

GUYANA COUNTRY REPORT 2008

<p>Background and debt sustainability</p>	<p>Guyana is a Post HIPC/MDRI Lower Middle Income Country with a per capita GNI of US\$1,300 as of 2007 (WB Atlas Method). It was one of the first countries to benefit from the HIPC initiative. For original HIPC it reached decision point in September 1997 and completion point in May 1999 (and for enhanced HIPC, in November 2000 and December 2003). Its external debt burden has fallen sharply in the last decade, from 202% of GDP in 1997 to 67% in 2007. Real GDP growth averaged 5.2% during 2006-07, though inflation rose from 4.7% to 14.1% for the same years.</p> <p>In assessing external debt sustainability, Guyana is using DSF indicators for external debt and CBP indicators for domestic debt. Its domestic debt is fully sustainable, as is its external debt in relation to liquidity, but its external debt PV/GDP ratio exceeds the DSF threshold of 40%.</p>
<p>CBP support and impact</p>	<p>Guyana received assistance before the CBP through missions which helped Government to argue its case for HIPC Initiative eligibility. It began work with the CBP through a demand assessment mission in November 1997, and thereafter during phases I-III held three National Workshops, three institutional missions and one follow-up mission. The workshops helped Guyana to make its case for original HIPC completion point and enhanced HIPC decision points, as well as to analyse the results of enhanced HIPC completion point relief. The CBP also provided extensive assistance to Guyana in debt relief negotiations with Paris Club and non-Paris Club bilateral, multilateral and commercial creditors.</p> <p>During phase IV the level of assistance provided to Guyana was more intensive, in part due to EU cofinancing. It included five institutional missions (which elaborated a Procedures Manual for debt and new financing management, and recommended improvements to legal and institutional arrangements), and two national workshops. One of the workshops (November 2007) was to train staff in portfolio reviewing, and the other was to update the debt strategy, in March 2007. This concluded that Guyana's debt is sustainable but, according to the BWI Debt Sustainability Framework, it has a moderate risk of debt distress due to its vulnerability to shocks. Therefore Guyana should continue its borrowing policy of maximising grant and concessional loan financing because of its high vulnerability to macroeconomic shocks. It also designed borrowing ceilings compatible with budget plans and sustainability of external debt, and highlighted that Guyana needs urgently to improve the quality of its aid flows, especially in terms of use of government systems. Most recently, the CBP has provided support to Guyana with DfID cofinancing, for analytical work in its capacity as Chair of the Commonwealth Ministerial Debt Sustainability Forum.</p> <p>Guyana's capacity scores improved considerably through to 2000, declined until 2004 due to staff turnover, and thereafter have been rising again. The debt strategy score (MT2a) has varied, but is rising again in phase 4 due to policymaker commitment and staff continuity which has led to more regular updating of the strategy (though not formal approval since 2005). The legal and institutional framework has not improved significantly as, in spite of establishment of working groups and task forces on debt and aid, these structures have not functioned well. The sharpest increase in phase 4 (a period of intensive assistance to Guyana) has been in availability of trained personnel capable of formulating and executing the debt strategy, largely reflecting a higher degree of staff continuity: though there is still a need to widen the trained personnel in the macroeconomic area. On the other hand, there has been no progress in capacity-building planning, reflecting low priority within Government.</p> <p>Guyana still needs further improvements in its capacity to formulate and implement its debt strategy as well as to improve the legal and institutional framework for debt and new financing management (although many efforts have been underway during the last two years). In addition, it is highly needed to expand the base of trained people and resource persons, especially taking into account the reduced staff for debt management and consequently the impact of any staff turnover.</p>

Objectives and content of proposed country assistance	<p>Reflecting the above scores, the following activities are planned for 2009:</p> <ul style="list-style-type: none"> • One national workshop to update the strategy, emphasising specific areas needed to improve MT 2a and ST3b scores • One sensitization seminar addressed to Government bodies, to improve strategy implementation prospects and MT 2a scores. • Participation in Medium Term Debt Strategy Regional Workshop that addresses risk analysis <p>These interventions are expected to improve Guyana's scores. However, Guyana will require stronger policymaker commitment to legal, institutional and capacity-building issues, in order to meet its phase 4 targets.</p>
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Country Debt Strategy Progress					
Progress and Intended Results	CBP Logical Framework Performance Indicators	Initial Score (DRI - 1998)	Phase IV Baseline	Current Score (Aug 08)	Phase IV Target
	LT 1. Debt sustainability	3.0	3.0	4.0	3.0
	MT 2a. Debt management strategy updated at least once a year.	2.0	2.8	3.0	3.8
	MT2b. High-quality legal and institutional frameworks for debt strategy	3.0	2.2	2.2	3.4
	ST 3a Availability of trained personnel capable of formulating and executing national debt strategies	2.0	2.0	3.0	3.0
	ST 3c. High-quality capacity building plans which are implemented and annually updated.	1.0	1.0	1.0	3.4
Expenditure and Budget	Overall spending on Guyana since the start of CBP activity has been US\$419,708. Total expenditure allocated to support specific events for Guyana in phase 4 is US\$364,597.				