DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

FOR AGENDA

SM/84/158

CONTAINS CONFIDENTIAL
INFORMATION

July 5, 1984

To: Members of the Executive Board

From: The Acting Secretary

Subject: Guyana - Staff Report for the 1984 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1984 Article IV consultation with Guyana, which will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Reichmann (ext. (5)8610).

Att: (1)

Other Distribution:
Department Heads

CONTAINS CONFIDENTIAL INFORMATION

INTERNATIONAL MONETARY FUND

GUYANA

Staff Report for the 1984 Article IV Consultation

Prepared by the Western Hemisphere Department

(In consultation with the Exchange and Trade Relations, Fiscal, Legal, and Treasurer's Departments)

Approved by E. Wiesner and W. A. Beveridge

July 3, 1984

I. Introduction

The 1984 Article IV consultation discussions 1/ with Guyana were conducted in Georgetown during the period May 15-25, 1984. Representatives of Guyana in the discussions included the Chairman and other officials of the State Planning Board, and the Governor and other officials of the Bank of Guyana. The mission also met officials of the Guyana Mining Enterprise (GUYMINE), the Guyana Sugar Corporation (GUYSUCO), the Guyana Rice Board, the National Energy Commission, the Guyana Electricity Corporation, and the Guyana State Corporation (GUYSTAC) group. The mission consisted of Thomas Reichmann (Head), Susana Sosa, Jorge Guzman (all WHD), Arthur Lake (TRE), Mounir Rached (INST), and Genora Dass (Secretary-TRE). Mr. James Sackey, from the IBRD was attached to the mission and participated in all the meetings.

The previous consultation discussions with Guyana were held in July-August 1983. The relevant documents, SM/83/205 (10/13/83) and SM/83/214 (10/26/83), were considered by the Executive Board on November 4, 1983 (EBM/83/152).

II. Background to the Discussions

Guyana is in an extraordinarily difficult economic situation. Since the mid-1970s economic performance has been weak and there has been a deterioration in most aspects of the economy. In the period 1977-83 recorded real GDP declined by some 25-30 percent. The overall deficit of the public sector increased from the equivalent of about 13 percent of GDP in 1978 to 62 percent in 1983. The balance of payments deficit on current account rose from 6 percent of GDP in 1978 to some 33 percent in 1983. The financing of such deficits contributed to the accumulation of an external debt estimated at about three times GDP, of which external payments arrears amount to the equivalent of almost two years of exports.

1/ Guyana accepted the obligations of Article VIII, Sections 2,3, and 4 of the Articles of Agreement on December 27, 1966.

A number of factors have contributed to the deterioration of the economy. Weak foreign demand and a decline in international prices had occasionally adverse effects on sugar and bauxite. Guyana was affected more than most other countries by the increase in petroleum prices because of the bauxite industry's heavy dependence on imported energy sources. Poor weather conditions in some years curtailed agricultural output, affecting in particular major export crops such as rice and sugar. Unstable labor relations, especially in the period 1978-80, led to frequent and sometimes protracted work stoppages, particularly in the sugar and bauxite industries. Moreover, as the economy continued to deteriorate, breakdowns of equipment and production problems related to the lack of imported spare parts and inputs became more frequent. By 1983 the output of bauxite was less than 40 percent of its 1978 level, while the output of rice and sugar was about two thirds of the 1978 level.

While these factors were important, Guyana's poor economic performance is attributable in large measure to inappropriate policies followed over the past several years. Quantitative restrictions and rigid price policies discriminated against private farmers and entrepreneurs, and impeded the rational management of the enterprises in the public sector. Resources available for investment were spread too thinly among too many projects, few of which were brought to completion. Furthermore, the failure to bring under control growing fiscal deficits, and the credit expansion incurred in financing such deficits, led to the depletion of international reserves, inflationary pressures, and growing shortages. The distortions that emerged in the price structure had adverse effects on production and investment, and contributed to the flight of both human and financial capital.

An important consequence of the distortions that developed in the Guyanese economy has been the growing diversion of economic activity to a parallel economy. Initially, the expansion of illegal activities centered around markets for foreign exchange and internationally traded goods. However, the prevalence of domestic price controls has led over time to the extension of the parallel economy to nontraded activities, particularly agricultural foodstuffs. There are no reliable estimates of either the actual value of illegal exports, which reportedly involve sizable amounts of gold as well as diamonds, rice, shrimp, and some light industrial products, or the volume of domestic economic activity that is channeled outside of official markets. There is general agreement, however, that the scope of the parallel economy has widened steadily.

The growing importance of the parallel economy greatly complicates the analysis of Guyana's economic situation. National accounts data have become increasingly less meaningful, price statistics ceased to be published at the end of 1982 because the statistics that were being collected are no longer judged to be sufficiently representative, and the balance of payments accounts tell only a partial story as they fail to reflect the illegal foreign trade activity. At present, the exchange rate in the unofficial market is reported at between G$10 and G$13 per U.S. dollar, compared with the official rate of G$3.75 per U.S. dollar.

The economic situation reached crisis proportions during 1982 and 1983. According to official statistics (but bearing in mind the caveats about the expansion of the parallel economy), real GDP is estimated to have fallen by about 10 percent in each year (Table 1). The sectors most affected were bauxite mining which declined by almost 60 percent over these two years, and manufacturing which declined by some 27 percent. The drop in manufacturing was in large measure a consequence of the lack of inputs and spare parts caused by foreign exchange shortages.

Table 1. Guyana: Selected Macroeconomic Indicators

	1980	1981	1982	Prel. 1983	Proj. 1984
		(Annual percentage change)			
Real GDP at factor cost	1.6	-0.3	-10.4	-9.3	4.4
Real GDP per capita	0.8	-1.1	-11.2	-10.0	3.6
GDP at current market price	13.7	5.9	-9.5	-1.5	8.4
GDP implicit deflator (at factor cost)	11.5	8.5	-0.4	7.3	1.8
National income at current prices	13.4	-5.4	-10.1	-8.0	5.8
Terms of trade	-2.2	-16.2	-13.7	-14.9	...
Urban consumer price index					
End of period	8.5	29.0	19.3	...	...
Period average	14.1	22.2	21.0	...	...
		(As percent of GDP)			
Public sector savings	2.2	-18.4	-19.9	-38.3	-42.5
Public sector overall deficit	-22.7	-46.7	-47.2	-61.8	-68.6
Current account of the balance of payments	-17.9	-33.3	-29.3	-33.4	-38.0

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

The recorded current account deficit of the balance of payments in 1983 amounted to US$159 million (77 percent of merchandise exports) compared with a deficit of US$142 million (58 percent of exports) in 1982. Exports channeled through the official market, which had already declined by 30 percent in U.S. dollar terms in 1982, fell by a further 15 percent in 1983. The poor performance of recorded exports reflected mainly domestic production problems, as well as sharply reduced rice exports due to increased illegal sales and loss of markets. The shortage of official foreign exchange and the drying up of credit facilities resulted in a decline by almost 10 percent in the value of imports in 1983; at US$258 million, imports in 1983 were some 40 percent lower than in 1981. The deficit in the service account in 1983 is estimated to have been about US$110 million, half of which represented accrued interest payments. Since on an accrual basis, net capital inflows in 1983 were negative, the overall balance of payments deficit amounted to US$190 million, which was financed almost in its entirety by an increase in external payments arrears.

As of December 31, 1983 recorded external payments arrears amounted to US$451 million (Table 2). Of this total, commercial arrears were US$133 million, arrears on the servicing of the external debt were US$97 million, and arrears on the Bank of Guyana's foreign liabilities were US$221 million. This last amount included overdue payment obligations to the Fund equivalent to US$12 million and unsettled obligations under the Caribbean Multilateral Clearing Facility (CMCF) amounting to US$107 million, mostly originating in oil imports from Trinidad and Tobago. At the end of 1983 gross official reserves were US$6 million, and net international reserves (counting arrears as liabilities) were a negative US$552 million.

Guyana's medium- and long-term public debt had increased rapidly until 1982 when the evident deterioration of the country's external position brought external capital inflows to a virtual standstill. Since then, the further growth in the outstanding debt position has reflected mainly the accumulation of arrears. At the end of December 1983 the outstanding debt (including arrears and obligations to the Fund) was US$1.2 billion. Guyana has virtually limited foreign debt service payments to those arising from the nationalization of foreign companies and from some multilateral loans. In 1983, therefore, the ratio of actual debt service payments to exports of goods and services was only some 17 percent, on an accrual basis this ratio would have been 41 percent.

Public finances deteriorated sharply in 1983. The overall deficit of the public sector increased by 29 percent to G$881 million or the equivalent of 29 percent of total public sector's expenditure (Table 3). This deterioration occurred mainly in the Central Government where current revenues declined by 5 percent and current expenditures increased by 22 percent. The revenue performance was increasingly affected by the expansion of the parallel economy and by the decline in economic activity, while the increase in current expenditures was explained by an increase in the wage bill equivalent to 6 percent, and especially by a sharp increase (45 percent) in interest payments both on domestic as well as external debt. The rest of the public sector also registered a deterioration of its current account position. The public corporations, which up to 1980 showed current account surpluses, almost doubled their current deficit in 1983 to G$134 million, as a cutback in expenditures

Table 2. Guyana: External Payments Arrears

(In millions of U.S. dollars)

	December 31				March 31
	1980	1981	1982	1983	1984
Total arrears	45.4	136.4	249.5	450.6	494.7
Commercial and other current payments 1/	29.3	45.7	96.3	132.7	117.4
Bank of Guyana arrears	16.1	80.7	124.0	221.4	258.5
Bilateral deposits	3.4	29.6	34.2	48.5	62.3
Principal	(--)	(20.0)	(20.0)	(30.0)	(42.7)
Interest	(3.4)	(9.6)	(14.2)	(18.5)	(19.6)
CARICOM clearing facility	12.7	51.1	85.8	106.6	108.9
Principal	(12.7)	(51.1)	(83.6)	(96.5)	(96.5)
Interest	(--)	(--)	(2.2)	(10.1)	(12.4)
Trinidad and Tobago bilateral account	--	--	--	54.5	72.4
Principal	(--)	(--)	(--)	(49.4)	(66.0)
Interest	(--)	(--)	(--)	(5.1)	(6.4)
IMF	--	--	4.0	11.8	14.9
Principal	(--)	(--)	(--)	(7.6)	(9.0)
Interest	(--)	(--)	(4.0)	(4.2)	(5.9)
Public sector debt	--	10.0	29.2	96.5	118.8
Principal	--	9.8	21.8	74.9	91.0
Interest	--	0.2	7.4	21.6	27.8

Sources: Bank of Guyana, State Planning Secretariat and Fund staff estimates.

1/ Excludes arrears on account of merchandise and other current payments without a local currency deposit counterpart which are estimated at about US$30 million in 1982 and about US$40 million in 1983.

Table 3. Guyana: Consolidated Public Sector Operations

	1980	1981	1982	Prel. 1983	Proj. 1984
	(In millions of Guyana dollars)				
Revenues	2,468.3	2,701.7	2,354.3	2,152.1	2,668.7
Central Government current	451.3	558.2	547.3	519.6	543.0
Corporations current	2,013.2	2,122.8	1,803.7	1,630.5	2,123.7
Capital	3.8	20.7	3.3	2.0	2.0
Expenditures	2,809.9	-3,447.2	-3,037.0	-3,032.9	-3,729.1
Central Government current	-613.9	-805.6	-764.8	-932.1	-1,090.3
Corporations current	-1,818.1	-2,169.8	-1,873.5	-1,764.2	-2,233.2
Capital	-377.9	-471.8	-398.7	-336.6	-405.6
Overall deficit	-341.6	-745.5	-682.7	-880.8	-1,060.4
Financing					
External borrowing	130.0	340.2	159.6	130.5	113.2
Domestic banking system	345.9	280.6	612.1	610.9	882.5
Other	-134.3	124.7	-89.0	139.4	64.7
Memorandum items					
Public sector savings	32.5	-294.4	-287.3	-546.2	-656.8
Central Government	-162.6	-247.4	-217.5	-412.5	-547.3
Corporations	195.1	-47.0	-64.8	-133.7	-109.5
	(As percent of GDP)				
Public sector savings	2.2	-18.4	-19.9	-38.3	-42.5
Overall deficit	-22.7	-46.7	-47.2	-61.8	-68.6

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

of 5 percent did not compensate for a decline in revenues of 10 percent. As a result, public sector savings deteriorated further in 1983 to a negative 38 percent of GDP; this decline in savings equivalent to G$259 million was far from being compensated by a 16 percent drop in public sector investment which declined by G$62 million.

As foreign financing for the growing fiscal deficit has virtually dried up, increasing reliance has been placed on domestic bank financing. Net domestic credit of the consolidated financial system expanded by 23 percent during 1983, reflecting in large measure the increase by 29 percent in credit to the public sector. The growth of credit exceeded the growth of resources accruing to the financial system in the form of currency and deposits, which in 1983 grew by 18 percent.

III. Economic Prospects and Policies

The discussions with the authorities concentrated on the examination of the policy options open to Guyana to redress the present very difficult economic situation. In this regard, emphasis was given to the problems affecting supply conditions, in particular in the export sector, and on the means to eliminate the financial imbalances that are affecting the economy. The discussions also focused importantly on the problem of Guyana's overdue obligations to the Fund (see Section IV below).

1. Supply policies

The authorities referred to measures already in place that aimed at the correction of certain structural deficiencies in the main productive sectors, and to further actions of this kind that were being contemplated. They mentioned in particular measures taken in the bauxite and rice sectors, the correction of deficiencies in electricity generation, the efforts made to improve managerial practices and increase efficiency in a number of public corporations, and the reductions in personnel in most public enterprises. However, in their view, the main reason for the decline in output in recent years had been the adverse international market conditions faced by bauxite, sugar, and rice--the main traditional sources of foreign exchange. The resulting reduction in the availability of foreign exchange had compounded production problems by inhibiting the flow of critically needed imported inputs and spare parts. Furthermore, they pointed out that the progressive reduction in the level of investment had resulted in a situation where a significant part of the existing capital stock had either deteriorated or became obsolete. In this view, to restore production it was necessary to obtain foreign resources in amounts sufficient to permit the rehabilitation of installed productive capacity and the restocking of inputs and spare parts.

The mission noted the positive results obtained from the measures taken in several important sectors of the economy and agreed with the authorities on the urgency of rehabilitating productive capacity. However, the mission stressed that while the adoption of comprehensive adjustment measures could reopen access to external credits, the precarious external debt situation prevents recourse to foreign borrowing in the scale envisaged by the authorities. There was a need, therefore, to reformulate economic policies in terms of a strategy that would emphasize the generation of domestic savings. Moreover, the mission pointed out that in addition to the factors noted by the authorities, output had also been adversely affected by the rigidity of official pricing policies. This would require a fundamental reformulation of pricing policies in order to provide adequate incentives to firms in both the public and private sectors.

In regard to the bauxite sector, the Government had concluded in early 1983 contracts with foreign consultants to prepare a master plan for the rehabilitation of the industry, to conduct a marketing study, and to provide on-site technical assistance in the bauxite operations. By the end of 1983 some positive results from these efforts had been obtained, and it was considered that satisfactory progress had been made so far with the means available to the industry. During 1983 the bauxite industry reduced its work force by some 20 percent, and the mining company devoted part of its sales revenues to effect basic maintenance work, to improve the production process, and to regear the industry. On the strength of these improvements it is expected that effective operating capacity will increase by more than 10 percent in 1984 and that the operating deficit will be cut almost in half.

According to the plan elaborated by the consultants, the external resources needed to finance the rehabilitation of the industry would amount to about US$60 million. The Government is discussing with the World Bank arrangements for possible Bank assistance to the bauxite sector. These discussions contemplate the establishment of an enclave type rehabilitation project to be implemented beginning in late 1985, provided that satisfactory arrangements are agreed upon as regards an external management assistance contract and the establishment of a suitable executive committee for the bauxite company. Guyana has a certain advantage over other world producers of bauxite due to the superior quality of its bauxite and to its proximity to major markets. Guyana could, therefore, recover a substantial share of the bauxite market provided that costs are reduced and the country's reliability as a supplier is re-established.

In the rice sector, the Guyana Rice Board (GRB) had until 1982 almost total control of the industry including the provision of most of the support services to the industry. During 1982 the GRB was divested of several functions which it could not perform efficiently. In particular, the importation and distribution of inputs, the provision of credit, the undertaking of extension and research, and the provision of other support services were transferred to the private sector or other government agencies. At the same time, input subsidies were decreased and eventually eliminated. In early 1983, private farmers and millers were permitted to sell rice directly in the local market.

The authorities said that the restructuring of the rice industry was continuing in 1984 in the context of a loan agreement with the Inter-American Development Bank. The Government has proposed a plan that includes, inter alia, the adoption of a pricing mechanism which takes into consideration export prices in addition to production costs; and a marketing policy which opens the direct export of rice, except in the case of government-to-government contracts, to private producers and millers. The mission supported the thrust of these reforms; however, in view of statements by GRB officials to the effect that the fulfillment of the government-to-government contracts reserved to the GRB would need to have priority, and that the GRB would continue to have the final say in setting domestic prices, the mission expressed misgivings as to whether the reforms would in fact permit achievement of the goal of increasing competition and efficiency in the rice sector. Furthermore, the mission pointed out that in the absence of an adequate level for the exchange rate, the intended measures would have little effect in bringing back into official channels the rice that is at present diverted into the parallel economy.

With respect to the sugar industry, which is at present the largest net earner of foreign exchange, the Guyanese representatives stated that in spite of a rise in exports projected for 1984, the Guyana Sugar Corporation (GUYSUCO) was expected to register a further increase in its operating deficit. They attributed this deterioration to a projected raise in wages of about 17 percent and to a sizable increase in other operating expenditures, owing in part to outlays urgently required for the maintenance and rehabilitation of equipment. No wage increases had been awarded in 1983, and at the same time a substantial reduction in the labor force had been effected. For a number of years GUYSUCO had been allocating part of its earnings to the upgrading of equipment; however, the resources allocated for this purpose had been insufficient to prevent a deterioration in productive capacity. In 1984 GUYSUCO is permitted to retain 15 percent of foreign exchange earnings from its sugar exports to finance the importation of spare parts and fertilizers. However, GUYSUCO representatives estimated that a retention of 25 percent was required to meet the foreign exchange component of operating expenses. They further estimated that capital expenditures involving foreign exchange in a minimum of US$40 million were required to enable the industry to function effectively once again.

Although the domestic price of sugar was increased in early 1984 from G$0.13 to G$0.33 per pound, the domestic price remains heavily subsidized as production costs amount to about G$0.61 per pound. The cost of the domestic subsidy amounts at present prices to about G$21 million a year. The authorities have announced that they will implement further price increases during the current year aimed at reducing and eventually eliminating this subsidy. On its external sales, despite the fact that about 80 percent of Guyana's sugar exports are directed toward the protected markets of the European Community and the United States, GUYSUCO incurs a loss equivalent to G$51 million. In large measure this poor financial performance in export sales reflects the inadequacy of the exchange rate.

The authorities referred also to the gains obtained in other public corporations from rationalization and import substitution efforts. A study by foreign consultants aimed at the restructuring of these corporations was being finalized but a timetable for its implementation still had to be established. Similarly, the authorities were considering a revision of the foreign investment code on the basis of a study that had been prepared by a foreign consultant.

2. Price and income policies

The Guyanese authorities acknowledged that public sector enterprises, which account for the bulk of economic activity in Guyana, retain only a limited degree of control over their pricing and employment policies. The Guyanese representatives explained that in principle there were three kinds of pricing arrangements: (1) free prices for luxury items, (2) controlled prices on essential consumer goods, and (3) cost plus mark-up prices on the remaining items. On the whole, though, individual corporations were not allowed to vary prices without prior permission from the Government. Furthermore, wages were set at the national level and employment was controlled since enterprises had to seek permission before making adjustments to the size of their labor force. Hence, managers were free mainly to determine the types, quantity and quality of their products.

The mission pointed out that the slowness in adjusting official prices and the political considerations that often entered into this process had given rise, in the face of strong demand pressures, to severe distortions in the domestic price system and had promoted the expansion of the parallel economy. The authorities were of the view that the diversion of domestic goods to the parallel economy affected mostly agricultural products at the farm level. However, officials of public corporations acknowledged that the parallel economy has had a detrimental impact on the financial performance of the corporations, and referred to instances where measures such as limiting the sales to particular buyers had been taken in order to prevent hoarding and to ensure that products reach the intended end-users at the official price.

As internationally traded goods amount to an unusually high proportion of GDP, the key price in the economy is the exchange rate. In January 1984 the exchange rate for the Guyana dollar was adjusted from G$3 to G$3.75 per U.S. dollar. However, the authorities agreed with the mission's assessment that the exchange rate was still significantly overvalued, even though the absence of adequate price statistics and the distortions in the domestic price structure made it difficult to estimate the extent of this overvaluation. In the illegal market, foreign exchange is reportedly quoted at three to four times the official rate.

The mission emphasized that the establishment of a realistic price structure, including in particular a realistic level for the exchange rate, was essential for the restoration of appropriate incentives and the elimination of the parallel economy, and had to be seen as a fundamental ingredient of any adjustment and reactivation plan. In view of the pervasive nature of the existing price distortions and the difficulty of estimating appropriate equilibrium prices, the mission stressed to the authorities that they should consider measures directed toward the liberalization of the price system. In this connection the mission favored the establishment of a freely floating exchange rate, and the granting of increased freedom to all firms, whether public or private, to determine their prices. Alternatively, the mission considered that a process of successive rounds of major discrete price adjustments would be required in order to approach a viable structure for the domestic price system. It was stressed that implementation of either one of these approaches would require the concurrent application of restrained fiscal and monetary policies in order to achieve a change in the price structure without lasting inflationary consequences.

The authorities reiterated their concern about the unwelcome effects of a devaluation on real wages and on the financial position of public enterprises, especially those that are not net foreign exchange earners. They noted that the economy was already operating with a minimal flow of imported inputs and that foreign exchange resources were badly needed to facilitate production in the public and private sectors, and to provide a minimum of imported consumer goods to enhance the acceptance of the adjustment effort. However, they recognized the need for significant action in regard to the exchange rate and certain domestic prices. In this context, they pointed to the devaluation effected in January 1984 with the corresponding pass-through of its effects to most of the relevant prices, to the adjustments made to the domestic prices of sugar and rice, and to their determination to consider further substantive discrete price changes. The Guyanese representatives inquired about possible modalities of implementing a floating exchange rate regime and explored the consequences that such a move could have, but seemed doubtful that this change, which in their view would be a radical one, could be introduced under present circumstances. They said that in any event, the wage determination process would have to be maintained under centralized control in order to avoid interindustry inequalities arising from the varying degree of power among the various trade unions.

3. Domestic financial policies

On the basis of the 1984 budget, the finances of the public sector are projected to deteriorate further. The consolidated public sector is projected to show negative savings equivalent to some 43 percent of GDP in 1984, 5 percentage points higher than in the previous year and more than double the figure registered in 1982. Capital expenditures are budgeted to increase by the equivalent of 3 percentage points of GDP, resulting in an overall public sector deficit in 1984 of more than G$1 billion, almost 69 percent of GDP.

The projected deterioration of the public finances in 1983 reflects the further weakening of the finances of the Central Government. It is projected that the Central Government's current account deficit will increase to the equivalent of 35 percent of GDP. Current revenues of the Central Government are expected to increase only moderately on the basis of increased income, property and consumption taxes, while current expenditures are slated to increase by close to 17 percent, mainly because of an increase in wages and higher interest payments on the Government's debt. The worsening performance of the Central Government is expected to be offset in part by an improvement in the position of the public corporations. The current account deficit of these corporations is expected to be cut by the equivalent of 3 percent of GDP, as a result of the measures to increase efficiency that were taken in 1983, the improved prospects for bauxite exports, and the positive effects that the devaluation of January 1984 is expected to have on the finances of the main exporting corporations.

The bulk of the overall public sector deficit is to be financed by credit from the domestic banking system. Accordingly, net domestic assets of the financial system are projected to show another large increase in 1984, which would be equivalent to more than twice the projected growth in the financial system's liabilities to the private sector. The distortions existing in Guyana's price structure and the uncertainty that prevails about the scale of the parallel economy make difficult the interpretation of the evolution of monetary aggregates. Measured in relation to the official estimates for GDP, total liabilities to the private sector approximately doubled from 1980 to 1983; however, in the circumstances of Guyana, this appears to reflect more the growing inadequacy of measured GDP than an apparent sharp decline in the velocity of circulation of money and quasi-money as seems to be indicated by these figures. Although interest rates were raised in recent years, they are (at 11 to 13 percent) still substantially below the domestic inflation rate. The authorities have been reluctant to raise interest rates further, out of concern about the depressed demand for credit by the private sector.

The authorities emphasized that domestic adjustment measures had been taken in recent years. They pointed to the restriction in expenditures that has resulted from reductions in the number of public sector employees, the freezing of nominal wages, and the application of stricter expenditure controls for government services. In their view, the deterioration in the public finances was by and large attributable to the exogenous developments affecting the main export sectors, the shortage of foreign exchange that is affecting adversely the performance of public corporations, and the diversion of economic activity to the parallel economy which was eroding the revenue base of the public sector. They also noted the growing importance that interest payments from the public sector to the Central Bank were acquiring in the public sector accounts. Nevertheless, the authorities shared the mission's concern with regard to the fiscal situation, and agreed that measures to reduce public expenditure are urgently required.

The mission urged the authorities to take strong measures to bring the operations of the public sector under control. A sharp reduction in the level of public expenditure would be needed to bring the deficit down to levels that would not require unsustainable financing from the banking system. The mission noted that because the major public sector enterprises produced mainly for the export market, a devaluation would improve the fiscal outcome, assuming that its effects would be passed on to the economy and would not be offset by wage increases. Furthermore, a realistic level for the exchange rate together with a restructuring of the domestic price system would lead to the reduction in the scope, and eventual elimination, of the parallel economy, and this also would contribute to the restoration of balance to the public finances.

4. Balance of payments prospects and policies

The authorities said that Guyana's balance of payments was still suffering from the consequences of external developments, including sluggish world demand, and unfavorable price developments. For 1984 the authorities were expecting some improvement in external demand conditions, accompanied by a moderate firming of export prices. However, they felt that Guyana would be unable to take full advantage of the improvement in external conditions due to the foreign exchange constraint that was impeding the adequate utilization of productive capacity. The authorities also referred to the growing difficulties encountered in channeling international trade flows through official markets.

In discussing the balance of payments outlook for 1984, the authorities indicated that official export earnings would increase by some 20 percent in value terms to about US$250 million (Table 4). This would result from increased demand for bauxite and larger volumes of sugar and rice exports that would more than offset an expected decline in unit prices. Imports, which declined by more than 40 percent from 1981 to 1983, would increase by close to 5 percent, to US$270 million, in 1984. This projection allows for larger outlays for petroleum and an increase in other imports required to keep essential productive activities going. The authorities noted that ultimately the actual level of imports would be determined by the availability of foreign exchange and the role that barter agreements might acquire. The Guyanese representatives expected the current account of the balance of payments to show a deficit of US$157 million in 1984, equivalent to about 62 percent of projected export earnings.

Table 4. Guyana: Balance of Payments

	1980	1981	1982	Prel. 1983	Proj. 1984
	(In millions of U.S. dollars)				
Current account	-106.1	-189.2	-141.5	-158.7	-156.7
Merchandise	-6.9	-95.3	-38.2	-50.9	-18.7
Exports, f.o.b.	(389.2)	(344.7)	(242.2)	(207.3)	(251.6)
Imports, c.i.f.	(-396.1)	(-440.0)	(-280.4)	(-258.2)	(-270.3)
Services and transfers	-99.2	-93.9	-103.3	-107.8	-138.0
Capital account 1/	42.0	106.2	34.6	-9.6	-23.9
Errors and omissions	-37.2	16.6	13.4	-21.9	--
Special transactions 2/	3.3	4.2	--	--	--
Overall balance	-98.0	-62.2	-93.5	-190.2	-180.6
Change in other net international reserves (increase -)3/	81.0	-28.8	-19.6	-12.6	...
Change in arrears (increase +)	17.0	91.0	113.1	202.8	...
	(As percent of GDP)				
Current account balance	-17.9	-33.3	-29.3	-33.4	-38.0
Overall balance	-16.6	-11.0	-19.4	-40.0	-43.8

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

1/ Includes scheduled amortizations and agreed debt refinancing.
2/ SDR allocations and valuation changes.
3/ Excluding arrears.

In regard to the capital account, a net outflow of US$24 million was estimated. Capital inflows are projected to amount to US$45 million, mostly reflecting the disbursement of loans from multilateral agencies. On the basis of the above estimates, the overall deficit in 1984 is projected at US$180 million. So far, no financing sources for this deficit have been identified, raising the possibility of a further accumulation of arrears.

The mission pointed out that Guyana had inadequately adapted its economic and financial policies to changes in the international environment. Although efforts had been made in correcting certain weaknesses of the export sector, progress had been slow and was clearly insufficient to redress the deteriorating external situation. In particular, the mission drew attention to the continuous real appreciation of the Guyana dollar, even after the devaluation of January 1984, and questioned the adequacy of the prevailing exchange rate policy to deal with the country's balance of payments problems in the light of the growing importance of the parallel market and the major rise of external payments arrears.

Since 1981 there has been an intensification of restrictive practices in Guyana's exchange and trade system. The list of commodities for which import licenses are made available was reduced significantly and now includes mainly selected capital goods, spare parts, raw materials, and pharmaceuticals. Currently, applications for import licenses are generally not approved for consumer goods nor for commodities for which substitutes exist locally. Guyana retains comprehensive restrictions on the making of payments and transfers for international transactions. Those relating to current international transactions and subject to approval under Article VIII, Section 2(a), are evidenced by increasing payments arrears and discretionary exchange licensing and limited foreign exchange sales. Moreover, Guyana engages in a multiple currency practice arising from the introduction of a special rate of exchange to official purchases of gold from producers, which is subject to the Fund's approval under Article VIII, Section 3. In response to a severe shortage of foreign exchange, Guyana has resorted increasingly to countertrade practices. The exchange restrictions and the multiple currency practice have not been approved by the Executive Board.

IV. Overdue Payments to the Fund

Guyana's current difficulties in meeting its financial obligations to the Fund began in April 1983. Since then Guyana has made a number of payments which settled an obligation to repurchase due on April 29, 1983, restored a current position in the SDR Department, and effected a partial settlement of semiannual charges due July 13, 1983. Other than those payments, Guyana has not discharged any obligation to the Fund that became due after April 29, 1983.

As of June 30, 1984 the overdue obligations in the General Department were as follows:

Type of Obligation	Due Date	SDR Amount
CF repurchase*	May 31, 1983	2,187,500
EFF repurchase	June 27, 1983	1,078,125
Semiannual charges**	July 13, 1983	999,099
CF repurchase	July 15, 1983	781,250
CF repurchase*	July 29, 1983	1,093,750
Quarterly charges	August 4, 1983	756,007
CF repurchase	October 14, 1983	781,250
Quarterly charges	November 8, 1983	744,084
EFF repurchase	December 27, 1983	1,078,125
Semiannual charges	January 12, 1984	1,761,460
CF repurchase	January 16, 1984	781,250
EFF repurchase	February 3, 1984	710,938
Quarterly charges	February 7, 1984	732,360
CF repurchase	April 16, 1984	781,250
Quarterly charges	May 7, 1984	713,463
EFF repurchase	May 11, 1984	1,062,500
EFF repurchase	June 27, 1984	1,078,125
Total		17,120,536

* The relevant purchases have been outstanding for more than five years.

** Upon payment of semiannual charges, Guyana would be entitled to a payment from the SFF subsidy account of SDR 0.91 million (see EBS/83/205, pp. 4-5).

Guyana's outstanding use of Fund credit--including overdue repurchases of SDR 11.4 million--amounts to SDR 73.7 million, of which SDR 29.3 million corresponds to purchases under the extended Fund facility, SDR 29.8 million under the supplementary financing facility, and the remaining SDR 14.7 million under the decision on compensatory financing. Charges and repurchase obligations coming due in the second half of 1984 amount to about SDR 10 million (projected at present rates of interest and periodic changes).

At the Executive Board meeting on April 5, 1984, Executive Directors noted the Managing Director's complaint under Rule K-1 of the Fund's Rules and Regulations, and decided to consider the matter of the complaint on June 6, 1984. Executive Directors also agreed that the Managing Director should communicate in writing the Board's concerns to the President of Guyana. The Managing Director's letter and the reply from the President of Guyana were circulated for the information of Executive Directors (EBS/84/127, June 4, 1984). At the meeting on June 6, 1984 the Executive Board decided, 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 relating to repurchases and the payment of charges in the General Department. This decision was to 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.

During the consultation discussions held in Georgetown, the mission analyzed with the authorities the problem of Guyana's overdue obligations to the Fund. The mission explained to the Guyanese authorities that no discussions of a program that might be supported by Fund resources could be held as long as Guyana's overdue obligations to the Fund remained outstanding. The mission stressed the need for the timely adoption by Guyana of a strong adjustment program which could both improve the chance of Guyana paying on its own and provide the necessary assurance to a potential donor to advance the amount required to settle these obligations. In accordance with the findings of the mission, the adjustment program would need to reflect proposals made by the mission in three key areas: that Guyana's economic policy should be reformulated in terms of a strategy that should put far more reliance on domestic savings; that a strong fiscal policy, aimed primarily at reducing expenditure, would be needed to generate these savings; and that more realistic exchange rate and pricing policies were essential to greater efficiency, economic revival, and a strengthening of the external position.

The authorities emphasized the seriousness with which they regard their arrears to the Fund and reiterated their intention to honor these obligations. They stated, however, that the present and prospective availability of foreign exchange did not permit them to effect payment of the overdue amounts. Nevertheless they expressed the hope that a way could be found that would enable Guyana to have a program supported by the Fund. In their view, such a program was the only mechanism that could unlock the foreign resources needed to rehabilitate the economy, provide the basis for demand policy measures and, consequently, ensure the repayment of the overdue obligations. The Guyanese representatives indicated broad concurrence with the mission's assessment and stated that steps in the major areas of concern raised by the mission were under consideration. The mission was unable to conclude, however, that a policy package of the necessary strength and direction is in prospect.

V. Staff Appraisal

Guyana's economic and financial situation has experienced a serious deterioration over the past several years. Aggregate demand has exceeded output by margins that have been shown to be unsustainable, and the price structure has been severely distorted. Exogenous factors have had negative effects on Guyana's economic performance; however, the weakening of the economic situation also is attributable in large measure to the inadequacy of government policies. This has resulted in a major balance of payments crisis with widespread shortages of industrial inputs and essential foodstuffs, and emergence of a rapidly growing underground economy. The overall deficit of the public sector is estimated to have reached 62 percent of GDP in 1983 and is expected to increase further in 1984. The growing fiscal deficits by and large have been accommodated by an expansionary credit policy which, in turn, has resulted in the exhaustion of the country's international reserves and the accumulation of large external payments arrears. At the same time, declines in output have been registered in all sectors of the economy, but particularly in the main export sectors--rice, sugar, and bauxite; wage, price, and exchange rate decisions have had adverse consequences on the performance of these sectors. According to official estimates, real GDP declined by some 25-30 percent from 1977 to 1983.

Even though the analysis of economic developments in Guyana is made difficult by the considerable deterioration in the quality and relevance of the statistical information, it appears that in 1984 there will be a moderate recovery of the economy. On the strength of organizational and technical improvements in major industries, real GDP is expected to show an increase for the first time since 1980. The improved performance of output together with some firming of international market conditions point to some increase in export earnings this year, but it has to be emphasized that the country would still be facing a very difficult external situation given its heavy debt burden and large external arrears.

It is the view of the staff that the authorities need to introduce fundamental changes in both their medium-term growth strategy as well as in their current economic and financial policies. As regards the supply side, the reorganizational measures recently implemented are welcome, and some of their positive effects are already being felt; however, a sustained expansion of output is likely to be constrained by the lack of the foreign exchange needed to finance the required imports of inputs and spares and the rehabilitation of existing equipment. It is, therefore, very important to introduce as much flexibility as possible to the operation of the exchange system in order to increase the capacity to import. Improved economic policies can be expected to enable the country to increase its utilization of external credits. However, in view of the very precarious external debt situation of Guyana, recourse to foreign borrowing will inevitably remain limited. Therefore, it is essential for Guyana to develop a strategy based on the promotion and expansion of domestic savings.

In view of the central position that the state occupies in the Guyanese economy, the public sector will need to play a major role in the generation of the required savings. The continued growth in current expenditures of the Central Government is a matter of particular concern, and a sharp cutback in these expenditures will be needed to reverse the deteriorating trend of the public finances. Implementation of a restrained fiscal policy would help the Bank of Guyana to achieve adequate control over the expansion of monetary aggregates and halt the loss of net international reserves. In the context of a prudent credit policy, a flexible approach to interest rates would assist in the efficient management of credit policy and in the promotion of domestic savings.

The staff believes that the distortions affecting the price and productive structures of the economy are a major source of Guyana's present difficulties. Far-reaching modifications to the organization of economic activity and to the structure of relative prices are required to restore adequate incentives to economic agents in both the private and public sectors and to bring underground economic activities back to normal channels. In view of the great importance that foreign trade has in the economy, the establishment of a realistic level for the exchange rate will be essential in the restoration of an adequate structure of relative prices. Adjustment of the exchange rate also would result in a significant improvement of the fiscal outcome, provided that its price effects are allowed to be reflected throughout the economy and that appropriately restrained incomes and demand policies are pursued. The restoration of an appropriate structure of relative prices could be achieved through a series of adjustments in the relevant prices, but in the staff's view the preferred approach would be the complete freeing of the price system, including the exchange rate. The staff believes that a more gradual approach would not come to terms with a situation as distorted as that of Guyana and that fiscal and monetary restraint cannot be relied on alone to redress the situation.

The adoption of a comprehensive stabilization program involving far-reaching structural changes and strong adjustment measures would help bring about a sustainable balance of payments position and would permit the repayment of Guyana's overdue obligations to the Fund. Guyana retains comprehensive restrictions on the making of payments and transfers for current international transactions, arising from limits on the provision of foreign exchange for travel and transfers abroad and from the existence of external payments arrears; operates a restrictive import licensing system; and maintains a multiple currency practice. Furthermore, external payments arrears have increased since the last Article IV consultation. The staff urges 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 and the multiple currency practice.

It is recommended that the next Article IV consultation with Guyana be held on the standard 12-month cycle.

Guyana - Fund Relations
(As of May 31, 1984)

I. Membership Status

(a) Date of membership: September 1966
(b) Status: Article XIV

A. Financial Relations

II. General Department (General Resources Account)
(Position as of May 31, 1984)

	Millions of SDRs	Percent of Quota
(a) Quota:	49.20	100.00
(b) Fund holdings of Guyana dollars	122.95	249.90
(c) Fund credit:	73.75	149.90
Of which: CFF	14.68	29.84
Buffer stock	--	--
Credit tranche	--	--
EFF	59.07	120.06
Of which: from borrowed resources (SFF)	29.78	60.54
(d) Reserve tranche position	--	--
(e) Current operational budget	--	--
(f) Lending to the Fund	--	--

III. Extended Arrangements and Special Facilities

(a) Current: none

(b) Previous stand-by and extended arrangements since 1974:

(i) During the period 1974 to 1978 four one-year stand-by arrangements were approved for amounts ranging from SDR 5 million to SDR 7.25 million (equivalent to 25.00 to 36.25 percent of the quota at the time). The use of Fund resources under those arrangements amounted to SDR 13.50 million.

(ii) An extended arrangement for an amount of SDR 62.75 million (equivalent to 251.00 percent of the quota at the time) was approved in June 1979 and canceled in June 1980. Drawings under this arrangement amounted to SDR 10.00 million.

(iii) In July 1980 an extended arrangement for an amount of SDR 100 million (equivalent to 400 percent of quota) was approved. With the increase in the quota, the amount of the arrangement was increased to SDR 150 million (equivalent to 400 percent of the new quota). The arrangement was canceled on July 22, 1982, at that time purchases under this arrangement amounted to SDR 51.73 million (equivalent to 137.95 percent of the quota).

(c) Special facilities since 1981:

A CFF purchase for SDR 5.93 million (15.81 percent of the quota at the time) was approved in November 1982. This purchase brought Guyana's use of Fund resources under this facility to 50 percent of its quota.

IV. SDR Department

(a) Net cumulative allocation:	SDR 14.53 million
(b) Holdings:	None
(c) Current designation plan:	Not in designation plan

V. Administered Accounts:	None
VI. Overdue Obligations to the Fund:	SDR 16.04 million
Of which:	
CFF repurchases	SDR 6.41 million
EFF repurchases	SDR 3.93 million
Semiannual charges	SDR 2.76 million
Quarterly charges	SDR 2.95 million

B. Nonfinancial Relations

VII. Exchange Rate Arrangement:

Since June 2, 1981 the Guyana dollar has been pegged to a basket of currencies (the originally announced basket included the U.S. dollar, the pound sterling, the deutsche mark, the Japanese yen, and the Trinidad and Tobago dollar) while the U.S. dollar has continued to be the intervention currency. However, the exchange rate was kept at G$3.00 to the U.S. dollar from that date to January 14, 1984 when the basket of currencies was redefined to include the pound sterling, the deutsche mark, the Japanese yen, the French franc, and the Dutch florin and the preliminary target rate to be G$15.00 per unit of the basket. Consequently, on January 14, 1984, the exchange rate with respect to the intervention currency was set at G$3.75 per U.S. dollar. The rate has remained unchanged since then.

VIII. Past Decisions

The last Article IV consultation was concluded by the Executive Board on November 4, 1983 (SUR/83/33, 11/8/83). No decision was taken on the existent restrictions on payments and transfers for current international transactions.

On April 6, 1984 the Executive Board considered Guyana's overdue financial obligations with the Fund and the Managing Director's complaints under Rules K-1 and S-1 (EBS/84/47, 3/9/84, Supplement 2). The Board decided to place the complaints on its agenda for June 6, 1984.

On June 6, 1984 the Executive Board decided that Guyana should not make use of the general resources of the Fund until it becomes current on its obligations under the Articles of Agreement relating to repurchases and the payment of charges in the General Department. The Board also decided to call upon Guyana to adopt urgently additional economic and financial measures, for which purpose the Fund staff will stand ready to provide technical assistance, and to review the decision in connection with the forthcoming Article IV consultation, but not later than three months from June 6, 1984.

IX. Technical Assistance

A staff member of the Bureau of Statistics visited Georgetown from January 10 to 21, 1983 to document the sources and methods used in the compilation of Guyana's balance of payments statistics and to assist the authorities in making improvements where necessary.

Policy Developments in the Light of the Recommendations Contained in the Summing Up at the Conclusion of the 1984 Article IV Consultation with Guyana, EBM/83/152, November 4, 1983

In the Executive Board's discussion at the conclusion of the 1983 Article IV consultation with Guyana, Directors:

- Urged the Government to take prompt and determined action to redress the situation and to implement policies that would permit the elimination of external payments arrears. Directors mentioned in particular the extremely large public sector deficit and the attendant expansionary stance of monetary policy, the managerial deficiencies in the main export sectors, and the severe overvaluation of the currency and other distortions in the price system;

- stressed the need for a substantial devaluation of the currency both to strengthen the public finances and to facilitate the adjustment in relative prices;

- emphasized the need for an overhaul of marketing arrangements in the rice sector; and

- stated that the Fund would have to be confident that external financial support on concessional terms was forthcoming, that there would be a major political commitment on the part of the authorities to implement adjustment measures, and that all overdue obligations to the Fund have been met before access by Guyana to the use of Fund resources could be contemplated.

As is apparent from the present report, most of what was said at the end of the last consultation still applies. Guyana did introduce certain important managerial changes in the main export industries and has obtained some positive results with regard to improving efficiency in public corporations. Changes in marketing arrangements in the rice sector have been decided and are about to be implemented. The currency was depreciated by 20 percent in January 1984; however, this was clearly insufficient to correct the substantial overvaluation of the Guyana dollar.

Guyana--Basic Data

Area and population	
Area	83,000 sq. miles (215,000 sq. kilometers)
Population (end-1982)	775,000
Annual rate of population increase (1977-83)	0.7 percent
GNP (1983)	SDR 392 million US$419 million G$1,256 million
GNP per capita (1983)	SDR 503

Origin of GDP	1980	1981	1982	Rev. 1983
		(percent)		
Agriculture	21.5	22.1	24.4	25.9
Mining	14.1	12.5	9.6	6.3
Manufacturing	13.3	14.1	13.8	12.7
Construction	7.1	7.2	7.2	7.6
Government	20.7	20.9	21.6	23.2
Other services	23.2	23.2	23.4	24.3
Ratios to GDP				
Exports of goods and nonfactor services	69.2	64.6	54.9	50.3
Imports of goods and nonfactor services	-79.2	-87.8	-71.7	-70.4
Current account of the balance of payments	-17.9	-33.3	-29.3	-33.4
Central government revenues	30.2	36.3	38.1	36.6
Central government expenditures	62.0	75.5	108.6 1/	87.1
Public sector savings	2.2	-18.4	-19.9	-38.3
Public sector overall surplus or deficit (-)	-22.7	-46.7	-47.2	-61.8
External public debt (end of year)	93.7	121.6	136.5	152.3
Gross national savings	13.1	-5.6	5.3	-8.5
Gross domestic investment	31.1	34.9	29.1	25.0
Money and quasi-money (end of year) 2/	50.0	55.6	76.3	92.4
Annual changes in selected economic indicators				
Real GDP per capita (at factor cost)	0.8	-1.1	-11.2	-10.0
Real GDP at factor cost	1.6	-0.3	-10.4	-9.3
GDP at current prices (market prices)	13.7	5.9	-9.5	-1.5
Domestic expenditure (at current prices)	14.9	14.3	-12.0	--
Investment	(10.9)	(19.0)	(-24.6)	(-15.4)
Consumption	(16.5)	(12.5)	(4.5)	(3.4)
GDP deflator	11.5	8.5	-0.4	7.3
Consumer prices (annual averages) 3/	14.1	22.2	21.0	...
Central government current revenues	14.3	23.7	-2.0	-5.1
Central government current expenditures	23.5	31.2	-5.1	21.9
Money and quasi-money 2/	15.6	17.8	24.3	19.3
Money	(12.9)	(11.1)	(20.3)	(17.2)
Quasi-money	(17.2)	(21.8)	(26.4)	(20.4)
Net domestic bank assets	36.2	22.6	34.2	25.1
Credit to public sector (net)	(39.7)	(22.5)	(40.9)	(28.9)
Credit to private sector	(20.4)	(33.9)	(19.5)	(20.2)
Merchandise exports (f.o.b., in U.S. dollars)	33.7	-11.4	-29.7	-14.4
Merchandise imports (c.i.f., in U.S. dollars)	24.7	11.1	-36.3	-7.9

	1980	1981	1982	Rev. 1983
Central government finances	(millions of Guyana dollars)			
Current revenues	451.3	558.2	547.3	519.6
Current expenditures	613.9	805.6	764.8	932.1
Current account surplus or deficit (-)	-162.6	-247.4	-217.5	-412.5
Overall surplus or deficit (-)	-480.1	-626.8	-1,020.3 1/	-718.9
External financing (net)	93.4	388.7	129.6	120.0
Internal financing (net)	386.7	238.1	890.7 1/	598.9
Balance of payments	(millions of U.S. dollars)			
Merchandise exports, f.o.b.	389.2	344.7	242.2	207.3
Merchandise imports, c.i.f.	-396.1	-440.0	-280.4	-258.2
Investment income (net)	-35.8	-53.6	-47.5	-58.8
Other services and transfers (net)	-63.4	-40.3	-55.8	-49.0
Balance on current and transfer accounts	-106.1	-189.2	-141.5	-158.7
Public sector capital (net)	51.0	111.3	35.9	-9.6
Private capital and errors and omissions 4/ (net)	-42.9	15.7	12.1	-21.9
Arrears	17.0	91.0	113.1	202.8
Change in net reserves of banking system and public sector (increase -)	81.0	-28.8	-19.6	-12.6

International reserve position 5/ (end of year)	Dec. 31 1982	Dec. 31 1983	Mar. 31 1984
	(millions of SDRs)		
Central bank (net)	-314.6	-515.2	-543.9
Central bank (gross)	9.2	5.9	4.7
Rest of banking system (net)	-13.8	-12.4	-8.0

1/ Reflects a G$475 million equity contribution from the Central Government to some corporations to repay their bank overdrafts.

2/ Monetary system.

3/ Official CPI.

4/ Includes exchange profits and losses and profits from sale of gold by IMF.

5/ At exchange rates prevailing at the end of the period. Includes liabilities on account of external arrears.

Financial Relations of the World Bank Group with Guyana

IBRD/IDA lending operations as of April 30, 1984	Disbursed		Undisbursed	
	IBRD	IDA	IBRD	IDA
	(In millions of U.S. dollars)			
Education	8.61	7.03	1.29	--
Agriculture and forestry	21.32	2.53	1.58	9.66
Transportation	--	4.40	--	--
Program and structural adjustment loans	19.00	12.18	--	--
Sea defense	10.09	--	--	--
Energy	11.38	--	2.62	1.80
Other	2.07	--	0.35	--
Total	72.47	26.14	5.84	11.46

Principal payments: US$7.71 million.

Debt outstanding, including undisbursed: US$99.22 million.

Commitments, July 1983-April 1984: Nil.

Disbursements, July 1983-April 1984: US$6.1 million.

IFC investments: US$2.0 million.

Structural adjustment loan: A structural adjustment loan of approximately US$22 million was approved by the Bank's Board in February 1981. The loan credit was closed on December 31, 1983.

Technical assistance: The IBRD has provided technical assistance to Guyana through its project lending operations. In addition, a US$8 million loan for technical assistance in the power sector is under execution and a second technical assistance loan for US$1.5 million, approved in conjunction with the structural adjustment loan closed on December 31, 1983.

Recent economic and sector missions:	Economic and investment review missions conducted during February, April and August 1983 (Report: Guyana: Recent Developments, Structural Adjustment and Prospects, published January 11, 1984). An economic and investment review mission was undertaken in May 1984. These missions were conducted parallel to IMF missions and a number of joint meetings were held with the authorities. A special consultation mission was conducted in September 1983. A number of missions in connection with the supervision of ongoing lending operations have taken place during the past year.
Aid Consultative Group:	The sixth meeting of the Caribbean Group for Cooperation in Economic Development was held under the chairmanship of the IBRD in February 1984 in Washington, D.C. The seventh meeting will take place in June 1985.