THE INTERNATIONAL MONETARY FUND AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

GUYANA

Initiative for the Heavily Indebted Poor Countries— Completion Point Document

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In consultation with the Staff of the Inter-American Development Bank

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I. Introduction

1. In December 1997 the Executive Boards of the Fund and IDA decided that Guyana was eligible for assistance under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative).[2] The amount of assistance under the Initiative was projected at US$253 million in NPV terms at the completion point, with the aim of reducing the NPV of debt-to-exports ratio to 107 percent, consistent with a projected NPV of debt-to-revenue ratio of 280 percent at the completion point (Table 1). In November 1997 the Board of the Inter-American Development Bank (IDB) had also agreed that Guyana was eligible for relief under the Initiative, and supported a NPV debt-to-exports target of 107 percent.

2. The completion point was envisaged to be reached in December 1998, one year after the decision point. This exceptional shortening of the second stage from the standard three year period to one year was based on Guyana's strong track record in pursuing sound macroeconomic policies and structural reforms since 1990, and the authorities' firm commitment at that time to accelerate the implementation of key structural reforms in the areas of privatization, the public sector, civil service, budgetary and debt management, and social sectors and poverty alleviation. The specific conditions for Guyana to reach the completion point were:

- Board approval of a new three-year ESAF arrangement from the Fund;
- completion of the midterm review under the first annual arrangement of the new three-year ESAF arrangement;
- satisfying the structural reform and the social sector measures specified in the final HIPC Initiative decision point document and monitored by IDA and IMF; and
- obtaining satisfactory assurances of the participation of all official creditors in the Initiative.

3. This paper presents the assessment of the Fund and IDA staff that Guyana has satisfied the conditions for reaching the completion point under the HIPC Initiative, though with some delay due to significant fiscal slippages which occurred in 1997 and 1998. Section II summarizes Guyana's economic policies and performance under its ESAF and IDA-supported programs, including progress in structural areas and the social sectors. Section III describes the status of creditor participation. Section IV presents the updated debt-sustainability analysis and the effect of HIPC Initiative assistance. Section V concludes. This paper will be published after its consideration by the Boards of the Fund and IDA.

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[2] Guyana—Final Document on the Initiative for the Heavily Indebted Poor Countries (EBS/97/227, December 5, 1997 and IDA/R97–169, December 10, 1997).

II. SUMMARY OF ECONOMIC AND SOCIAL SECTOR PERFORMANCE

A. Recent Developments and Performance Under the 1998 Program

4. **During 1991–97 Guyana reduced financial imbalances substantially while implementing major structural reforms aimed at increasing efficiency through market-oriented policies.** Real GDP growth increased to an average annual rate of 7 percent and inflation fell from over 100 percent to 3½ percent. The overall public sector deficit (after grants) was reduced to 3 percent of GDP through expenditure restraint, a substantial reduction in public sector employment as a result of privatization and rationalization of the civil service, and an increase in the government revenues (Table 2). The external current account deficit (excluding official transfers) declined as exports grew due in part to increased foreign investment. In addition, major structural reforms were undertaken including the removal of price controls, the liberalization of external trade, the privatization of public enterprises, the rationalization of government operations, the installment of private management at the state-owned sugar company (GUYSUCO) and the reorganization of the Bank of Guyana.

5. **However, beginning in late 1997 Guyana's economy was adversely affected by external shocks**, including a decline in major exports (sugar, rice, gold, timber) related to *El Niño* and weak commodity prices. The Asian crisis reduced both demand for and prices of Guyanese timber. In addition, civil disturbances emerged following the December 1997 elections, and continued until July 1998. These developments diminished production and the revenue base, undermined business confidence, and hampered the implementation of the ESAF-supported program. As a result, **Guyana was unable to observe the program's quantitative targets for end-December 1998** relating to total and domestic borrowing requirements of the public sector and the net domestic and foreign assets (as well as gross international reserves) of the Bank of Guyana.

6. With the decline in output and a delay in establishing a new Revenue Authority adversely affecting public sector revenues, the authorities cut back expenditure (mainly capital outlays) to minimize the deviation from the programmed fiscal path. **The authorities were able to protect spending on basic education, health and poverty alleviation** (see paragraph 14 and Table 3). However, the government granted higher salary increases than envisaged in the program. The program had provided for a 9½ percent increase in the civil service pay scales, but following a civil service strike, the authorities granted an average increase of 19 percent (with lower grades receiving larger increases) effective July 1, 1998. The overall public sector deficit (after grants) increased to 3½ percent of GDP in 1998 (compared with a target of ½ percent of GDP in the program). As a result of this and shortfalls in external financing, domestic financing exceeded programmed levels by 9 percentage points of GDP.

7. Given the government's drawdown of deposits from the Bank of Guyana to finance the public sector deficit, the net domestic assets of the Bank of Guyana declined less than programmed. The bank intervened in the foreign exchange market to lessen pressure on the Guyana dollar. As a result, gross international reserves of the Bank of Guyana declined (compared to a programmed accumulation), though remaining close to its target of over four months of imports. Declining GDP reduced import demand, offsetting the fall in exports. As a result, the external current account deficit remained virtually unchanged in U.S. dollar terms, but higher as a percent of GDP. This, combined with a shortfall in net capital inflows resulted in an overall deficit in the balance of payments.

8. **Guyana implemented most of the 1998 structural reform agenda**, with support from IDA and the IDB (Table 4). Several public enterprises were brought to the point of sale.[3] In early 1999 the Guyana Airways operations were closed and the negotiations for its privatization are at an advanced stage. The government reviewed public service regulations with private sector employers and the labor unions and restructured the ministry of finance by upgrading office equipment and information systems, and changing organizational structures and responsibilities. With the assistance of IDA, a strategic plan for improving the operations of the state-owned sugar company (GUYSUCO) also was put in place, regulatory measures were strengthened, the sugar levy was revised, and GUYSUCO became subject to the normal corporate tax rate. Financial sector reforms included:

- recapitalizing the Bank of Guyana;
- reducing commercial banks' legal reserve requirement;
- installing a new international management team for the state-owned Guyana National Cooperative Bank (GNCB) with support from IDA; and
- passing legislation to improve the regulation of the insurance and securities sectors and make the deeds registry an autonomous agency.

9. However, some civil service reforms and the privatization of the electricity company were not implemented in 1998 as envisaged in the program. The government is developing a new remuneration structure for the managerial, professional and technical positions, and setting aside funds in the 1999 budget for its gradual implementation. The completion of a survey of private sector remuneration, to be used as a benchmark for the new structure, was delayed from June 1998 to November 1998 because of the need to undertake an unanticipated second survey to improve coverage of comparable private sector enterprises. As a result of this delay, the new salary structure was not implemented as envisioned (originally scheduled

[3] No major enterprises were sold in 1998 as investors remained concerned about the poor financial condition of many of these firms, risks in the emerging markets in general and Guyana's political situation in particular.

for September 1998) and is now expected to be introduced upon completion of the 1999 salary negotiations with the labor unions later this year. Due to concerns about the unstable political situation, the selected investor to buy the government-owned electricity company (GEC) withdrew its offer in early 1998. However, a consortium of UK and Irish firms have proposed to purchase the company and negotiations are ongoing. In addition, semiannual benchmarks to reduce GUYSUCO's unit cost of production were not introduced as envisaged. However, an agreement in principle was reached in April between GUYSUCO management (Booker-Tate) and the government to introduce benchmarks by end-1999.

B. Economic Program for 1999–2003

10. **The authorities are committed to returning the program closer to its original path, and creating a durable basis for economic growth and reduction in poverty through market-oriented policies.** The ESAF and IDA-supported program for 1999 includes specific measures to correct policy slippages that occurred in 1998. These include: (i) consolidating public finances through an increase in the exchange rate used to assess customs duties, improvements in tax administration, and the elimination of major loss making public enterprises that were drains on the budget (including Guyana Airways and the Guyana Electricity Corporation); (ii) controlling the growth of the wage bill, (iii) reducing tariff protection; and (iv) addressing the main weakness in the banking system, GNCB.

11. The revised medium-term program takes into account a less favorable external environment and the domestic political situation which, despite recent easing, continues to be challenging (constitutional reforms in 1999 and general elections in 2000 are expected). Public expenditures will be reduced to more sustainable levels following a sharp rise in 1999 (due in part to increased spending on programs financed by the projected HIPC Initiative assistance). In 1999 the authorities are committed to limiting general salary increases, and as part of a new remuneration structure, providing additional salary adjustments for key managerial and technical employees to help narrow the gap between public and private sector wages. Over the medium term, further modest increases in social sector spending (as a percent of GDP) would be offset mainly by lower interest payments, although other spending also would be restrained. After increasing in 1999, the wage bill is expected to remain roughly unchanged as a percent of GDP.

12. As the fiscal burden of the external debt and debt service is expected to remain high even after the projected HIPC Initiative assistance, the program aims to arrest the recent deterioration in public sector revenues and maintain them as a percent of GDP by improving tax administration and bringing the exchange rate used for customs valuation closer to the market rate.[4] The authorities also have requested technical assistance to review the tax system

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[4]The authorities intend to increase the customs valuation exchange rate from G$144 per U.S. dollar to G$155 per U.S. dollar by end-April 1999. In early April the market exchange rate

(continued...)

(including the feasibility of introducing a value-added tax) to strengthen the tax base and revenue collections. The overall public sector deficit (after grants) is expected to decline to 1½ percent of GDP by 2002 (see Table 2). These deficits would be more than covered by concessional external loans that are already approved or are being negotiated.

13. The Bank of Guyana would maintain a restrained monetary stance, while allowing for sufficient bank credit to support growth in the private sector. In addition to the steps already taken to restructure the weak government-owned bank (GNCB), the authorities have been making efforts to improve the health of the banking sector. In this context, they have requested technical assistance from the IMF to strengthen banking supervision and improve enforcement of prudential regulations. The exchange rate would remain market determined.

14. **Growth would be supported by further structural reforms,** such as privatization (including the airline and electricity company), restructuring of GNCB, civil service reforms, and improvements in the tax and government procurement systems. The authorities intend to privatize all but four entities (an oil company, port services, GUYSUCO, and GNCB) by the end of this year. GNCB's new management team is expected to prepare a report by end-1999 on options for GNCB's future, and the government is committed to taking decisions on these options in early 2000. In addition, regulations to implement the recently passed insurance and securities legislation are being put in place. With external assistance, the authorities intend to complete the periodic actuarial review of the social security scheme and take measures if necessary to continue to ensure its long-term financial viability.

15. It is expected that these policies will help boost real GDP growth from about 2 percent in 1999 to 4 percent by 2003. After rising temporarily in 1999, the rate of inflation would fall to about 3 percent. The external current account deficit also is expected to rise somewhat in 1999 before declining further over the medium term. This deficit would be covered by concessional official borrowing and direct investment. This, together with the projected assistance under the HIPC Initiative, would allow the Bank of Guyana to maintain gross international reserves at around four months of imports as a cushion against external shocks.

C. Social Sector Performance

16. Based on the joint assessment by the IDA and IDB staff , the overall implementation of social sector policies and programs has been broadly satisfactory, though it has been constrained by domestic political difficulties and weak implementation capacity (Table 5). The political disturbances during the early months of 1998 delayed budgetary allocations and compressed the time available for the government to implement HIPC Initiative-related policies and programs. These initiatives, supported by the IDA, the IDB, the European Union, the U.K. Department for International Development (DFID), UNDP and other external

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[4](...continued)
was G$178 per U.S. dollar.

agencies, could have a significant impact on the public sector, social indicators and poverty, once they are fully implemented.

17. Social sector spending by the central government increased from 8½ percent of GDP in 1997 to 9½ percent of GDP in 1998, more than the 9 percent of GDP anticipated in the HIPC Initiative decision point document (see Table 3). However, subtargets for social sector spending on supplies, maintenance, and investment could not be met because the budget was approved relatively late in the year and, due to its limited administrative capacity, the government experienced difficulties channeling such a large increase in budgetary allocations in so short a period of time. To strengthen the government's capacity to spend effectively the increase in social sector spending programmed for 1999, the government will revise procurement legislation, streamline procurement procedures for goods (such as building materials, text books, and pharmaceuticals) and consultant services, restructure procuring agencies, and contract out more services.

18. In education the government began restructuring of the ministry of education as programmed, including training teachers and improving information. Overall, educational spending increased from 4 percent of GDP in 1997 to 5½ percent of GDP in 1998 as more spending was channeled toward salaries. Spending on maintenance and teaching materials fell short of HIPC Initiative targets, due to the truncated implementation time resulting from the delayed approval of the budget. Still, during 1998 over 500 teachers were trained and 1,000 youth upgraded their skills to enable them to enter the labor force. Under the ongoing education projects, the IDA and the IDB will follow up on education reforms in 1999 and the medium term. Recent restructuring and efficiency gains could provide some scope for reducing the portion of education spending devoted to salaries over the medium term.

19. Health spending remained relatively unchanged at close to 3 percent of GDP in 1998. The government began restructuring the health ministry by providing greater autonomy to the general hospital and rationalizing several health care centers. As programmed, the government also prepared a cost recovery study, and introduced means-tested copayments for some dental, orthopedic, physiotherapy, laboratory, pharmaceutical services, as well as for private hospital rooms. The government also is enhancing transportation and storage facilities for drugs to improve delivery of health services.

20. To tackle poverty alleviation, during 1998 the government prepared a poverty map and provided support to implement community development projects. The externally financed Social Impact Amelioration Program (SIMAP) and Basic Needs Trust Fund (BNTF) are working with the civic organizations in reducing poverty. In January 1999 the government, with UNDP assistance, initiated preparations for a new Survey of Household Expenditures, which is expected to be completed by September 1999.

III. Status of Creditor Participation

21. The delivery of HIPC Initiative assistance committed by the Fund and IDA at the decision point was conditioned upon satisfactory assurances from Guyana's other creditors to take comparable actions.

22. At a meeting of multilateral development banks (MDBs) held in Washington, D.C. on September 30, 1998, Guyana's multilateral creditors confirmed that, at the completion point, they would provide assistance to reduce the NPV of their claims in accordance with the decision taken by the Boards of IDA and the IMF at the decision point.[5] These decisions were reconfirmed at the MDB meeting on April 9, 1999.[6] Based on the proportional burden sharing, assistance from multilateral creditors to be provided under the HIPC Initiative is about US$165 million in NPV terms, about 64 percent of the total (Figures 1 and 2).

23. The IDB will provide assistance to Guyana amounting to US$52 million in NPV terms through a combination of reducing the stock of outstanding debt and subsidizing interest payments as they come due (Table 6). The debt write-offs will be limited to eight concessional loans from the IDB's Fund for Special Operations (FSO), which will provide US$49 million of debt relief in NPV terms (or US$102 million in nominal terms). Interest subsidies will be provided for three loans from IDB's Ordinary Capital (OC) using the Intermediate Financing Facility (IFF), a long established interest subsidy mechanism, subject to stipulations that the subsidy can be for no more than 500 basis points and actual interest paid on the loan cannot fall below 1.9 percent. The total annual debt-service reduction under this mechanism will amount to US$3 million.

24. The World Bank will deliver its assistance by using resources from the HIPC Trust Fund to purchase ten IDA credits, starting with the oldest credits, with a nominal value at end-1998 of approximately US$54 million. When relief on both principal and interest is included, the estimated cumulative debt-service reduction would amount to about US$61 million, or US$27 million in NPV terms. This provides debt-service relief through 2036, with an average reduction of about 30 percent on IDA claims over the first ten years (Table 7).

25. The Fund's assistance of the equivalent of US$34½ million in NPV terms will take the form of a grant deposited into an escrow account at the completion point which will be used to cover part of the debt service falling due to the Fund. Interest earned will accrue to the escrow account (Table 8). Consistent with the general principles established by the IMF

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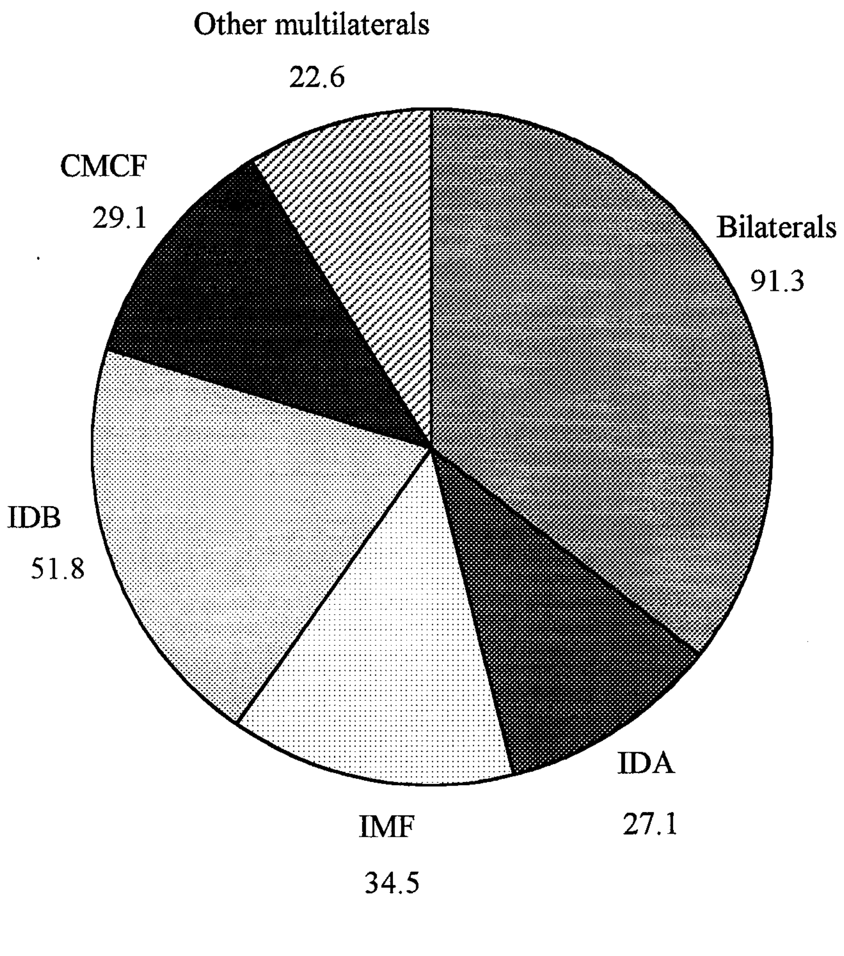
[5]See "HIPC Debt Initiative, The Chairman's Summary of the Multilateral Development Banks' Meeting", IDA/SecM98-536, October 8, 1998.

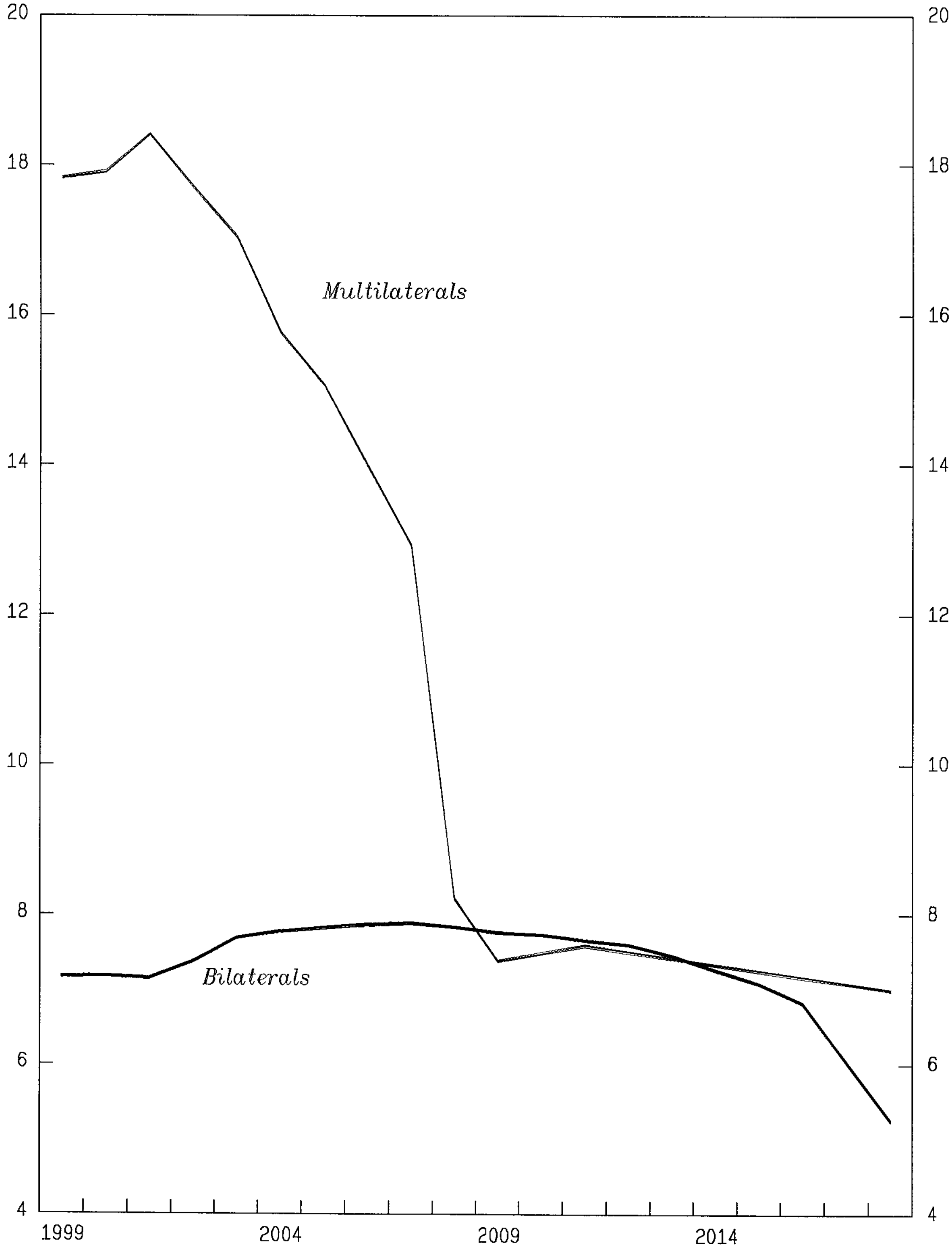
[6]See "HIPC Debt Initiative, The Chairman's Summary of the Multilateral Development Banks' Meeting", IDA/SecM99-181, April 12, 1999.

Figure 1. Guyana: Structure of HIPC Assistance, NPV terms at the completion point
(In millions of U.S. dollars)



Sources: Guyanese authorities; and staff estimates.

Figure 2. Guyana
Estimated Time Profile of HIPC Assistance, 1999-2018
(In millions of U.S. dollars)



Sources: Central Bank of Guyana; and staff estimates.

Executive Board at Guyana's decision point, a schedule for drawing down this account has been agreed with the authorities, with the assistance slightly frontloaded and spread over the life of current obligations to the Fund. On a cash basis, the Fund's assistance is currently estimated at about US$7½ million for 1999, and averaging US$5½ million for 2000–03 and tapering off to about US$2½ million for 2004–07.

26. The share of assistance for the CARICOM Multilateral Clearing Facility (CMCF)—originally a scheme for settling short-term trade payments among member central banks of the Caribbean Community—is US$29.1 million in NPV terms. The Board of Directors of the CARICOM central banks agreed on January 15, 1999 to accept a recommendation to write down the jointly held share of CMCF credits with a nominal value of US$28.6 million. This will provide debt-service relief over time of US$35½ million, equivalent to US$26.7 million in NPV terms. The CMCF Board agreed to request financial support from the HIPC Trust Fund to cover the remaining gap of about US$2½ million. In light of the special efforts made by the CMCF to exhaust all means to deliver its share of HIPC Initiative assistance to Guyana and by Trinidad and Tobago (a major shareholder of CMCF) in providing substantial bilateral debt relief through the Paris Club (about 1 percent of Trinidad and Tobago's GDP), bilateral donors, including Canada and the United Kingdom, indicated their willingness to share a part of the cost of financing the CMCF's contribution.[7]

27. The European Union will provide assistance through total and partial cancellation of selected special loans to Guyana. The Caribbean Development Bank plans to deliver assistance amounting to US$7½ million in NPV terms through converting existing nonconcessional loans into concessional loans and reducing the interest rate charged on selected concessional loans. The International Fund for Agricultural Development (IFAD) has approved a self-administered facility, which would provide debt-service relief to Guyana during 1999–2006 in proportion to debt service due in each year. The OPEC Fund agreed in principle to provide assistance under the HIPC Initiative and has proposed a concessional loan to deliver its remaining share of assistance, as it has already provided around US$3 million in assistance through a concessional rescheduling of arrears.

28. Bilateral creditors' share of HIPC Initiative assistance is about US$91 million in NPV terms. Paris Club creditors agreed at their October 1997 meeting to top up Guyana's Naples terms stock-of-debt operation to Lyon terms, once Guyana reaches its completion point under the initiative. Regarding non-Paris Club creditors, Guyana has written to them and negotiations with some of the creditors are ongoing.

[7] Canada has formally agreed to transfer US$1 million out of their World Bank Interest Subsidy Fund resources to the HIPC Trust Fund to help cover CMCF's costs.

29. Regarding the remaining commercial credits, on October 14, 1998, IDA approved, on a no-objection basis, a grant of US$5½ million for a second debt reduction operation.[8] Debt eligible under this operation consisted of arrears to commercial creditors, originating from the Exchange Payments Deposit Scheme (EPDS), which the government did not include in the first phase of Guyana's debt-reduction program. Once implemented, this program will cancel about US$56 million in outstanding debt. Under this operation, Guyana would offer to purchase eligible debt for cash at the price of 9 cents for each dollar of principal. The closing date for creditor participation was April 5, 1999.

IV. Debt-Sustainability Target, Updated Debt-Sustainability Analysis, and Effect of the HIPC Initiative Assistance

A. Debt-Sustainability Target

30. In December 1997 the Executive Boards of the IMF and IDA decided that for Guyana, the targeted range of the NPV of debt-to-exports ratio, based on end-1997 data, would be 97–117 percent (with a mid-point of 107 percent) at the completion point after the delivery of HIPC Initiative assistance, consistent with a ratio of the NPV of debt-to-government revenues of 280 percent. The amount of assistance needed to achieve this target was determined to be US$253 million in NPV terms.

31. The amount of assistance in NPV terms is now estimated at US$256 million.[9] Based on end-1998 data, the ratio of the NPV of debt to exports is 115 percent after the delivery of HIPC Initiative assistance, within the range of 97–117 percent set at the decision point.

B. Updated Debt-Sustainability Analysis

32. Staff of the IMF and IDA have prepared a new loan-by-loan debt-sustainability analysis based on end-1998 debt data and updated discount and exchange rates (Tables 9 and 10). The macroeconomic assumptions underlying this analysis are described in Box 1.

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[8]The first debt-reduction operation was completed in November 1992, with the government extinguishing US$69 million of commercial bank debt at a price of 14 cents per dollar of principal.

[9]The additional amount of US$3 million in NPV terms is the result of updated discount and exchange rates applied to already agreed nominal debt service relief by several MDBs.

Box 1. Assumptions used in the Debt-Sustainability Analysis (DSA)

- Real GDP is projected to grow at an annual average rate of 3 percent during 1999–2003 (about 1½ percentage points lower than the previous projection), reflecting weaker external environment and the domestic political challenges facing Guyana. Real GDP growth will increase to an average of about 4½ percent per year over 2004–19, with strong growth in nontraditional sectors—especially light manufacturing, agro-processing, construction, and telecommunication— in addition to increased production of sugar and timber.

- Inflation is projected to decline further from 5½ percent in 1999 to around 3 percent. The real exchange rate vis-à-vis the U.S. dollar is assumed to be constant.

- Export volumes are projected to grow at an average rate of about 4¼ percent during 1999–03, reflecting a gradual recovery from 1998 due to improved weather, and higher sugar and rice exports to CARICOM markets despite weak international prices. Real exports will grow at about 4 percent a year thereafter, reflecting higher sales in traditional sectors (sugar, rice and timber) as well as some diversification into light manufacturing.

- Import volumes are projected to increase at an average annual rate of around 2 percent during 1999–03, reflecting the recent exchange rate depreciation and import substitution with the composition shifting from consumer goods to capital and intermediate goods. Real import growth will increase to close to 4 percent on average during 2004–19 as income rises.

- The external terms of trade is projected to deteriorate by almost 2 percent a year on average over 1999–2003 as the price of oil imports is expected to rise while the prices of Guyana's major exports will remain adversely affected by unfavorable global market conditions for many commodities. The terms of trade is expected to gradually stabilize over 2004–19.

- Net private transfers are projected to remain broadly constant in real terms, while net service payments are expected to decline due to lower interest costs.

33. The long-term macroeconomic and balance of payments prospects for Guyana have been revised in line with the recent developments and reflects the adverse effects of declining commodity prices and downward revisions in the projections for output and public sector revenue collections (Table 11). This section summarizes the main assumptions and results of the DSA.

34. The long-term macroeconomic framework agreed with the authorities is based on the continued pursuit of sound macroeconomic policies, supported by comprehensive structural reforms and improvements in social sector programs (especially in health and education).

35. Based on the above assumptions, the external current account deficit (excluding official transfers) would decline from about 14 percent of GDP in 1999 to 11 percent by 2003; it would average about 8 percent a year over 2004–10 and 5 percent over 2011–19. As to the capital account, it is assumed that Guyana will be less reliant on official external financing and attract more foreign direct investment, but will continue to manage its external debt prudently, with borrowing only on highly concessional terms. Gross international reserves will be

maintained at around four months of imports of goods and services, with occasional declines to meet lumpy external debt-service obligations.[10]

36. Given the openness of its economy and heavy reliance on commodity exports and concessional external financing, Guyana's long-term balance of payments prospects are vulnerable to adverse changes. Two alternative scenarios are simulated to assess the sensitivity of Guyana's prospects for external sustainability and results (Table 12).[11] The first scenario assumes a rapidly curtailed access to the preferential markets in European Union as sugar price falls to world market price in 2000. The second scenario assumes a higher income elasticity of import demand by 0.15 percent on average from year 2000. Residual gaps are assumed to be filled through borrowing containing an average grant element of about 50 percent. These simulations indicate that Guyana's main external debt indicators deteriorate substantially in these scenarios (Figures 3 and 4).

C. Effect of HIPC Initiative Assistance

37. The delivery of HIPC Initiative assistance at the completion point will reduce Guyana's external debt and debt-service burden substantially (Figure 5). The NPV of debt-to-exports ratio at the completion point would be 115 percent after HIPC Initiative assistance, while the ratio of the NPV of debt-to-government revenues would be close to 350 percent (compared to the 280 percent projected at the decision point) reflecting the substantial drop in revenue in 1998.[12]

38. It is estimated that HIPC Initiative assistance will provide cash flow debt relief of about US$25 million a year during 1999–2003, US$20 million a year during 2004–09, and tapering off to about US$13 million a year during 2010–19. The ratio of scheduled debt service to exports will decline from 19 percent in 1998 to 11 percent in 1999 (15 percent before HIPC Initiative assistance), average about 9 percent over 1999–2009, and decline to 5 percent on average during 2010–19.

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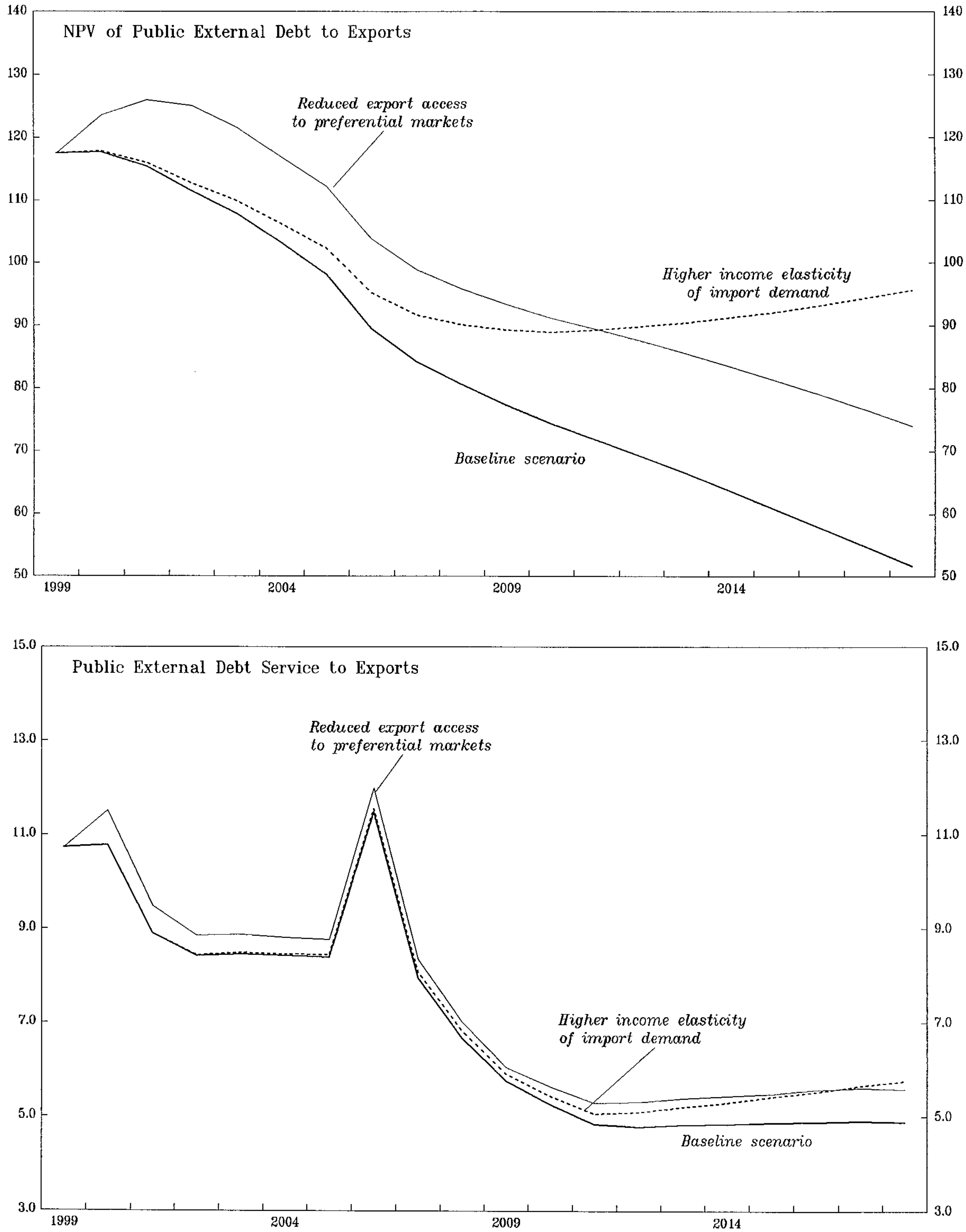
[10]Including the maturing of some US$30 million in commercial bonds which arose form the restructuring of long-standing suppliers' arrears in 1992.

[11]For comparability with the baseline scenario, both alternative scenarios assumed the same level of gross international reserve coverage in months of imports of goods and nonfactor services as in the baseline, any residual gaps that emerged were assumed to be closed through additional external borrowing.

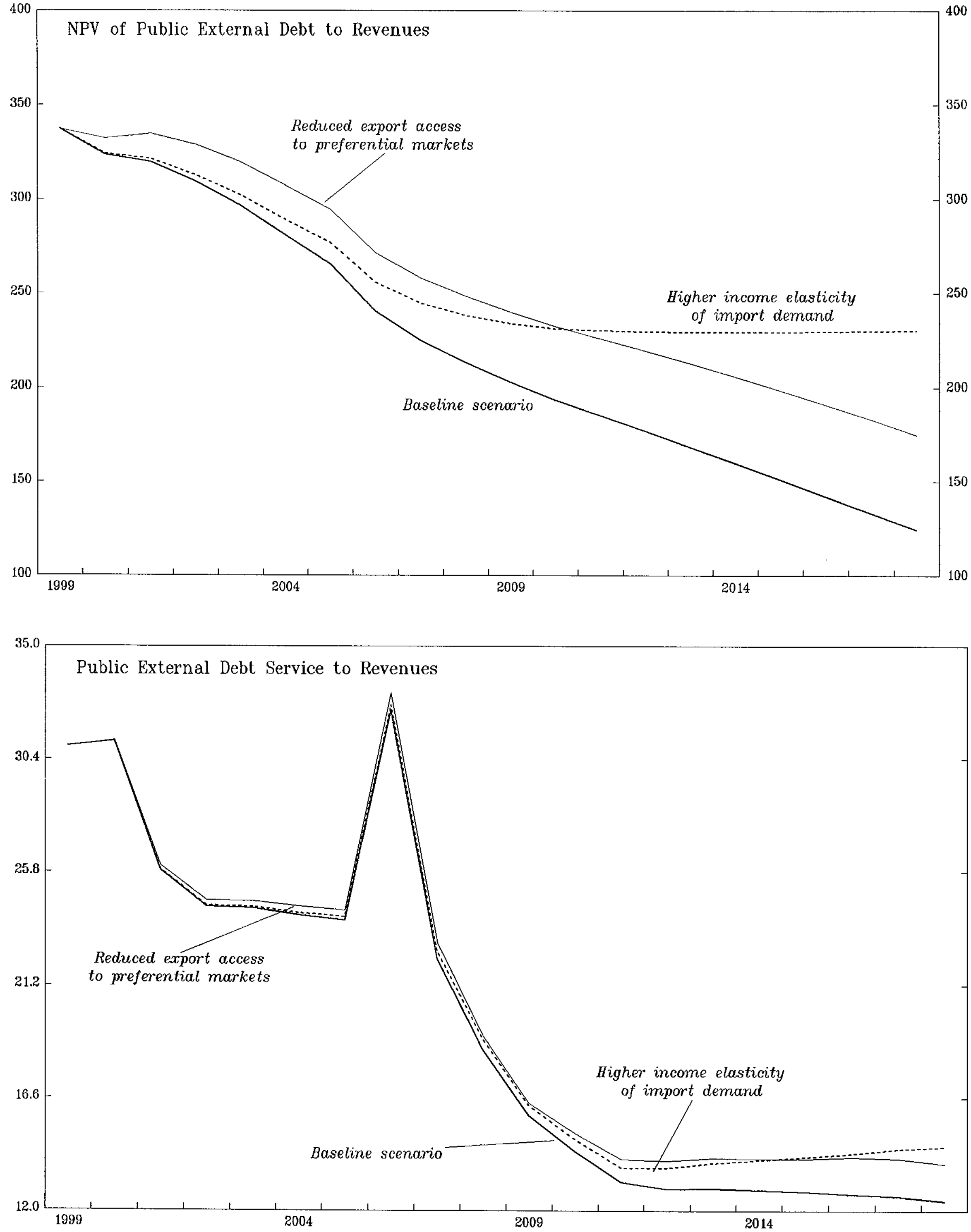
[12]The debt ratio is calculated at the end-1996 exchange rate, which was used in the decision point document. Using the end-1998 exchange rate, the debt-to-revenues ratio is 410 percent at the completion point.

Figure 3. Guyana
Sensitivity of Public External Debt and Debt Service to Exports, 1999-2018



Sources: Guyanese authorities and staff estimates.

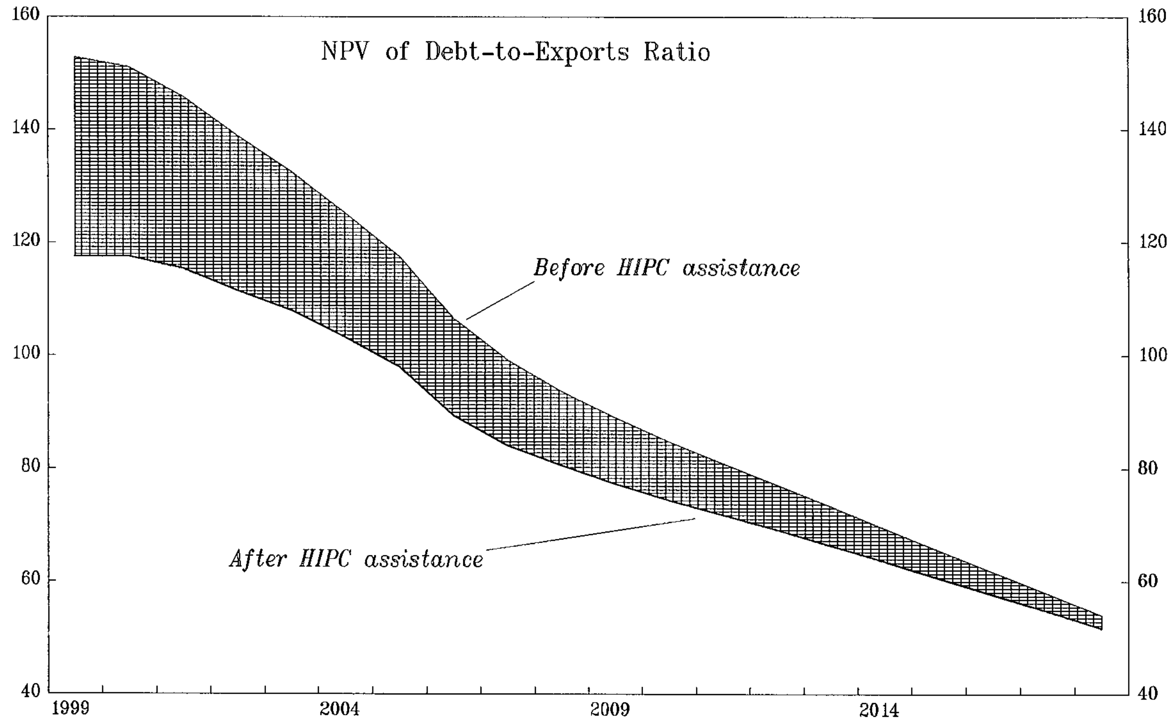
Figure 4. Guyana
Sensitivity of Public External Debt and Debt Service to Revenue, 1999-2018 1/

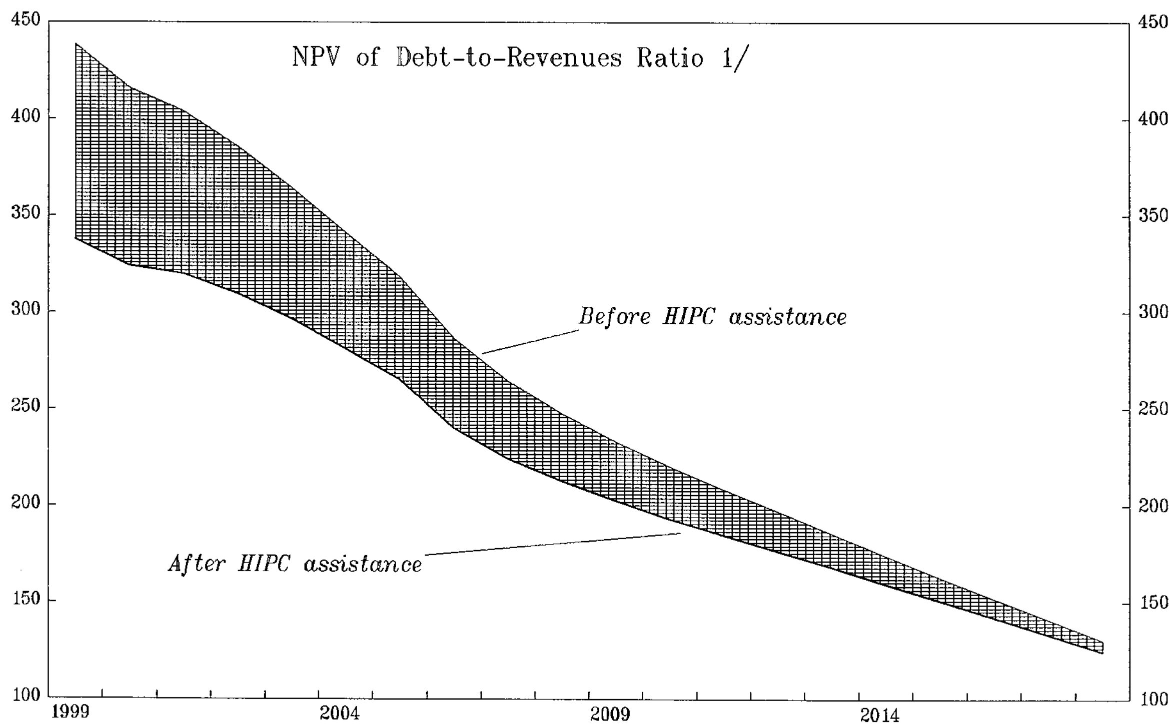


Sources: Guyanese authorities and staff estimates.

1/ Revenues are valued at the end 1996 exchange rate.

Figure 5. Guyana
Impact of HIPC Assistance, 1999-2018





Sources: Guyanese authorities and staff estimates.

1/ Revenues are valued at the end of 1996 exchange rate.

39. The fiscal burden of the external debt and debt service is expected to remain high even after HIPC Initiative assistance (see Tables 1 and 13 and Boxes 2 and 3). The NPV of debt-to-revenue ratio is expected to be 337 percent at the end of 1999 after HIPC Initiative assistance (439 percent before HIPC Initiative assistance), and is expected to decline to about 280 percent in 2004.[13] Over the long run, the NPV of debt-to-revenues ratio is projected to decline to an average of 170 percent over 2007–19. The ratio of debt-service-to-revenues will improve substantially after HIPC Initiative assistance, but remain high at 33 percent in 1999 (43 percent before HIPC Initiative assistance). It will gradually decline to about 20 percent in 2008 and down to 10 percent by 2019.[14]

40. The revised debt sustainability analysis showed that the total NPV of debt at end-1998 did not change significantly from the level originally projected. However, due to a less favorable economic environment, a difficult political situation, and policy slippages, exports and government revenues both fell significantly under the revised macroeconomic framework (see Box 3). Between 1996 and 1998 merchandise exports fell from US$575 million to US$547 million, central government revenue as a percent of GDP fell from 34.8 percent in 1996 to 30.5 percent in 1998, and the Guyana dollar depreciated from G$141 per U.S. dollar to G$165 per U.S. dollar (year-end). As a result, debt sustainability measured by the fiscal indicator is not achieved at the completion point.

41. The substantial resources released from debt servicing under the HIPC Initiative—amounting to about 3½ percent of GDP (10 percent of revenues) on average a year during 1999–2003 and 2 percent of GDP (5½ percent of revenue) during 2004–09—will provide room for additional expenditures in social and poverty alleviation areas, which will help the government in its efforts to move toward the OECD Development Assistance Committee (DAC) poverty and social targets (such as halving of the number of people in poverty by 2015). Much still needs to be done to reduce poverty. IDA staff estimate that 43 percent of the population is below the poverty line, with 29 percent in extreme poverty. IDA and other multilateral development institutions are monitoring poverty and social indicators and are working with the authorities on policies and programs to reduce poverty, achieve universal primary education, and further improve access to safe water (Table 14).

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[13]Calculated at the end-1996 exchange rate. Using the end-1998 exchange rate, the ratio at the end of 1999 will be 518 percent before HIPC Initiative assistance and 399 percent after HIPC Initiative assistance. It would fall below 280 percent around 2007.

[14]Calculated using end-1998 exchange rates, the ratio would decline in 1999 from 48 percent before HIPC Initiative relief to 39 percent after HIPC Initiative relief, and fall to about 20 percent by 2009.

Box 2: The Fiscal Window

1. The treatment of HIPCs under the fiscal window was established in **HIPC Initiative - Guidelines for Implementation**, in the spring of 1997.1/ The objective of the fiscal window was to enable relatively open economies facing a heavy burden of external debt to achieve a robust debt sustainability. Thus, it was determined that eligible countries with ratios of the NPV of debt-to-central government revenues above 280 percent at the completion point after relief (as forecast at the decision point), would have this ratio brought down to the 280 percent level, as long as the two eligibility thresholds for exports and revenues were met.2/ Thus, the NPV of debt-to-exports target would be set at a level which would achieve the 280 percent NPV of debt-to-revenues ratio.

2. In accordance with the overall framework, the committed level of assistance would not be reconsidered at the completion point unless the NPV of debt-to-exports ratio diverged more than 10 percentage points from that projected at the decision point, even in the case of a delay.3/ This methodology was also preferred by Directors, so as not to create a moral hazard as there could be an (undesirable) incentive to reduce revenue collections between the decision and completion points if assistance were to be based on NPV of debt-to-revenues.

3. The 280 percent level for the NPV of debt-to-revenues ratio may not be met at the completion point, even if sustainability is reached with the target NPV of debt-to-exports ratio. This could be due a fall in revenues and/or a fall in the exchange rate. Implicitly:

(i) The debt sustainability analysis assumes good policy performance and a strong underlying macroeconomic framework—the design of the fiscal window under the Initiative described above is not intended to accommodate major policy slippages.

(ii) The underlying fragility of HIPCs is highlighted, where external shocks and political disturbances can have lasting effects on the ability of a country to cope with its debt levels. This may have a greater impact on the revenue ratio than the exports ratio as the NPV of debt-to-exports is based on a three-year moving average of exports while the revenue ratio is based on the current year's revenues.

(iii) Deviations of the exchange rate compared to the projections at the decision point can have a major impact on the actual NPV of debt-to-revenues ratio at the completion point.

1/ HIPC Initiative—Guidelines for Implementation (EBS/97/75, April 21, 1997 and IDA/R97–35, April 22, 1997).

2/ Two thresholds which are required to be met at the decision point are an export-to-GDP ratio in excess of 40 percent and a fiscal revenue to GDP ratio over 20 percent.

3/ In the case of a delay, the base year for the completion point may change, but assistance would stay the same as long as the debt-to-exports ratio was within a plus or minus 10 percentage point range, as described in "The Initiative for Heavily Indebted Poor Countries—Review and Outlook", August 25, 1998 (IDA/SecM98–480 and EBS/98/152).

Box 3. Guyana: Central Government Revenue at the Decision Point and the Completion Point—A Comparison

1. There have been important changes in the macroeconomic environment since the time of the Decision Point in late-1997. The external environment has deteriorated—*El Niño*-related drought reduced production; Guyana's major exports (rice, sugar, and gold) experienced sharp price declines; and demand for Guyana's timber was reduced because of the Asian crisis. The deterioration in the external environment led to a 1½ percent decline in real GDP to a level in 1998 that was 6½ percent lower than projected at the Decision Point (see Table 13). In 1998 the value of exports was 17½ percent lower than originally anticipated, while imports also were 15½ percent lower than projected. These factors had a significant downward impact on government revenue. This, however, has been further exacerbated by the deterioration in tax administration, reflecting mainly the worsening of the domestic political climate following the elections in December 1997. Political disturbances and strikes led to prolonged closure of government offices, and efforts to improve tax administration by merging the customs and revenue departments have met with widespread opposition including a court challenge. Thus, although the government had not reduced taxes and had made a bold effort to collect tax arrears, the ratio of central government revenues to GDP fell from 34.8 percent in 1996 to 30.5 percent in 1998, compared to 31.9 percent projected at the decision point. Compared to projections made at the Decision Point, its revenues in 1998 were some 23 percent lower in U.S. dollar terms. Of this shortfall 57 percent was due to lower GDP, 22 percent due to the decline in the revenue to GDP ratio, and 21 percent due to the depreciation of the Guyana dollar.

2. The revised medium-term revenue projection takes into account a less favorable external environment than the one envisaged at the Decision Point as well as the increased political uncertainties. In the external sector, exports (price and volume) are expected throughout the medium term to be considerably weaker than projected at the Decision Point (see Table 13), despite improved weather conditions. In addition, foreign direct investment is projected to be lower than originally anticipated because of the increased concerns about the risks in emerging markets in general and Guyana's political risks in particular. The political situation is expected to remain challenging through 2000. These factors are expected to dampen economic growth and recovery in the revenue base in 1999 and over the medium term. Furthermore, imports would be much lower than originally projected (18 percent lower in 1999 in U.S. dollars, 6 percent less in Guyana dollars), which would lead to additional shortfalls in revenues from import and consumption taxes.

3. In order to compensate for these adverse external developments, under the 1999 economic program, the authorities are committed to increasing the customs valuation exchange rate and strengthening the tax administration (see paragraph 12 in the main text) through the establishment of a new Revenue Authority. The programmed increase in customs valuation exchange rate and establishing the Revenue Authority would strengthen revenues over the medium term. Also, the authorities have requested technical assistance from the IMF for conducting a comprehensive tax study, including the feasibility of introducing the value-added tax, to strengthen the tax base and revenue collection over the medium-term. On the other hand, the sugar company is expected to pay a smaller levy to free up resources for its modernization program, reducing central government revenues by close to 1 percent of GDP a year over the medium-term. Other factors which will reduce the revenue-GDP ratio include lower dividends from other public enterprises as they are privatized, and modest growth in trade taxes as imports grow slower than nominal GDP. Overall, staff believe the revenue projections for 1999 and medium term are conservative in that they have not fully allowed for the efficiency gains from the strengthening of the tax administration and improvements in the tax system (including raising the customs valuation exchange rate fully to the market rate). A Fund mission to discuss the second annual arrangement under the ESAF is scheduled for June 1999, which would review with the authorities the overall macroeconomic framework, including revenue projections.

V. Conclusions

42. Guyana experienced substantial external shocks and policy slippages in late-1997 and 1998 and the authorities took corrective measures to partially offset the adverse effects of these shocks. The staffs of the Fund and IDA are of the view that Guyana's economic performance under the ESAF-supported program and progress made in social areas has been broadly satisfactory. Private sector development through privatization, strengthening of regulatory framework, and financial sector reform is progressing. While the domestic political situation has eased, Guyana continues to face political challenges in 1999. The ESAF and IDA-supported program for 1999 incorporates measures to correct policy slippages that occurred in 1998. In particular, it provides for a reduction in fiscal imbalances and a sizable build-up of bank deposits by the public sector, steps to improve tax administration, the sale of loss-making public enterprises, and improvements in the operations of the state-owned sugar company. At the same time, monetary policy has been tightened and steps are being taken to restructure a weak government-owned bank and to strengthen bank supervision. In addition, structural reforms are being intensified in the areas of tariff reduction, financial sector restructuring, civil service reform, and divestment. Moreover, the authorities are committed to containing general wage increases in 1999. In the view of staff of the IMF and IDA, the government is committed to use the assistance received under the HIPC Initiative prudently.

43. The HIPC Initiative assistance will lower the NPV of debt to exports ratio based on end-1998 data from 151 percent to 115 percent, still within the targeted range of 97 to 117 percent. This will reduce the vulnerability of the economy to external shocks. All multilateral and Paris Club creditors have provided satisfactory assurances of their participation in the HIPC Initiative for Guyana. Accordingly, the staffs of the Fund and the IDA believe that Guyana has satisfied the conditions for reaching the completion point under the HIPC Initiative.

44. While the ratio of the NPV of debt-to-exports will be within the targeted range, as noted above, HIPC assistance will not deliver the fiscal sustainability of debt as defined under the Initiative, namely a NPV of debt-to-central government revenue level of 280 percent. The NPV of debt-to-revenue ratio at the completion point after HIPC assistance is estimated at 410 percent and indeed the 280 percent level is not reached until 2007, at end-1998 exchange rates. This situation reflects the combination of a significant change in the macroeconomic situation from that projected at the decision point—notably the much lower revenues than earlier projected and the sharp depreciation of the Guyana dollar—and the design of the fiscal criteria under the Initiative under which there is no recalculation of assistance with respect to the NPV of debt-to-revenue ratio at the completion point. To deal with this less than wholly satisfactory outcome the staff considered deferring the completion point until the Board had agreed on a new framework for an enhanced HIPC Initiative, in the hope that this would better address the problem of fiscal sustainability in Guyana. However, this possibility was rejected as it would delay the delivery of much needed debt relief to Guyana. Instead, the staff proposes the following action:

(i) Staff will undertake a careful re-examination with the authorities of the macro framework at the time of discussion of the second annual ESAF, including tax policies and revenue projections.

(ii) The Boards have agreed that the staff should explore ways of enhancing the HIPC Initiative framework to achieve more robust debt sustainability and they have also expressed a preference to apply any changes retroactively to countries that have already reached the decision and completion points provided they qualify.[15] The possibility thus arises that there could be a reconsideration of Guyana's eligibility for additional assistance under the revised framework of the Initiative—now under discussion—once this is agreed **provided** Guyana would qualify for such additional assistance (e.g., as a result of lower debt-to-revenue targets) and meet any requirements involved.

(iii) The staff will also consider, in the context of the wider review of the Initiative, the advantages and disadvantages of a modification to the fiscal/openness criteria of the Initiative to ensure that fiscal sustainability is achieved when assistance is delivered at the completion point. Again, if a wider change is agreed that would benefit Guyana, the staff would expect this to be applied retroactively to Guyana, along with any other potential beneficiaries.

45. Staff will also consider other non-HIPC Initiative measures that could provide additional effective assistance to Guyana with its high debt burden. These could include augmented access to ESAF resources and high levels of IDA assistance assuming this is warranted by the strength of Guyana's policies.

Executive Directors' reactions to the course of action described in paragraphs 44 and 45 are sought.

[15]Staff envisage that, in such a situation, new targets would be applied to the latest available country-specific data.

VI. Proposed Decision

The following draft decision, which can be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. The Fund, as Trustee (the Trustee) of the Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations (ESAF/HIPC Trust Instrument) established by Decision No. 11436-(97/10), February 4, 1997, determines that:

(i) the conditions specified in paragraph (ii) of Decision No. 11632-(97/126) adopted December 22, 1997, for Guyana to reach the completion point have been met;

(ii) the external debt-sustainability target for the net present value of the debt to exports ratio for Guyana is within the range specified in paragraph (iii) of Decision No. 11632-(97/126); and

(iii) satisfactory assurances have been received regarding the exceptional assistance to be provided under the HIPC Initiative by Guyana's other creditors.

2. Accordingly, the Trustee confirms that, in accordance with Section III, paragraph 3(d) of the ESAF/HIPC Trust Instrument, the SDR equivalent of US$34.5 million shall be made available by the Trustee to Guyana in the form of a grant that shall be paid on [date] to an account for the benefit of Guyana established and administered by the Trustee in accordance with Section III, paragraph 5 of the ESAF/HIPC Trust Instrument; the proceeds shall be used by the Trustee to meet Guyana's debt-service payments on its existing debt to the Fund as they fall due, in accordance with the schedule specified in the table attached hereto.

Guyana: Delivery of IMF Assistance Under the HIPC Initiative, 1999-2007 1/

(In millions of SDRs, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Profile of delivery (in percent of amount deposited in escrow account principal))	22.0	15.0	13.0	12.0	11.0	9.0	8.0	6.0	4.0
Repayments falling due on the current IMF obligations 2/	16.3	19.0	12.5	12.5	12.5	12.5	9.9	8.1	4.5
IMF HIPC assistance 3/	5.4	4.3	4.0	3.6	3.2	2.6	2.2	1.6	1.1
Of which									
Principal	5.4	3.7	3.2	2.9	2.7	2.2	2.0	1.5	1.0
Proportion of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in escrow account (in percent) 4/	54.3	19.4	25.6	23.5	21.5	17.6	19.9	18.2	21.9
Scheduled IMF debt service 5/	3.3	3.6	2.3	2.2	2.1	2.0	1.5	1.1	0.6
Of which									
Covered by IMF HIPC assistance 5/	1.1	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1
Memorandum item:									
Exports of goods and nonfactor services (current year)	510.6	538.6	563.9	587.7	614.7	643.6	675.8	709.8	745.8

Sources: Guyanese authorities; and Fund staff estimates.

1/ U.S. dollar amount of 34.5 million to be deposited in SDRs in an escrow account three business days after the completion point, valued at SDR/U.S. dollar exchange rate of 0.71. To be updated using the SDR/US dollar exchange rate prevailing on the completion point.
2/ As of end-1998.
3/ It is assumed that the amounts in escrow earn a rate of return of 4.5 percent in SDR terms. Actual interest earnings may be higher or lower. Interest earned will be accumulated through the calendar year and used toward payment of the first repayment obligation falling due in the following year, except in the final year, when it will be used toward payment of the final repayment obligation falling due that year.
4/ For 1999 the proportion is calculated on the basis of repayments falling due three business days after the completion point.
5/ In percent of current-year exports of goods and nonfactor services.

Table 1. Guyana: NPV of Debt and NPV of Debt-to-Exports Ratio at the Completion Point 1/2/

	1998 Completion Point 3/ Final Document	1999 Completion Point 4/ Final Document	1999 Completion Point 4/ Completion Point
NPV of total debt	**1,006**	**1,032**	**1,078**
Multilateral	**647**	**680**	**677**
IDB	178	170	222
IDA/IBRD	102	102	130
IMF	114	98	127
Other	189	182	199
Of *which*			
CMCF	104	99	101
CDB	27	26	34
EU/EIB/EEC	31	30	34
IFAD	3	3	3
OPEC	24	24	26
NPV of new debt	64	128	0
Bilateral	**359**	**353**	**401**
Paris Club	**274**	**275**	**317**
Pre-cutoff date	253	254	293
Of which: ODA	0	0	0
Post-cutoff date	21	21	24
Of which: ODA	21	21	24
Non-Paris Club	**50**	**47**	**50**
Pre-cutoff date	33	33	36
Post-cutoff date	18	14	14
Commercial	**35**	**32**	**34**
Pre-cutoff	7	6	6
Post-cutoff	28	26	28
HIPC Assistance (in NPV terms)	253	...	256
Total NPV of Debt after assistance	753	...	822
NPV of debt-to-exports ratio before assistance (in percent)	143	...	151
NPV of debt-to-exports ratio after assistance (in percent)	107	...	115
NPV of debt-to-government revenues before assistance (in percent) 6/	374	...	457
NPV of debt-to-government revenues after assistance (in percent) 6/	280	...	348
NPV of debt-to-government revenues after assistance (in percent) 7/	…	…	410
Memorandum items:			
Exports of goods and services 5/	704	767	715
Central government revenue 6/	269	296	236
Central government revenue 7/	…	…	200
Central government revenue as a percent of GDP (at market prices)	33.4	31.9	30.5

Sources: Guyanese authorities; and staff estimates and projections

1/ Reflects May 1996 Paris Club stock-of-debt operation on Naples terms (67 percent), and assumes at least comparable terms from other bilateral creditors.

2/ Changes in NPV of debt mainly reflect updated discount and exchange rates. The end-1996 discount and exchange rates were used for the final document, while end-1998 rates were used for the completion point document.

3/ Based on end-1997 data. Expected completion point was 1998 in the final document.

4/ Based on end-1998 data.

5/ Simple three-year backward looking average, based on definition in the 5th edition of the BOP Manual, excluding workers' remittances.

6/ Revenue is valued at end-1996 exchange rate.

7/ Revenue is valued at end-1998 exchange rate.

Table 2. Guyana: Selected Economic and Financial Indicators

						1998		1999		Projections			
	1993	1994	1995	1996	1997	EBS/98/101	Rev.Prog.	EBS/98/101	Rev.Prog.	2000	2001	2002	2003
						(Percentage change)							
Production and prices													
Real GDP (factor cost)	8.2	8.5	5.0	7.9	6.2	3.1	-1.5	4.4	1.8	3.0	3.5	3.4	4.0
Nominal GDP (market prices)	25.0	29.9	17.8	11.9	8.2	6.5	1.7	9.0	6.0	6.8	5.6	5.8	6.2
GDP deflator (factor cost)	13.4	17.5	11.5	3.1	2.7	2.4	4.1	4.5	4.6	3.2	2.0	2.3	2.1
Consumer prices (average)	12.0	13.6	12.2	7.1	3.6	4.5	4.6	4.5	5.5	4.8	3.9	3.2	3.0
Real GDP per capita	4.9	6.9	3.0	6.6	5.5	...	-1.3	…	0.7	1.9	2.4	2.4	2.9
						(In percent of GDP)							
National accounts													
Investment	41.5	27.2	31.8	30.1	30.3	30.7	28.7	31.4	27.4	27.9	28.1	28.7	28.7
Private sector	22.1	15.6	15.5	11.0	12.3	15.0	14.3	15.4	12.4	13.4	14.1	14.7	14.7
Public sector 1/	19.4	11.6	16.3	19.1	18.1	15.7	14.4	16.0	15.0	14.5	14.0	14.0	14.0
National savings	12.1	8.4	13.9	20.9	16.2	20.0	15.1	21.0	13.4	14.1	15.2	16.5	18.0
Private sector	13.8	2.5	1.6	5.0	6.8	6.3	5.8	5.8	7.0	7.2	7.7	8.3	9.1
Public sector	-1.7	5.9	12.3	15.9	9.4	13.7	9.4	15.2	6.4	6.9	7.5	8.2	8.9
External current account balance	-29.4	-18.9	-17.9	-9.3	-14.2	-10.7	-13.5	-10.4	-14.0	-13.8	-12.9	-12.2	-10.7
Public sector													
Revenue	30.0	31.5	37.5	39.9	36.4	39.9	35.3	40.2	35.8	35.4	35.5	35.5	35.7
Expenditure	51.0	37.2	41.4	43.1	45.1	42.0	40.4	41.0	44.4	43.0	42.0	41.3	40.8
Current	31.6	25.6	25.1	23.9	27.0	26.3	26.0	25.0	29.4	28.5	28.0	27.3	26.8
of which : interest	10.8	10.1	10.1	7.6	9.5	8.1	8.0	7.1	9.1	8.5	8.2	7.8	7.4
Capital	19.4	11.6	16.3	19.1	18.1	15.7	14.4	16.0	15.0	14.5	14.0	14.0	14.0
Saving	-1.7	5.9	12.3	15.9	9.4	13.7	9.4	15.2	6.4	6.9	7.5	8.2	8.9
Overall Primary Balance (before grants)	-10.3	4.4	6.1	4.4	0.8	6.1	3.0	6.3	0.5	0.9	1.7	2.0	2.3
Overall balance (before grants)	-21.1	-5.7	-4.0	-3.2	-8.7	-2.0	-5.1	-0.8	-8.6	-7.6	-6.5	-5.8	-5.2
Grants 2/	4.7	4.6	1.9	4.4	5.7	1.8	1.6	1.2	5.6	4.9	4.5	4.3	3.9
Overall balance (after grants)	-16.4	-1.1	-2.1	1.2	-3.0	-0.3	-3.5	0.4	-3.0	-2.7	-2.0	-1.5	-1.3
Net external financing	10.0	-1.4	1.7	6.1	1.3	7.5	1.8	7.3	6.8	5.5	5.1	3.6	3.9
Net domestic financing	6.4	2.5	0.4	-7.3	1.7	-7.3	1.6	-7.6	-3.8	-2.8	-3.1	-2.1	-2.6
Total public sector debt	711.5	600.4	505.7	356.4	285.0	290.2	292.3	…	299.0	285.3	273.2	258.1	242.2
External	461.1	392.0	318.3	223.1	182.8	188.1	191.8	182.2	207.9	202.8	198.2	189.3	180.0
Domestic 3/	250.4	208.4	187.4	133.3	102.2	102.1	100.5	…	91.1	82.5	75.0	68.8	62.2

Table 2. Guyana: Selected Economic and Financial Indicators

	1993	1994	1995	1996	1997	1998 EBS/98/101	1998 Rev.Prog.	1999 EBS/98/101	1999 Rev.Prog.	Projections 2000	Projections 2001	Projections 2002	Projections 2003
(Percentage change; unless otherwise indicated)													
Money and credit													
Domestic credit of the banking system	-57.2	-55.3	310.4	68.2	61.7	0.2	41.8	-1.0	4.6	8.7	7.5	7.8	8.6
Public sector (net)	-213.1	-140.7	3.2	-75.5	10.2	-41.8	26.4	-33.8	-35.6	-23.7	-13.9	-8.7	-8.0
Private sector	17.1	34.9	53.0	72.0	23.6	16.2	15.5	15.1	12.2	13.1	9.6	8.1	8.4
Broad money	27.9	17.2	26.1	16.7	11.7	6.5	6.8	8.9	4.1	7.2	6.2	6.5	7.0
Interest rates (year end)													
Treasury bills (91 days)	15.4	18.6	15.5	9.9	8.2	...	8.8	…	...	...	...	...	...
Commercial lending rate	18.2	20.8	20.4	18.5	18.3	...	18.4	…	...	...	...	...	...
Small savings rate	9.5	11.2	10.5	7.7	7.4	...	7.1	…	...	...	...	...	...
(In millions of U.S. dollars)													
External sector													
Overall balance of payments	-2.0	-35.0	-44.0	60.0	4.0	49.0	-17.0	25.0	-4.0	4.0	7.0	2.0	12.0
Gross official reserves (US$ millions)	246.3	269.0	268.7	331.6	315.3	332.7	276.0	376.3	285.0	298.0	314.0	311.0	319.0
Months of imports 4/	4.9	5.1	4.6	5.2	4.7	4.7	4.3	5.0	4.3	4.3	4.3	4.1	4.0
(In percent)													
Debt-service ratios													
Exports of goods and nonfactor services													
Before HIPC assistance	19.3	17.5	17.1	14.6	17.3	14.5	18.9	12.7	14.9	14.1	12.1	11.5	11.3
After HIPC assistance	19.3	17.5	17.1	14.6	17.3	14.5	18.9	…	11.5	10.8	8.9	8.4	8.5
Central government revenue 5/													
Before HIPC assistance	59.7	59.1	51.5	42.7	53.6	42.1	55.2	35.6	43.1	40.7	35.2	33.2	32.5
After HIPC assistance	59.7	59.1	51.5	42.7	53.6	42.1	55.2	…	33.0	31.1	25.9	24.4	24.3
Real effective exchange rate (year end) 6/	3.8	-1.4	6.1	2.3	8.7	...	-9.5	…	...	...	...	...	...
Memorandum items:													
Nominal GDP (G$ billions)	57.6	74.8	88.1	98.6	106.7	112.7	108.5	122.8	115.0	122.8	129.6	137.1	145.6
Guyana dollar/U.S. dollar 7/	130.2	138.3	142.0	140.4	142.4	146.3	150.4	…	...	...	...	...	...

Sources: Data provided by the Guyana authorities; and staff estimates and projections.

1/ For 2000-03, does not include proposed investment under GUYSUCO's strategic plan.
2/ 1999 Rev. Prog. and 2000-03 includes projected HIPC assistance.
3/ Includes mainly noninterest bearing debentures issued to the Bank of Guyana to cover its operating losses as well as its foreign exchange losses arising from currency depreciation. It also reflects the recent transfers of foreign liabilities from the bank's accounts to the government's accounts.
4/ Imports of goods and nonfactor services.
5/ Revenue is valued at end-1996 exchange rate from 1996 onward.
6/ Depreciation (-).
7/ Period average.

Table 3. Guyana: Indicators of Public Sector Social and Poverty Alleviation Expenditures, 1997-2002

	1997	1998		HIPC			
	Actual	HIPC	Actual	1999	2000	2001	2002
			(As percent of GDP)				
Total social sector	**8.4**	**9.0**	**9.5**	**10.7**	**11.0**	**11.7**	**12.7**
Education 1/	3.9	4.9	5.6	5.7	5.7	5.9	6.2
Health 1/	2.7	3.2	2.8	3.5	3.8	4.1	4.5
Poverty alleviation programs 2/	1.8	0.9	1.1	1.4	1.5	1.7	2.0
			(As percent of total expenditures)				
Education 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Current expenditure	70.2	66.6	76.3	71.0	71.0	71.0	71.0
Of which							
Teaching supplies	2.9	7.0	4.5	6.0	7.0	7.5	9.0
Maintenance	3.5	10.0	3.3	4.0	5.0	6.0	7.0
Salaries	…	55.3	66.7	62.0	62.0	62.0	62.0
Capital expenditure	29.8	33.4	23.7	29.0	29.0	29.0	29.0
Health 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Current expenditure	86.8	88.3	95.2	87.1	86.7	87.7	88.9
Of which							
Drugs, materials, and supplies	26.0	27.3	26.1	28.9	30.5	30.5	30.5
Maintenance	6.7	10.0	6.4	7.0	7.5	8.0	9.0
Salaries	…	29.3	39.3	31.2	28.1	25.1	22.0
Capital expenditure	13.2	11.7	4.8	12.9	13.3	12.3	11.1
Poverty alleviation programs 2/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Education	25.8	39.6	38.9	37.2	35.3	35.5	35.7
Health	14.0	22.9	15.7	27.9	27.1	26.2	24.8
Water Supply	21.4	17.6	6.7	17.4	19.0	19.1	19.3
Infrastructure	38.8	19.9	38.7	17.5	18.6	19.2	20.1

Sources: Guyanese authorities; IMF; World Bank; and IDB staff estimates and projections.

1/ Central government.
2/ SIMAP and Basic needs Trust Fund.

Table 4. Guyana: Implementation of Structural Reforms Under the First Annual Arrangement, 1998–99

Policy Measures	Target Dates	Implementation Status
FINANCIAL REFORMS		
Complete financial and operation plan of new GNCB.	December 1998	Done. Assessment of financial and operational functions of the bank completed and proposals submitted to the Cabinet. A contract for a new management team to begin restructuring signed in January 1999. The team is expected to be in place in March 1999.
Complete the reorganization and recapitalization of the Bank of Guyana.	December 1998	Done. A law on the reorganization and capitalization of the Bank was approved in December. Following passage, the Bank's capital was increased from G$6 million to G$1 billion.
Revise 1966 circulars on reserve requirement and liquid assets.	September 1998	Done.
Comply with the required minimum paid-up capital under the Financial Institutions Act by all licensed financial institutions.	June 1999	Of the nine deposit taking institutions, seven are currently in compliance. One bank and one non-bank depository institutions are yet to attain the G$250 million required paid-up capital.
BUSINESS ENVIRONMENT		
Establish a securities trading regulatory framework.	October 1998	Done. Legislation approved by Parliament in December.
Introduce a regulatory framework for the insurance industry.	October 1998	Done. Legislation approved by Parliament in December.
Undertake institutional strengthening of Deeds Registry.	September 1998	Done. A consultant was recruited in September 1998 to design a staffing and user fee plan for the Registry. A law making the Registry an autonomous agency was passed in February 1999.
Start land reforms.	June 1998	Done. Land reform, including conversion of lease-hold to free-hold, is already underway. Two policy documents: (1) the National Land Use Policy; and (2) the Land Tenure Reform Policy have been approved by the Cabinet and reforms laid out in the reports will be implemented in 1999. In addition, backlog of land surveys has been reduced.

Table 4. Guyana: Implementation of Structural Reforms Under the First Annual Arrangement, 1998–99

Policy Measures	Target Dates	Implementation Status
PUBLIC SECTOR REFORM		
a. Energy sector		
Put into effect and start implementation of the Electricity Reform Act, the Public Utilities Amendment Act, and the Energy Sector Act. 1/	February 1998	To be done. All three laws have been approved by the Parliament. However, implementation of the Electricity Reform Act is dependent on privatization of GEC. With the impending sale of GEC (buyers are completing due diligence) and the recent increase in electricity prices, implementation expected to begin in the first half of 1999.
b. Privatization		
Readvertise and bring to the point of sale Guyana Stores Ltd, Guyana National Printers, Guyana Pharmaceutical Co., Wauna Estate, LINMINE, BERMINE, and Versailles Dairy Complex.	September 1998	Done. All of these entities had been brought to the point of sale by the end of the year. Deadline for the submission of most bids was late 1998 and early 1999.
Bring to the point of sale or restructure Hope Coconut Industries, Guyana National Shipping Corporation, Guyana Airways, and Guyana Oil Company.	June 1999	Ongoing. Guyana Airways brought to the point of sale in December 1998, with the deadline for bids in early 1999. Efforts to privatize Hope Coconut Industries may be delayed due to land disputes. Guyana National Shipping and Guyana Oil to remain government owned and be restructured.
c. GUYSUCO		
Complete administrative measures to establish regulatory framework.1/	February 1998	Done.
Revise sugar levy to make it more transparent.1/	January 1998	Done.

Table 4. Guyana: Implementation of Structural Reforms Under the First Annual Arrangement, 1998–99

Policy Measures	Target Dates	Implementation Status
Subject GUYSUCO to corporation tax at normal rate.1/	January 1998	Done.
Bring import regime for inputs to GUYSUCO in line with other enterprises.1/	January 1998	Done.
Introduce semiannual benchmarks related to reducing unit cost of production.	December 1998	Not done. In April 1999 GUYSUCO management (Booker-Tate) agreed to introduce benchmarks by end-1999.
Maintain private sector management contract for GUYSUCO until restructuring is completed.	Continuous	Ongoing.
Complete revision of medium-term strategic plan.	December 1998	Plan approved by GUYSUCO's Board of Directors.
Begin to implement the strategic plan.1/	March 1998	Done. Started with investment to maintain capital stock in late 1997.
CIVIL SERVICE REFORMS		
Carry out a survey of private sector remuneration. Establish mechanisms to carry out such surveys regularly.	June 1998	Partially done. A revised survey was completed in November 1999. The IDB has provided technical assistance in this area. The authorities will be working to develop mechanisms for periodic surveys when the 1999 wage negotiations are completed.
Develop remuneration structure for managerial, professional, and technical positions in the civil service.	September 1998	To be done. The authorities are developing a remuneration structure, which is expected to be implemented when the 1999 wage negotiations are completed.
Develop norms and mechanisms for periodic adjustment of this remuneration structure vis-à-vis the private sector.	September 1998	To be done after the completion of the remuneration structure for the civil service.

Table 4. Guyana: Implementation of Structural Reforms Under the First Annual Arrangement, 1998–99

Policy Measures	Target Dates	Implementation Status
Review and streamline the public service rules.2/	September 1998	Done. Committee of private sector, government and public sector union officials began review in May 1998. In staff's view, substantial progress had been made by September. The review was completed and recommendations transmitted to the government in December 1998. Key reforms include giving managers more authority to hire and discipline employees and reinstating annual appraisals.
Complete the restructuring of the Ministry of Finance and use it as a prototype to restructure the Ministries of Health and Education.2/	December 1998	Done, as key elements of the restructuring were completed. Renovation of the complex completed in October 1998. Lessons learned have been passed to Health and Education Ministries.
Implement the remuneration structure for managerial, professional, and technical positions in the public service.	January 1999	To be done when the 1999 wage negotiations are completed.
IMPROVEMENTS IN TAX ADMINISTRATION		
Make Revenue Authority operational.	September 1998	To be done by end-May 1999. A court decision enjoined government from establishing Authority. The government has filed a motion to have injunction lifted. Consultants have been recruited to develop organizational and legal structure, job descriptions and computer systems.
STATISTICS		
Complete compilation of historical balance of payments statistics.	March 1998	Done. A permanent committee under the chairmanship of the Director of Research of the Bank of Guyana and comprising Statistics Bureau, Ministry of Finance, and Customs was set up.

Sources: Guyana: Request for Arrangement Under the ESAF—Letter of Intent (EBS/98/101, 6/16/98); and information provided by the Guyanese authorities, the World Bank, and IDB.

1/ Prior action for presentation of ESAF request to the Board.
2/ Performance criterion under the first annual ESAF arrangement.

Table 5. Guyana: Programmed Actions in the Social Sector Under the HIPC Initiative

Policy Action	Verifiable Indicators	Quantitative Targets	Status	Observations
A. Education				
Implement restructure/reorganization of Ministry of Education and upgrade human resources	(i) Plan completion in collaboration with the Public Service Management by June 1998; (ii) Plan approved by Cabinet by September, 1998; (iii) Implementation begins October, 1998 and is Completed by December, 1998		Completed	The government agreed to streamline procurement procedures, contract out more services, and collaborate with external agencies in strengthening implementation capacity.
Develop and implement training plan for Ministry of Education personnel	(i) Plan completion by October, 1998; (ii) Allocate resources in FY99 budget		Completed	Training budget increased to meet these costs
Review sector needs and prepare action plan.	(i) Completion date for action plan June 1998		Completed	
Increase budgetary allocation on Education	(i) Total Expenditure (current and capital) to reach 4.9% of GDP by October 1998	5.6% as of December 1998; allocation for 1999 is 5.5% of GDP	Completed	
Increase proportion of budget spent on the supply of educational materials	(i) Expenditure on educational materials to reach 7% of current education spending in 1998	4.5% as of December 1998; allocation for 1999 is 9.7% of total sector spending	In progress	
Increase proportion of budget spent on school maintenance	(i) Expenditure on school maintenance to reach 10% of current education spending in 1998	3.3% as of December 1998; allocation for 1999 is 11% of sector spending	In progress	
Increase number of trained Nursery, Primary and Secondary school teachers	(i) Train 375 teachers by October 1998	505 teachers trained as of December 1998	Completed	Data on teachers training for 1999 and 2000 indicates that 1663 teachers would be trained by 2000
Improve management Information systems and Educational Statistics	(i) Plan completion date: September 1998; (ii) Implementation begins October 1998		Completed	
Enhance technical skills of youth	(i) Completion date for plan: March 1998 (ii) Begin training 1,000 youth by October 1998 and complete by December 1998	Over 1,000 youth trained by December 1998	Completed	About 1960 youth would be trained under SIMAP project

Table 5. Guyana: Programmed Actions in the Social Sector Under the HIPC Initiative

Policy Action	Verifiable Indicator	Quantitative Targets	Status	Observations
B. Health				
Implement restructure/reorganization of Ministry of Health	Signing of a contract with a consultant firm will be evidence of implementation of the plan. Meanwhile several elements of the plan are being implemented by the Ministry of Health		Completed	Greater autonomy given to General Hospital; several Health centers have been merged/restructured. Decentralization of rural health centers ongoing.
Develop and implement training plan for Ministry of Health personnel	(i) Plan completion by October 1998; (ii) Allocate resources in 1999 Budget		Completed.	
Increase budgetary allocation on Health	(i) Total Expenditure (current and capital) to reach 3.2% of GDP by October 1998	2.8% as of December 1998; allocation for 1999 is 3.7% of GDP	In progress	
Increase proportion of budget spent on the supply on drugs and materials	(i) Expenditure on drugs, materials, and supplies to reach 27.3% of current health spending in 1998	26.1% as of December 1998; allocation for 1999 is 28.9% of sector spending	In progress	
Increase proportion of budget spent on hospital maintenance	(i) Expenditure on hospital maintenance to reach 10% of current health spending in 1998	6.4% as of December 1998; allocation for 1999 is 11% of sector spending	In progress	
Increase spending on primary and preventive services to increase health impact, improve access to basic services, and increase targeting to the poor	(i) 80% of the increase in expenditures will be devoted to high priority preventive services and primary care, especially at health centers, clinics, aide posts.		In progress	
Evaluate the role of selective user/charges and public private collaboration to improve targeting of public health spending	(i) Prepare evaluation report by August 1998		Completed	Cost recovery introduced for some dental, orthopedic, physiotherapy, laboratory, pharmaceutical services, and patients seeking private hospital rooms.

Table 5. Guyana: Programmed Actions in the Social Sector Under the HIPC Initiative

Policy Action	Verifiable Indicator	Quantitative Targets	Status	Observations
C. Poverty Alleviation				
Set date for new LSMS/HIES survey			Completed	In January 1999, the government with UNDP assistance initiated preparations for the survey, which is expected to be completed by September 1999.
Development of a poverty map to better target subsidies			Completed	
Target Amerindian population with community development projects.	Identify at least 25 Amerindian community projects for appraisal by SIMAP by October 1998		Completed	
Target community development projects to other poor communities as determined by the poverty map.	(i) Identify at least 20 projects in other poor communities for appraisal by SIMAP by October 1998		Completed	SIMAP and BNTF continuing to work with NGOs to reduce incidence of poverty.
Increase resources and Improve allocation in the Health sector	(i) Total Expenditure on Poverty Alleviation Programs reach 0.9% of GDP	1.1% as of December 1998; allocation for 1999 is 1.2% of GDP	Completed	

Table 6. Guyana: Delivery of HIPC Assistance by the IDB 1/

(Expressed in millions of U.S. dollars equivalent)

	1999	2000	2001	2002	2003	2005	2007	2009	2011	2013	2015	2017	2019	Total 1999-2032
Total nominal	**2.42**	**4.37**	**4.66**	**4.73**	**4.78**	**4.46**	**4.24**	**4.12**	**3.99**	**3.87**	**3.75**	**3.62**	**3.27**	**105.09**
Of which														
FSO 2/	1.54	3.63	4.16	4.33	4.49	4.36	4.24	4.12	3.99	3.87	3.75	3.62	3.27	101.97
IFF	0.88	0.74	0.50	0.40	0.30	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.12
Total NPV	**2.29**	**3.90**	**3.91**	**3.73**	**3.56**	**2.94**	**2.47**	**2.13**	**1.83**	**1.58**	**1.36**	**1.16**	**0.93**	**51.82**
Of which														
FSO	1.45	3.22	3.48	3.41	3.33	2.87	2.47	2.13	1.83	1.58	1.36	1.16	0.93	49.11
IFF	0.84	0.67	0.43	0.33	0.23	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.71

Sources: Guyanese authorities; and IDB staff estimates.

1/ The total amount of debt relief (in PV terms) presented in this table is different from that presented in the IDB Document GN-1970-9, primarily due to the difference in the discount rates utilized for the analysis.

2/ Includes both principal and interest. The total nominal principal amount is $79.8 million.

Table 7. Guyana: Delivery of World Bank HIPC Assistance, Second Half of 1999 to 2009

(Unless otherwise indicated, figures in millions of U.S. dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
World Bank debt service before HIPC relief	3.6	8.2	8.7	8.0	8.4	7.8	6.5	6.8	6.9	6.8	6.8
Of which											
IDA	2.6	3.8	5.2	5.3	5.7	6.0	6.5	6.8	6.9	6.8	6.8
World Bank debt service after HIPC relief	2.9	6.8	6.9	6.3	6.6	6.1	4.6	4.9	5.0	5.0	4.9
Of which											
IDA	2.9	6.8	6.9	6.3	6.6	6.1	4.6	4.9	5.0	5.0	4.9
World Bank assistance 1/	0.7	1.4	1.8	1.7	1.7	1.7	1.9	1.9	1.9	1.9	1.9
Of which											
IDA	0.7	1.4	1.8	1.7	1.7	1.7	1.9	1.9	1.9	1.9	1.9
Memorandum item:											
Debt relief as percent of IDA debt service due (in percent)	26.8	35.9	33.9	32.6	30.2	28.4	29.3	27.9	27.5	27.5	27.5

Sources: Guyanese authorities; and IDA staff estimates.

1/ Translates into US$27 million in NPV terms, using updated discount and exchange rates.

Table 8. Guyana: Delivery of IMF Assistance Under the HIPC Initiative, 1999-2007 1/

(In millions of SDRs, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Profile of delivery (in percent of amount deposited in escrow account principal))	22.0	15.0	13.0	12.0	11.0	9.0	8.0	6.0	4.0
Repayments falling due on the current IMF obligations 2/	16.3	19.0	12.5	12.5	12.5	12.5	9.9	8.1	4.5
IMF HIPC assistance 3/	5.4	4.3	4.0	3.6	3.2	2.6	2.2	1.6	1.1
Of which									
Principal	5.4	3.7	3.2	2.9	2.7	2.2	2.0	1.5	1.0
Proportion of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in escrow account (in percent) 4/	54.3	19.4	25.6	23.5	21.5	17.6	19.9	18.2	21.9
Scheduled IMF debt service 5/	3.3	3.6	2.3	2.2	2.1	2.0	1.5	1.1	0.6
Of which									
Covered by IMF HIPC assistance 5/	1.1	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1
Memorandum item:									
Exports of goods and nonfactor services (current year)	510.6	538.6	563.9	587.7	614.7	643.6	675.8	709.8	745.8

Sources: Guyanese authorities; and Fund staff estimates.

1/ U.S. dollar amount of 34.5 million to be deposited in SDRs in an escrow account three business days after the completion point, valued at SDR/U.S. dollar exchange rate of 0.71. To be updated using the SDR/US dollar exchange rate prevailing on the completion point.
2/ As of end-1998.
3/ It is assumed that the amounts in escrow earn a rate of return of 4.5 percent in SDR terms. Actual interest earnings may be higher or lower. Interest earned will be accumulated through the calendar year and used toward payment of the first repayment obligation falling due in the following year, except in the final year, when it will be used toward payment of the final repayment obligation falling due that year.
4/ For 1999 the proportion is calculated on the basis of repayments falling due three business days after the completion point.
5/ In percent of current-year exports of goods and nonfactor services.

Table 9. Guyana: Long-Term External Debt

(In millions of U.S. dollars)

	1997	1998	1999	2000	2001	2002	2003	2005	2007	2009	2011	2013	2015	2017	2019
Total scheduled debt service 1/	120	101	102	107	96	95	98	103	104	82	78	85	93	101	86
Amortization	66	58	60	66	56	55	60	66	71	51	49	57	68	80	70
Interest	54	42	42	41	40	39	38	37	33	31	30	28	25	21	16
Scheduled service on existing debt 2/															
Amortization	66	58	60	66	56	55	60	57	52	32	39	46	54	64	50
Multilateral	60	53	55	61	54	54	56	51	43	19	21	22	22	23	20
Of which															
IMF	25	22	23	27	18	18	18	14	6	0	0	0	0	0	0
Official bilateral	6	5	5	4	2	2	4	6	9	13	18	24	32	41	29
Paris Club 3/	1	0	0	1	1	1	3	5	8	11	16	21	28	36	23
Pre-cutoff	1	0	0	0	0	0	1	4	6	10	14	20	27	34	22
Post-cutoff	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1
Non-Paris Club 4/	5	5	4	3	2	0	1	1	1	2	2	3	4	5	6
Pre-cutoff	0	1	1	0	0	0	0	0	1	1	1	3	4	5	6
Post-cutoff	5	5	4	3	2	0	1	1	1	1	1	0	0	0	0
Commercial debt	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Interest	54	42	42	40	38	37	36	33	28	26	24	20	16	11	5
Multilateral	23	17	17	16	15	13	12	9	8	6	6	5	5	4	3
Of which															
IMF 5/	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0
Official bilateral	31	23	23	22	22	22	22	21	21	19	18	15	12	7	1
Paris Club 3/	29	20	20	20	20	20	20	19	19	18	16	14	10	6	1
Pre-cutoff	29	19	19	19	19	19	19	19	18	17	15	13	10	6	1
Post-cutoff	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0
Non-Paris Club 4/	2	3	3	2	2	2	2	2	2	2	2	1	1	1	0
Pre-cutoff	0	2	2	2	2	2	2	2	2	2	2	1	1	1	0
Post-cutoff	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Commercial debt	1	2	2	2	2	2	2	2	0	0	0	0	0	0	0
Schedule service on new debt 6/															
Principal	0	0	0	0	0	0	0	8	19	19	9	11	13	16	20
Interest	0	0	0	1	2	2	2	4	5	5	6	8	9	10	11
Memorandum items:															
Debt service ratio 7/	16	15	14	14	12	11	11	11	10	7	6	6	6	6	4
Of which															
Multilaterals and new money	11	10	10	10	9	8	8	8	7	4	3	3	3	3	3

Table 9. Guyana: Long-Term External Debt

(In millions of U.S. dollars)

	1997	1998	1999	2000	2001	2002	2003	2005	2007	2009	2011	2013	2015	2017	2019
NPV of debt to export ratio 8/	147	151	153	151	146	139	133	118	99	89	81	73	66	58	51
Of which															
Multilaterals and new money	89	95	97	97	94	90	86	76	66	62	59	57	55	52	50
Debt service-to-revenue 9/	50	43	41	41	35	33	33	31	28	19	16	16	15	14	11
Of which															
Multilaterals and new money	34	30	29	30	26	24	23	22	20	12	9	8	8	8	7
Debt service-to-revenue 10/	51	50	48	48	42	39	38	36	33	23	19	18	18	17	13
NPV of debt to revenue ratio 9/	421	457	439	416	404	385	364	318	265	233	209	186	163	141	123
Of which															
Multilaterals and new money	254	287	280	266	261	249	236	206	177	161	152	144	136	128	120
NPV of debt to revenue ratio 10/	496	539	518	491	477	455	430	375	312	275	246	219	193	166	145
NPV of debt to GDP ratio	136	149	160	154	150	143	135	119	98	86	76	67	58	50	43
Debt to GDP ratio	183	192	208	203	198	189	180	159	135	118	105	93	81	70	61
Exports to GDP ratio 7/	99	96	105	107	108	107	107	106	104	101	99	96	94	91	88
Revenue to GDP ratio	32	30	30	30	29	29	29	29	28	27	27	26	25	25	24
Total debt stock	1,369	1,383	1,421	1,440	1,461	1,459	1,461	1,431	1,363	1,364	1,383	1,399	1,400	1,386	1,379
Of which															
Multilaterals and new money	939	963	1,002	1,025	1,049	1,049	1,055	1,036	1,016	1,042	1,095	1,156	1,218	1,282	1,350
NPV of debt	1,022	1,078	1,094	1,090	1,103	1,100	1,098	1,069	995	989	1,000	1,008	1,004	984	973
Of which															
Multilaterals and new money	617	677	698	698	711	710	712	693	665	684	728	782	836	893	954
Central government revenue 9/	243	236	249	262	273	285	301	336	376	424	479	543	615	698	794
Central government revenue 10/	236	200	211	222	231	242	255	285	318	359	406	460	521	592	673
Exports of goods and nonfactor services 11/	695	715	716	722	756	792	829	909	1,002	1,111	1,236	1,376	1,531	1,701	1,891

Sources: Data provided by the Guyanese authorities; and staff estimates and projections.

1/ Reflects May 1996 Paris Club stock-of-debt operation on Naples terms (67 percent NPV reduction), and assumes at least comparable treatment in 1998 from other bilateral creditors.
2/ On disbursements through end-1998.
3/ All pre-cutoff date Paris Club debt is non-concessional; all post-cutoff date Paris Club debt is concessional.
4/ There are five outstanding debts of a concessional nature owed to non-Paris Club bilateral creditors.
5/ Excludes projected charges.
6/ Starting with disbursements in 1999 and assuming an average weighted grant element in new money over the projection period of approximately 60 percent.
7/ In terms of current year exports of goods and nonfactor services, excluding workers' remittances.
8/ In terms of a simple historical average of exports of goods and nonfactor services, excluding workers' remittances.
9/ Converted at end-1996 exchange rate.
10/ Converted at the year-end exchange rate for 1997 and the end-1998 exchange rate thereafter.
11/ Simple historical three year average of exports of goods and nonfactor services, excluding workers' remittances.

Table 10. Guyana: Key Public External Debt-Sustainability Indicators 1/

(In percent)

	1997	1998	1999	2000	2001	2002	2003	2005	2007	2009	2011	2013	2015	2017	2019
Key ratios															
Debt to GDP ratio	183	192	208	203	198	189	180	159	135	118	105	93	81	70	61
NPV of debt to exports ratio 2/															
Before HIPC assistance	147	151	153	151	146	139	133	118	99	89	81	73	66	58	51
After HIPC assistance	147	151	117	118	115	111	108	98	84	77	72	66	61	55	50
NPV of debt to revenues ratio 3/															
Before HIPC assistance	421	457	439	416	404	385	364	318	265	233	209	186	163	141	123
After HIPC assistance	421	457	337	324	320	309	297	265	224	203	185	168	151	133	118
NPV of debt to GDP ratio															
Before HIPC assistance	136	149	160	154	150	143	135	119	98	86	76	67	58	50	43
After HIPC assistance	136	149	123	120	118	115	110	99	83	74	67	61	54	47	42
Debt service ratio 4/															
Before HIPC assistance	17	19	15	14	12	11	11	11	10	7	6	6	6	6	4
After HIPC assistance	17	19	11	11	9	8	8	8	8	6	5	5	5	5	4
Debt service to revenue ratio 3/															
Before HIPC assistance	53	55	43	41	35	33	33	31	28	19	16	16	15	14	11
After HIPC assistance	53	55	33	31	26	24	24	24	22	16	13	13	13	13	10

Sources: Data provided by the Guyanese authorities; and staff estimates and projections.

1/ The data reflect the May 1996 Paris Club stock-of-debt operation on Naples terms (67 percent NPV reduction), and assumes comparable treatment in 1998 from other bilateral creditors.
2/ In terms of a simple historical three-year average of exports of goods and nonfactor services, excluding workers' remittances.
3/ Revenue is defined as the central government revenue valued at end-1996 exchange rate.
4/ In terms of current year exports of goods and nonfactor services, excluding workers' remittances.

Table 11. Guyana: Long-Term Balance of Payments

(In millions of U.S. dollars)

		Prel.	Projection												
	1997	1998	1999	2000	2001	2002	2003	2005	2007	2009	2011	2013	2015	2017	2019
Current account															
(excluding official transfers)	**-106**	**-98**	**-96**	**-98**	**-95**	**-94**	**-87**	**-86**	**-86**	**-79**	**-77**	**-81**	**-87**	**-90**	**-95**
Merchandise trade (net)	**-49**	**-54**	**-46**	**-48**	**-50**	**-49**	**-45**	**-43**	**-45**	**-42**	**-42**	**-44**	**-49**	**-52**	**-55**
Exports (f.o.b.)	592	547	574	606	635	662	695	765	844	941	1,050	1,171	1,308	1,463	1,637
Imports (c.i.f)	642	601	620	654	685	711	740	808	889	983	1,091	1,216	1,357	1,515	1,691
Services (net)	-97	-88	-91	-93	-93	-96	-95	-96	-98	-99	-99	-104	-108	-113	-119
Nonfactor services	-23	-32	-34	-35	-35	-37	-38	-42	-45	-50	-54	-59	-62	-64	-65
Of which															
Net interest	-70	-53	-57	-58	-58	-59	-57	-54	-53	-49	-45	-45	-46	-50	-58
Net private transfers	40	44	41	43	48	51	52	54	57	61	64	67	70	74	79
Capital and financial account 1/ 2/	**126**	**82**	**91**	**102**	**102**	**96**	**100**	**97**	**103**	**112**	**111**	**107**	**102**	**93**	**104**
Non-financial public sector (net) 1/	**61**	**27**	**46**	**42**	**44**	**34**	**37**	**19**	**16**	**21**	**14**	**8**	**1**	**-7**	**8**
Net official transfers	24	13	8	8	7	7	5	4	4	4	2	2	2	2	3
Net official borrowing	38	13	39	34	38	28	32	16	12	16	12	6	-1	-9	5
Project loans	37	34	32	39	44	37	47	50	53	56	59	63	67	71	75
Program loans	30	25	37	20	20	16	16	0	0	0	0	0	0	0	0
Amortization	-29	-45	-30	-25	-27	-26	-31	-34	-40	-40	-47	-57	-68	-80	-70
Private sector (net)	65	55	45	60	58	62	63	78	87	92	98	100	101	100	97
Of which															
Foreign direct investment	52	46	49	57	56	59	60	74	83	88	94	96	97	96	93
Errors and omissions	-15	-1	0	0	0	0	0	0	0	0	0	0	0	0	0
Overall balance 2/	**4**	**-17**	**-4**	**4**	**7**	**2**	**12**	**11**	**18**	**33**	**35**	**26**	**15**	**2**	**9**

Table 11. Guyana: Long-Term Balance of Payments

(In millions of U.S. dollars)

		Prel.	Projection												
	1997	1998	1999	2000	2001	2002	2003	2005	2007	2009	2011	2013	2015	2017	2019
Financing 2/	**-4**	**17**	**4**	**-4**	**-7**	**-2**	**-12**	**-11**	**-18**	**-33**	**-35**	**-26**	**-15**	**-2**	**-9**
BOG net foreign assets (increase -)	3	17	-21	-28	-32	-26	-37	-34	-38	-48	-50	-41	-29	-17	-16
Change in NFPS arrears	-25	0	-193	0	0	0	0	0	0	0	0	0	0	1	3
Exceptional financing 1/2/	18	0	217	25	26	25	25	23	21	15	15	15	14	13	4
Debt relief (HIPC from 1999)	0	0	25	25	26	25	25	23	21	15	15	15	14	13	4
Debt stock restructuring	18	0	38	0	0	0	0	0	0	0	0	0	0	0	0
Debt forgiveness	0	0	155	0	0	0	0	0	0	0	0	0	0	0	0
Financing gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:															
Gross international reserves	315	276	285	298	314	311	319	319	300	363	454	541	605	645	669
(months of imports) 3/	5	4	4	4	4	4	4	4	3	3	4	4	4	4	4
Current account (in percent of GDP)	-14	-14	-14	-14	-13	-12	-11	-10	-8	-7	-6	-5	-5	-5	-4
GDP (U.S. dollars)	749	721	683	710	737	771	812	898	1,011	1,154	1,318	1,506	1,722	1,970	2,254
(In percent change)															
Export volume	14	-3	4	5	5	4	4	4	4	4	4	4	4	4	4
Import volume	8	-3	1	1	2	2	3	3	4	4	4	4	4	4	4
Terms of trade	-10	-2	-1	-3	-3	-1	-1	-1	0	1	0	0	0	0	0

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

1/ In 1996 Guyana received a debt stock reduction on Naples terms from Paris Club Creditors, including Trinidad and Tobago. 1999 assumes comparable treatment from Non-Paris Club bilateral creditors.

2/ Debt forgiveness of future maturities is presented as a capital transfer and debt forgiveness of arrears and current maturities is captured under exceptional financing.

3/ Imports of goods and nonfactor services.

Table 12. Guyana: Sensitivity of Key Public External Debt Ratios After HIPC Assistance 1/

(In percent)

	1997	1998	1999	2000	2001	2002	2003	2005	2007	2009	2011	2013	2015	2017	2019
NPV of public external debt-to-exports 2/															
Baseline scenario	147	151	117	118	115	111	108	98	84	77	72	66	61	55	50
Reduced export access to preferential markets	147	151	117	123	126	125	122	112	99	93	89	86	81	77	72
Higher income elasticity of import demand	147	151	117	118	116	113	110	102	92	89	89	90	92	94	98
Public external debt service-to-exports 3/															
Baseline scenario	16	15	11	11	9	8	8	8	8	6	5	5	5	5	4
Reduced export access to preferential markets	16	15	11	12	9	9	9	9	8	6	5	5	5	6	5
Higher income elasticity of import demand	16	15	11	11	9	8	8	8	8	6	5	5	5	6	5
NPV of public external debt-to-revenue 4/															
Baseline scenario	421	457	337	324	320	309	297	265	224	203	185	168	151	133	118
Reduced export access to preferential markets	421	457	337	332	335	329	320	295	258	240	226	213	198	183	169
Higher income elasticity of import demand	421	457	337	324	321	313	302	277	244	234	230	229	229	230	233
Public external debt service-to-revenue 4/															
Baseline scenario	50	43	31	31	26	24	24	24	22	16	13	13	13	13	10
Reduced export access to preferential markets	50	43	31	31	26	25	25	24	23	16	14	14	14	14	12
Higher income elasticity of import demand	50	43	31	31	26	24	24	24	23	16	14	14	14	15	13
NPV of public external debt-to-GDP															
Baseline scenario	136	149	123	120	118	115	110	99	83	74	67	61	54	47	42
Reduced export access to preferential markets	136	149	123	123	124	122	119	110	96	88	82	77	71	65	60
Higher income elasticity of import demand	136	149	123	120	119	116	112	104	91	86	84	83	82	81	82

Sources: Data provided by the Guyanese authorities; and staff estimates and projections.

1/ The data reflect the May 1996 Paris Club stock-of-debt operation on Naples terms (67 percent NPV reduction), and assumes comparable treatment in 1998 from other bilateral creditors.
2/ In terms of a simple historical three-year average of exports of goods and nonfactor services, excluding workers' remittances.
3/ In terms of current year exports of goods and nonfactor services, excluding workers' remittances.
4/ Revenue is defined as that of the central government valued at end-1996 exchange rate.

Table 13. Guyana: A Comparison of Selected Indicators at the Decision Point and the Completion Point

	1997 1/		1998 1/		1999 1/		2000 1/		2001 1/		2002 1/		2003 1/	
	D	Actual	D	Actual	D	C	D	C	D	C	D	C	D	C
Central government revenue														
In billions of Guyana dollars	38	34	42	33	45	35	49	37	52	38	54	40	57	42
In millions of US$ 2/	269	243	296	236	323	249	349	262	373	273	388	285	409	301
In percent of GDP at market prices	33.4	31.9	31.9	30.5	31.7	30.4	31.5	29.9	31.4	29.5	31.3	29.2	31.4	29.0
Nominal GDP														
In billions of Guyana dollars	112.7	106.7	130.2	108.5	143.0	115.0	154.9	122.8	166.0	129.6	173.7	137.1	182.9	145.6
Annual percentage change	12.3	8.2	15.5	1.7	9.8	6.0	8.3	6.8	7.2	5.6	4.6	5.8	5.3	6.2
Real GDP														
In millions of Guyana dollars	5,354	5,360	5,634	5,277	5,928	5,370	6,254	5,529	6,611	5,722	6,869	5,917	7,145	6,151
Annual percentage change	6.1	6.2	5.2	-1.5	5.2	1.8	5.5	3.0	5.7	3.5	3.9	3.4	4.0	4.0
Investment														
In percent of GDP at market prices	33	30	30	29	30	27	30	28	30	28	29	29	30	29
Foreign direct investment														
In millions of U.S. dollars	48	52	53	46	59	49	64	57	77	56	79	59	85	60
Value of imports, c.i.f.														
In millions of US dollars	661	642	712	601	757	620	806	654	855	685	893	711	935	740
In billions of Guyana dollars 3/	94	91	104	90	111	104	119	110	127	115	133	120	139	125
Export price index	108	103	108	99	110	99	112	100	112	100	113	101	114	101
Export volume index	202	201	215	194	227	203	240	212	255	223	263	231	270	241
Export value index	219	208	233	192	250	201	268	213	287	222	297	232	307	244

Sources: Guyanese authorities; and staff estimates.

1/ "D" and "C" refer to the projections made at the Decision Point and the Completion Point, respectively.
2/ Valued at end-1996 exchange rate.
3/ For 1999-2003 valued at the end-1998 exchange rate.

Table 14. Guyana: Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1992-97	Latin America and Caribbean	Lower-middle-income
Population					
Total population, mid-year (in millions)	0.7	0.8	0.8	493.9	2,282.9
Growth rate (percent annual average)	0.7	0.9	0.8	1.4	0.9
Urban population (percent of population)	30.0	31.6	36.5	74.2	42.4
Total fertility rate (births per woman)	4.9	3.3	2.3	2.7	2.2
Income					
GNP per capita (U.S. dollars)	690	490	800	3,940	1,230
Income/consumption distribution					
Share of income or consumption					
Gini index	...	...	40.2	...	...
Lowest quintile (percent of income or consumption)	...	...	6.3	...	...
Highest quintile (percent of income or consumption)	...	...	46.9	...	...
Public expenditure					
Health (percent of GDP)	...	...	4.3	2.8	2.6
Education (percent of GNP)	5.0	9.8	4.9	3.7	5.1
Social security and welfare (percent of GDP)	1.5	4.4	...	7.4	...
Net primary school enrollment rate (percent of age group)					
Total	84	94	90	91	99
Male	...	95	90	...	...
Female	...	94	90	...	...
Access to safe water (percent of population)					
Total	84	80	83	75	78
Urban	100	100	100	83	...
Rural	75	60	75	36	...
Immunization rate (percent under 12 months)					
Measles	...	40	82	93	93
DPT	...	75	88	82	93
Child malnutrition (percent under five years)	25	22	18	8	17
Life expectancy at birth (years)					
Total	60	61	64	70	69
Male	58	58	61	66	67
Female	62	64	68	73	71
Mortality					
Infant (per thousand live births)	79	69	58	32	36
Under five (per thousand live births)	101	90	78	41	44
Adult (15-59)					
Male (per 1,000 population)	274	294	260	189	200
Female (per 1,000 population)	217	210	144	116	142
Maternal (per 100,000 live births)	...	200	...	...	...

Source: 1999 World Development Indicators CD-ROM, World Bank.

Table 15. Guyana. HIPC Initiative: Status of Country Cases, May 1999

Country (In order of expected decision point within groups)	Decision Point	Completion Point	NPV of Debt-to-Export Target (In percent)	Assistance at Completion Point (In millions of U.S. dollars present value at completion point) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 1/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors
Guyana	Dec. 97	May-99	107 2/	256	91	165	35	27	24	410	Received
Completion point reached											
Uganda	Apr. 97	Apr. 98	202	347	73	274	69	160	20	650	Received
Bolivia	Sep. 97	Sep. 98	225	448	157	291	29	54	13	760	Received
Decision point reached and assistance committed by IMF and World Bank											
Burkina Faso	Sep. 97	Apr. 00	205	115	21	94	10	44	14	200	Being sought
Côte d'Ivoire	Mar. 98	Mar. 01	141 2/	345	163	182	23	91	6 3/	800	Being sought
Mozambique	Apr. 98	mid-99	200	1,442	877	565	105	324	57	2,900	Being sought
Mali	Sep. 98	Dec. 99	200	128	37	90	14	44	10	250	Being sought
Total assistance provided/committed (7 countries)				**3,081**	**1,419**	**1,661**	**285 4/**	**744**	**19**	**5,970**	
Preliminary HIPC document issued; targets based on majority view in preliminary discussions at IMF and World Bank Boards, assistance based on preliminary HIPC documents and subject to change											
Guinea-Bissau 5/	2000	2003	200	300	148	153	8	73	73	600	...
Ethiopia 6/	1999	2002	200	636	225	411	22	214	23	1,300	...
Mauritania	Summer 99	2002	200	271	114	157	21	43	25	550	…
Debt judged sustainable											
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...
Senegal	Apr. 98	...	...	...	...	...	...	...	...	...	...

Sources: IMF and World Bank Board decisions, completion point document, decision point documents, preliminary HIPC documents, and IMF staff calculations.

1/ In percent of NPV of debt at completion point, after full use of traditional debt-relief mechanisms.
2/ Eligible under fiscal/openness criteria; NPV of debt-to-exports target chosen to meet NPV of debt-to-revenue target of 280 percent.
3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, are excluded from the NPV of debt at the completion point in the calculation of this ratio.
4/ Equivalent to SDR212 million.
5/ Debt situation needs to be revisited once the current conflict has ended and a new recovery program agreed.
6/ Country case is delayed due to conflict.