline scenario. The value-added of the oil sector to gross production is assumed to be 50 percent of total output. Staff estimates GDP to grow at 29.1 percent (Y/Y) in 2020.⁸ Oil production will have a much larger impact on GDP than on GNP, and the main impact of the oil sector on Guyana will take place through fiscal revenues. The trajectory of oil prices is based on the April 2018 WEO projection, rising from US\$52 dollars per barrel in 2017 to around US\$54 dollars by 2023, and converging to a long-run value of US\$55 dollars per barrel thereafter.

6. The medium- and long-term debt dynamics will be shaped by developments in the oil sector. The Government's oil revenue is forecasted based on the Fiscal Analysis of Resource Industries (FARI) Model. The government's share is initially 14.5 percent of gross revenues, but increases after the oil companies recover their initial investment, peaking at 70 percent of gross revenues, before tapering off. The authorities are working closely with the IMF and other TA providers to develop a transparent rules-based fiscal framework for managing the oil wealth. In the DSA, we assume a fiscal regime that incorporates a permanent-income type approach to use oil revenues to finance infrastructure investment and save for stabilization and inter-generational purposes. The latter involves a substantial accumulation of foreign assets in a Sovereign Wealth Fund (with fiscal surpluses in excess of 20 percent of GDP per year in the late 2020s given the time profile of production).⁹ In our assumptions, external debt is gradually paid off as it matures (given its concessional nature, there are no incentives for early repayment). Oil revenues are assumed to lead to exchange rate appreciation and accumulation of reserves by the central bank.

7. Guyana's medium term economic growth outlook is projected to improve significantly with oil production (Table 1). Revenues from oil production and rising public investment are expected to increase growth to 13.3 percent, on average, during 2018–23, while non-oil growth will remain at around 4.5 percent.^{10,11} The oil sector's contribution to GDP is projected to peak at around 42 percent in 2025. Oil will contribute 3.5 and 6 percent of GDP to revenue in 2020 and 2021, respectively. That share will increase substantially after cost recovery is met. This will lead to a narrowing of the central government overall deficit from 5.4 percent of GDP in 2018 to a projected 0.2 percent of GDP by 2023, before turning to an overall surplus,

⁸ The offshore investment by foreign companies is not captured in the national accounts (although some investment in supportive infrastructure is). If it was, the level of GDP would be much higher, and there would not be such a sharp increase once production starts.

⁹ Plans for establishing a natural resource fund are well-advanced, and legislation is expected to be presented to the Cabinet and to the Parliament later this year.

¹⁰ 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, this investment is not covered in staff's projections.

¹¹ After the ramping up of oil production, growth is projected to converge to the steady state value.

underpinning a sharp downward trajectory in debt levels. Inflation is projected to increase slightly, averaging 3.1 percent in the medium term. The current account will move to large surpluses after 2020, which will be partially offset by deficits in the financial account as repatriation of revenues from “cost recovery” by Exxon Mobil and its partners is recorded as a divestment of FDI (their repatriation of “profit oil” is recorded in the current account). Gross international reserves will increase, with reserve cover rising to 8 months of imports by 2023.

	Medium term						Averages		
	2016	2017	2018	2019	2020	2021	2018-23	2024-38	2018-38
Real GDP growth (%)									
Previous DSA	3.3	3.5	3.6	3.7	38.5	28.5	13.3	1.3	4.9
Current DSA	3.4	2.1	3.4	4.8	29.8	22.1	16.6	2.2	5.1
Consumer prices (eop)									
Previous DSA	1.5	2.6	2.7	3.0	3.1	3.1	2.9	2.4	2.6
Current DSA	1.5	1.5	2.2	3.0	3.2	3.5	3.1	2.5	2.7
Overall balance 1/									
Previous DSA	-2.9	-7.2	-6.3	-6.0	-4.8	-4.5	-4.8	-0.4	-1.7
Current DSA	-2.8	-5.2	-6.1	-5.0	-4.6	-3.8	-4.7	13.2	8.1
Current account balance									
Previous DSA	0.4	-2.0	-4.1	-4.7	-2.7	1.4	-1.2	1.4	0.6
Current DSA	0.4	-6.7	-6.1	-4.3	10.7	21.9	6.9	27.7	21.8
Foreign direct investment									
Previous DSA	0.9	3.9	3.8	3.7	0.9	-1.4	0.6	-2.5	-1.6
Current DSA 2/	1.7	6.0	6.0	5.9	-7.5	-17.0	-4.6	-11.1	-9.2

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.

8. **Debt levels are projected to rise in 2018-19 due to the expansionary fiscal policy, before declining with the materialization of oil revenues.** The fiscal deficit is projected at around 4.7 percent of GDP, on average, over the medium term, driven largely by capital spending on infrastructure projects. The government’s oil revenue averages 5.5 percent of GDP in 2020-22 and 21 percent of GDP in the long run, underpinning the initial reduction in the overall deficit as oil production starts, and subsequent fiscal surpluses which will be accumulated in a sovereign wealth fund. Under these assumptions, while total public and publicly-guaranteed debt increases to 61 percent of GDP by end-2018, it will stabilize at 56.3 percent of GDP at the start of oil production in 2020. The debt ratio gradually tapers to 21.9 percent of GDP by 2038, based on increasing oil revenue and an assumption that outstanding domestic government debt securities will be maintained at 20 percent of GDP for the sake of developing and maintaining a liquid domestic bond market.

9. **The analysis of Guyana’s debt sustainability takes into consideration a publicly-guaranteed debt to finance the restructuring of the state-owned sugar enterprise.** Following continued losses in the state-owned Guyana Sugar Corporation (GuySuCo) which resulted in heavy subsidies amounting to 1-2 percent of GDP per year over the last three years, the government had undertaken a restructuring which includes a reduction in its workforce and the establishment of a Special Purposes Unit, at the National Industrial and Commercial Investments Limited (NICIL), to divest its assets. NICIL is raising G\$30 billion (3.7 percent of GDP) through a five-year syndicated external

bond, secured by its assets and guaranteed by the government. That bond carries an interest rate of 4.75 percent, making Guyana one of the lowest credit risks in the Caribbean.¹² That borrowing will cover part of the workers' severance payments and the revitalization of three out of six of GuySuCo's sugar estates prior to their privatization. NICIL was incorporated as a Private Limited Company under the Companies Act of 1991 and is 100 percent owned by the Government of Guyana.¹³ Revenue from GuySuCo and associated businesses, and proceeds from the privatization of GuySuCo's estates will be used to repay this bond. The principal repayment is spread evenly over five years. To be conservative and to ensure that the public guarantee is fully reflected in the debt statistics, this analysis takes into account the G\$30 billion borrowing by NICIL, although it is secured by the company's assets.

ASSESSMENT OF BASELINE SCENARIO: GROSS EXTERNAL DEBT

10. **The analysis of Guyana's external debt shows that it will remain sustainable under the baseline** (Table 1, Figure 1). In the baseline, all debt burden indicators remain below their thresholds as the advent of oil means that the need for new external borrowing is significantly reduced and surpluses could be used to service existing debts. The PV of the external debt-to-GDP ratio peaks at 27 percent of GDP in 2018 due to the public guarantee on NICIL's G\$30 billion bond, but gradually declines to 2 percent in the long term (compared to 20 percent in the previous DSA).¹⁴ While the ratio of external debt-to-revenue is close to its threshold, the ratios of external debt-to-exports and external debt service-to-exports are well below their respective thresholds. These ratios increase over the short term due to slight increase in principal payments but will gradually decline from 2020 onwards with support from oil revenues.

11. **Standardized stress tests show that Guyana's external public debt ratio is vulnerable to very extreme shocks to exports and the exchange rate before the start of oil production** (Table 2, Figure 1). Breaches to the sustainability thresholds that are significant¹⁵ but temporary in the stress test scenarios are as follows:

- (i) The PV of the ratios of external debt-to-GDP and external debt-to-exports breach their sustainability thresholds in 2020-22 and 2020-21 respectively, both in a scenario that assumes export value growth at historical average minus one standard deviation.

¹² Guyana's spread seems broadly in line with investment-grade countries in the region. For example, Trinidad and Tobago's US\$ sovereign bond maturing January 16, 2024 (rated BBB+ by S&P) traded at a yield-to-maturity of 4.36 percent as of May 10, 2018.

¹³ While GuySuCo made losses, the value of its assets before the revaluation of land is larger than its current debt liability of G\$26 billion.

¹⁴ External debt projections reflect the authorities' actual debt stock, amortization, and disbursement. Given that Guyana's current account is projected to swing from deficit to surplus in 2020 with oil production, we are not projecting additional new external debt based on macroeconomic analysis.

¹⁵ Significant breaches are breaches above the ± 5 percent band around the sustainability threshold.

- (ii) The PV of external debt service-to-revenue ratio breaches the sustainability threshold in 2019, in a scenario that assumes a one-time 30 percent nominal exchange rate depreciation relative to the baseline during that year.

12. **The results suggest that the risk of debt distress is moderate.** Under the baseline, all sustainability indicators remain below their thresholds. While breaches are noted in the stress tests, they are caused by shock assumptions for exports and the exchange rate, which under current and anticipated developments in Guyana, may be less relevant (and probable) than in earlier DSA exercises.

- The breaches in the ratios of external public debt-to-GDP and external debt-to-exports—in scenarios that assume real GDP growth and nominal export growth, respectively, at 10-year historical averages minus one standard deviation—are distorted by the high standard deviation of export growth in the historical data. The large variability of exports in the historical data is attributed to the high share of commodity exports (at 85 percent of total exports), high volatility of commodity prices, and a few idiosyncratic shocks (e.g. the suspension of rice exports to Venezuela, and the collapse of the sugar sector). Nonetheless, the temporary breaches in these two ratios in 2020-22 before sustained oil revenues place debt on a sustained downward trajectory, underscore the importance of prudence before the start of oil production to prevent debt levels from rising to unsustainable levels in the event of unanticipated shocks.
- The assumption of a one-time 30 percent nominal exchange rate devaluation in 2019 which leads to a breach in the external debt service-to-revenue ratio in that year is not reflective of Guyana's current economic cycle and past exchange rate path (the steepest exchange rate depreciation since 1990 was 11 percent, in 1998). Moreover, the start of oil production in 2020 will substantially increase international reserves, and may create significant appreciation pressures on the Guyanese dollar.

ASSESSMENT OF BASELINE SCENARIO: GROSS PUBLIC DEBT

13. **The analysis of total gross public-sector debt shows that the risk of debt distress starts to decrease from 2020 with oil revenues** (Table 4). The debt-to-GDP ratio rises to 61 percent in 2018 due to the government guarantee on NICIL's bond (3.7 percent of GDP), but then gradually declines to 56.3 percent in 2020 and 21.9 percent of GDP by 2038, on the back of rising fiscal surpluses from oil revenues. The PV of the public-sector debt-to-GDP ratio is projected to increase to 48 percent in 2018-19 and gradually decline thereafter, stabilizing at around 20 percent of GDP in the long term. That long-term level is driven by our assumption of the maintenance of domestic debt at 20 percent of GDP for capital market development and liquidity purposes.

14. **Stress tests indicate that total public debt is also susceptible to standard shocks** (Table 4, Figure 2). In an extreme scenario which assumes real GDP growth at 10-year historical average minus one standard deviation, the PV of debt-to-GDP ratio would breach the threshold from 2020 onwards, rising to 212 percent by 2038. One reason for this threshold breach is that the scenario eliminates the

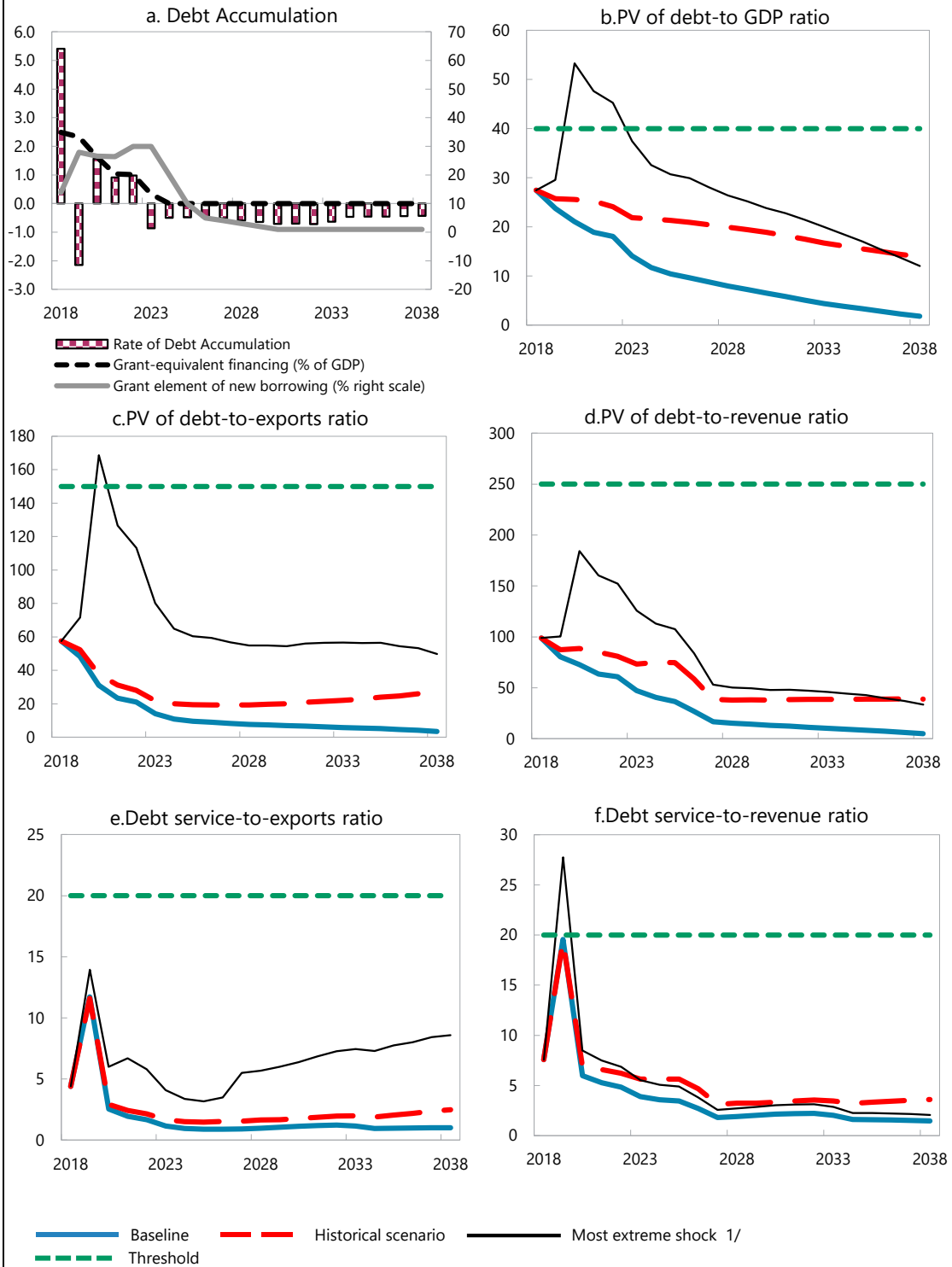
high real GDP growth in 2020 (so in the scenario it is as if oil production in Liza Phase I did not start). It is also worth noting that the historical standard deviation may be distorted by the underestimation of GDP, imports, and FDI in years prior to the start of oil production as the authorities' current data on the national accounts and balance of payments do not reflect foreign companies' investments in developing Guyana's offshore oil resources during the preparatory phase. Thus, while this scenario is meant to capture large but plausible adverse shocks, in this case it is mainly removing the level effect on GDP of going from no oil production to becoming an oil producer. For these reasons, we consider this scenario to be less informative as its probability is extremely low. Another breach occurs in 2028 under a shock that assumes a fixed primary balance. Again, this shock is highly unlikely to materialize as it would involve running a 4 percent primary deficit at the peak of oil revenues, which are projected to swing the fiscal balance to an overall surplus by 2024.

CONCLUSION

15. **Guyana's debt dynamics improve considerably under the baseline, but are vulnerable to stress tests, and the risk of debt distress remains moderate.** In the baseline scenario, debt indicators remain below their respective thresholds over the projection period. The PV of external debt-to-GDP ratio declines to around 2 percent in the long run as the need for external borrowing is eliminated by the accumulation of external assets. However, stress tests indicate that Guyana's external public debt ratio is vulnerable to an extreme shock to exports and the exchange rate before the start of oil production. The PV of total debt-to-GDP ratio also remains below the debt sustainability threshold in the baseline scenario and is on a downward trajectory, but is susceptible to (large) shocks to real GDP growth. Financing the large deficits projected in the short-term may require an increasing reliance on non-concessional debt, including domestic borrowing. These financing risks are not fully captured in this LIC DSA, and warrant close monitoring. It is also important to strengthen fiscal policy institutions prior to the start of oil production, for prudent and effective management of the anticipated large inflows.¹⁶

¹⁶ Box 1 in the Staff Report provides details on fiscal structural reforms.

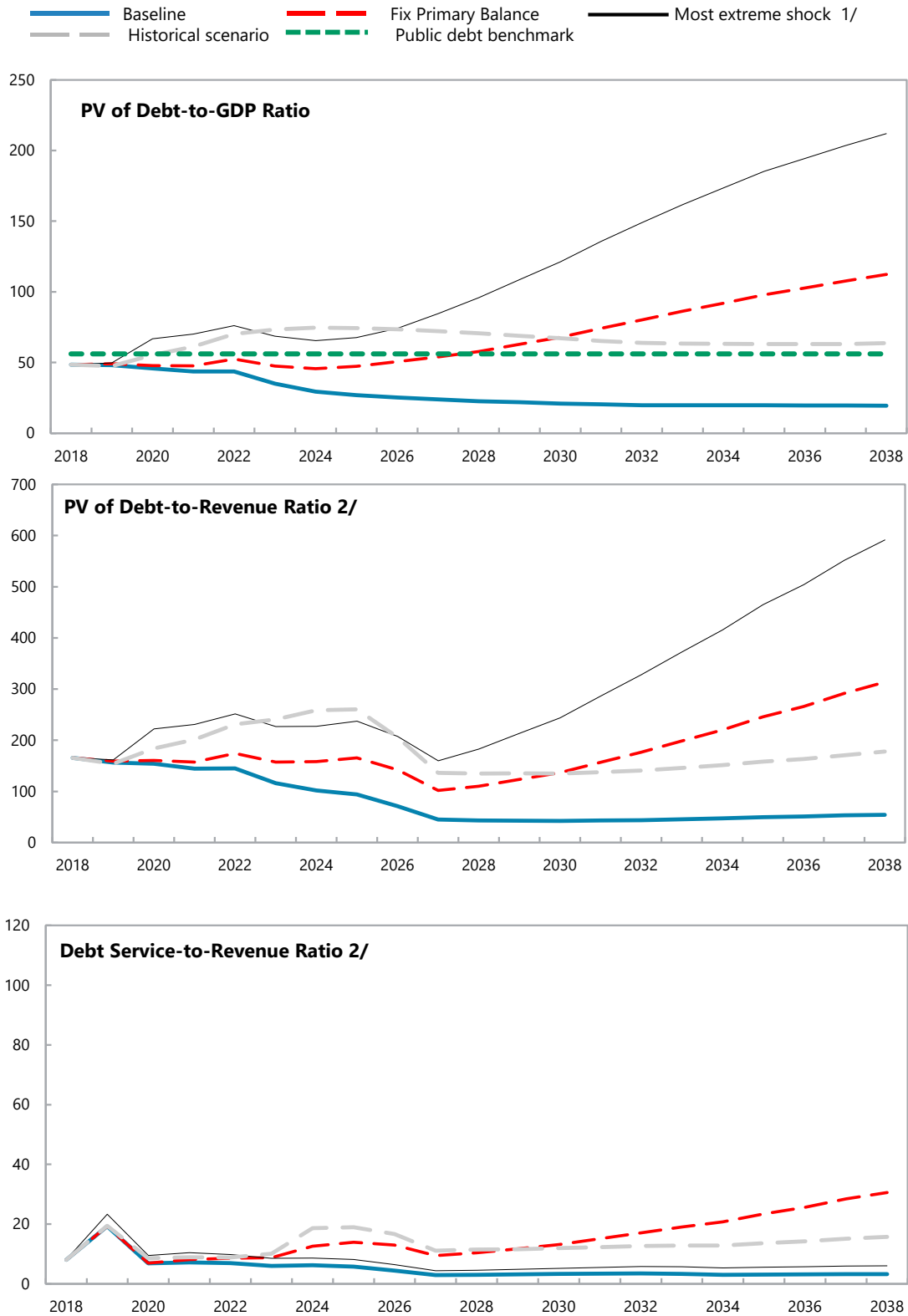
Figure 1. Guyana: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2018-2038 1/



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 2028. In figure b. it corresponds to a Exports shock; in c. to a Exports shock; in d. to a Exports shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2. Guyana: Indicators of Public Debt Under Alternative Scenarios, 2018-2038 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 2028.

2/ Revenues are defined inclusive of grants.

Table 1. Guyana: External Debt Sustainability Framework, Baseline Scenario, 2015–2038 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical ^{6/} Standard ^{6/}		Projections							2018-2038		
	2015	2016	2017	Average	Deviation	2018	2019	2020	2021	2022	2023	Average	2028	2038	Average
External debt (nominal) 1/	35.7	33.2	35.5			40.0	35.8	31.5	28.0	26.5	20.6		11.7	4.2	
<i>of which: public and publicly guaranteed (PPG)</i>	35.7	33.2	35.5			40.0	35.8	31.5	28.0	26.5	20.6		11.7	4.2	
Change in external debt	-3.8	-2.6	2.3			4.5	-4.1	-4.3	-3.5	-1.5	-5.9		-1.1	-0.6	
Identified net debt-creating flows	-0.2	-5.2	0.2			-1.2	-3.4	-12.1	-10.8	-8.1	-14.7		-25.7	-5.4	
Non-interest current account deficit	4.6	-0.9	6.0	8.0	4.1	5.4	3.7	-11.3	-22.4	-26.6	-41.1		-30.1	-6.0	-25.6
Deficit in balance of goods and services	19.5	9.4	15.7			14.9	13.2	-6.4	-20.3	-25.9	-43.7		-59.2	-11.1	
Exports	40.5	45.7	45.2			47.7	49.2	68.0	80.9	86.0	100.6		103.6	52.0	
Imports	60.0	55.0	60.8			62.6	62.3	61.6	60.5	60.0	56.9		44.4	40.9	
Net current transfers (negative = inflow)	-9.8	-8.3	-9.2	-14.1	4.2	-9.3	-9.6	-8.0	-7.2	-6.7	-5.7		-3.7	-3.1	-3.6
<i>of which: official</i>	-0.6	-0.7	-1.4			-1.1	-1.5	-1.0	-1.0	-0.8	-0.7		0.0	0.0	
Other current account flows (negative = net inflow)	-5.2	-2.0	-0.4			-0.2	0.2	3.1	5.1	6.0	8.3		32.7	8.2	
Net FDI (negative = inflow)	-3.8	-1.7	-6.0	-7.3	2.7	-6.0	-5.9	7.5	17.0	21.0	32.1		4.1	0.6	9.0
Endogenous debt dynamics 2/	-0.9	-2.6	0.1			-0.6	-1.2	-8.3	-5.4	-2.4	-5.6		0.3	0.1	
Contribution from nominal interest rate	0.5	0.5	0.6			0.6	0.6	0.6	0.6	0.5	0.5		0.3	0.1	
Contribution from real GDP growth	-1.2	-1.1	-0.7			-1.2	-1.8	-8.9	-6.0	-3.0	-6.1		0.0	0.0	
Contribution from price and exchange rate changes	-0.3	-2.0	0.2			...	...	...	...	...	...		...	...
Residual (3-4) 3/	-3.6	2.6	2.1			5.7	-0.7	7.8	7.4	6.6	8.7		24.6	4.8	
<i>of which: exceptional financing</i>	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/	...	...	23.0			27.5	23.7	21.1	18.9	18.1	14.1		8.0	1.8	
In percent of exports	...	...	50.8			57.5	48.3	31.0	23.4	21.0	14.0		7.7	3.5	
PV of PPG external debt	...	...	23.0			27.5	23.7	21.1	18.9	18.1	14.1		8.0	1.8	
In percent of exports	...	...	50.8			57.5	48.3	31.0	23.4	21.0	14.0		7.7	3.5	
In percent of government revenues	...	...	87.3			98.9	80.6	72.9	63.6	60.8	47.3		15.2	5.0	
Debt service-to-exports ratio (in percent)	7.6	3.8	3.6			4.4	11.7	2.5	1.9	1.7	1.2		1.0	1.0	
PPG debt service-to-exports ratio (in percent)	7.6	3.8	3.6			4.4	11.7	2.5	1.9	1.7	1.2		1.0	1.0	
PPG debt service-to-revenue ratio (in percent)	11.5	6.6	6.1			7.6	19.5	6.0	5.3	4.8	3.9		1.9	1.5	
Total gross financing need (Billions of U.S. dollars)	0.1	0.0	0.1			0.1	0.1	-0.1	-0.2	-0.3	-0.6		-2.5	-0.6	
Non-interest current account deficit that stabilizes debt ratio	8.3	1.7	3.7			0.9	7.8	-7.0	-18.9	-25.2	-35.2		-29.0	-5.4	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.1	3.4	2.1	3.8	1.2	3.4	4.8	29.8	22.1	11.8	27.9	16.6	0.0	0.5	0.3
GDP deflator in US dollar terms (change in percent)	0.8	6.0	-0.5	3.6	3.8	-1.3	1.7	-7.2	-4.5	-1.5	-5.0	-3.0	2.8	3.4	3.1
Effective interest rate (percent) 5/	1.4	1.5	1.9	1.3	0.3	1.8	1.7	2.0	2.1	2.1	2.1	2.0	2.1	1.8	2.0
Growth of exports of G&S (US dollar terms, in percent)	-4.0	23.6	0.5	7.3	15.1	7.9	9.8	66.6	38.8	17.0	42.2	30.4	0.0	-2.6	-0.9
Growth of imports of G&S (US dollar terms, in percent)	-11.4	0.6	12.3	5.9	15.0	5.1	6.0	19.0	14.7	9.2	15.1	11.5	13.4	3.0	1.2
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	13.9	27.9	26.5	26.4	30.0	30.0	25.8	3.0	1.0	3.5
Government revenues (excluding grants, in percent of GDP)	26.8	26.4	26.3			27.8	29.5	28.9	29.7	29.7	29.8		52.5	35.8	41.9
Aid flows (in Billions of US dollars) 7/	0.1	0.1	0.1			0.1	0.1	0.0	0.0	0.0	0.0		0.0	0.0	
<i>of which: Grants</i>	0.0	0.0	0.1			0.1	0.1	0.0	0.0	0.0	0.0		0.0	0.0	
<i>of which: Concessional loans</i>	0.1	0.1	0.1			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			2.5	2.3	1.6	1.0	1.0	0.3		0.0	0.0	0.0
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			28.9	47.5	44.2	41.5	42.1	100.0		3.0	1.0	3.5
Memorandum items:															
Nominal GDP (Billions of US dollars)	3.2	3.5	3.6			3.6	3.9	4.7	5.4	6.0	7.3		10.0	11.8	
Nominal dollar GDP growth	3.8	9.6	1.6			2.1	6.6	20.4	16.6	10.1	21.5	12.9	2.8	3.9	3.4
PV of PPG external debt (in Billions of US dollars)	...	...	0.8			1.0	0.9	1.0	1.0	1.1	1.0		0.8	0.2	
(PVT-PVt-1)/GDPt-1 (in percent)	...	...	...			5.4	-2.1	1.6	0.9	1.0	-0.9	1.0	-0.6	-0.4	-0.5
Gross workers' remittances (Billions of US dollars)	0.3	0.3	0.3			0.3	0.3	0.3	0.3	0.4	0.4		0.4	0.4	
PV of PPG external debt (in percent of GDP + remittances)	...	...	21.3			25.4	22.0	19.7	17.8	17.1	13.4		7.7	1.8	
PV of PPG external debt (in percent of exports + remittances)	...	...	43.3			49.1	41.5	28.1	21.7	19.7	13.4		7.4	3.3	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	3.0			3.8	10.1	2.3	1.8	1.6	1.1		0.9	0.9	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g)] / (1+g+\rho+gp)$ 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, 2018–2038
(In percent)

	Projections							2038
	2018	2019	2020	2021	2022	2023	2028	
PV of debt-to GDP ratio								
Baseline	27	24	21	19	18	14	8	2
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	27	26	26	25	24	22	20	14
A2. New public sector loans on less favorable terms in 2018-2038 2/	27	25	22	20	20	16	10	4
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	27	24	27	24	23	18	10	2
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	27	30	53	48	45	37	26	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	27	24	20	18	17	13	8	2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	27	24	11	10	10	7	2	-1
B5. Combination of B1-B4 using one-half standard deviation shocks	27	26	40	36	34	28	18	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	27	34	30	27	25	20	11	3
PV of debt-to-exports ratio								
Baseline	58	48	31	23	21	14	8	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	58	52	38	31	28	22	19	27
A2. New public sector loans on less favorable terms in 2018-2038 2/	58	50	33	25	23	16	10	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	58	48	31	23	21	14	8	3
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	58	72	169	127	113	80	55	50
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	58	48	31	23	21	14	8	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	58	50	16	12	11	7	2	-3
B5. Combination of B1-B4 using one-half standard deviation shocks	58	57	93	70	63	44	28	22
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	58	48	31	23	21	14	8	3
PV of debt-to-revenue ratio								
Baseline	99	81	73	64	61	47	15	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	99	87	88	85	81	73	38	39
A2. New public sector loans on less favorable terms in 2018-2038 2/	99	83	77	69	67	54	19	12
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	99	82	94	82	78	61	20	6
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	99	100	184	160	152	126	50	34
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	99	82	69	60	57	45	14	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	99	83	39	34	33	23	4	-4
B5. Combination of B1-B4 using one-half standard deviation shocks	99	88	139	121	115	93	35	20
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	99	114	103	90	86	67	22	7

Table 2. Guyana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018–2038 (Concluded)
(In percent)

Debt service-to-exports ratio								
Baseline	4	12	3	2	2	1	1	1
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	4	12	3	2	2	2	2	2
A2. New public sector loans on less favorable terms in 2018-2038 2/	4	12	2	2	2	1	1	1
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	4	12	3	2	2	1	1	1
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	4	14	6	7	6	4	6	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	4	12	3	2	2	1	1	1
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	4	12	3	2	1	1	0	0
B5. Combination of B1-B4 using one-half standard deviation shocks	4	13	5	4	4	3	3	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	4	12	3	2	2	1	1	1
Debt service-to-revenue ratio								
Baseline	8	20	6	5	5	4	2	1
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	8	19	7	7	6	6	3	4
A2. New public sector loans on less favorable terms in 2018-2038 2/	8	20	6	5	5	4	2	2
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	8	20	8	7	6	5	2	2
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	8	20	7	8	8	6	5	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	8	20	6	5	5	4	2	1
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	8	20	6	4	4	3	1	0
B5. Combination of B1-B4 using one-half standard deviation shocks	8	20	7	8	7	6	4	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	8	28	8	7	7	6	3	2
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	25	25	25	25	25	25	25	25

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, 2015–2038
(In percent of GDP, unless otherwise indicated)

	Actual			Average ^{5/}	Standard Deviation ^{5/}	Estimate										Projections			
	2015	2016	2017			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-23 Average	2028	2038	2024-38 Average
Public sector debt 1/	50.1	50.7	52.2			61.0	60.3	56.3	52.8	52.1	41.4	34.8	31.6	29.7	27.9		26.4	21.9	
<i>of which: foreign-currency denominated</i>	35.7	33.2	35.5			40.0	35.8	31.5	28.0	26.5	20.6	17.1	15.2	14.0	12.8		11.7	4.2	
Change in public sector debt	-1.8	0.6	1.5			8.8	-0.7	-4.0	-3.5	-0.7	-10.7	-6.6	-3.2	-1.9	-1.8		-1.5	-0.3	
Identified debt-creating flows	-1.8	-1.6	4.6			4.2	1.1	-5.6	-4.5	-5.1	-9.5	-6.0	-2.6	-1.2	-1.1		-0.8	-0.8	
Primary deficit	-0.6	2.1	4.3			5.3	4.2	3.7	2.6	-1.2	-1.1	-1.1	-1.0	-0.9	-0.9	2.2	-0.8	-0.7	
Revenue and grants	27.8	27.5	27.9			29.3	30.8	29.8	30.2	30.1	30.2	28.9	28.5	35.7	53.0		52.5	35.8	
<i>of which: grants</i>	1.0	1.1	1.6			1.5	1.3	0.9	0.5	0.4	0.3	0.0	0.0	0.0	0.0		0.0	0.0	
Primary (noninterest) expenditure	27.2	29.5	32.2			34.5	35.0	33.5	32.8	28.9	29.1	27.7	27.6	34.7	52.1		51.6	35.1	
Automatic debt dynamics	-1.2	-3.6	0.4			-1.1	-3.0	-9.4	-7.1	-3.9	-8.4	-4.8	-1.6	-0.3	-0.2		0.1	-0.1	
Contribution from interest rate/growth differential	-1.2	-2.2	-1.0			-1.6	-3.1	-12.2	-8.9	-4.8	-9.9	-5.4	-1.8	-0.3	-0.2		0.2	-0.1	
<i>of which: contribution from average real interest rate</i>	0.3	-0.5	0.0			0.1	-0.3	1.7	1.3	0.7	1.5	0.9	0.4	0.3	0.2		0.2	0.0	
<i>of which: contribution from real GDP growth</i>	-1.5	-1.6	-1.1			-1.7	-2.8	-13.9	-10.2	-5.6	-11.4	-6.3	-2.2	-0.6	-0.4		0.0	-0.1	
Contribution from real exchange rate depreciation	0.1	-1.5	1.4			0.6	0.1	2.8	1.8	0.9	1.5	0.6	0.2	0.1	-0.1		...	...
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	0.0	2.2	-3.2			4.6	-1.8	1.7	1.0	4.5	-1.2	-0.7	-0.7	-0.7	-0.7		-0.7	0.6	
Other Sustainability Indicators																			
PV of public sector debt	...	...	39.7			48.5	48.2	45.9	43.6	43.6	34.9	29.5	26.8	25.3	23.8		22.6	19.4
<i>of which: foreign-currency denominated</i>	...	...	23.0			27.5	23.7	21.1	18.9	18.1	14.1	11.7	10.4	9.6	8.8		8.0	1.8
<i>of which: external</i>	...	...	23.0			27.5	23.7	21.1	18.9	18.1	14.1	11.7	10.4	9.6	8.8		8.0	1.8
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...	...	...	...	...		...	...
Gross financing need 2/	14.6	17.2	23.1			23.7	29.7	25.9	25.8	23.1	21.5	18.4	17.0	16.3	15.7		15.4	17.1	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	142.2			165.6	156.5	153.9	144.4	144.8	115.9	102.1	93.9	70.9	45.0		43.1	54.2
PV of public sector debt-to-revenue ratio (in percent)	...	...	151.0			174.6	163.5	158.6	146.9	146.8	117.2	102.1	93.9	70.9	45.0		43.1	54.2
<i>of which: external 3/</i>	...	...	87.3			98.9	80.6	72.9	63.6	60.8	47.3	40.6	36.6	27.0	16.6		15.2	5.0
Debt service-to-revenue and grants ratio (in percent) 4/	12.0	7.3	6.7			8.0	19.3	6.9	7.2	6.9	6.0	6.2	5.8	4.4	3.0		3.0	3.2	
Debt service-to-revenue ratio (in percent) 4/	12.4	7.6	7.1			8.5	20.1	7.1	7.3	7.0	6.0	6.2	5.8	4.4	3.0		3.0	3.2	
Primary deficit that stabilizes the debt-to-GDP ratio	1.2	1.4	2.8			-3.5	4.9	7.7	6.1	-0.5	9.6	5.5	2.2	0.9	0.9		0.7	-0.4	
Key macroeconomic and fiscal assumptions																			
Real GDP growth (in percent)	3.1	3.4	2.1	3.8	1.2	3.4	4.8	29.8	22.1	11.8	27.9	18.0	6.8	1.9	1.3	16.6	0.0	0.5	0.3
Average nominal interest rate on forex debt (in percent)	1.4	1.5	1.9	1.3	0.3	1.8	1.7	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.1	1.8	2.0
Average real interest rate on domestic debt (in percent)	1.3	-3.8	0.2	-1.0	2.8	0.8	-1.2	8.8	6.4	3.1	7.3	4.8	2.3	1.4	1.4	4.2	1.1	0.1	0.7
Real exchange rate depreciation (in percent, + indicates depreciation)	0.2	-4.2	4.3	-1.8	3.7	1.7
Inflation rate (GDP deflator, in percent)	0.8	6.0	1.3	4.0	3.6	0.7	2.1	-6.6	-3.4	-0.2	-4.0	-0.5	1.6	2.5	2.6	-1.9	2.8	3.7	3.2
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.5	12.3	11.4	2.1	5.2	10.8	6.1	24.4	19.7	-1.5	28.5	12.6	6.1	28.5	52.0	14.7	-0.9	-2.4	2.6
Grant element of new external borrowing (in percent)	13.9	27.9	26.5	26.4	30.0	30.0	20.0	10.0	5.0	4.0	25.8	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 2018–2038

	Projections							
	2018	2019	2020	2021	2022	2023	2028	2038
PV of Debt-to-GDP Ratio								
Baseline	48	48	46	44	44	35	23	19
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	48	48	55	61	70	73	71	64
A2. Primary balance is unchanged from 2018	48	49	48	48	53	47	58	112
A3. Permanently lower GDP growth 1/	48	48	46	44	45	36	27	39
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-2020	48	50	67	70	76	69	96	212
B2. Primary balance is at historical average minus one standard deviations in 2019-2020	48	48	47	44	44	35	23	20
B3. Combination of B1-B2 using one half standard deviation shocks	48	48	57	61	68	61	87	196
B4. One-time 30 percent real depreciation in 2019	48	59	55	52	51	41	28	26
B5. 10 percent of GDP increase in other debt-creating flows in 2019	48	56	53	49	49	39	27	24
PV of Debt-to-Revenue Ratio 2/								
Baseline	166	156	154	144	145	116	43	54
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	166	154	184	201	231	241	135	178
A2. Primary balance is unchanged from 2018	166	159	161	157	174	158	110	313
A3. Permanently lower GDP growth 1/	166	157	155	146	148	119	51	109
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-2020	166	161	222	231	252	227	183	592
B2. Primary balance is at historical average minus one standard deviations in 2019-2020	166	157	156	146	147	117	44	55
B3. Combination of B1-B2 using one half standard deviation shocks	166	157	190	202	224	202	166	548
B4. One-time 30 percent real depreciation in 2019	166	193	185	171	169	137	54	73
B5. 10 percent of GDP increase in other debt-creating flows in 2019	166	183	177	163	163	131	51	67
Debt Service-to-Revenue Ratio 2/								
Baseline	8	19	7	7	7	6	3	3
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	8	19	9	9	9	10	11	16
A2. Primary balance is unchanged from 2018	8	19	7	8	9	9	10	31
A3. Permanently lower GDP growth 1/	8	19	7	7	7	6	4	9
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-2020	8	20	9	10	17	16	16	58
B2. Primary balance is at historical average minus one standard deviations in 2019-2020	8	19	7	7	8	6	3	3
B3. Combination of B1-B2 using one half standard deviation shocks	8	20	9	8	9	14	15	53
B4. One-time 30 percent real depreciation in 2019	8	23	9	10	10	9	5	6
B5. 10 percent of GDP increase in other debt-creating flows in 2019	8	19	7	15	8	8	4	5

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.