

The contents of this document are preliminary and subject to change.

GRAY/22/2334

August 29, 2022

**Statement by Mr. Nakunyada and Mr. Ekeocha on Guyana
(Preliminary)
Executive Board Meeting
August 31, 2022**

We thank staff for their informative set of reports as well as Mr. Bevilaqua, Mr. Fuentes, and Ms. Mahabir for their insightful Buff statement.

We welcome the robust recovery in Guyana following the negative repercussions of the pandemic and climate shocks. We commend the authorities for the effective though delayed pandemic response measures which combined with favorable oil prices to support a remarkable recovery and lay the foundation for a strong recovery. While the spillovers from the Russia-Ukraine war have seen food price increases, we are re-assured that the country remains food secure. More generally, the outlook remains challenged by the lingering effects of the pandemic, volatile commodity prices, tightened global financial conditions, faltering global growth, and elevated spending pressures. This notwithstanding, we would appreciate greater emphasis on upside risks from the transformative effects of the energy boom. Going forward, policy efforts should focus on prudent fiscal management, and robust structural reforms to support sustained growth.

Maintaining prudent fiscal policy, including by instituting a fiscal anchor, would be critical to ensure fiscal sustainability and support long-term growth. We, therefore, welcome the authorities' commitment to gradually adjust the fiscal stance and strengthen the medium-term fiscal framework. To further bolster medium term fiscal sustainability, we encourage the amendment of the Natural Resource Fund (NRF) Act to include an effective fiscal anchor. That said, we are encouraged that windfall oil revenues will improve Guyana's debt carrying capacity with substantial space to absorb shocks. We, however, urge the authorities to strengthen the management of public investments alongside a strategy to meet development needs and bridge attendant infrastructure gaps. Relatedly, we view substantial investments in human and physical capital as critical to support Guyana's development aspirations and reverse the unintended consequences of pandemic restrictions on economic activity. We also see merit in leveraging the oil windfall revenues, to enhance the

productivity of the budget and cushion vulnerable households from firming commodity prices.

Strengthening monetary policy decisions would be imperative to enhance the effectiveness of macroeconomic policies and anchor expectations. We note that exchange rate stability continues to serve Guyana' well in achieving price stability. That said, we encourage the authorities to tighten monetary policy in line with the tightening of US monetary policy to contain inflationary pressures from rising international commodity prices. Furthermore, we positively note that the substantial accumulation of reserve buffers would help stabilize the exchange rate and support disinflation efforts while supporting greater exchange rate flexibility. That said, we urge the authorities to strengthen financial sector stability, including by ensuring banks' capital adequacy and asset quality. Concurrent efforts would be required to strengthen regulation of the digital payment system to mitigate ML/TF risks. At the same time, Fund TA would be critical to help strengthen the AMF/CFT framework in line with the recommendations of the National Risk Assessment (NRA).

Finally, we welcome the commitment to implement structural and governance reforms as important to diversify the non-oil sector, improve competitiveness, and foster inclusive growth. To this end, we stress the importance of reforms to strengthen education outcomes, strengthen the anti-corruption framework, increase the transparency of oil proceeds, and support private sector development to boost employment. Nonetheless, we consider efforts by the authorities to strengthen governance and transparency in state-owned enterprises' as necessary to boost their performance, improve cost-effectiveness, and enhance growth. Broadly, we encourage the authorities to sustain efforts to improve efficiency and reduce labor market mismatches. We also encourage efforts to strengthen anti-corruption institutions and welcome the country's participation in the Extractive Industries Transparency Initiatives (EITI). Further, we commend the authorities' plan to build climate resilience as articulated in the low-carbon development strategy (LCDS). Technical assistance (TA) would, however, be critical in developing financial market infrastructure and managing oil resources, while drawing critical lessons from other oil producing countries.

With these remarks, we wish the Guyana authorities success in their reform endeavors.