

SUR/10/34

April 8, 2010

**The Acting Chair's Summing Up
Guyana—2009 Article IV Consultation
Executive Board Meeting 10/24
March 17, 2010**

Executive Directors agreed with the thrust of the staff appraisal. They noted that Guyana has weathered the global crisis well, sustaining a solid macroeconomic performance supported by prudent policies. Directors commended the authorities' commitment to further entrench macroeconomic stability and fiscal sustainability, while promoting long-term growth and development to improve the country's standard of living and reduce poverty.

Directors observed that the strong fiscal consolidation in 2009 provides space for a more gradual tightening over the near term to support infrastructure investment and growth. A cautious fiscal stance remains nevertheless warranted given remaining vulnerabilities. Directors therefore supported the authorities' commitment to maintain prudent expenditure policies and to continue implementing structural reforms aimed at safeguarding fiscal sustainability.

Directors commended the authorities' intention to continue seeking highly concessional terms when contracting debt and to minimize fiscal risks from public investment and public-private-partnerships (PPPs), paying close attention to international best practices. They welcomed the authorities' efforts to continue to enhance the quality of the assessment and fiscal accounting of public investment. Directors commended the authorities' commitment to reflect any firm or contingent liabilities related to PPPs in the public debt statistics.

Directors welcomed the authorities' efforts to achieve sustainable long-term growth, including under the Low Carbon Development Strategy. Continued modernization of the sugar sector and diversification of Guyana's productive base are key to sustaining growth. In this context, Directors stressed the importance for the public sugar company to implement its recovery measures and ensure that the new plant at Skeldon becomes fully operational in the near term.

Directors commended the authorities' prudent monetary policy aimed at maintaining low inflation. They noted that the exchange rate appears broadly aligned with fundamentals, and that the current exchange rate policy has served the country well. Looking forward, some Directors supported a gradual approach toward greater exchange rate flexibility, while others

considered that a more detailed assessment of the advantages and disadvantages of greater exchange rate flexibility in Guyana is needed.

Directors noted that the financial system has not been directly affected by the global crisis. They welcomed ongoing efforts to further strengthen supervision and enhance the banking system's resilience. Directors encouraged the authorities to require banks to increase provisioning, monitor asset quality, and further tighten the legislation on the exposure to large borrowers and related-party lending. They commended the recent amendment to bring insurance supervision under the purview of the central bank, and recommended gradually bringing all non-bank financial institutions under a similar regulatory perimeter.

Directors commended the continued upgrading of Guyana's statistical capacity. They welcomed the completion of the national accounts rebasing exercise, which resulted in a significant upward revision of GDP data. Directors welcomed the authorities' intention to review the requirements of the General Data Dissemination System (GDDS).

Directors supported the forthcoming publication of the PRSP to underpin the authorities' long-standing commitment to poverty reduction and reaching the Millennium Development Goals.

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