

**FOR  
AGENDA**

SM/10/52  
Supplement 2

March 3, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Guyana—Staff Report for the 2009 Article IV Consultation—  
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2009 Article IV consultation with Guyana (SM/10/52, 3/3/10), which is tentatively scheduled for discussion on **Wednesday, March 17, 2010**. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of Guyana indicating that they do not consent to the Fund's publication of this paper.

Questions may be referred to Ms. González (ext. 35968) and Ms. Macario (ext. 39978) in WHD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, March 11, 2010; and to the European Commission and the Inter-American Development Bank, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being distributed in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

GUYANA

**Staff Report for the 2009 Article IV Consultation—Informational Annex**

Prepared by the Western Hemisphere Department

March 2, 2010

	Contents	Page
Appendices		
I.	Fund Relations.....	2
II.	Relations with the World Bank.....	6
III.	Relations with the Inter-American Development Bank.....	8
IV.	Statistical Issues.....	10

**APPENDIX I. GUYANA: FUND RELATIONS**  
As of December 31, 2009

<b>I. Membership Status:</b> Joined September 26, 1966; Article VIII					
<b>II. General Resources Account</b>					
	<b>SDR million</b>	<b>In percent of quota</b>			
Quota	90.90	100.0			
Fund holdings of currency	90.90	100.0			
<b>III. SDR Department</b>					
	<b>SDR million</b>	<b>In percent of allocation</b>			
Net cumulative allocation	87.09	100.00			
Holdings	2.49	2.86			
<b>IV. Outstanding Purchases and Loans</b>					
	<b>SDR million</b>	<b>In percent of quota</b>			
PRGF arrangements	37.06	40.77			
<b>V. Financial Arrangements</b>					
	<u>Approval</u>	<u>Expiration</u>	<u>Amount approved</u>	<u>Amount drawn</u>	
<u>Type</u>	<u>Date</u>	<u>Date</u>	<u>(SDR million)</u>	<u>(SDR million)</u>	
PRGF	9/20/2002	9/12/2006	54.55	54.55	
PRGF	7/15/1998	12/31/2001	53.76	24.88	
PRGF	7/20/1994	4/17/1998	53.76	53.76	
<b>VI. Projected Payments to Fund</b>					
(SDR million; based on existing use of resources and present holdings of SDRs)					
	<u>Forthcoming</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal	0.93	4.64	7.41	7.41	7.41
Charges/Interest	0.39	0.37	0.34	0.30	0.26
Total	1.31	5.00	7.75	7.71	7.67
<b>VII. Implementation of Multilateral Debt Relief Initiative (MDRI)</b>					
I. MDRI-eligible debt (SDR million) <sup>1</sup>					
	<i>Of which:</i> MDRI Trust		45.06		
	Remaining HIPC resources		31.58		
			13.48		
II. Debt relief by facility (SDR million)					
	<u>Delivery Date</u>	<u>GRA</u>	<u>Eligible Debt</u>		
	January 2006	N/A	<u>PRGF</u>	<u>Total</u>	
			45.06	45.06	

<sup>1</sup> The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

## VIII. Implementation of HIPC Initiative

	<b>Original Framework</b>	<b>Enhanced Framework</b>	<b>Total</b>
I. Commitment of HIPC assistance			
Decision point date	Dec. 1997	Nov. 2000	
Assistance committed by all creditors (US\$ million) <sup>2</sup>	256.40	334.50	
<i>Of which:</i> IMF assistance (US\$ million)	34.50	40.00	
(SDR equivalent in millions)	25.56	31.07	
Completion point date	May 1999	Dec. 2003	
II. Disbursement of IMF assistance (SDR million)			
Amount disbursed	25.56	31.07	56.63
Interim assistance	...	15.35	15.35
Completion point balance	25.56	15.73	41.29
Additional disbursement of interest income <sup>3</sup>	...	2.96	2.96
Total disbursements	25.56	34.03	59.59

## IX. Previous Decisions and Article IV Consultation Cycle

- a. On December 18, 2003, the Executive Board determined that Guyana had reached the completion point under the enhanced HIPC Initiative (EBS/03/158).
- b. On February 27, 2009, the Executive Board concluded the 2008 Article IV consultation (SM/09/41). Guyana is on a 12-month cycle for Article IV consultations.

## X. Safeguards Assessments

An updated safeguards assessment of the Bank of Guyana (BoG), related to the then expected PRGF arrangement, was completed in May 2007. The assessment found that the BoG has taken steps to improve its safeguards since the previous assessment in 2003. In particular, compliance with International Financial Reporting Standards (IFRS) in the annual financial statements have improved, although certain disclosures still do not meet requirements, and a new internal audit charter and associated practices have been adopted. The assessment recommended involvement of an audit firm with experience in International Standards on Auditing and IFRS in future BoG external audits to address professional capacity constraints in Guyana, and reconstitution of the Board of Directors to address governance shortcomings. The latter action was completed in May 2007.

## XI. Exchange Rate Arrangement

Guyana has accepted the obligations of Article VIII—Section 2, 3, and 4—and maintains an exchange system that is free of restrictions on the making of payments and transfers

<sup>2</sup> Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence, these two amounts cannot be added.

<sup>3</sup> Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

for international transactions, with the only exception of certain exchange restrictions for the preservation of national and international security. Guyana's *de jure* exchange rate regime is a managed float. Guyana's *de facto* exchange rate regime is classified as a stabilized arrangement. The BoG conducts transactions on the basis of the weighted average quotations of the three largest dealers in the exchange market. The currency of Guyana is the Guyana dollar. The exchange rate was G\$203.3 per U.S. dollar on December 31, 2009.

## XII. ROSC, FSAP and EPA Participation

- a. A fiscal ROSC was undertaken in July 2002.
- b. A WB/IMF FSAP took place in November 2005 and concluded in September 2006 (SM/06/292).
- c. Ex-Post Assessment findings were discussed with the authorities in June 2006 and concluded on October 23, 2006 (SM/06/338).

## XIII. Technical Assistance

### Fiscal Affairs Department

May 2006	Develop program to prepare for VAT implementation.
Aug. 2006	Monitor preparation for VAT implementation.
Sep. 2006	Monitor preparation for VAT implementation.
Dec. 2006	Monitor preparation for VAT implementation.
Dec. 2006	Update progress in strengthening the public expenditure management system.
Jun. 2007	VAT implementation follow-up.
Apr. 2008	CARTAC (budget management).

### Monetary and Capital Markets Department

Mar. 2009	CARTAC (Regulation of market risk capital charge)
Oct. 2009	CARTAC (Development of stress-testing)
Nov. 2009	CARTAC (Risk-based supervision training)
Dec. 2009	CARTAC (Development of stress-testing)

### Statistics Department

Apr. 2005	Monetary and financial statistics, follow up.
Apr. 2005	Government Finance Statistics.
Apr. 2006	CARTAC (national accounts)
Apr. 2007	CARTAC (national accounts)
Oct. 2007	CARTAC: LTE: Improvement of Annual GDP Estimates—Review of Survey Instruments.
Nov. 2007	CARTAC (Macroeconomic Statistics for Economists course)
June 2009	CARTAC (Training in Balance of Payments)
June 2009	CARTAC (Needs assessment on National Accounts)
June 2009	CARTAC (CPI revision of Georgetown index)
June 2009	CARTAC (Training in CPI methods and procedures)
Aug. 2009	CARTAC (National accounts rebasing)
Aug. 2009	CARTAC (CPI revision of Georgetown index)
Oct. 2009	CARTAC (National accounts rebasing)

Nov. 2009      CARTAC (CPI revision of Georgetown index)  
Jan. 2010      CARTAC (National accounts rebasing)

**Legal Department**

May 2005      Tax legislation.  
Aug. 2005      VAT regulations.  
Sep. 2005      Update AML/CFT legislation.  
Apr. 2006      Income-tax regulations.  
Aug. 2006      Tax drafting.

**XIV. Resident Representative**

Mr. Saqib Rizavi, since January 2005. The office was closed in end-January 2009.

**APPENDIX II. GUYANA: RELATIONS WITH THE WORLD BANK GROUP**  
(As of December 31, 2009)

The Guyana portfolio of IDA-financed projects is comprised of two projects totaling US\$21.3 million; HIV/AIDS (US\$10 million) and Water Sector Consolidation (US\$11.3 million). In addition, a Trust Fund portfolio totaling US\$18.9 million, includes: (i) the Education for All/Fast Track Initiative (EFA–FTI) program supported by the FTI Catalytic Fund (US\$12.2 million); (ii) the Global Environment Facility (GEF) grant for the Conservancy Adaptation Project (US\$3.8 million); (iii) the Bagasse Cogeneration project (US\$2.6 million) funded by the Community Development Carbon Fund managed by the World Bank, and a (iv) Trust Fund for National Statistics Strategy and Statistical Development TA project (US\$285,000).

Ongoing analytical work includes a regional energy study (Alternative Energy Supply), which is in line with the Government’s objective of diversifying power supply sources, and limiting Guyana’s exposure to hydrocarbon price fluctuations. Additionally, in 2009, an Integrated Fiduciary Assessment was completed and delivered to the Government.

A new CAS (2009-2012), discussed by the Board of Executive directors on May 26, 2008, included two new lending projects: (i) the Forestry, Climate Change, and Community Project (US\$3 million); and (ii) the Education Quality Project (US\$3 million). It also includes three analytical activities: On-demand economic monitoring and just-in-time analysis; Agriculture Risk Insurance, and Safety Nets.

### **World Bank Support to the Climate Change Agenda**

#### ***Adaptation***

The Bank supports the adaptation to climate change through two projects: first, the GEF financed “*Mainstreaming Adaptability to Climate Change*” (US\$5million) for CARICOM member states that has served as a platform to promote mainstreaming of climate change considerations and strengthen climate modeling capacity; second, the *Conservancy Adaptation Project* (US\$3.5million), which began operating in January 2008, to help reduce the vulnerability to catastrophic flooding from a rise in sea level.

#### ***Mitigation***

***The Forest Carbon Partnership Facility (FCPF)*** is an important attempt to reduce emissions through the conservation of existing carbon sinks in return for large-scale financial transfers.<sup>4</sup> Guyana was one of the first countries to join the FCPF in July 2008, and the very first country to submit a full-fledged Readiness Plan to the FCPF in February 2009.

---

<sup>4</sup> The Kyoto Protocol (2008-2012) does not include Forest Conservation and Avoiding Deforestation.

A grant is being processed for the Readiness Plan, and another grant will be available for its implementation. Guyana is an important pilot for the FCPF, which will help put in place the structures and accountability mechanisms.

More generally, the Country Assistance Strategy identifies four areas of support to Guyana's forests:

- i) The FCPF;
- ii) An IDA forest project complementing the FCPF grant and piloting innovative community management approaches;
- iii) A JSDF grant to support community-based enterprises in the hinterland; and
- iv) A possible GEF grant.

The Bank also supports Guyana's climate mitigation efforts through the *Skeldon Bagasse Cogeneration Project*. This project is not operational at this time because the Emission Reductions (ER) have not yet begun. ER will start when a power-purchasing agreement is signed with the Guyana Power and Light for export of bagasse-generated power to the grid.

## Financial Relations

### Statement of World Bank Loans

(In millions of U.S. dollars, as of December 31, 2009)

<b>Operation</b>	<b>Original Principal</b>	<b>Available<sup>1</sup></b>	<b>Disbursed<sup>1</sup></b>
GEF Conservancy Adaptation Project	3.8	3.2	0.6
GY (CRL) Water Sector Consolidation Project	11.3	2.3	9.3
HIV/AIDS Prevention and Control Project	10.0	0.0	10.0
Education for All Fast Track Initiative	12.2	0.0	12.2
<b>Total</b>	<b>15.1</b>	<b>5.5</b>	<b>9.9</b>

1/ Amounts may not add up to Original Principal due to changes in the SDR/US exchange rate since signing.

### Disbursements and Debt Service

(Fiscal Year ending January 2010)

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b> *
Total disbursements	7.0	7.5	6.2	20.9	3.6	2.5	12.3	4.6	7.8	3.7
Repayments	5.1	3.8	5.7	4.9	3.5	3.9	0.1	0.1	0.1	0.1
Net disbursements	2.0	3.8	0.6	16.0	0.1	-1.4	12.2	4.4	7.7	3.6
Interest and fees	2.0	1.8	1.7	1.8	1.9	1.7	0.1	0.1	0.1	0.03

\*July 2009 – January 2010

**APPENDIX III. GUYANA: RELATIONS WITH THE INTER-AMERICAN DEVELOPMENT BANK**  
(As of December 31, 2009)

The IDB is Guyana's major source of multilateral concessional financing with projects spanning most sectors. Since 1977, the Bank has approved loans amounting to US\$1,187.4 million. Outstanding debt stands at US\$259.4 million (excluding undisbursed HIPC debt relief, but after MDRI) while the undisbursed portfolio totals US\$195.1 million. The IDB cancelled US\$356.5 million (principal) of Guyana's outstanding debt effective January 2007. A further US\$35 million was cancelled from some loans in execution, which were undisbursed. A new formula for the allocation of resources to FSO-eligible countries was adopted as part of the MDRI program. Lending to Guyana has continued to be concessional (but with a lower grant element than before), consisting of a 50–50 blend of resources from the IDB's Fund for Special Operations and Ordinary Capital. New allocations will be determined based on the outcomes of recapitalization discussion at the next IDB Board of Governors Meeting in 2010.

The Board of Directors approved the IDB Country Strategy with Guyana 2008–2012 in January 2009. According to the new Strategy, the IDB and the GoG will make strategic interventions, while maximizing future financial allocations that increase the productivity of human inputs for all, promote entrepreneurship, strengthen the private sector, buffer the negative impacts of the economic transformation on the marginalized sectors of society, and create opportunities for key infrastructure improvements in partnership with the national and international private sector. The baseline scenario in the strategy envisages total lending of US\$113 million according to the following pillars: (i) strategic infrastructure investment, (ii) enhanced competitiveness, and (iii) social development for growth.

The large existing IDB portfolio, aligned with the above pillars and future allocations, is a principal foundation of this new strategy. Consequently, future initiatives will augment the positive, IDB-financed work already underway in Guyana. Beginning in 2009, the IDB has moved actively toward the use of country systems while ensuring a timely and efficient delivery of the important stock of projects in execution. The first set of steps focuses on improving financial management and institutional capacity of line ministries to execute projects directly. Country capacity will dictate the pace of this transition in addition to the measures needed to improve the execution and disbursement of the portfolio and the achievement of the development objectives, both at the strategic and project level.

In 2009, the IDB approved three projects totaling US\$34.8 million projects: Transport Sector Improvement & Rehabilitation Program (US\$24.8 million), the second phase of the Financial Sector Reform (US\$5 million), and the Expansion of the Basic Nutrition Program (US\$5 million). The 2010 pipeline consists of four operations: The Financial Sector Reform Program III (US\$5 million), Transport Umbrella Program II (US\$20 million), Water and Sanitation Program (US\$9.5 million), and Supplementary Financing for the Georgetown Solid Waste Program (US\$2 million).

Summary Statement of Active Loans, January, 2010 (in millions of U.S. dollars)				
Loan or Credit No.	Approval Year	Purpose	Amount Approved	Undisbursed
1047/SF	1999	Georgetown II Water Supply & Sewerage	14.8	1.6
1103/SF	2002	Unserved Areas Electrification Program	21.2	5.5
1548/SF	2004	Health Sector Program	23.0	4.2
1554/SF	2004	Moleson Creek-New Amsterdam Road	37.3	1.9
1558/SF	2004	Agricultural Support Services	17.4	11.3
1730-1/SF	2006	Georgetown Solid Waste Management	20.6	12.2
1745-6/SF	2006	Modernization of the Justice Administration System	25.0	16.0
1750-1/SF	2006	Support for Competitiveness Program	26.6	16.3
1752/SF	2006	Citizen Security	19.8	14.4
1803/SF	2006	Transport Infrastructure Rehabilitation Program	24.3	20.0
1929/SF	2007	Agricultural Export Diversification Program	20.9	18.3
1938/SF	2007	Power Sector Support Program	12.0	10.0
2102/BL	2008	Second Low Income Program	27.9	26.9
2215/BL	2009	Road Improvement and Rehabilitation Program	24.8	24.8
2270/BL	2009	Expansion and Integration of Basic Nutrition Program	5	5
<b>Total number of credits = 15</b>			<b>320.6</b>	<b>188.4</b>
Source: Inter-American Development Bank.				

## APPENDIX IV. GUYANA: STATISTICAL ISSUES

(As of February 9, 2010)

Data provided to the Fund is broadly adequate for surveillance purposes, although timeliness, reliability, and coverage of the data hamper assessment of the economic situation on a continuing basis. Most data are only available during missions and by telephone/email contacts by the staff, except for monetary statistics, exchange rates, interest rates, and financial prudential indicators, which are available with a lag from the website of the Bank of Guyana (BOG). Despite receiving substantial technical assistance, including from the Fund, to strengthen statistics, weaknesses in compiling and dissemination of data remain. Guyana is considering subscribing to the General Data Dissemination System (GDDS).

### **Real sector**

Considerable work has been completed to strengthen the national accounts. Building on significant structural changes in the economy since the launch of market-oriented reforms, GDP has been rebased with 2006 prices, reflecting more than sixty percent increase compared to the old GDP, based on 1988 prices. Caribbean Regional Technical Assistance Center (CARTAC) missions visited Georgetown in 2003, 2006, and 2007 and have since provided technical assistance on national accounts, which helped facilitate this exercise for the production side. Further work could entail reassessing the rebased GDP on the expenditure side. To this end, the Bureau of Statistics (BOS) could complete its register of enterprises and secure higher response rates for business surveys

Since January 1994, the BOS has been producing a consumer price index, based on weights derived from a household income and expenditure survey (HIES) for the year comprising the second quarter of 1992 through the first quarter of 1993. The CPI index reflects movements in prices in the Georgetown area. A new HIES was recently completed and new CPI series, reflecting more items in the basket and revised weights, will be published starting 2010.

### **Fiscal sector**

A government finance statistics (GFS) mission, which visited Georgetown in May 2005, assisted the authorities in determining the sources of the discrepancy between the fiscal data and monetary and financial data. The mission recommended improvements in the compilation of GFS (such as expanding the coverage of central government operations to include important statutory bodies with their own revenue and accounts) and improving data on the details of domestic financing. The authorities have made progress in implementing these recommendations, including the compilation of quarterly data for the National Insurance Scheme (NIS), and five nonfinancial public enterprises. Progress on the medium-term objective of adopting the methodology of the *Government Finance Statistics Manual (GFSM 2001)* is proceeding very slowly.

### **Monetary and financial sectors**

Monetary and financial statistics missions visited Georgetown in 2002, 2003, and 2005. The BOG has made significant progress in improving the quality of monetary statistics, especially

as regards the institutional coverage. The monetary statistics currently include the BOG, other depositary corporations (commercial banks, the New Building Society, and trust companies), and other financial corporations (finance companies, life insurance companies, non-life insurance companies, pension funds, and asset management companies). The BOG's monetary statistics provide data for publication in the *IFS Supplement*, based on standardized report forms. The BOG publishes financial prudential indicators in its quarterly report and on its website on a regular basis.

### **External sector**

In 2003, a mission from CARTAC noted several weaknesses in the compilation of balance of payments statistics, including that external debt arrears were not recorded in line with the fifth edition of the *Balance of Payments Manual*, and important financial account transactions were not identified. It recommended that the BOG continue the development of the new reporting form for direct investment, revise the methodology for recording arrears, and seek new data sources for improving the coverage of services. At present, estimates for other services are derived from surveys and an annual survey of major enterprises is used to collect data on inward direct investment. Despite some improvements, deficiencies with customs trade data have not been fully resolved, and the BOS maintains its own in-house capacity for processing customs data.

## Guyana: Table of Common Indicators Required for Surveillance

(As of February 9, 2010)

	Date of Latest Observation	Date Received	Frequency of Data <sup>8</sup>	Frequency of Reporting <sup>8</sup>	Frequency of Publication <sup>8</sup>
Exchange Rates	12/31/09	2/1/10	D	I	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	12/31/09	2/1/10	W	I	M
Reserve/Base Money	12/31/09	2/1/10	D	W	M
Broad Money	12/31/09	2/1/10	M	M	M
Central Bank Balance Sheet <sup>2</sup>	12/31/09	2/1/10	M	M	M
Consolidated Balance Sheet of the Banking System <sup>2</sup>	12/31/09	2/1/10	M	M	M
Interest Rates <sup>3</sup>	12/31/09	2/1/10	M	M	M
Consumer Price Index	9/30/10	1/10/2010	M	I	I
Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> – General Government <sup>5</sup>	12/09	1/10/2010	Q	I	NA
Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> – Central Government	12/09	1/10/2010	Q	I	NA
Stocks of Central Government and Central Government-Guaranteed Debt <sup>6</sup>	12/09	1/10/2010	A	I	A
External Current Account Balance	12/09	1/10/2010	M	I	Q
Exports and Imports of Goods and Services	12/09	1/10/2010	M	I	Q
GDP/GNP	2009	1/6/2010	A	I	A
Gross External Debt	12/09	1/10/2010	A	A	A
International Investment Position <sup>7</sup>	12/09	1/10/2010	N/A	I	N/A

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup> Balance sheet information of the Bank of Guyana and the consolidated balance sheet of the other depository corporations on standardized report forms are submitted to the Statistics Department of the IMF.

<sup>3</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>4</sup> Foreign, domestic bank, and domestic nonbank financing (partial information).

<sup>5</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>6</sup> Including currency and maturity composition (partial information).

<sup>7</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents (partial information).

<sup>8</sup> Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I), Not Available (NA).