

BOX 93

FILE 1

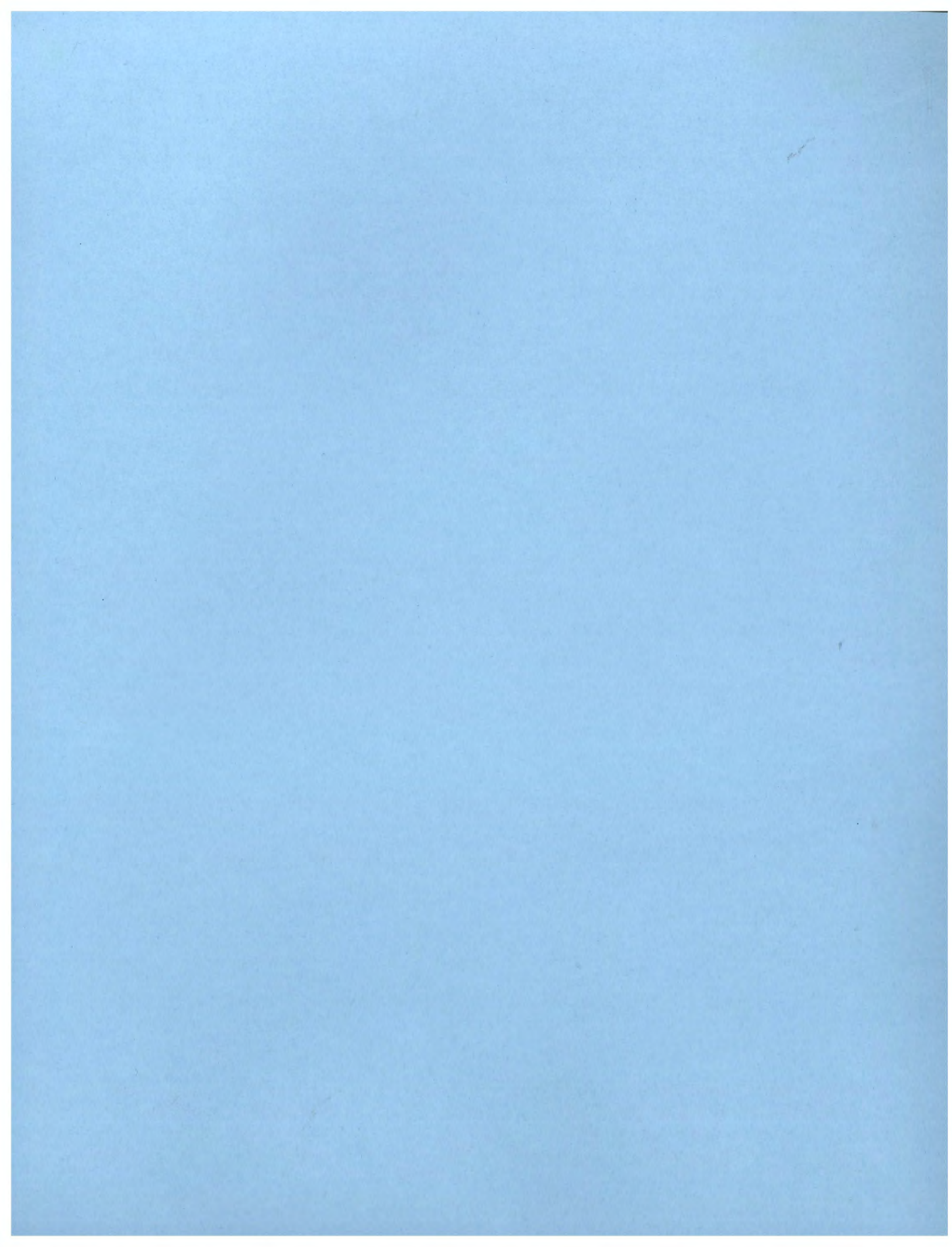
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1984

IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

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23 HONORABLE CARL GREENIDGE
22 MINISTER OF FINANCE
21 MINISTRY OF ECONOMIC PLANNING AND FINANCE
20 GEORGETOWN (GUYANA)
19 (LIST OF 3)

18 DEAR MINISTER GREENIDGE:
17 IN HIS COMMUNICATION TO YOU ON DECEMBER 11, 1984,
16 THE MANAGING DIRECTOR INFORMED YOU OF THE PRINCIPAL POINTS
15 MADE AT THE LAST EXECUTIVE BOARD MEETING ON THE MATTER OF
14 GUYANA'S OVERDUE OBLIGATIONS AND OF THE DECISION OF THE
13 EXECUTIVE BOARD THAT IF GUYANA WERE NOT CURRENT IN ITS
12 OBLIGATIONS TO THE FUND BY FEBRUARY 15, 1985, IT WOULD
11 BE NECESSARY FOR THE BOARD TO CONSIDER THE APPROPRIATENESS
10 OF FURTHER STEPS TO SAFEGUARD THE FUND'S RESOURCES,
9 INCLUDING THE POSSIBILITY OF DECLARING GUYANA INELIGIBLE
8 TO USE THE FUND'S GENERAL RESOURCES.

7 IN THIS REGARD, IT WOULD BE VERY MUCH APPRECIATED IF
6 GUYANA'S INTENTIONS REGARDING SETTLEMENT OF THE OVERDUE
5 PAYMENTS COULD BE COMMUNICATED TO THE STAFF NOT LATER
4 THAN FEBRUARY 1, 1985, AS A FURTHER PAPER WILL NEED TO BE
3 ISSUED TO THE EXECUTIVE DIRECTORS WITHIN A FEW DAYS
2 THEREAFTER TO REPORT ON THE LATEST DEVELOPMENTS ON THE
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MR. KAFKA
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MR. S. COLLINS
WHD

TELEX NO.: CABLE ADDRESS:
DRAFTED BY NAME (TYPE): DBerthet:sw EXT.: 7633 DEPT.: TRE DATE: 12/20/84
AUTHORIZED BY NAME (TYPE): W.O. HABERMEIER AUTHORIZED BY NAME (TYPE):

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IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

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23 GUYANA
22 PAGE 2
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18 MATTER, INCLUDING PAYMENTS MADE SINCE THE EXECUTIVE
17 BOARD'S DISCUSSION ON GUYANA'S OVERDUE OBLIGATIONS. IN
16 THIS REGARD, AND AS CONFIRMED BY AMBASSADOR GRANT ON
15 DECEMBER 3, 1984, IT IS UNDERSTOOD THAT GUYANA WILL
14 SETTLE AN ADDITIONAL AMOUNT BEFORE DECEMBER 31, 1984.
13 I WOULD APPRECIATE YOUR EARLY ADVICE ON THIS PAYMENT
12 AS WELL AS GUYANA'S INTENTIONS ON FURTHER PAYMENTS TOWARD
11 PRESENTLY OVERDUE OBLIGATIONS OF SDR 14.75 MILLION.
10 BEST REGARDS,
9 W.O. HABERMEIER
8 COUNSELLOR AND TREASURER
7 INTERFUND
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WASHINGTON, D. C. 20431

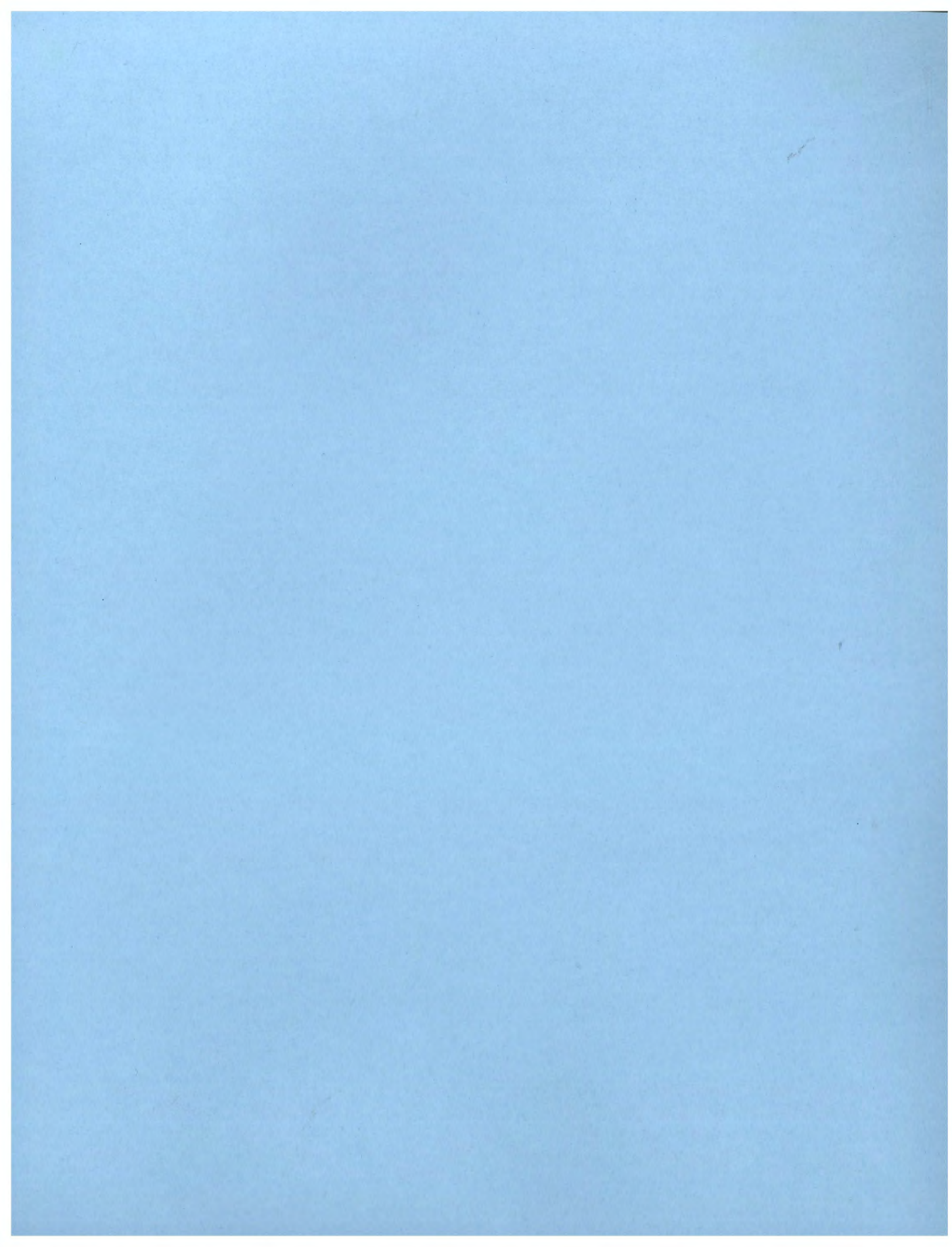
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17	THE HONORABLE CARL GREENIDGE	DISTRIBUTION
16	MINISTER OF FINANCE	N
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11	MR. PATRICK E. MATTHEWS	P
10	GOVERNOR	E
9	BANK OF GUYANA	H
8	GEORGETOWN (GUYANA)	E
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6	REPEAT TO:	E
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4	DEPUTY PRIME MINISTER	
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3038 MINFIN GY4. J. LAROSIERE
MANAGING DIRECTOR
IMF

THE MINISTER OF FINANCE OF GUYANA WISHES TO ACKNOWLEDGE
RECEIPT OF THE MANAGING DIRECTOR'S TELEX DATED
1984-12-11.

=0)3-3 ,953 ,32 53)3/ -
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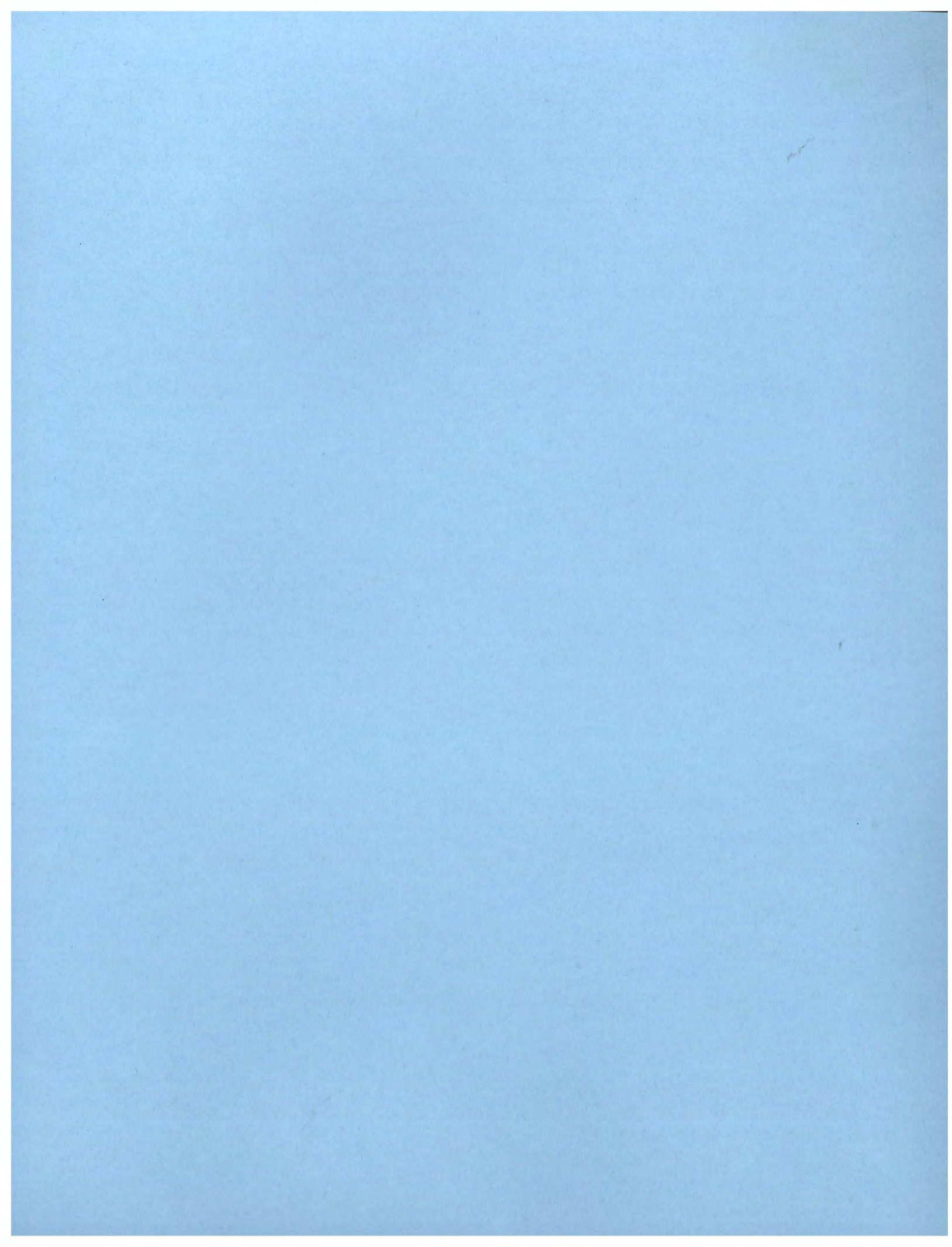
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WASHINGTON, D. C. 20431

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23 **HONORABLE CARL GREENIDGE**

2 **MINISTER OF FINANCE**

21 **MINISTRY OF ECONOMIC PLANNING AND FINANCE**

20 **GEORGETOWN (GUYANA)**

19 **(LIST OF 3)**

18 **DEAR MINISTER GREENIDGE:**

17 I REFER TO OUR EARLIER COMMUNICATIONS ON THE MATTER

16 OF GUYANA'S OVERDUE OBLIGATIONS TO THE FUND AND TO THE

15 EXECUTIVE BOARD'S REVIEW OF DECEMBER 3, 1984. THE TEXT

14 OF THE EXECUTIVE BOARD'S DECISION TAKEN AT THE CONCLUSION

13 OF THAT REVIEW IS REPRODUCED BELOW. I TRUST YOU WILL

12 RECEIVE A DETAILED REPORT ON THE BOARD'S DISCUSSION FROM

11 AMBASSADOR GRANT AND MR. ROBALINO. HOWEVER, I WANTED TO

10 CONVEY DIRECTLY TO YOU THE PRINCIPAL POINTS MADE BY

9 DIRECTORS DURING THE DISCUSSION AND TO URGE FURTHER EFFORTS

8 BY GUYANA TO BECOME CURRENT PROMPTLY IN ITS OBLIGATIONS TO

7 THE FUND.

6 THE EXECUTIVE BOARD WELCOMED THE STATEMENT ON GUYANA'S

5 ECONOMIC POLICIES MADE BY AMBASSADOR GRANT ON YOUR BEHALF,

4 AND NOTED THAT A SIGNIFICANT PORTION OF THE FOREIGN EX-

3 CHANGE AVAILABLE TO THE BANK OF GUYANA IS BEING USED AND

2 PLANNED TO MAKE PAYMENTS TO THE FUND. NONETHELESS,

1 EXECUTIVE DIRECTORS WERE CONCERNED THAT THE OVERDUE

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A **CLEARED WITH LEG, SEC, WHD**

C TELETYPE NO: CABLE ADDRESS:

D DRAFTER'S NAME (TYPE): **TLeddy/DBerthet/ew**

E AUTHORIZED BY NAME (TYPE): **J. de Larosiere**

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- T MR. KAFKA
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- Y MR. S. COLLINS

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WASHINGTON, D. C. 20431

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23 GUYANA

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18 OBLIGATIONS REMAIN SUBSTANTIAL AND THAT THEIR EARLY

17 ELIMINATION DOES NOT APPEAR TO BE IN PROSPECT. THEY WERE

16 MOST DISAPPOINTED THAT THE AUTHORITIES DID NOT NOW FORESEE

15 ELIMINATION OF ALL OVERDUE OBLIGATIONS TO THE FUND BEFORE

14 EARLY 1986.

13 ACCORDINGLY, IT WAS THE BOARD'S STRONG VIEW THAT

12 GUYANA SHOULD TAKE STEPS TO ACHIEVE A SUBSTANTIAL ACCELERA-

11 TION OF PAYMENTS BEYOND THOSE PRESENTLY ENVISAGED, WITH THE

10 OBJECTIVE OF ACHIEVING A PROMPT AND FULL SETTLEMENT OF THE

9 OVERDUE OBLIGATIONS, AND THE BOARD HAS REQUESTED THAT

8 GUYANA ADVISE THE FUND URGENTLY OF A REVISED AND MUCH

7 ACCELERATED PLAN. DIRECTORS ALSO CALLED ON GUYANA TO ADOPT

6 STRONG AND COMPREHENSIVE ADJUSTMENT MEASURES, IN ORDER TO

5 ENLARGE THE FLOW OF FOREIGN EXCHANGE AND IMPROVE GUYANA'S

4 SITUATION GENERALLY. IN THIS REGARD, THE FUND IS PREPARED

3 TO MEET GUYANA'S REQUEST FOR TECHNICAL ASSISTANCE IN THE

2 FISCAL AND STATISTICAL AREAS. MORE BROADLY, I HAVE

1 INFORMED THE BOARD THAT THE STAFF AND I STAND READY TO

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18 ASSIST THE GUYANESE AUTHORITIES IN THE FORMULATION OF

17 MEASURES THAT COULD HELP STRENGTHEN THE FOREIGN EXCHANGE

16 POSITION AND FACILITATE PAYMENT OF THE OBLIGATIONS TO THE

15 FUND.

14 GUYANA'S CIRCUMSTANCES AND EFFORTS HAVE PROMPTED

13 WIDESPREAD EXPRESSIONS OF SYMPATHY AMONG DIRECTORS.

12 HOWEVER, AFTER DUE CONSIDERATION AND IN LIGHT OF THE

11 IMPORTANCE OF THE MATTER TO THE FUND'S CHARACTER AND

10 ABILITY TO FUNCTION AS A COOPERATIVE INTERNATIONAL

9 INSTITUTION, THE EXECUTIVE BOARD HAS CONCLUDED THAT UNLESS

8 GUYANA IS CURRENT IN ITS FINANCIAL OBLIGATIONS TO THE FUND

7 BY FEBRUARY 15, 1985, IT WOULD BE NECESSARY FOR THE BOARD

6 TO CONSIDER THE APPROPRIATENESS OF FURTHER STEPS TO SAFE-

5 GUARD THE FUND'S RESOURCES, INCLUDING THE POSSIBILITY OF

4 DECLARING GUYANA INELIGIBLE TO USE THE FUND'S GENERAL

3 RESOURCES. I NEED NOT EMPHASIZE THE SERIOUSNESS OF SUCH

2 AN ACTION FOR GUYANA AND ITS RELATIONS WITH THE FUND.

1 I SHOULD ADD THAT THE QUESTION OF PUBLICITY IS AMONG THE
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WASHINGTON, D. C. 20431

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18 **FURTHER STEPS BEING CONSIDERED BY THE EXECUTIVE BOARD TO**
17 **SAFEGUARD THE FUND'S POSITION IN DEALING WITH MEMBERS'**
16 **OVERDUE OBLIGATIONS.**

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15 **I CAN ASSURE YOU THAT THE EXECUTIVE BOARD WILL**
14 **CONSIDER CAREFULLY GUYANA'S FURTHER EFFORTS TO BECOME**
13 **CURRENT IN ITS FINANCIAL OBLIGATIONS TO THE FUND. I LOOK**
12 **FORWARD TO RECEIVING GUYANA'S REVISED PLANS FOR A SUBSTAN-**
11 **TIAL ACCELERATION OF PAYMENTS, AND I HOPE VERY MUCH THAT**
10 **I WILL BE IN A POSITION TO REPORT TO THE BOARD, PRIOR TO**
9 **ITS NEXT REVIEW, THAT MAJOR PROGRESS HAS BEEN MADE TOWARD**
8 **SETTLEMENT OF THE OVERDUE OBLIGATIONS TO THE FUND.**

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7 **WITH BEST REGARDS**
6 **J. DE LAROSIERE**
5 **MANAGING DIRECTOR**

4 **INTERFUND**

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3 **THE TEXT OF EXECUTIVE BOARD DECISION NO. 7854-(84/173)**
2 **OF DECEMBER 3, 1984 FOLLOWS:**

1 **1. THE FUND HAS REVIEWED DECISION NO. 7719-(84/88),**
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18 JUNE 6, 1984, IN LIGHT OF RECENT DEVELOPMENTS, INCLUDING
17 THE PAYMENTS MADE AND PROPOSED TO BE MADE, AS DESCRIBED
16 IN EBS/84/244, (11/28/84).

15 2. THE FUND CALLS ON GUYANA TO ADOPT URGENTLY A
14 STRONG AND COMPREHENSIVE PROGRAM OF ECONOMIC ADJUSTMENT.
13 GUYANA IS URGED TO TAKE STEPS TO ACHIEVE A SUBSTANTIAL
12 ACCELERATION OF PAYMENTS TO THE FUND, WITH THE OBJECTIVE
11 OF PROMPT AND FULL SETTLEMENT OF ITS OVERDUE OBLIGATIONS
10 TO THE FUND, AND TO ADVISE THE FUND OF ITS PLANS AS A
9 MATTER OF URGENCY.

8 3. THE FUND SHALL REVIEW FURTHER DECISION NO. 7719-
7 (84/88) NOT LATER THAN FEBRUARY 15, 1985, TAKING INTO
6 ACCOUNT FURTHER DEVELOPMENTS AND THE AUTHORITIES' REPLY.

5 UNLESS AT THAT TIME GUYANA IS CURRENT IN ITS FINANCIAL
4 OBLIGATIONS TO THE FUND, THE FUND WILL CONSIDER THE APPRO-
3 PRIATENESS OF FURTHER STEPS, INCLUDING THE POSSIBILITY OF
2 DECLARING GUYANA INELIGIBLE TO USE THE GENERAL RESOURCES
1 OF THE FUND PURSUANT TO ARTICLE XXVI, SECTION 2.

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4. GUYANA SHALL BE INFORMED OF THIS DECISION BY
RAPID MEANS OF COMMUNICATION.

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PAGE 7

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1.

THE HONORABLE CARL GREENIDGE
MINISTER OF FINANCE
MINISTRY OF ECONOMIC PLANNING AND FINANCE
GEORGETOWN (GUYANA)

CBL

2.

REPEAT TO:

MR. PATRICK E. MATTHEWS
GOVERNOR
BANK OF GUYANA
GEORGETOWN (GUYANA)

(312) 7267

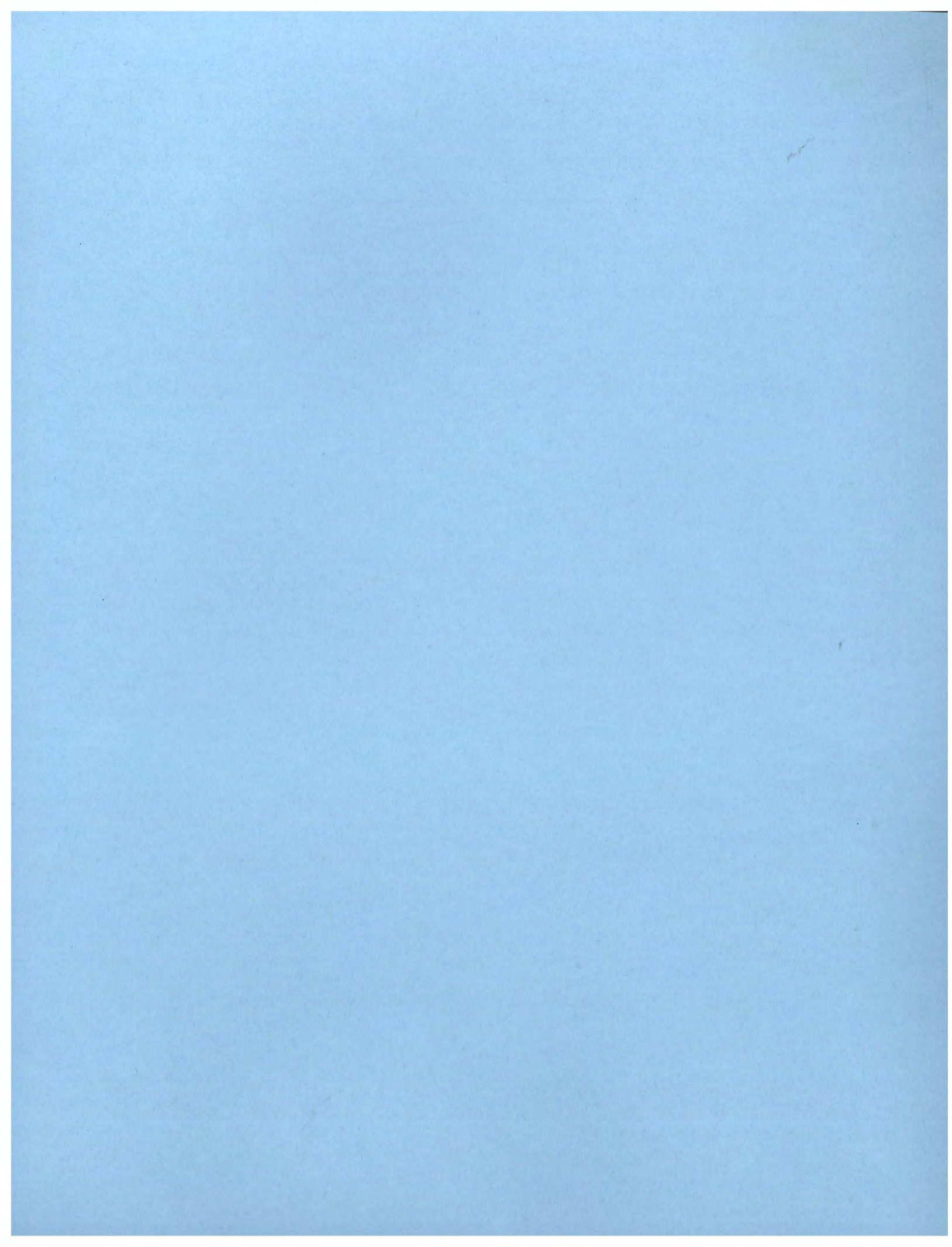
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3.

REPEAT TO:

MR. PARRIS
DEPUTY PRIME MINISTER
GEORGETOWN (GUYANA)

CBL



TO:

MR. HABERMEIER
63734 IMF
TREASURER AND COUNSELLOR 3:13

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FROM: CARL B GREENIDGE
MINISTER OF FINANCE

ORIG: TRE
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MR. KAFKA
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FURTHER TO OUR CORRESPONDENCE ON THE QUESTION OF GUYANA'S INDEBTEDNESS TO THE IMF PLEASE FIND SET OUT BELOW FOR YOUR INFORMATION AND PRESENTATION AT THE FORTHCOMING BOARD MEETING THE PROPOSED SCHEDULE OF REPAYMENTS FOR THE PERIOD DECEMBER 1985.

YOU WILL NOTE THAT THE PAYMENTS TO DATE ARE SLIGHTLY BELOW THOSE THAT WE HAD PROPOSED TO YOU EARLIER IN THE YEAR. THAT SHORTFALL IS THE RESULT OF UNSEASONAL RAINS ASSOCIATED WITH UNUSUAL WEATHER THROUGHOUT THE REGION. SHIPMENTS OF SUGAR ARE SOMEWHAT BEHIND SCHEDULE AND THE TOTAL RECEIPTS ARE SUBSTANTIALLY LESS THAN BUDGETED. ALTHOUGH THE PROPOSED REPAYMENTS IN 1985 WILL NOT ENTIRELY LIQUIDATE OUR ARREARS THE PAYMENTS TO THE IMF ALONE AMOUNT TO SOME 32 PER CENT OF OUR TOTAL HARD CURRENCY RECEIPTS. AS YOU WILL SEE FROM THE TABLE, THE FINAL PAYMENTS FOR LIQUIDATION OF THE ARREARS WILL BE MADE IN 1986. WE KNOW THE PROBLEMS THAT THIS SCHEDULE POSES ON YOUR SIDE BUT WITHOUT AN IMPROVEMENT IN THE 1985 FIGURES IT IS DIFFICULT TO SEE HOW LARGER AMOUNTS COULD BE ASSIGNED TO OUR DEBT REPAYMENTS IN GENERAL OR THE IMF IN PARTICULAR WITHOUT CREATING GREATER DIFFICULTIES THAN WE CURRENTLY FACE.

I TRUST THAT THIS INFORMATION WILL BE OF ASSISTANCE TO THE BOARD. PLEASE FEEL FREE TO LET ME KNOW IF YOU REQUIRE ANY FURTHER DATA OR EXPLANATIONS.

RECEIPTS AND PAYMENTS

U.S. \$'000)

	1984 NOV./DEC.	1985 JAN./JUNE	1985 JULY/DEC.	TOTAL NOV. '84/DEC. '85
RECEIPTS				
SUGAR	17.20	23.60	40.00	80.80
BAUXITE	-	-	-	-
OTHER	1.80	5.80	1.80	3.60
RICE	-	1.80	1.80	3.60
OTHER	1.80	5.80	5.60	12.40
TOTAL	19.00	30.00	47.40	96.80
PAYMENTS				
IMPORTS (GOODS)	3.30	7.50	10.50	21.30
SUGAR IN- PUTS	(0.25)	(0.70)	(1.50)	(2.45)
RICE IN- PUTS	(0.65)	(0.90)	(1.30)	(2.85)
CONSUMER GOODS	(0.50)	(0.60)	(0.70)	(1.80)
OTHER INTER- MEDIATE GOODS	(1.90)	(5.30)	(6.00)	(14.20)
IMPORTS (SERVICES)	15.70	22.90	36.60	75.20
DEBT SERVICING	15.40	20.30	30.60	66.30
WORLD BANK	(1.20)	(3.60)	(3.80)	(8.60)
NET I.M.F.	(6.30)	(10.00)	(15.00)	(31.30)
D.P.E.C.	(1.60)	(1.50)	(2.20)	(5.30)
I.D.B.	(0.20)	(0.30)	(1.00)	(1.50)
OTHER	(0.20)	(-)	(-)	(0.20)
COMMERCIAL BANKS	(2.60)	(3.20)	(4.00)	(9.80)
NATIONALI- SATION	(3.60)	(1.70)	(4.60)	(9.60)
OTHER SERVICES	0.30	3.60	6.00	8.90
TOTAL PAYMENTS	19.00	30.40	47.10	96.50

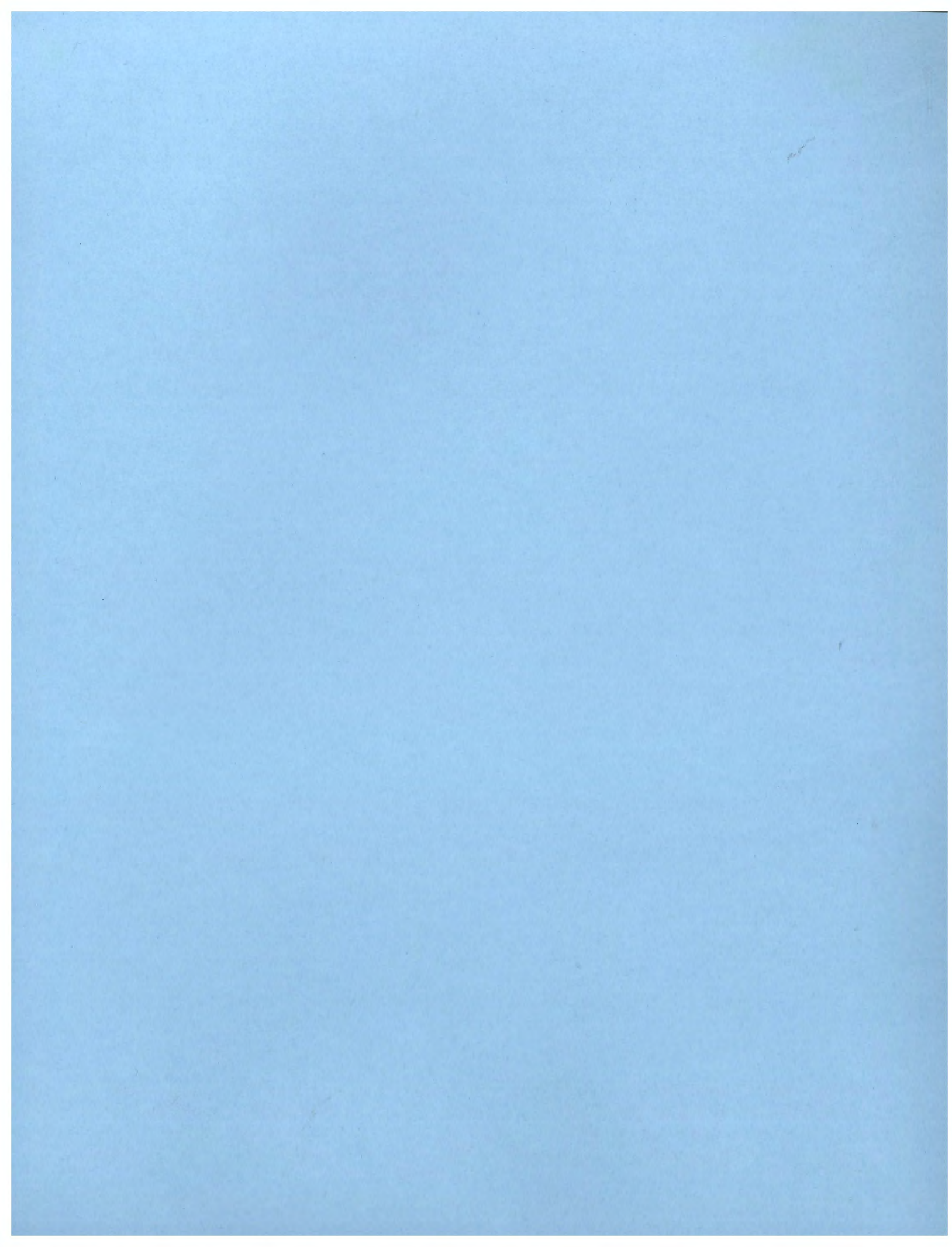
SUMMARY OF GUYANA'S POSITION WITH
THE IMF

	MILLION SDR'S
GUYANA'S INDEBTEDNESS AS AT 31ST DECEMBER 1984	13.2
ADD REPURCHASES AND CHARGES GENERAL ACCOUNT, S.D.R. ACCOUNT AND TRUST FUND FOR 1985	18.5
	31.7
LESS PROPOSED PAYMENTS AS PER BUDGET FOR 1985	22.5
ESTIMATED GUYANA'S INDEBTEDNESS AS AT 31ST DECEMBER '85	9.2
ADD REPURCHASES AND CHARGES ETC. FOR 1986	21.7
	30.9
PROPOSED PAYMENTS IN 1986 +	30.9

CORRECTIONS:

- TABLE 1: DELETE THE ENTIRE LINE AFTER BAUXITE
 NATIONALISATION SHOULD READ (3.30)
 TOTAL PAYMENTS SHOULD READ 19.00
- TABLE 2: ESTIMATED GUYANA'S INDEBTEDNESS SHOULD
 READ 31ST DECEMBER '85+

CC: AMBASSADOR GRANT, GUYANA EMBASSY
 MR A KAFKA, IMF





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Rcv: @IIM/3.30811 Line: 3

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TO: VAN HOUTVEN
SECRETARY
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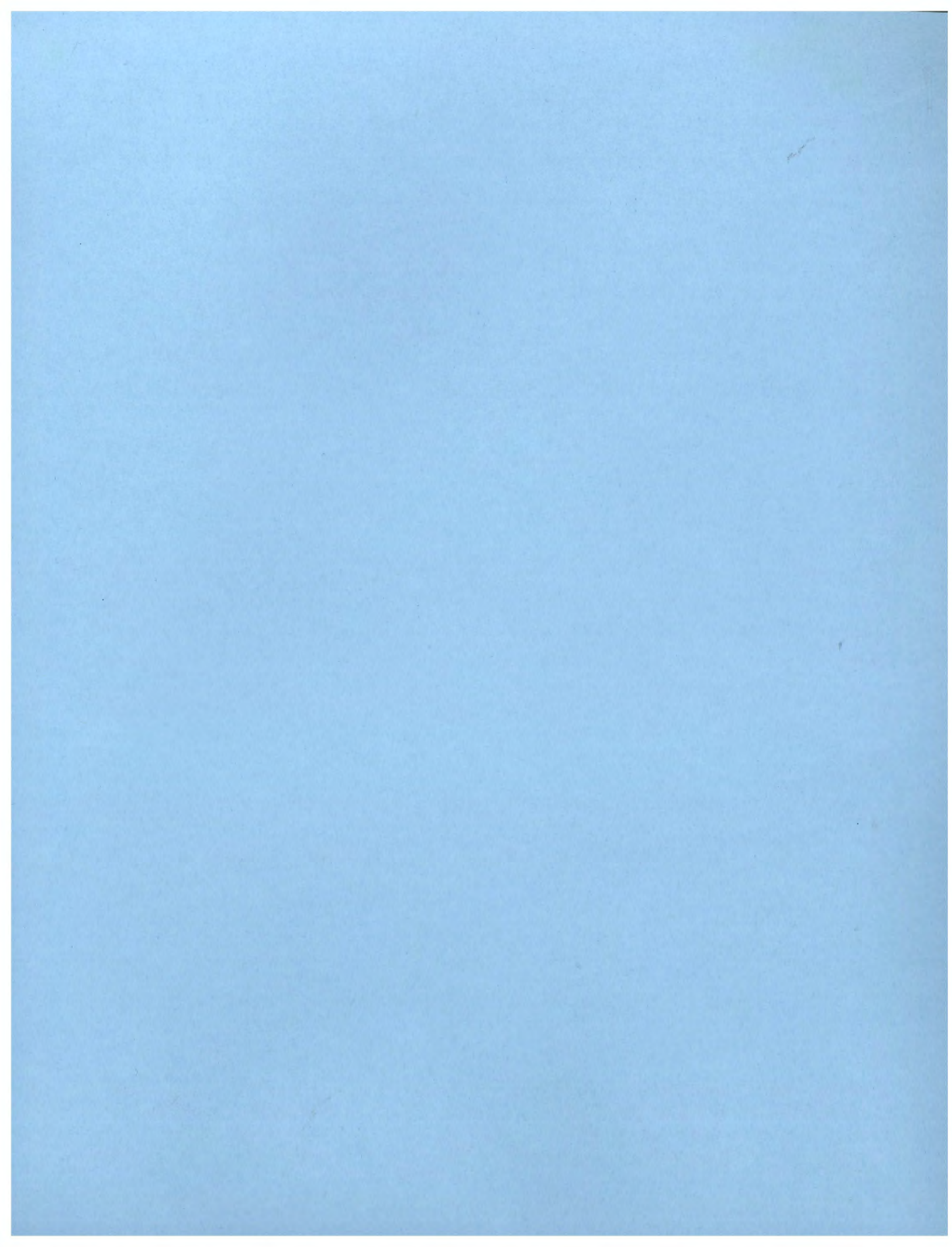
FROM: CARL B. GREENIDGE
MINISTER OF FINANCE
MINISTRY OF FINANCE, GEORGETOWN.

THANK YOU FOR YOUR TELEX OF 27/11/84.
PLEASE NOTE THAT GUYANA SHOULD LIKE ITS AMBASSADOR TO THE US,
DR. CEDRIC GRANT AND THE CARIBBEAN ED TO THE IDB MR. JOSEPH
TYNDAL TO JOIN MR. KAFKA'S ALTEERNATE MR. CESAR ROBALINO AT FRIDAY'
EXECUTIVE BOARD MEETING.
I SHOULD BE GRATEFUL IF YOU COULD FACILKITATE THEIR ATTENDANCE.+

WAS THE TELEX WELL RECEIVED?+
Time: 09:38 11/29/84 ???
Connect Time : 781 seconds

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IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

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23	MINISTER CARL GREENIDGE	
22	MINISTER OF ECONOMIC PLANNING AND FINANCE	DISTRICTED IMF LIST 1500 NOV 23 PM 10:37 MARK XX FOR CODE () CODE
21	GEORGETOWN, GUYANA	
20		
19		DISTRIBUTION
18	DEAR MR. MINISTER:	MD DMD ETR RES
17	THIS IS TO INFORM YOU THAT THE EXECUTIVE BOARD'S	TRE
16	FURTHER REVIEW OF ITS DECISION OF JUNE 6, 1984 RELATING TO	LEG
15	GUYANA'S OVERDUE OBLIGATIONS TO THE FUND HAS BEEN SCHEDULED	N SEC
14	FOR A MEETING TO BE HELD ON NOVEMBER 30, 1984. AS IN THE	O WHD
13	CASE OF EARLIER EXECUTIVE BOARD DISCUSSIONS OF THIS MATTER,	T Mr. Kafka
12	GUYANA IS ENTITLED, AND INVITED, TO SEND AN APPROPRIATELY	T Mr. Collins
11	AUTHORIZED REPRESENTATIVE TO THE MEETING OR TO BE REPRESENTED	Y
10	BY THE EXECUTIVE DIRECTOR ELECTED BY GUYANA.	P
9	I SHALL BE GRATEFUL IF YOU COULD INFORM ME OF YOUR	E
8	INTENTION CONCERNING REPRESENTATION.	E
7	REGARDS	R
6	VAN HOUTVEN	E
5	SECRETARY	H
4	INTERFUND	E
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A	SPECIAL INSTRUCTIONS	
B	Please repeat text to address on attached page.	
C	TELEX NO.: CABLE ADDRESS:	
D	DRAFTED BY NAME (TYPE): TRE/SEC Cleared by: LEG, WHD EXT.: 6682 DEPT.: SEC DATE: 11/26/84	
E	AUTHORIZED BY NAME (TYPE): ABhagwat AUTHORIZED BY NAME (TYPE):	**
F	Log K3113	TYPE ** ON LAST OR ONLY PAGE OF MESSAGE
G	<i>ABhagwat</i>	SIGNATURE

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Please check format for multi-address Ch. 5

GUYANA

PAGE TWO

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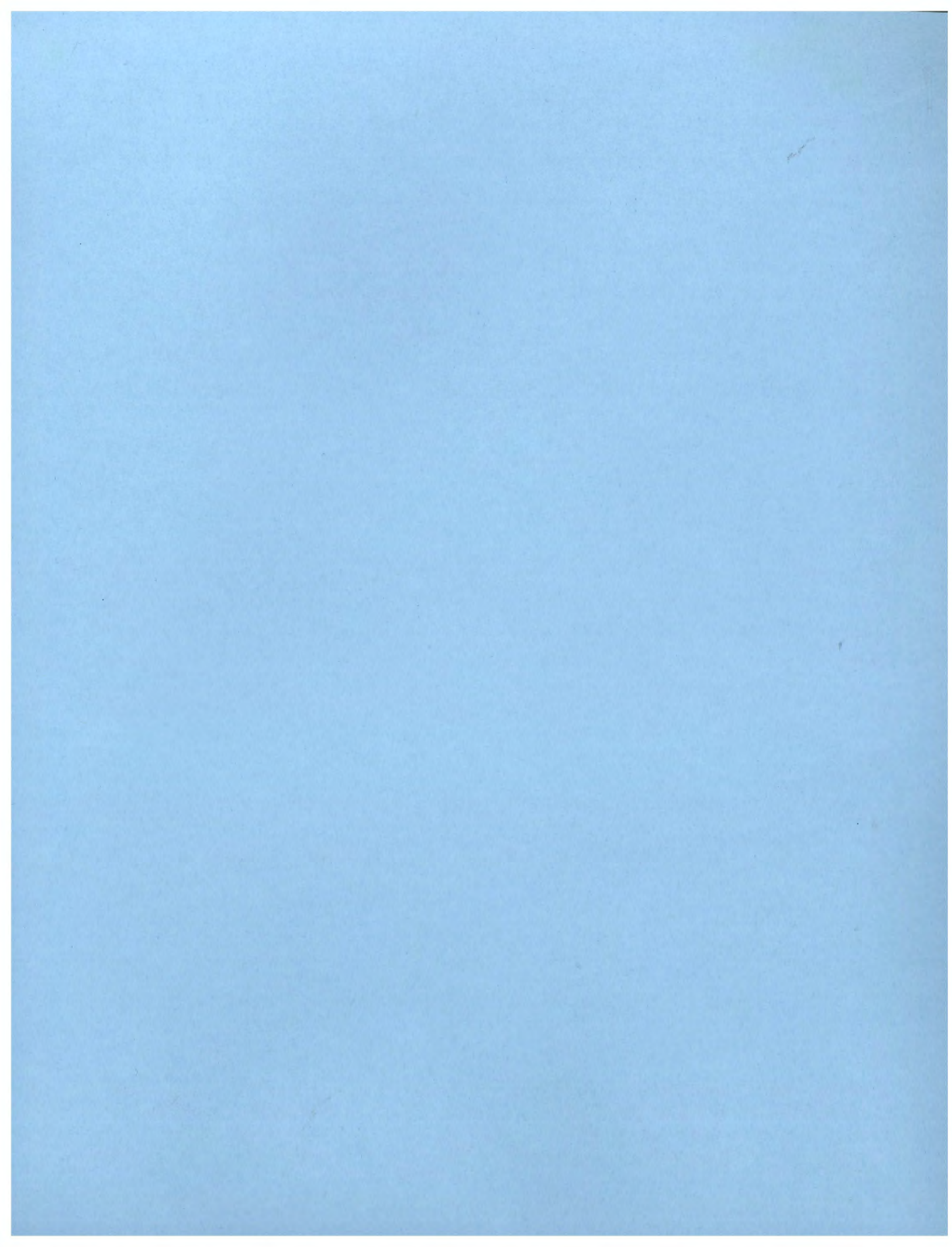
#GY.M

MR. P.E. MATTHEWS

GOVERNOR, BANK OF GUYANA

GEORGETOWN (GUYANA)

312 2267 CEN BANK GY





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Rcv: @1IM/3.30551 Line: 3

1984 NOV 22 PM 12: 06

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3038 MINFIN GY59:

MR. HABERMEIER
TREASURER AND COUNSELLOR
IMF

CC: MD

DMD

MR. KAFKA

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MR. S. COLLINS

FROM: CARL B GREENIDGE
MINISTER OF FINANCE

FURTHER TO OUR CORRESPONDENCE ON THE QUESTION OF GUYANA'S INDEBTEDNESS TO THE IMF PLEASE FIND SET OUT BELOW FOR YOUR INFORMATION AND PRESENTATION AT THE FORTHCOMING BOARD MEETING THE PROPOSED SCHEDULE OF REPAYMENTS FOR THE PERIOD DECEMBER 1985.

YOU WILL NOTE THAT THE PAYMENTS TO DATE ARE SLIGHTLY BELOW THOSE THAT WE HAD P

OPOSED TO YOU EARLIER IN THE YEAR. THAT SHOIRTFALL IS THE RESULT OF UNSEASONAL RAINS ASSOCIATED WITH UNUSUAL WEATHER THROUGHOUT THE REGION. SHIPMENTS OF SUGAR ARE SOMEWHAT BEHIND SCHEDULE AND THE TOTAL RECEIPTS ARE

SUBSTANTIALLY LESS THAN BUDGETED. ALTHOUGH THE PROPOSED REPAYMENTS IN 1985 WILL NOT ENTIRELY LIQUIDATE OUR ARREARS THE PAYMENTS TO THE IMF ALONE AMOUNT TO SOME 32PER CENT OF OUR TOTAL HARD CURRENCY RECEIPTS. AS YOU WILL SEE FROM THE TABLE, THE FINAL PAYMENTS FOR LIQUIDATION OF THE ARREARS WILL BE MADE IN 1986. WE KNOW THE PROBLEMS THAT THIS SCHEDULE POSES ON YOUR SIDE BUTWITHOUT AN IMPROVEMENT IN THE 1985 FIGURES IT IS DIFFICULT TO SEE HOW LARGER AMOUNTS COULD BE ASSIGNED TO OUR DEBT REPAYMENTS IN GENERAL OR THE IMF IN PARTICULAR WITHOUT CREATING GREATER DIFFICULTIES THAN WE CURRENTLY FACE.

I TRUST THAT THIS INFORMATION WILLBE OF ASSISTANCE TO THE BOARD. PLEASE FEEL FREE TOLET ME KNOW IF YOU REQUIRE ANY FURTHER DATA OR EXPLANATIONS.

TABLE

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RECEIPTS AND PAYMENTS

U.S. \$'000)

	1984 NOV./DEC.	1985 JAN./JUNE	1985 JULY/DEC.	TOTAL NOV. '84/DEC. '85
RECEIPTS				
SUGAR	17.20	23.60	40.00	80.80
BAUXITE	-	-	-	-
GIBBER	1.80	1.80	1.80	3.60
	5.80			
RICE	-	1.80	1.80	3.60
OTHER	1.80	5.80	5.60	12.40
TOTAL	19.00	30.00	47.40	96.80
PAYMENTS				
IMPORTS (GOODS)	3.30	7.50	10.50	21.30
SUGAR IN- PUTS	(0.25)	(0.70)	(1.0)	(2.45)
RICE IN- PUTS	(0.65)	(0.90)	(1.30)	(2.85)
CONSUMER GOODS	(0.50)	(0.60)	(0.70)	(1.80)
OTHER INTER- MEDIATE GOODS	(1.90)	(5.30)	(6.00)	(14.20)
IMPORTS (SERVICES)	15.70	22.90	36.60	75.20
DEBT SERVICING	15.40	20.30	30.60	66.30
WORLD BANK	(1.20)	(3.60)	(3.80)	(8.60)
NET I.M.F.	(6.30)	(10.00)	(15.00)	(31.30)
O.P.F.E.C.	(1.60)	(1.50)	(2.20)	(5.30)
I.D.B.	(0.20)	(0.30)	(1.00)	(1.50)
OTHER	(0.20)	(-)	(-)	(0.20)
COMMERCIAL BANKS	(2.60)	(3.20)	(4.00)	(9.80)
NATIONALI- SATION	(3.60)	(1.70)	(4.60)	(9.60)
OTHER SERVICES	0.30	3.60	6.00	9.90
TOTAL PAYMENTS	19.00	30.40	47.10	96.50

INCOMING

CABLE/TELEX



N N N NN , SUMMARY OF GUYANA'S POSITION WITH THE IMF

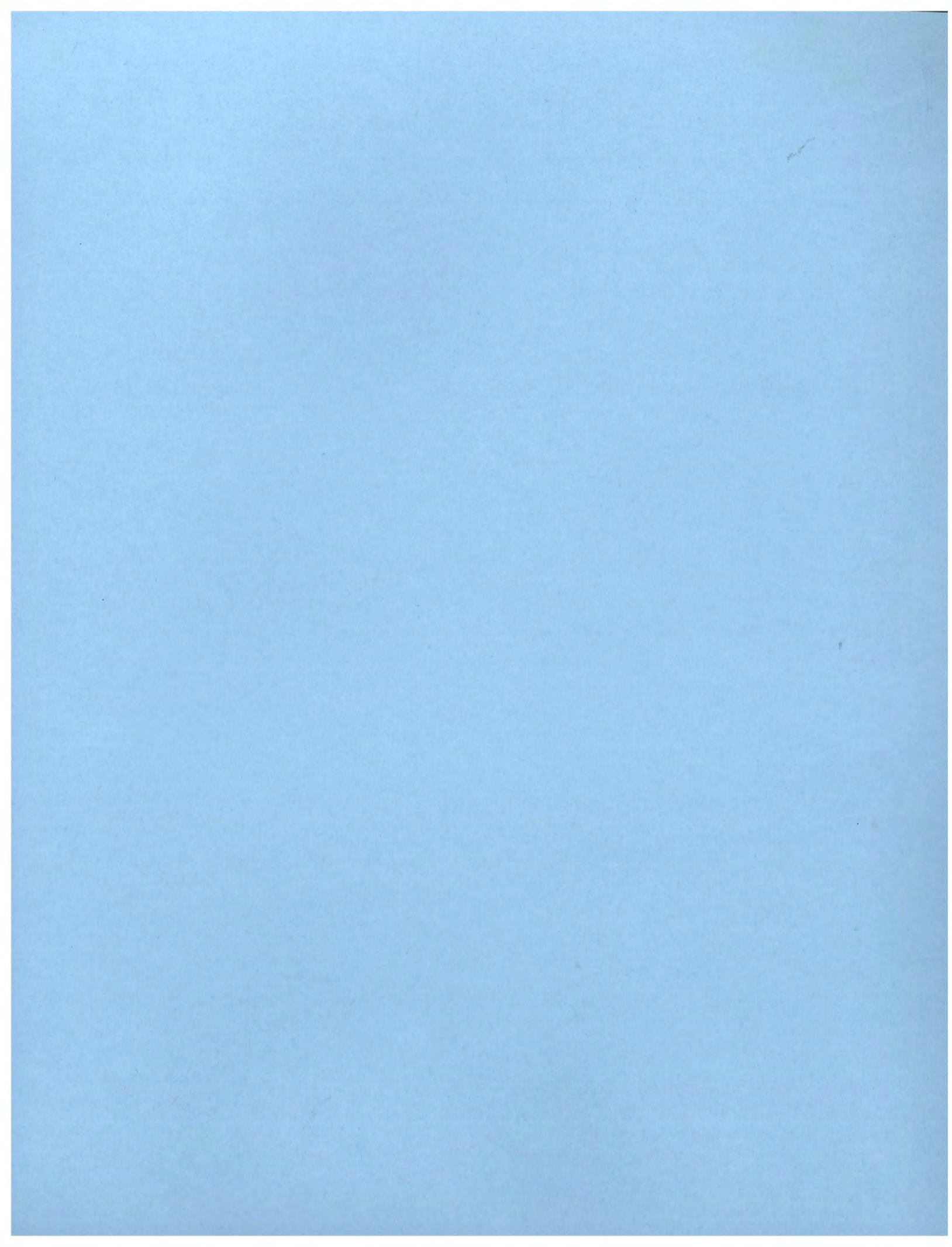
	MILLION	NSDR'S
GUYANA'S INDEBTEDNESS AS AT 31ST DECEMBER 1984		13.2
ADD REPURCHASES AND CHARGES GENERAL ACCOUNT, S.D.R. ACCOUNT AND TRUST FUND FOR 1985		18.5
		31.7
LESS PROPOSED PAYMENTS AS PER BUDGET FOR 1985		22.5
ESTIMATED GUYANA'S INDEBTEDNESS AS AT 31ST DECEMBER '85		9.2
ADD REPURCHASES AND CHARGES ETC. FOR 1986		21.7
	30.9	
PROPOSED PAYMENTS IN 1986		30.9

-----7-----

CORRECTIONS:

- TABLE 1: DELETE THE ENTIRE LINE AFTER BAUXITE NATIONALISATION SHOULD READ (3.30) TOTAL PAYMENTS SHOULD READ 19.00
- TABLE 2: ESTIMATED GUYANA'S INDEBTEDNESS SHOULD HOW REC'D+ READ 31ST DECEMBER '85+

INCOMING CABLE/TELEX





ORIG: TRE
CC: MD

Guyana

DMD
MR. KAFKA

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1984 NOV 21 PM 2:50

Rev: @11M/3.30506 Line: 3

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248231 IMF UR

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3#78: MR. HABERMEIRA
TREASURER AND COUNSELLOR
IMF

MR. S. COLLINS

FROM: CARL B GREENIDGE
MINISTER OF FINANCE

FURTHER TO OUR CORRESPONDENCE ON THE QUESTION OF GUYANA'S
INDEBTEDNESS TO THE IMF PLEASE FIND SET OUT BELOW FOR YOUR INFORMATION
AND PRESENTATION AT THE FORTHCOMING BOARD MEETING THE PROPOSED
SCHEDULE OF PAYMENTS FOR THE PERIOD DECEMBER 1985.

YOU WILL NOTE THAT THE PAYMENTS TO DATE ARE SLIGHTLY BELOW THOSE
THAT WE HAD PROPOSED TO YOU EARLIER IN THE YEAR. THAT SHORTFALL IS
THE RESULT OF UNSEASONAL RAINS ASSOCIATED WITH UNUSUAL WEATHER THROUGH
OUT THE REGION.

SHIPMENTS OF SUGAR ARE SOMEWHAT BEHIND SCHEDULE AND THE TOTAL
RECEIPTS ARE SUBSTANTIALLY LESS THAN BUDGETED. ALTHOUGH THE
PROPOSED REPAYMENTS IN 1985 WILL NOT ENTIRELY LIQUIDATE OUR
ARREARS THE PAYMENTS TO THE IMF ALONE AMOUNT TO SOME 32 PERCENT
OF OUR TOTAL HARD CURRENCY RECEIPTS. AS YOU WILL SEE FROM THE TABLE,
THE FINAL PAYMENTS FOR LIQUIDATION OF THE ARREARS WILL BE MADE
IN 1986. WE KNOW THE PROBLEMS THAT THIS SCHEDULE POSES ON YOUR
SIDE BUT WITHOUT AN IMPROVEMENT IN THE 1985 FIGURES IT IS
DIFFICULT TO SEE HOW WE CAN REDUCE DEBT PAYMENTS IN GENERAL OR THE IMF IN P
ARTICULAR WITHOUT ENCOUNTERING DIFFICULTIES THAN WE CURRENTLY FACE. I TRUST
THAT THIS INFORMATION WILL BE OF ASSISTANCE TO THE VARIOUS COUNTRIES
DATA OR EXPLANATIONS.

RECEIPTS AND PAYMENTS

1984	1985 U.S. DOLLARS (198600) TOTAL			NOV '84/DEC '85
	NOV/DEC	JAN/JUNE	JULY/DEC	
RECEIPTS				
SUGAR	17.20	23.60	40.00	80.80
BAUXITE	-	-	-	-
RICE	-	1.80	1.80	3.60
OTHER	1.60	5.80	5.60	12.40
TOTAL	19.00	30.00	47.40	96.80

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PAYMENTS

IMPORTS (GOODS)	3.30	7.50	10.50	1221.30
SUGAR INPUTS	(0.25)	(0.70)	(1.50)	(2.45)
RICE DO	(0.65)	(0.90)	(1.30)	(2.85)
CONSUMER GOODS	(0.50)	(0.60)	(0.70)	(1.80)
OTHER INTER-MEDIATE GOODS	(1.90)	(5.30)	(6.00)	(14.20)
IMPORTS (SERVICES)	(15.70)	22.90	36.60	75.20
DEBT SERVICING	15.40	20.30	30.60	66.30
WORLD BANK	(1.20)	(3.60)	(3.80)	(8.60)
NET I.M.F.	(6.30)	(10.00)	(15.00)	(31.30)
O.P.E.C.	(1.60)	(1.50)	(2.20)	(5.30)
I.D.B.	(0.20)	(0.30)	(1.00)	(1.50)
OTHER	(0.20)	(-)	(-)	(0.20)
COMMERCIAL BANKS	7(1)	(3.20)	(4.00)	(9.80)
NATIONALISATION	(3.30)	(1.70)	(4.60)	(9.60)
OTHER SERVICES	3.30	3.60	6.00	8.90
TOTAL PAYMENTS	19.00	30.40	47.10	96.50

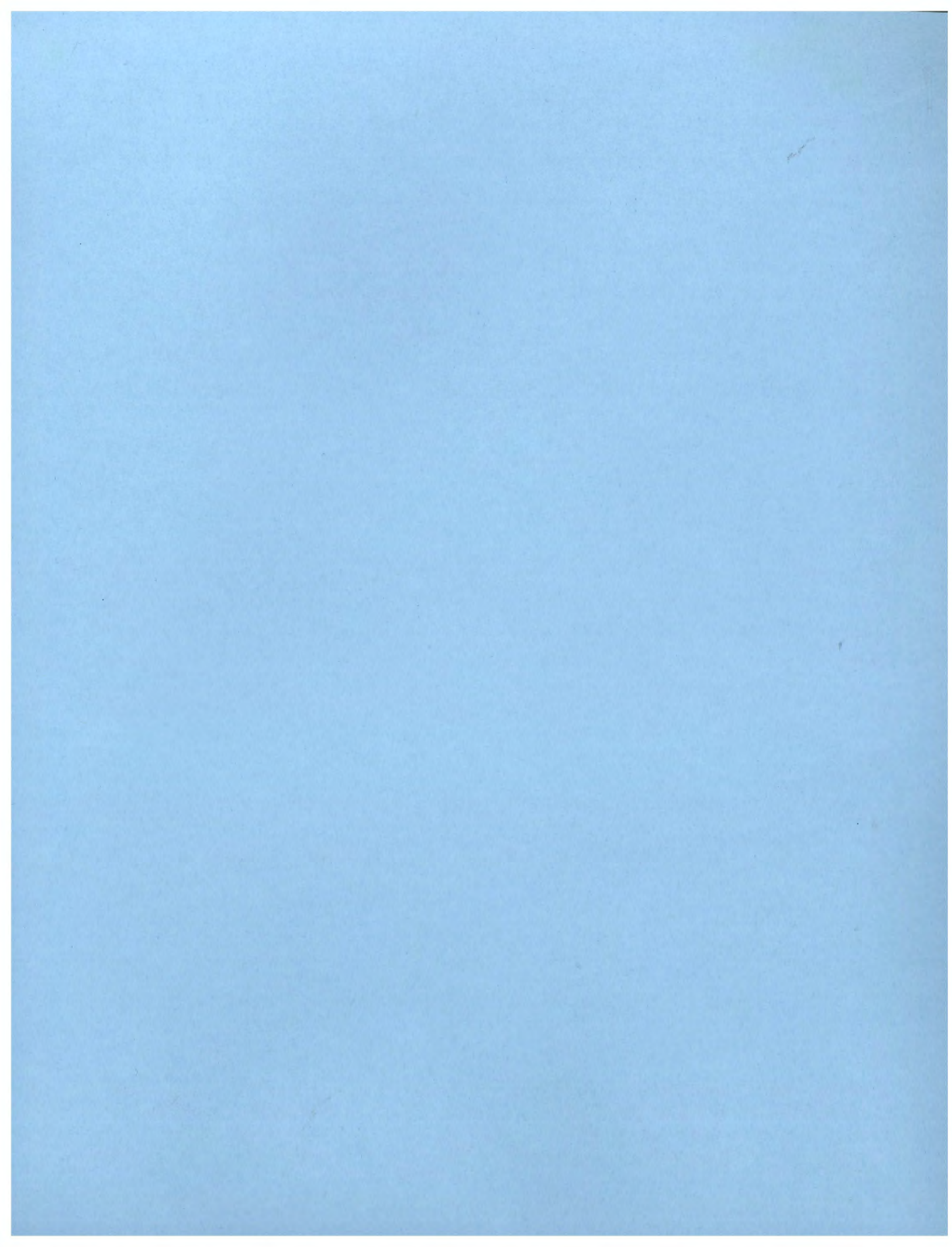
INCOMING CABLE/TELEX

SUMMARY OF GUYANA'S POSITION WITH THE I.M.F.

MILLION

SDR/R

GUYANA'S INDEBTEDNESS AS AT 31ST DECEMBER 1984	13.2
ADD REPURCHASES AND CHARGES GENERAL ACCOUNT, S.D.R. ACCOUNT AND TRUST FUND FOR 1985	18.5
	31.7
LESS PROPOSED PAYMENTS AS PER BUDGET FOR 1985	22.5





Office Memorandum

TO : Mr. van Beek

DATE: November 9, 1984

FROM : T. Reichmann *TR*

SUBJECT: Factors Causing Countries' Difficulties in Remaining Current With the Fund

Guyana has experienced severe economic difficulties for several years. Since 1980, its economic performance has been adversely affected by weak world demand for bauxite and sugar, Guyana's main exports. However, the staff believes that the severity and duration of economic difficulties are to a large extent due to inadequate economic policies. Extensive administrative controls over pricing, trade, and payments have given rise to major distortions in relative prices, including the exchange rate. These distortions are the primary cause of the poor performance of Guyana's main export sectors and of the rapidly growing parallel economy. Moreover, public sector deficits in excess of 60 percent of GDP in both 1983 and 1984 have been by and large accommodated by the expansion of domestic credit and have resulted in the exhaustion of the country's international reserves, widespread shortages of industrial inputs and essential foodstuffs, and the accumulation of large external payments arrears.

The authorities are in broad concurrence with the staff's assessment of Guyana's economic situation and with its views on the thrust of measures needed for reducing the country's domestic and external imbalances. However, the measures in the fiscal and exchange rate areas, as well as certain measures to reorganize the major export companies, undertaken in the past year, have been clearly insufficient to move the balance of payments toward a sustainable position and to permit the authorities to reduce external payments arrears.

cc: Mr. Quirk



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MR. KAFKAT

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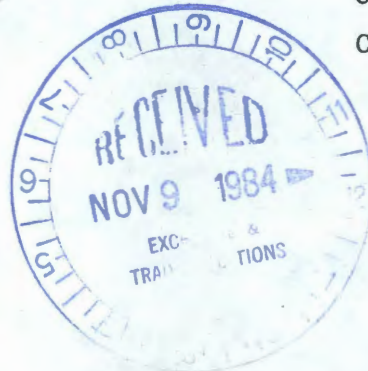
TRE

MR. DANNEMANN

MR. S. COLLINS

THE MANAGING DIRECTOR,
INTERNATIONAL MONETARY FUND,
WASHINGTON D.C.

9TH NOVEMBER, 1984



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WE WISH TO ADVISE THAT THE GUYANA DOLLAR CENTRAL EXCHANGE RATE FOR THE PERIOD COMMENCING SATURDAY, NOVEMBER 10, 1984 AND ENDING FRIDAY, NOVEMBER 16, 1984 WILL BE GUYANA DOLLAR 4.15 EQUAL U.S. DOLLAR 1.00.

THE U.S. DOLLAR CONTINUES TO BE GUYANA'S INTERVENTION CURRENCY.

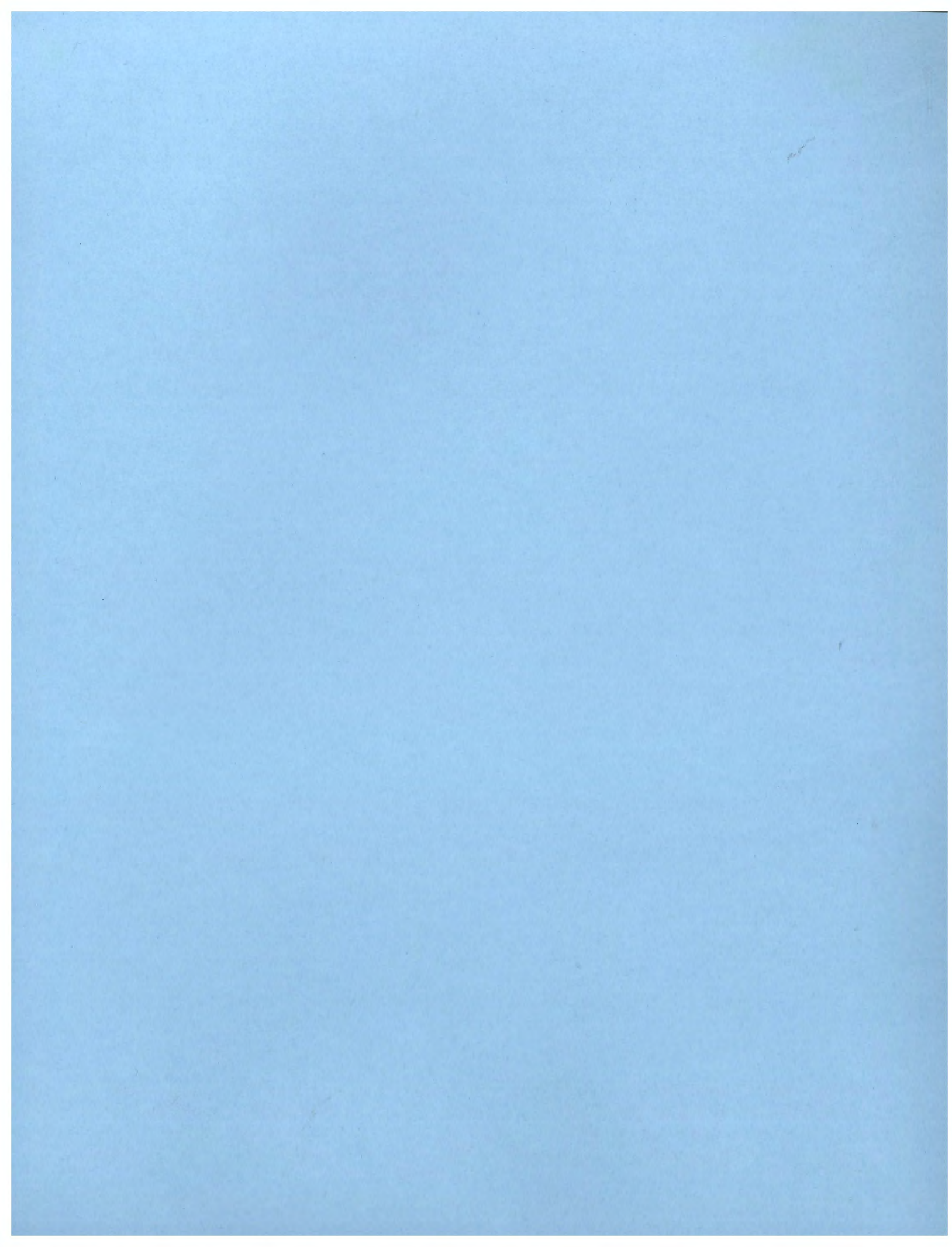
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CENTRALBANK GEORGETOWN GUYANA

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IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

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22 GUYANA
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18 GRA NO.
17 TEST NO.
16 I WOULD LIKE TO REFER TO THE QUESTION OF GUYANA'S
15 OVERDUE PAYMENTS TO THE FUND AND TO THE DISCUSSIONS ON
14 THE MATTER WITH THE DEPUTY MANAGING DIRECTOR DURING THE
13 ANNUAL MEETINGS IN WASHINGTON.
12 THE EXECUTIVE BOARD IS TO REVIEW ITS DECISION TO LIMIT
11 GUYANA'S RIGHT TO USE THE FUND'S GENERAL RESOURCES NOT
10 LATER THAN NOVEMBER 30, 1984. THE MANAGING DIRECTOR WILL
9 BE ABLE TO REPORT THAT GUYANA HAS MADE A NUMBER OF PAYMENTS
8 IN RECENT MONTHS, AS YOU INDICATED WOULD BE THE INTENTION.
7 NEVERTHELESS, THE AMOUNT OF OVERDUE OBLIGATIONS OUTSTANDING
6 HAS ONLY BEEN REDUCED SLIGHTLY BELOW THE LEVEL IN JUNE
5 1984. YOU WILL RECALL THAT IN ITS DISCUSSION OF THIS
4 MATTER IN AUGUST, THE EXECUTIVE BOARD DID NOT CONSIDER
3 GUYANA'S STATED OBJECTIVE OF KEEPING THE ARREARS AT
2 END-1984 AT ABOUT THEIR LEVEL IN JUNE AS ADEQUATE OR
1 ACCEPTABLE. DESPITE THE PAYMENTS THAT HAVE BEEN MADE,
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MR. S. COLLINS

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IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

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18 THE SITUATION REMAINS MOST UNSATISFACTORY. FURTHER STEPS
17 TOWARDS ITS RESOLUTION ARE, IN MY VIEW, MOST URGENT.
16 IN THIS CONNECTION, AS DISCUSSED WITH MR. ERB IN
15 SEPTEMBER, WE WOULD HOPE TO RECEIVE SHORTLY AN INDICATION
14 OF YOUR SPECIFIC PLANS FOR EARLY ELIMINATION OF THE
13 OVERDUE OBLIGATIONS TO THE FUND, INCLUDING YOUR PROJECTIONS
12 OF FOREIGN EXCHANGE RECEIPTS AND PAYMENTS, AS IT WILL BE
11 NECESSARY TO PREPARE A REPORT TO THE EXECUTIVE BOARD PRIOR,
10 TO THE REVIEW. THIS INFORMATION SHOULD BE RECEIVED BY US
9 AS SOON AS POSSIBLE AND IN ANY EVENT WELL BEFORE THE END
8 OF NOVEMBER.
7 I LOOK FORWARD TO YOUR EARLY REPLY ON THE MATTER,
6 AND STRONGLY HOPE THAT SUBSTANTIAL FURTHER PAYMENTS CAN
5 BE MADE VERY SHORTLY.
4 BEST REGARDS
3 W.O. HABERMEIER
2 TREASURER AND COUNSELLOR
1 INTERFUND

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WASHINGTON, D. C. 20431

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17	THE HONORABLE CARL GREENRIDGE	O
16	GOVERNOR OF THE INTERNATIONAL MONETARY FUND	T
15	FOR GUYANA	P
14	MINISTRY OF ECONOMIC PLANNING AND FINANCE	E
13	GEORGETOWN (GUYANA)	H
12	2.	E
11	REPEAT TO:	R
10	MR. PATRICK E. MATTHEWS	E
9	GOVERNOR	R
8	BANK OF GUYANA	E
7	GEORGETOWN (GUYANA)	R
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5	REPEAT TO:	
4	MR. PARRIS	
3	DEPUTY PRIME MINISTER	
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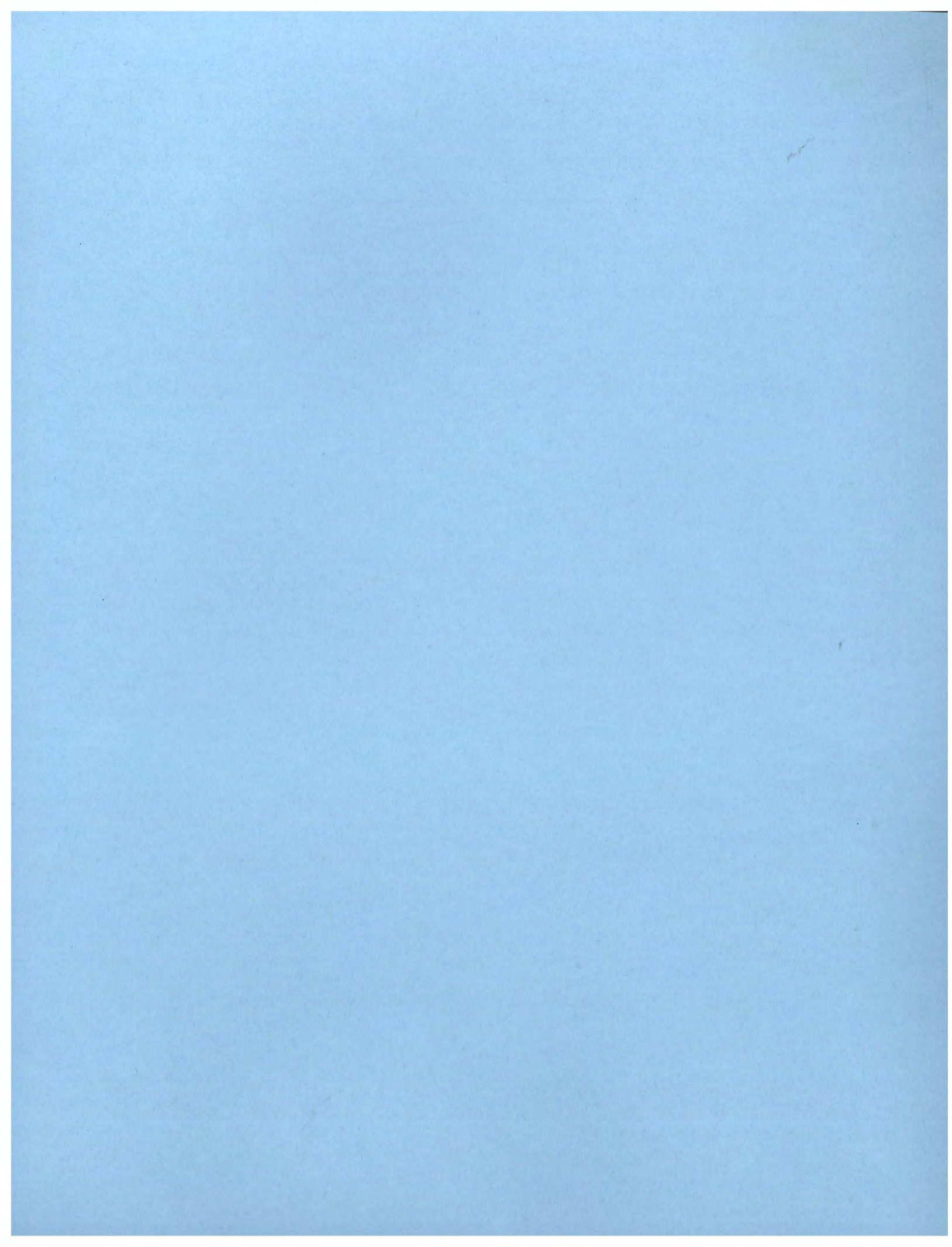
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ZCZC FROM GEORGETOWN GUYANA 12TH OCTOBER 1984

TLX NO. 248331

ETAT (PRIORITE)

MANAGING DIRECTOR INTERNATIONAL MONETARY FUND,
WASHINGTON D.C.
U.S.A



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ORIG: WHD

CC: MD

DMD

MR. KAFKA

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MR. DANNEMANN

MR. S. COLLINS

WE WISH TO ADVISE THAT THE GUYANA DOLLAR CENTRAL EXCHANGE RATE FOR THE PERIOD COMMENCING SATURDAY OCTOBER 13, 1984 AND ENDING FRIDAY OCTOBER 19, 1984 WILL BE GUYANA DOLLARS 4.15 EQUAL U.S. DOLLAR 1.00 STOP THE U.S. DOLLAR CONTINUES TO BE GUYANA'S INTERVENTION CURRENCY STOP

~~XXXXXXXXXX~~
GOVERNOR BANK OF GUYANA

CENTRALBANK

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248331 IMF UR

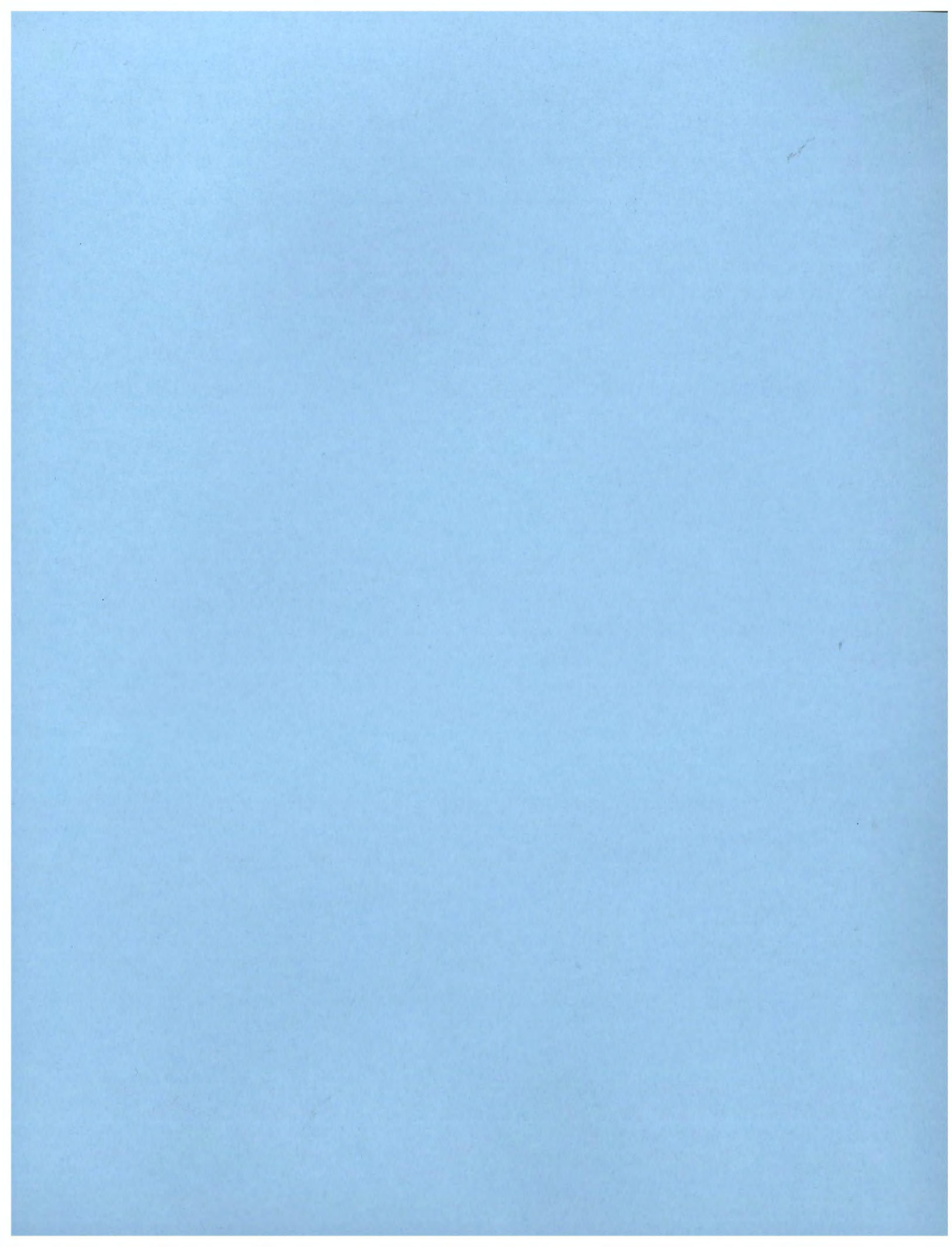
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MR. KAFKA

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cc: Mr. Quirk

2267 CENBANK GY

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5TH OCTOBER, 1984

SEC

MANAGING DIRECTOR,
INTERNATIONAL MONETARY FUND,
WASHINGTON D.C.,
U.S.A.

TRE

MR. DANNEMANN

MR. S. COLLINS

THE GOVERNMENT OF GUYANA WISHES TO NOTIFY THE FUND THAT WITH EFFECT FROM OCTOBER 6, 1984 THE GUYANA DOLLAR EXCHANGE RATE WILL BE FIXED FROM TIME TO TIME BY APPLICATION OF THE BASKET MECHANISM REFERRED TO IN OUR TELEXES TO YOU OF JUNE 2, 1981 AND JANUARY 11, 1984

A NEW RATE WILL BE DETERMINED AND DECLARED BY THE BANK OF GUYANA ON FRIDAY OF EACH WEEK FOR THE PERIOD BEGINNING THE NEXT SUCCEEDING SATURDAY AND ENDING ON THE NEXT SUCCEEDING FRIDAY.

THE GUYANA DOLLAR CENTRAL EXCHANGE RATE FOR THE PERIOD COMMENCING SATURDAY OCTOBER 6, 1984 AND ENDING FRIDAY OCTOBER 12, 1984 WILL BE GUYANA DOLLAR 4.12 EQUAL U.S. DOLLAR 1.00. THE U.S. DOLLAR CONTINUES TO BE GUYANA'S INTERVENTION CURRENCY.

-L. MERE L. MEREDITH
DEPUTY GOVERNOR
BANK OF GUYANA GEORGETOWN

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REPLY VIA ITT

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TIME: 17:46 10/05/84 ???
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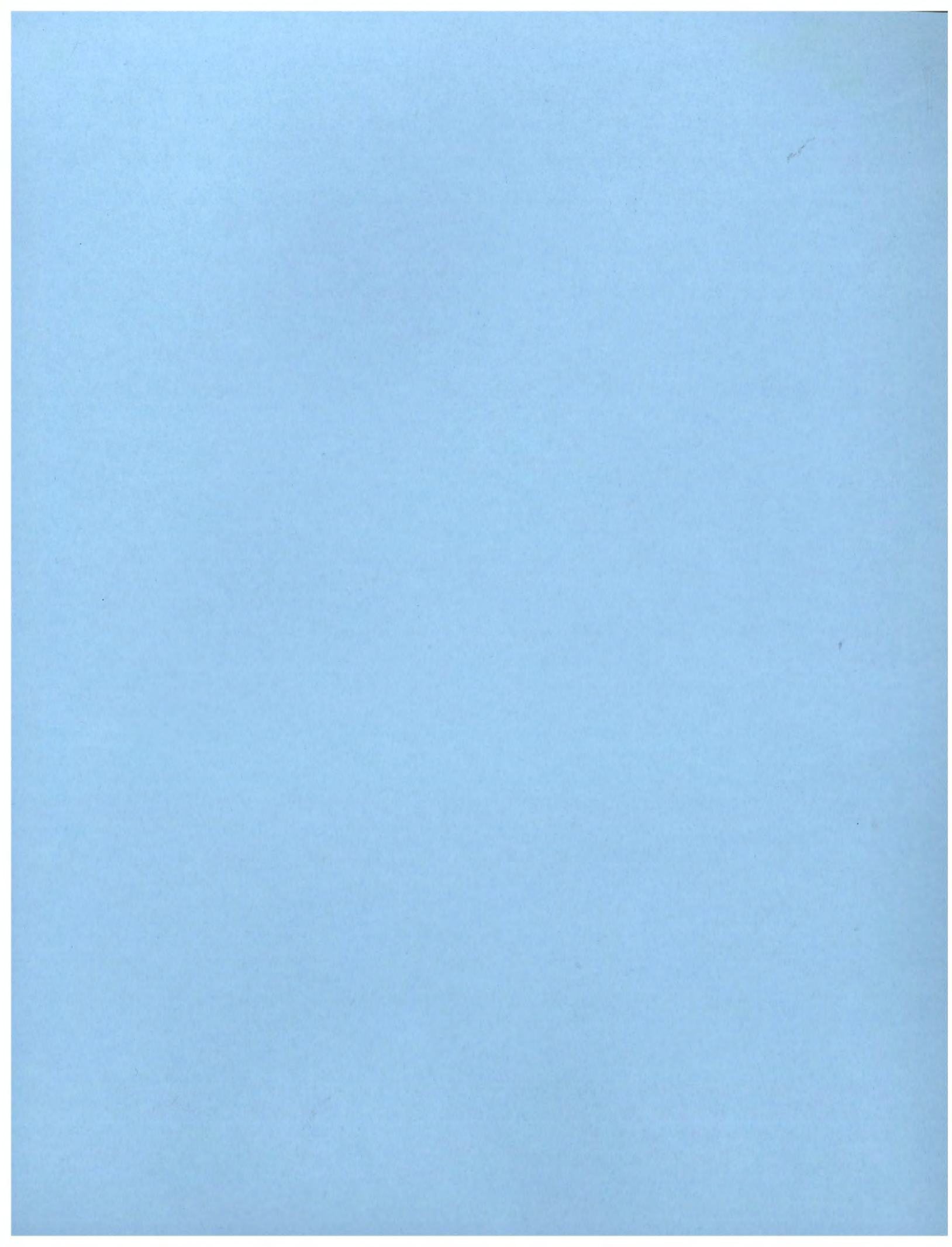
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DISTRIBUTION

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18 EXECUTIVE BOARD TOOK FOLLOWING DECISION AUGUST 31: QUOTE
17 1. THE FUND HAS REVIEWED DECISION NO. 7719-(84/88),
16 JUNE 6, 1984, IN LIGHT OF THE DISCUSSIONS BETWEEN THE FUND
15 AND GUYANA, THE RECENT PAYMENTS MADE AND THE PAYMENTS
14 PROPOSED TO BE MADE, AS DESCRIBED IN EBS/84/47, SUP. 4,
3 AUGUST 29, 1984.
12 2. THE FUND CALLS UPON GUYANA TO ADOPT URGENTLY ADDITIONAL
11 ECONOMIC AND FINANCIAL ADJUSTMENT MEASURES AND TO BECOME
10 CURRENT ON ITS FINANCIAL OBLIGATIONS TO THE FUND.
9 3. THE FUND SHALL FURTHER REVIEW DECISION NO. 7719-(84/88)
8 NOT LATER THAN NOVEMBER 30, 1984. UNQUOTE

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6 VAN HOUTVEN, SECRETARY, INTERFUND

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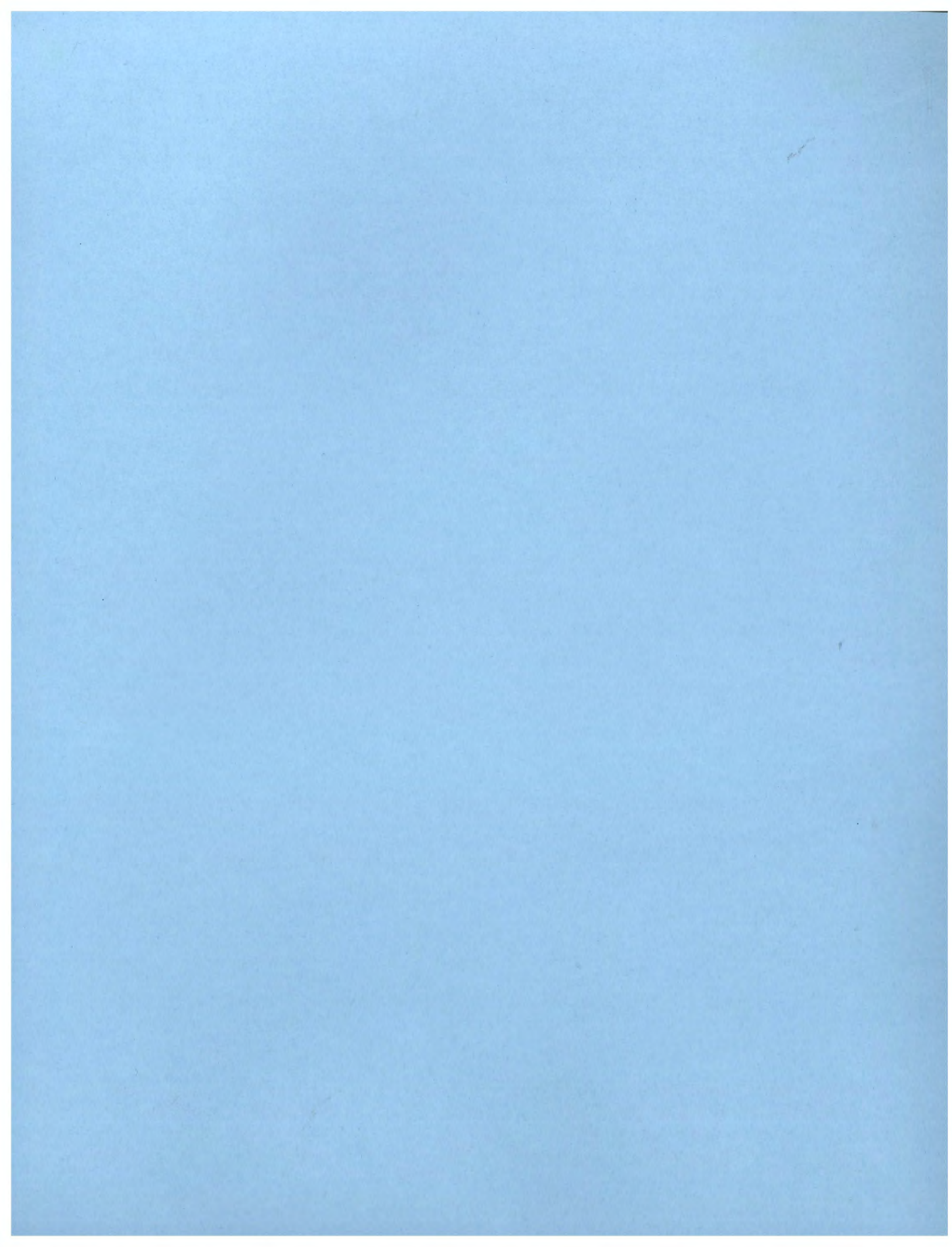
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INTERNATIONAL MONETARY FUND

August 27, 1984

TO : Mr. Beveridge

FROM: Peter J. Quirk

The attached document provided to me by Mr. Caiola was left by the Guyanese before they departed. Some comments:

- (1) It equates sharply falling real incomes to date with "adjustment."
- (2) The first of the "required measures" is foreign lending of US\$100-120 million per annum over the next 2-3 years.
- (3) The need for large exchange rate change is accepted. Ostensibly this would be in addition to the basket-dictated changes (page 8, points 6-8), although this differs from statements to the staff on Thursday to the effect that only the frequency of adjustment according to the basket would be stepped up. Flexible determination of the rate appears to be ruled out (footnote 1 on page 5).
- (4) Technical assistance is being sought for construction of a CPI reflecting legal and parallel market goods (point 20 on page 10).
- (5) As regards specific (non) treatment of Fund arrears, see paragraph 5 on page 12.

Attachment

M. Gump
5-120

A FUTURE PROGRAM FOR ECONOMIC STABILISATION IN GUYANA

A. BACKGROUND

1. The Government's attention and limited implementation resources have so far been largely on the supply side, where huge problems and also enormous growth potential exist. The Government intends now to take a broader approach.
 2. In addition to continuing these efforts on the supply side and enhancing the economy's productive capacity, the first objectives of the future economic stabilisation program will be to achieve, as rapidly as possible:-
 - (a) a negligible deficit on the Current Account of the Balance of Payments;
 - (b) a much reduced overall public sector deficit, taking it to a very modest level; and
 - (c) a return to profitability of the main exporting industries.
 3. Regarding 2(a) - Guyana accepts that it already has a very large burden of outstanding debt and any program should avoid adding to it as quickly as possible.¹ The growth of the economy can allow future net repayment.
-
1. It must be recognised, however, that Guyana initially needs a sizeable net injection of funds to rehabilitate export industries and so be able to repay the debts in future.

Regarding 2(b) - It is recognised that the economy cannot achieve stability when there are excessive levels of G\$ flowing into the system and increasing the demand for imports to levels that cannot be sustained by the production of exports.

Regarding 2(c) - The future health and stability of the Guyana economy clearly depends on increased export production. This will not be forthcoming unless it is profitable to export legally.

4. Any stabilisation program must, however, be based on achievable projections of the main aggregates. The non-realisation of optimistic targets will only frustrate performance. Likewise, it is futile to base a program on policies that will certainly cause severe social disruption, although it is understood that no stabilisation program can be painless. Judgement is required on how fast the adjustment can be made.

5. In exercising that judgement the large and painful changes that have already occurred in Guyana must not be forgotten:
 - (a) Real Gross Domestic Income per head in 1983 is 34% below the average 1976-78 level.²

2. See Table 1

3.

(b) Imports of goods and NFS have fallen by 42% in real terms in 1983 from the average level of 1976-78 while there has been a real decline of 35% in exports of goods and NFS over the same period.¹

(c) Real total government expenditure excluding interest payments was in 1983 53% lower than the average 1976-78 level;¹ and

(d) Over the last 10 years real wages may have on average fallen by approximately 50%, from levels that were already well below the average for comparable developing countries.²

6. Guyana's external imbalance is large and the parallel market economy is well established. In determining how long it will realistically take to achieve the objectives in paragraph 2 the following needs to be remembered.

(a) The fall in export revenue has necessitated a large fall in the level of real imports and NFS³, this fall essentially occurring in consumer and capital imports (rather than the less flexible intermediate imports). The real decline in Government expenditure and, more important, the severe import controls have been the means

1. See Table 1

2. See Tables 3 - 5

3. See Table 1

of producing the fall. Further reductions in imports will be extremely difficult to achieve, without ruining the productive base of the economy.

- (b) Seventy per cent of Guyana's exports are of bauxite and sugar, which are Government owned industries already trying, within their many constraints, to produce at maximum levels. While it is recognised that increased profitability has a positive effect on the incentives for managers of State-owned corporations to increase export production, we must rely on the relatively small base of the remaining 30% of exports.
- (c) All exporters are now chronically short of imported raw materials, spare parts and capital equipment. For exports to increase, foreign exchange must initially be provided for these scarce imported items to be made available, and time allowed for the effect of this to work through the production system.
- (d) Table 1 shows real Government expenditure as having already been cut severely. Further cuts will therefore be hard to find, especially with interest payments comprising 40% of total central Government expenditure.

(e) Although the size of the parallel market might suggest that there is considerable scope for improving matters by making such activity less profitable, peoples' patterns of behaviour (e.g. their inducement to engage in smuggling and other illegal activity) takes time to change.

7. The objectives stated in paragraph 2 cannot be achieved in under three years. The sharp curb on imports that would be required to achieve immediate balance on Current Account would clearly destroy export performance and cause understandable social disruption.¹ To bring the overall public sector deficit back to manageable levels would require an immediate increase in central Government revenues of over 80%. To return the export industries to profitability will take time due to their accumulated debt and interest payments; the lag between the injection of extra resources and the effect of this on production; and the need to improve efficiency.

1. There exists the option of floating the exchange rate and removing all controls to achieve immediate external balance. In addition to the exchange rate change, however, there would need to be unachievable wage control, inflows of external resources and changes in peoples' views about the desirability of holding Guyana dollars. Immediate equilibrium on the Current Account without controls is not an achievable objective.

8. Guyana will therefore take measures that will lead to continual and sustainable progress towards the achievement of the objectives in paragraph 2.
9. The export industries have suffered from inefficiencies in their operations. This has in part been due to management problems. Recently, and much more important, it has been due to a severe shortage of foreign exchange which has led to insufficient import of spare parts, a poor utilisation of equipment and high maintenance costs per unit of output. Between 1981 and 1983 the volume of recorded sugar exports fell by 23%, while for other exports the decline in volume was rice 47%, calcined bauxite 36%, dried bauxite 27%, and alumina 100%. These declines have been due to the lack of imported raw materials, spare parts and capital goods.¹ These shortages now represent the main impediments to economic recovery in Guyana.
10. In addition to these production declines the terms of trade have declined by nearly 40% since 1980.

1. For the rice industry the decline in the volume of recorded exports could also partly be due to the increase in illegal exports. This is not the case with the other export commodities listed, however.

11. Declining export production and the terms of trade have considerably worsened the deficit on Current Account of the Balance of Payments, and have worsened the losses of the export industries and thus the overall public sector deficit.
12. The sharp decline in export production and the terms of trade show the extent of Guyana's problems and the potential of the Guyana economy to recover if appropriate measures are taken. Indeed, the Guyana economy has already seen a high contraction in real demand (Table 1). What is needed is a continuation of the measures designed to increase export production and measures to control monetary demand.

B. THE REQUIRED MEASURES IN OUTLINE

1. Over the next 2 - 3 years Guyana needs foreign loans of between US\$100-120 million per annum. The bulk of these loans must go to provide capital equipment, spare parts and raw materials for the export and, to a much lesser extent, import substitution industries.
2. Outside management assistance will be acquired for Guymine and most of the recommendations in the KATSI and UEC reports will be implemented.
3. Outside technical assistance will be acquired to fill any gaps in Guysuco's expertise caused by high staff turnover.

4. Domestic sugar prices will continue to be increased to eventually remove any element of subsidy.
5. Private millers can now market rice on the local and export markets. The prices the GRB pays for paddy and milled rice have been increased and will continue to be increased further to provide strong incentives for legal export. Prices for rice sold on the local market will also be regularly increased to eventually remove any element of subsidy.
6. The exchange rate will be regularly adjusted so that it is profitable to legally export. It is recognised that this requires large changes.
7. Subject to the explicit changes just referred to, the exchange rate shall be fixed against a basket of currencies, rather than be simply tied to the US dollar.
8. With only minor exceptions the effect of the exchange rate change will be fully and quickly passed on in the form of higher prices.
9. All exporters will be allowed to automatically retain a minimum percentage of their export proceeds.

9.

10. The current exchange rate of G\$6.03:US\$1 paid on gold purchases would be increased with any percentage change in the official rate.
11. The local prices of imported goods will be selectively increased by greatly increasing the consumption tax on particular goods.
12. Central Government capital expenditure will be cut sharply.
13. Current Government expenditures (excluding interest) will be cut each year in real terms.
14. Central Government revenues will be regularly and significantly increased each year in real terms. This will require large explicit increases to most taxes, other than taxes on income, the regular adjustment of all taxes with inflation and the allocation of more resources to the revenue collecting authorities. The Government would appreciate immediate technical assistance in identifying precise measures to assist in these goals.
15. Guyana's debt service obligations will need to be rescheduled.

16. Average public sector wage increases be strictly controlled so as not to erode the benefits of exchange rate changes.
17. Wage earners will be encouraged to maximise their savings through the highly attractive Deferred Income Schemes.
18. Some extra foreign exchange will need to be allocated to provide more of a given basket of consumer goods on the local market as part of the overall package. (This would not require outside funds in addition to those mentioned in 1).
19. Losses on foreign debt from exchange rate changes will be offset wherever appropriate by the issue of Treasury Bills which need not explicitly enter the Government's accounts.
20. The Government will attempt to construct a modified CPI that reflects a combination of legal and parallel market transactions so as to monitor the increase in final prices actually paid by the consumer. The Government will appreciate technical assistance in the construction of such an index.

21. The measures already being implemented which were outlined elsewhere will of course continue.

C. TIMING OF THE MEASURES

1. The question of timing only arises with three sets of measures, the rest can and will be implemented as quickly as possible.
2. These three sets of measures are as follows:-
 - (a) The movement of the exchange rate to a level that will restore profitability to legal exporters.
(Paragraph B 6).
 - (b) The large reduction in the Government's budget deficit to reduce the need for domestic bank financing to minimal levels (Paragraphs B 10, 11, 12 and 13).
 - (c) Increasing specific domestic prices to remove the subsidy element. (Paragraphs B 4, 5).
3. These measures cannot be fully implemented until there is a large inflow of outside financial resources because:-
 - (a) To fully implement them earlier would cause labour unrest, with the main source of such unrest being in the export industries, thus undermining the program ;

- (b) Extra resources are required to facilitate the increased production that the measures are aiming to stimulate;
 - (c) Extra resources are in part also required to stimulate activity and ensure that Government revenues increase as planned.
4. The Government intends to now begin the steady implementation of the measures listed in paragraph 2 above. When the resources mentioned in B 1 are committed, however, the Government would then be able to greatly accelerate the implementation of the measures.
5. The constraint to speedy implementation must therefore be commitment of the required resources which would presumably occur with the arrangement of an IMF standby loan. It is important, therefore, to quickly remove what appear to be the current impediments to such a loan.
- (a) The Government cannot fully meet its IMF arrears until it earns extra foreign revenues, which it cannot do without an inflow of extra overseas resources.
 - (b) It is impossible to base a program on an immediate cessation of the increase in arrears without some form of untied compensating inflows. The switch in

13.

resources to do otherwise would undermine the rest of the program. All that can be aimed for is an immediate sharp reduction in the increase in arrears (or the need for the compensating inflows), a target of no increase in arrears at a specified (near) future date and a timetable for the future repayment of the arrears.

6. Further thought needs to be given to these two issues.

TABLE 1: SELECTED ECONOMIC INDICATORS

	Real GDP ⁽¹⁾ (G\$ millions at 1977 prices) ⁽³⁾	Real Income ⁽¹⁾ per head (G\$ millions at 1977 prices) ⁽³⁾	Imports of ⁽¹⁾ Goods and NFS (G\$ millions at 1977 prices)	Exports of ⁽¹⁾ Goods and NFS (G\$ millions at 1977 prices)	Real Govt. Expenditure Less Interest Payments ⁽²⁾ (G\$ million at 1977 prices) ⁽³⁾
Average 1976-78	1064	1356	915	767	553
1979	1026	1174	692	693	403
1980	1035	1230	744	713	484
1981	1015	1151	781	680	482
1982	907	997	557	534	327
1983	837	915	528	497	260
Average 1976-78 to 1983 (per cent change for period)	-21%	-34%	-42%	-35%	-53%
1983 as per cent of average 1976-78 level	79%	66%	58%	65%	47%

Notes

- (1) Taken from Table 2.8, page 68 of January 11, 1984 World Bank Report, Guyana: Recent Developments, Structural Development and Prospects for years 1976-1982. The 1983 figures are estimates by the Guyana Government, based on Statistical Bureau information.
- (2) Nominal values taken from Table 5.2, page 90 of above World Bank report, and deflated by Guyana CPI figures listed on page 68 of the same report. The 1983 Guyana CPI figure used represented an increase of 12.4% on the previous year (from Statistical Bureau).
- (3) The official Guyana CPI figures were used. It can be argued that from June 1981 this series has underestimated Guyana's actual inflation.

Table 2: International Comparison of Monthly Earnings¹

1976

Country	Currency Unit	Exchange ² Rate	Non-Agricultural Sectors		Agriculture Sector	
			Earnings in Local ³ Currency ³	Earnings in U.S. ³ Dollars ³	Earnings in Local ³ Currency ³	Earnings in U.S. ³ Dollars ³
Algeria ⁴	Dinars	4.359	656.9	150.7		
Burundi ⁴	Francs	78.75	5028 ⁵	63.8	3554 ⁵	45.1
Kenya	Shillings	8.310	905.9 ^{5,6}	109.0	312.9 ^{5,6}	37.7
Malawi	Kwacha	0.9074	44.94 ⁵	49.5	10.98 ⁵	12.1
Mauritius	Rupees	6.639	346.13	52.1	339.41 ^{6,7}	51.1
Nigeria ⁴	Naira	0.6267	42.	68.1	34.22	54.6
Sierra Leone	Leones	1.1748	49.15	41.8	-	-
Zambia	Kwacha	0.7934	131 ⁵	165.1	50 ⁵	63.0
Bolivia	Pesos	20.00	1750 ⁵	87.5	-	-
Costa Rica	Colones	8.57	1487	173.5	520 ^{6,8}	60.7
Cuba	Pesos	0.829	143 ⁵	172.5	135.17 ⁵	163.1
Guyana	Dollars	2.55	70.58	27.7	54.47	21.4
Honduras	Lempiras	2.00	253.48	126.7	-	-
Nicaragua	Cordobas	7.026	974.11	138.6	-	-
Peru	Soles	69.37	6805.6	98.1	-	-
Uruguay	Pesos	4.00	-	-	262.25	65.6
Venezuela	Bolivares	4.29	1816	423.3	-	-
Yemen, Rep. of	Won	484	62362 ^{5,6}	128.8	35284 ⁶	72.9
Malaysia	Ringgits	2.54	-	-	130 ⁹	51.2
Philippines ⁴	Pesos	7.51	413	55.0	135.8 ⁶	
Sri Lanka	Rupees	8.828	311.9	35.3	130.83 ⁹	14.8
Tajik	Dollars	0.9415	-	-	108.73	111.6
New Caledonia	Francs (CFP)	248.49	-	-	24523 ⁶	98.7
Vanuatu				114.05		59.09

Notes

1. In some cases, source data refer to hourly, daily or weekly earnings. These have been converted to monthly rates, assuming an eight-hour day, and 21.66 days or 4.33 weeks per working month.
2. Units of national currency per US dollar. Market rates at end year are used wherever possible.

Notes (continued)

3. No non-cash earnings received are included, except where indicated.
4. Data are for 1978.
5. Including salary earners.
6. Including the value of payments in kind.
7. Plantation and fishing workers only.
8. Minimum rates.
9. Plantation workers only.

Source: Wage Incomes and Wage Costs in Papua New Guinea: Challenges for Adjustment, Distribution and Growth, August 1982, Colclough and Daniel, p.162.

Table 3: Minimum Wages in the Public Sector

<u>Year</u>	(1) <u>Minimum Wage</u> (current values) (per day)	(2) <u>Minimum Wage</u> (1973 Prices) (per day)
1973	5.50	5.50
1974	5.50	5.12
1975	5.50	4.35
1976	5.50	4.04
1977	8.40	5.65
1978	8.40	5.22
1979	11.00	5.93
1980	11.00	5.04
1981	11.00	4.42
1982	11.94	3.84
1983	11.94	3.24

Note: In the years when the minimum wage increases, it is assumed that the increase occurred at the start of the year.

<u>Position Number</u>	<u>Example of Occupant</u>	<u>1973 wage C\$ monthly</u>	<u>1981 wage C\$ monthly</u>	<u>% change per annum</u>
<u>Traditional Public Service</u>				
A1	Cleaner	142	298	9.7
A 5	Accounts Clerk	193	328	6.9
A10	Laboratory Technician	271	401	5.0
A15	Forest Inspector	394	522	3.6
A20	Administrative Assistant	506	681	3.8
A25	Assistant Secretary	691	817	2.1
A30	Chief Pharmacist	946	1159	2.6
A35	Postmaster General	1094	1315	2.3
<u>Teachers</u>				
E 1	Teacher Aid	140	298	9.9
E 5	Teacher Assistant	205	340	6.5
E10	Class I Teacher	353	550	5.7
E15	Headmaster	735	867	2.1
<u>Disciplined Services</u>				
P 1	Barrack Labourer	172	312	7.7
P 5	Coxswain	271	401	5.0
P10	Records Officer	322	452	4.3
P15	Assistant Superintendent of Police	496	621	2.8
P20	Deputy Commissioner of Police	920	1133	2.6
CPI				12.1

1981-1983 Data

		<u>1981 wage C\$ monthly</u>	<u>1983 wage C\$ monthly</u>	<u>% change per annum</u>
E 1	Teacher Aid	298	367	11.0
E 5	Teacher Assistant	340	367	3.9
E10	Class I Teacher	550	705	13.2
E15	Headmaster	867	1734	41.4

Note: Where range listed, mid-point used.

Table 5: Aggregate Wages and Employment in the Public Sector

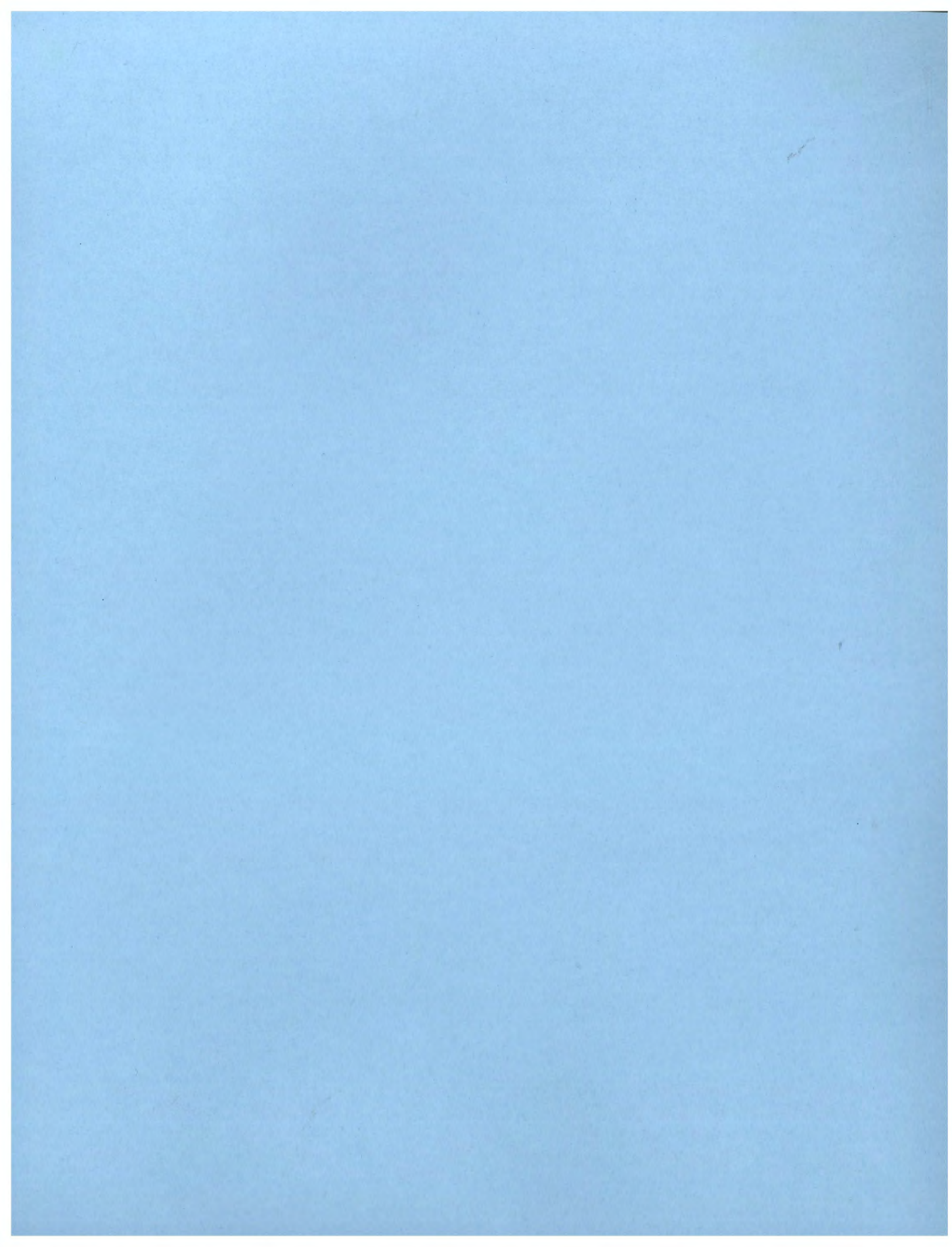
(1979-1983)

<u>Date</u> as at Sept	<u>PSC</u>	<u>Employment</u>		<u>PSC</u>	<u>Average Wage</u>		<u>Median Wage*</u>		
		<u>Central</u>	<u>Total</u>		<u>Central</u>	<u>Total</u>	<u>PSC</u>	<u>Central</u>	<u>Total</u>
1979	n.a.	n.a.	102150	n.a.	n.a.	4994	n.a.	n.a.	4096
1981	75240	29981	105221	7026	5350	6548	n.a.	4370	5192
1982	62549	27502	90051	6983	5345	6483	5319	4588	4477
1983	53130	28096	81226	7299	6830	7137	5848	5398	5656
% change p.a. 1979-1981	n.a.	n.a.	+ 1.5	n.a.	n.a.	14.5	n.a.	n.a.	12.6
% change p.a. 1981-1983	-19.0	-3.3	-13.8	1.9	13.0	4.4	n.a.	11.1	4.4

* Data was provided with salary ranges. The median range was calculated by pro rating the point where the 50 percentile was reached within a salary range.

Note: PSC = Public Sector Corporations

Central = Central Government Ministries





Office Memorandum

August 24, 1984

MEMORANDUM FOR FILES

Subject: Guyana--Overdue Payments to the Fund

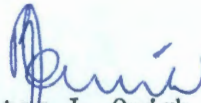
A meeting was held on the morning of August 22, 1984 with the Minister of Finance, Mr. Carl Greenidge, and the Central Bank Governor, Mr. Patrick Matthews to discuss overdue payments to the Fund and possible measures to redress these arrears. The staff representatives were Messrs. Caiola, Leddy, Quirk, and Mrs. de Sosa.

The Minister pointed out that the overdue payments to the Fund, presently some SDR 21 million, were in excess of those agreed at the end of June (SDR 16.4 million) due to seasonality in sugar receipts and other factors beyond the authorities' control. He provided a specific schedule for payments to the Fund, mainly from sugar exports, that would reduce the overdue amount to SDR 16.4 million by end-1984. However, it was also clarified that overall arrears would not decline, and that the repayments to the Fund, even on optimistic assumptions, were to be indirectly financed by the accumulation of further arrears to others. The Minister said that the nonpayments had been made on a "nondiscriminatory" basis. All bilateral debt payments were not being made, either on interest or principal, although payments to the IDB and IDA were small enough, and disbursements directly affected, so that the payments were being kept more or less current there. As for 1985, he did not offer hope of a further reduction in Fund arrears, nor in overall payments arrears.

On policies to redress the situation, the Guyanese representatives offered little substantive change. They pointed out that the public sector deficit and the balance of payments deficit were somewhat smaller than budgeted. Fiscal revenue collections had been somewhat higher than anticipated. However, the basic problems remained far from solution. The lack of spare parts to the bauxite industry due to the foreign exchange constraint meant that it was operating at less than one-half capacity. The exchange rate was also causing the sugar industry to operate at a large loss. With regard to specifics for exchange rate action, the authorities were planning to introduce in 1985 more frequent adjustment of the exchange rate to reflect changes in the basket, with abolition of the present informal 5-10 percent band, but it became clear that no early change would be forthcoming and that the present spread vis-à-vis the rate in the black market (G\$13 = US\$1) would not be appreciably affected. In response to some staff views on the possible

impact of a more flexibly-determined exchange rate system, the Minister thought that exchange rate depreciation would have little impact either on imports, which were confined mainly to essentials, or on the illegal foreign exchange market which was, in his view, relatively small.

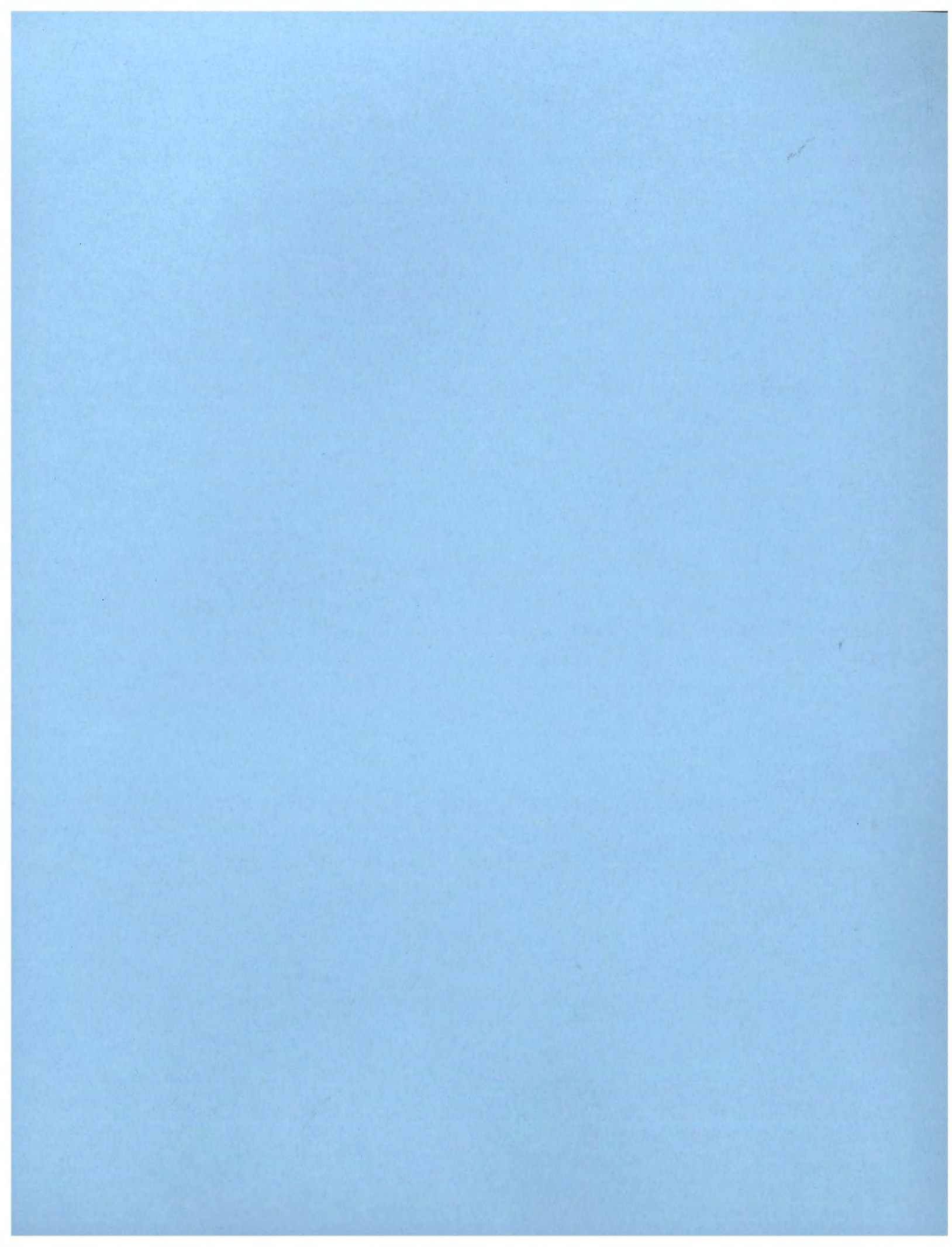
The Guyanese representatives said that they would be remaining in Washington until Sunday, and would present to the staff before their departure a document listing planned adjustment measures.



Peter J. Quirk
Division Chief

Exchange Restrictions Division
Exchange and Trade Relations Department

cc: Mr. Beveridge



23 GOVERNOR MATTHEWS

Mr. Fried

22 BANK OF GUYANA

21 GEORGETOWN, GUYANA

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18 WE LOOK FORWARD TO THE VISIT OF YOU AND YOUR ASSOCIATES

17 LATER THIS WEEK TO DISCUSS GUYANA'S OBLIGATIONS TO THE

16 FUND AND ARE IN CONTACT WITH MR. KAFKA'S OFFICE

15 CONCERNING ARRANGEMENTS.

14 REGARDS

13 HABERMEIER

12 INTERFUND

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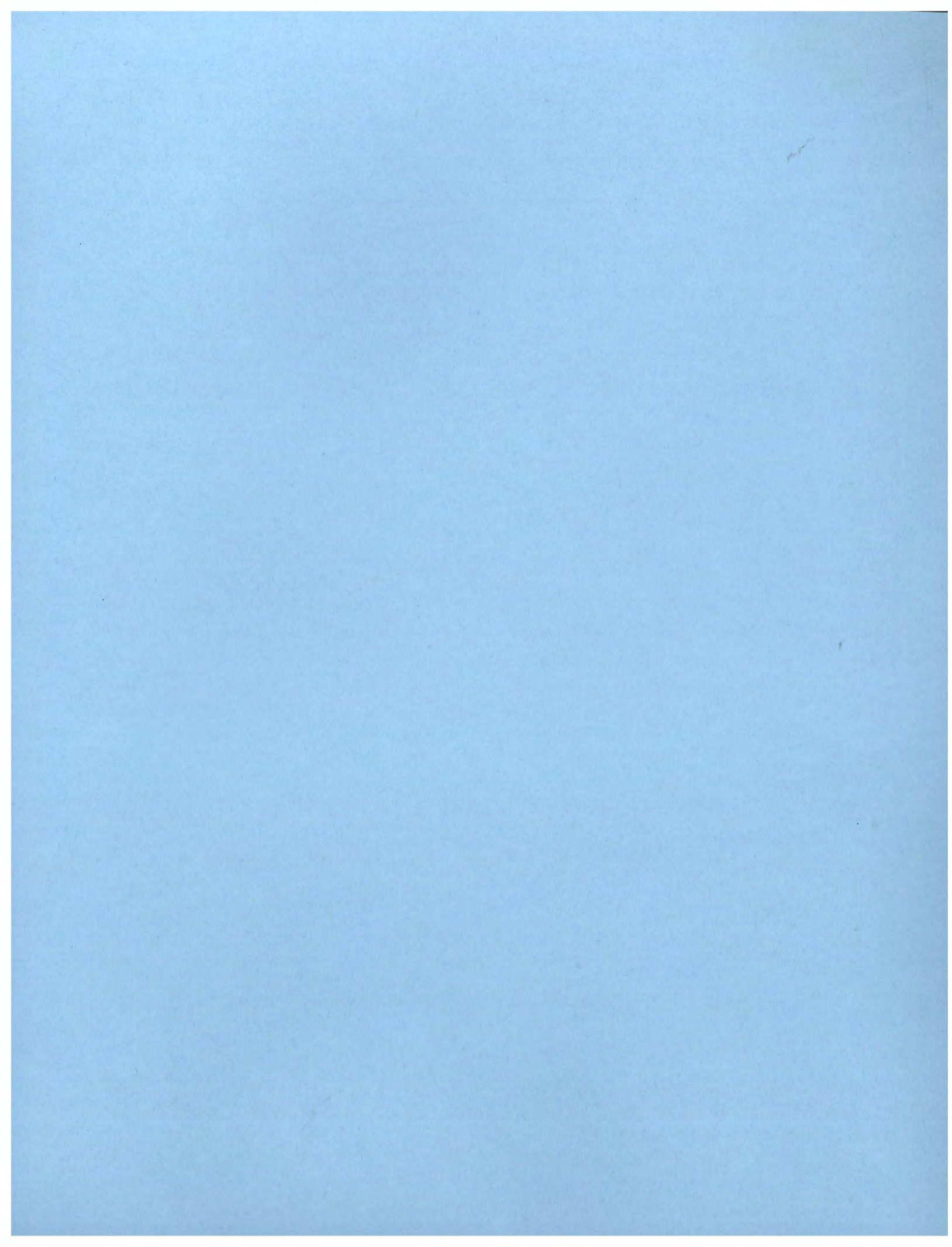
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Office Memorandum

To: The Acting Managing Director

From: W. O. Habermeier and Eduardo Wiesner

Subject: Guyana--Visit to Fund on Overdue Payments

August 21, 1984

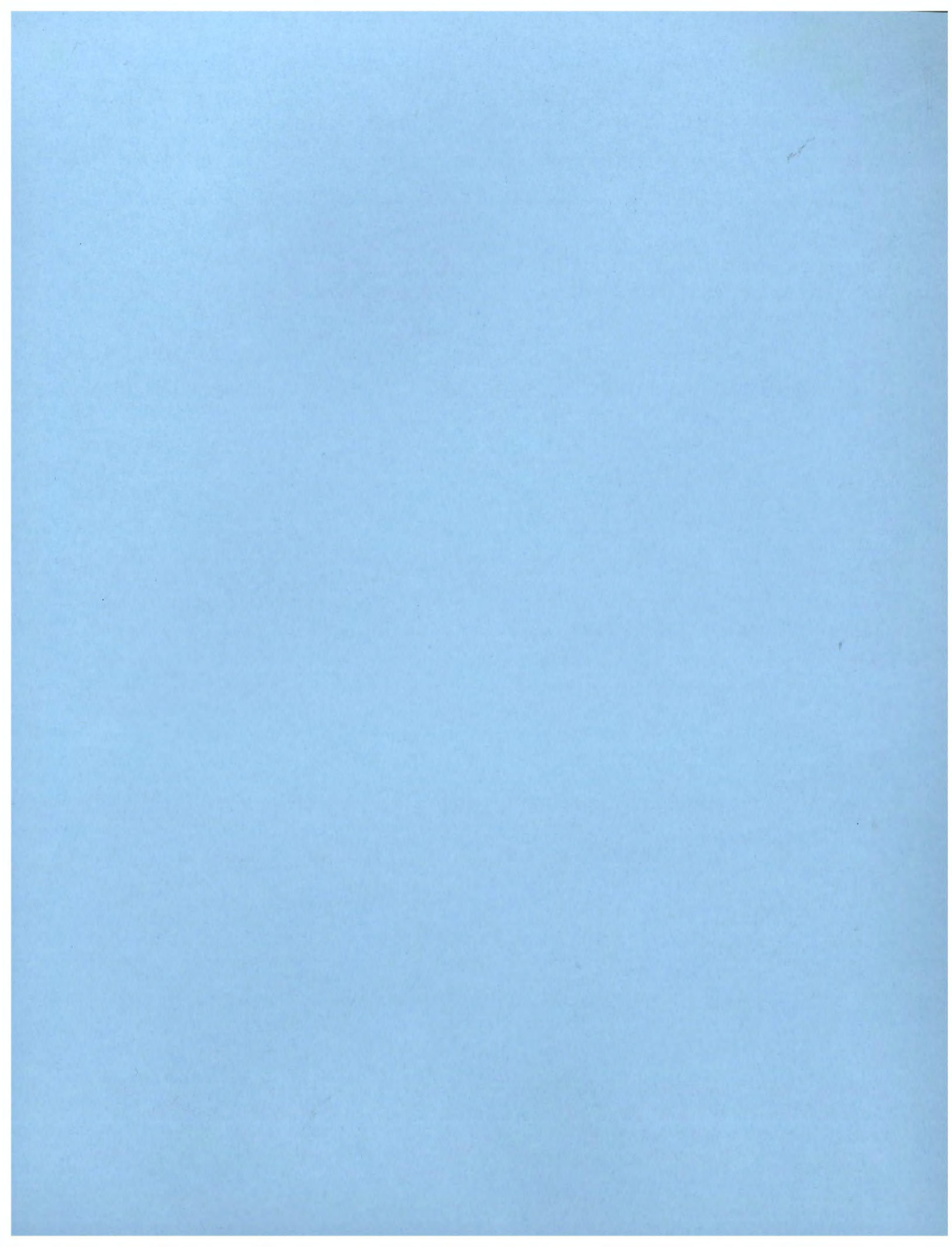
Finance Minister Greenidge and Governor Matthews of the Bank of Guyana have indicated that they intend to visit the Fund on Thursday, August 23 to discuss Guyana's outstanding obligations to the Fund, and we understand they will be in Washington on Friday as well. (The Executive Board will discuss the Article IV Consultation and review its decision to limit Guyana's use of the Fund's resources on August 31.)

Mr. Kafka's office has no information on the purpose of the visit beyond an explanation of recent economic and financial developments, and it seems unlikely that the Guyanese will present us with specific proposals for elimination of the arrears. In this event, we would propose to focus the discussions on the areas noted in the memorandum of June 19, 1984 (attached) from Mr. Finch and ourselves in connection with possible technical assistance to Guyana--i.e., on specific steps Guyana could take to obtain foreign exchange with which to settle the arrears to the Fund.

We will plan to meet with the Guyanese on Thursday afternoon. In view of the high level of the delegation and in order to emphasize the importance Management attaches to the issue of overdue payments, you may wish to consider hosting a luncheon for the delegation on Thursday or Friday. Alternatively, our Departments could host a luncheon jointly.

Attachment

cc: The Managing Director (on return)
Mr. Finch
Mr. Nicoletopoulos
Mr. Collins



Guyana's Indebtedness To The International

Monetary Fund

Bank of Guyana's actual hard currency cash flows in June and July, 1984 and anticipated cash flows for August 1984 and September - December 1984, are as follows:

US\$000's	<u>June/July</u> <u>1984</u>	<u>Aug. 1984</u>	<u>Sept/Dec</u> <u>1984</u>	<u>TOTAL</u>
<u>Receipts</u>				
Sugar (net of retention 15%)	3,771	3,580	34,400	41,751
Other	3,854	900	3,600	8,354
TOTAL	7,625	4,485	38,000	50,105
<u>Payments</u>				
Imports (Goods)	2,885	1,794	9,164	13,843
Sugar Inputs	(204)	(125)	(500)	(829)
Rice -do-	(41)	(570)	(1067)	(1678)
Consumer Goods	(560)	(420)	(4024)	(5004)
Other Intermediate Goods	(2080)	(679)	(3573)	(6332)
Imports (Services)	2,297	974	4,412	7,683
(Debt Servicing)	2,698	3,265	24,283	30,246
World Bank	(612)	(1271)	(3757)	(5640)
Net I.M.F.	(29)	(1361)	(8682)	(10072)
OPEC	(500)	-	(2355)	(2855)
I.D.B.	(16)	(583)	(286)	(885)
Other	-	-	(409)	(409)
Commercial Bank (Interest)	(1541)	(50)	(3530)	(5121)
Nationalisation	-	-	(5264)	(5264)

	<u>June/July</u> <u>1984</u>	<u>Aug. 1984</u>	<u>Sept/Dec</u> <u>1984</u>	<u>TOTAL</u>
TOTAL PAYMENTS	7,880	6,033	37,859	51,772

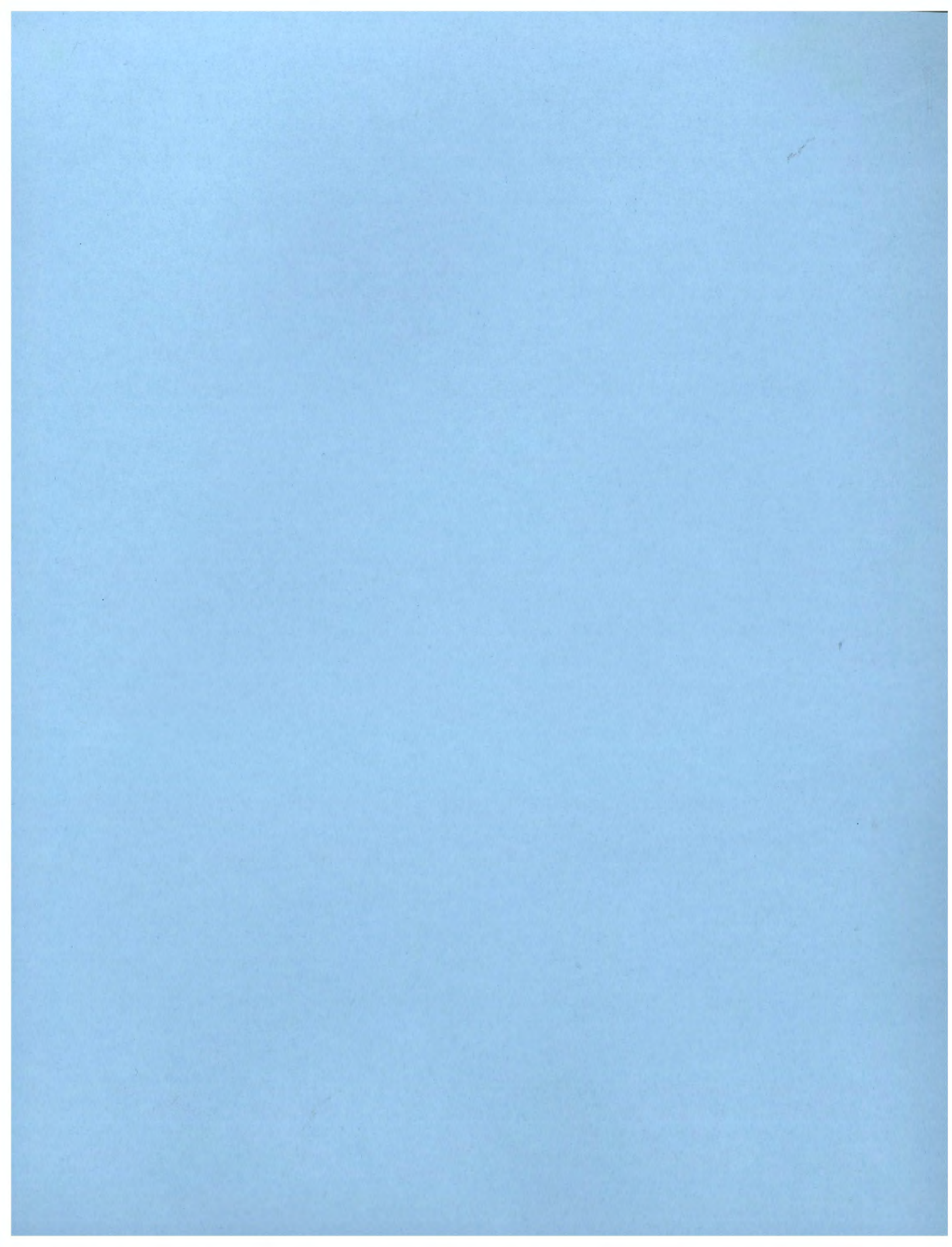
Please note that the sugar receipts may be optimistic because,

- (a) the crop targets may not be realised, and
- (b) the figures presume that all sugar produced will be sold on preferential markets.

In the period up to end of May, 1984 the Bank of Guyana made every effort to keep debt payments to the multilateral agencies, other than the I.M.F. and the Caribbean Development Bank, current. However, during the period June and July we fell in arrears to the World Bank and the OPEC fund to the extent of US\$1.0 million and US\$0.7 million, respectively. At the end of this month we will be indebted to the World Bank for an amount of approximately US\$0.1 million and to the OPEC fund US\$0.7 million. No debt payments have been made to the Caribbean Development Bank since mid 1982.

You will note that no provision has been made for servicing the debt either to the Caricom Multilateral Clearing Facility (outstanding US\$96.5 million) nor to the bilateral account with the Central Bank of Trinidad and Tobago at end July 1984 outstanding US\$105 million. Arrears of interest and principal to the CMCF date back to December, 1982.

Debt servicing looms large in the non-Caricom currency payments of the central bank: a proposed payment of US\$30.2 million out of receipts of US\$50.1 million. One must remember that the major share of non-oil imports is settled in hard currency and by letters of credit payable on sight of documents. Imports of goods will have to be squeezed to the bone.



IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT
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23 MINISTER CARL GREENIDGE
22 MINISTER OF ECONOMIC PLANNING AND FINANCE
21 GEORGETOWN, GUYANA
20
19

18 DEAR MR. MINISTER:
17 1. IN A LETTER DATED JUNE 18, 1984, THE MANAGING DIRECTOR
16 INFORMED PRESIDENT BURNHAM OF THE EXECUTIVE BOARD'S DISCUS-
15 SION OF GUYANA ON JUNE 6. HE EXPLAINED THAT THERE WOULD BE
14 A REVIEW OF THE BOARD'S DECISION TO LIMIT GUYANA'S RIGHT TO
3 USE THE FUND'S GENERAL RESOURCES NOT LATER THAN THREE
12 MONTHS FROM THE DATE OF THE DECISION AND EXPRESSED THE HOPE
11 THAT HE WOULD BE ABLE TO REPORT TO THE EXECUTIVE BOARD AT
10 THE TIME OF THE REVIEW THAT MAJOR PROGRESS HAD BEEN MADE IN
9 SETTLEMENT OF THE OVERDUE OBLIGATIONS. HE ALSO INDICATED
8 THAT, IN RESPONSE TO YOUR REQUEST, THE EXECUTIVE BOARD HAD
7 DECIDED THAT THE FUND WOULD STAND READY TO PROVIDE
6 TECHNICAL ASSISTANCE TO GUYANA.
5 2. THE FUND HAS RECEIVED NO RESPONSE TO THIS MESSAGE, AND
4 NO PROGRESS HAS BEEN MADE IN SETTLING THE OVERDUE OBLIGA-
3 TIONS. IN THE MEANTIME, GUYANA'S ARREARS TO THE FUND HAVE
2 INCREASED BY SDR 4.8 MILLION SINCE THE EXECUTIVE BOARD'S
1 DECISION, TO THE LEVEL OF SDR 20.9 MILLION AS OF AUGUST 8,

SPECIAL INSTRUCTIONS ↑ TEXT MUST END HERE ↑

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C TELEX NO.: _____ CABLE ADDRESS: _____

D DRAFTED BY NAME (TYPE): **TLeddy/ew** EXT.: **(5)8332** DEPT.: **TRE** DATE: **8/7/84**

E AUTHORIZED BY NAME (TYPE): **Richard D. Erb** AUTHORIZED BY NAME (TYPE): _____

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IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

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23 GUYANA

22 PAGE 2

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19

18 1984.

17 3. THE REVIEW NOTED ABOVE IS NOW SCHEDULED FOR AUGUST 31,
16 1984, IN CONJUNCTION WITH THE EXECUTIVE BOARD'S DISCUSSION
15 OF THE ARTICLE IV CONSULTATION WITH GUYANA. THE LACK OF
14 PROGRESS IN SETTLEMENT OF THE OVERDUE PAYMENTS IS MOST
13 DISTURBING, AND I AM CONVINCED THAT THE ABSENCE OF ANY
12 POSITIVE RESPONSE ON THE PART OF GUYANA WOULD BE OF UTMOST
11 CONCERN TO THE EXECUTIVE BOARD, WHICH WILL NEED TO CONSIDER
10 IN THE COURSE OF ITS REVIEW WHETHER FURTHER ACTION BY THE
9 FUND IS NECESSARY AT THIS TIME.

8 4. I URGE YOU AND YOUR COLLEAGUES TO CONSIDER MOST
7 URGENTLY WHAT SPECIFIC STEPS GUYANA CAN TAKE IN RESPONSE TO
6 THE MANAGING DIRECTOR'S LETTER. I LOOK FORWARD TO YOUR
5 EARLY RESPONSE ON THESE MATTERS, WHICH WOULD FORM PART OF
4 THE BASIS FOR A REPORT TO THE EXECUTIVE BOARD PRIOR TO THE
3 REVIEW AT THE END OF AUGUST.

2 REGARDS, RICHARD D. ERB

1 ACTING MANAGING DIRECTOR, INTERFUND

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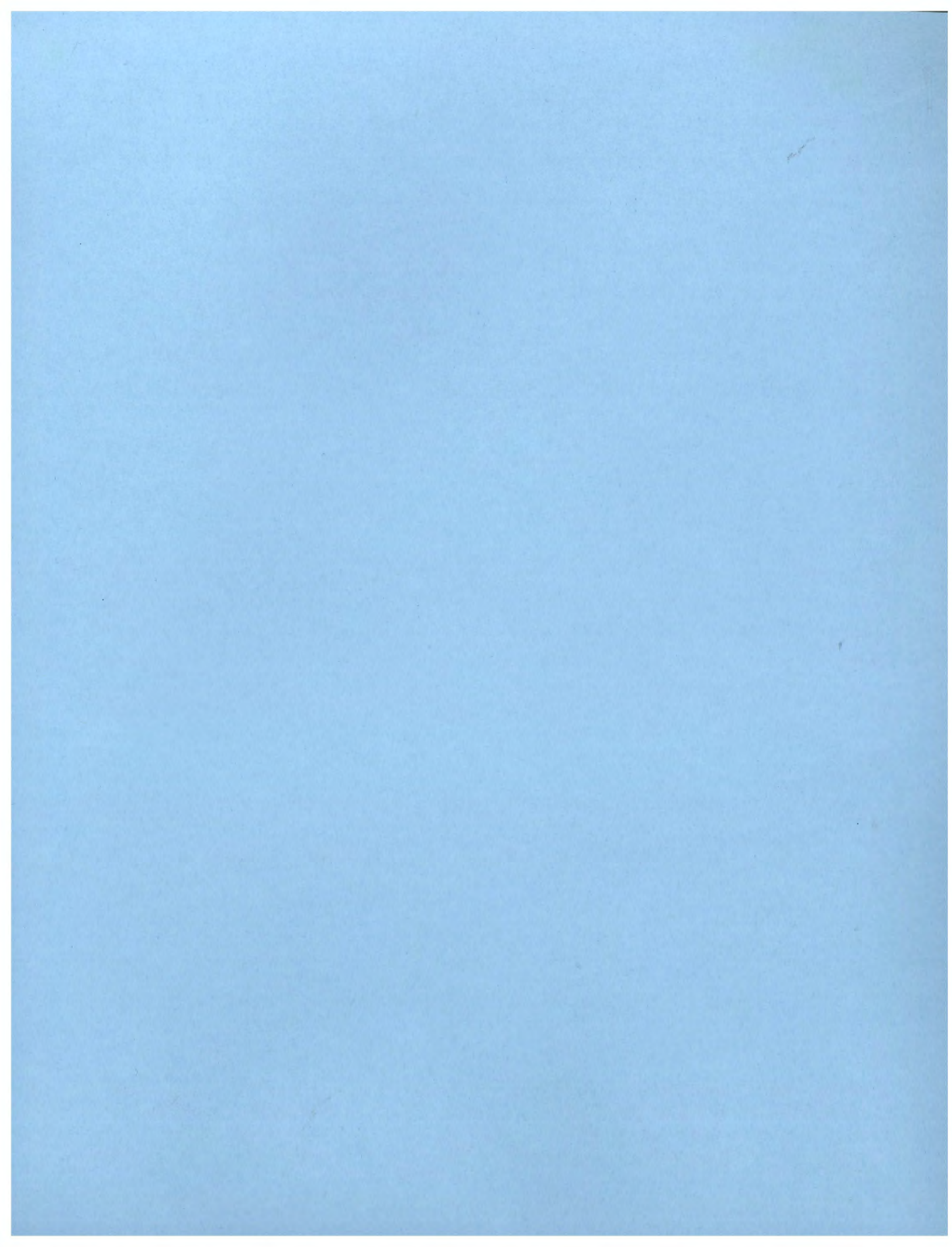
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	16	GOVERNOR		
	15	BANK OF GUYANA		
	14	GEORGETOWN, GUYANA		
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Office Memorandum

Thru. Beveridge

Aut

B/F

4/1

At

To: The Acting Managing Director
From: W. O. Haber *W.O.* Eduardo Wiesner
and W.A. Beveridge *W.A.*
Subject: Proposed Telex to Guyana

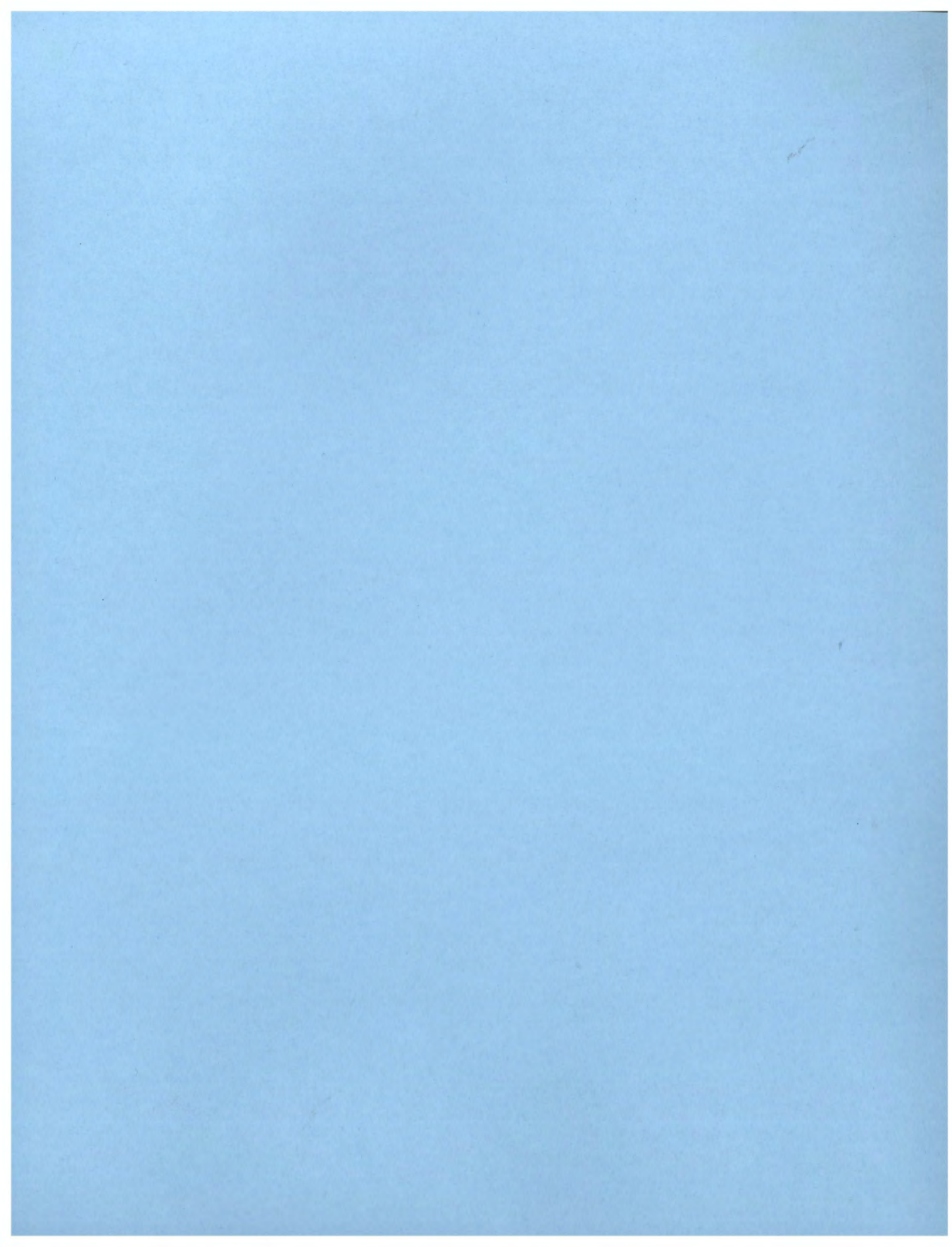
August 7, 1984

Attached for your approval is a suggested telex to Minister Greenidge of Guyana concerning Guyana's overdue payments, the Board decision in early June and the review scheduled for the end of August. We have discussed this with Mr. Kafka, and he will be contacting the Guyanese authorities as well, to urge a response to the letter sent by the Managing Director following the Executive Board discussion in June.

In the event a technical assistance mission is requested by Guyana, we would plan that it focus on the areas indicated in our earlier note to the Managing Director on this subject (copy attached).

Attachments

cc: The Managing Director (on return)
Mr. Nicoletopoulos
Mr. Collins



R/F.

11

cc/Mr. Beinecke
Mr. Gullian

Me

H

INTERNATIONAL MONETARY FUND

6/22/84

Mr. Habermeier
Mr. Wiesner
✓Mr. Finch

I have forwarded my
comments to the Managing
Director for his return.

cc: LEG

Richard D. Erb



Office Memorandum

To: The Managing Director (on return)
The Deputy Managing Director

DATE: June 19, 1984

From: Walter O. Hahnmeier, Eduardo Wiesner,
and C. David Finch

E.W. _____

Subject: Guyana—Technical Assistance

Following the Executive Board discussion of Guyana on June 6, 1984, we have been considering ways in which we should respond to the request by Minister Greenidge for technical assistance. The demarcations between "technical assistance," "consultation," and "negotiations" cannot always be drawn sharply; clearly most discussions with national officials include an element of "technical assistance" and they frequently have, at least somewhere in the background, the eventual possibility of use of Fund resources.

I agree

The Executive Board has ruled that Guyana shall not make use of the general resources of the Fund until such time as it is current on its Fund obligations with respect to repurchases and charges. While a comprehensive resolution of Guyana's situation may require the Fund's assistance in the design of economic and financial measures of the kind discussed with the Guyanese during the recent consultation mission, we believe that, in the initial stages, technical assistance should focus more narrowly on practical steps that can be taken to secure the needed resources to clear arrears with the Fund. This would not preclude other types of technical assistance such as that provided by the Fiscal Affairs and Central Banking Departments, ~~or a~~ broader policy focus for technical assistance later depending on progress in the early stages.

agree a suggested change in emphasis

could be agreed to

The above approach would be consistent with the recent case of Jamaica. In that instance protracted negotiations regarding the use of Fund resources were suspended when the member incurred arrears to the Fund and the staff were instructed to limit discussions to the techniques by which the exchange market could be adapted to generate sufficient foreign exchange resources to clear arrears with the Fund. Consideration might be given to adapting this approach to technical assistance in the case of Guyana.

The circumstances surrounding the Jamaica case is an interesting important case worth attention

But Guyana has been in arrears for a

Guyana is at present in arrears to the Fund by SDR 16 million and approximately a further SDR 10 million will fall due before the end of 1984. As an illustration, the objective might be for Guyana to garner not less than SDR 1 million per week for transfer to the Fund. This would put Guyana on a current basis with the Fund by about the end of the year. The black market is an obvious source to be tapped for foreign exchange. It should be possible to raise the necessary exchange if a comprehensive auction market for foreign exchange was adopted and if the exchange rate was permitted to adjust fully and in a unified fashion.

much longer period and the Board has taken an action because of the delay this period

In light of the comments made by the Board, I think we have to be very careful with this kind of approach since it sounds like rescheduling.

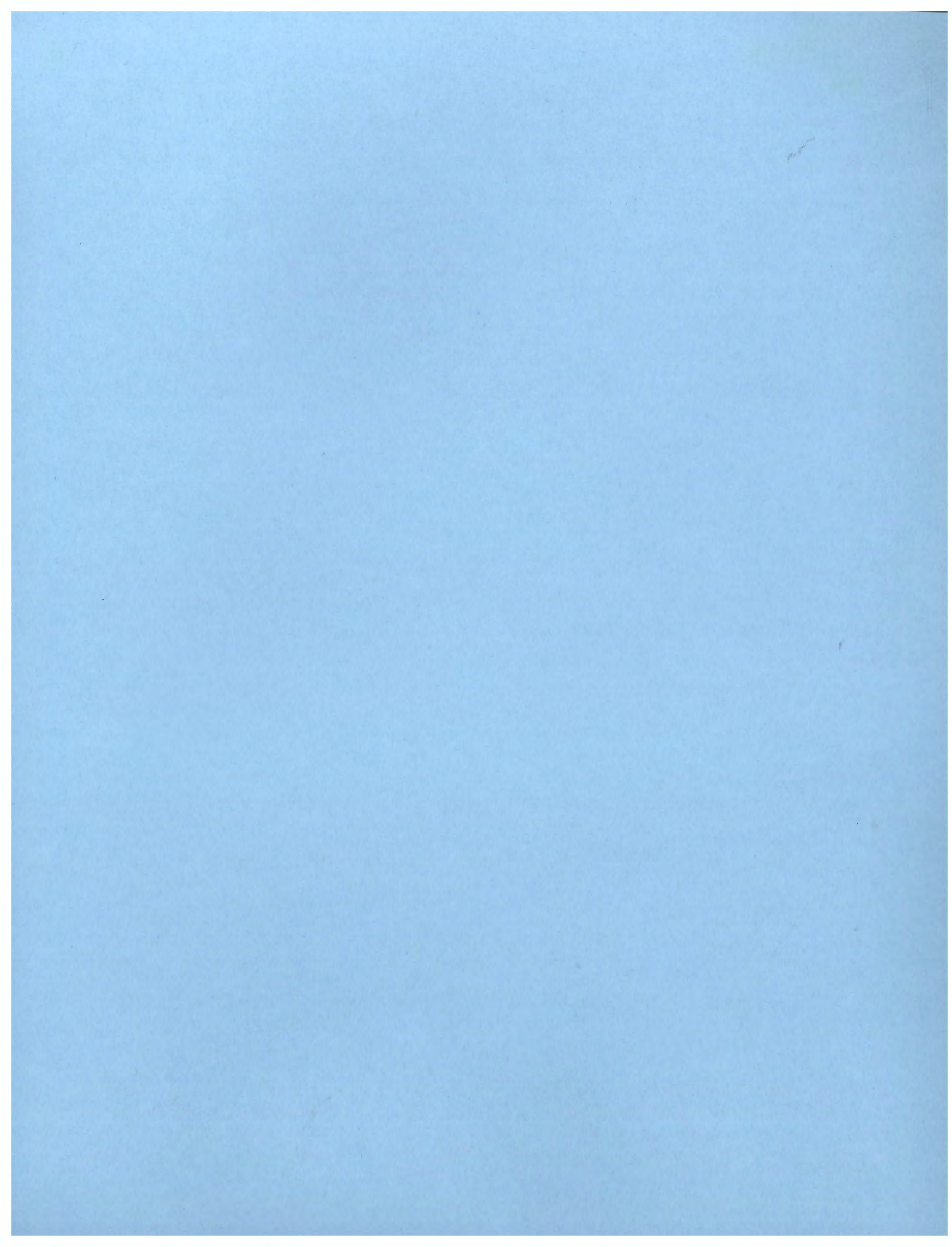
Should there not be degrees of difference in the approach depending on the duration of the arrears?

However, such a policy change has so far been precluded by the authorities. An alternative to a fully adjusted unified rate would be a sharp discrete devaluation. Other alternatives for the exchange system could be examined in the course of any technical assistance provided.

In examining various options it must be recognized that, although the scope of technical assistance that could be offered by the Fund would be limited at the outset, the steps discussed above would need to entail some discussion of other elements of a financial program. For example, the large size of the public sector in Guyana means that changes in the exchange rate or in the exchange rate system would have a large fiscal impact. To the extent that a technical mission were to examine the fiscal impact of various options, the distinction between technical assistance and design of a financial program would become blurred. Nevertheless, the technical mission would need to refrain from discussing a financial program and concentrate, to the extent possible, on technical means to enable Guyana to effect repurchases from the Fund.

Yes

cc: Legal Department
Mr. Collins





Office Memorandum

yes the exchange system is obviously a key to the repayment to the Fund. June 26, 84

The Managing Director (on return)
The Deputy Managing Director

DATE: June 19, 1984

From: *E.W.*
Walter O. Habermehl, Eduardo Wiesner,
and C. David Finch

Subject: Guyana—Technical Assistance

Yes, the exchange system is obviously a key to the repayment to the Fund.

Following the Executive Board discussion of Guyana on June 6, 1984, we have been considering ways in which we should respond to the request by Minister Greenidge for technical assistance. The demarcations between "technical assistance," "consultation," and "negotiations" cannot always be drawn sharply; clearly most discussions with national officials include an element of "technical assistance" and they frequently have, at least somewhere in the background, the eventual possibility of use of Fund resources. *I agree*

The Executive Board has ruled that Guyana shall not make use of the general resources of the Fund until such time as it is current on its Fund obligations with respect to repurchases and charges. While a comprehensive resolution of Guyana's situation may require the Fund's assistance in the design of economic and financial measures of the kind discussed with the Guyanese during the recent consultation mission, we believe that, in the initial stages, technical assistance should focus more narrowly on practical steps that can be taken to secure the needed resources to clear arrears with the Fund. This would not preclude other types of technical assistance such as that provided by the Fiscal Affairs and Central Banking Departments, ~~nor~~ a broader policy focus for technical assistance later depending on progress in the early stages. *I agree a suggestion to change in emphasis*

The above approach would be consistent with the recent case of Jamaica. In that instance protracted negotiations regarding the use of Fund resources were suspended when the member incurred arrears to the Fund and the staff were instructed to limit discussions to the techniques by which the exchange market could be adapted to generate sufficient foreign exchange resources to clear arrears with the Fund. Consideration might be given to adapting this approach to technical assistance in the case of Guyana. *The circum- surrounding the Jamaica case may support what we did. But Guyana has been in arrears for much longer period a*

Guyana is at present in arrears to the Fund by SDR 16 million and approximately a further SDR 10 million will fall due before the end of 1984. As an illustration, the objective might be for Guyana to garner not less than SDR 1 million per week for transfer to the Fund. This would put Guyana on a current basis with the Fund by about the end of the year. The black market is an obvious source to be tapped for foreign exchange. It should be possible to raise the necessary exchange if a comprehensive auction market for foreign exchange was adopted and if the exchange rate was permitted to adjust fully and in a unified fashion. *the Board has taken an active because the length of the period*

Should there not be degrees of difference in the approach depending on the duration of the arrears?

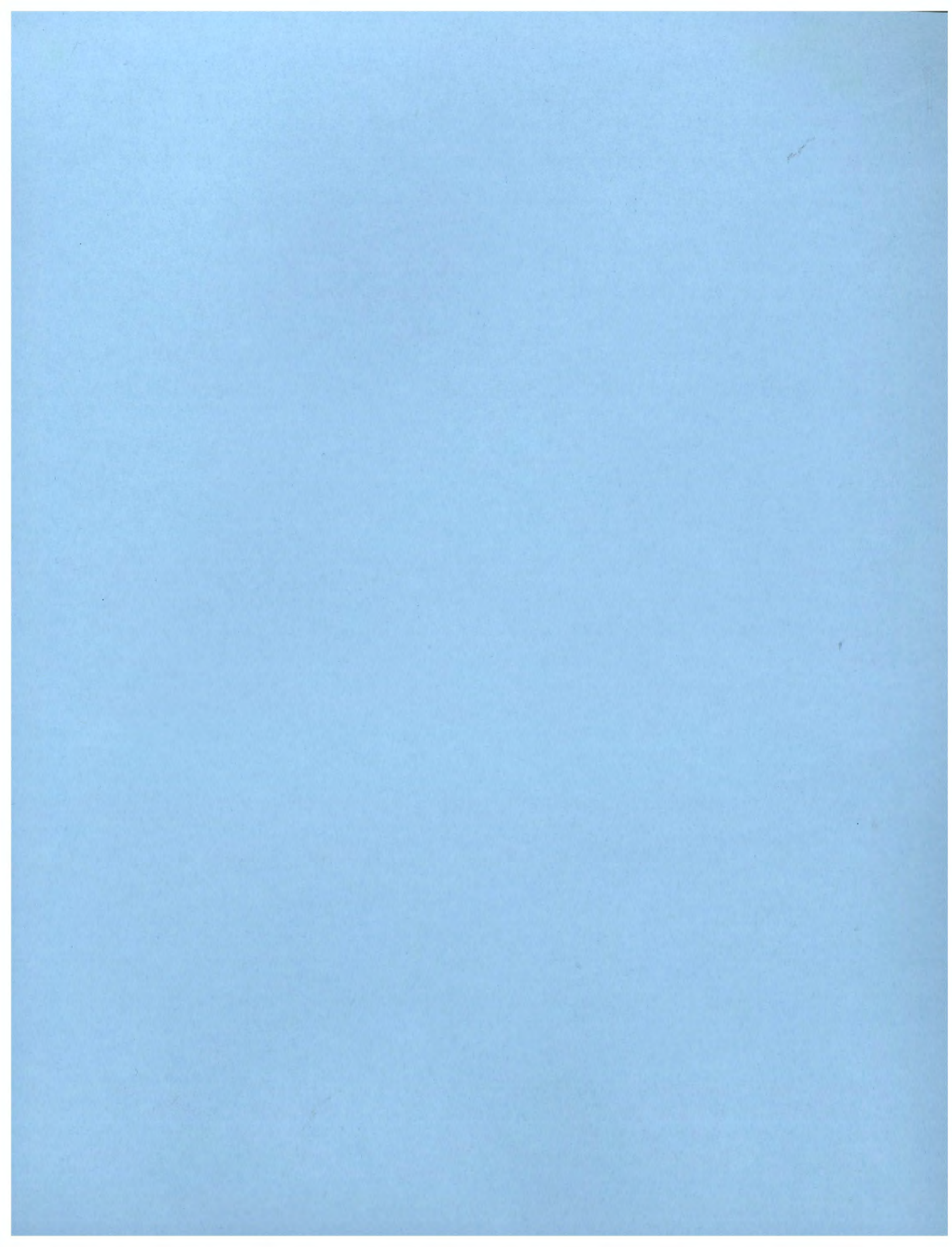
can be added to

In light of the comments several Directors, I think we have to be very careful with this kind of an approach since it sounds like renegeing.

However, such a policy change has so far been precluded by the authorities. An alternative to a fully adjusted unified rate would be a sharp discrete devaluation. Other alternatives for the exchange system could be examined in the course of any technical assistance provided.

In examining various options it must be recognized that, although the scope of technical assistance that could be offered by the Fund would be limited at the outset, the steps discussed above would need to entail some discussion of other elements of a financial program. For example, the large size of the public sector in Guyana means that changes in the exchange rate or in the exchange rate system would have a large fiscal impact. To the extent that a technical mission were to examine the fiscal impact of various options, the distinction between technical assistance and design of a financial program would become blurred. Nevertheless, the technical mission would need to refrain from discussing a financial program and concentrate, to the extent possible, on technical means to enable Guyana to effect repurchases from the Fund.

cc: Legal Department
Mr. Collins





Office Memorandum

Yugoslavia
The Coveridge
Mr Finch
W

To: The Managing Director

June 15, 1984

From: *S.M.* W. O. Habermeier, C. David Finch, *W.A.B.*
George P. Nicoletopoulos, and Sterie T. Beza *D/B*

Subject: Letter to President Burnham

The attached incorporates Mr. Kafka's suggestions of June 14 with a couple of amendments with which he agrees.

Attachment

cc: The Deputy Managing Director
Mr. Collins



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

Dear Mr. President:

I wish to acknowledge your letter of May 3, 1984 and to express my appreciation for the attendance of your representatives and the views of Minister Greenidge at the Executive Board meeting on June 6, 1984. This letter explains our views on Guyana's economic and financial situation and on Guyana's financial obligations to the Fund, and discusses the conclusions of the meeting on June 6 that are reflected in the attached decision of the Executive Board.

I recognize the impact that the adverse economic environment has had on Guyana's financial position. However, the resulting situation is in large measure also attributable to weak economic and financial policies that have been followed by Guyana over a number of years, and the remedy must lie in the implementation of an energetic adjustment program. An infusion of foreign exchange on concessional terms is, as you note, urgently needed to help rehabilitate the economy; however, it must be stressed that in the circumstances of Guyana, foreign resources cannot be relied upon except in a limited way. Thus the thrust of the adjustment program must be centered on a basic reformulation of domestic policies.

The necessary elements of adjustment policies and measures have been discussed between the authorities of Guyana and the Fund staff on a number of occasions and by the Executive Board. Again, in the context of the recent 1984 Article IV consultation discussions with Guyana, the findings of the staff show a fundamental need to redirect economic and financial policies away from heavy reliance on foreign borrowing. A strong fiscal policy, aimed primarily at reducing public expenditure, is needed to generate domestic savings. More flexible policies, in particular with respect to the exchange rate, should replace the unduly rigid and distortive pricing policies that have been followed up to now.

I very much appreciated the concern expressed in your letter about the situation which has arisen between the Fund and Guyana and your unwavering desire to honor all Guyana's debts, as the failure to settle the overdue payments to the Fund constitutes, under the Fund's Articles of Agreement, a breach of Guyana's obligations, and adversely affects Guyana's credit standing and is damaging to the position of the Fund itself. The fact that some payments have been made is, of course, welcome. Nonetheless, the total and duration of the overdue obligations outstanding have both risen, and Guyana will face substantial additional obligations to the Fund in the future.

Guyana's failure to settle its overdue payments is of grave concern to the Fund. The Executive Board decided on June 6, 1984, pursuant to Rule K-2 of the Fund's Rules and Regulations, that Guyana shall not make use of the general resources of the Fund until such time as Guyana is current on its obligations under the Articles of Agreement relating to repurchases and the payment of charges in the General Department.

Moreover, the Executive Board urged Guyana to resume fulfilling its obligations to the Fund forthwith and called upon Guyana to adopt urgently additional economic and financial adjustment measures.

In considering this matter, the Executive Board noted carefully the expressions by you and by Minister Greenidge of Guyana's desire to honor its financial obligations to the Fund and your assurance that best efforts will be made to ensure that payments due to the Fund will be made. I wish to express my strong hope, Mr. President, that you will give your urgent attention to positive action by Guyana on this matter.

In response to a request by Minister Greenidge, the Executive Board decided also that the Fund staff will stand ready to provide technical assistance to Guyana. Pending the settlement of Guyana's overdue obligations, the provision of such assistance would be purely advisory in nature and could not envisage any financial assistance by the Fund. Such technical assistance would be productive only if there were clear evidence of Guyana's determination to implement the basic reformulation of domestic policies that is needed. It should also concentrate immediately on steps to permit a regularization of Guyana's financial relations with the Fund. I hope that Guyana's determination to implement a program of appropriate economic and financial adjustment measures will be reflected in the adoption of early and concrete measures to that end.

The decision taken by the Executive Board on June 6 will be reviewed by the Executive Board in connection with the Article IV consultation with Guyana and in any case not later than three months from the date of the decision. In the course of this review, it will be necessary for the Executive Board to assess Guyana's performance and prospects with respect both to the overdue payments and to adjustment policies, and in the light of this assessment to consider whether further action by the Fund is warranted. It is my sincere hope, as I know it is yours, that at the time of that review I will be able to report to the Executive Board major progress in the settlement of the overdue obligations and in the adoption of a comprehensive and forceful adjustment program by Guyana designed to improve the domestic economy and strengthen the balance of payments and reserve situation.

Respectfully yours,

J. de Larosière

Attachment

The Honorable
L.F.S. Burnham
President of Guyana
Georgetown
Guyana

INTERNATIONAL MONETARY FUND

Guyana - Complaint Under Rule K-1

Executive Board Decision - June 6, 1984

1. The Managing Director has reported under Rule K-1 of the Fund's Rules and Regulations to the Executive Board the facts on the basis of which it appeared to him at the dates of these reports that Guyana was not fulfilling its obligations under the Articles of Agreement and submitted a complaint on April 4, 1984 (EBS/84/47, Supplement 2) in accordance with that rule. The complaint was that as of March 30, 1984 Guyana was not fulfilling its obligations relating to repurchases and the payment of charges in the General Department in the total amount of SDR 13,991,394 including both overdue repurchases and charges. These facts and the complaint of the Managing Director have been communicated to the authorities of Guyana.

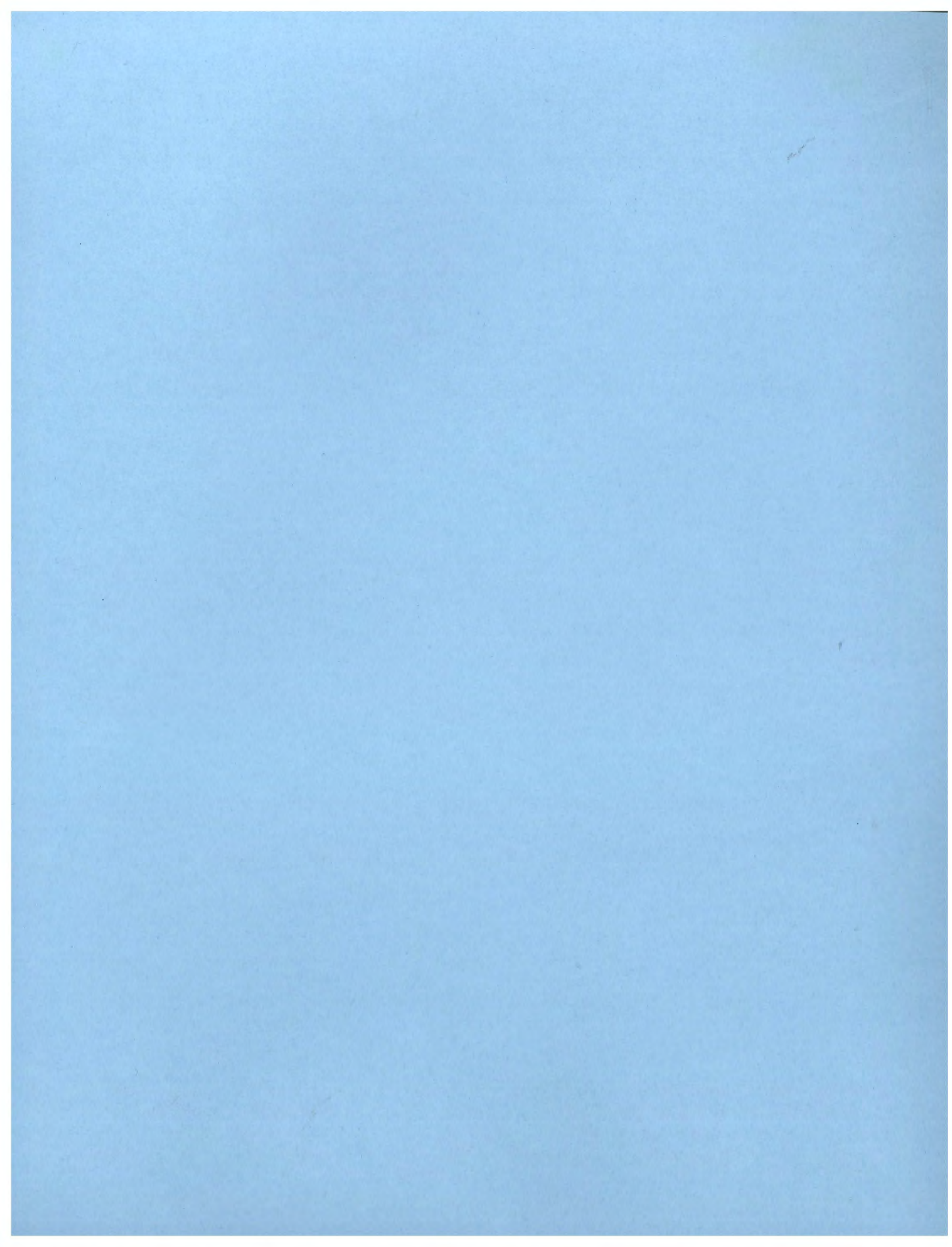
2. On May 18, 1984 Guyana made a payment equivalent to SDR 506,196 to discharge part of the outstanding semiannual charges of SDR 1,505,295 due July 13, 1983, reducing this obligation to SDR 999,099. Since the submission by the Managing Director of the complaint on April 4, 1984, Guyana has become overdue in discharging additional obligations totaling SDR 2,557,213 in respect of two repurchases due April 16, 1984 and May 11, 1984 and quarterly charges due May 7, 1984. Taking into account the payments made by Guyana and the obligations that have become overdue since March 30, 1984, Guyana's overdue payments to the Fund have increased to a total amount of SDR 16,042,411 in the General Department.

3. Having considered the reports of the Managing Director, the complaint and the views of Guyana, the Fund finds that Guyana has failed to fulfill its obligations under the Articles of Agreement as stated in 1 and 2 above.

4. The Fund regrets the nonobservance by Guyana of its obligations and urges Guyana to resume their observance forthwith. The Fund decides, pursuant to Rule K-2 of the Fund's Rules and Regulations, that Guyana shall not make use of the general resources of the Fund until such time as Guyana is current on its obligations under the Articles of Agreement relating to repurchases and the payment of charges in the General Department.

5. The Fund also calls upon Guyana to adopt urgently additional economic and financial adjustment measures. The Fund staff will stand ready to provide technical assistance for this purpose.

6. The Fund shall review the present decision in connection with the forthcoming Article IV consultation, but not later than three months from the date of the present decision.





Office Memorandum

TO : Mr. Reichmann

DATE: June 21, 1984

FROM : W. A. Beveridge

SUBJECT : Guyana

This Staff Report has been put together with considerable care and I think the staff appraisal is in very good shape.

I detect an analytical difficulty in the paper. In the main body of the text the description of fiscal and monetary policies comes as a tailpiece, or aftermath, of the pricing policies. It almost appears that these policies are not bad in themselves but are a reflection of the woeful pricing policies. On the other hand, the fiscal and financial imbalances are so monstrous that one would have to conclude that in the circumstances the country was simply overspending in the public sector on a massive basis. The analytical dilemma is sharply focused in the first few words on line 5 of page 32, i.e., "notwithstanding the above." I think we can go ahead the way it is but I am at a loss to clearly understand whether fiscal policies are the engines of destruction or merely the caboose.

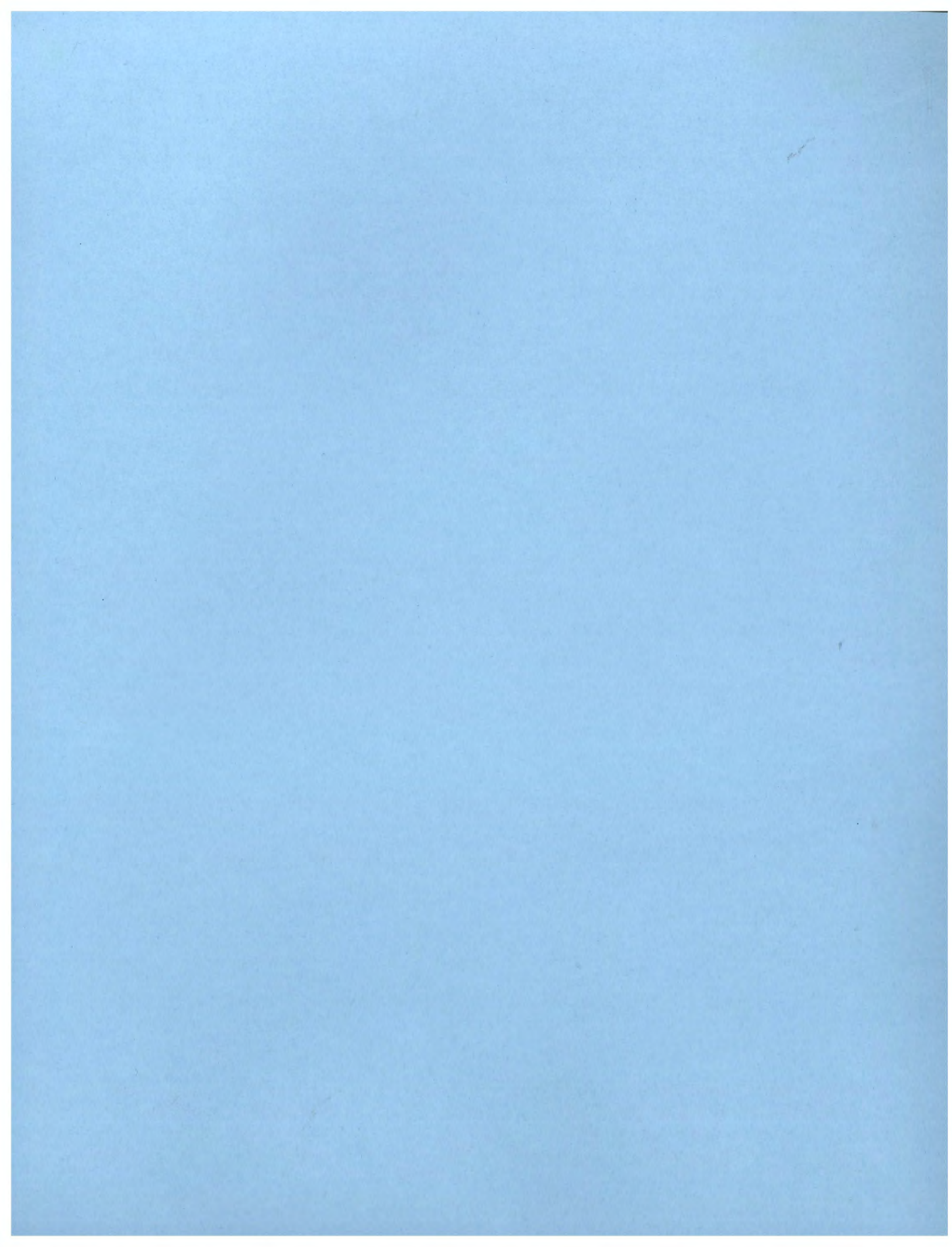
Having said a number of things to completely destroy the credibility of national accounts, I find it ironic that we rely on GNP ratios to the extent we do. Would it not be more reasonable to rely on other types of ratios (as in Tanzania, for example) such as the ratio of the external current account deficit to exports and the ratio of the overall budget deficit to expenditures (or revenues).

On a minor point: on line 5 of page 17, do we mean to imply that we can tolerate a fixed rate for capital transactions?

Finally, I have included a few small comments in the text, which I am returning to you herewith.

I am expecting to hear from the Exchange Restrictions Division on this paper and will pass on to you anything I get.

Attachment





Office Memorandum

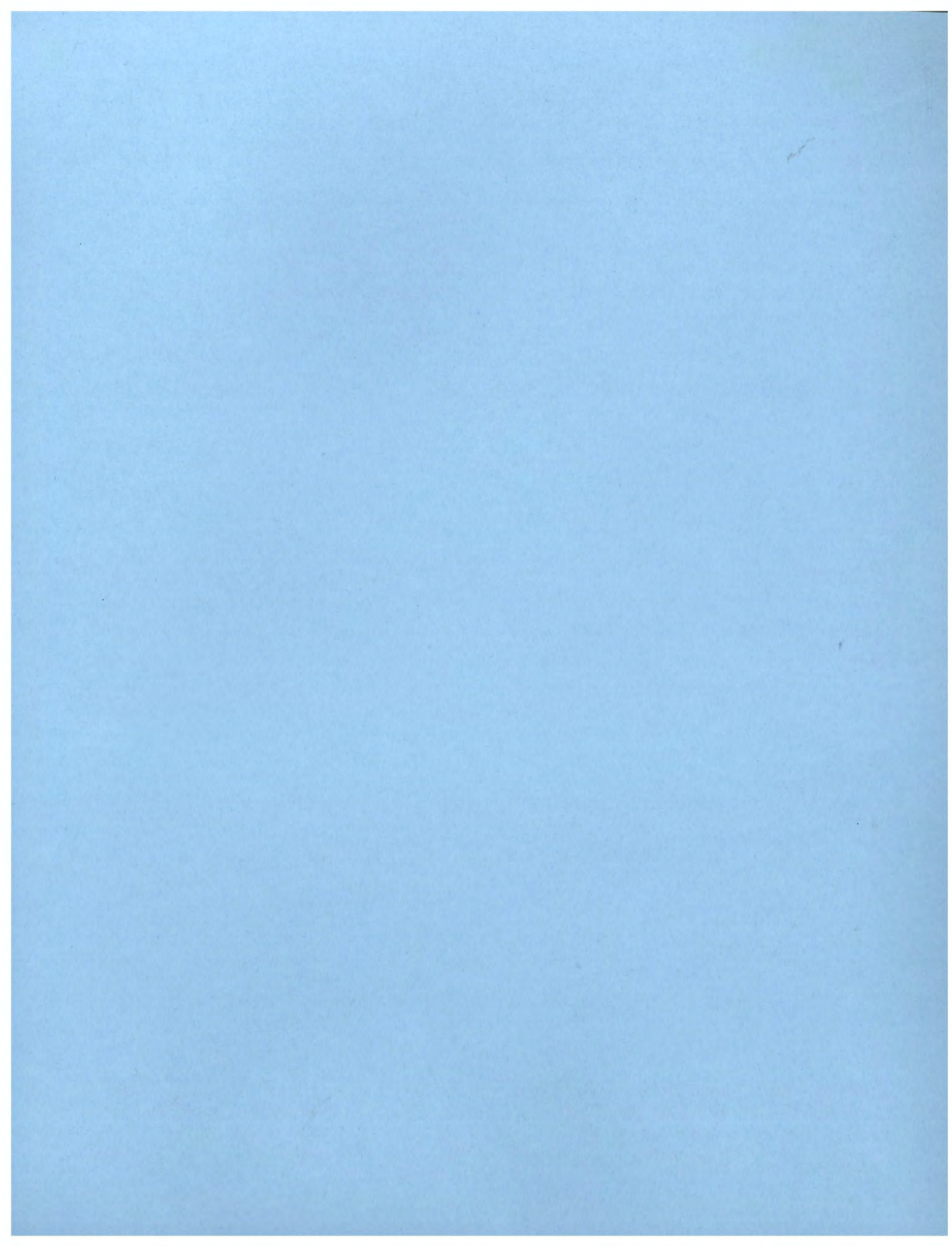
TO : Mr. Beveridge
FROM : Thomas Leddy *TL*
SUBJECT : Guyana--Technical Assistance

MW DATE: June 20, 1984

Attached is the signed memorandum. Though I don't think there is a difference of view on the point, there is a possible ambiguity in the second sentence of the first paragraph, and we would like to have it clear for the record that while arrears are outstanding, no discussion with Guyana, technical or otherwise, could envisage the use of Fund resources.

Attachment

cc: Mr. Reichmann





Office Memorandum

Mr. Finch

To: The Managing Director (on return) DATE: June 19, 1984
The Deputy Managing Director

From: Walter O. Habermehl, Eduardo Wiesner, E.W.
and C. David Finch

Subject: Guyana--Technical Assistance

Following the Executive Board discussion of Guyana on June 6, 1984, we have been considering ways in which we should respond to the request by Minister Greenidge for technical assistance. The demarcations between "technical assistance," "consultation," and "negotiations" cannot always be drawn sharply; clearly most discussions with national officials include an element of "technical assistance" and they frequently have, at least somewhere in the background, the eventual possibility of use of Fund resources.

The Executive Board has ruled that Guyana shall not make use of the general resources of the Fund until such time as it is current on its Fund obligations with respect to repurchases and charges. While a comprehensive resolution of Guyana's situation may require the Fund's assistance in the design of economic and financial measures of the kind discussed with the Guyanese during the recent consultation mission, we believe that, in the initial stages, technical assistance should focus more narrowly on practical steps that can be taken to secure the needed resources to clear arrears with the Fund. This would not preclude other types of technical assistance such as that provided by the Fiscal Affairs and Central Banking Departments nor a broader policy focus for technical assistance later depending on progress in the early stages.

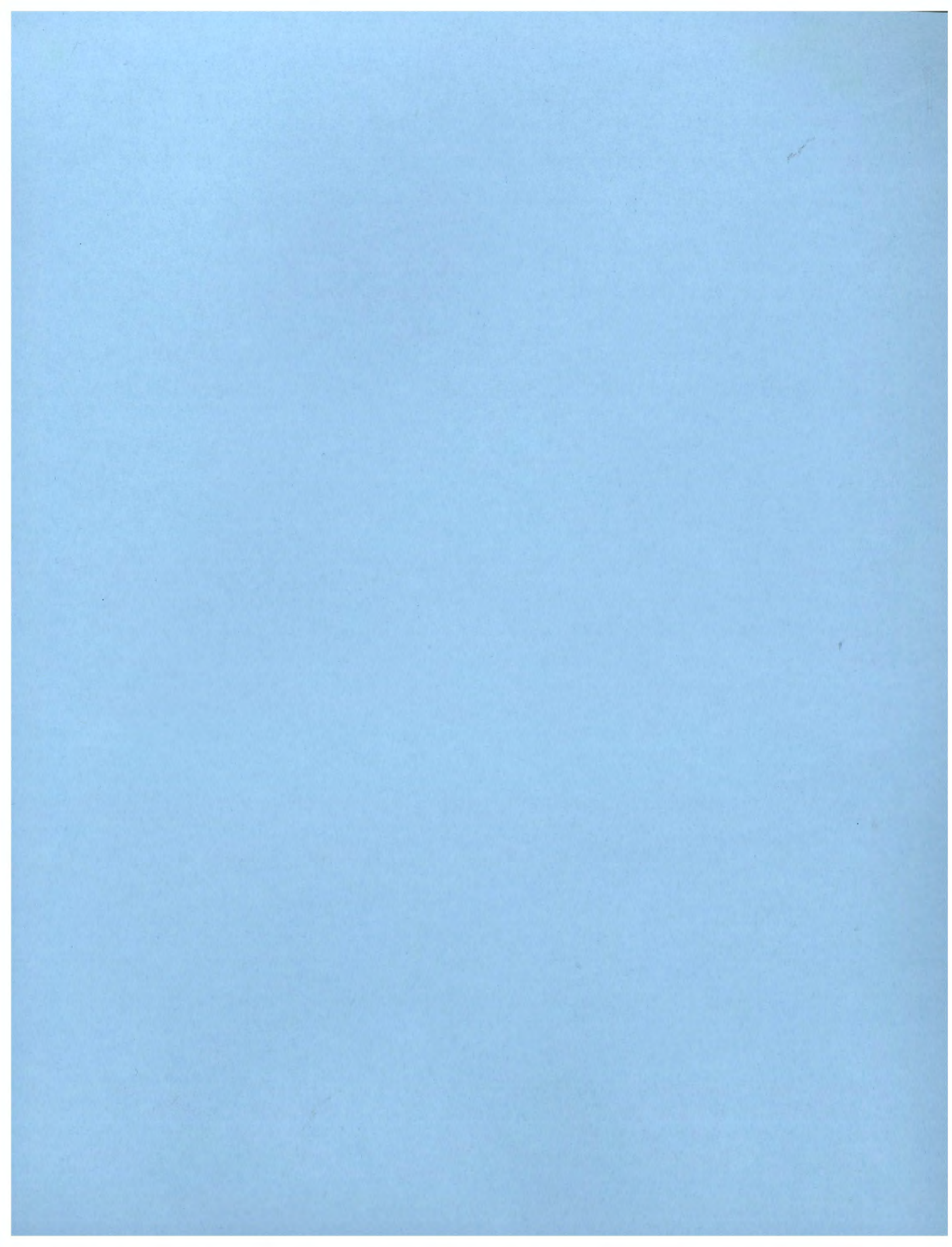
The above approach would be consistent with the recent case of Jamaica. In that instance protracted negotiations regarding the use of Fund resources were suspended when the member incurred arrears to the Fund and the staff were instructed to limit discussions to the techniques by which the exchange market could be adapted to generate sufficient foreign exchange resources to clear arrears with the Fund. Consideration might be given to adapting this approach to technical assistance in the case of Guyana.

Guyana is at present in arrears to the Fund by SDR 16 million and approximately a further SDR 10 million will fall due before the end of 1984. As an illustration, the objective might be for Guyana to garner not less than SDR 1 million per week for transfer to the Fund. This would put Guyana on a current basis with the Fund by about the end of the year. The black market is an obvious source to be tapped for foreign exchange. It should be possible to raise the necessary exchange if a comprehensive auction market for foreign exchange was adopted and if the exchange rate was permitted to adjust fully and in a unified fashion.

However, such a policy change has so far been precluded by the authorities. An alternative to a fully adjusted unified rate would be a sharp discrete devaluation. Other alternatives for the exchange system could be examined in the course of any technical assistance provided.

In examining various options it must be recognized that, although the scope of technical assistance that could be offered by the Fund would be limited at the outset, the steps discussed above would need to entail some discussion of other elements of a financial program. For example, the large size of the public sector in Guyana means that changes in the exchange rate or in the exchange rate system would have a large fiscal impact. To the extent that a technical mission were to examine the fiscal impact of various options, the distinction between technical assistance and design of a financial program would become blurred. Nevertheless, the technical mission would need to refrain from discussing a financial program and concentrate, to the extent possible, on technical means to enable Guyana to effect repurchases from the Fund.

cc: Legal Department
Mr. Collins



INTERNATIONAL MONETARY FUND

June 14, 1984

Mr. Leddy
Mr. Reichmann

Attached is a revised version of the memorandum to the Managing Director on Guyana incorporating your comments. Could you please give any additional comments to either Mr. Beveridge or me by 3 p.m. this afternoon.

Attachment

Margaret R. Kelly

DRAFT

To: The Managing Director
The Deputy Managing Director

DATE: June 14, 1984

From: Walter O. Habermeier, Eduardo Wiesner,
and C. David Finch

Subject: Guyana--Technical Assistance

Following the Executive Board discussion of Guyana on June 6, 1984, we have been considering ways in which we should respond to the request by Minister Greenidge for technical assistance. In the past, the demarcations between "technical assistance," "consultation," and "negotiations" have not always been drawn sharply. Clearly most discussions with national officials include an element of "technical assistance" and they frequently have, at least somewhere in the background, the eventual possibility of use of Fund resources.

The Executive Board has formally ruled that Guyana shall not make use of the general resources of the Fund until such time as it is current on its Fund obligations. This necessarily narrows the scope of the technical assistance that can be offered to Guyana. In particular, such assistance would focus on securing the needed resources to clear arrears with the Fund and would not include the design of economic and financial adjustment measures. However, this would not preclude other types of technical assistance such as that provided by the Fiscal Affairs and Central Banking Departments. At a later stage technical assistance could take on a broader focus depending on progress in the early stages.

The above approach would be consistent with the recent case of Jamaica. In that instance protracted negotiations regarding the use of Fund resources were suspended when the member incurred arrears to the Fund and the staff were instructed to limit discussions to the techniques by which the exchange market could be adapted to generate sufficient foreign exchange resources to clear arrears with the Fund. Consideration might be given to adapting this approach to technical assistance in the case of Guyana.

Guyana is at present in arrears to the Fund by SDR 16 million and approximately a further SDR 10 million will fall due before the end of 1984. As an illustration, the objective might be for Guyana to garner not less than SDR 1 million per week for transfer to the Fund. This would put Guyana on a current basis with the Fund by about the end of the year. The black market is an obvious source to be tapped for foreign exchange. There would be no difficulty in raising the necessary exchange if a comprehensive auction market for foreign exchange was adopted and if the exchange rate was permitted to adjust fully and in a unified fashion. However, such a policy change has so far been precluded by the authorities. An alternative to a fully adjusted unified rate would be a sharp discrete devaluation.

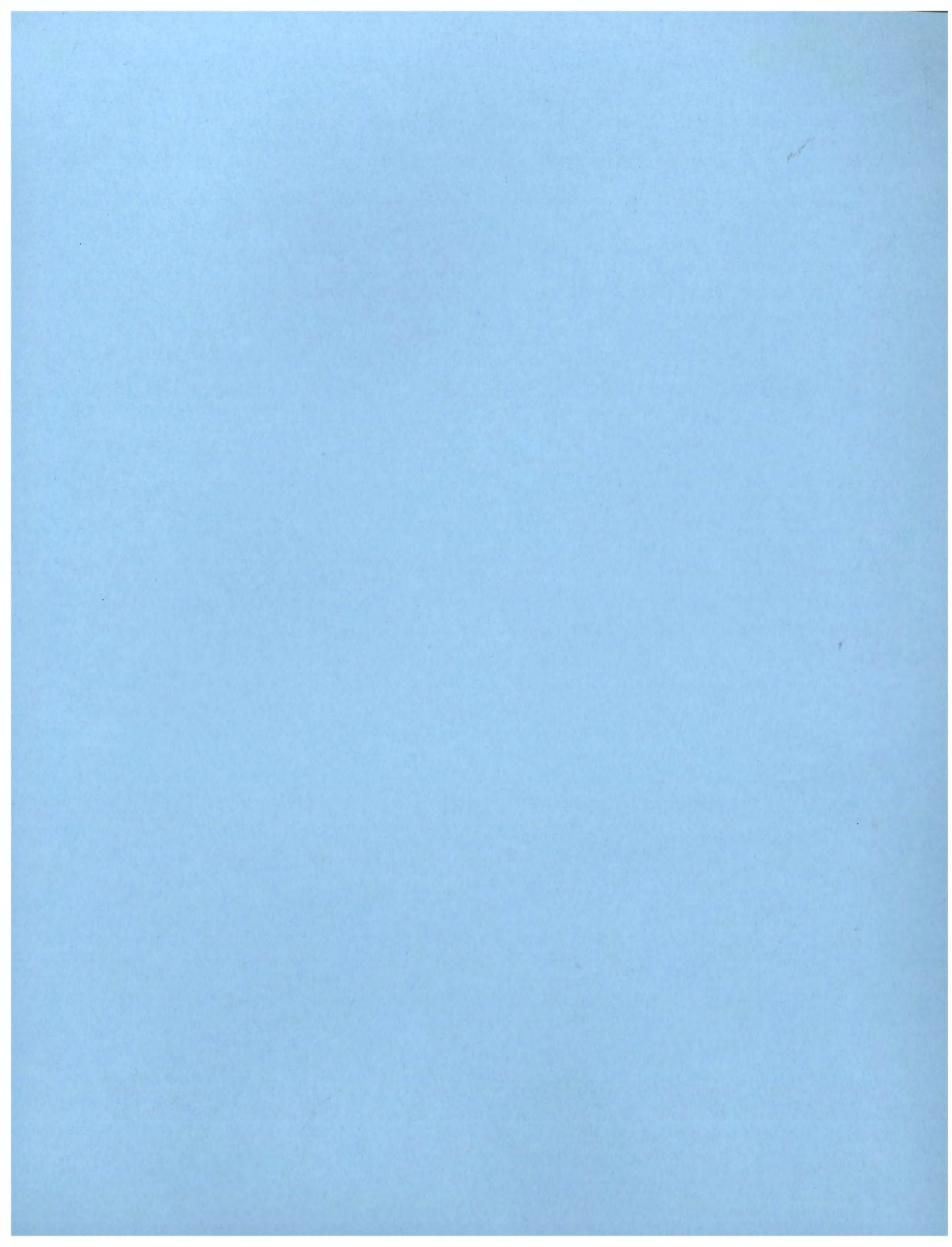
Limited recognition of a free market rate could be obtained through a tendering arrangement. Under this arrangement, the Government would solicit tenders for the given amount of exchange (say SDR 1 million per week) with no questions asked as to its origin. Tenders would be accepted down to the most depreciated exchange rate that would yield the given amount of exchange; the reserve price would correspond roughly to the black market exchange rate. Such a limited system, in addition to providing the necessary foreign exchange, could also provide an object lesson in the efficacy of exchange rate adjustment.

Other possibilities include the institution of a separate exchange market at a more depreciated rate, taxes on exports, elimination of the 20 percent retention allowance for proceeds from gold exports, and a shift of priorities within the exchange allocation system. These options could be examined by a technical mission although there are some obvious drawbacks of these schemes. In examining various options it must be recognized that the exchange rate and the exchange allocation system are closely linked and that both could (and should) be freed with benefits for the Fund and Guyana.

Although the scope of technical assistance that could be offered by the Fund would be limited, in practice it might be difficult to avoid some discussion of a financial program. For example, the large size of the public sector in Guyana means that changes in the exchange rate or in the exchange rate system would have a large fiscal impact. To the extent a technical mission was to examine the fiscal impact of various options, the distinction between technical assistance and design of a financial program would become blurred.

The above suggestions are preliminary in nature and would need to be examined in detail by a technical assistance mission before recommending an appropriate course of action, including any target for securing foreign exchange for repayments to the Fund.

cc: Legal Department
Mr. Collins





Office Memorandum

TO : Mr. Leddy

DATE: June 11, 1984

FROM : W.A. Beveridge

SUBJECT : Guyana

With respect to your draft letter to the President, I have problems with the paragraph on "technical assistance." I do not believe it to be appropriate to include "the design of the economic and financial adjustment measures..." as part of "technical assistance." Also the opening clause of the last sentence of the paragraph on page 3 seems to go too far in promising a broad based program of technical assistance. I have deleted some material. I have not attempted to recast the passages relating to the substance of financial reform because I would suppose that Mr. Reichmann would be paying attention to those.

Attachment

cc: Mr. Reichmann

DRAFT
TL/ew
6/8/84

Dear Mr. President:

I wish to acknowledge your letter of May 3, 1984 and to express my appreciation for the attendance of your representatives, Minister Greenidge and Governor Matthews, at the Executive Board discussion of Guyana on June 6, 1984. This letter explains the Fund's views on Guyana's economic and financial circumstances and its situation with respect to its financial obligations to the Fund, and describes the decision taken by the Executive Board at the conclusion of its meeting on June 6.

The Fund recognizes the impact that the adverse economic environment has had on Guyana's financial position. However, the resulting situation is in large measure attributable to weak economic and financial policies that have been followed by Guyana over a number of years, and the remedy must lie in the implementation of an energetic adjustment program. An infusion of foreign exchange ^{on concessional terms} is, as you note, urgently needed to help rehabilitate the economy; however, it must be stressed that in the circumstances of Guyana, ~~any~~ ^{such} recourse to foreign resources is likely to be limited and that the thrust of the adjustment program must be centered on a basic reformulation of domestic policies.

The necessary elements of adjustment policies and measures have been discussed between the authorities of Guyana and the Fund staff on a number of occasions and by the Executive Board. Again, in the context of the recent 1984 Article IV consultation discussions with Guyana, the findings of the staff show a fundamental need to redirect economic and financial policies away from heavy reliance on foreign borrowing. A strong fiscal policy, aimed primarily at reducing public expenditure,

is needed to generate domestic savings. More flexible policies, in particular with respect to the exchange rate, should replace the unduly rigid and distortive pricing policies that have been followed up to now.

I am sure, Mr. President, that you understand that Guyana's continuing failure to settle its overdue payments to the Fund constitutes a breach of its obligations under the Fund's Articles of Agreement, which adversely affects Guyana's credit standing and is damaging to the position of the Fund itself. The fact that some payments have been made is, of course, welcome. Nonetheless, the total and duration of the overdue obligations outstanding have both risen, and Guyana will face substantial additional obligations to the Fund in the future.

In these circumstances, which are of grave concern to the Fund, the Executive Board felt compelled to decide formally, pursuant to Rule K-2 of the Fund's Rules and Regulations, that Guyana shall not make use of the general resources of the Fund until such time as Guyana is current on its obligations under the Articles of Agreement relating to repurchases and the payment of charges in the General Department. In adopting this decision, the Executive Board urged Guyana to resume fulfilling its obligations to the Fund forthwith and called upon Guyana to adopt urgently additional economic and financial adjustment measures.

In considering this matter, the Executive Board noted carefully the expressions by you and by Minister Greenidge of Guyana's desire to honor its financial obligations to the Fund and your assurance that best efforts will be made to ensure that payments due to the Fund will be made. In my judgment, these statements and assurances were of

material importance in the Executive Board's choice not to invoke, at this time, further measures that are available to it under the Articles of Agreement. I wish to express my strong hope that you, Mr. President, will give your urgent personal attention to prompt positive action by Guyana on these recommendations.

In response to a request by Minister Greenidge, the Executive Board decided also that the Fund staff should be prepared to provide technical assistance ~~in connection with the design of the economic and financial adjustment measures that are essential in Guyana's circumstances~~ ¹⁶ in Guyana's ~~circumstances~~. The provision of such assistance, which would be of a purely advisory nature, would be appropriate and productive only if there were clear evidence of Guyana's determination to implement the basic reformulation of domestic policies that is needed; and such assistance should concentrate immediately on steps that can be taken to permit a regularization of Guyana's financial relations with the Fund at the earliest possible date. ~~I have instructed the Fund staff to develop a framework for the provision of technical assistance in this context, and~~ I look forward to receiving early and concrete evidence of Guyana's determination to implement a program of appropriate economic and financial adjustment measures.

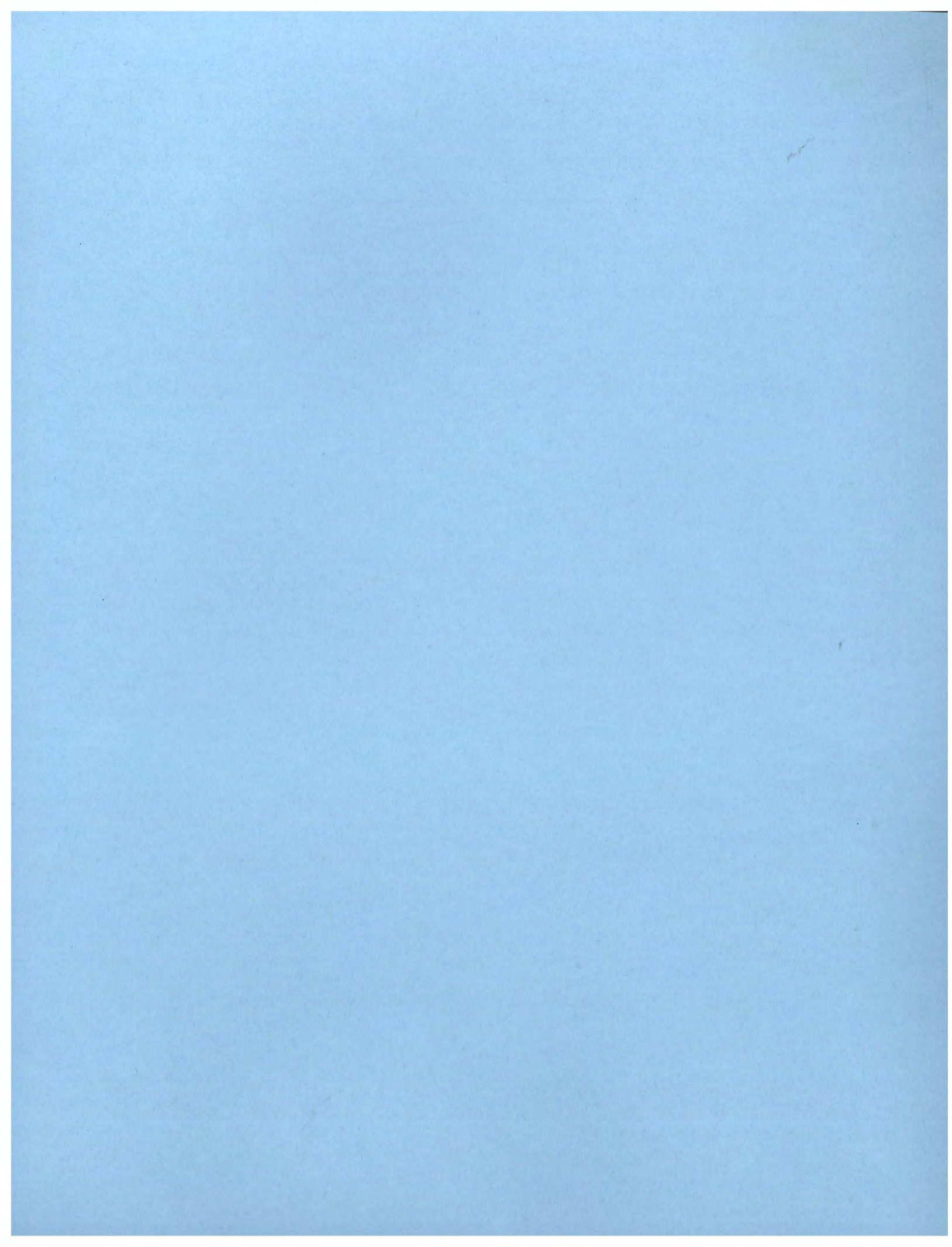
The decision taken by the Executive Board on June 6 has been communicated formally to Minister Greenidge in his capacity as Governor of the Fund for Guyana. This decision will be reviewed by the Executive Board in connection with the Article IV consultation with Guyana and in any case not later than three months from the date of the decision. In the course of this review, it will be necessary for the Executive Board

to assess Guyana's performance and prospects with respect both to the overdue payments and to the pursuit of appropriate adjustment policies, and in the light of this assessment to consider whether further action by the Fund is warranted. It is my sincere hope that at the time of that review I will be able to report ^{by the Executive Board} major progress in the settlement of the overdue obligations and in the adoption of a comprehensive and forceful adjustment program by Guyana.

Respectfully yours,

J. de Larosiere

The Honorable
L.F.S. Burnham
President of Guyana
Georgetown
Guyana





Office Memorandum

Mr. Finch
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TO : Mr. Reichmann
Mr. Leddy

FROM : W.A. Beveridge *WAB*

SUBJECT : Guyana

DATE: June 11, 1984

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I have put down some notes to provide a basis for going to management with some suggestions on the technical assistance issue in Guyana. Could you let me have comments by tomorrow evening?

Attachment

cc: Mr. Finch ✓

Guyana

In considering the way in which we should respond to a request by Guyana for technical assistance, it is necessary to bear in mind that the demarcations between "technical assistance," "consultation" and "negotiations" have not in the past been sharply drawn. Clearly most discussions with national officials include an element of "technical assistance" and they frequently have at least somewhere in the background, the eventual possibility of use of Fund resources.

These types of nuances were well recognized in the recent case of Jamaica when in the midst of protracted negotiations regarding the use of Fund resources, the member incurred arrears to the Fund. The Managing Director instructed the staff to suspend negotiations and to limit discussions to the techniques by which the exchange market could be adapted to generating sufficient foreign exchange resources to clear arrears with the Fund.

Consideration might be given to adapting this approach to technical assistance in the case of Guyana. Since Guyana is at present in arrears to the Fund by SDR 16 million and approximately a further SDR 10 million will fall due before the end of 1984, the objective might be for Guyana to garner no less than SDR 1 million per week for transfer to the Fund.

The parallel market is an obvious source to be tapped. If there were a comprehensive auction market for foreign exchange and if the exchange rate was permitted to adjust fully and in a unified fashion, there would be no difficulty in raising the necessary exchange. Such a policy change has so far been precluded by the authorities. Limited recognition of

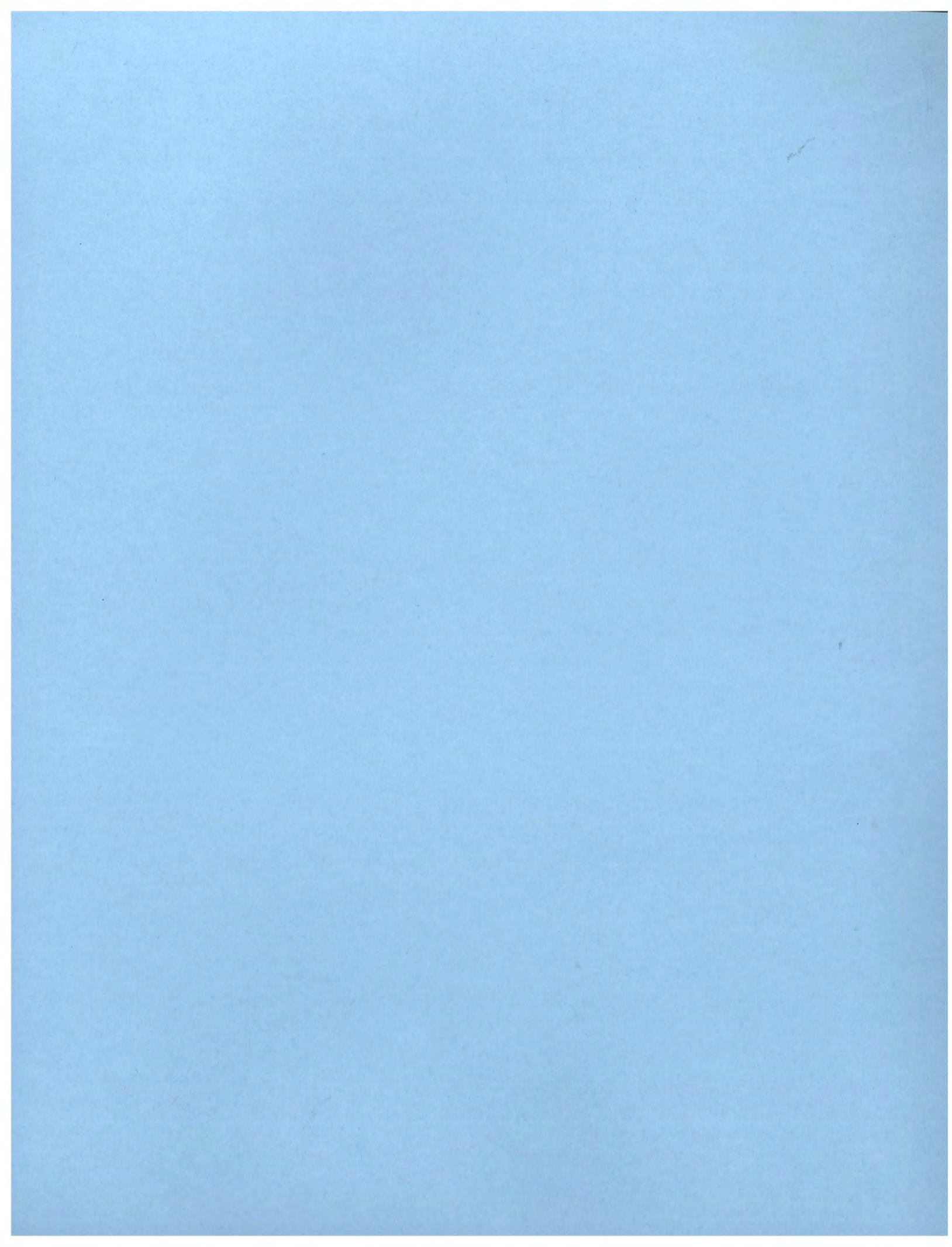
the free market rate could be obtained through a tendering arrangement. Under this arrangement, the Government would solicit tenders for the given amount of exchange (say SDR 1 million per week) with no questions asked as to its origin. Tenders would be accepted up to the most appreciated exchange rate that would yield the given amount of exchange; the reserve price would correspond roughly to the black market exchange rate. Such a limited system, in addition to providing the exchange, could also provide an object lesson in the efficacy of exchange rate adjustment.

A broader form of action market would involve channeling exchange presently surrendered to the commercial banks (all hard currencies), and also receipts in soft currencies not presently subject to surrender, through an auction mechanism in which the central bank would intervene to withdraw the exchange for repurchases. Depending on restraints on exchange rate movement (band or reserve price), the arrangement could also access the black market. Experience with arrangements in other countries suggests that contributions from the latter would be small below the black market exchange rate.

Another possibility would be the institution of a separate exchange market with a more depreciated exchange rate, from which the central bank would withdraw SDR 1 million on a weekly basis. Given that present repatriation and surrender requirements cover all exchange receipts in hard currencies, the scope for additional supply to such a market at or near existing exchange rates is probably quite limited. Nevertheless, it might be possible to mop up needed currency earnings by offering a favorable rate in such a market and arranging for conversion with the corresponding central banks. Some provision would need to be made for successively adjusting the rate to ensure an adequate flow.

Other considerably less desirable approaches would involve taxes on export activities--including gold which presently attracts relatively favorable treatment as receipts are valued at the free market exchange rate. Eliminating the 20 percent retention allowance for proceeds from gold exports would be another source of exchange. However, the staff reports for the 1983 consultation do not provide data on gold exports, and therefore no estimate can be made of this yield at present.

This type of technical assistance where focus would be on securing the needed transfers to the Fund, would not of course preclude other types of technical assistance such as that provided by FAD and CBD.





Office Memorandum

Mr. Finch

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To: The Managing Director

June 11, 1984

From: W. O. Haberman, George P. Nicoletopoulos,
C. David Finch and Sterie T. Beza

Subject: Guyana

Attached for your review and signature is a letter to President Burnham, responding to his letter of May 3 and taking into account the Board discussion and decision on June 6.

The letter refers in the penultimate paragraph to the matter of technical assistance. A memorandum discussing such assistance will be submitted for your consideration.

Attachment

cc: The Deputy Managing Director
Mr. Collins



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

MANAGING DIRECTOR

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INTERFUND

Dear Mr. President:

I wish to acknowledge your letter of May 3, 1984 and to express my appreciation for the attendance of your representatives and the views of Minister Greenidge at the Executive Board meeting on June 6, 1984. This letter explains our views on Guyana's economic and financial situation and on Guyana's financial obligations to the Fund, and discusses the conclusions of the meeting on June 6 that are reflected in the attached decision of the Executive Board.

I recognize the impact that the adverse economic environment has had on Guyana's financial position. However, the resulting situation is in large measure attributable to weak economic and financial policies that have been followed by Guyana over a number of years, and the remedy must lie in the implementation of an energetic adjustment program. An infusion of foreign exchange on concessional terms is, as you note, urgently needed to help rehabilitate the economy; however, it must be stressed that in the circumstances of Guyana, foreign resources cannot be relied upon except in a limited way. Thus the thrust of the adjustment program must be centered on a basic reformulation of domestic policies.

The necessary elements of adjustment policies and measures have been discussed between the authorities of Guyana and the Fund staff on a number of occasions and by the Executive Board. Again, in the context of the recent 1984 Article IV consultation discussions with Guyana, the findings of the staff show a fundamental need to redirect economic and financial policies away from heavy reliance on foreign borrowing. A strong fiscal policy, aimed primarily at reducing public expenditure, is needed to generate domestic savings. More flexible policies, in particular with respect to the exchange rate, should replace the unduly rigid and distortive pricing policies that have been followed up to now.

I am sure, Mr. President, that you understand that Guyana's continuing failure to settle its overdue payments to the Fund constitutes a breach of its obligations under the Fund's Articles of Agreement, which adversely affects Guyana's credit standing and is damaging to the position of the Fund itself. The fact that some payments have been made is, of course, welcome. Nonetheless, the total and duration of the overdue obligations outstanding have both risen, and Guyana will face substantial additional obligations to the Fund in the future.

Guyana's failure to settle its overdue payments is of grave concern to the Fund. The Executive Board decided on June 6, 1984, pursuant to Rule K-2 of the Fund's Rules and Regulations, that Guyana shall not make use of the general resources of the Fund until such time as Guyana is current on its obligations under the Articles of Agreement relating to repurchases and the payment of charges in the General Department.

Moreover, the Executive Board urged Guyana to resume fulfilling its obligations to the Fund forthwith and called upon Guyana to adopt urgently additional economic and financial adjustment measures.

In considering this matter, the Executive Board noted carefully the expressions by you and by Minister Greenidge of Guyana's desire to honor its financial obligations to the Fund and your assurance that best efforts will be made to ensure that payments due to the Fund will be made. I wish to express my strong hope, Mr. President, that you will give your urgent attention to positive action by Guyana on this matter.

In response to a request by Minister Greenidge, the Executive Board decided also that the Fund staff will stand ready to provide technical assistance to Guyana. The provision of such assistance would be purely advisory in nature and could not involve any discussion of financial assistance by the Fund. Such technical assistance would be productive only if there were clear evidence of Guyana's determination to implement the basic reformulation of domestic policies that is needed, and should concentrate immediately on steps to permit a regularization of Guyana's financial relations with the Fund. I look forward to receiving early and concrete evidence of Guyana's determination to implement a program of appropriate economic and financial adjustment measures.

The decision taken by the Executive Board on June 6 will be reviewed by the Executive Board in connection with the Article IV consultation with Guyana and in any case not later than three months from the date of the decision. In the course of this review, it will be necessary for the Executive Board to assess Guyana's performance and prospects with respect both to the overdue payments and to adjustment policies, and in the light of this assessment to consider whether further action by the Fund is warranted. It is my sincere hope that at the time of that review I will be able to report to the Executive Board major progress in the settlement of the overdue obligations and in the adoption of a comprehensive and forceful adjustment program by Guyana designed to improve the domestic economy and strengthen the balance of payments and reserve situation.

Respectfully yours,

J. de Larosière

Attachment

The Honorable
L.F.S. Burnham
President of Guyana
Georgetown
Guyana

INTERNATIONAL MONETARY FUND

Guyana - Complaint Under Rule K-1

Executive Board Decision - June 6, 1984

1. The Managing Director has reported under Rule K-1 of the Fund's Rules and Regulations to the Executive Board the facts on the basis of which it appeared to him at the dates of these reports that Guyana was not fulfilling its obligations under the Articles of Agreement and submitted a complaint on April 4, 1984 (EBS/84/47, Supplement 2) in accordance with that rule. The complaint was that as of March 30, 1984 Guyana was not fulfilling its obligations relating to repurchases and the payment of charges in the General Department in the total amount of SDR 13,991,394 including both overdue repurchases and charges. These facts and the complaint of the Managing Director have been communicated to the authorities of Guyana.

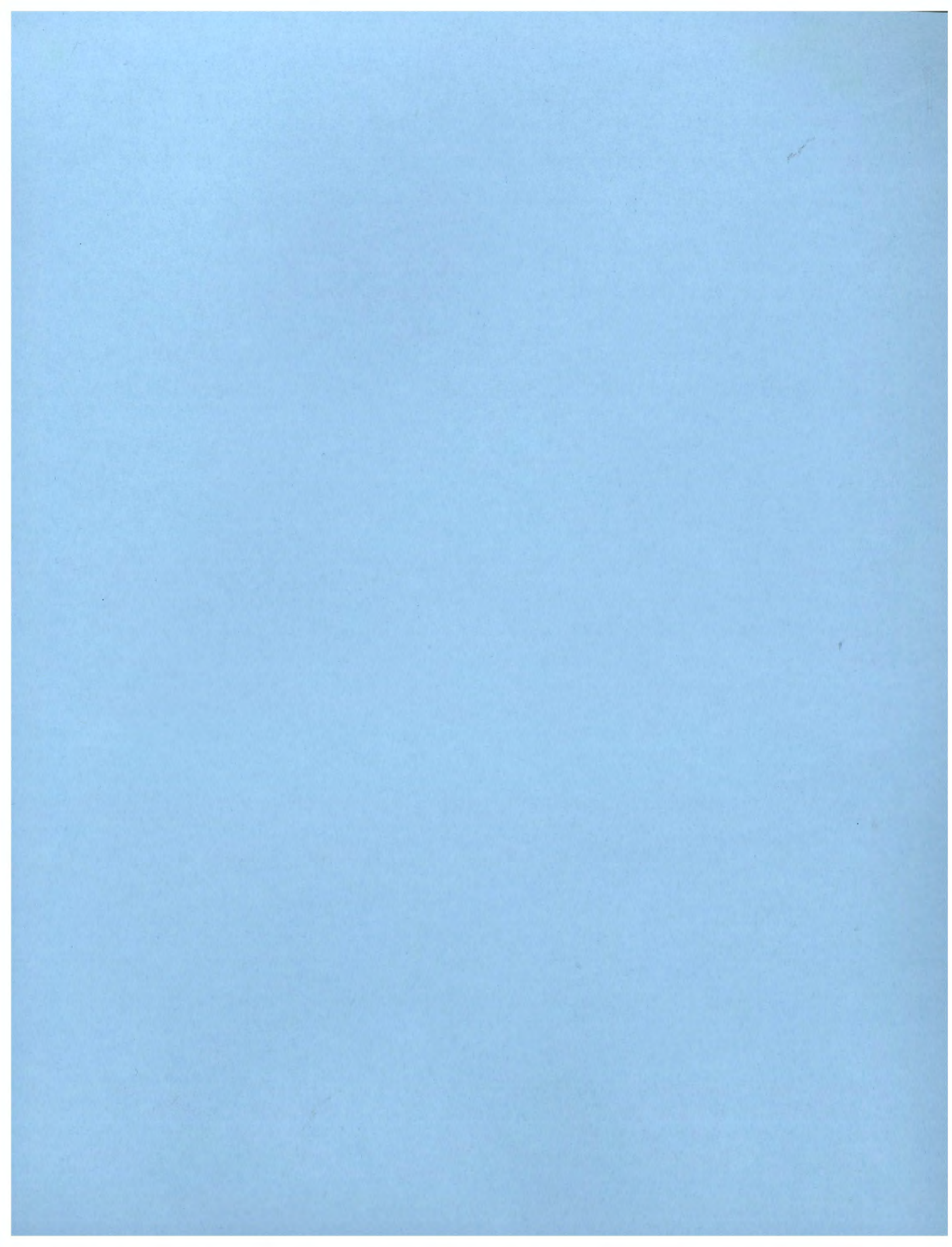
2. On May 18, 1984 Guyana made a payment equivalent to SDR 506,196 to discharge part of the outstanding semiannual charges of SDR 1,505,295 due July 13, 1983, reducing this obligation to SDR 999,099. Since the submission by the Managing Director of the complaint on April 4, 1984, Guyana has become overdue in discharging additional obligations totaling SDR 2,557,213 in respect of two repurchases due April 16, 1984 and May 11, 1984 and quarterly charges due May 7, 1984. Taking into account the payments made by Guyana and the obligations that have become overdue since March 30, 1984, Guyana's overdue payments to the Fund have increased to a total amount of SDR 16,042,411 in the General Department.

3. Having considered the reports of the Managing Director, the complaint and the views of Guyana, the Fund finds that Guyana has failed to fulfill its obligations under the Articles of Agreement as stated in 1 and 2 above.

4. The Fund regrets the nonobservance by Guyana of its obligations and urges Guyana to resume their observance forthwith. The Fund decides, pursuant to Rule K-2 of the Fund's Rules and Regulations, that Guyana shall not make use of the general resources of the Fund until such time as Guyana is current on its obligations under the Articles of Agreement relating to repurchases and the payment of charges in the General Department.

5. The Fund also calls upon Guyana to adopt urgently additional economic and financial adjustment measures. The Fund staff will stand ready to provide technical assistance for this purpose.

6. The Fund shall review the present decision in connection with the forthcoming Article IV consultation, but not later than three months from the date of the present decision.



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17 Quote: 1. The Managing Director has reported under
16 Rule K-1 of the Fund's Rules and Regulations to the
15 Executive Board the facts on the basis of which it
14 appeared to him at the dates of these reports that
3 Guyana was not fulfilling its obligations under the
12 Articles of Agreement and submitted a complaint on
11 April 4, 1984 (EBS/84/47, Supplement 2) in accordance
10 with that rule. The complaint was that as of March 30,
9 1984 Guyana was not fulfilling its obligations relating
8 to repurchases and the payment of charges in the General
7 Department in the total amount of SDR 13,991,394 including
6 both overdue repurchases and charges. These facts and
4 the complaint of the Managing Director have been commu-
3 nicated to the authorities of Guyana.
2 2. On May 18, 1984 Guyana made a payment equivalent
1 to SDR 506,196 to discharge part of the outstanding
semiannual charges of SDR 1,505,295 due July 13, 1983,

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AUTHORIZED BY NAME (TYPE): Leo Van Houtven

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WASHINGTON, D. C. 20431

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15	additional obligations totaling SDR 2,557,217 in	T
14	respect of two repurchases due April 16, 1984 and May	Y
13	11, 1984 and quarterly charges due May 7, 1984. Taking	P
12	into account the payments made by Guyana and the	E
11	obligations that have become overdue since March 30,	H
10	1984, Guyana's overdue payments to the Fund have	E
9	increased to a total amount of SDR 16,042,411 in the	R
8	General Department.	E
7	3. Having considered the reports of the Managing	H
6	Director, the complaint and the views of Guyana, the	E
5	Fund finds that Guyana has failed to fulfill its	R
4	obligations under the Articles of Agreement as	E
3	stated in 1 and 2 above.	H
2	4. The Fund regrets the non-observance by Guyana	E
1	of its obligations and urges Guyana to resume their	R
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18	observance forthwith. The Fund decides, pursuant to	N
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14	obligations under the Articles of Agreement relating	Y
13	to repurchases and the payment of charges in the General	P
12	Department.	E
11	5. The Fund also calls upon Guyana to adopt	R
10	urgently additional economic and financial adjustment	E
9	measures. The Fund staff will stand ready to provide	
8	technical assistance for this purpose.	
7	6. The Fund shall review the present decision	
6	in connection with the forthcoming Article IV	
5	consultation, but not later than three months from	
4	the date of the present decision. Unquote	H
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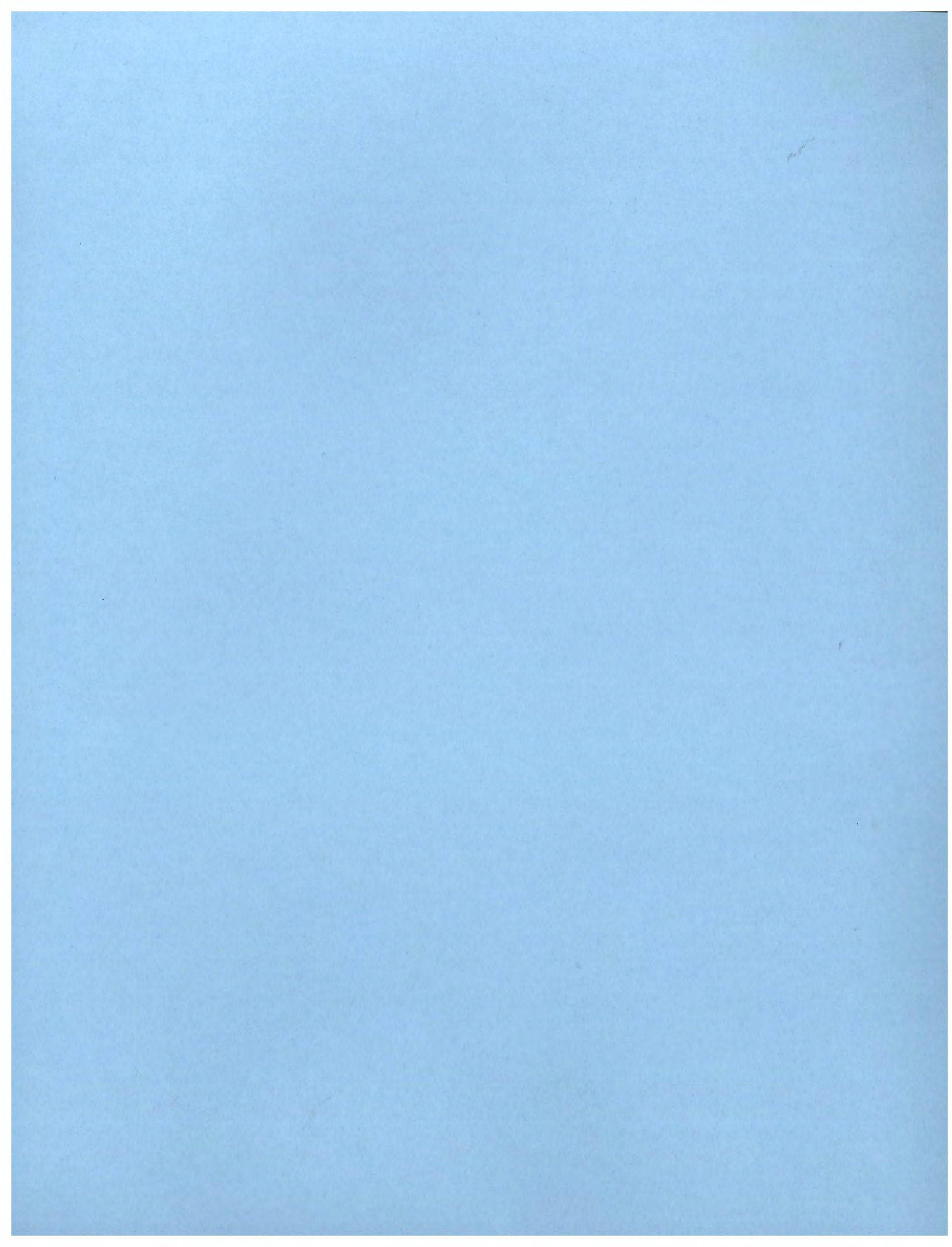
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Office Memorandum

To: The Managing Director
From: W. O. Habermeier *W. O. Habermeier*
Subject: Guyana--Technical Assistance

May 31, 1984

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Mr. Reichmann's back-to-office report of May 29 raises the possibility of technical assistance in designing an adjustment program, and notes the problem of distinguishing between technical assistance and negotiation of a program itself.

My assumption is that in the absence of a material improvement in the overdues situation, the Board will act soon to limit Guyana's use of Fund resources. In these circumstances, I would think technical assistance, suitably defined, would be most helpful so as to maintain a dialogue on the substance of the issue with the member and desirable as a means of trying to influence the policy process so that the economy of Guyana can eventually be restored, the overdue obligations can be settled, and normal financial relations can be resumed.

I would suggest that to maintain the necessary distinction, the program on which the staff would advise Guyana should be drawn up on the basis that there would be no use of Fund resources, and that during the program period current arrears to the Fund would be settled and there would be a further net reduction in indebtedness as scheduled future payments are made. That is, the content of the adjustment measures would presumably have to be stronger than might otherwise be the case, reflecting the net reduction in indebtedness to the Fund and the need for measures that would give confidence to other creditors in the absence of Fund support in the form of new money. Such an approach would also clearly indicate the advantage of keeping good relations with the IMF and the benefits that would be derived from further extension of a suitable amount of financial support from the IMF once arrears are settled and the economic policy of Guyana is properly set.

cc: The Deputy Managing Director
Mr. Nicoletopoulos
Mr. Wiesner/Mr. Reichmann
Mr. Collins

Mr. Beveridge



Office Memorandum

TO : The Managing Director

DATE: May 31, 1984

FROM : T. Reichmann *TR*

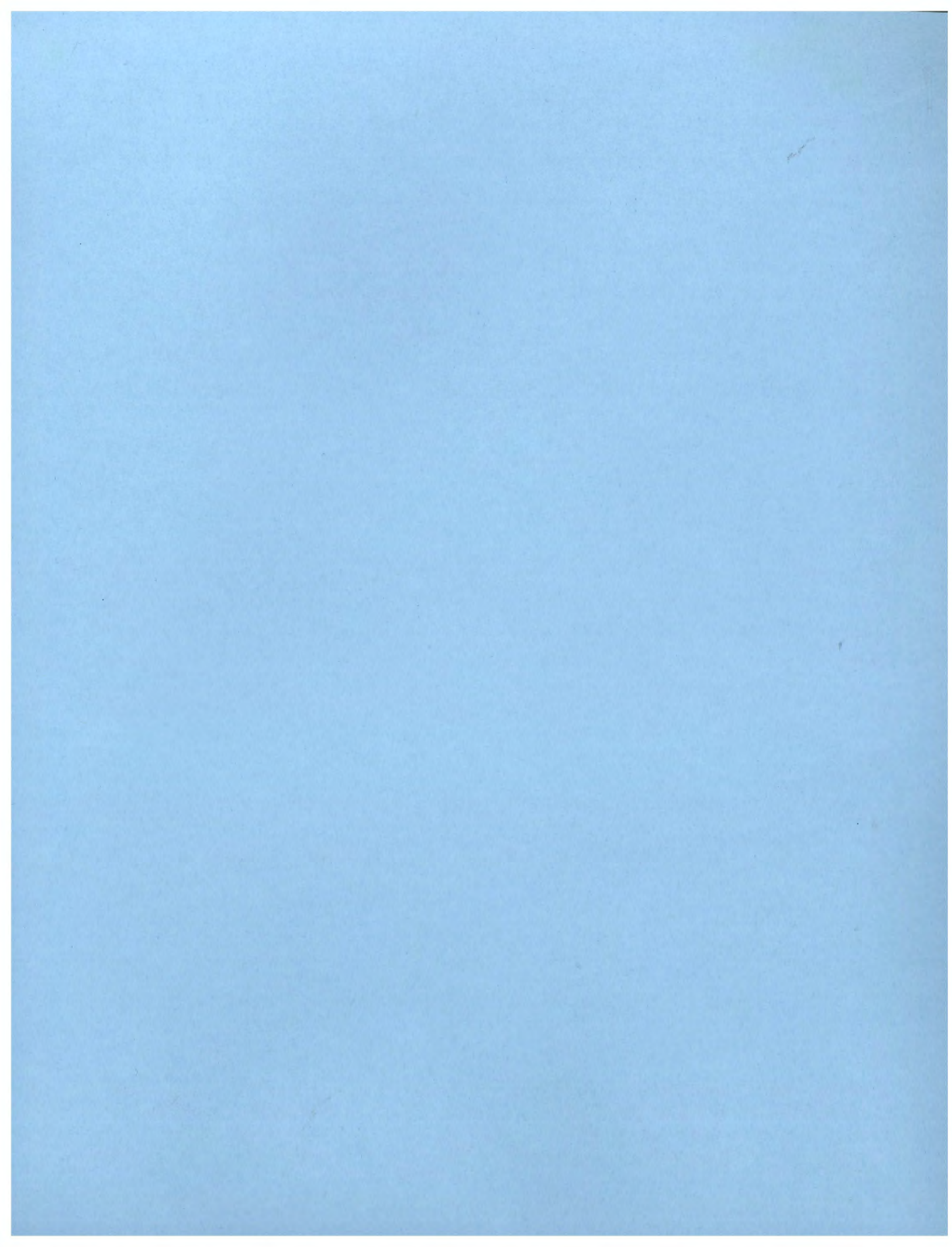
SUBJECT : Guyana--Technical Assistance

Further to my back-to-office report and Mr. Habermeier's memorandum to you of today, I agree with Mr. Habermeier's assessment of the feasibility and advantages of offering our technical assistance to Guyana in designing an adjustment program. However, I have some misgivings about such an approach at this stage.

The idea of technical assistance was broached in passing by the Guyanese technicians. In my view, their interest in it derives from their desire not only to strengthen their position with respect to the political decisionmakers around the President, but also to keep up the appearance vis-avis other creditors that negotiations with the Fund are still proceeding.

Futhermore, I believe that there is only a very slim chance that such technical assistance would result in agreement on a program that Guyana would actually implement. At present, I do not see either the will nor the political ability to undertake the type of measures that would necessarily be part of such a program. Under these circumstances, I wonder whether it would be appropriate to have the Fund's name associated with the partial measures that in all likelihood will be implemented instead of the program we would recommend.

cc: The Deputy Managing Director
Mr. Habermeier
Mr. Nicoletopoulos
✓ Mr. Beveridge
Mr. Wiesner
Mr. Collins





IMF OFFICIAL CABLE

Mr. B...

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1984 MAY 29 AM 10:09

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QBH797 IN 29/10:03 OUT 29/10:08

ORIG: WHD
CC: MR. KAFKA

2267 CENBANK GY

MR. GUITIAN

29TH MAY 1984

MR. LEDDY

INTERNATIONAL MONETARY FUND

REF. YOUR CABLE OF 26TH APRIL, 1984 SENT TO MR CARL GREENIDGE,
MINISTER OF FINANCE AND ECONOMIC PLANNING, THE MINISTER STATES
THAT HE HAS NO OBJECTION TO THE RECLASSIFICATION AND RELEASE OF THE
DOCUMENT MENTIONED THEREIN.

L.E.B. JOHNSON
PERMANENT SECRETARY
MINISTRY OF ECONOMIC & PLANNING

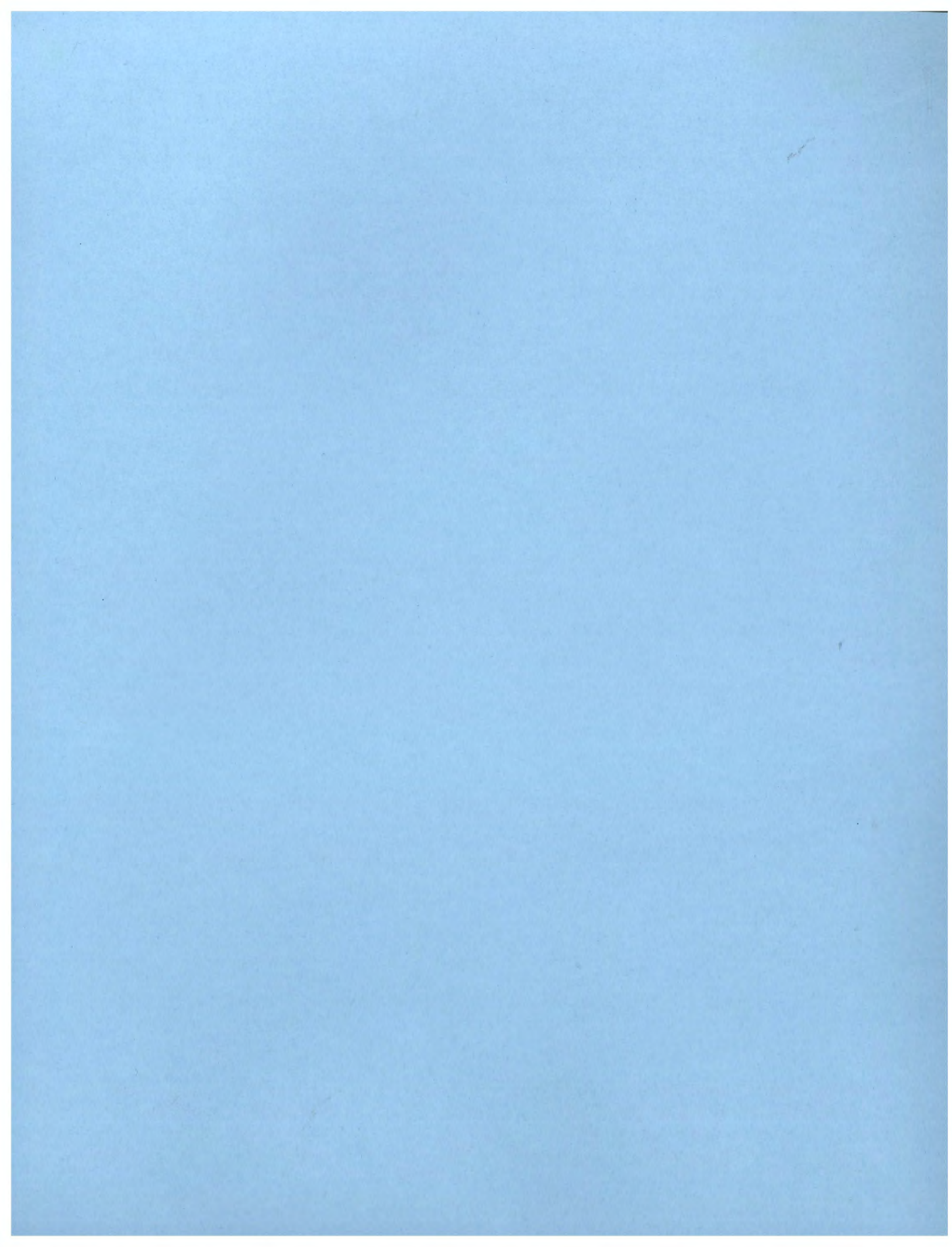
CENTRALBANK GEORGETOWN GUYANA

2267 CENBANK GY

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Mr. Bewidge (of) 5

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1984 MAY -3 PM 3:45

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ORIGINAL DESTINATION: OPER REROUTED VIA TCP
248423 WORLDBANK

ORIG: MR. T. REICHMANN
CC: MR. KAFKA
MR. GUITIAN
MR. LEDDY

3RD MAY 1984

THOMAS REICHMANN
DIVISION CHIEF
WESTERN HEMISPHERE
INTERFUND

DEAR MR REICHMANN

PLEASE REFER TO YOUR TELEX MESSAGE OF THE 26TH APRIL 1984. GUYANA
AGREES TO A STAFF MISSION BEING HERE TO HAVE THE ARTICLE IV COM-
SULTATIONS FOR 1984 IN THE WEEK COMMENCING 14TH MAY 1984.

I UNDERSTAND THAT YOUR STAFF HAVE ALREADY CONTACTED MR C. BLUE
REGARDING MEETINGS.

REGARDS

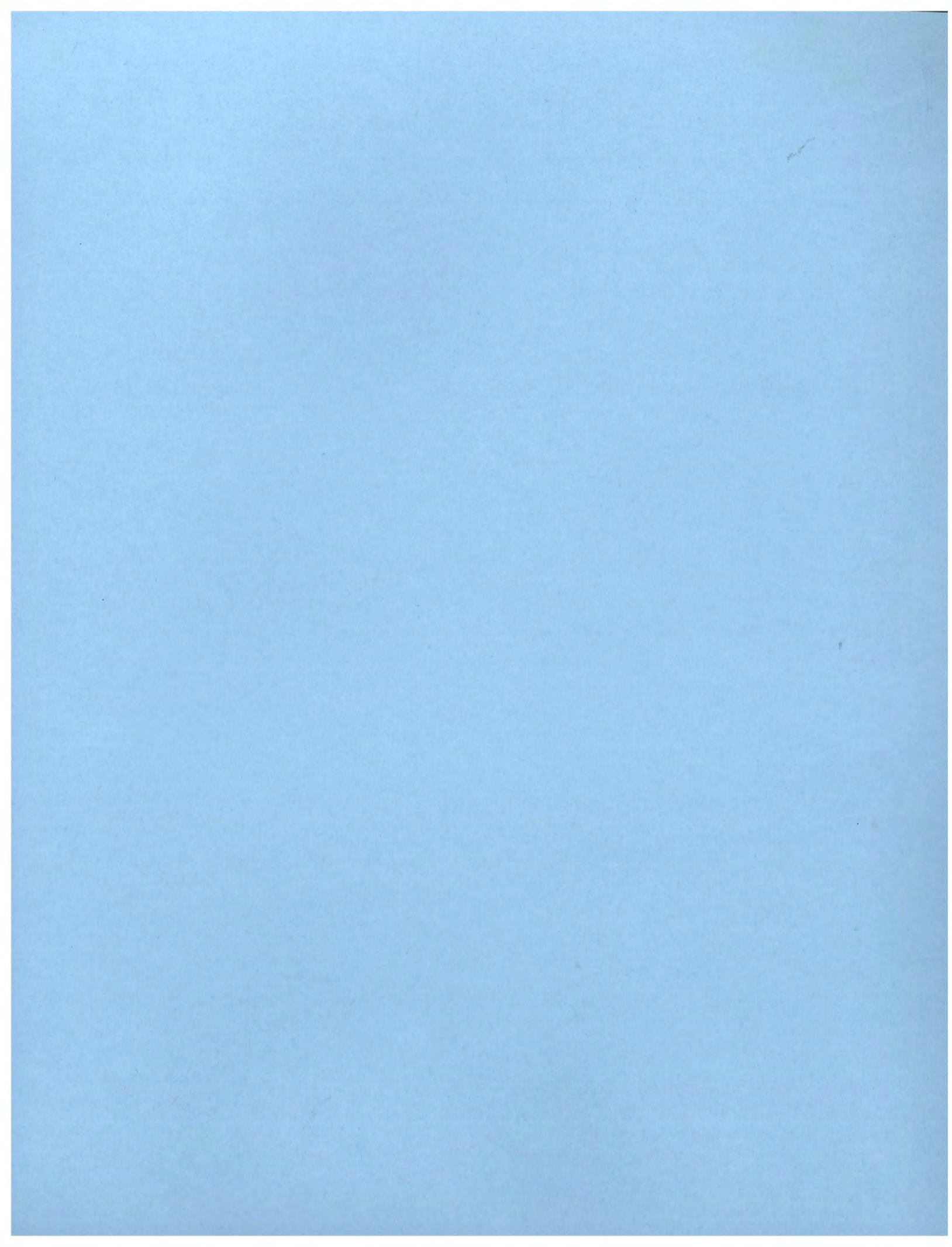
P.E. MATTHEWS
GOVERNOR
CENTRAL BANK OF GUYANA

248423 WORLDBANK
2267 CENBANK GY

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=05030851

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IMF OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

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Mr. Beveridge (015)

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23 **LIST OF 2**

22 **GUYANA**

21

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DISPATCHED IMF

1984 APR 26 PM 1:37

MARK XX FOR CODE
() CODE

START TEXT HERE

18 IF IT IS AGREEABLE TO YOU, A STAFF MISSION WOULD

17 TRAVEL TO GEORGETOWN ON MONDAY, MAY 14, 1984 TO CONDUCT

16 THE 1984 ARTICLE IV CONSULTATION DISCUSSIONS. THE MISSION

15 WOULD EXPECT TO STAY UNTIL MAY 25, 1984. TO FACILITATE

14 THE WORK OF THE STAFF, WE WOULD LIKE TO CONTACT MR. BLUE

13 BY PHONE TO AGREE ON A SCHEDULE OF FACT FINDING MEETINGS

12 TO BE HELD DURING THE PERIOD MAY 15 TO 19.

11 PLEASE ADVISE US ON THE SUITABILITY OF THE PROPOSED

10 ARRIVAL DATE AT YOUR EARLIEST CONVENIENCE,

9 BEST REGARDS

8 THOMAS REICHMANN

7 DIVISION CHIEF

6 WESTERN HEMISPHERE

5 INTERFUND

D

O

DISTRIBUTION

MR. KAFKA

MR. GUITIAN

MR. LEDDY

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SPECIAL INSTRUCTIONS TEXT MUST END HERE

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TELEX NO.: CABLE ADDRESS:

DRAFTED BY NAME (TYPE): **T Reichmann?crp**

EXT.: **8610** DEPT.: **WHD** DATE: **4/26/84**

AUTHORIZED BY NAME (TYPE): **T. Reichmann**

AUTHORIZED BY NAME (TYPE): (**)

TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

F Log **D4344**

SEC. 48 REV 1 11-18-82

T Reich

SIGNATURE

(PLEASE KEEP SIGNATURE IN SPACE ALLOWED)

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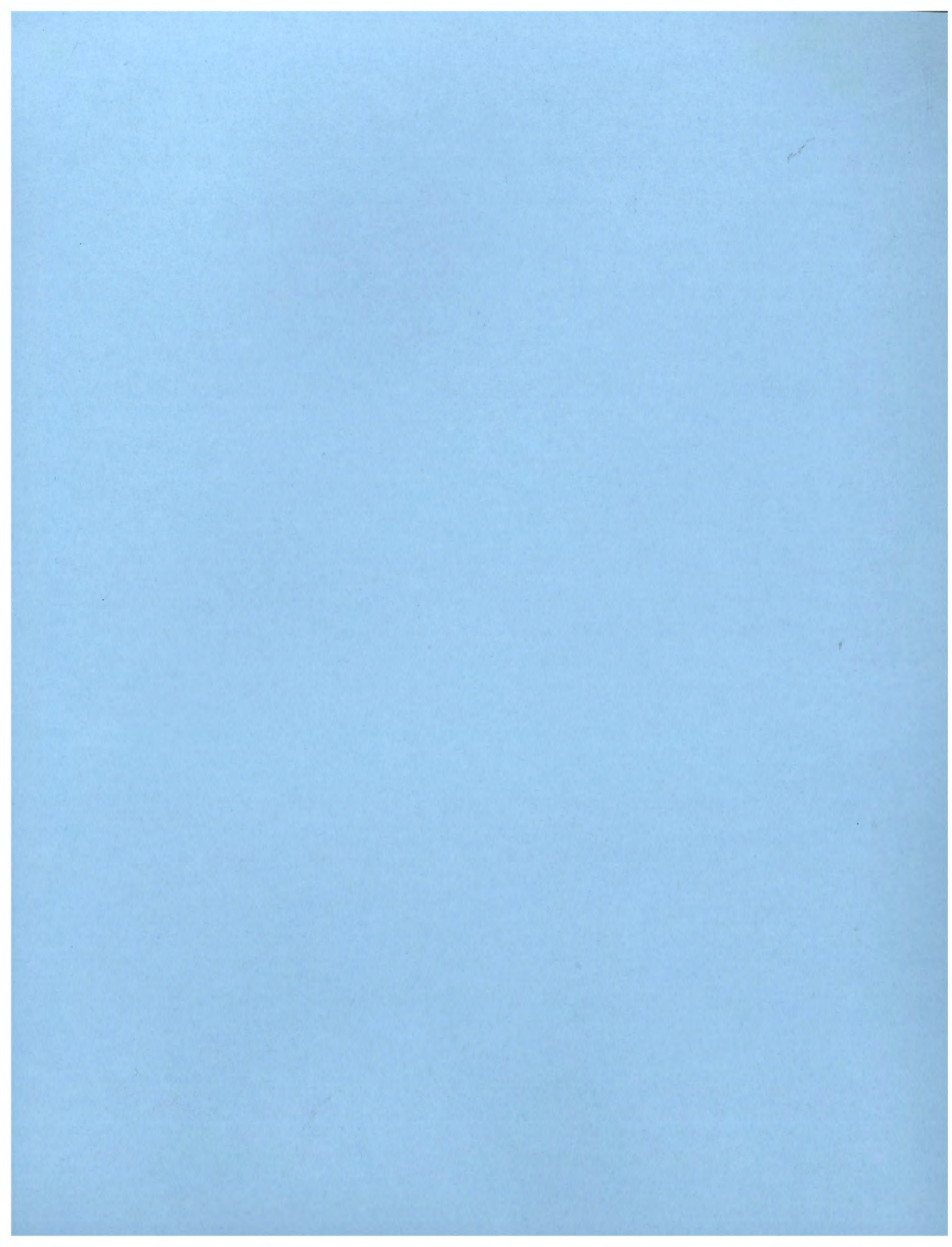
LIST OF TWO

MINISTER CARL GREENIDGE
MINISTER OF FINANCE AND ECONOMIC PLANNING
AVENUE OF THE REPUBLIC AND BRICKDAM
GEORGETOWN, GUYANA

CABLE

GOVERNOR PATRICK MATTHEWS
BANK OF GUYANA
GEORGETOWN, GUYANA

312 2267 Centbank GY





IMF OFFICIAL CABLE

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1984 APR -7 AM 8:19

RCV: @1IM/1.04605 LINE: 1

ORIG: SEC
CC: MD
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MR. KAFKA
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MR. S.P. COLLINS

0706 EST
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2267 CENBANK GY

SECRETARY
INTERFUND
WASHINGTON DC

7TH APRIL, 1984.

WE HEREBY ACKNOWLEDGE RECEIPT OF THE MANAGING DIRECTOR'S
COMMUNICATION OF APRIL 5 AND TELEX DATED APRIL 6, CONCERNING
VERDUE PAYMENTS TO THE FUND

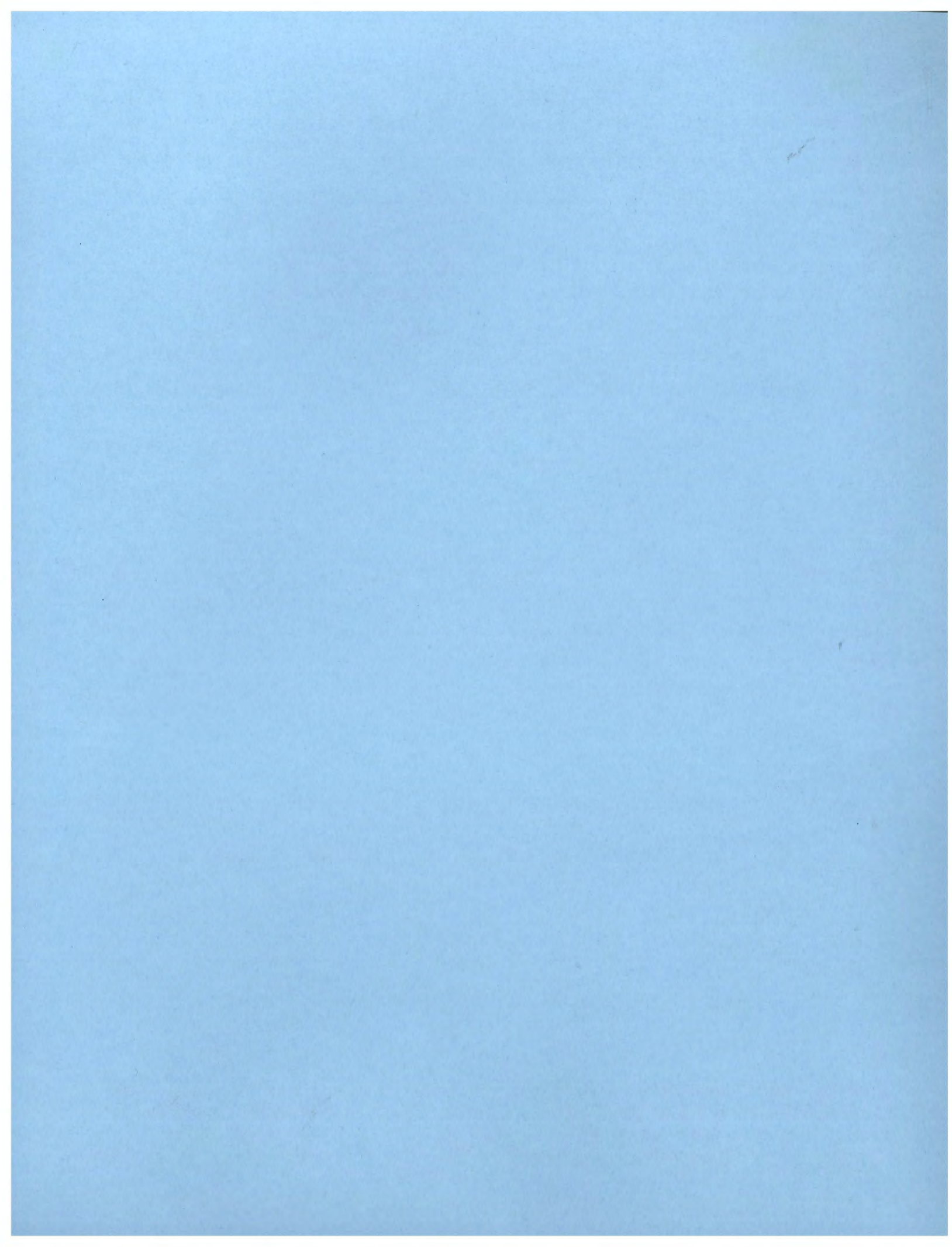
PATRICK MATTHEWS
GOVERNOR
CENTRALBANK GEORGETOWN GUYANA

440385 FUND UI

2267 CENBANK GY
REPLY VIA ITT

?

TIME: 07:05 04/07/84 ???
CONNECT TIME : 137 SECONDS



IMF OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT
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23	LIST OF TWO	
22		DISPATCHED IMF
21		1984 APR -6 PM 10:33
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18	REFERENCE MANAGING DIRECTOR'S COMMUNICATION OF APRIL 5,	D O DISTRIBUTION N O T C C: SEC M D D M D M R. KAFKA E T R L E G Y R E S P E R E E W H D E M R. S. P. COLLINS H E R E
17	1984, REGARDING OVERDUE PAYMENTS TO THE FUND. I SHALL BE	
16	GRATEFUL TO RECEIVE A FORMAL ACKNOWLEDGMENT OF RECEIPT	
15	WHICH MAY BE ADDRESSED TO THE SECRETARY, INTERFUND.	
14	J.W.LANG, ACTING SECRETARY, INTERFUND	
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A	SPECIAL INSTRUCTIONS	↑ TEXT MUST END HERE ↑
B	TRANSMIT TODAY APRIL 6, 1984 - BY TELEX	
C	TELEX NO.:	CABLE ADDRESS:
D	DRAFTED BY NAME (TYPE): JKay:jmh	EXT.: 74175 DEPT.: SEC DATE: 4/6/84
E	AUTHORIZED BY NAME (TYPE): Joseph W.Lang, Jr.	AUTHORIZED BY NAME (TYPE): _____ (**) ←
F	Log <u>2/1/84</u>	TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

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IF REQUIRED INITIAL BELOW

LIST OF TWO

HONORABLE CARL GREENRIDGE
MINISTRY OF ECONOMIC PLANNING AND FINANCE
GEORGETOWN, GUYANA

CBL

PATRICK E. MATTHEWS, GOVERNOR
BANK OF GUYANA
GEORGETOWN, GUYANA

3122267 CBNBANK GY

International Bank for Reconstruction and Development

FOR OFFICIAL USE ONLY

CGCED 84-9

From: Vice President and Secretary

January 18, 1984

CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT

Attached for the use of participants in the Sixth Meeting of the Caribbean Group for Cooperation in Economic Development, now scheduled to take place in Washington, D.C., February 13-17, 1984, is the following report:

Guyana: Recent Developments, Structural Adjustment
and Prospects (dated January 11, 1984)

Report No. 4765-GUA

Distribution:

Executive Directors for:

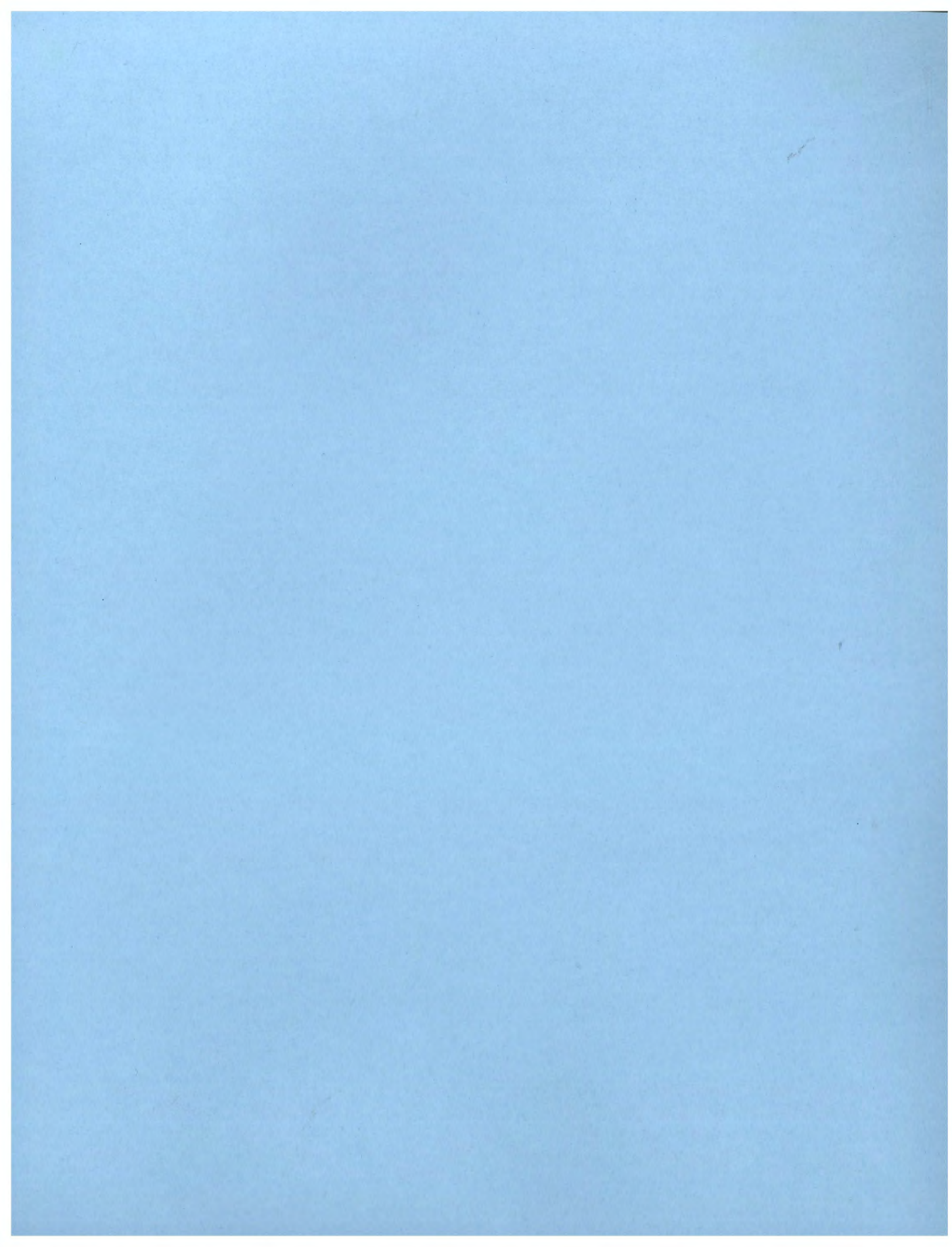
Argentina
Austria
Bahamas
Barbados
Belize
Brazil
Canada
Colombia
Dominica
Dominican Republic
Finland
France
Germany
Grenada
Guyana
Haiti
Jamaica
Japan
Mexico
Netherlands (for communication also to
the Government of Netherlands Antilles)
Norway
Spain
St. Lucia
St. Vincent and the Grenadines
Suriname
Sweden
Trinidad and Tobago
United Kingdom (for communication also to
the Governments of Anguilla, British
Virgin Islands, Cayman Islands,
Montserrat, and Turks and Caicos
Islands)
United States
Venezuela

Caribbean Association of Industry and
Commerce
Caribbean Community Secretariat
Caribbean Development Bank (for
communication also to the
Governments of Antigua and Barbuda,
and St. Kitts and Nevis)
Caribbean Food Corporation
Caribbean Project Development Facility
Caribbean Tourism Association
Caribbean Tourism Research and
Development Centre
Commission of the European Communities
Commonwealth Secretariat
Development Assistance Committee
Eastern Caribbean Central Bank
Eastern Caribbean Tourist Association
Economic Commission for Latin America
European Investment Bank
Inter-Agency Resident Mission
Inter-American Development Bank
Inter-American Institute for Cooperation
on Agriculture
International Civil Aviation
Organization
International Finance Corporation
International Fund for Agricultural
Development
International Monetary Fund
International Trade Centre
Kuwait Fund
Latin American Economic System (SELA)
OPEC Fund for International Development
Organization of American States
Organization of Eastern Caribbean States
United Nations Development Programme
World Food Programme

For Information:

President
Senior Vice Presidents
Senior Management Council
Vice Presidents, IFC
European Office
Tokyo Office

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IMF OFFICIAL CABLE

B/P

cc: Mr. Quirk

mb

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RECEIVED
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ORIG: WHD

CC: MD

DMD

MR. KAFKA

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MR. S. COLLINS

MANAGING DIRECTOR

INTERFUND

WASHINGTON D.C.



11TH JANUARY 1984

THE GOVERNMENT OF GUYANA WISHES TO NOTIFY THE FUND THAT WITH EFFECT FROM 11TH JANUARY, 1984 THE CENTRAL RATE FOR THE GUYANA DOLLAR WILL BE GUYANA DOLLARS THREE POINT SEVENTY-FIVE CENEQUALS ONE US DOLLAR (GUYANA DOLLARS 3.75 = US DOLLAR 1.00)

THE US DOLLAR WILL CONTINUE TO BE GUYANA'S INTERVENTION CURRENCY.

THE GOVERNMENT OF GUYANA WISHES TO INFORM YOU THAT IT IS NOW IMPLEMENTING A DECISION TAKEN ON 2ND JUNE, 1981 WHEN THE LAST EXCHANGE RATE CHANGE TOOK PLACE.

GUYANA INDICATED THAT THE GUYANA DOLLAR EXCHANGE RATE WILL BE DETERMINED BY THE MOVEMENTS IN THE RATES OF A SELECTED GROUP OF CURRENCIES WHICH WOULD COMPROMISE A COMPOSITE BASKET.

FOR THE IMPLEMENTATION OF THIS DECISION OF THE 2ND JUNE, 1981 THE GOVERNMENT HAS CHOSEN THE FOLLOWING CURRENCIES TO COMPRISE THE BASKET I.E. THE POUND STERLING, THE DEUTSCHE MARK, THE JAPANESE YEN, THE



IMF OFFICIAL CABLE

FRENCH FRANC AND THE NETHERLANDS GUILDER. THE EXCHANGE RATE APPRECIATION OF THE GUYANA DOLLAR SINCE THE 2ND JUNE 1981 IS REFLECTED IN THE
X

THE ABOVE EXCHANGE RATE CHANGE

FURTHER RATE CHANGES FOR THE GUYANA DOLLAR WILL BE EFFECTED WHEN THE BASKET MECHANISM INDICATES THAT A DECISION IS NEEDED TO CORRECT ANY SIGNIFICANT CHANGE IN THE GUYANA DOLLAR VALUE OF THE BASKET.

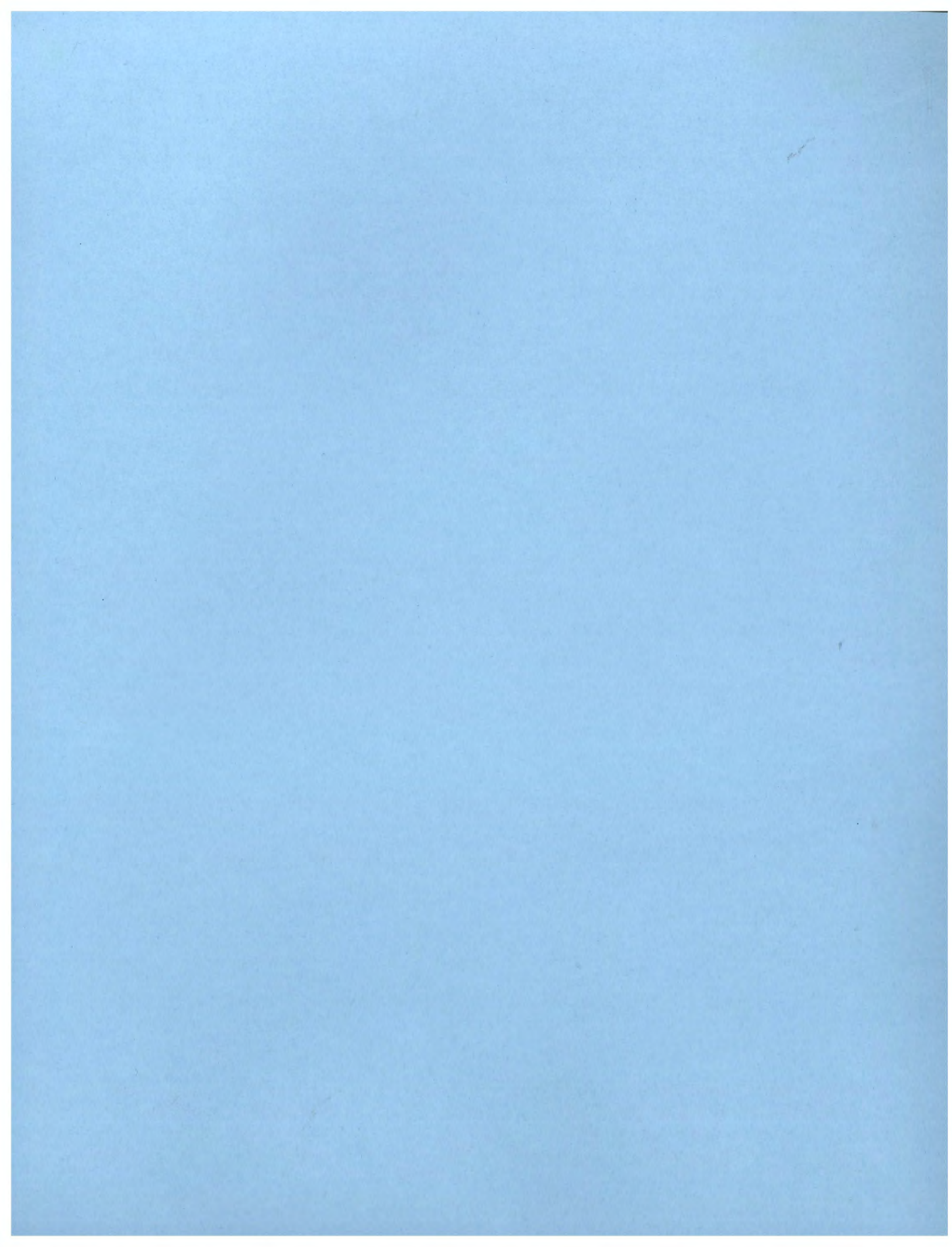
TRICK E. MATTHEWS,
GOVERNOR, BANK OF GUYANA
CENTRALBANK GEORGETOWN GUYANA

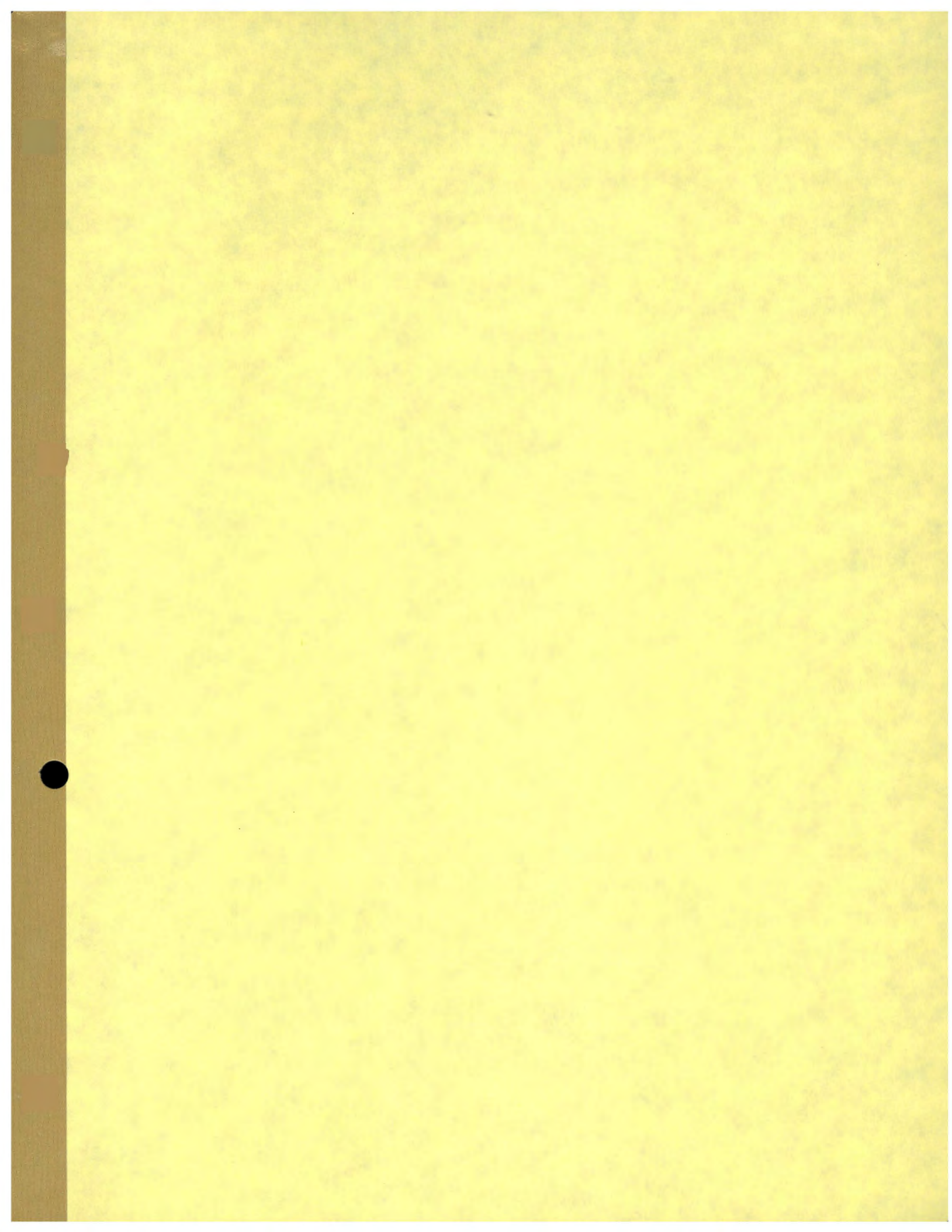
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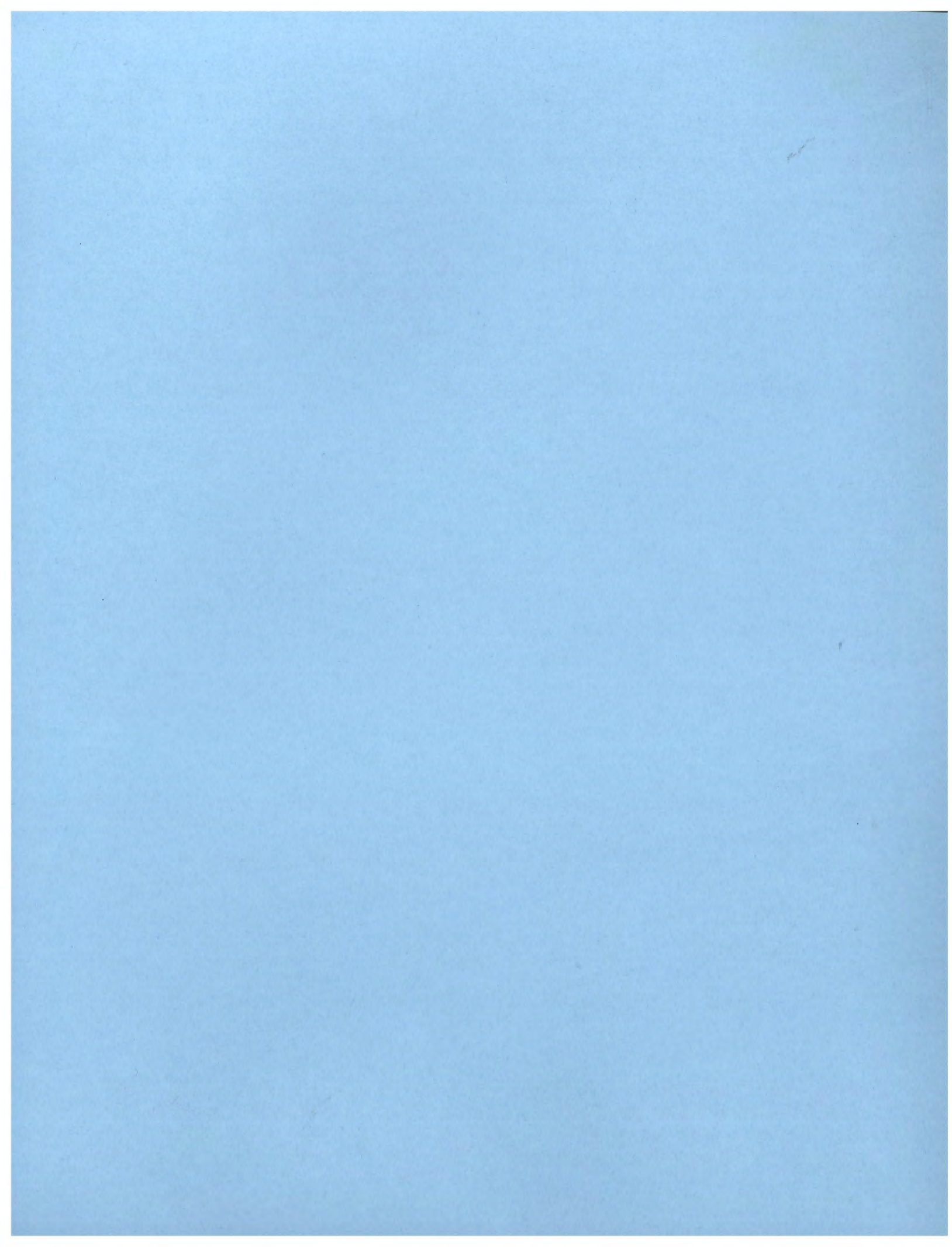
This is to acknowledge and thank you for your cable of November 29, 1983 notifying the Fund that Guyana consents to the increase in its quota in the International Monetary Fund to SDR 49.2 million, in accordance with Board of Governors Resolution No. 38-1, entitled "Increases in Quotas of Fund Members--Eighth General Review," adopted March 31, 1983.

Very truly yours,

Leo Van Houtven
Secretary

Honorable P. E. Matthews
Alternate Governor of the International
Monetary Fund for Guyana
Bank of Guyana
P. O. Box 1003
Georgetown, Guyana

CC: SEC(MRS. LONG)
MD
DMD
MR. KAFKA
~~ETP~~
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WHD
MR. S. COLLINS





IMF OFFICIAL CABLE

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Orig: SEC (Mrs. Long)

cc: MD

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Mr. Kafka

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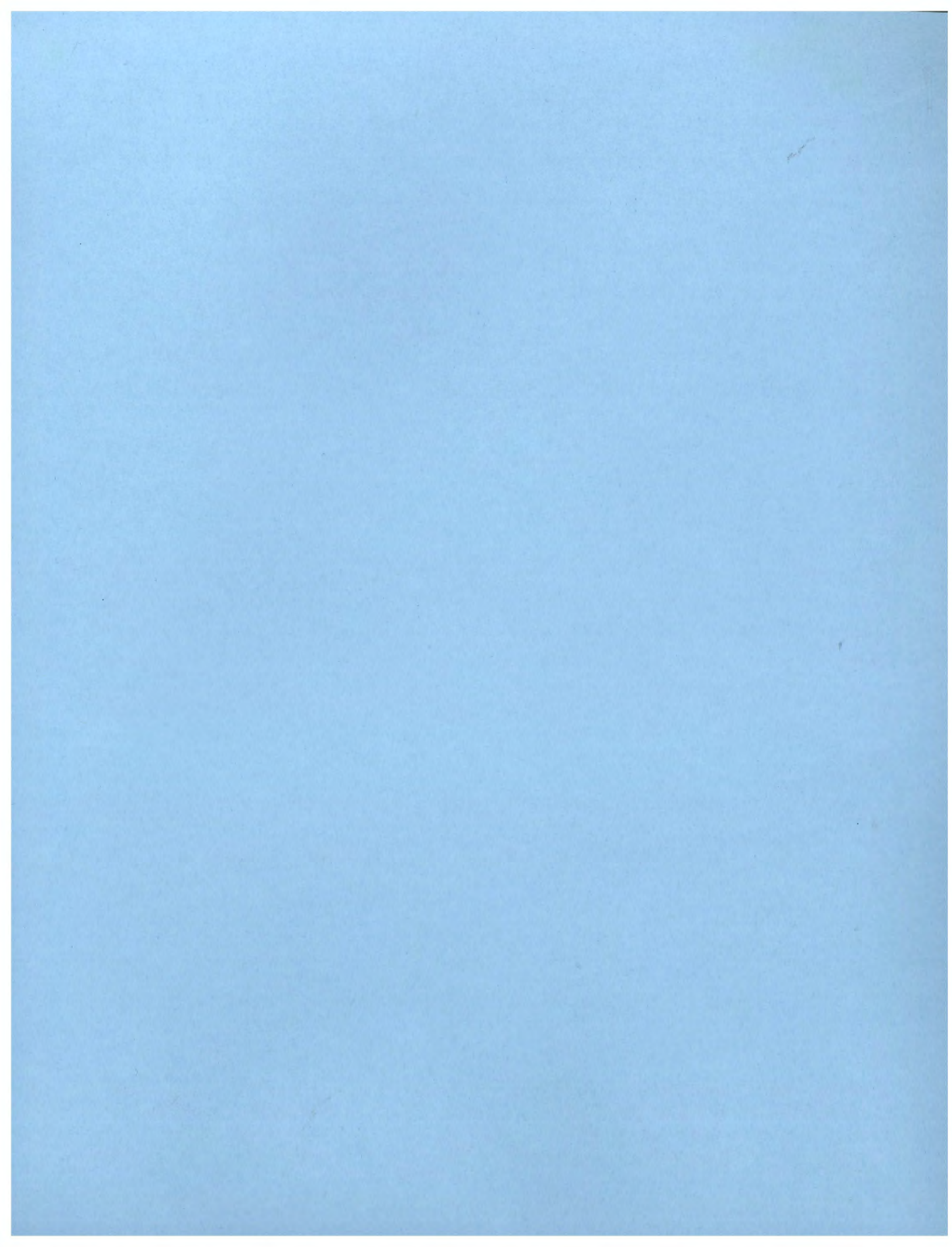
THE MANAGING DIRECTOR
INTERFUND WASHINGTON
29TH NOVEMBER, 1983.

THE GOVERNMENT OF GUYANA WISHES TO NOTIFY THE INTERNATIONAL
MONETARY FUND OF ITS CONSENT TO THE INCREASE IN GUYANA
QUOTA IN THE FUND AS PER RESOLUTION OF THE BOARD OF
GOVERNORS IN MARCH 1983 .
PROPOSED QUOTA SDR'S 49.2 MILLION.

RICK MATTHEWS
ALTERNATIVE DIRECTOR
FOR GUYANA
GEORGETOWN GUYANA
440040 FUND UI

2267 CENBANK GYT
REPLY VIA ITT

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TIME: 12:23 11/29/83 EST
CONNECT TIME : 280 SECONDS





Office Memorandum

Mr Beveridge

B1F

November 4, 1983

MEMORANDUM FOR FILES

Subject: Deputy Managing Director's Meeting
with Guyanese Officials

On November 4, 1983 Mr. Dale met with a delegation from Guyana, consisting of Mr. C. Greenidge, Minister of Finance, Mr. P. Matthews, Governor of the Bank of Guyana, Mr. C. Blue, Chief Planning Officer, and Mr. C. Grant, Ambassador of Guyana to the United States; Mr. Kafka, Executive Director, attended the meeting and IMF staff members present were Messrs. Wiesner, Beza, Beveridge, Ferran, and Reichmann.

Mr. Dale commented on Guyana's disturbing situation and stated that there was no alternative to taking very severe measures even though, in the absence of adequate foreign assistance, the benefits of these measures might not be immediately apparent.

Mr. Greenidge replied that, at variance with previous consultations, this time they had no difficulty with the staff's analysis and that they were prepared to contemplate strong adjustment policies; however, he stated that they did have difficulties in obtaining domestic support for such a program if they could not give hope of some improvement at least by the end of the first year. He pointed out that without foreign assistance the Fund's recommendations would not be accepted in Guyana and that without a program with the Fund Guyana would be unable to obtain foreign assistance.

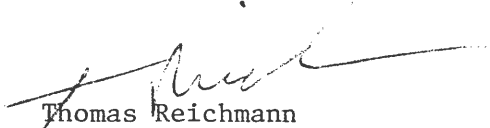
Mr. Beza drew attention to the unsustainability of the present situation, which is based on further accumulation of arrears, and added that the scope was limited for use of external resources other than of a highly concessional kind; he went on to note that relatively little grant-type assistance was available. Mr. Reichmann urged the Guyanese authorities to take the needed corrective measures promptly and on their own--not comparing the adjustment program with an ideal situation where adequate foreign resources would be forthcoming but, rather, comparing it with the situation that would develop in the absence of such adjustment.

Mr. Dale stated that, in view of the extreme deterioration of the economy, gradualism was not a real option. He acknowledged the interrelation existing between the type of adjustment measures and the availability of foreign resources and suggested that there was a question of timing between these two aspects that needed to be addressed; nevertheless, he stressed that at present there was no alternative to a strong domestic adjustment effort.

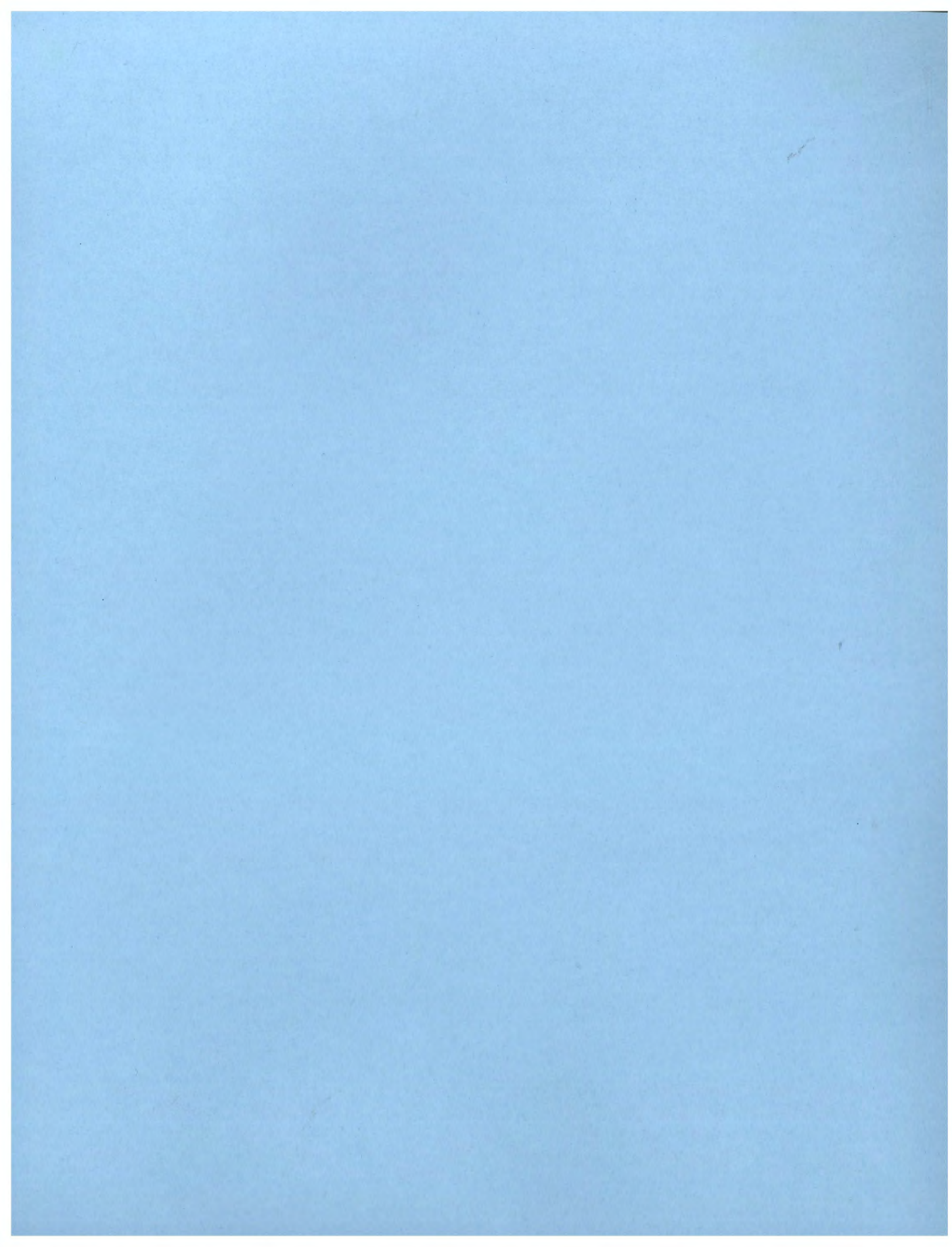
Mr. Kafka suggested that the upcoming meeting of the Caribbean group could provide the opportunity for a joint Fund/Bank appeal to the international community for the organization of an assistance package for Guyana.

Mr. Dale agreed that this idea could be tried but he did not hold out much hope for its success. He suggested that on such an occasion Guyana should be prepared to outline the adjustment measures it was willing to take and, on the strength of these measures, seek to obtain the support of potential donors.

At the conclusion of the meeting, Mr. Dale reminded the Guyanese officials of Guyana's arrears in respect to payments to the Fund. He explained that no negotiations with Guyana could be concluded so long as these arrears remained outstanding. He observed that, in the event of the emergence of agreement on an adequate program, bridge financing to settle these arrears might be feasible.


Thomas Reichmann
Division Chief
Atlantic Division, WHD

cc: The Deputy Managing Director
Mr. Wiesner
Mr. Beveridge





Office Memorandum

Mr. Finch / Mr. Bevelidge

1) BIF.

→ WAB file

mk

November 3, 1983

To: The Managing Director
The Deputy Managing Director

From: E. Wiesner

E. W.

Subject: Discussions with Guyanese Representatives

A team of Guyanese representatives composed of Messrs. C. Greenidge, Minister of Finance; P. Mathews, Governor of the Bank of Guyana; and C. Blue, Chief Planning Officer, have been in Washington for the past few days to continue discussions with the staff on possible use of Fund resources by Guyana. The staff was assisted by a staff member of the World Bank. Mr. Kafka, Executive Director, participated in some of the meetings.

Discussions on a financial program to be supported by the Fund were initiated during the staff mission to Georgetown in April 1983, and continued on the occasions of a visit by Guyanese representatives to Washington, D.C. in June, the Article IV consultation mission in August, and the Annual Meetings. In these discussions, the staff was guided by the briefing paper for the April mission (dated March 29, 1983), as updated by my memorandum to you of July 28, 1983.

As evidenced by the staff reports on the 1983 Article IV consultation to be discussed by the Executive Board tomorrow, the economic situation of Guyana has been deteriorating at an alarming rate. The overall public sector deficit, financed largely by credit from the banking system, is estimated to exceed 50 percent of GDP in 1983. Output has continued to decline, and there has been a sharp increase in inflationary pressures, scarcities, and the scope of the black market. On the external side, exports are stagnant, capital inflows have practically ceased, and the much compressed level of imports is being financed to a large extent by a further accumulation of external payments arrears. Arrears are estimated to have reached US\$400 million, equivalent to almost one year's GDP.

In view of the extreme imbalances present in Guyana's economy, the staff sought to impress upon the Guyanese representatives the need for prompt and drastic action amounting to a comprehensive overhaul of economic policies. The staff pointed out that these efforts would need to be directed to the following three main areas:

1. Exchange rate and domestic price adjustments. In the exchange rate area, the staff emphasized the need for an immediate devaluation from G\$3 to at least G\$5 per U.S. dollar, to be followed by further adjustments as might be warranted by changes in relative costs and prices. Moreover, the staff stressed the need for a full pass-through of the devaluation to both producer and consumer prices, as well as a major reduction in subsidies and an adjustment in prices of goods provided by public enterprises.

2. Reorganization of the major productive sectors of the economy. The staff urged prompt implementation of the recommendations made by foreign consultants for the bauxite sector, which point the way to improvements in management and the reduction of costs (including labor costs). Moreover, the staff asked that foreign trade in rice be opened to the private sector in Guyana.

3. A sharp reduction in the public sector's deficit. The staff indicated that action, additional to the change in the exchange rate and the upward adjustment in the prices charged by public enterprises, would be required to reduce the imbalance in the public finances. In this respect, both a tight wage policy and cutbacks in the capital budget were recommended. The staff explained to the Guyanese team that the budget underlying an eventual program with the Fund would need to constrain the size of the deficit to the availability of foreign and domestic nonbank financing, i.e., that no access to domestic bank financing for the public sector could be contemplated under present circumstances. This would open up some room for credit to the private sector and would allow an improvement in the country's international reserve position; the bulk of this improvement would be in the form of a reduction in external payments arrears.

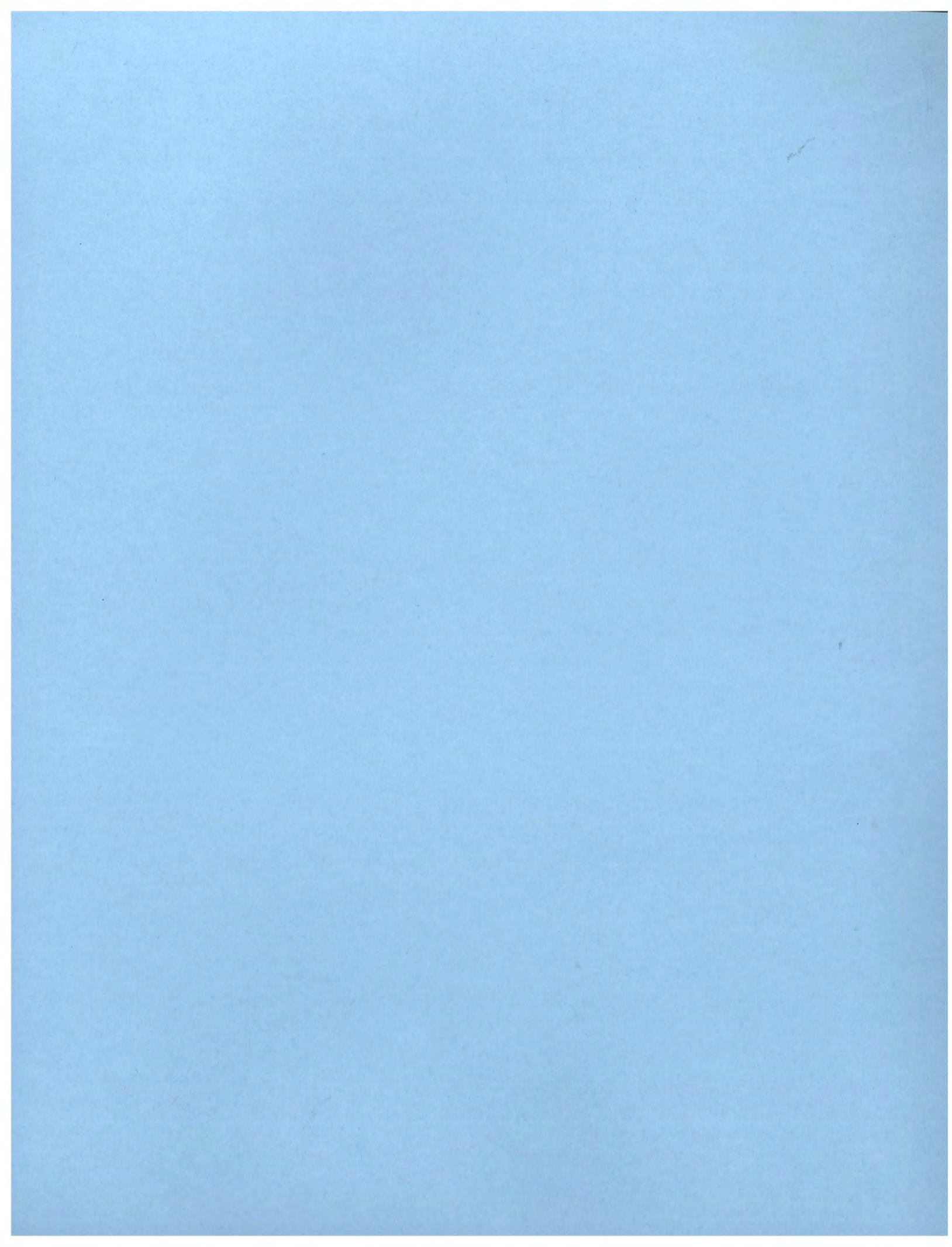
The Guyanese team agreed with the staff's assessment of the domestic and external situation, and they expressed their willingness to explore the policy options suggested by the staff. However, they were concerned that such approaches would involve a high domestic political cost because of the near-term effects on the standard of living of the population. They emphasized that only an increase in foreign assistance that would hold the prospect of substantial relief in the short term could make adoption of such a course feasible. In the event, the apparently limited foreign financing available led the Guyanese representatives to terminate the discussions.

The staff acknowledged that, in the light of the prospective use of external financing, Guyana would not be able to count on a major improvement in the capacity to import for some years to come. In fact, an analysis made by the staff in collaboration with the World Bank suggested that for 1984 gross disbursements on foreign loans (mostly from multilateral sources) were not likely to exceed US\$95 million; this level of capital inflows (together with the reduction of arrears implied in a program with the Fund) would not permit Guyana even to maintain the 1983 level of imports. The staff emphasized, however, that a program of the kind suggested by the staff would provide for an orderly adjustment and would thus help restore the country's productive system. The alternative would be a worsening of the economic situation, with growing scarcities and troublesome imbalances.

The staff agreed to remain in close contact with the Guyanese authorities, and to explore in cooperation with the World Bank staff possibilities for additional support (on suitably concessional terms)

from the international community. The staff indicated that future negotiations on use of Fund resources would not be possible so long as Guyana were in arrears in the payment of its obligations to the Fund.

cc: Mr. Finch/Mr. Beveridge ✓
Mr. Habermeier
Mr. Nicoletopoulos
Mr. Collins



IMF OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

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IMF

3 OCT 17 1983

START ADDRESS IN THE BOX

23 **W. H. PARRIS**
 CHAIRMAN, BOARD OF STATE PLANNING COMMISSION
 21 229 SOUTH ROAD, LACYTOWN
 20 GEORGETOWN, GUYANA

MARK XX FOR CODE
() CODE

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START TEXT HERE

18 RE: YOUR CABLE OF OCTOBER 7. THE DISCUSSION IN THE
 17 FUND'S EXECUTIVE BOARD ON OCTOBER 3, 1983 CENTERED ON
 16 MEASURES TO CONSERVE THE FUND'S USABLE RESOURCES IN
 15 PRESENT CIRCUMSTANCES. IN THE VIEW OF MANY DIRECTORS,
 14 THE FUND'S LIQUIDITY PROBLEM IS TEMPORARY IN CHARACTER.
 HOWEVER, IT WAS UNDERSTOOD THAT ALL NEGOTIATIONS TO BE
 12 RESUMED OR INITIATED SHOULD BE CONDUCTED IN A WAY THAT
 11 MAKES IT ABSOLUTELY CLEAR TO THE AUTHORITIES THAT THERE
 10 REMAINS SOME UNCERTAINTY ABOUT THE AVAILABILITY OF FUND
 9 RESOURCES, SO THAT CAUTION WILL BE REQUIRED IN PROCEEDING
 8 WITH THESE DISCUSSIONS. IT IS ALSO UNDERSTOOD THAT, IN
 7 PRINCIPLE, NO AGREEMENT FORMALIZING MANAGEMENT'S ACCEPTANCE
 6 OF THE SUBSTANCE OF ANY NEW PROGRAM WILL BE NOTIFIED TO THE
 4 AUTHORITIES BEFORE END-NOVEMBER, IN ORDER TO KEEP THE
 3 OPTIONS OPEN TO THE EXECUTIVE BOARD. NOTING THE ABOVE,
 2 I CAN SAY THAT WE STAND READY TO PROCEED WITH OUR DISCUS-
 1 SIONS. ALSO, I MUST REMIND YOU OF THE URGENCY ATTACHED

Mr. Kafka
 Mr. Evans
 Mr. Beveridge
 Mr. Wittich

IF REQUIRED INITIAL BELOW

SPECIAL INSTRUCTIONS TEXT MUST END HERE

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 B _____
 C TELEX NO.: _____ CABLE ADDRESS: _____

D DRAFTED BY NAME (TYPE): **TReichmann:RC** EXT.: **73871** DEPT.: **WHD** DATE: **10/14/83**
 E AUTHORIZED BY NAME (TYPE): **Eduardo Wiesner** AUTHORIZED BY NAME (TYPE): _____

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IMF OFFICIAL MESSAGE
WASHINGTON, D. C. 20431

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	START TEXT HERE	18		TO THE PROMPT SETTLEMENT OF YOUR ARREARS WITH THE FUND.
		17		PLEASE ADVISE US OF YOUR INTENTIONS.
		16		KINDEST REGARDS,
		15		WIESNER
		14		INTERFUND
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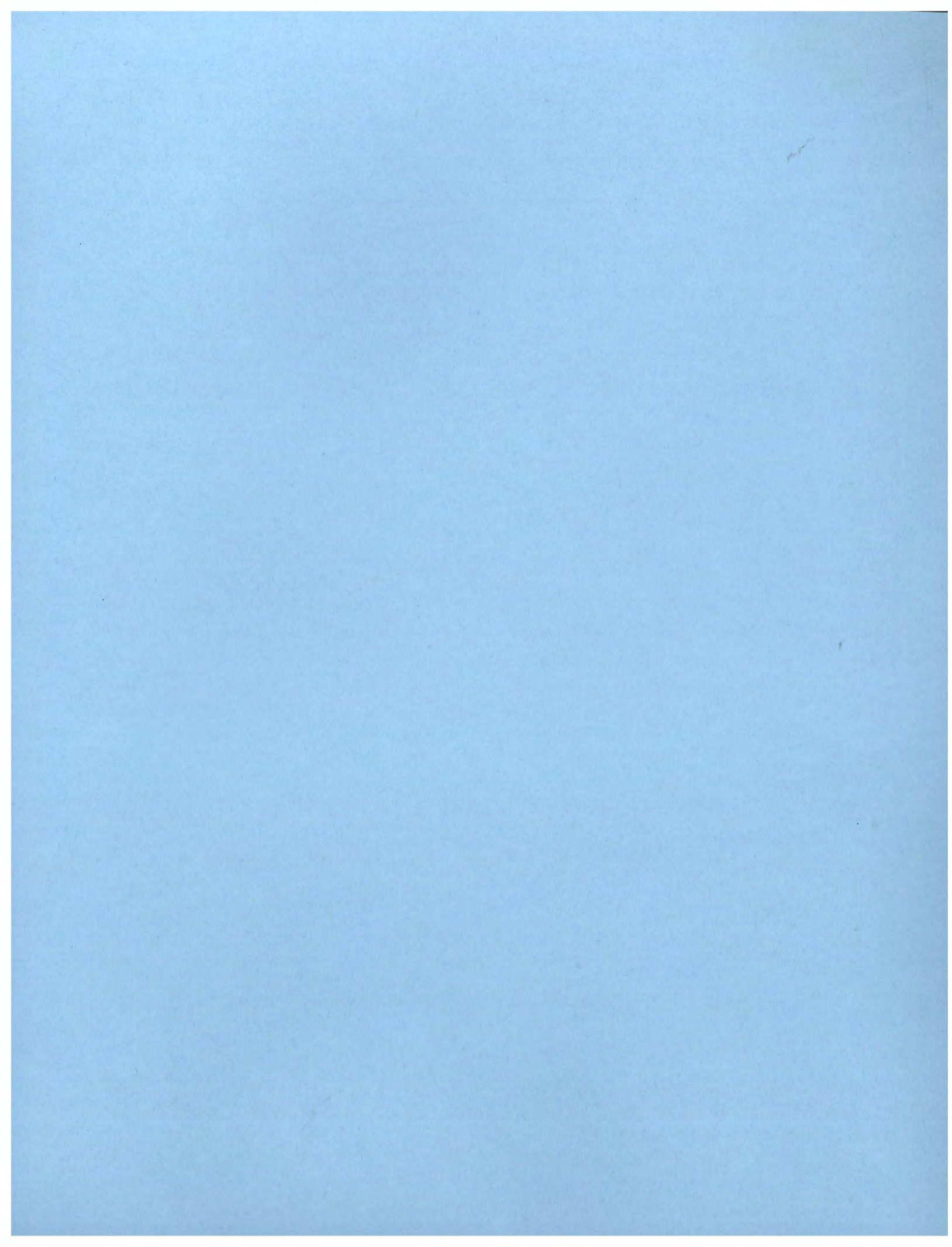
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IMF OFFICIAL CABLE

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1983 OCT -8 AM 11: 25

CABLE ROOM

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Mr. Gutierrez

Mr. Beveridge

RCV: @1IM/2.06103 LINE: 2

0957 EDT
440040 FUND UI

2267 CENBANK GY

8TH OCTOBER 1983

INTERNATIONAL MONETARY FUND

ATTENTION: MR. GONZALEZ

REF. OUR INCOMPLETE TELEX SENT TO YOU ON 7TH OCTOBER " CONTINUATION
"YANA DISCUSSIONS WITH I.M.F." SUBSEQUENTLY COMPLETED TELEX WAS
NT ON BIDCO'S TELEX (BIDCO - 2244) YESTERDAY. THIS TELEX WAS
SIGNED BY MR. HASLYN PARRIS, CHAIRMAN STATE PLANNING BOARD.

CENTRALBANK GEORGETOWN GUYANZ

440040 FUND UI

2267 CENBANK GY A

REPLY VIA ITT

?
TIME: 10:02 10/08/83 EDT
CONNECT TIME : 281 SECONDS



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1983 OCT -7 PM 2: 25

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Mr. Quintan EW
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GOOD DAY IS THIS IMF PLS
440040 FUND UI

440040 FUND UI
BIDCO GEORGETOWN GUYANA

7/10/83

TMF

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16 118

ATTN: MR. J. GONZALEZ
CC: MR. REICHMAN

=====

RE: CONTINUATION GUYANA DISCUSSIONS WITH IMF

(1) THE FOLLOWING ARE EXCERPTS FROM A NEWYORK (IPS) ARTICLE CARRIED IN GUYANA CHRONICLE OF 7 OCT 1983.
(A) QUOTE THE FUND'S EXECUTIVE BOARD CONFIRMED A DECISION BY MANAGING DIRECTOR JAQUES DE LAROSIERE NOT TO ENTER INTO ANY NEW DISCUSSIONS ABOUT THE USE OF IMF RESOURCES EXCEPT FOR "A HANDFUL" OF COUNTRIES FOR WHICH LETTERS OF INTENT WERE SIGNED PRIOR TO SEPTEMBER 15 UNQUOTE

(B) QUOTE THE DECISION, TAKEN AT THE BAORD'S MEETING MONDAY, MEANS THAT AN UNDETERMINED NUMBER OF COUNTRIES WHICH WERE ABOUT TO ENTER INTO NEGOTIATIONS WITH THE IMF WILL HAVE TO DELAY THEM UNQUOTE

(C) QUOTE THE FREEZE WILL LAST FOR AT LEAST TWO MONTHS AS THE BOARD WILL NOT MEET AGAIN UNTIL LATE NOVEMBER OR EARLY DECEMBER. UNQUOTE.

(2) IN THE LIGHT OF OUR MOST RECENT DISCUSSIONS IN WASHINGTON AS A RESULT OF WHICH WE HAVE BEEN WORKING ON POSSIBILITY OF SENDING A GUYANA TEAM TO WASHINGTON TO RESUME DISCUSSIONS AROUND MED OCTOBER PLEASE ADVISE US ON THE FOLLOWING:

- (A) THE ACCURACY OF EACH OF THE THREE QUOTES IN
- (1) ABOVE AS DESCRIPTIONS OF THE FACTUAL SITUATION=
- (B) THE SPECIFIC IMPLICATIONS FOR IMF/GUYANA DISCUSSIONS

(C) THE LIKELY USEFULNESS OF CONTINUATION OF OUR REFFORTS TO MOUNT A GUYANA TEAM VISIT TO WASHINGTON AROUND MID OCTOBER 1983.

(3) WE WOULD APPRECIATE A SPEEDY FULL RESPONSE TO THESE QUERIES SINCE NONE OF THE GUYANESE OFFICIALS OR

ARY FUN

IMF OFFICIAL CABLE

INSTITUTIONS INVOLVED IN THESE MATTERS APPEARS TO HAVE BEEN APPRISED OF ANY SPECIFIC NEW DEVELOPMENTS.

KINDEST REGARDS

W.H. PARRIS
CHAIRMAN
BOARD OF STATE PLANNING COMMISSION
+++++

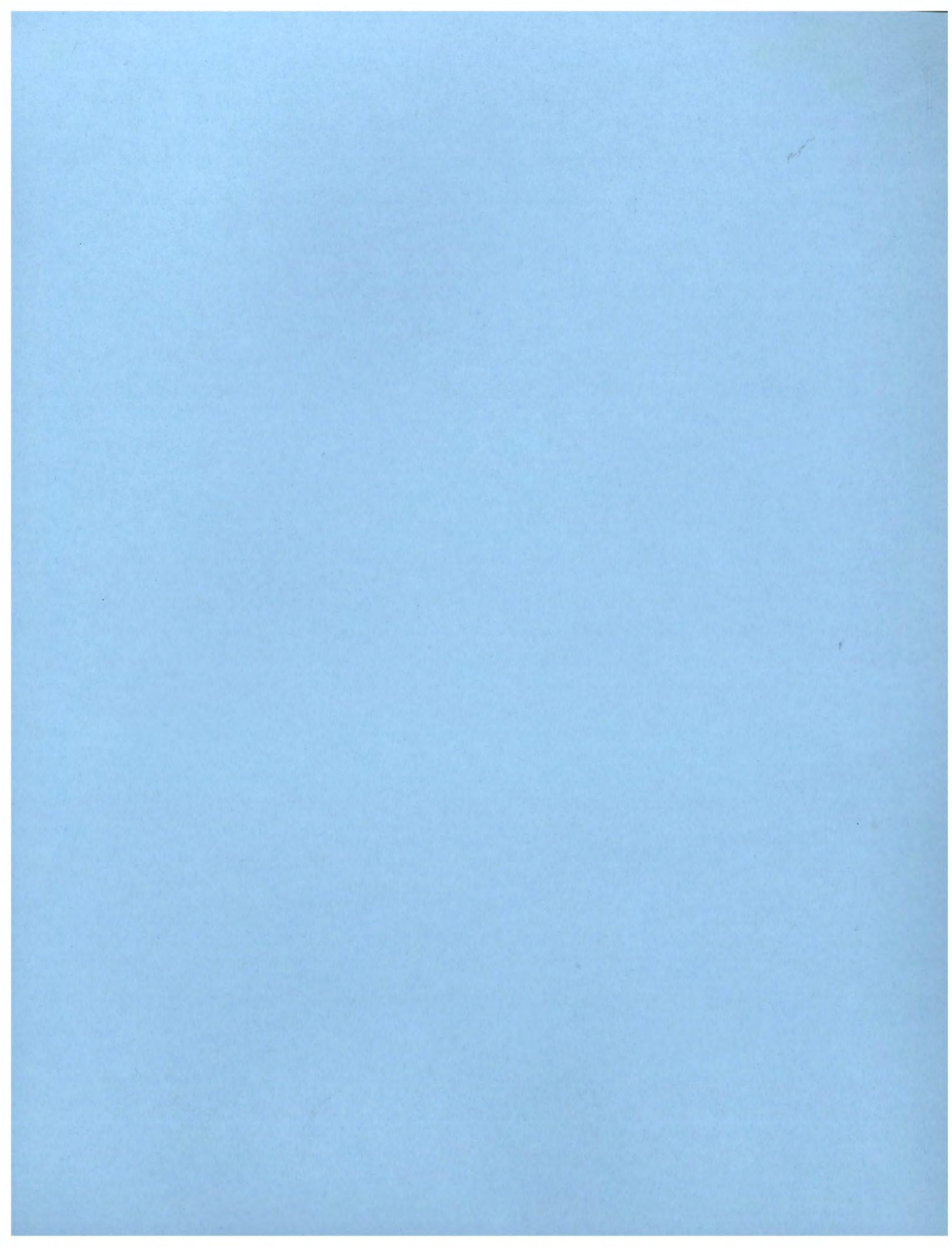
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440040 FUND UI

2244 BIDCO GY...

LY VIA ITT

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TIME: 14:10 10/07/83 EDT
CONNECT TIME : 403 SECONDS





Office Memorandum

37 = 6
-> File Guyana

TO : Mr. Beveridge

FROM : Peter J. Quirk

SUBJECT : Guyana--Decisions for Article VIII Countries

DATE: September 22, 1983

Guyana adopted Article VIII status in 1966. We have examined the record for policy statements with respect to decisions terminating consultations under Article VIII. The clearest statement of the present practice and of its underlying rationale is the following, from the 1977 discussion of surveillance (EBM/77/47):

"The General Counsel reminded Executive Directors that even under Article XIV there was no requirement for a decision in the Articles. There were two reasons why the Fund had decided to terminate consultations under Article XIV with a decision. First, the members had an obligation to consult with the Fund under Article XIV, and the way in which the Fund showed that it had carried out that particular duty was by means of a decision. Indeed, in the recent past, there had been considerable discussion as to whether the Fund could forego a decision when it had decided to review a past action. Second, the Fund decision was a way of exerting some degree of influence on the member to move toward convertibility or to see what progress could be made in removing restrictions. In fact, decisions had been envisaged as the mildest form of influence that the Fund thought it useful to exercise. The Fund had decided not to adopt decisions with respect to Article VIII consultations because there was no obligation on the country to consult. But Article IV was much closer to Article XIV than it was to Article VIII. For one thing, there was the injunction on the Fund to exercise strict surveillance and to ensure that there was compliance with obligations of Article IV, Section 1."

This position was the object of considerable discussion by Executive Directors, with the Director of ETRD favoring a uniform presentation of an Article IV decision to conclude consultations with both Article VIII and XIV countries. The discussion was inconclusive, and the issue was raised again by Mr. Amuzegar at EBM/77/53 (4/13/77):

"Mr. Amuzegar then inquired whether conclusions would be reached uniformly on consultations with all members, or whether only consultations with members under Article XIV would be concluded with decisions.

The Deputy Director from the Exchange and Trade Relations Department said that, although the exact nature of the conclusion had not yet been determined, for an Article XIV member there would certainly have to be a decision by the Executive Board with respect to the maintenance of restrictions.

The Chairman added that the conclusions would have the same character for consultations with all member countries."

Although this reply appears to favor the uniform approach, the issue was next taken up in "Consultation Practices and Procedures" (SM/78/67, 3/3/78), as follows:

"In the case of members who have accepted the obligations of Article VIII, Sections 2, 3, and 4 and which maintain or introduce exchange restrictions or multiple currency practices, the matter would be handled as under present policies and practices. Whenever the staff considered that the member's actions has not been appropriate to its circumstances, it has not recommended approval and no decision has been proposed. In such cases a brief description of the restrictions, the member's circumstances and the views of the staff and the authorities have been described toward the end of the staff appraisal in the report on the consultation."

The unequivocal reference to "present policies and procedures" is somewhat difficult to understand from the record, given the 1977 discussion. Nevertheless, as a previous search of our computer records late in 1982 revealed, this has been the standard procedure, and Mr. Liuksila's observation on Guyana in this respect is upheld.

Mr. Gonzalez has provided me with a copy (attached) of a news report of a recent change in Guyana's producer price policies for gold that appears to introduce recognition of the parallel market. I have given Mr. Liuksila a copy.

Attachment

cc: Mr. Liuksila

New prices for gold

GOVERNMENT has announced wide-ranging concessions and measures aimed at encouraging maximum production in the gold and diamond industry and at persuading miners to sell all their produce to the Guyana Gold Board.

The steps were announced by Minister of Energy and Mines Harun Ashid as a result of discussions held with the Guyana Gold and Diamond Miners' Association "on the price of gold which should be paid by the Gold Board for gold sold to it by miners."

Miners will benefit from an increase in the price paid them by the board. They will get government assistance to acquire spares and equipment, as well as loans from the Guyana Agricultural and Industrial Development Bank and they will benefit

from infrastructure development and improved transportation facilities.

With immediate effect following the announcement, the Gold Board will pay miners, in Guyana dollars, a price which is 4.9 times the United States dollar denomination price for each ounce of gold sold to it by miners.

For example, if the price of gold on the world market is \$415 (US) per ounce, then the Gold Board shall pay to the miners \$2033.50. Similarly, if the price of gold on the world market is \$450 (US) per ounce, then the Gold Board shall pay \$2205 per ounce to miners.

Apart from the increase in price, these other measures were announced.

(1) The importation of mining equipment and spares will be made possible through the

Govt help
to buy
spares
equipment

retention of up to 20 per cent (twenty per cent) of the foreign exchange derived from the sale of gold in a special account administered by the Bank of Guyana. Miners entitlement to equipment and spares will be directly related to their sale of gold to the Guyana Gold Board.

(2) A more effective system of distribution of food and supplies to miners is being instituted and will be coordinated by the Minister of Energy and Mines.

(3) Sections of roads in the gold and diamond mining areas in the hinterland will be upgraded to facilitate easier access to those areas. The Guyana Airways Corporation has already announced the improvement of the flow of traffic to the hinterland areas and will be constantly reviewing these initiatives in order that the mining community could be more adequately serviced by air transport.

(4) The Guyana Co-operative Agricultural and Industrial Development Bank (GAIBANK) has been granted approval to entertain from miners applications for financial assistance for mining projects. Such applications would be subject to the scrutiny of the Geology and Mines (Commission) which will assist Gaibank in the supervision of the

Gold prices

FROM PAGE ONE

financial assistance from the Bank.

(5) To increase the convenience of the mining community, the Guyana Gold Board has been removed to the same premises occupied by the Geology and Mines Commission, so that miners could declare their gold, pay their royalty, and sell their gold and receive payment in one easy continuous transaction.

(6) All persons who contribute in any way to a legitimate seizure of gold and diamond from anyone who is in breach of the Mining Act and Regulations and the Gold Board Act, will be entitled to share in a reward of up to 20 per cent of the value of the gold and/or diamonds which may be so seized.

(7) All claims have not been beneficially occupied by miners from which gold and/or diamonds have not been declared over a consistently long period, will be revoked, and the claimholder whose claims have been revoked will not be permitted to relocate claims for one year.

(8) The Mining Amendment Bill which is currently before Parliament will make it necessary for all mechanical mining equipment (including dredges) to be registered, and it makes provision for punitive action to be taken against individuals who do not comply with the Mining Act and Regulations and the Gold Board Act, and those who are accessories to the illegal movement of gold and diamonds.

Sunday Guyana Chronicle 1983-09-04

New prices will increase viability of gold mining

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20431

industry

THE Gold and Diamond Miners' Association has projected that much more gold will be sold to the Guyana Gold Board, because of the latest rise in prices paid for the mineral.

A release from the Association, which represents gold and

diamond miners across the country, said the recent increase would enable greater profitability in the industry.

The Miners' Association also feels that greater viability in the industry will create new employment opportunities, enabling retrenched and other persons to find worthwhile employment.

The Association which was established earlier this year, praised the Geology and Mines Commission and the Ministry of Energy and Mines for the consideration displayed during negotiations for the improvement of conditions in the industry, an important foreign exchange earner.

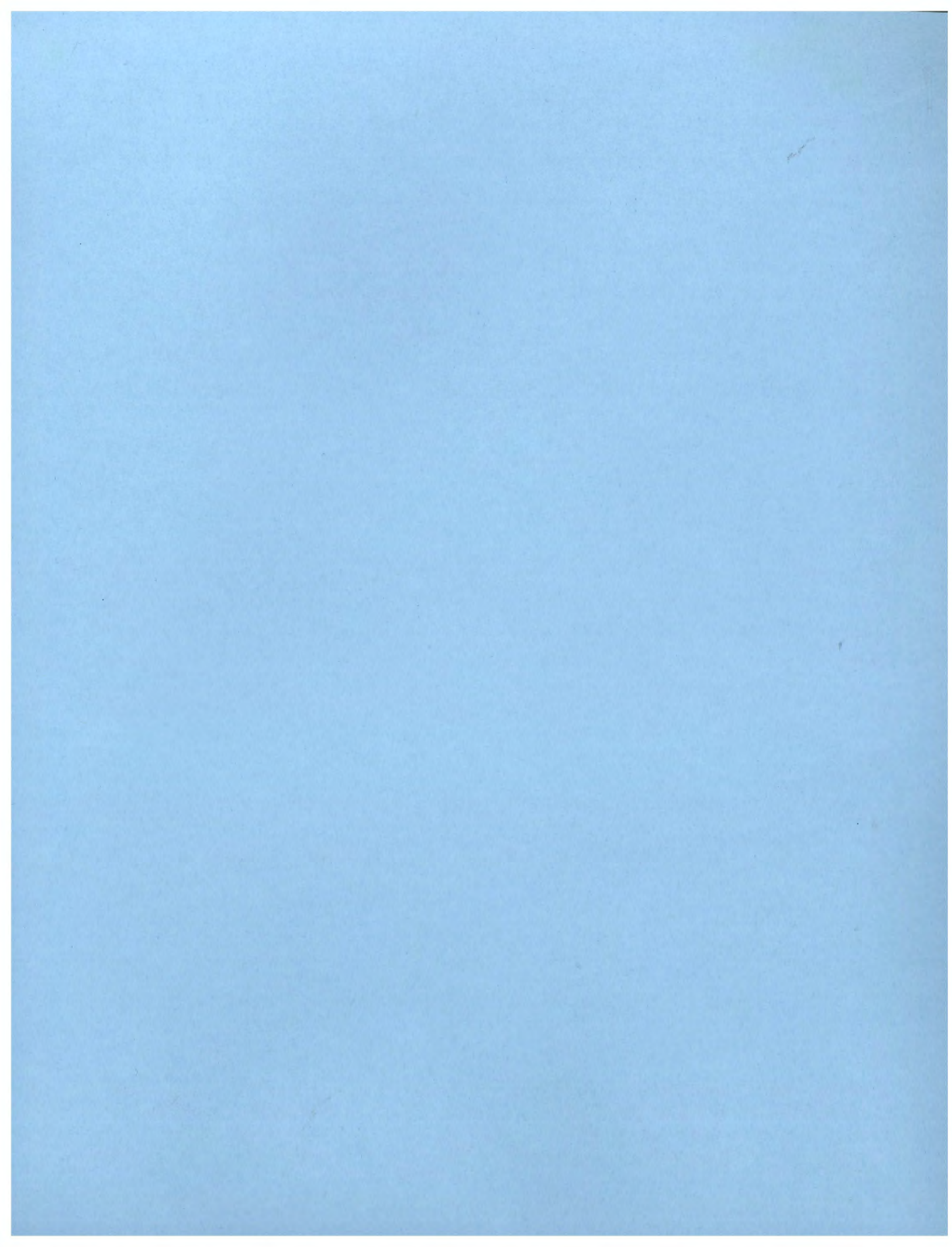
The Energy and Mines Ministry last weekend announced a substantial increase in the price paid to miners for gold sold to the Guyana Gold Board, the official purchaser of raw gold in Guyana.

The new price rate is calculated at 4.9 times the United States dollar.

price of gold. At last Friday's price of some \$1 200 (G) per ounce paid by the Gold Board, the increase would mean an additional sum of about 800 dollars.

The new measures announced by the Ministry also provide for the granting of credit to the mining industry by the state-run Co-operative Agricultural and Industrial Development Bank and the creation of a foreign exchange account with the Bank of Guyana.

The Miners' Association is planning an extra-ordinary meeting shortly at which it will discuss with members the new increased gold price as well as proposals for the supply of semi-precious stones to local and overseas markets. GNA





Office Memorandum

Mr. Beveridge

ML

B-7F

TO : The Managing Director
The Deputy Managing Director
FROM : E. Wiesner ^{E.W.} and W. A. Beveridge
SUBJECT : Information Notice for Guyana

DATE: September 9, 1983

Attached for your consideration is an information notice for Guyana, indicating that, since the last occasion on which the Executive Board had an opportunity to discuss Guyana's exchange rate policy (November 1982), the real effective exchange rate, as measured for the purpose of the information notice system, has appreciated by more than 10 percent.

Attachment

cc: Heads of Departments: LEG, RES, TRE

Mr. Carter

INTERNATIONAL MONETARY FUND

GUYANA

Real Effective Exchange Rate--Information Notice

Prepared by the Western Hemisphere and Exchange and
Trade Relations Departments

(In consultation with other departments)

Approved by E. Wiesner and W. A. Beveridge

SM

September , 1983

The recent evolution of Guyana's real effective exchange rate, as measured by the standard index developed in connection with the information notice system, is set out in the attached table and chart. Based on this index, as of July 1983 the Guyana dollar had appreciated in real effective terms by more than 10 percent since the last occasion on which the Executive Board had an opportunity to discuss Guyana's exchange rate policy--the 1982 Article IV consultation in November 1982. The appreciation is estimated to have amounted to 21.1 percent.

From October 1975 to the end of May 1981 the Guyana dollar was pegged to the U.S. dollar at a rate of G\$2.55 per US\$1. On June 2, 1981 the Guyana dollar was devalued by 15 percent to G\$3.00 per US\$1. As the rate vis-a-vis the dollar has been kept unchanged since then, the appreciation of the U.S. dollar, had by July 1983, led to an increase in the nominal effective exchange rate of the Guyana dollar of about 18 percent from the rate in June 1981. With the high rate of inflation that has prevailed in Guyana, the real effective appreciation of the Guyana dollar is estimated to have amounted to 56 percent over the same period.

Since the end of 1982 Guyana has not compiled the consumer price index, because few transactions now take place at the official prices that were used in the index. It has thus been necessary to use staff estimates for the rate of inflation. On the basis of information obtained during a recent staff visit to Guyana, the staff's current estimate of the monthly rate of inflation in 1983 is 2.5 percent, which compares with the monthly rate of 1.6 percent recorded by the official price index in 1982. (The 1982 figure is believed to have understated substantially the rate of inflation, given the declining availability of goods at official prices and the fact that prices in the unofficial market are several times those recorded in the official CPI.)

The staff's report to the Board in connection with the 1982 Article IV consultation (SM/82/201, 9/8/82) described the acuteness of the external imbalance of the Guyana economy. Since that time the situation has continued to deteriorate. In 1982 the external current account registered a deficit equivalent to 25 percent of GDP and the overall balance of payments deficit increased substantially to the equivalent of 23 percent of GDP. During the first half of 1983, despite a further reduction in imports, the poor export performance resulted in a current account deficit of 29 percent of GDP. As Guyana was unable to borrow abroad, the overall balance of payments deficit was equivalent to 34 percent of GDP, most of which was accounted for by accumulation of external payments arrears (Table 2).

By June 1983, gross official reserves were virtually exhausted (SDR 1.4 million) and total net international reserves (including external payments arrears) amounted to negative SDR 451 million; the arrears amounted to US\$307 million (Table 3).

Reflecting partly Guyana's balance of payments difficulties and the overvalued exchange rate, in recent years an unofficial exchange market, in which the exchange rate fluctuates around G\$9 to G\$10 per US\$1, has also developed in Guyana. Guyana has also tightened its import licensing system and prohibited the importation of certain consumer items.

Staff Appraisal

At the conclusion of the 1982 Article IV consultation in November 1982 the Chairman's summing up noted that "Directors believed that it was extremely urgent for the Guyanese authorities resolutely to adopt and implement the comprehensive policy package that was necessary to bring the economy back on course." The real effective appreciation of the Guyana dollar since then has further exacerbated the external imbalance and underlines the need for effective action. A comprehensive adjustment program is needed, a major feature of which would need to be a substantial devaluation of the Guyana dollar and the corresponding pass-through of its effects into domestic prices.

A staff team recently visited Guyana to hold the 1983 Article IV consultation discussions. The staff report on these discussions, to be issued shortly, includes an assessment of the magnitude of the external disequilibrium and the nature of the policy adjustments required.

Table: Guyana: Real Effective Exchange Rate and Related Series

(Indexes: 1980 = 100)

	Real Effective Exchange Rate <u>1/2/</u>	Nominal Effective Exchange Rate <u>1/</u>	Relative Consumer Prices (local currency) <u>2/</u>	Exchange Rate (U.S. dollars)	Consumer Price Index (seasonally adjusted)	Consumer Price Index (not seasonally adjusted)
<u>Quarterly</u>						
1978						
I	96.9	104.6	92.6	100.0	69.4	69.8
II	100.3	106.1	94.6	100.0	72.4	72.1
III	100.1	103.5	96.7	100.0	75.8	75.6
IV	102.1	102.3	99.8	100.0	80.0	80.3
1979						
I	101.4	102.3	99.1	100.0	81.6	81.9
II	103.5	102.0	101.5	100.0	85.9	85.5
III	100.7	99.7	101.1	100.0	89.4	89.2
IV	103.8	101.3	102.5	100.0	93.7	94.0
1980						
I	102.3	100.6	101.7	100.0	96.8	97.0
II	101.3	100.6	100.7	100.0	99.5	99.0
III	97.9	98.9	99.0	100.0	100.3	100.3
IV	99.0	100.1	99.0	100.0	103.4	103.8
1981						
I	106.1	102.7	103.2	100.0	111.1	111.2
II	109.0	102.9	106.1	95.0	117.5	116.9
III	108.8	97.5	111.6	85.0	127.2	127.2
IV	108.9	96.1	113.3	85.0	132.6	133.0
1982						
I	113.2	98.2	115.3	85.0	137.4	137.5
II	118.9	100.6	118.2	85.0	143.6	142.8
III	127.0	103.3	122.9	85.0	152.4	152.6
IV	132.6	105.7	125.5	85.0	158.0	158.4
1983						
I	143.1	108.1	132.4	85.0	168.4 <u>4/</u>	...
II	153.8	109.5	140.4	85.0	181.4	...
<u>Monthly</u>						
1982						
Nov. <u>3/</u>	133.8	106.4	125.8	85.0	158.4	158.8
Dec.	134.4	105.8	127.0	85.0	160.3	161.0
1983						
Jan.	138.0	106.5	129.6	85.0	164.3 <u>4/</u>	...
Feb.	143.2	108.1	132.5	85.0	168.4	...
March	148.2	109.8	135.0	85.0	172.6	...
April	150.6	109.3	137.8	85.0	176.9	...
May	152.8	108.9	140.2	85.0	181.4	...
June	157.9	110.3	143.2	85.0	185.9	...
July	162.0	111.2	145.7	85.0	190.5	...
<u>Percentage change</u>						
Nov. 1982- July 1983	21.1	4.5	15.8	—	20.3	...

1/ Increases mean appreciation.

2/ Using seasonally adjusted price indexes.

3/ Date of latest consideration by Executive Board.

4/ Data for January-July are staff estimates, assuming a rate of inflation of 2.5 percent per month.

Table 2. Guyana: Summary Balance of Payments

	1979	1980	1981	1982	Jan.-June 1983 1/
	(In millions of U.S. dollars)				
<u>Current account (including transfers)</u>	-84.7	-106.1	-187.2	-141.4	-94.5
Merchandise	-26.5	-6.9	-93.3	-38.1	-50.4
Exports, f.o.b.	(291.2)	(389.2)	(346.7)	(242.3)	(80.8)
Imports, c.i.f.	(-317.7)	(-396.1)	(-440.0)	(-280.4)	(-131.2)
Services (net)	-58.5	-93.3	-94.1	-95.1	-45.1
Of which: interest payments	(-25.1)	(-35.8)	(-59.1)	(-47.5)	(-27.7)
Transfers (net)	0.3	-5.9	0.2	-8.2	1.0
<u>Capital account</u>	37.1	42.0	106.2	29.2	-6.6
Public sector capital (net) 2/	31.6	51.0	111.3	30.5	-6.6
Private sector (net)	5.5	-9.0	-5.1	-1.3	--
<u>Errors and omissions (net) 3/</u>	-11.8	-37.3	43.3	-18.5	-9.1
<u>Special transactions 4/</u>	3.5	3.3	4.2	--	--
<u>Overall balance</u>	-55.9	-98.1	-33.5	-130.7	-110.2
Change in net international reserves (increase -) 5/	48.6	81.1	-2.8	5.1	11.2
Change in arrears (increase +) 6/	7.3	17.0	36.3	125.6	99.0
<u>Memorandum items</u>	(In percent)				
Current account/GDP	16.2	17.9	30.7	25.3	29.0
Overall balance/GDP	10.7	16.5	5.5	23.4	33.7

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

1/ Preliminary estimates.

2/ Includes imputed loans against debt arrears, agreed refinancing and deferment, and short-term trade credits to GUYSUCO and GUYBAU/BIDCO.

3/ In 1981, includes valuation adjustments arising from the devaluation of the Guyana dollar on June 2, 1981.

4/ Includes exchange profits and losses from exchange rate variations, and proceeds from SDR allocations.

5/ Does not include liabilities on account of arrears.

6/ Includes Bank of Guyana arrears arising from non-repayment of interest on bilateral deposit and CMCF balances in arrears.

Table 3. Guyana: External Payments Arrears

(In millions of U.S. dollars; end of period)

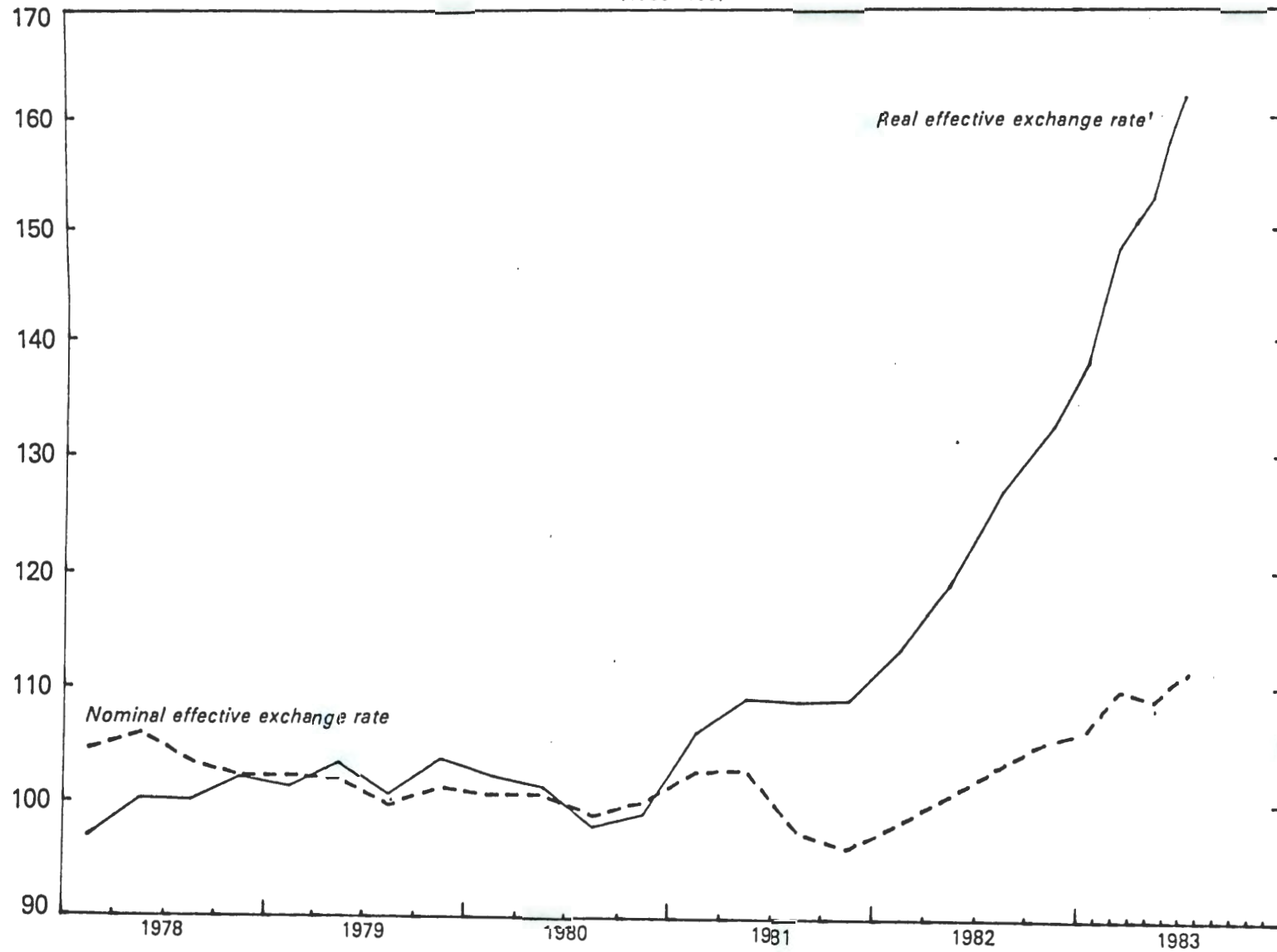
	1979	1980	1981	1982	June 1983
Total arrears	<u>29.4</u>	<u>46.4</u>	<u>82.7</u>	<u>208.3</u>	<u>307.3</u>
1. Arrears with deposits	<u>26.9</u>	<u>27.5</u>	<u>49.1</u>	<u>97.7</u> ^{1/}	<u>125.6</u> ^{1/}
Merchandise	(...)	(...)	(34.3)	(68.1)	(...)
Other current payments	(...)	(...)	(10.2)	(25.0)	(...)
Valuation adjustment	(--)	(--)	(4.6)	(4.6)	(4.6)
2. Bank of Guyana Arrears	<u>2.5</u>	<u>18.9</u>	<u>23.6</u>	<u>72.9</u>	<u>97.7</u>
Interest on bilateral deposits	(2.5)	(3.4)	(7.9)	(12.9)	(18.8)
CARICOM Clearing Facility	(--)	(15.5)	(15.7)	(60.0)	(78.9)
Principal	/--/	/15.5/	/14.8/	/57.1/	/76.6/
Interest	/--/	/--/	/0.9/	/2.9/	/2.3/
3. Central government debt	--	--	<u>1.0</u>	<u>34.5</u>	<u>61.9</u>
Principal	(--)	(--)	(0.8)	(24.0)	(5.7) ^{2/}
Interest	(--)	(--)	(0.2)	(10.5)	(16.2) ^{2/}
4. Public corporations' debt	--	--	<u>9.0</u>	<u>3.2</u>	<u>22.1</u>
Nationalization loans arrears	(--)	(--)	(9.0) ^{3/}	(--)	(--)
Other	(--)	(--)	(--)	(3.2)	(22.1) ^{2/}

Source: Bank of Guyana.

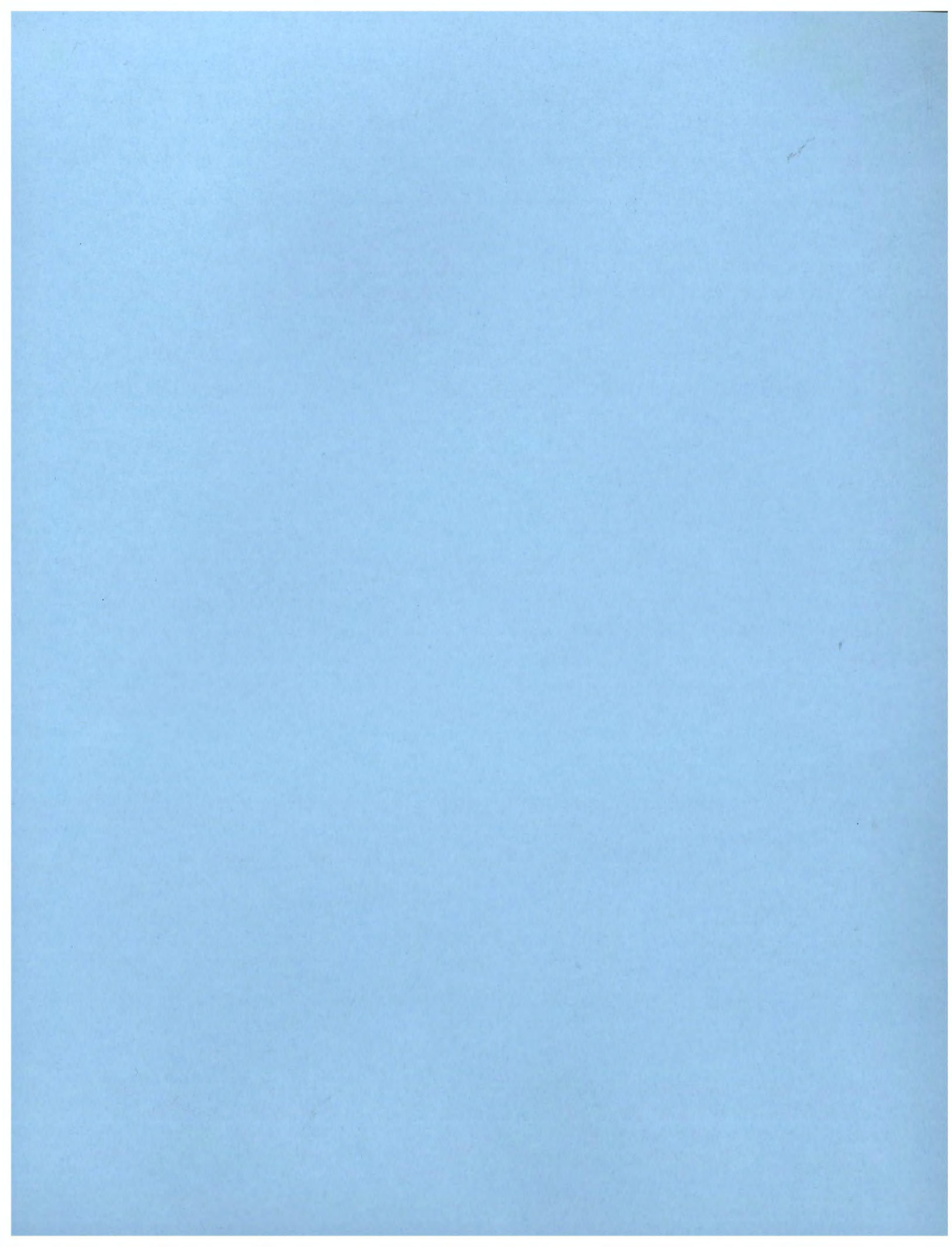
^{1/} Arrears on account of merchandise and other current payments without local currency deposits are estimated at US\$30-35 million. This would raise total arrears to US\$238.3 to 243.3 million at end-1982, and to US\$337.3 to US\$342.3 million at end June 1983.

^{2/}

GUYANA
INFORMATION SYSTEM INDEX -- REAL EFFECTIVE
EXCHANGE RATE
(1980 = 100)



¹Trade weighted index of nominal exchange rates deflated by seasonally adjusted consumer prices; increases mean an appreciation.





Office Memorandum

TO : Mr. Beveridge

DATE: September 28, 1983

FROM : G. Begashaw *GB*

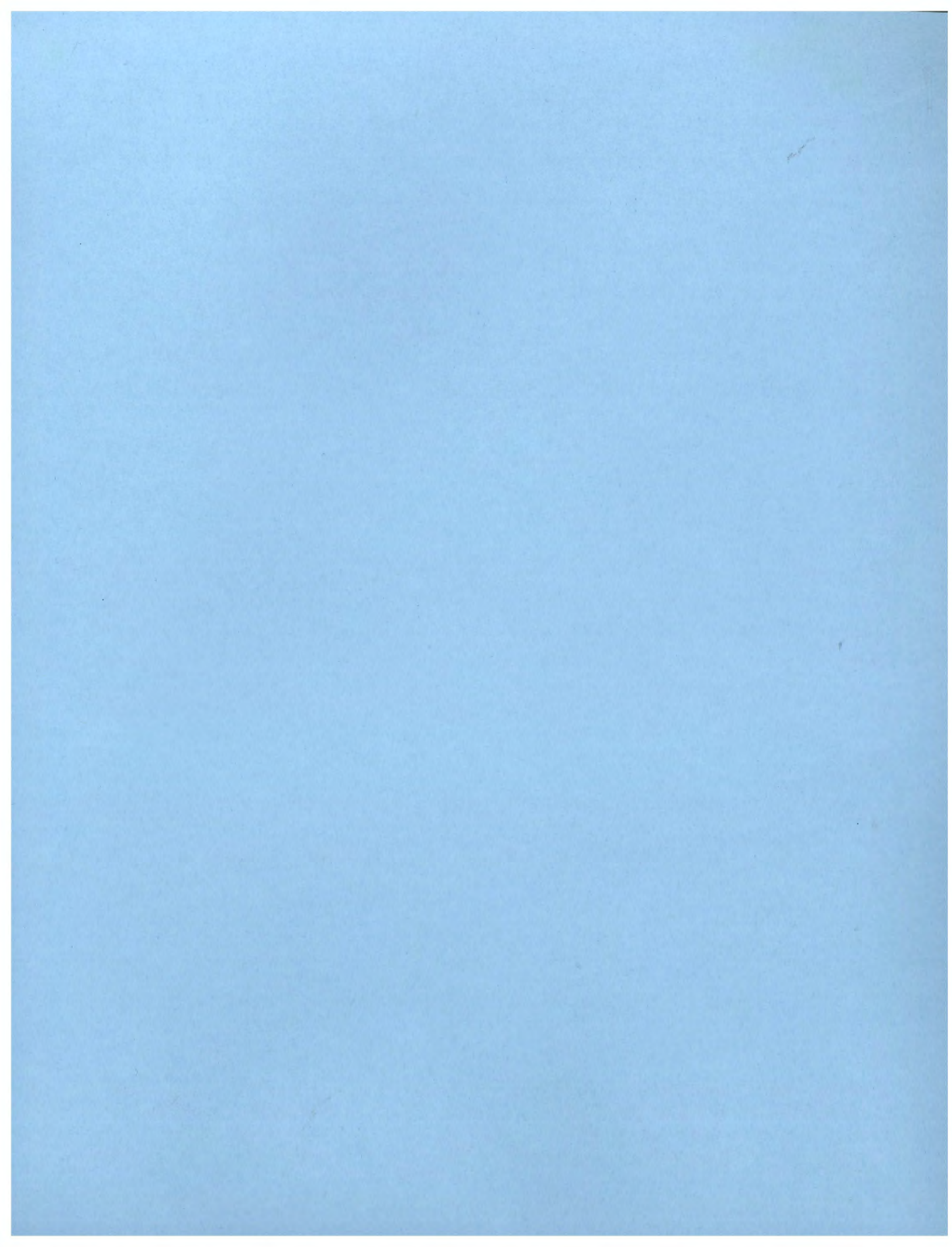
SUBJECT : Guyana: Discussion at the Annual Meetings

The meeting with the Guyanese delegation was concluded with the understanding that negotiation for a program will continue some time after the middle of October in Washington. With regard to arrears to the Fund the delegation noted that Guyana will continue making partial payments as they receive foreign exchange from sugar exports.

The Guyanese also confirmed what was learned from a recent news report concerning a change in Guyana's producer price policies for gold. They explained that the Guyana Gold Board will pay individual gold miners, in Guyana dollars, 4.9 times the U.S. dollar world market price for gold, and the foreign exchange earned by the Gold Board will be converted into Guyana dollars by the central bank at the rate of US\$1 = G\$5.50. The official rate is US\$1 = G\$3.00. I have asked the Governor of the Bank of Guyana to formally notify the Fund of this change in policy.

At the end of the meeting Mr. Kafka asked if the staff would prepare an aide memoire explicitly stating the understandings reached during the meeting.

cc: Mr. Quirk





Office Memorandum

TO : Mr. Beveridge

FROM : Peter J. Quirk

SUBJECT : Guyana--Decisions for Article VIII Countries

DATE: September 22, 1983

Guyana adopted Article VIII status in 1966. We have examined the record for policy statements with respect to decisions terminating consultations under Article VIII. The clearest statement of the present practice and of its underlying rationale is the following, from the 1977 discussion of surveillance (EBM/77/47):

"The General Counsel reminded Executive Directors that even under Article XIV there was no requirement for a decision in the Articles. There were two reasons why the Fund had decided to terminate consultations under Article XIV with a decision. First, the members had an obligation to consult with the Fund under Article XIV, and the way in which the Fund showed that it had carried out that particular duty was by means of a decision. Indeed, in the recent past, there had been considerable discussion as to whether the Fund could forego a decision when it had decided to review a past action. Second, the Fund decision was a way of exerting some degree of influence on the member to move toward convertibility or to see what progress could be made in removing restrictions. In fact, decisions had been envisaged as the mildest form of influence that the Fund thought it useful to exercise. The Fund had decided not to adopt decisions with respect to Article VIII consultations because there was no obligation on the country to consult. But Article IV was much closer to Article XIV than it was to Article VIII. For one thing, there was the injunction on the Fund to exercise strict surveillance and to ensure that there was compliance with obligations of Article IV, Section 1."

This position was the object of considerable discussion by Executive Directors, with the Director of ETRD favoring a uniform presentation of an Article IV decision to conclude consultations with both Article VIII and XIV countries. The discussion was inconclusive, and the issue was raised again by Mr. Amuzegar at EBM/77/53 (4/13/77):

"Mr. Amuzegar then inquired whether conclusions would be reached uniformly on consultations with all members, or whether only consultations with members under Article XIV would be concluded with decisions.

The Deputy Director from the Exchange and Trade Relations Department said that, although the exact nature of the conclusion had not yet been determined, for an Article XIV member there would certainly have to be a decision by the Executive Board with respect to the maintenance of restrictions.

The Chairman added that the conclusions would have the same character for consultations with all member countries."

Although this reply appears to favor the uniform approach, the issue was next taken up in "Consultation Practices and Procedures" (SM/78/67, 3/3/78), as follows:

"In the case of members who have accepted the obligations of Article VIII, Sections 2, 3, and 4 and which maintain or introduce exchange restrictions or multiple currency practices, the matter would be handled as under present policies and practices. Whenever the staff considered that the member's actions has not been appropriate to its circumstances, it has not recommended approval and no decision has been proposed. In such cases a brief description of the restrictions, the member's circumstances and the views of the staff and the authorities have been described toward the end of the staff appraisal in the report on the consultation."

The unequivocal reference to "present policies and procedures" is somewhat difficult to understand from the record, given the 1977 discussion. Nevertheless, as a previous search of our computer records late in 1982 revealed, this has been the standard procedure, and Mr. Liuksila's observation on Guyana in this respect is upheld.

Mr. Gonzalez has provided me with a copy (attached) of a news report of a recent change in Guyana's producer price policies for gold that appears to introduce recognition of the parallel market. I have given Mr. Liuksila a copy.

Attachment

cc: Mr. Liuksila

New prices

for gold

GOVERNMENT has announced wide-ranging concessions and measures aimed at encouraging maximum production in the gold and diamond industry and at persuading miners to sell all their produce to the Guyana Gold Board.

The steps were announced by Minister of Energy and Mines Harun Rashid as a result of discussions held with the Guyana Gold and Diamond Miners' Association "on the price of gold which should be paid by the Gold Board for gold sold to it by miners."

Miners will benefit from an increase in the price paid them by the Board. They will get Government assistance to acquire spares and equipment, as well as loans from the Guyana Agricultural and Industrial Development Bank and they will benefit

from infrastructure development and improved transportation facilities.

With immediate effect following the announcement, the Gold Board will pay miners, in Guyana dollars, a price which is 4.9 times the United States dollar denomination price for each ounce of gold sold to it by miners.

For example, if the price of gold on the world market is \$415 (US) per ounce, then the Gold Board shall pay to the miners \$2033.50. Similarly, if the price of gold on the world market is \$450 (US) per ounce, then the Gold Board shall pay \$2205 per ounce to miners.

Apart from the increase in price, these other measures were announced.

(1) The importation of mining equipment and spares will be made possible through the

Govt help
to buy
spares,
equipment

- retention of up to 20 per cent (twenty per cent) of the foreign exchange derived from the sale of gold in a special account administered by the Bank of Guyana. Miners entitlement to equipment and spares will be directly related to their sale of gold to the Guyana Gold Board.
- (2) A more effective system of distribution of food and supplies to miners is being instituted and will be coordinated by the Minister of Energy and Mines.
- (3) Sections of roads in the gold and diamond mining areas in the hinterland will be upgraded to facilitate easier access to those areas. The Guyana Airways Corporation has already announced the improvement of the flow of traffic to the hinterland areas and will be constantly reviewing these initiatives in order that the mining community could be more adequately serviced by air transport.
- (4) The Guyana Co-operative Agricultural and Industrial Development Bank (GAIBANK) has been granted approval to entertain from miners applications for financial assistance for mining projects. Such applications would be subject to the scrutiny of the Geology and Mines (Commission) which will assist Gaibank in the supervision of the projects which have been beneficiaries of

Gold prices

- FROM PAGE ONE
- financial assistance from the Bank.
- (5) To increase the convenience of the mining community, the Guyana Gold Board has been removed to the same premises occupied by the Geology and Mines Commission, so that miners could declare their gold, pay their royalty, and sell their gold and receive payment in one easy continuous transaction.
 - (6) All persons who contribute in any way to a legitimate seizure of gold and diamond from anyone who is in breach of the Mining Act and Regulations and the Gold Board Act, will be entitled to share in a reward of up to 20 per cent of the value of the gold and/or diamonds which may be so seized.
 - (7) All claims have not been beneficially occupied by miners from which gold and/or diamonds have not been declared over a consistently long period, will be revoked, and the claimholder whose claims have been revoked will not be permitted to relocate claims for one year.
 - (8) The Mining Amendment Bill which is currently before Parliament will make it necessary for all mechanical mining equipment (including dredges) to be registered, and it makes provision for punitive action to be taken against individuals who do not comply with the Mining Act and Regulations and the Gold Board Act, and those who are accessories to the illegal movement of gold and diamonds.

Sunday Guyana Chronicle 1983-09-04

New prices will increase viability of gold mining

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 20431

THE Gold and Diamond Miners' Association has projected that much more gold will be sold to the Guyana Gold Board, because of the latest rise in prices paid for the mineral.

A release from the Association, which represents gold and

diamond miners across the country, said the recent increase would enable greater profitability in the industry.

The Miners' Association also feels that greater viability in the industry will create new employment opportunities, enabling retrenched and other persons to find worthwhile employment.

The Association which was established earlier this year, praised the Geology and Mines Commission and the Ministry of Energy and Mines for the consideration displayed during negotiations for the improvement of conditions in the industry, an important foreign exchange earner.

The Energy and Mines Ministry last weekend announced a substantial increase in the price paid to miners for gold sold to the Guyana Gold Board, the official purchaser of raw gold in Guyana.

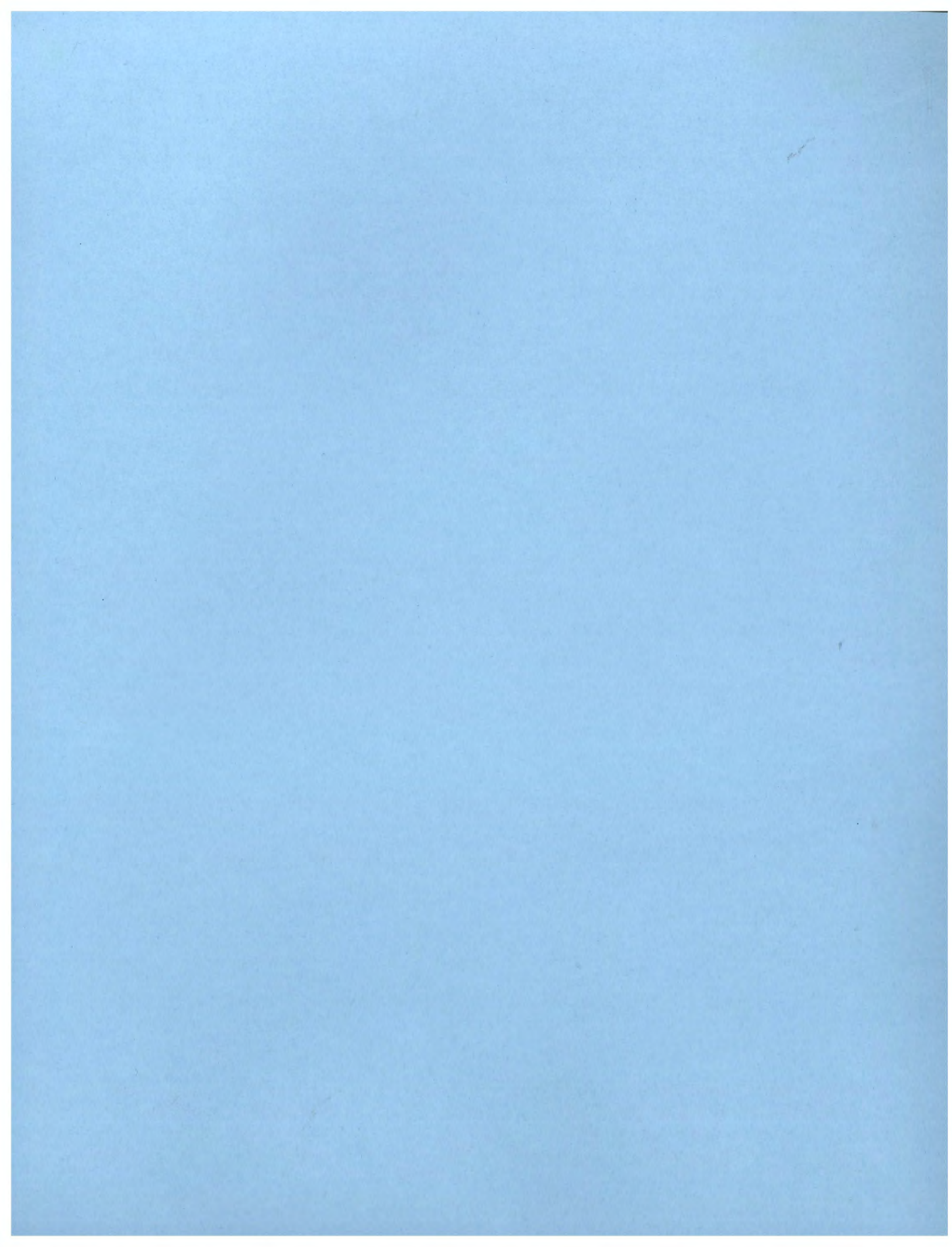
The new price rate is calculated at 4.9 times the United States dollar.

industry

price of gold. At last Friday's price of some \$1 200 (G) per ounce paid by the Gold Board, the increase would mean an additional sum of about 800 dollars.

The new measures announced by the Ministry also provide for the granting of credit to the mining industry by the state-run Co-operative Agricultural and Industrial Development Bank and the creation of a foreign exchange account with the Bank of Guyana.

The Miners' Association is planning an extra-ordinary meeting shortly at which it will discuss with members the new increased gold price as well as proposals for the supply of semi-precious stones to local and overseas markets. GNA





Office Memorandum

TO : Mr. J. Gonzalez
FROM : W. Beveridge *WB*
SUBJECT : Guyana Staff Report

DATE: September 20, 1983

Attached please find suggested additions to the Staff Report for the 1983 Article IV consultation with Guyana.

I believe that Attachment I should be inserted as a concluding paragraph of Section II of the chapter on policy discussions (p. 16). Attachment II is to be inserted within the Staff Appraisal as the first whole paragraph on page 24. Attachment III is a revised version of the Proposed Decision.

Guyana

During 1981 and 1982 Guyana introduced restrictive practices in its exchange and trade system. The list of commodities that are guaranteed import licenses was reduced significantly and now includes mainly selected capital goods, spare parts, raw materials, and drugs. Currently, applications for import licenses are generally not approved for consumer goods nor for commodities for which substitutes exist locally. The exchange system currently in effect in Guyana involves the following restrictions on payments and transfer for current international transactions subject to the Fund's approval under Article VIII, Section 2:

- (i) an annual limit of G\$200 per person on exchange allocation for tourist travel;
- (ii) a prohibition, since January 28, 1982, on cash gift allowances abroad; and
- (iii) an accumulation of a substantial amount of external payments arrears.

Guyana

Guyana maintains restrictions on payments and transfers for current international transactions, arising from restrictions on the provision of foreign exchange for tourist travel and cash transfer abroad, and from the existence of external payments arrears. Furthermore, Guyana's external payments arrears have increased since the last Article IV consultation. The staff encourages the authorities to adopt policies that would facilitate the elimination of these restrictions as soon as possible. In the meantime, the staff does not recommend that the Executive Board approve the restrictions.

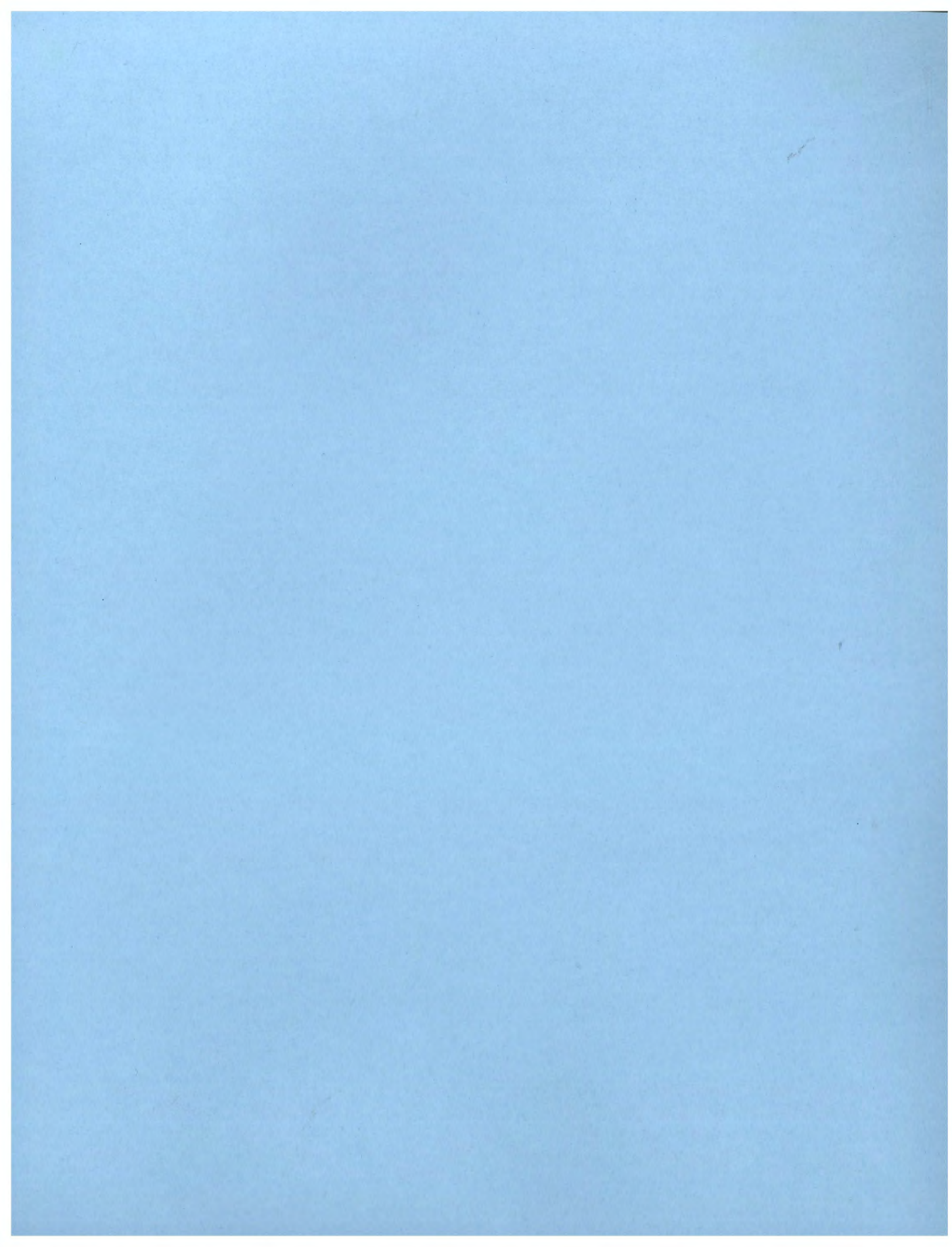
Guyana

Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Fund takes this decision relating Guyana's exchange measures subject to Article VIII, Section 2, in the light of the 1983 Article consultation with Guyana conducted under Decision No. 5392 (77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. Guyana maintains a restriction on the provision of foreign exchange for tourist travel and cash transfer abroad, and has accumulated external payments arrears. The Fund encourages Guyana to pursue policies that will permit the removal of these restrictions.



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WASHINGTON, D. C. 20431

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file *Mr. Guitian (015)*

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23 MR. W.H. PARRIS
22 CHAIRMAN, BOARD, STATE PLANNING COMMISSION
21 OFFICE OF THE PRIME MINISTER
20 229 SOUTH ROAD, LACYTOWN
19 GEORGETOWN, GUYANA

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18 FOLLOWING OUR CONVERSATION IN CARTAGENA, I HAVE STUDIED
17 FURTHER YOUR PROPOSAL FOR AN ALTERNATIVE APPROACH FOR
16 SOLVING GUYANA'S PRESENT ECONOMIC DIFFICULTIES, CONTAINED
15 IN YOUR LETTER OF MAY 7, 1983 TO MR. REICHMANN.
14 YOUR IDEAS HAVE BEEN CONSIDERED WITH INTEREST BY THE
13 STAFF, WHICH, AS YOU KNOW, AGREES WITH MANY OF THE POINTS
12 YOU MAKE. IN PARTICULAR, THE STAFF SHARES YOUR VIEWS AS
11 REGARDS THE EMPHASIS THAT NEEDS TO BE PLACED ON FURTHER
10 IMPROVEMENTS IN THE STRUCTURE OF PRODUCTION AND THE NEED,
9 ESPECIALLY IN THE EARLY STAGES OF THE PROGRAM, FOR A
8 SUBSTANTIAL INCREASE IN FOREIGN CAPITAL INFLOWS. IT IS
7 OBVIOUS THAT ANY SOLUTION SHOULD AIM AT THE HIGHEST
6 SUSTAINABLE LEVEL OF OUTPUT AND BE SUPPORTED BY AN ADEQUATE
5 VOLUME OF EXTERNAL RESOURCES. IN THIS CONNECTION, THE
4 ADJUSTMENT PROGRAM PROPOSED BY THE MISSION EMPHASIZED THE
3 PROVISION OF INCENTIVES TO THE PRODUCING AND EXPORTING
2 SECTORS, AND WAS PREDICATED ON A SUBSTANTIAL INCREASE IN
1 FOREIGN CAPITAL INFLOWS.

Mr. Guitian
Mr. Yandle
Mr. Reichmann
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18	<input type="checkbox"/> I WOULD GO ON TO STRESS, HOWEVER, THAT THE ISSUE OF THE	MARK XX FOR CODE () CODE DISTRIBUTION N O T T Y P E H E R E
17	LARGE FINANCIAL IMBALANCE AFFECTING THE ECONOMY OF GUYANA	
16	NEEDS TO BE ADDRESSED. FAILURE TO DO SO WILL RESULT IN	
15	CONTINUING AND PROBABLY ACCELERATING INFLATION, EXPANSION	
14	OF PARALLEL MARKETS, AND INTENSIFICATION OF DISTORTIONS	
13	THAT WILL HAMPER THE RECOVERY OF OUTPUT. MOREOVER, THE	
12	ACHIEVEMENT OF A VIABLE EXTERNAL POSITION REQUIRES THE	
11	RESTORATION OF THE DOMESTIC BALANCE OF THE ECONOMY. IN	
10	THIS REGARD, IT IS ESSENTIAL THAT THE PUBLIC SECTOR DEFICIT	
9	BE REDUCED AND EXCESS DEMAND PRESSURES BE REMOVED. I AM	
8	AWARE OF, AND FULLY APPRECIATE, THE MEASURES OF FISCAL	
7	RESTRAINT THAT GUYANA HAS UNDERTAKEN IN THE RECENT PAST.	
6	HOWEVER, IT IS CLEAR THAT MUCH MORE NEEDS TO BE DONE TO LAY	
5	THE BASIS FOR A RECOVERY OF THE ECONOMY. I BELIEVE THAT,	
4	AS DISCUSSED WITH YOU BY THE MISSION, IT SHOULD BE POSSIBLE	
3	TO DEVELOP A COMBINATION OF EXCHANGE RATE, FISCAL, AND	
2	INCOMES POLICIES THAT WOULD REDUCE THE PUBLIC SECTOR	
1	DEFICIT TO A LEVEL COMPATIBLE WITH ADEQUATE DOMESTIC	
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18	FINANCING AND THE INCREASED INFLOW OF FOREIGN FINANCING		
17	THAT MIGHT BE EXPECTED ON THE BASIS OF AN INCREASED		N O T T Y P E H E R E
16	DOMESTIC EFFORT. THE PROPOSED EXCHANGE RATE ACTION COULD		
15	INVOLVE A TRANSITORY MULTIPLE RATE SYSTEM, AS LONG AS SUCH		
14	A SYSTEM PROVIDES THE DESIRED INCENTIVES TO PRODUCERS AND		
13	ACHIEVES THE CUT IN REAL EXPENDITURE THAT IS ESSENTIAL AT		
12	PRESENT.		
11	WITH REGARD TO THE TECHNICAL PROBLEMS REFERRED TO IN		
10	YOUR LETTER, THE STAFF IS WORKING ON A NOTE TO ADDRESS THE		
9	QUESTION OF CAPITAL LOSSES. AS WAS POINTED OUT BY THE		
8	MISSION, IT IS POSSIBLE TO DEVISE WAYS OF DISTRIBUTING		
7	THESE LOSSES OVER TIME AS WELL AS ACROSS THE PUBLIC SECTOR.		
6	THE PROPOSALS MADE BY THE MISSION IN RESPECT OF THE PUBLIC		
5	SECTOR'S INVESTMENT PROGRAM, BENEFITED FROM THE ADVICE OF		
4	THE WORLD BANK TEAM THAT WAS ALSO IN GEORGETOWN AT THE		
3	TIME. I SHOULD NOTE THAT THE VOLUME OF TOTAL PUBLIC SECTOR		
2	INVESTMENT, WHICH IN THE MISSION'S PROPOSAL WAS REGARDED		
1	AS CONSISTENT WITH AVAILABLE FINANCING, EXCEEDS THE		
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DISTRIBUTION

18 MAGNITUDE OF THE CORE INVESTMENT PROGRAM ELABORATED BY THE
17 WORLD BANK TEAM FOR THE CENTRAL GOVERNMENT AND THE PUBLIC
16 CORPORATIONS.
15 I WISH TO REITERATE OUR READINESS TO DISCUSS WITH YOU
14 THE POLICIES APPROPRIATE FOR DEALING WITH GUYANA'S PRESSING
13 ECONOMIC PROBLEMS. IN THIS SPIRIT, I WOULD LIKE TO REPEAT
12 THE INVITATION I EXTENDED TO YOU IN CARTAGENA TO MEET WITH
11 US HERE AT THE HEADQUARTERS OF THE FUND IN ORDER TO PURSUE
10 OUR DISCUSSIONS. PERHAPS THIS COULD TAKE PLACE IN THE
9 COURSE OF NEXT WEEK. I LOOK FORWARD TO HEARING FROM YOU
8 ON THIS MATTER.
7 KINDEST REGARDS
6 EDUARDO WIESNER
5 DIRECTOR, WHD
4 INTERFUND

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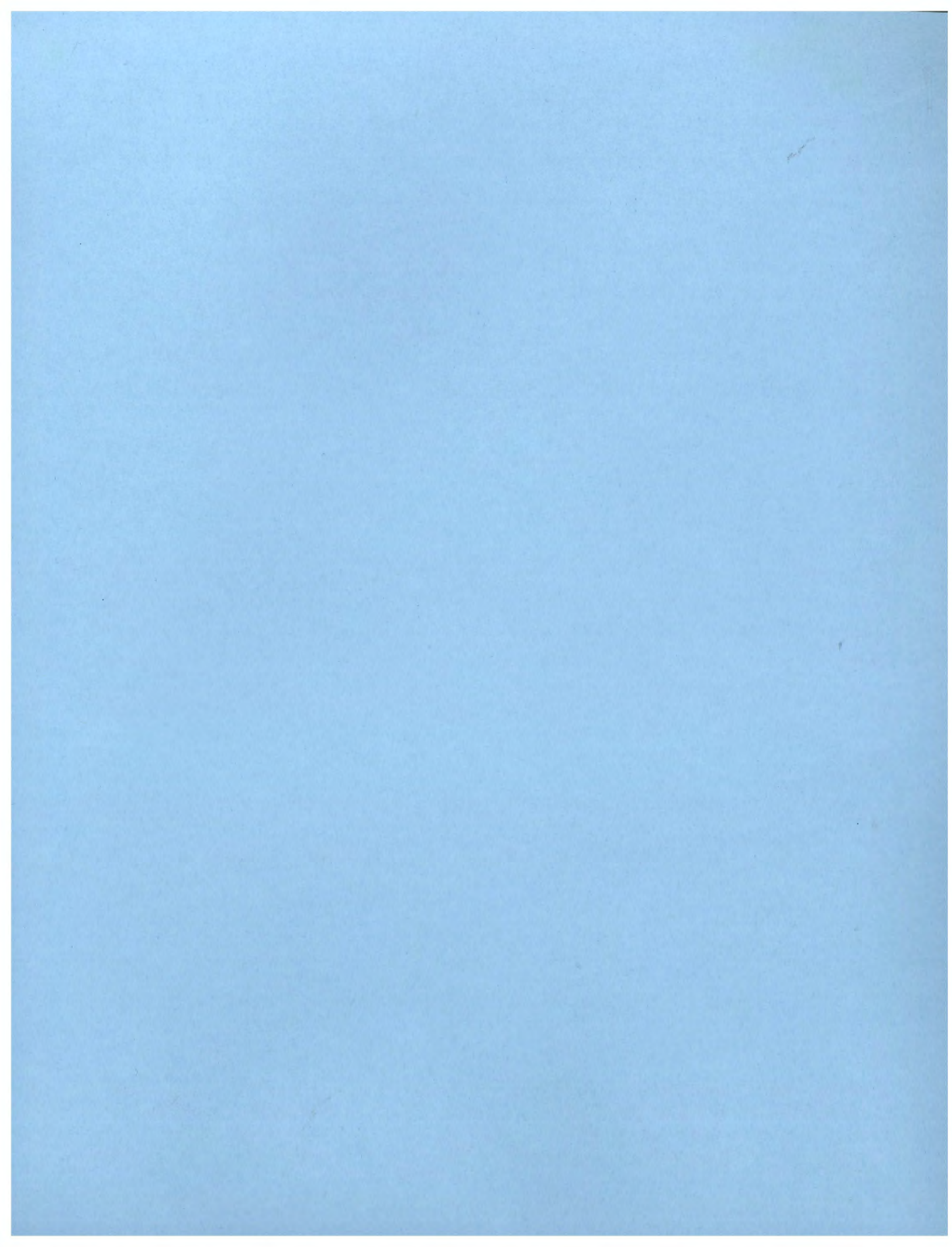
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Office Memorandum

B7F

TO : Mr. Beveridge

DATE: June 6, 1983

FROM : G. Begashaw *GB*

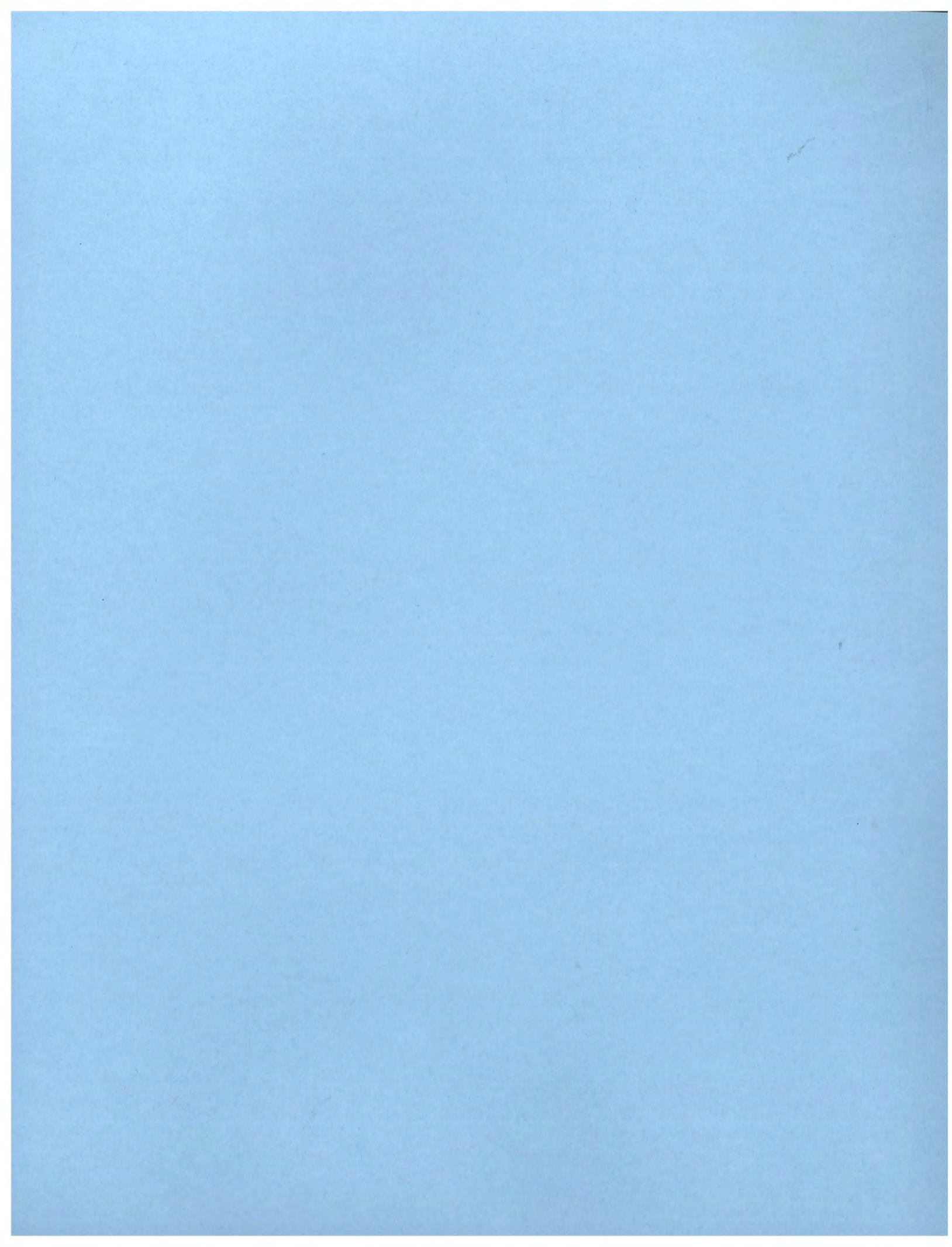
SUBJECT : Guyana--Discussions with the Guyana authorities
(June 1-June 3, 1983)

As you will recall, the exchange rate action proposed by the Fund mission in April was the main concern of the Guyana authorities, and during the discussions held last week it continued to be the main topic. The position of the Guyana authorities did not materially change initially from that stated in the recent document (dated May 7, 1983) sent to the Fund except that they explicitly stated the multiple rate system that they think should be adopted in the context of a program. Again they voiced their concern regarding the effect of devaluation on real wages, prices of "sensitive" products (sugar, rice, electricity), and on the financial position of major enterprises--specifically those that are not net foreign exchange earners. Furthermore, they were worried about exchange and capital losses of the Bank of Guyana and public corporations that would result from devaluation and treatment of external payments arrears.

The discussions focused mainly on technical issues. At the request of the Guyana authorities, the staff had prepared a note detailing alternative ways employed by some Fund members to deal with the problems of capital and exchange losses, and the effect such losses would have on the balance sheet of public corporations and the Bank of Guyana. The technical discussion also included the effect of devaluation on public sector deficit, and emphasized the need to limit the fiscal imbalance to the level that would be financed externally and the need to complement the exchange rate action by appropriate wage policy and budget cuts. Along this line, again at the request of the Guyana authorities, alternative scenarios of exchange rate action and wage policy with the resulting financing requirement of each scenario were explored in detail. This exercise clearly demonstrated to the Guyanese team the need for a substantial adjustment in the exchange rate, restraint in wage policy, budget cuts, and correction of certain prices.

Regarding the exchange rate action, the staff has maintained its previous position that there was no need to split the rate while the required amount of devaluation was left for future discussion during a mission tentatively scheduled for early July in Georgetown.

cc: Mr. Quirk





Office Memorandum

April 27, 1983

MEMORANDUM FOR FILES

Subject: Guyana--External Payments Arrears

According to the latest information available to the Fund mission, which visited Georgetown from April 5 to April 19, 1983, Guyana has accumulated a substantial amount of external arrears with respect to import payments, debt service, and other current payments (see below). Arrears on account of import payments and other current payments (such as payments for services including investment income, etc.) are estimated from counterpart local currency deposits at the Bank of Guyana. These deposits are made at the insistence of some overseas suppliers so that they would be paid promptly when foreign exchange is available. As the Bank of Guyana does not, in general, require that counterpart local currency deposits be made, the mission was informed that estimates of external arrears, with respect to import and other current payments, represent a fraction of the actual amount. 1/

Arrears on account of debt service payments are also underestimated since the figures presented below include only arrears on medium- and long-term debt service payments, and with respect to arrears on short-term debt service payments no information is available as debtors (both private and public corporations) have not made domestic currency deposits due to unavailability of foreign exchange.

The CARICOM multilateral clearing facility provides for a settlement of 50 per cent of outstanding balances in hard currency every six months until outstanding balances reach prescribed limits. Guyana has not been able to settle its outstanding balances and thus has accumulated payments arrears with respect to the facility. Guyana has also exceeded its prescribed limit and the use of the facility has been suspended until outstanding balances are settled.

A handwritten signature in blue ink, appearing to be "G. Begashaw".

G. Begashaw
Economist

Exchange Restrictions Division
Exchange and Trade Relations Department

Attachment

cc: Mr. Quirk

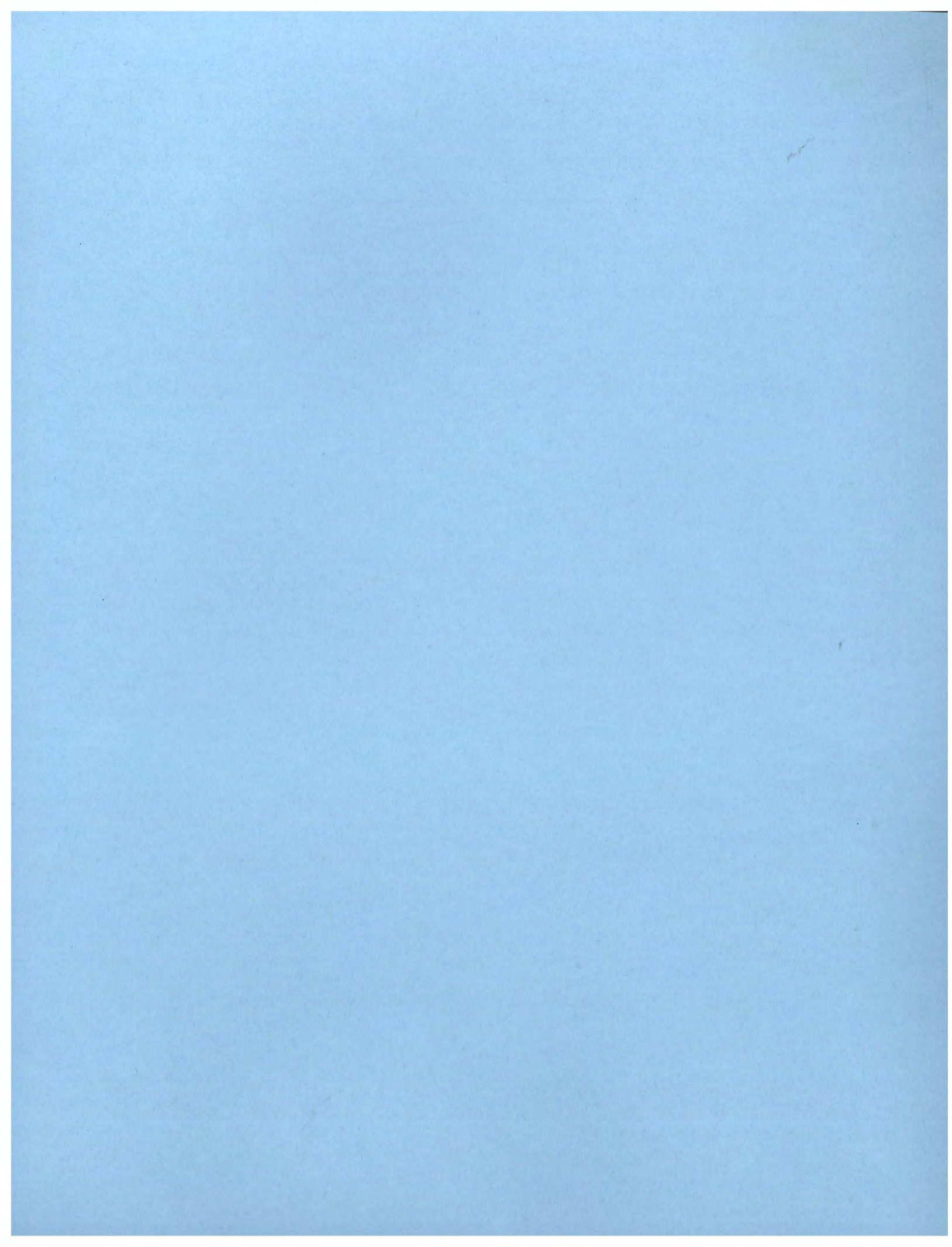
1/ The Bank of Guyana pays an interest rate of 12 per cent on these deposits.

Guyana: External Payments Arrears

(In millions of U.S. dollars; end of period)

	1981	1982	March 1983
<u>Total external arrears</u>	<u>82.7</u>	<u>215.9</u>	<u>...</u>
1. Deposits on external payments arrears	49.1	97.7	103.1
Merchandise	(34.3)	(68.1)	(...)
Other current payments	(14.8)	(29.6)	(...)
2. Bank of Guyana debt	23.6	89.6	...
Bilateral deposits	(7.9)	(32.9)	(...)
CARICOM multilateral clearing facility	(15.7)	(56.7)	54.7
3. Central government debt	1.0	15.8	...
Interest	(0.2)	(5.1)	(...)
Principal	(0.8)	(10.7)	(...)
4. Public corporations' debt	9.0	12.8	...

Source: Bank of Guyana





Office Memorandum

WAB
MVB
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TO : Mr. Reichmann

DATE: March 22, 1983

FROM : W. A. Beveridge *WAB*

SUBJECT : Guyana

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As it stands, I have several problems with the proposed program (as mentioned on the phone).

1. I recognize the significance of pricing changes for the adjustment process in this case. Nonetheless, I do not see the mechanisms by which the devaluation would lead to such large reductions in the public sector deficit and, especially, the current account of the balance of payments. It might even be expected that the latter deficit would increase during the program period. I hope the tables you will send me will help me to understand. I believe that, in any event, the briefing paper should include quantified analysis of how the imbalances are reduced.

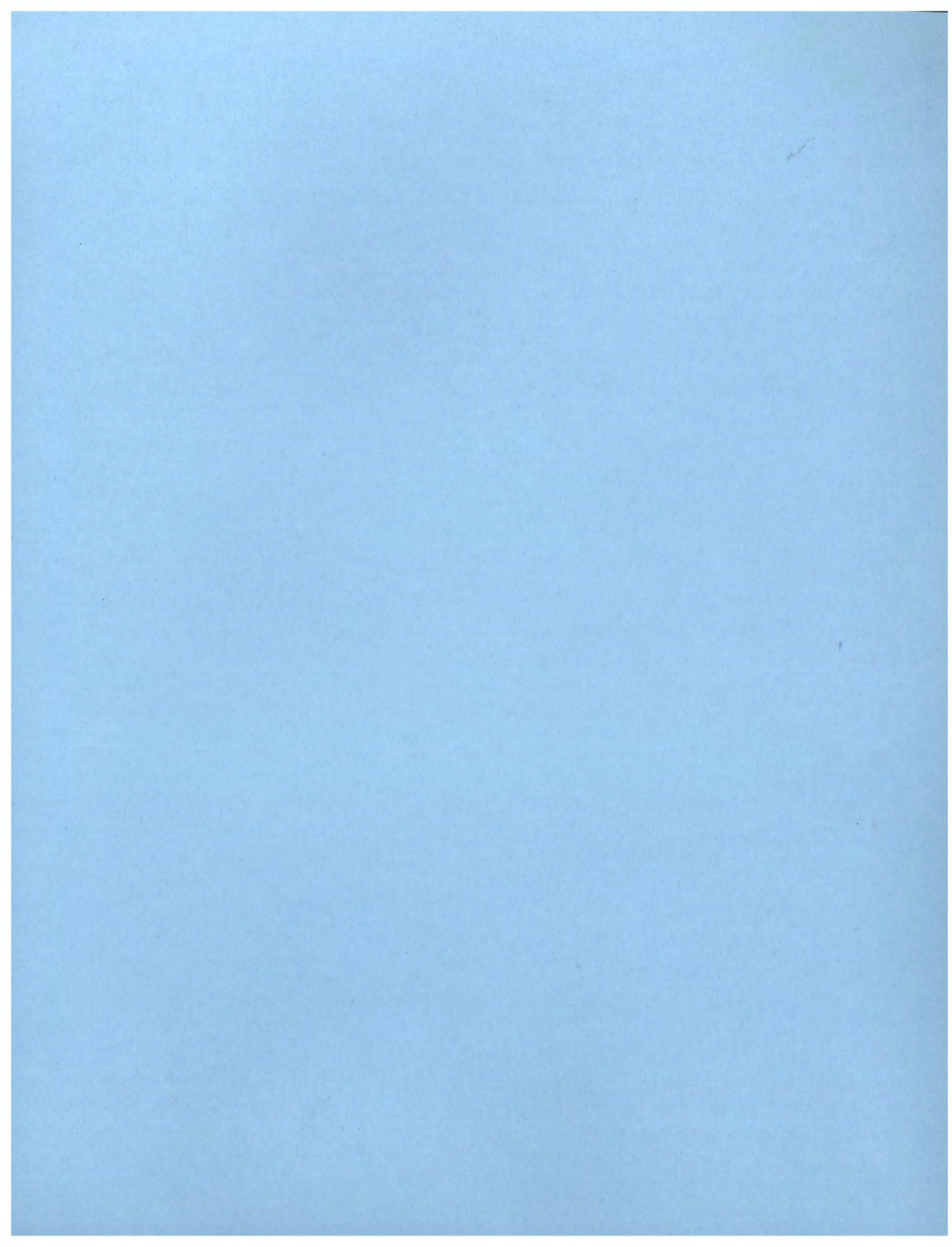
2. I am not clear as to the specifics of the policies to be adopted to support the exchange rate change. Would we be looking for no nominal increase in wages (or what percentage increase)? Will government expenditures be kept to a specific nominal increase? If so, in what areas can cuts be made? (since some will rise pari passu with the devaluation). In the light of experience of the June 1981 devaluation what policies are needed and are possible to prevent rapid erosion of the intended devaluation now? In this connection, we need to build up the section on prior actions.

3. I hope we can elaborate on the section relating to the availability of financing during the program period. Will a donors' meeting be needed? What assumptions have been made regarding rescheduling? What procedure do you have in mind to ensure that the program does not go forward until the financing is assured (see p.13, 1st full paragraph).

4. The proposed CF purchase should be dependent on management's acceptance of the program, i.e., when financing is assured.

5. The World Bank endorsement of the new strategy appears lukewarm (p.7). I cannot see how we can progress unless the Bank can be more persuasive that it has confidence in the "new strategy."

Let us talk more about these matters after I have seen the numbers mentioned in para. 1 above.





Office Memorandum

MR BRAU
EPR file

To: Mr. Reichmann Date: March 8, 1983
From: Jose Martelino *JM*
Subject: Guyana--Preparation for Forthcoming Mission

The following notes are in response to some of the questions and points that you had raised during our last meeting:

1. Effects of debt rescheduling in 1983

Tables 1 and 2 show some rough calculations, based on the best available data, on the effects of a Paris Club and a commercial bank rescheduling on Guyana's debt service payments through 1985. Assuming that a Paris Club and commercial bank debt renegotiation would be successfully concluded in 1983, debt service payments (on medium- and long-term debt) in 1983 would fall from \$175 million (including repayment of related debt service arrears) to \$73 million. This reflects a combined debt relief (from rescheduling of current maturities and arrears) of \$116 million for 1983. Consequently, the debt service ratio would decline from 58 per cent to 24 per cent and the ratio of debt service to GDP would also drop from 31 per cent to 13 per cent in 1983. Assuming a 10 per cent annual average rate of increase in exports and a (monetary) GDP growth rate of 7 per cent in 1984 and 10 per cent in 1985, the debt service ratio would rise to 35 per cent in 1985, while the ratio of debt service to GDP would increase to 19 per cent.

The major assumptions in these calculations are as follows:

a. Paris Club

A 100 per cent rescheduling of current principal and interest in 1983 (\$16 million) and arrears (\$38 million) at 10 per cent average interest with at least 3 years grace period. The effects of a possible conditional rescheduling (or "goodwill clause") in respect of 1984 and 1985 maturities have not been incorporated in these estimates.

b. Bank rescheduling

Rescheduling of 100 per cent current principal and interest (\$29 million) due in 1982 and a de facto rescheduling of 100 per cent of arrears (\$33 million). It is envisaged that a Costa Rica type rescheduling of interest in arrears be provided, i.e., a granting of import lines of credit equivalent to the interest in arrears so as to free foreign exchange to pay for interest in arrears.

c. New disbursements

New disbursements are based on the IBRD disbursement forecasts for the pipeline (previously contracted debt). In addition, there will

be an additional \$70 million in 1983 to cover the (present) unfinanced gap and new gross disbursements from newly contracted loans will amount to \$100 million per year in 1984 and 1985.

d. Exports

Exports f.o.b., which are currently estimated at \$748 million for 1983, have been adjusted by the factor of 1.074 in order to arrive at the services portion. Exports are projected to rise by 10 per cent per year through 1985.

e. GDP

Current GDP, which is estimated at \$560 million, is projected to increase by 7 per cent in 1984 and 10 per cent in 1985.

It must be stressed, however, that the foregoing analysis should be indicative mainly of trends and not of absolute values in view of current status of the available data. Further refinements will be done during the mission and whenever we may get more concrete data from Morgan Grenfell's survey of the debt situation.

2. Export taxes

The main consideration in equating export taxes with multiple currency practice (MCP) is their linkage with the exchange system. In classical cases, direct linkage of export taxes with the exchange system (thereby constituting an MCP) occurs when export taxes are levied at the time of the surrender of foreign exchange proceeds for certain exports. The application of these taxes result in a de facto separate exchange rate for these transactions. Some examples of export taxes directly linked with the surrender of export proceeds are Brazil ("contribution" quotas), the Philippines, and Peru. However, there are other cases where the techniques of application of export taxes may preclude them from being MCPs. One case in point was the Japanese export tax of 1981. During consultations between the Legal Department and ETR, it was determined that the application of these export taxes would constitute an MCP "if any reference was made to the Exchange System in assessing the tax." ^{1/} Thus, to avoid any problems on the mode of application, it was suggested that a Japanese yen levy be imposed on each unit exported, which would then be tantamount to a tax on the volume of exports. Alternatively, the tax could be applied on the domestic currency value of the exported product, irrespective of the dollar equivalent. Above all, it is of great importance that the taxes not be collected at the time and on the basis of surrender of export proceeds, but rather at the customs (or shipment) stage, or at the time of export licensing or registration.

^{1/} For example, if the value of exports in foreign currencies would require conversion at a predefined exchange rate for purposes of levying the tax.

3. Tax credit certificates/export rebates

The same criterion for MCP also applies to tax credit certificates or export rebate schemes. The direct link to the exchange system is usually established in the mode of application of such schemes. These credits or rebates are usually paid only upon surrender of export proceeds; if no foreign exchange is surrendered, no credit or rebate is received. Moreover, these credits are usually determined on the basis of actual export values in terms of foreign exchange and the value of the credit certificates are adjusted to reflect any exchange rate changes. As in the case of export taxes, various schemes have been devised in the past in order to completely sever its ties with the exchange system. One way to circumvent this problem would be to assess export tax credits solely on the basis of direct or indirect taxes that are paid by the exporter. One borderline case was that of Uruguay's tax credit certificates (reintegros). Although the value of the tax credit certificates were calculated on the f.o.b. value of the export transaction at the exchange rate prevailing on the day of issue of the export license, the credit was issued immediately upon presentation of shipping documents, i.e., conditional upon proof of movement of the merchandise across the border. The tax credit certificate was in no way linked to the surrender of export proceeds nor any other movements in exchange rates. The measure was deemed as not constituting a multiple currency practice.

4. Movements in the real effective exchange rates

The most recent calculations on the real effective exchange (REER), indicate that, relative to a base period of June 1981 (the time of the last devaluation from G\$2.55/US\$1 to G\$3.00/US\$1), the Guyana dollar appreciated by 28 per cent vis-a-vis the major trading partners by December 1982. 1/ We are still awaiting the results of the projections for movements in the real effective exchange rates in 1983 based on certain assumptions on the rates of inflation and different levels of devaluation for the Guyana dollar. These calculations will be forwarded to you as soon as possible.

Attachments

cc: Mr. Brau
Mrs. Sosa
Mr. van Til

1/ Trade weighted; major trading partners used in the calculations are the United States, Canada, United Kingdom, the Netherlands, Trinidad & Tobago, Jamaica, Germany, and Italy.

Table 1. Guyana: Effects of Debt Rescheduling

	1983	1984	1985
	<u>(In millions of U.S. dollars)</u>		
Debt service (P + I)			
Before rescheduling	175	105	112
After rescheduling	73	119	126
Exports of goods and services	301	331	364
GDP	560	599	659
Net inflows	130	79	66
	<u>(In per cent)</u>		
Debt service ratio			
Before rescheduling	58.1	31.7	30.7
After rescheduling	24.3	36.0	34.6
Debt service/GDP			
Before rescheduling	31.3	17.5	16.9
After rescheduling	13.0	19.9	19.1
Net inflows/GDP			
After rescheduling	23.2	13.2	10.0

Table 2. Guyana: Debt Service Payments Before and After Rescheduling

ATTACHMENT

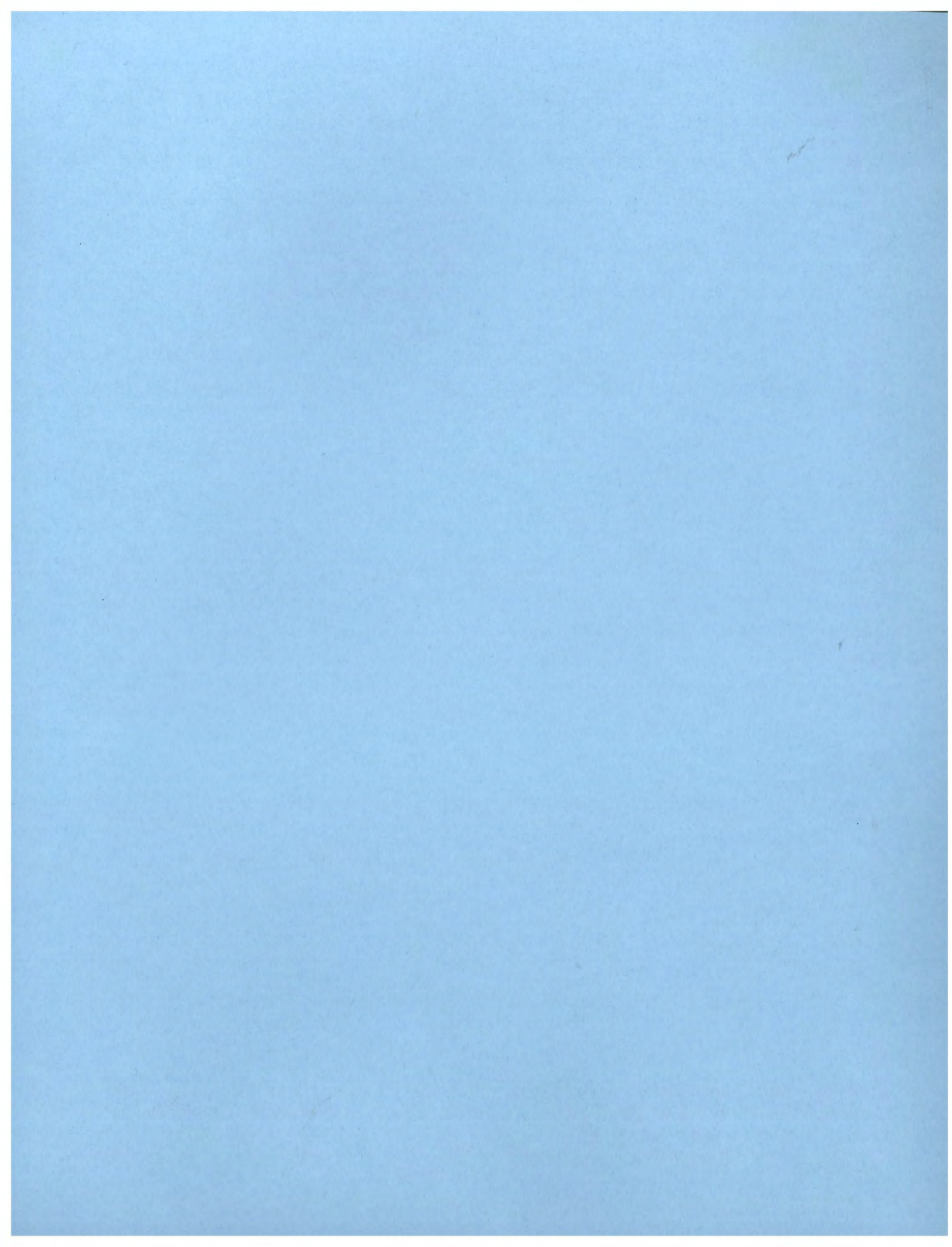
(In millions of U.S. dollars)

	1983			1984			1985		
	P	I	T	P	I	T	P	I	T
1. Debt service before rescheduling	<u>112</u>	<u>63</u>	<u>175</u>	<u>59</u>	<u>46</u>	<u>105</u>	<u>60</u>	<u>52</u>	<u>112</u>
a. Contractual	<u>65</u>	<u>32</u>	<u>97</u>	<u>59</u>	<u>29</u>	<u>88</u>	<u>60</u>	<u>25</u>	<u>85</u>
b. Arrears ^{1/}	47	24	71	--	--	--	--	--	--
c. On new disbursements ^{2/}	--	7	7	--	17	17	--	27	27
2. Debt relief	-75	-41	-116						
a. Less Paris Club relief	<u>-37</u>	<u>-17</u>	<u>-54</u>						
1) Arrears	(-27)	(-11)	(-38)						
2) Current 1983 maturities	(-10)	(-6)	(-16)						
b. Less bank relief	-38	-24	-62						
1) Arrears	(-20)	(-13)	(-33)						
2) Current 1983 maturities	(-18)	(-11)	(-29)						
Sub-total (1 - 2)	<u>37</u>	<u>22</u>	<u>59</u>	<u>59</u>	<u>46</u>	<u>105</u>	<u>60</u>	<u>52</u>	<u>112</u>
3. Debt service in rescheduling	<u>--</u>	<u>14</u>	<u>14</u>	<u>--</u>	<u>14</u>	<u>14</u>	<u>--</u>	<u>14</u>	<u>14</u>
a. Paris Club ^{3/}									
1) Arrears	--	4	4	--	4	4	--	4	4
2) Current maturities	--	2	2	--	2	2	--	2	2
b. Commercial banks									
1) Arrears	--	4	4	--	4	4	--	4	4
2) Current maturities	--	4	4	--	4	4	--	4	4
4. Debt service after rescheduling (1 - 2 + 3)	<u>37</u>	<u>36</u>	<u>73</u>	<u>59</u>	<u>60</u>	<u>119</u>	<u>60</u>	<u>66</u>	<u>126</u>

^{1/} On medium- and long-term external debt. It is assumed that Bank of Guyana bilateral deposits (\$33 million) are owed to banks, while the central government and public corporation debt (\$38 million) are owed to official bilateral creditors.

^{2/} Excluding pipeline disbursements (on previously contracted loans which are taken into account in the contractual schedule. It is assumed that all new net inflows will be concessional (with extended grace periods). New inflows of \$70 million in 1983 to cover the unfinanced gap and an average \$100 million annually in 1984 and 1985 are assumed.

^{3/} Does not include any provision for further conditional rescheduling or "goodwill clauses" in respect of 1984 and 1985 maturities.



1982

INTERNATIONAL MONETARY FUND

December 30, 1982

Mr. Dale:

The attached background is relevant on the CFF. I will be here until about 2:20 p.m. when I plan to leave for the funeral services.

Attachment

DK

Donald K. Palmer

GUYANA

-- Compensatory financing purchase 15.8 per cent of quota
(up to 50 per cent of quota)

-- Board discussion, November 5, 1982

Facts

Board considered staff report on Article IV consultation at the same time as the CF request.

Staff report made plain (a) economic situation bad, (b) policies not adequate to cope, (c) no prospect for early program, (d) sizeable external payments arrears and staff did not request Board approval for restrictions.

Board discussion

Directors highly critical about economic policies and unenthusiastic about request. U.S. in particular questioned whether test of cooperation had been met: references to inadequate policies; unapproved restrictions and capacity to make repurchases.

* * * * *

Subsequently, Mr. Dallara indicated, privately, continuing unhappiness as to whether test of cooperation had been met. Hinted that his chair would not support marginal cases in future. Discussions prior to meeting had persuaded him not to object more strongly during the meeting.

Dominican Republic

Paper issued April 21. Staff attempting to negotiate first credit tranche program but not successful. No consultation paper. No issues raised about cooperation test.

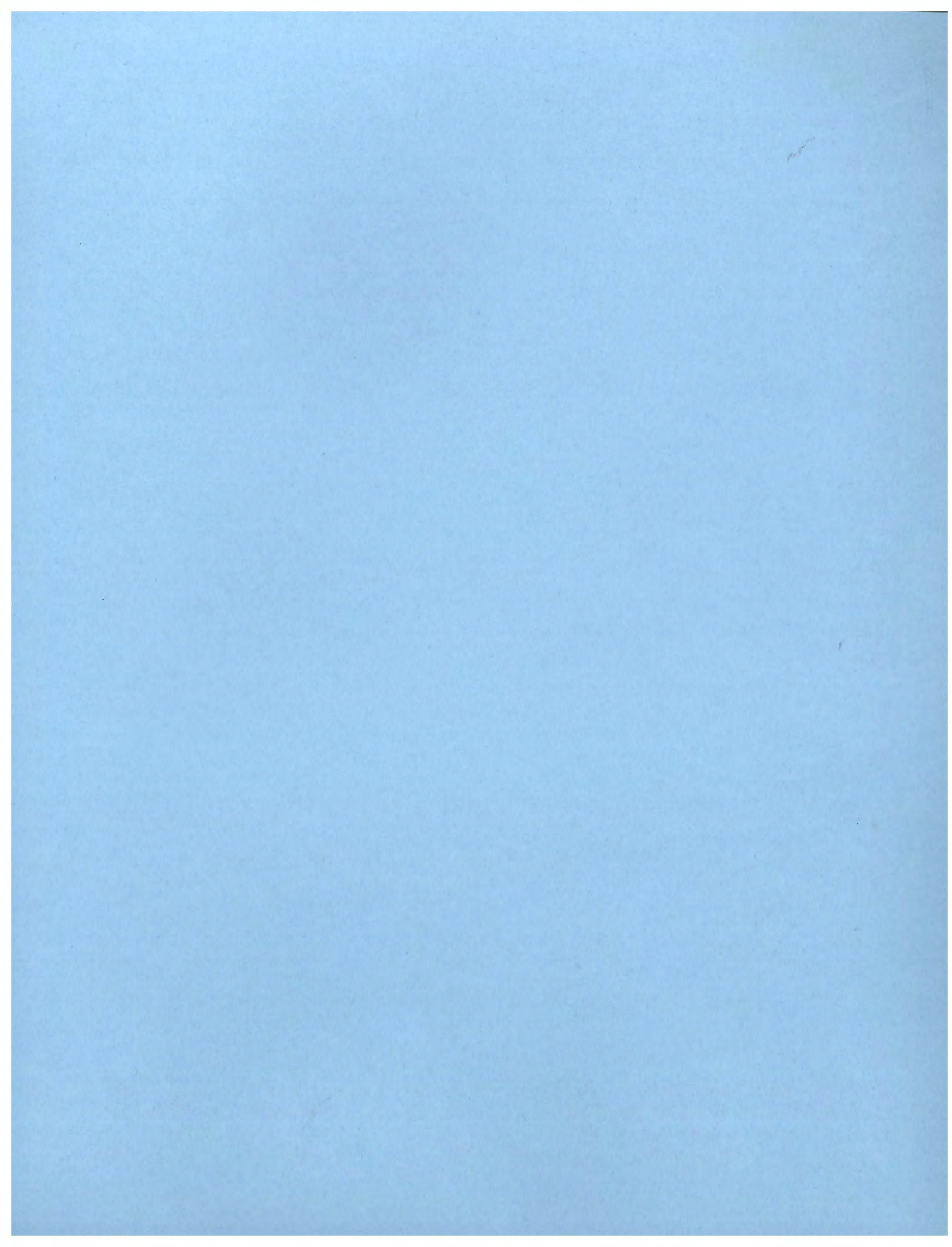
Zambia

Paper issued November 23. Paper discussed December 13. Failure of EFF and promised Board that discussions would continue leading hopefully to new SBA. These same discussions would include the Article IV consultation.* At the time of the December Board meeting, no accompanying consultation report.

U.S. and others questions cooperation particularly since there were inadequate assurances of member's capacity (i.e., appropriateness of policies) to make repurchases. Legal Department indicated that request met all the criteria for use of CF in lower tranche.

*A staff mission had recently visited Zambia to initiate the consultation discussions along with stand-by negotiations, but a paper was not issued.

30. The mere expression of willingness of the member to have discussions with the staff should not in itself be taken as sufficient evidence that the member has been cooperating for the purpose of an upper tranche CF drawing. Such a standard would make it difficult to distinguish the stricter requirement of cooperation applicable to upper tranche CF purchases from that required for purchases in the lower tranche of the CFF, namely that the Fund be satisfied that the member will cooperate with the Fund. This is because [the criterion applicable to requests in the lower tranche should be interpreted as implying a willingness to receive Fund missions and to discuss, in good faith, the appropriateness of the member's policies and whether changes in the member's policies are necessary to deal with the its balance of payments difficulties.]



November 9, 1982

MEMORANDUM FOR FILES

Subject: Guyana - CFF

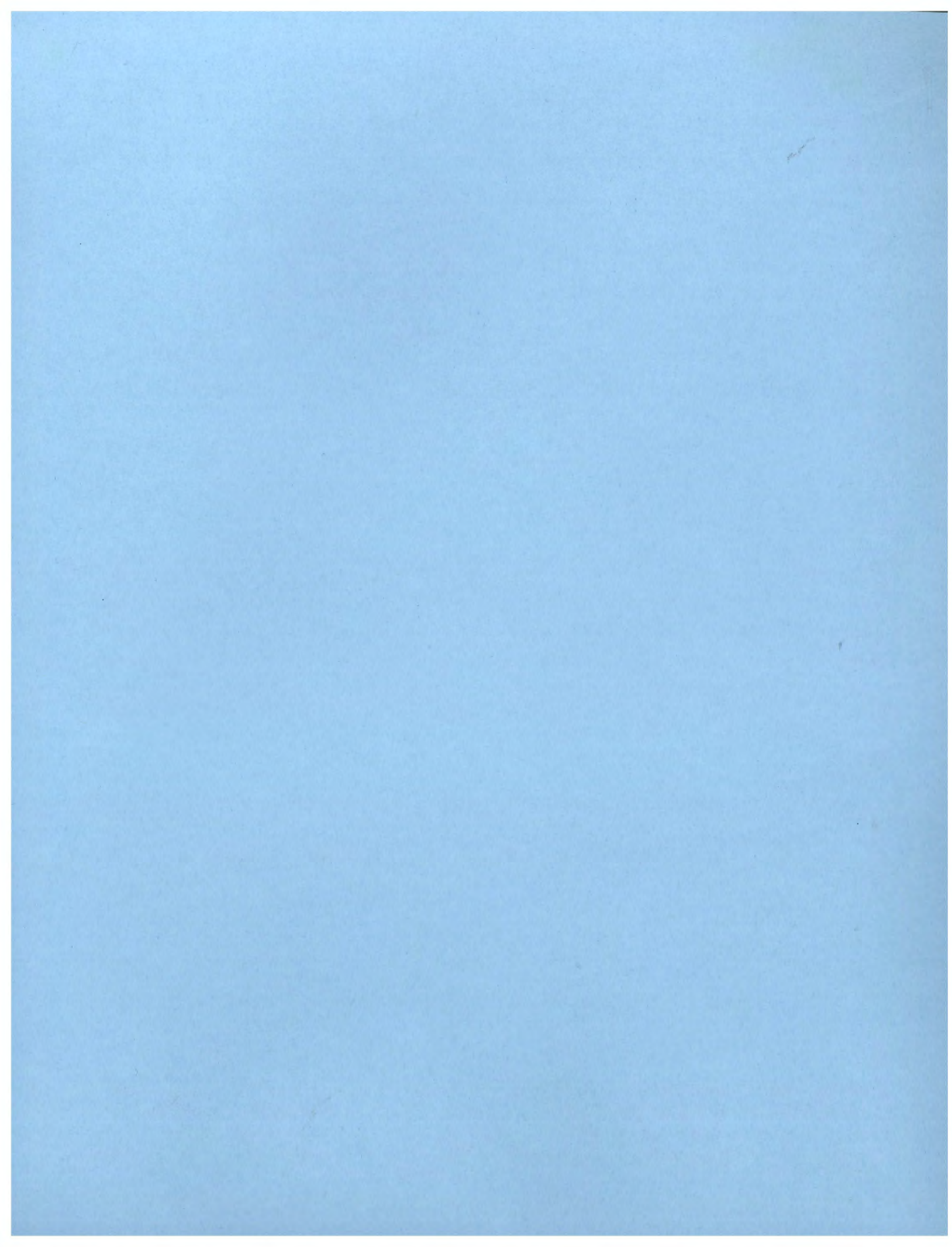
Mr. Dallara spoke to me before the Board meeting on the Guyana CF request (Nov. 5). He was critical of the request and indicated he could withhold support for it. Subsequently he said he would not oppose the case and would go along with considerable reservations.

On November 9, Mr. Dallara spoke to me again and said he remained unhappy about the case. He indicated, if other marginal cases for use of CF in the lower tranche were presented to the Board, he may well have to oppose them. In particular, he said that in the Guyana case there was inadequate assurance that the member would be in a position to make scheduled repurchases. In his view, this was an essential element of "cooperation."



W. A. Beveridge

cc: Mr. Hood/Mr. Kaibni
Mr. Robichek/Mr. E. Williams
Mr. Finch ✓





Office Memorandum

TO : Mr. Beveridge

DATE: November 4, 1982

FROM : Peter J. Quirk

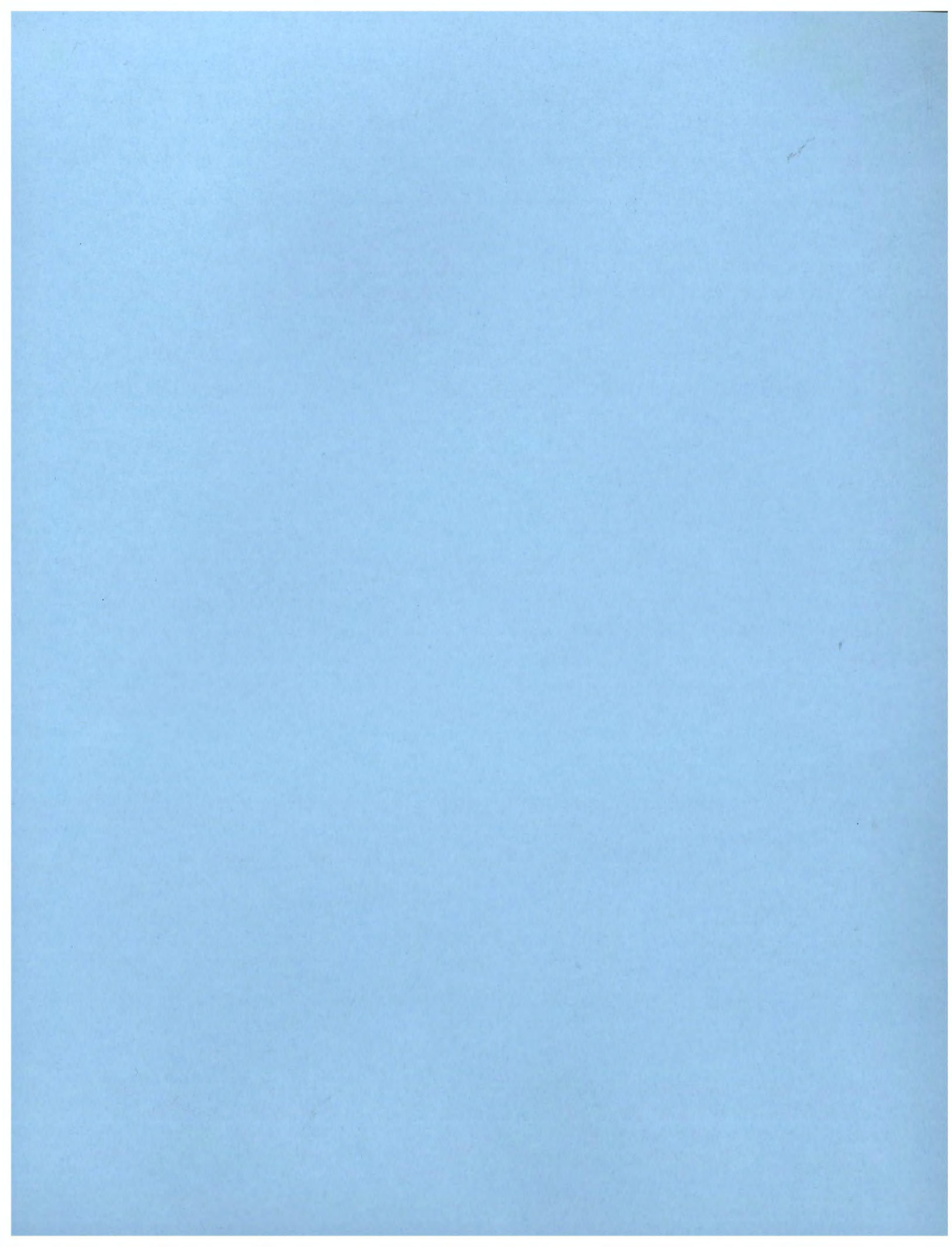
SUBJECT : Guyana: Nonapproval of Exchange Restrictions--Mr. Kafka's Buff

Paragraph 5 of Mr. Kafka's buff statement for the Guyana Board meeting tomorrow questions the absence of a recommendation by the staff for approval of Guyana's exchange restrictions, including external payments arrears. It states that Guyana has no option but to restrict imports, as a new comprehensive stabilization program would take time to put into effect. It also attributes the accumulation of arrears mainly to factors outside Guyana's control.

To take the second point first, Mr. Kafka's buff itself notes that a weakening in demand management was one of the factors affecting recent (unfavorable) economic developments in Guyana. The reference point for considering the arrears performance is also not just a zero accumulation, but the 50 per cent reduction called for under the EFF program--more than a trebling has actually occurred (from SDR 22 million to SDR 77 million) since the inception of the program.

As to the necessity of imposing import restrictions, it could be noted that this is a somewhat different matter than the continued accumulation of arrears--the two are, in fact, alternatives. Necessity is also an insufficient basis for Fund approval. Paragraph 2 of Executive Board Decision No. 1034-(60/27) of June 1960, "Article VIII and Article XIV," states that "...the Fund will grant approval only where it is satisfied that the measures are necessary and that their use will be temporary while the member is seeking to eliminate the need for them." Given the particularly undesirable and persistent character of arrears as restrictions, with only the one exception noted in my memorandum to you yesterday, 1/ a stand-by or EFF arrangement has been considered necessary to attest to their temporary nature.

1/ The circumstances of that exception do not apply to Guyana.





Office Memorandum

To: Mr. Beveridge

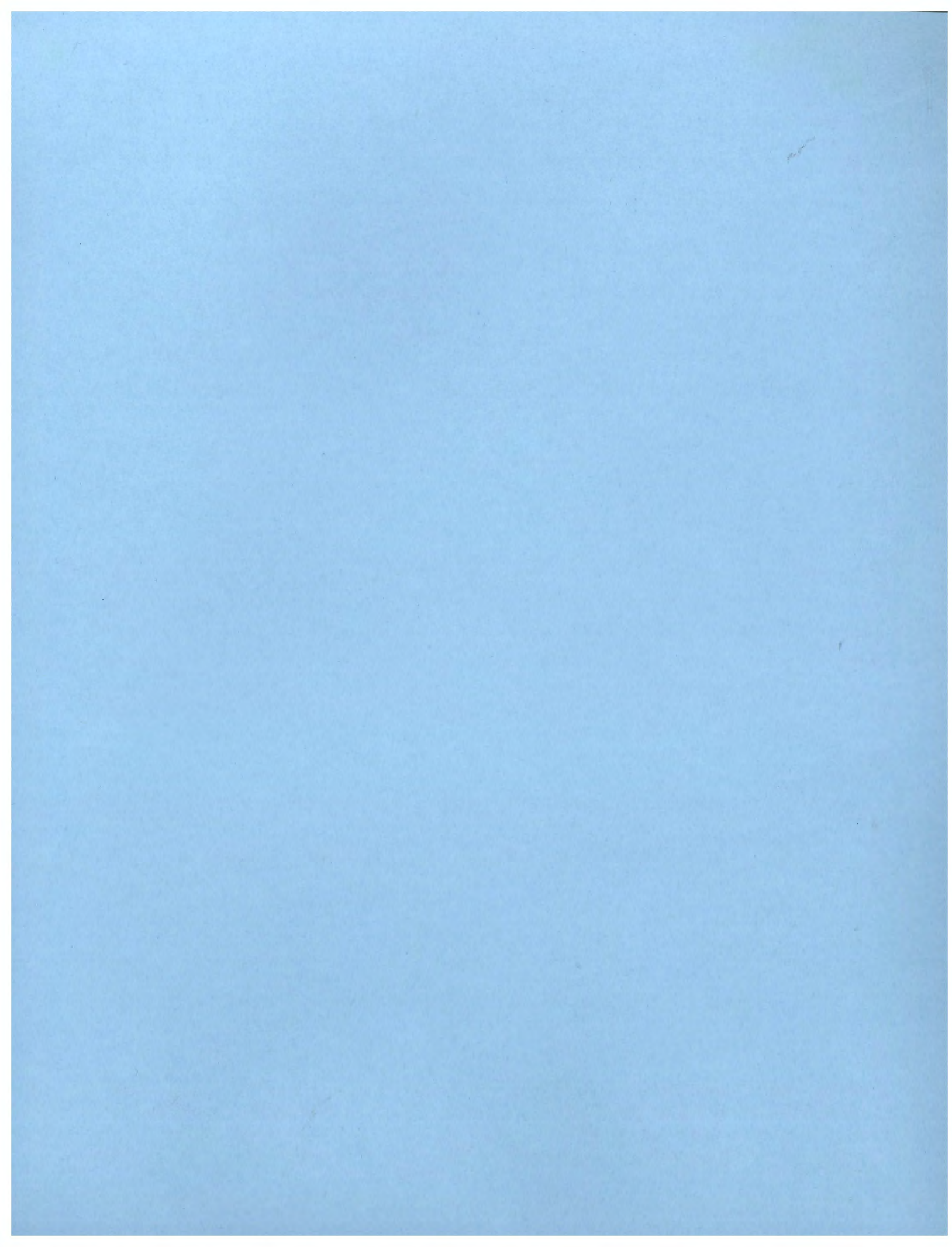
November 3, 1982

From: Peter J. Quirk

Subject: Guyana: Nonapproval of Exchange Restrictions

Guyana maintains restrictions on the provision of exchange for certain imports and travel abroad and also a restriction arising from the accumulation of external payments arrears. In view of the cancellation by Guyana of the extended arrangement as of July 26, 1982, approval for the exchange restriction in particular relating to arrears was not recommended in the staff report for the 1982 Article IV consultation (SM/82/201, 10/8/82). The existence of these unapproved restrictions is noted in the paper for Guyana's CFF drawing and the issue of their relationship of unapproved restrictions to cooperation with the Fund has been dealt with extensively in other notes.

Approval for Guyana's restrictions was not recommended in accordance with the Fund's policies of approval for external payments arrears set out in EBS/82/57 "External Payments Arrears of Fund Members, 1980-81", page 17. It was noted there that with one exception, approval for the maintenance of arrears was granted because the member entered into a stand-by or EFF arrangement which incorporated a reduction in payments arrears as a performance criterion. In the case of The Gambia, which was the exception, approval was granted because The Gambian authorities expressed an intention to reduce arrears and to eliminate them as soon as the foreign exchange position permitted. In the counter cases where payments arrears were recognized as constituting an exchange restriction, approval was not proposed because the member did not express the intention to reduce the level of payments arrears or the programmed reduction was considered inadequate. In view of the lapsing of Guyana's intentions in this respect, the recommended nonapproval seems fully consistent with Fund policies and precedents.





Office Memorandum

cc: [unclear]

MR LOSER

✓ RTR FILES

TO : Mr. Nicoletopoulos

DATE: October 15, 1982

FROM : W. A. Beveridge *WAB*

SUBJECT : Guyana

I have discussed with Mr. Struckmeyer the question you raised with me this morning on unapproved restrictions. It might be possible to add the following sentence at the end of the first incomplete paragraph on page 14 of the staff paper:

The authorities understand that cooperation with the Fund will also involve adoption of measures directed toward the eventual elimination of exchange restrictions.

This has not been shown either to Mr. Robichek or to Mr. Hood. Western Hemisphere Department have made arrangements to have the paper issued today to meet a scheduled Board discussion, agreed with Mr. Kafka, of November 5.

Your urgent attention is requested.

Attachments

cc: Mr. Kaibni
Mr. Struckmeyer

Mr. Beveridge

I can go along with the proposed additions.

Thank you

S.P.N.

4. Staff appraisal and proposed decision

The Guyanese authorities are expected to request a purchase equivalent to SDR 5.93 million under the compensatory financing decision in respect of an export shortfall of SDR 13.7 million calculated for the year ended June 1982. The proposed purchase would raise Guyana's outstanding purchases under the facility to 50 per cent of quota.

Over the last two years, Guyana's balance of payments has weakened considerably. The current account deficit rose from 19 per cent of GNP in 1980 to 34 per cent in 1981 as export earnings stagnated and imports increased by almost one quarter. This large deficit was partially financed by unprecedented concessionary capital inflows but by the end of 1981 the overall balance of payments deficit amounted to SDR 34 million and gross international reserves had fallen to less than one week of imports. In 1982, export receipts are projected to fall by one fifth, and, because of foreign exchange shortage, imports are also expected to fall sharply, thereby leading to a reduction in the current account deficit to 17 per cent of GNP. In the absence of extraordinary aid financing, however, the overall deficit is expected to widen to SDR 56 million and gross international reserves to drop to the equivalent of three days of imports. In view of these developments, the staff considers that the balance of payments need of Guyana justifies the proposed purchase under the compensatory financing facility.

Guyana's performance under the recently cancelled extended Fund facility had been disappointing, with deviations from program targets brought about not only by the unanticipated drop in export revenue, but also by a weakening of demand management policies. However, since early 1982 the authorities have adopted additional measures, including a retrenchment of the workforce and a wage freeze in the public sector. In addition, the authorities have embarked, in cooperation with the World Bank, on a major restructuring of the economy aimed at increasing private sector participation. During the recently concluded Article IV consultation discussions, the authorities expressed interest in entering into a financial arrangement with the Fund.

Because of the intensification of restrictions on payments and transfers for current international transactions during last year, the staff has not recommended that the Board approve maintenance of these restrictions in the context of Board consideration of the 1982 Article IV consultations with Guyana. The intensification of restrictions, in particular the buildup of external payments arrears to a high level in response to the sharp decline in export earnings, is an unwelcome development, but it is to be hoped that the authorities will take adequate action to prevent any further buildup of arrears in the coming months.

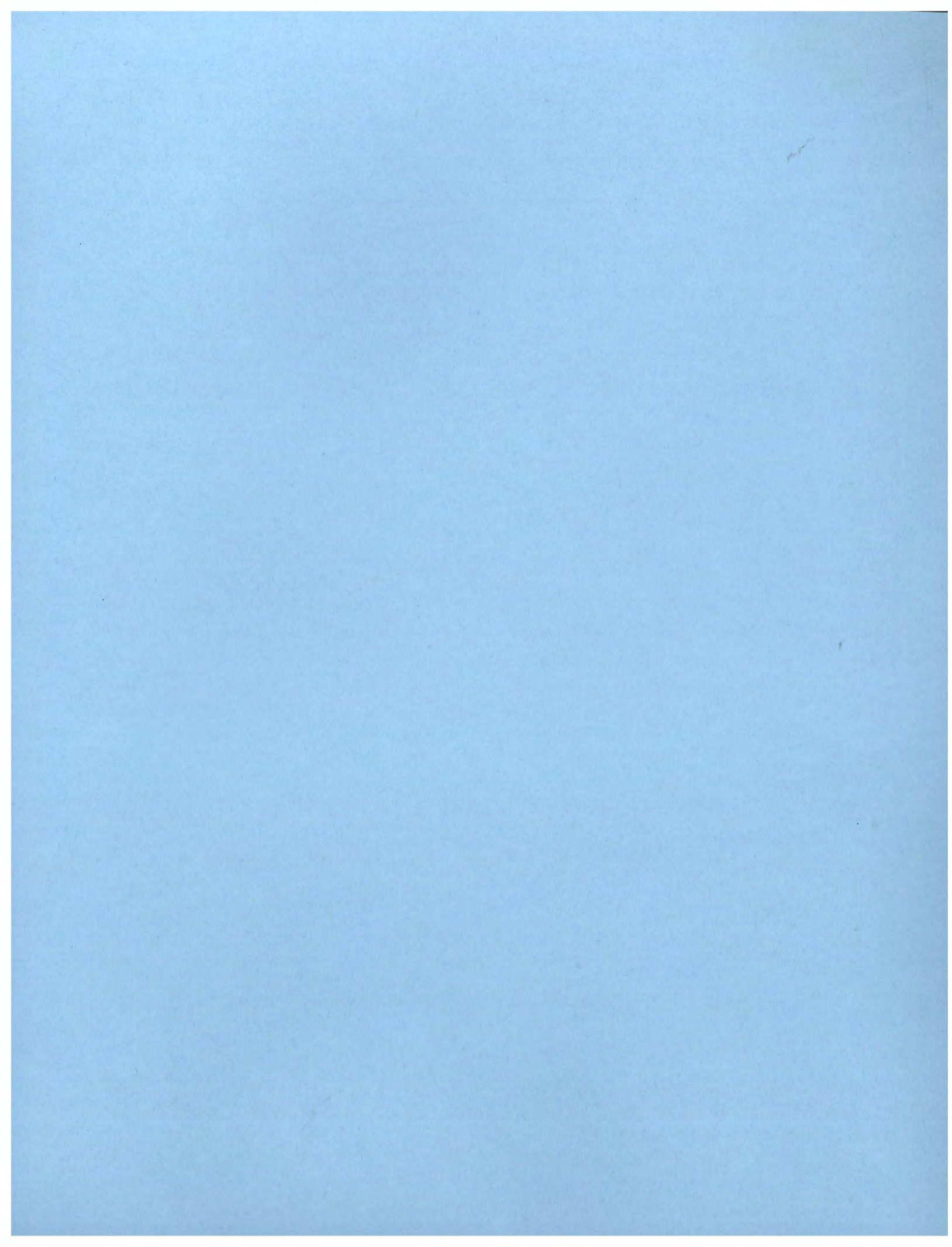
On balance the staff considers that Guyana's past relations with the Fund and the retention of unapproved restrictions, do not give sufficient cause to challenge Guyana's statement that it will cooperate with the Fund

in efforts to find appropriate solutions for its balance of payments difficulties. As is usual in all CFF cases, Guyana's request is expected to include a statement to this effect.

Export earnings in the shortfall year ended June 1982 declined by 19 per cent after registering an average annual rate of growth of 13 per cent in the two pre-shortfall years. Average earnings in the post-shortfall period are projected to recover to an average level 5 per cent higher than in the shortfall year, with the turnaround in export performance underway only by the beginning of 1983. The overall shortfall of SDR 13.7 million reflects shortfalls for sugar (SDR 7 million), calcined bauxite (SDR 6 million) and alumina and alumina hydrate (SDR 2 million), which are only partly offset by excesses for rice (SDR 1 million), dried metal grade bauxite (SDR 1 million) and other exports (SDR 0.3 million). Bad weather and falling free market prices reduced earnings from sugar exports, while mineral exports were affected by the slowdown in economic activity in industrial countries. Guyana's foreign exchange shortage has had a pervasive effect on exports in recent years, limiting the importation of necessary raw materials and spare parts, and as a result, production has declined. While the medium-term economic difficulties can be ascribed in part to inappropriate domestic policies, the exacerbation of the situation in the shortfall year reflects mainly the reduction in export earnings because of the low international price of sugar and reduced foreign demand for Guyana's major mineral exports. Consequently, the staff considers that the export shortfall is largely attributable to circumstances beyond the member's control and in view of the projected recovery, that it is temporary in character.

The staff considers that the request by Guyana for a purchase of SDR 4.84 million meets all the requirements set forth in the compensatory financing decision. Accordingly, the following draft decision is proposed for adoption by the Executive Board, after a duly authenticated request has been received:

1. The Fund has received a request by the Government of Guyana for a purchase of the equivalent of SDR 5.93 million under the Decision on Compensatory Financing of Export Fluctuations (Executive Board Decision No. 6224-(79/135), adopted August 2, 1979).
2. The Fund approves the purchase in accordance with the request.
3. The Fund waives the limitation in Article V, Section 3(b)(iii).





Office Memorandum

Mr. Burridge
BF

ms

TO : The Managing Director
W.C.H. *JMR*

FROM : Wm. C. Hood and E. Walter Robichek

SUBJECT : Guyana--Compensatory Financing

DATE: October 8, 1982

A

X

W

Attached is a staff paper for your consideration that supports a drawing by Guyana within the first CF tranche. The paper has been cleared by the ETR, Legal, and Treasurer's Departments. If you approve it, it will be discussed by the Executive Board at the same time as the staff report on the Article IV consultation, which has already been forwarded for your consideration.

The difficult feature of this case is the question of cooperation. The request, being for a drawing within the first CF tranche, requires that the Fund be satisfied that Guyana will cooperate with the Fund in efforts to find appropriate solutions for its balance of payments difficulties. Even this degree of cooperation is not easy to judge. The attached draft paper, which is submitted in a form which would enable it to go forward if you wish to approve it, deals with the cooperation issue in Section 1(b) and in the staff appraisal (pp. 19-20). Essentials of the matter are set out in the following three paragraphs:

Guyana's bad track record under the last extended arrangement (mid-1980 to mid-1983) led to the cancellation of the arrangement after only two years, in which period only three out of eight scheduled purchases could be made. While slippages in demand policy did play a part in departures from the program, the major reason was the poor domestic output performance, particularly in the bauxite sector--a sector that is in the public domain and which has a direct impact on the fiscal, monetary, and balance of payments outturn. The Guyanese authorities, Mr. Kafka, and the staff concluded more than one year ago that another Fund-sponsored stabilization program would be doomed to failure unless supply measures, such as a reorganization, and possibly a partial privatization, of the bauxite/alumina sector, are adopted.

Early this year, the Guyanese authorities, in collaboration with the World Bank, devised a program which seemed to hold out such hope. The program provided, inter alia, for the introduction of foreign management expertise (and possibly equity participation) in the Guyana bauxite industry and for strengthening the role of the private sector in the rice and manufacturing sectors. Pressed for an early initiation by the Guyanese authorities of negotiations on the use of Fund resources, the staff indicated repeatedly to them and the World Bank that talks would begin as soon as (1) adequate progress had been made toward a solution of the output problems, and (2) the amount of foreign financial support was sufficient to fill the balance of payments gap; for both of these conditions, the staff would rely heavily on the judgment of the World Bank.

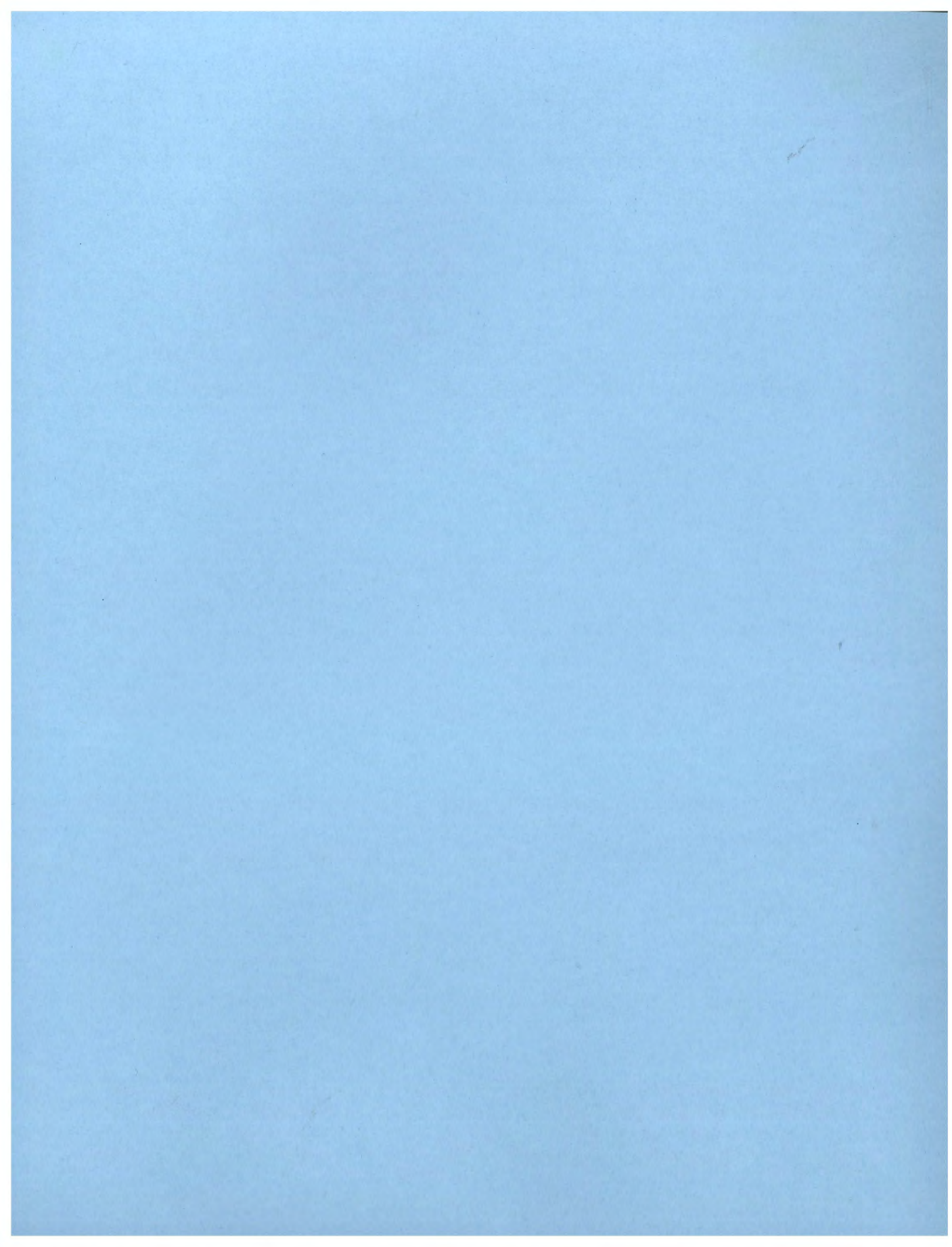
Satisfying these conditions thus depends upon the actions of the Guyanese authorities as well as the cooperation of other parties, private and public, in the adjustment process, a cooperation that itself will be influenced by the judgment of the other parties as to the appropriateness of the Guyanese policies. Progress has been slow so far; the Government has been holding discussions on equity participation with various foreign bauxite companies but, in the present distressed international aluminum market, the response has not been enthusiastic. For this and other reasons, the World Bank, which is coordinating foreign aid for a number of Caribbean countries, has not been able to report progress in interesting potential foreign donors sufficiently to hold out hope that the prospective balance of payments gap can be closed. The staff has been in frequent contact with the Guyanese authorities--the latest having been the recent consultation discussions--and is ready to begin negotiations as soon as the aforementioned preconditions are met.

In other respects, the case presents no particular difficulties: (i) a balance of payments need clearly exists, as gross official reserves have fallen to the equivalent of only three days' imports; (ii) the shortfall, based on actual data for the whole 12 months ended June 1982, is estimated to be nearly three times as large as the proposed drawing; and (iii) the shortfall is largely attributable to the fall in the world price of sugar and the drop in foreign demand for Guyana's mining products. Guyana's inadequate economic performance in past years has had a pervasive effect on exports for several years, but there is no doubt that adverse external factors exacerbated the difficulties in the shortfall year.

We should like to draw to your attention the fact that this is the first CF paper which deals explicitly with the issue of unapproved exchange restrictions in the context of the test of cooperation. The U.K. Executive Director recently raised with the staff the question whether the maintenance of restrictions which are not approved by the Fund constitutes a lack of cooperation with the Fund. The staff concluded that it would have to make a judgment in each case, and we indicated to Mr. Anson that we would report the situation in each CF paper. As you know, the draft staff report on the Article IV consultation with Guyana does not recommend Board approval of the restrictions maintained by Guyana.

Attachment

cc: The Deputy Managing Director
Mr. Habermeier
Mr. Finch
Mr. Nicoletopoulos
Mr. Beveridge
Mr. E. Williams
Mr. N. Carter





Office Memorandum

TO : Mr. Beveridge

DATE: October 4, 1982

FROM : Peter J. Quirk

SUBJECT : Guyana--Treatment of Arrears and Requirement of Cooperation Under the CFF

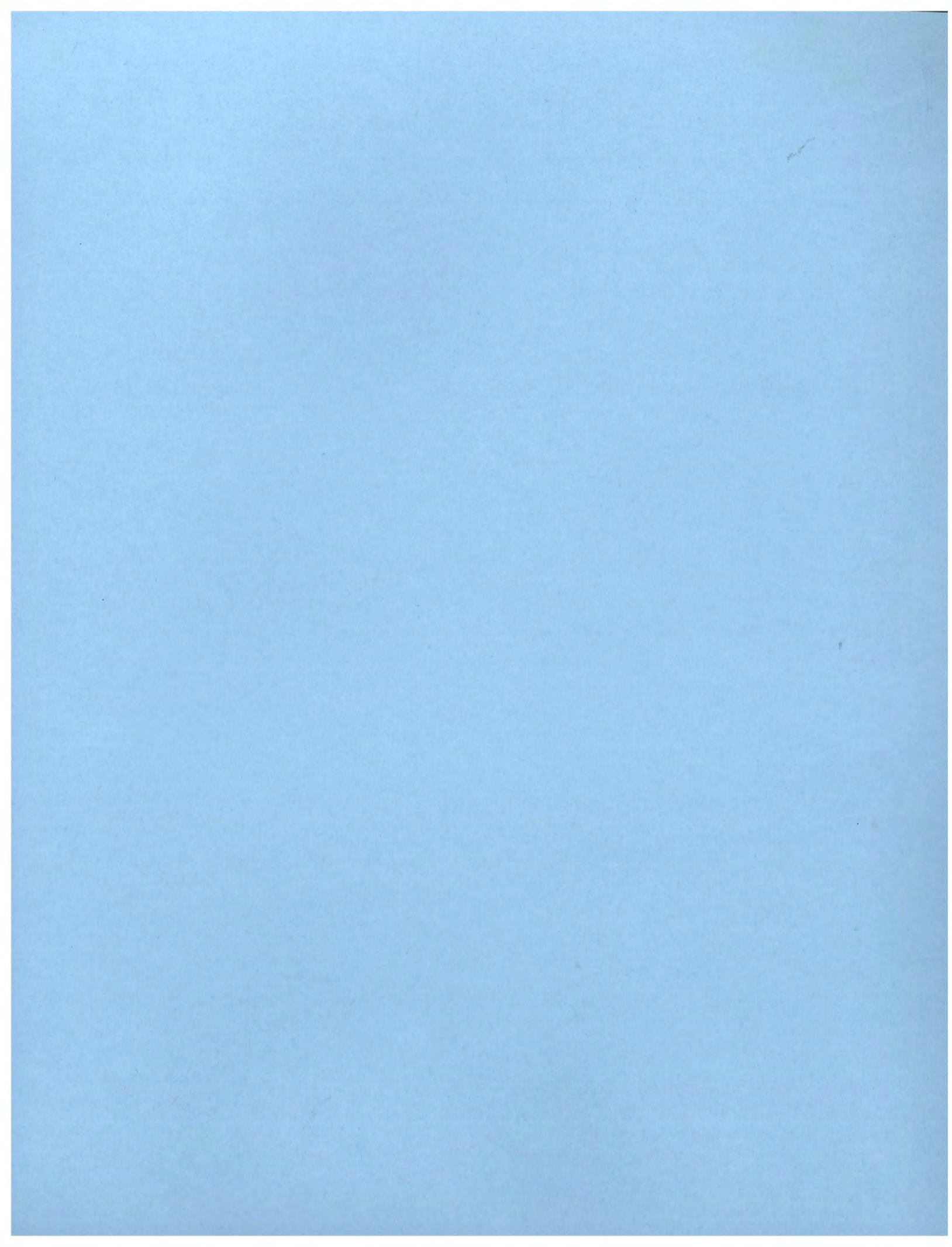
As I mentioned to you on Friday afternoon, I have some difficulties with the position on this subject expressed in Mr. Liuksila's October 1 memorandum to Mr. Kaibni. His memorandum takes, I believe, a more stringent view of the relationship between unapproved restrictions and lower tranche CFF drawings than the undertakings made recently by the staff to the U.K. Executive Director.

Mr. Liuksila's position, which he bases on the 1970 decision on external payments arrears, is essentially that if a CFF is contemplated, "understandings" with the Fund should provide for the elimination of payments arrears over a limited period. Although the 1970 arrears decision could possibly be interpreted in this fashion, understandings along these lines would seem to me to come dangerously close to making the CFF a conditional source of Fund financing.

Paragraph 4 of the arrears decision states that Fund assistance to members having payments arrears should be granted: (1) on the basis of performance criteria, or (2) on the basis of policies similar to those specified in paragraph 3 relating to approval. As a CFF does not include performance criteria, (2) is the operative clause. Paragraph 3 states that approval is given only when the member has a program in effect with the Fund for the elimination of arrears. Thus the conclusion appears to be the same in both instances, and (2) would be a redundant clause. The solution to this apparent redundancy is that (2) must be considered in the light of other policies of the Fund--in particular, the Executive Board decision regarding cooperation under the CFF. As was gone into in some detail in the discussions with Mr. Anson, what must be demonstrated for a lower credit tranche drawing is a willingness on the part of the member to adopt policies in future directed toward solving its balance of payments problems in a manner consistent with the provisions of the Fund's Articles. ^{1/} The position expressed in Mr. Liuksila's note would be more appropriate for an upper tranche CFF drawing.

The draft CFF paper for Guyana remains, I believe, consistent with the position expressed here and further redrafting is not indicated.

^{1/} Recent policy steps taken by the Guyanese authorities in this direction are described in the draft paper.





Office Memorandum

BIF.

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B

TO : Mr. Beveridge
FROM : Paulo Neuhaus *PN*
SUBJECT : Guyana--CFF Request

DATE: September 30, 1982

For CFF purchases of up to 50 per cent of quota, the decision establishing that facility requires that the member "will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties." This is clearly a weaker requirement than for the case of purchases above 50 per cent of quota, in which there is need for evidence that the member has been cooperating with the Fund.

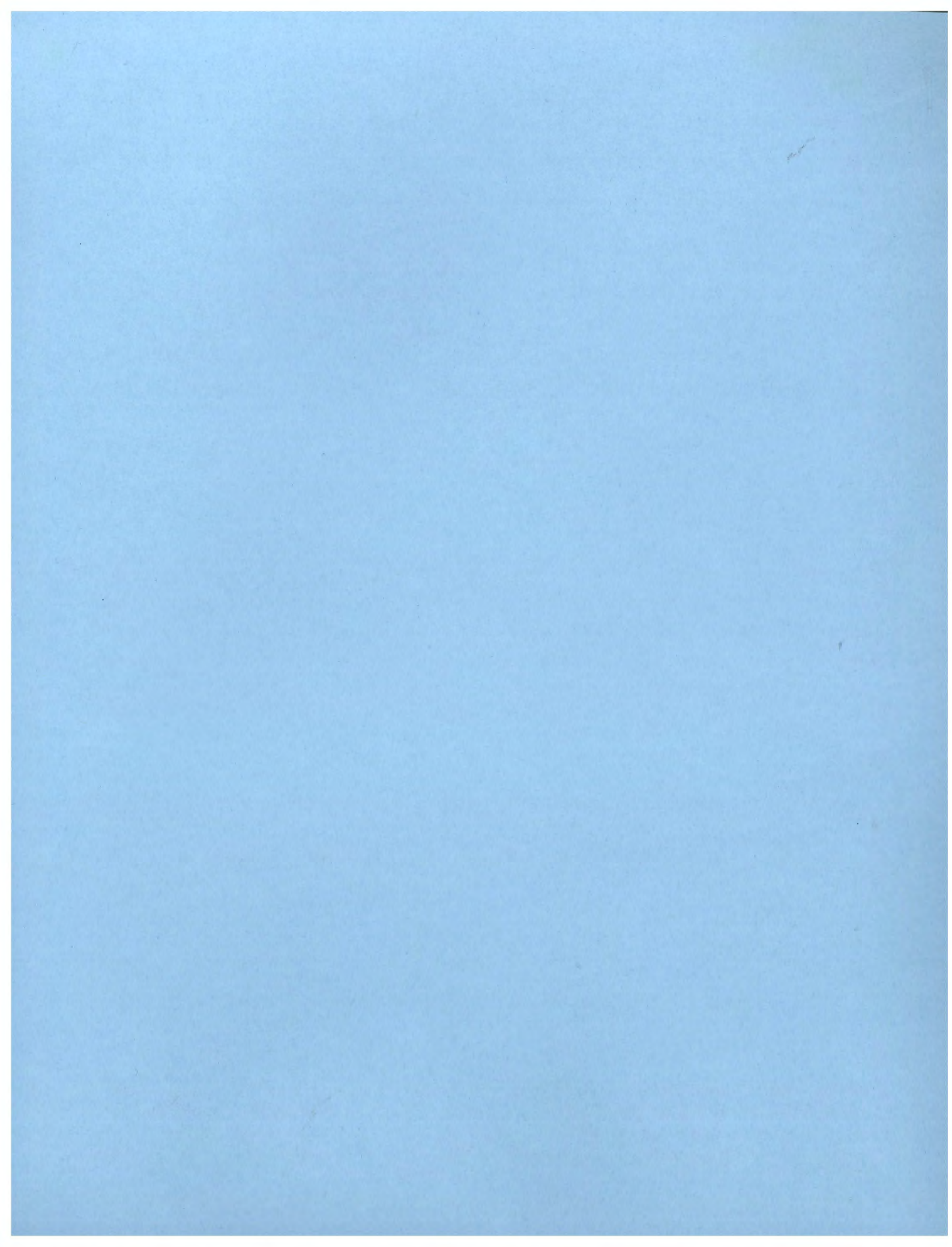
In spite of Guyana's very poor track record under past Fund programs, during the recently held Article IV consultation the authorities indicated that they were about to adopt a new adjustment program in consultation with the World Bank. Moreover, they also expressed interest in negotiating a new program with the Fund. Therefore, although this is a borderline case, there would seem to be a prima facie case in support of the representation of the authorities, in the context of the proposed CFF purchase, that they will cooperate with the Fund. The case for Guyana's request would be strengthened by spelling out in detail the new measures which the authorities will have implemented by the time of Board discussion of the request.

yes.

Since the alternative of delaying the purchase until negotiating a program with the Fund seems to be ruled out, I would find it difficult to deny Guyana's request in light of the acuteness of the foreign exchange crisis and, more importantly, of the spirit of the CFF decision concerning lower tranche purchases, which gives the member a generous margin of doubt.

Agreed to recommend - with spelling out of new measures. WHD + RBS will note issue in cover note to Management.

LB





Office Memorandum

TO : Mr. Beveridge
FROM : Peter J. Quirk
SUBJECT : Guyana: No Funds Import Licenses

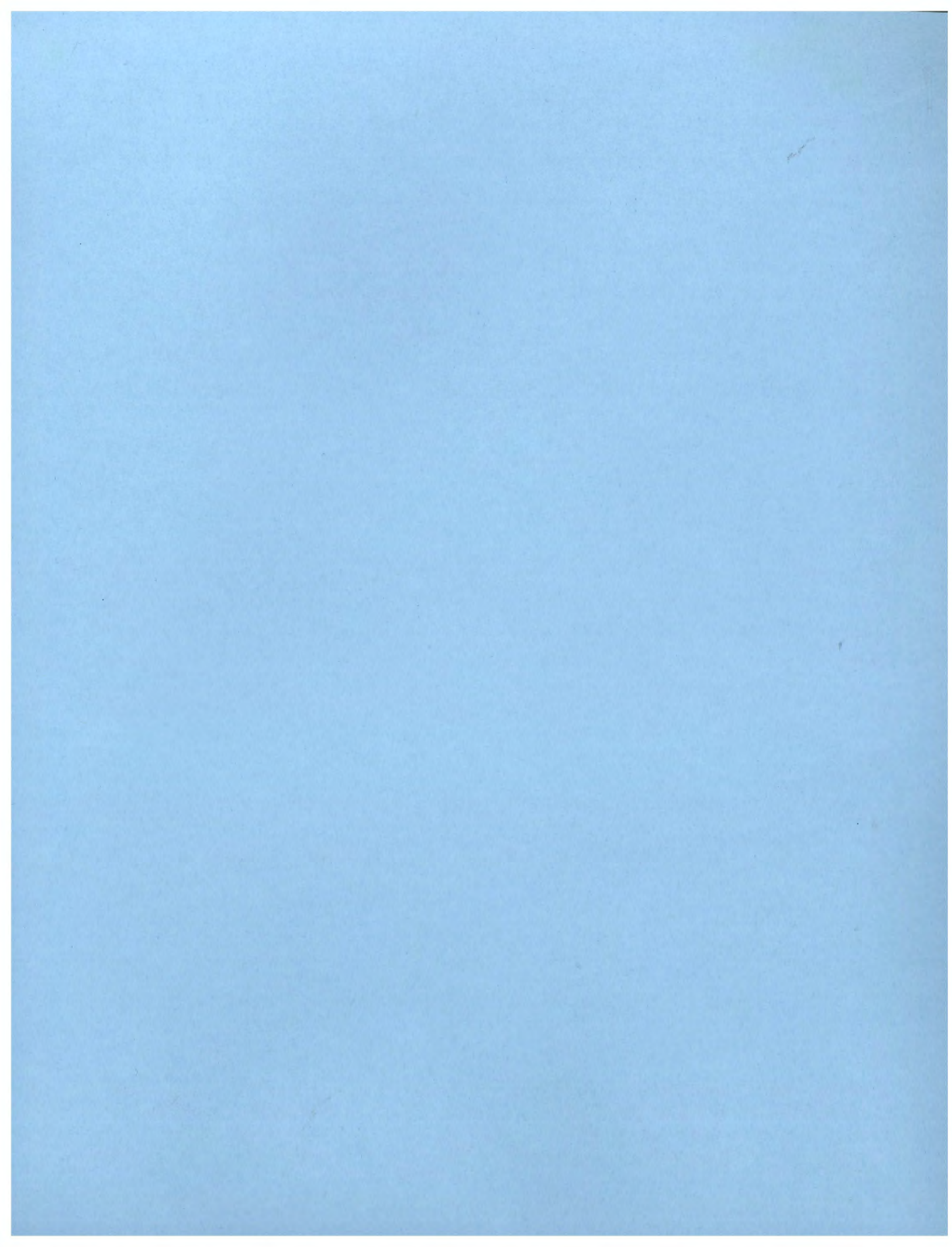
DATE: September 17, 1982

The draft staff report for Guyana notes that in mid-1982 licensing was removed on an experimental basis for "no funds" imports of certain import categories. Effectively, importation of such items is now permitted, while access to foreign exchange in the official market is denied with the aim of reducing arrears. The move raises the question of the introduction of a multiple currency practice, as it might be construed as de facto official recognition of the parallel market.

On the question of a multiple currency practice, the precedents are as follows: The introduction of specific licenses in addition to open general license (OGL) scheme in Sierra Leone was not judged to introduce a multiple currency practice before the OGL was abandoned in March 1980 (EBS/77/171). It was, however, viewed as introducing a restriction. In Zaire a multiple currency practice was judged to have arisen as a result of the implicit recognition accorded the parallel market by the specification of imports eligible for this market (SM/81/241, p. 19). Extensive issuance of no funds licenses by the Jamaicans in 1981 was viewed as recognition of the informal market, thus introducing a multiple currency practice (SM/81/190, pp. 9 and 18).

On the basis of these precedents, the case for judging the quite limited issuance of no-funds licenses by Guyana as de facto recognition of the parallel market, and thus introduction of a multiple currency practice, seems quite weak. As for the restrictive content of the measure, this would not seem to be a separate matter from the restriction giving rise to and arising from the existence of arrears. These arrears are essentially a mismatching of licensing and provision of foreign exchange.

cc: Mr. Liuksila
Mr. Williams, E.
Mr. Van der Mensbrughe



Minutes of Meeting Held with the Guyana Delegation
Sheraton Centre, Toronto, Canada - Sunday, September 5, 1982, at 5:00 p.m.

PRESENT: Guyana Delegation

Hon. Hugh Desmond Hoyte, Vice President and Minister of
Economic Planning and Finance
Mr. Patrick E. Matthews, Governor - Bank of Guyana
Mr. Clarence F. Ellis, Chairman, State Planning Board
Mr. R. Gravesande, Consul - Guyana Consulate (Toronto)

IMF Staff

E. Walter Robichek
William A. Beveridge (ETR)
Marcello Caiola
David S. Cutler (TRE)

Executive Director

Mr. Alexandre Kafka

Other
Eduardo Weisner

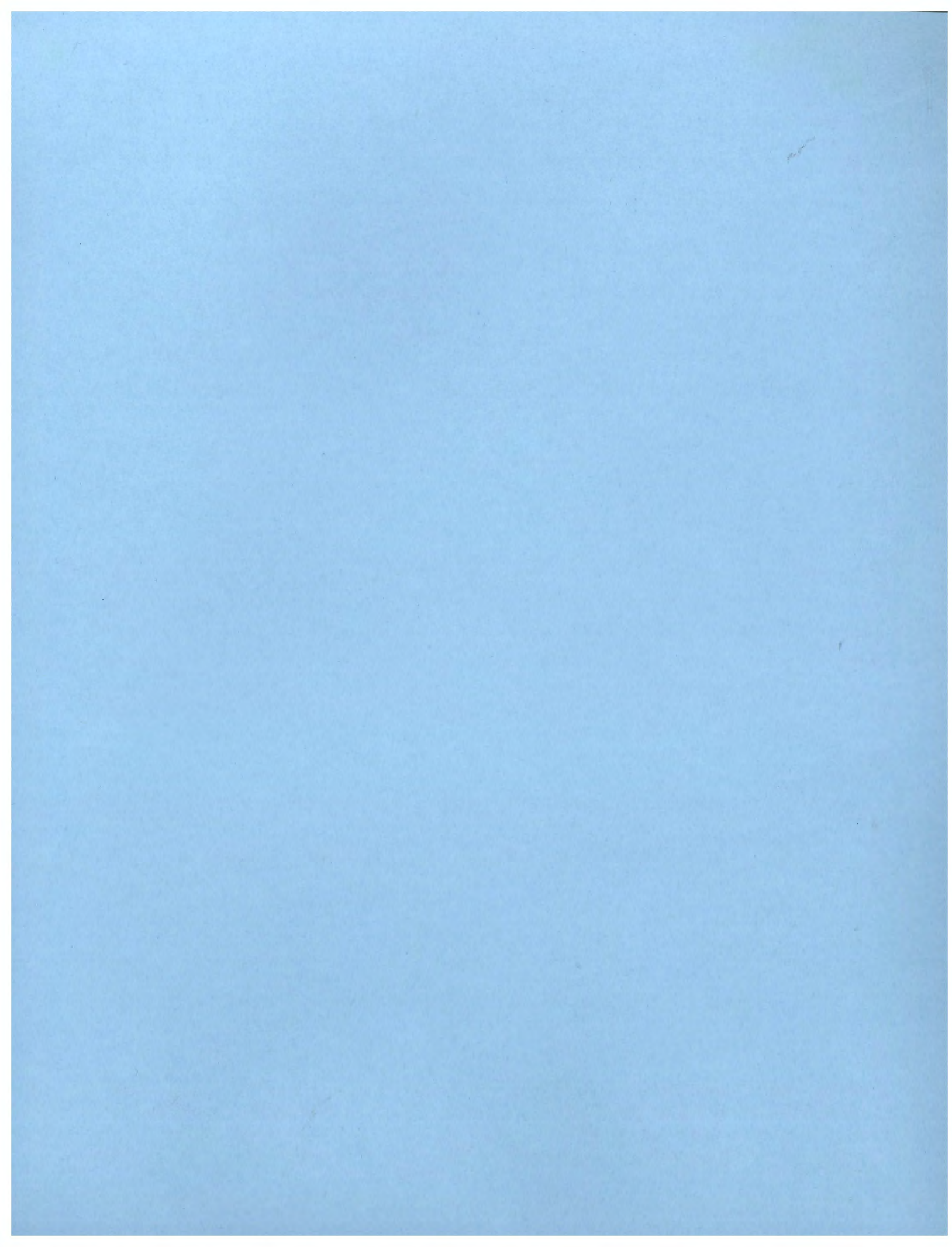
Mr. Cutler indicated that Guyana is at present up-to-date with payments to the Fund, but it has requested for a one-year postponment of a repurchase that was due in July 1982. This request would postpone the repurchase to the end of the permissible five-year period. Moreover, another repurchase for an almost similar amount (SDR 1 million) is already due in July 1983. To avoid this accumulation of repurchases, the Treasury Department was suggesting a shorter postponment, such as up to March 1983. If the Guyanese authorities should agree with the proposal, they should amend the cable already received by the Fund. Postponment of the repurchase would be handled on a lapse-of-time basis. Mr. Cutler also remarked that arrears in payments to the Fund was looked upon as a negative factor in the event that the country concerned should request Fund's financial assistance. The Guyanese delegation would take into consideration the proposal of the Treasury Department.

In reviewing Guyana's financial situation, Mr. Hoyte recognized that the country was facing a serious crisis. The current account deficit of the public sector was estimated at the equivalent of 25 per cent of GDP in 1982 and 16 per cent in 1983; the latter being based on the assumption that (1) world demand for raw materials would not improve; (2) Guyana would reschedule successfully its external debt, and (3) state enterprises improve their efficiency.

Regarding state enterprises, Guyana has retained Lehman Brothers to review the situation and suggest alternative policy options to improve their administrative structure. In the bauxite sector, U.S. Steel and Kaiser are preparing a joint study for the restructuring of the industry. The study, that should be finished before the end of 1982, would involve a private sector equity participation of these companies, and the Guyanese

delegation assured the staff that there was sufficient political support in their country for such a proposal. (A similar offer by ALCAN has been temporarily rejected because ALCAN was insisting on exclusivity on the study.) The sugar industry is still affected by low international prices, but production costs have shown only modest increases, as the labor force has been reduced by 5,000 workers.

Mr. Robichek stated that the Fund's position in regard to Guyana has not changed, inasmuch as prerequisite for negotiation of a program that would qualify for a standby arrangement on the upper credit tranches were still (1) the restructuring of the bauxite sector; and (2) commitments by donor countries of resources sufficient to close Guyana's financial gap. On the first precondition, the Fund would be guided by the judgement of the World Bank, while the willingness and extent of foreign aid would be determined in the CCCED meeting on September 9. In present circumstances, the Fund would consider only a one-year standby arrangement, in coordination with the World Bank, covering most of 1983, for the maximum available amount under present guidelines. Mr. Robichek gave credit to the Guyanese authorities for having followed Fund's advices in the past, but stated that Guyana's problem was a structural one and, hence, the Fund's role could be only limited.



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World Communications Inc.

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 CC: MD
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 MR. KAFKA
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 MR. N. CARTER

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29TH JULY 1982

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TREASURER
 INTERFUND WASHINGTON DC

ORIG: TRE
 CC: MR. KAFKA
 WHD

REFERENCE @ TO YOUR TELEX MESSAGE OF THE 27TH JULY 1982, REGARDING THE PAYMENT OF THE EQUIVALENT OF SDR @.73 MILLION VALUE DATE 5TH AUGUST 1982. I HAVE TO ADVISE YOU THAT GUYANA'S LIQUIDITY DIFFICULTIES HAVE NOT IMPROVED AND WE FIND IT NOT POSSIBLE TO COMPLETE THE TRANSACTIONS.

WE ARE MAKING EVERY EFFORT TO MAKE THIS PAYMENT AND SHALL BE KEEPIN IN CONSTANT COMMUNICATION ABOUT DEVELOPMENTS IN THE FOREIGN ASSETS SITUATION.

REGARDS
 PATRICK E. MATTHEWS
 GOVERNOR
 BANK OF GUYANA

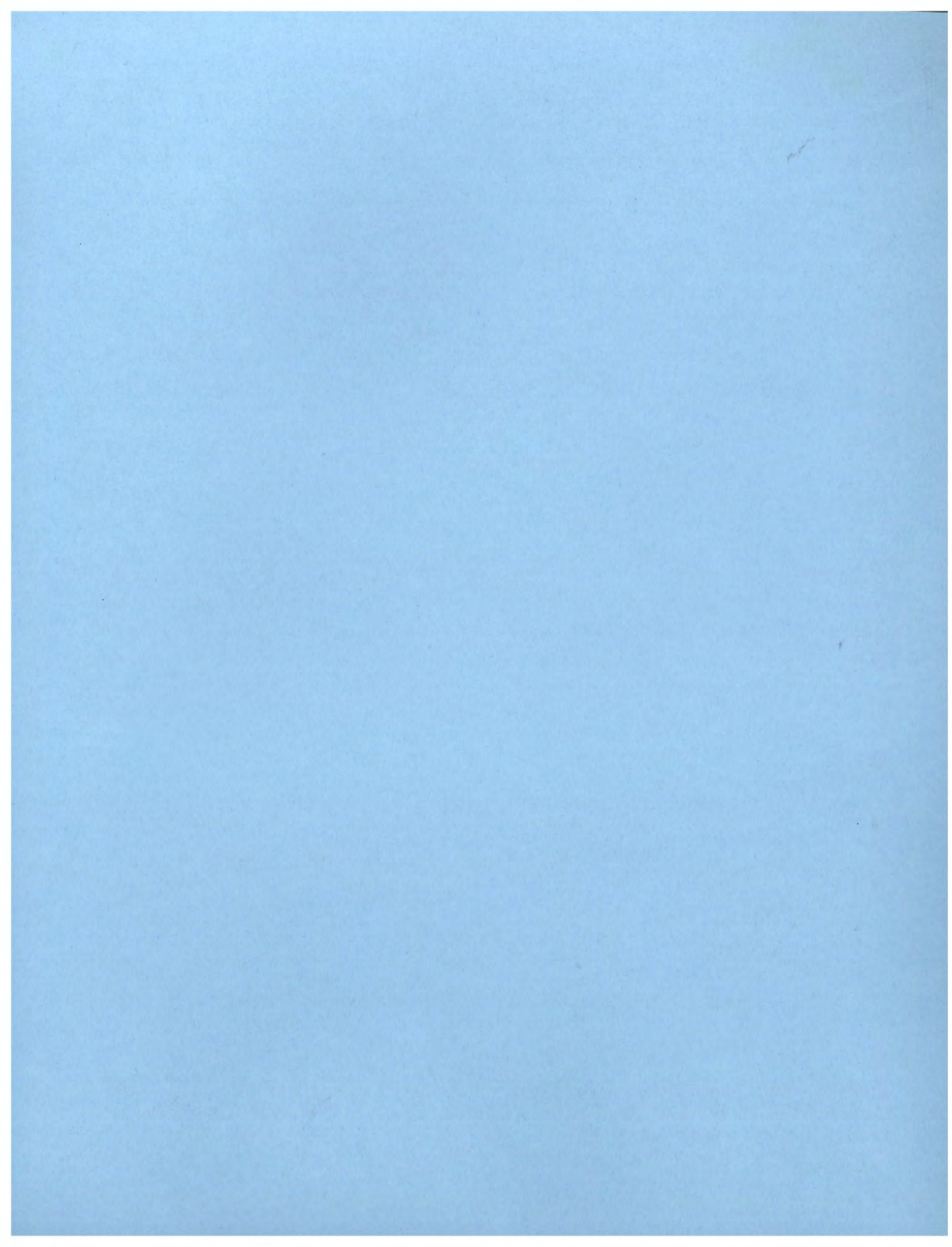
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IMF OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT
WHEN ALIGNING INTO LINE 23

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	22	BANK OF GUYANA		
	21	GEORGETOWN (GUYANA)		
	20			
	19			
	START TEXT HERE	18		GRA (CF) NO. 20
		17		TEST NO.
		16		1. REFERENCE REPURCHASE EQUIVALENT TO SDR 1,093,750
		15		DUE NOT LATER THAN JULY 30, 1982. WE ADVISE THAT
		14		THIS REPURCHASE BE DISCHARGED BY PAYING
		13		NORWEGIAN KRONER.
		12		2. VALUE JULY 30, 1982 PLEASE PAY
		11		NORWEGIAN KRONER 7,554,826.45
		10		TO FUND'S NO. 1 ACCOUNT WITH
		9		NORGES BANK, OSLO.
		8		3. IN ACCORDANCE WITH RULE 0-4 AND RULE 0-6 OF THE
		7		FUND'S RULES AND REGULATIONS AND PROCEDURES AGREED
		6		WITH NORWAY IF YOU NEED TO ACQUIRE
		5		NORWEGIAN KRONER 7,554,826.45
	4	FOR THIS TRANSACTION, IT IS REQUIRED THAT YOU ACQUIRE		
	3	CURRENCY FROM NORGES BANK, OSLO.		
	2	IN THAT CASE, PLEASE CABLE NORGES BANK, OSLO.		
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D	DRAFTED BY NAME (TYPE):	E. Walden:sw	EXT.: 77060 DEPT. TRE DATE: 7/27/82	
E	AUTHORIZED BY NAME (TYPE):	Duane Brown	AUTHORIZED BY NAME (TYPE): A.H. Al-Sanarrie	
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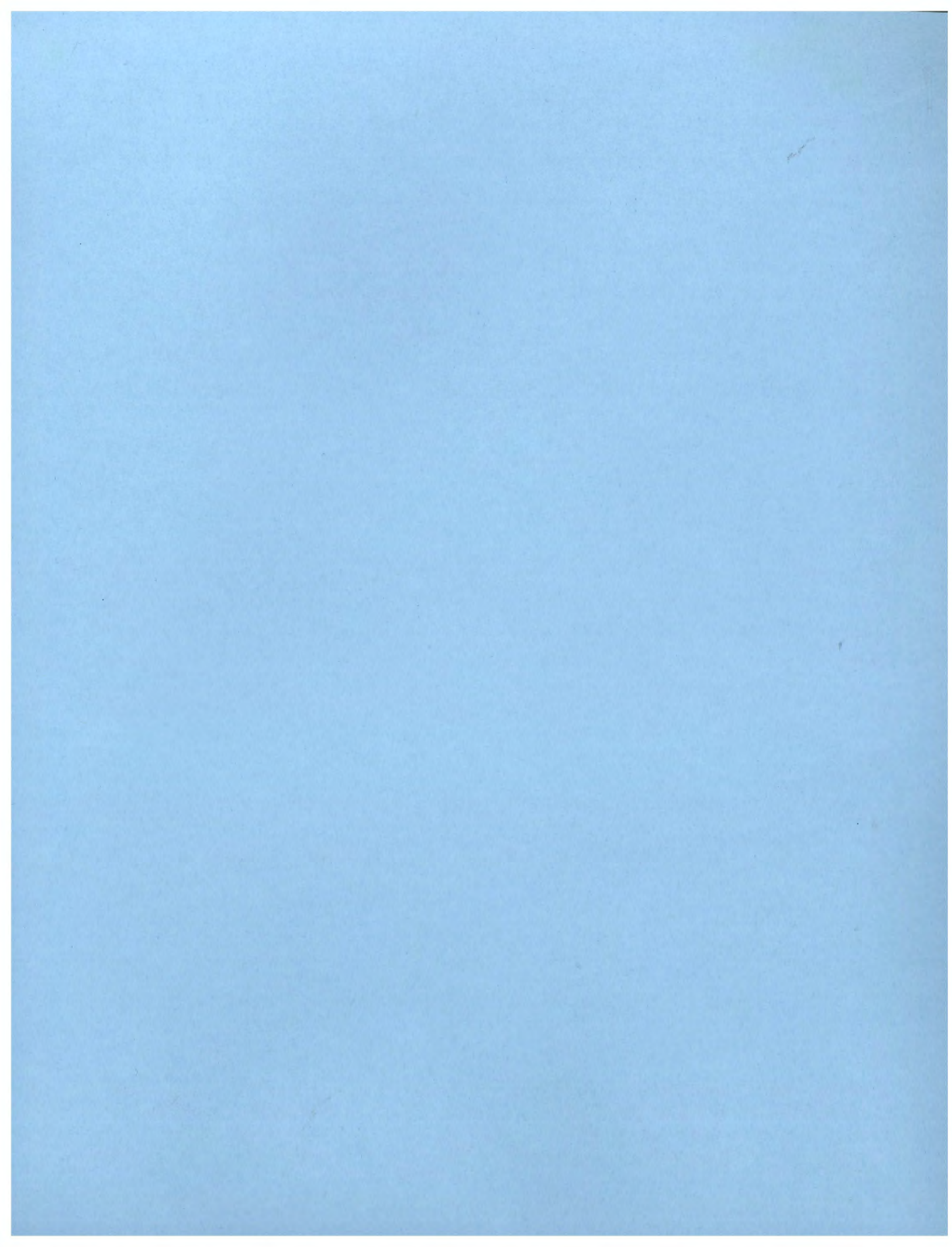
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23	GUYANA		
22	PAGE 2		D
21			O
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18	ARRANGE WITH THEM PURCHASE OF CURRENCY AT		N
17	EQUAL VALUE EXCHANGE RATE AGAINST PAYMENT OF		O
16	U.S. DOLLARS 1,202,327.38 IN FEDERAL FUNDS TO THEIR		T
15	ACCOUNT WITH FEDERAL RESERVE BANK OF NEW YORK, NEW YORK		
14	FOR VALUE JULY 30, 1982.		
13	4. ABOVE CURRENCIES CALCULATED ON THE BASIS OF		
12	ONE U.S. DOLLAR EQUALS SDR 0.909694 AND		T
11	ONE NORVEGIAN KRONE EQUALS SDR 0.144775		Y
10	ON JULY 27, 1982 AS DETERMINED UNDER RULE 0-2.		P
9	5. UPON PAYMENT OF ABOVE AMOUNT		E
8	YOU ARE AUTHORIZED TO DEBIT FUND'S NO. 1 ACCOUNT WITH		
7	3,706,747.55		
6	GUYANA DOLLARS 3,706,747.55		
5	UNDER CABLE ADVICE TO FUND.		
4	TREASURER'S		H
3	INTERFUND		E
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22ND JULY, 1982

INTERFUND,
WASHINGTON D.C.

TREASURER,
INTERFUND.

GUYANA WISHES TO CANCEL PRESENT EXTENDED ARRANGEMENT WITH
THE FUND WITHOUT PREJUDICE.

P.E. MATTHEWS
GOVERNOR
CENTRALBANK GEORGETOWN GUYANA

~~TEST NO. 537~~

CENTRALBANK GEORGETOWN GUYANA

440040 FUND UI
2267 CENBANK GY

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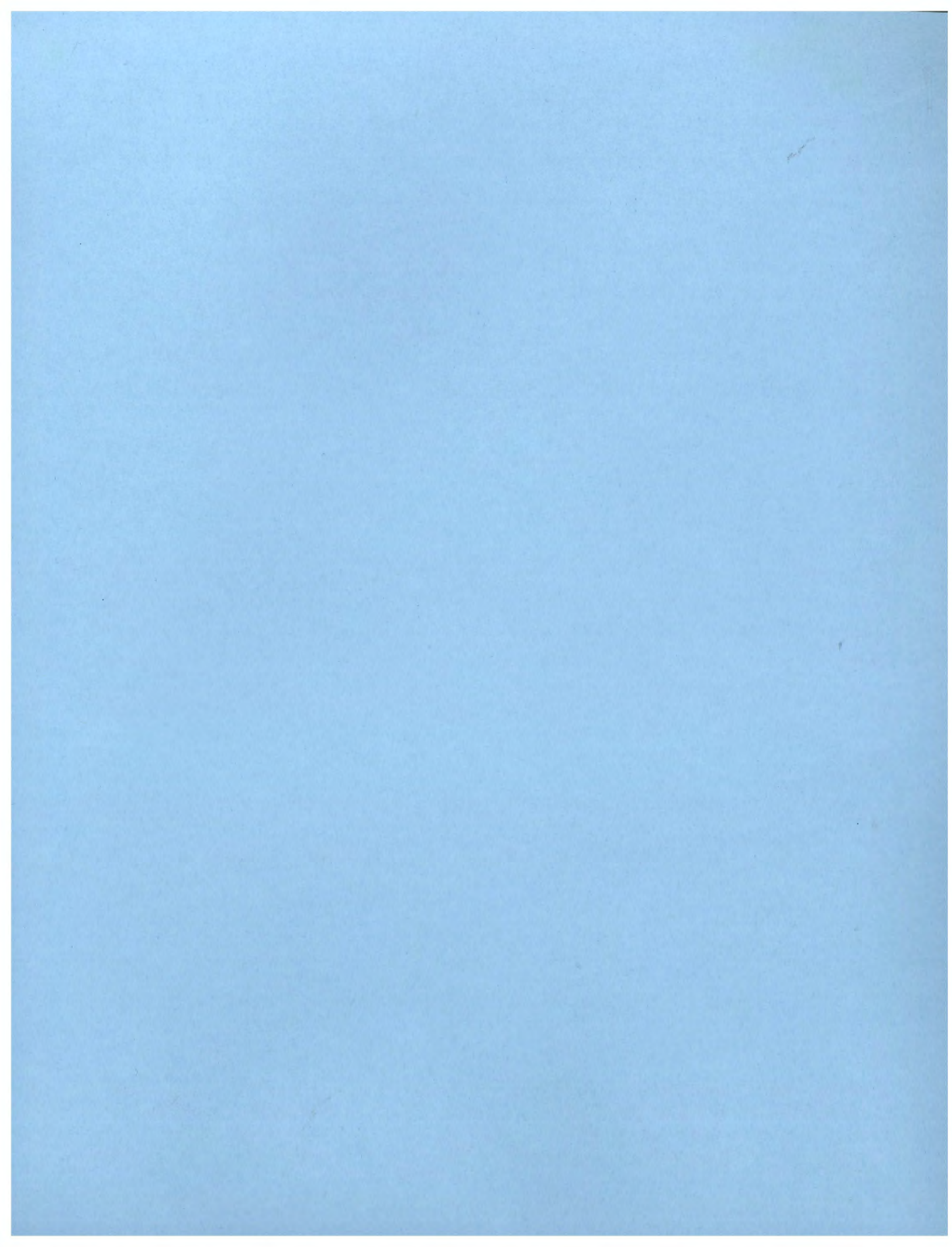
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INTERNATIONAL MONETARY FUND

June 11, 1982

Mr. Finch:

I think we should be cautious about the attached Guyana proposal. In the first place, Guyana's standing under its extended arrangement leaves something to be desired, a fact which you will agree renders our position difficult. In the second place, if we have to intervene, I would think it should be at Guyana's direct request to us rather than through UNDP intermediaries.

This being said, I suppose we could envisage technical (data gathering) assistance, though for this Guyana seems to have contracted Morgan, Grenfell.

Mr. Beveridge agrees that caution is advisable.

Attachment

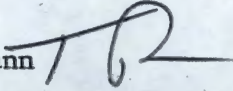
cc: Mr. Beveridge

MG
Manuel Guitián

INTERNATIONAL MONETARY FUND

TO : Mr. Finch

FROM: Thomas Reichmann



We have just received the attached memorandum concerning a request by Guyana for assistance in debt rescheduling. In line with our intentions of taking a more active role in this area, I think we should be prepared to provide a positive answer to this request.

If you wish, I could contact Mr. Sanson suggesting that he communicate to Mr. Riley our availability for this type of activity.

Attachment

cc: Mr. Brau

OFFICE MEMORANDUM

TO: See Below

FROM: Vincent J. Riley, Adviser, UNDP/UN Operational Activities, IRD

SUBJECT: GUYANA: Assistance in Debt Rescheduling

DATE: June 9, 1982

On June 7 in Geneva, G. Arthur Brown, Deputy Administrator of UNDP, told me of a request UNDP has received regarding the above, asked about ongoing IMF arrangements and Bank SALs, and requested that I inquire about the possibility of IMF or Bank assistance to Guyana in this area.

Guyana apparently is preparing for a debt rescheduling discussion with creditors. In order to help it prepare, Guyana has contacted Morgan, Grenfell, which is prepared to undertake the job at an approximate cost of \$500,000. It is in this connection that UNDP was approached. Guyana has fully committed its current allocation (IPF) from UNDP, and seeks a special grant from UNDP's program reserve. Brown is reluctant because (a) he believes that without IMF support, any discussion with creditors will be non-productive; and (b) he feels such assistance should be available from IMF or IBRD. (UNDP also is not well placed at this time to take on additional commitments).

Before leaving Geneva I spoke with Mahmud Burney, IBRD Representative, Geneva; Jack Barnoin, IMF Representative, Geneva, and Ms. Susana Sosa, IMF Western Caribbean Division, Washington. The results of these conversations, which are summarized below, were reported to Brown before I left Geneva (noon June 8).

- (a) IMF has an Extended Fund Facility Arrangement with Guyana, now in the second year of its three year term. But this has been inoperative since July 1981, because Guyana had exceeded the agreed Credit Ceilings.
- (b) The Bank made a \$22 million structural adjustment loan and an accompanying \$1.5 million technical assistance loan in mid-1981. As of April 1982, only about 1/3 of the SAL had been disbursed. I was unable to provide any information on the technical assistance loan while in Geneva.

...../2.

June 9, 1982

- (c) Questions about the nature of the Guyana Debt Reschedulings (official debt, or debt only to private creditors) and of the possibility of IMF or IBRD assistance to Guyana in preparing for such discussions were not answered before I left Geneva. I agreed to follow-up by referring the matter to appropriate IMF/IBRD officials on my return.

Mr. Brown is meeting with Guyanese officials in Geneva this week. I would appreciate your telephoning me (Ext . 74455) with any information you can provide relevant to any of the above, which I might pass on to Brown.

It may be added, as a footnote, that in none of my conversations was UNCTAD mentioned. The conversations concerned only Guyana's need for assistance; its approach to Morgan, Grenfell (and thus to UNDP); and the possibility of IMF/IBRD alternatives.

TO: Mr. Jan F. van Houten
Chief, Commonwealth Caribbean Div., IMF

Mr. Nicolas Carter, Sr. Economist, LC2

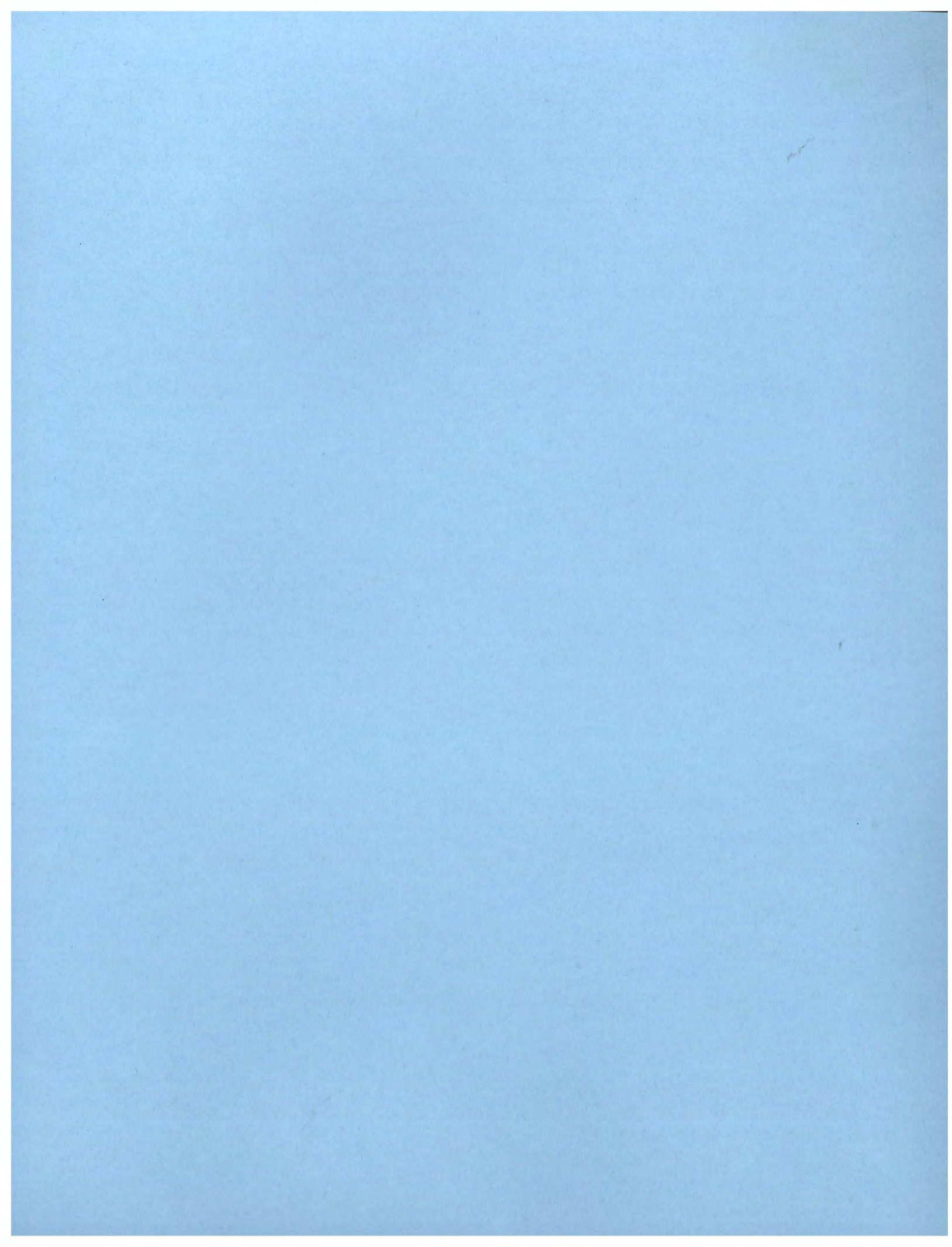
Mr. Roberto Gonzalez-Cofino
Chief, Division 2C, LC2

cc: Mr. Carlos E. Sanson
Deputy Director, Western Hemisphere Dept., IMF

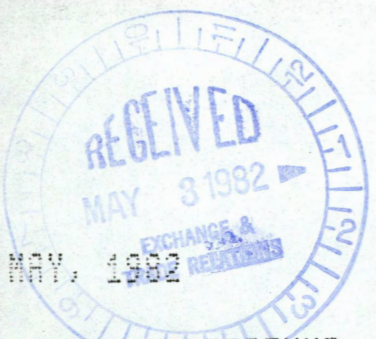
Mr. Mahmud Burney, Geneva

Ms. Susana Sosa, IMF

VJRiley/eb



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3RD MAY, 1982

TREASURER'S INTERFUND
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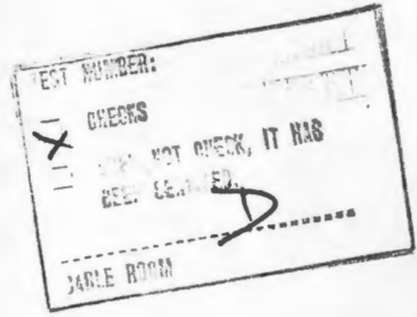
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IN VIEW OF PAYMENTS DIFFICULTIES WE PROPOSE THAT CF REPURCHASES EQUIVALENT TO SDR 1,093,750 EACH DUE NOT LATER THAN JANUARY 30, 1982 AND APRIL 30, 1982 BE RESCHEDULED UNTIL NOT LATER THAN MAY 31, 1983.

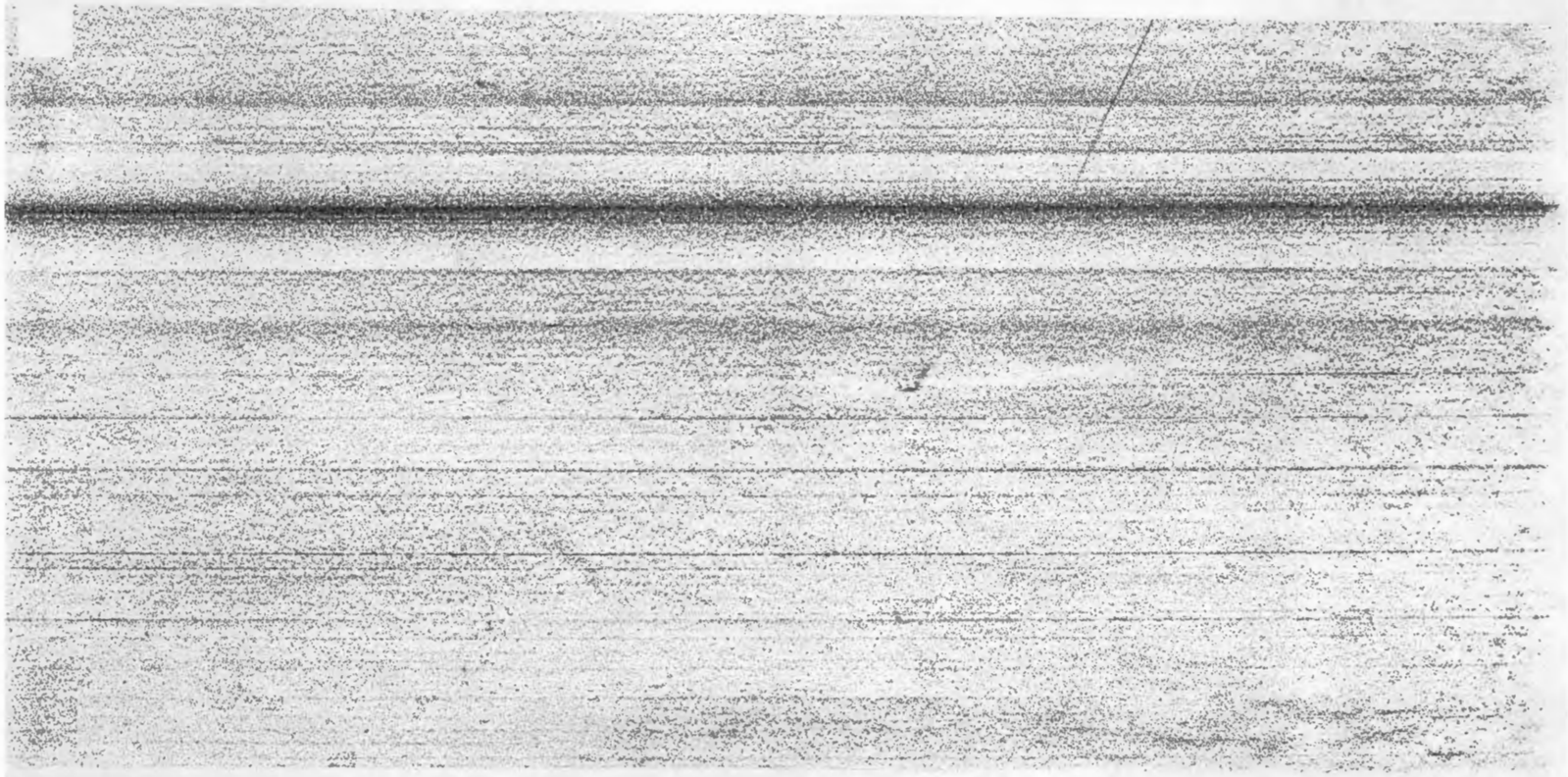
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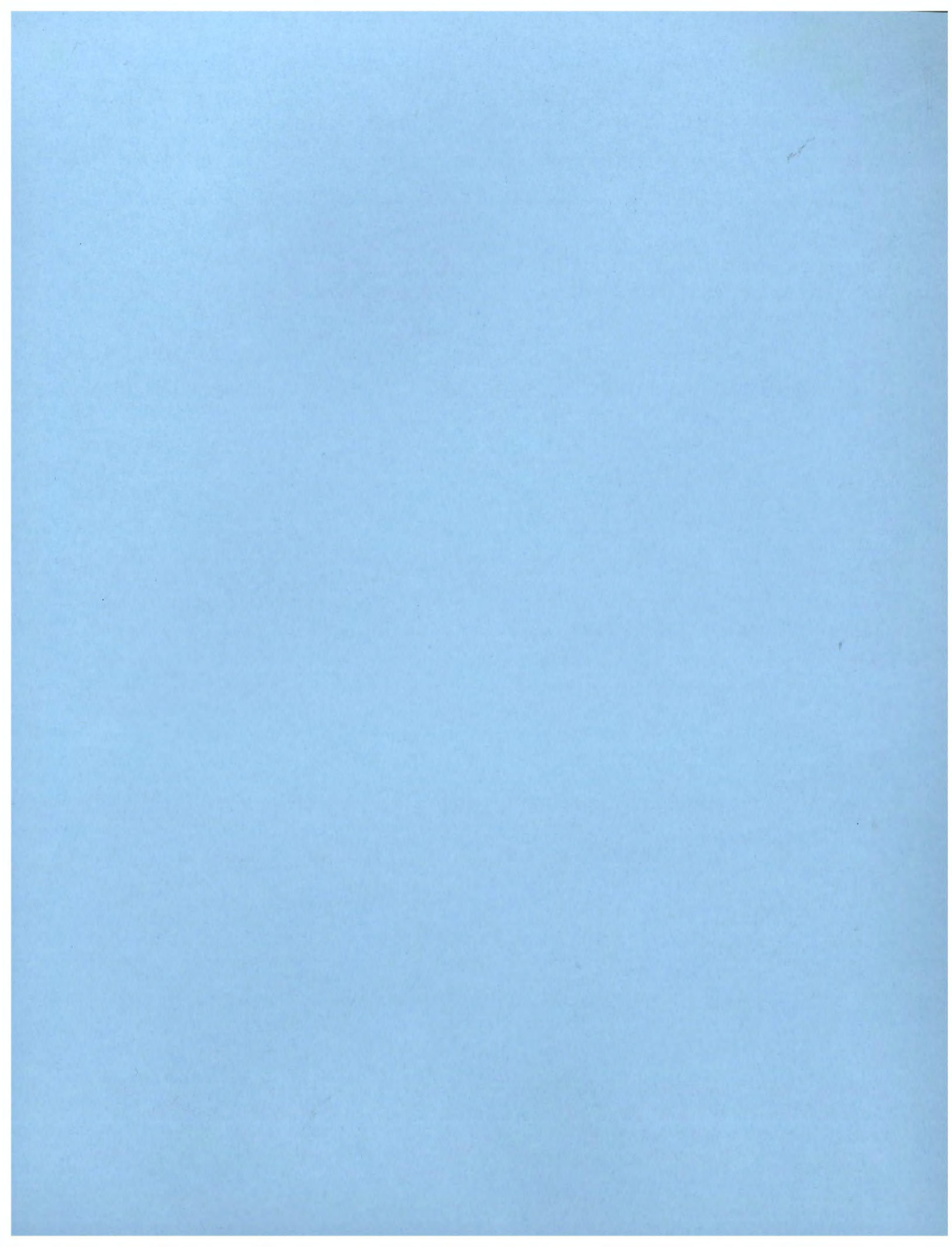
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BANK OF GUYANA,
CENTRALBANK GEORGETOWN GUYANA.

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IMF OFFICIAL MESSAGE

WASHINGTON, D.C. 20431

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	22	BANK OF GUYANA	
	21	P.O. BOX 1003	
	20	GEORGETOWN, GUYANA	
T E X T	18	GRA (CF) NO. 3	N O T E T Y P E E R E
	17	1. REFERENCE REPURCHASE EQUIVALENT TO SDR 1,093,750	
	16	DUE NOT LATER THAN JANUARY 30, 1982. WE ADVISE THAT	
	15	THIS REPURCHASE BE DISCHARGED BY PAYING MEXICAN PESOS.	
	14	--	
	13	2. VALUE JANUARY 29, 1982 PLEASE PAY MEXICAN PESOS	
	12	33,101,008.39	
	11	TO FUND'S NO. 1 ACCOUNT WITH BANCO DE MEXICO, S.A.,	
	10	MEXICO.	
	9	3. IN ACCORDANCE WITH RULE 0-4 AND RULE 0-6 OF THE	
8	FUND'S RULES AND REGULATIONS AND PROCEDURES AGREED		
7	WITH MEXICO,		
6	IF YOU NEED TO ACQUIRE MEXICAN PESOS 33,101,008.39		
5	--		
4	REQUESTED THAT YOU ACQUIRE		
3	FOR THIS TRANSACTION, IT IS REMOVED FOR SECURITY		
2	CURRENCY FROM BANCO DE MEXICO, MEXICO.		
1	IN THAT CASE, PLEASE CABLE BANCO DE MEXICO, MEXICO AND		
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DRAFTED BY: A Moustapha:ady 77060 DEPARTMENT: TRE DATE: 1/26/82

NAME (TYPE): Dhruba Gupta NAME (TYPE): Duane H. Brown

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