INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/379

GUYANA

2023 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

December 2023

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2023 Article IV consultation with Guyana, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 3, 2023, consideration of the staff report that concluded the Article IV consultation with Guyana.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on September 11, 2023, with the officials of Guyana on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on October 19, 2023.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF with the World Bank.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR23/417

IMF Executive Board Concludes 2023 Article IV Consultation with Guyana

FOR IMMEDIATE RELEASE

Washington, DC – December 4, 2023: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Guyana and considered and endorsed the staff appraisal without a meeting.

The Guyanese economy has tripled in size since the start of oil extraction (end-2019), from one of the lowest GDP per capita in Latin America and the Caribbean in the early nineties. Oil production is ramping up rapidly, supporting the highest real GDP growth in the world in 2022 (62.3 percent). With the help of oil revenues, first transferred to the budget in 2022, the government has started investing heavily to address large development needs. Fundamentals remain strong and there are no signs of inflationary pressures or overheating as of yet.

Guyana's oil reserves per capita are one of the highest in the world. Going forward, oil production will continue to expand rapidly as four new fields will come on stream by end-2028. Sustained real non-oil GDP growth is also expected, as the government continues to invest in human capital, lower energy costs, and build infrastructure, including for climate change adaptation. Real GDP is expected to continue to grow extremely fast in 2023 (38.4 percent) and on average of 20 percent per year during 2024-28.

Gross international reserves are expected to continue to accumulate and reserves coverage to strengthen. Substantial savings will accumulate in the Natural Resource Fund (NRF) in the medium-term. Annual transfers from the NRF to the budget according to the NRF Act will finance most of the increase in public capital spending to meet developmental needs.

These very favorable prospects are accompanied by balanced risks. On the upside, further oil discoveries would continue to improve Guyana's long-term economic prospects and a construction boom would support higher short-term growth than projected. The main downside risks are overheating, leading to inflationary pressures and appreciation of the real exchange rate beyond the level implied by a

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. At the request or with the consent of the member, IMF staff may hold separate discussions with respect to territories or constituent parts of a member. These Article IV consultation discussions form a part of the member's Article IV consultation. In such cases, a staff team visits the territory or constituent part, collects economic and financial information, and discusses with officials the territory's or constituent part's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board, which in turn constitutes an integral part of the member's AIV consultation for the relevant cycle.

balanced expansion of the economy. Other downside risks include highly volatile commodity prices and adverse climate shocks as well as governance concerns, which could negatively impact the economy.

Executive Board Assessment[2]

In concluding the 2023 Article IV consultation with Guyana, Executive Directors endorsed staff's appraisal, as follows:

The Guyanese economy continues to experience record growth, supported by the government's modernization plans and unparalleled oil and gas sector expansion. Guyana's external position at end-2022 is assessed to be moderately stronger than the level implied by fundamentals and desired policies. Guyana's debt-sustainability analysis (DSA) indicates that the risk of (overall and external) debt distress remains moderate, with debt dynamics improving significantly with incoming oil revenues. Overall real GDP growth is projected to grow 38.4 percent in 2023 and on average of 20 percent per year during 2024-28. Guyana's very favorable medium-term growth prospects are accompanied by upside risks—key among them being further oil discoveries that would continue to improve growth prospects—and downside risks—inflationary pressures and the appreciation of the real exchange rate beyond the level implied by a balanced expansion of the economy. Adverse climate shocks, and volatile or lower than projected commodity prices, may also negatively impact the economy. The key challenges are managing large resource revenue inflows to ensure macro-economic stability and sustainability, while investing steadily in people, physical infrastructure, and institutions.

Given the medium-term risks of inflationary pressures and real exchange rate appreciation beyond the level implied by a balanced expansion of the economy, staff recommend a continued focus on maintaining macroeconomic stability through an appropriate policy mix. Staff assess the 2023 policy mix to be appropriate, with fiscal policy increasing public investment to address the large development needs, and broad money growing in line with non-oil GDP. Staff welcome maintaining debt sustainability and a balanced growth path through moderating fiscal impulses over the medium-term, while continuing to address development needs.

The authorities' commitment to fiscal discipline is welcome and allows for a balanced growth path, with moderating fiscal impulses projected to achieve a zero overall fiscal balance by 2028. Gross international reserves and substantial saving in the National Resource Fund are expected to continue to accumulate in the medium-term.

Staff recommend adopting over the medium-term a comprehensive medium-term fiscal framework (MTFF). As a fiscal anchor, staff recommend setting a path for the non-oil primary balance (as a percent of non-oil GDP) consistent with the ceilings the withdrawals from the NRF of oil revenues which aim to ensure inter-generational equity. The MTFF should encompass further modernizing the public financial

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[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

management framework, to contain a clear medium-term fiscal anchor, a transition path, and an operational target. Staff recommend periodic expenditure reviews to ensure macroeconomic stability and preserve competitiveness by setting the pace of public investment to take into account absorption and institutional capacity constraints of the economy.

Staff recommend continuing close monitoring of macroeconomic and financial indicators, tightening monetary policy stance, and using macroprudential tools as needed. In the medium term, staff recommends a review of the exchange rate framework to ensure that it best serves the economy.

Staff support the authorities' efforts to maintain financial stability and recommend completing the implementation of the 2016 FSAP recommendations. Staff welcome BoG's asset quality reviews, the progress in conducting stress tests exercises, and the authorities' strategies to promote financial inclusion. Staff strongly support the authorities' commitment to complete the implementation of the 2016 FSAP recommendations, including closely monitoring sectoral lending exposures, related party lending, banks' ownership structure and increasing competition in the banking sector.

Staff commend the authorities' progress in strengthening AML/CFT, governance, anti-corruption frameworks and support further advances in their effective implementation.

Staff commend the authorities' progress to strengthen the management of oil wealth and its fiscal transparency and recommend addressing remaining gaps. In particular it is important to implement the recommendations of the 2019 Extractive Industries Transparency Initiative (EITI) reports, including in moving towards electronic disclosure and adequate follow-up.

Staff welcome the authorities' climate efforts implemented through LCDS 2030, which maintains forest coverage and preserves sequestration rates, and aims to enhance nature conservation, by including biodiversity conservation, watershed management, and the ocean economy, and receive payments for these efforts.

Guyana: Selected Social and Economic Indicators

I. Social Indicators

Population, 2021 (thousands)	805	Population not using an improved water source (%), 2020	3.2
Under-five mortality rate (per 1,000 live births), 2021	28	Access to electricity (%), 2020	93
Population living below the poverty line (%), 2000-06	35	Gini index, 2019	47
HDI rank, 2021	108		

II. Economic Indicators

		Prel.	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028
				(Annual percent change)				
Production and Prices								
Real GDP	20.2	62.3	38.4	26.6	18.8	21.2	21.2	13.5
Real Non-Oil GDP	4.6	11.5	9.1	6.6	5.5	5.5	5.5	5.5
Real Oil GDP	46.8	124.8	56.4	35.1	23.2	25.7	25.0	15.1
Consumer prices (average)	3.3	6.5	5.5	4.7	5.5	5.5	5.5	5.5
Consumer prices (end of period)	5.7	7.2	3.8	5.5	5.5	5.5	5.5	5.5
				(Percent of non-oil GDP)				
Central Government								
Revenue	24.5	33.8	41.1	40.4	40.1	38.6	37.4	36.8
Grants	0.5	0.6	0.7	0.0	0.0	0.0	0.0	0.0
Expenditure	35.5	46.7	57.2	53.5	48.4	44.6	40.2	36.8
Current	26.0	26.4	25.2	25.6	26.1	26.6	26.5	26.5
Capital	9.6	20.3	32.1	27.9	22.3	18.0	13.7	10.3
Overall balance (after grants)	-10.5	-12.2	-15.5	-13.1	-8.3	-6.0	-2.8	0.0
Non-oil Primary Balance (after grants)	-9.8	-21.5	-28.8	-27.6	-22.5	-19.0	-15.0	-11.2
				(Percent of GDP)				
Revenue	16.7	14.2	17.6	15.4	14.5	13.0	13.4	13.9
Expenditure	24.2	19.6	24.6	20.4	17.5	15.0	14.4	13.9
Current	17.7	11.1	10.8	9.8	9.4	8.9	9.5	10.0
Capital	6.5	8.5	13.8	10.6	8.1	6.0	4.9	3.9
Overall balance (after grants)	-7.2	-5.1	-6.7	-5.0	-3.0	-2.0	-1.0	0.0
Total public sector gross debt 1/	43.2	26.0	29.9	29.0	28.2	26.0	26.5	26.0
External	18.0	10.3	11.0	9.7	9.3	7.8	7.6	7.1

Guyana: Selected Social and Economic Indicators (Concluded)

Domestic	25.2	15.7	18.9	19.3	18.9	18.2	19.0	18.9
				(Annual percent change)				
Money and Credit								
Broad money	13.8	14.5	16.8	12.8	11.6	10.7	10.8	10.9
Domestic credit of the banking system	20.1	22.5	24.3	19.7	10.5	10.8	7.7	4.0
Public sector (net) 2/	34.0	30.7	35.5	27.8	12.2	12.7	7.7	1.8
Private sector	9.0	14.5	11.7	8.6	7.8	7.8	7.7	7.7
External Sector								
Current account balance 3/	-1,981.6	3,450.9	2,945.2	4,070.2	4,247.2	7,051.1	11,122.3	14,259.3
(Percent of GDP)	-25.9	23.8	18.0	20.0	18.1	25.3	38.6	47.7
Gross official reserves	810.8	932.4	1,064.6	1,305.7	1,677.7	2,078.6	2,552.8	3,057.6
(Percent of GDP)	10.6	6.4	6.5	6.4	7.1	7.5	8.8	10.2
Months of imports of goods and services 4/	1.3	1.1	1.0	1.1	1.4	1.8	2.2	3.6
Months of non-oil imports of goods and services	3.8	2.8	3.1	3.7	4.9	6.0	7.2	8.4
Crude oil production (million barrels)	42.7	101.4	138.7	182.5	219.0	268.3	335.8	386.9
Oil price (barrel)	70.8	99.0	82.4	81.2	77.4	74.3	71.6	69.3
Memorandum Items:								
Nominal GDP (G$ billion)	1,597.4	3,029.4	3,404.6	4,236.5	4,905.4	5,815.6	6,014.5	6,235.8
Nominal GDP, non-oil (G$ billion)	1,089.9	1,270.4	1,462.9	1,612.3	1,775.0	1,950.7	2,145.7	2,363.2
Per capita GDP, US$	9,707.0	18,353.1	20,564.6	25,513.0	29,452.9	34,813.6	35,896.4	37,106.3
Guyana dollar/U.S. dollar (period average)	208.5	208.5	…	…	…	…	…	…

Sources: Guyanese authorities; UNDP Human Development Report; World Bank; and IMF staff calculations and projections.

1/ Since 2015-16, public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.

2/ The changes in public sector (net) are from a small base, making the series volatile.

3/ The external current account for 2018 onwards includes high value imports of oil goods and services.

4/ Gross reserves in months of projected imports of goods and services. From 2017, these are affected by high value imports of oil goods and services.

INTERNATIONAL MONETARY FUND

GUYANA

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION

October 19, 2023

KEY ISSUES

Context. The Guyanese economy has tripled in size since the start of oil extraction (end-2019), from one of the lowest GDP per capita in Latin America and the Caribbean in the early nineties. Oil production is ramping up rapidly, supporting the highest real GDP growth in the world in 2022 (62.3 percent). With the help of oil revenues, first transferred to the budget in 2022, the government has started investing heavily to address large development needs. Fundamentals remain strong and there are no signs of inflationary pressures or overheating as of yet—annual CPI inflation rate was 1.2 percent in July 2023—since there remains slack in the economy.

Outlook. Guyana's oil reserves per capita are one of the highest in the world. Going forward, oil production will continue to expand rapidly as four new fields will come on stream by end-2028. Sustained real non-oil GDP growth is also expected, as the government continues to invest in human capital, lower energy costs, and build infrastructure, including for climate change adaptation. Gross international reserves are expected to continue to accumulate, with coverage indicators continuing to strengthen. In the medium term, substantial savings will accumulate in the Natural Resource Fund (NRF) and annual transfers from the NRF to the budget according to the NRF Act will finance most of the increase in public capital spending to meet developmental needs. A commitment to a zero overall fiscal balance over the medium term anchors this scenario, through moderating fiscal impulses, without creating macroeconomic imbalances.

Risks. These very favorable prospects are accompanied by balanced risks. On the upside, further oil discoveries would continue to improve Guyana's long-term economic prospects and a construction boom would support higher short-term growth than projected. The main downside risks are overheating, leading to inflationary pressures and appreciation of the real exchange rate beyond the level implied by a balanced expansion of the economy. Other downside risks include highly volatile commodity prices and adverse climate shocks as well as governance concerns, which could negatively impact the economy.

Focus. Policy discussions focused on the authorities' ambitious plans to rapidly transform Guyana using revenues from oil extraction, while ensuring macroeconomic and financial stability, mitigating risks, and adapting to climate change.

Key Policy Recommendations:

- *Maintain macroeconomic stability*. Given the sheer size of the expected oil transfers and fiscal spending, the policy priorities remain to avoid overheating and `Dutch disease.' Closely monitor macroeconomic and financial indicators and further tighten monetary policy stance and use macroprudential tools as needed.

- *Fiscal policy anchor*. Even though fiscal policy operates under various constraints, staff recommends designing a comprehensive fiscal policy framework that guides spending decisions based on a medium-term fiscal framework (MTFF) for a resource rich country, together with further modernizing the public financial management framework, including for public investment. The financing of this spending will remain according to the ceilings established by the NRF Act. Transitioning to a zero overall fiscal balance over the medium term allows the government to meet its ambitious investment goals, while ensuring fiscal sustainability and intergenerational equity without creating macroeconomic imbalances.

- *Monetary policy*. Continue containing inflationary pressures by keeping increases in broad money below non-oil GDP growth and tightening monetary policy further if signs of overheating or imbalances arise. Increase efforts to deepen financial markets and review the exchange rate framework to ensure that it best serves the economy in the medium term.

- *Financial sector*. Continue to improve systemic risk monitoring through stress testing and strengthen financial sector supervision.

- *Continue to strengthen governance, anti-corruption and AML/CFT frameworks*, in line with international standards, including the Financial Action Task Force standards, United Nations Convention Against Corruption, and following up on implementation of the Extractive Industries Transparency Initiative recommendations.

Approved By
James Morsink (WHD) and Geremia Palomba, Anna Ilyina (SPR)

Discussions took place during August 28-September 11, 2023, virtually and in-person in Georgetown, Guyana. The mission team comprised Alina Carare (Head), Rina Bhattacharya, Moya Chin, Manuk Ghazanchyan (all WHD). Reshma Mahabir (OED) participated in the discussions. Minnie Park, Soungbe Coquillat, Siyao Chen, Abreshmi Nowar and Sheng Tibung (all WHD) assisted the team.

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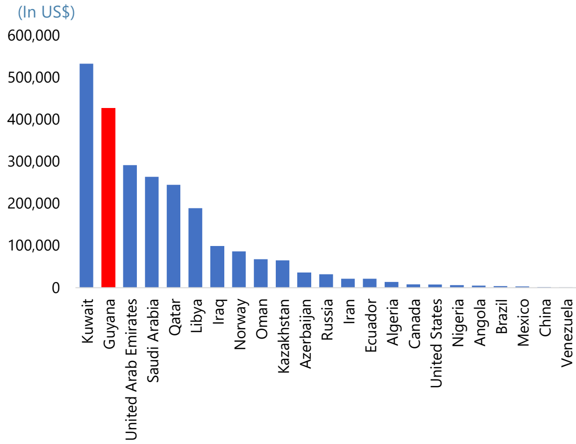
ANNEXES

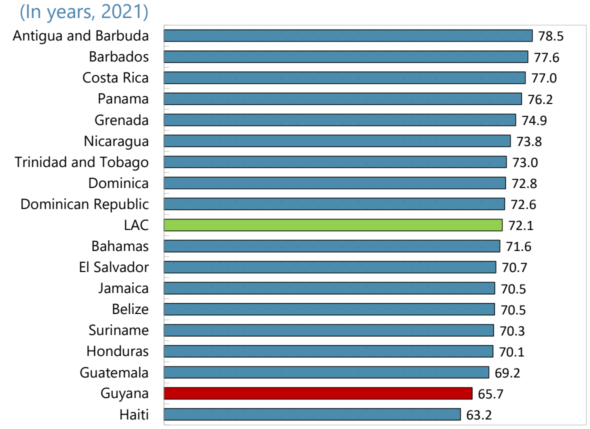
CONTEXT

1. **Guyana is a small state with large oil production and development needs.** After oil production commenced in end-2019, the Guyanese economy has tripled in size. GDP per capita[1] increased from one of the lowest in the Latin America and Caribbean (LAC) region in the early nineties to US$18,342 in 2022. Guyana's commercially recoverable petroleum reserves—over 11 billion barrels and expected to last 40 years—are one of the highest per capita levels in the world (chart). Although GDP soared, development needs remain large. Life expectancy (see chart) and the UN education index remain lower than the median for the region, and over 5 percent of the population lacks access to electricity.

Present Value of Oil Reserves per Capita 1/
(In US$)



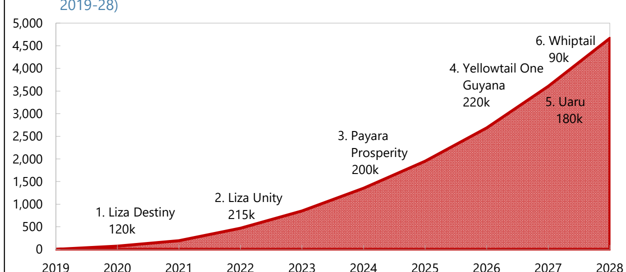
Life Expectancy at Birth
(In years, 2021)



Sources: IMF, World Economic Outlook Database; U.S. Energy Information Administration; OPEC; and UNDP.
1/ Estimated based on assumption of oil price increasing at 0.6 percent per year and discount rate of 3 percent (similar to the expected long-run returns to Guyana's NRF, as per the NRF Act).

2. **Oil production is ramping up rapidly, supporting extraordinarily high real GDP growth**. With the coming on stream of Liza-2, Guyana more than doubled its oil production in 2022, to about 400,000 thousand barrels per day (bpd; chart). As a result, Guyana recorded the highest real GDP growth rate in the world, 62.3 percent. Going forward, oil production will almost triple by 2028 to about 1 million bpd as four new approved fields will come on stream by 2028.[2]

Oil Production in Guyana
(Thousands of barrels per day, per field, and cumulative daily production 2019-28)



Sources: Staff estimates based Exxon, Hess, Guyana's Government projections.

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[1] The population is approximately 800,000 people.

[2] Whiptail, a sixth field, is expected to be approved by early 2024 and begin producing in 2028. Exxon has also announced at least two other field discoveries.

3. The government has two sets of rules based on which it receives and saves a large share of oil proceeds to avoid building up rapid macro economic imbalances. One set of rules governs how oil proceeds are shared with the Exxon consortium (2016 Profit Sharing Agreement, PSA). Since oil extraction requires large upfront investments, recoveries for exploration and development costs received by the private sector companies represent a high share of the oil receipts in the first years, reducing the portion of oil production considered as profit. Once costs are fully recovered, a larger portion of oil production will be considered profit and an increasingly large share of oil proceeds will be received by the government.[3] The second set of rules are laid out in the Natural Resource Fund (NRF) Act, approved in 2019 and amended in 2021, which establishes a sovereign wealth fund, the NRF, to delink public spending from the volatility in natural resource revenues, to "ensure that natural resource revenues do not lead to a loss in competitiveness, to transfer natural resource wealth across generations fairly, and to use natural resources wealth to finance national development priorities and any initiatives aimed at realizing an inclusive green economy." Withdrawals from the NRF to the budget are subject to annual ceilings and parliamentary approval, and can be used only to finance national development priorities and "essential projects that are directly related to ameliorating the effect of a major natural disaster." In 2020 the first oil proceeds were received and deposited in an offshore account of the NRF, and in 2022 the first funds were transferred to the budget (just over 4 percent of GDP).

4. The government is implementing its ambitious plans to transform the economy primarily financed by oil receipts. The administration is focused on ensuring the country, including the next generations, benefit from the nation's oil wealth. Most of the 2022 increase in government spending was concentrated on capital spending to address urgent needs (investment in social housing or roads rehabilitation) and start of multi-year projects to raise potential output (infrastructure and human capital projects) and increase resilience to climate effects.[4]

5. The key challenges are managing large resource revenue inflows to ensure macro-economic stability and sustainability, while investing steadily in people, physical infrastructure, and institutions.[5] The public investment plans detailed in ¶4 relate mainly to the need to invest in physical infrastructure. Since the country is prone to natural disasters (flooding) and adverse climate change effects (the majority of the population lives in the low coastal areas),

[3] A maximum of 75 percent of oil export receipts can be claimed as cost recovery by the Exxon-led consortium. The remaining profit oil is equally shared between Exxon and Guyana. When cost recovery is at its maximum, Guyana receives 14.5 percent of oil export receipts (including royalties).

[4] The plans include: (i) invest in power plant construction and transform offshore gas into commercial energy to address developmental needs, and improve competitiveness by increasing electricity supply, enhancing reliability of the power grid, and lowering energy costs; (ii) build a highway to Brazil, two bridges—to Suriname and over the Demerara river—rehabilitate the road and railway network to increase trade connections; (iii) build an agro-processing unit, and establish a regional food hub, to diversity the non-oil economy; (iv) build schools and six regional hospitals to develop human capital; and (v) improve watershed management, flood risk management, and build five water treatment plants to increase resilience to flooding.

[5] The government led by the People's Progressive Party/ Civic (PPP/C) currently holds 33 out of the 65 seats in the National Assembly, and at the local level does not control the three largest cities. The next general election is scheduled for November/December 2025.

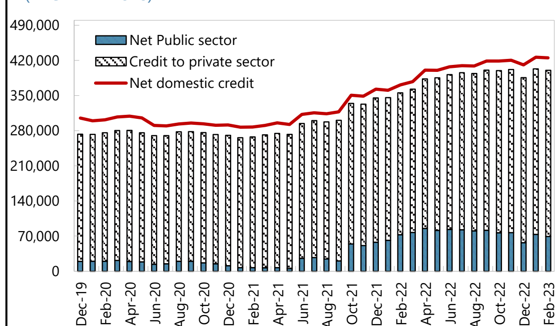
those plans include public spending related to increasing the economy's resilience to climate effects. The policy sections of this report detail the discussion with the authorities on these key challenges.

RECENT DEVELOPMENTS AND POLICIES

6. The very high real GDP growth in 2022, 62.3 percent, was supported by strong oil and non-oil developments. Oil GDP growth was 124.8 percent, and non-oil GDP growth also expanded very strongly (11.5 percent) due to the excellent performance in agriculture,[6] livestock, forestry, bauxite and diamonds. Construction and the production of basic construction materials continued to be very strong, including in the first half of 2023, when real non-oil GDP grew by 12.3 percent compared to end-December 2022.

7. There are no signs yet of inflationary pressures. Consumer price index (CPI) inflation reached 7.2 percent on a year-on-year (y-on-y) basis at end-2022, due to rising global shocks in food and transport prices (Figure 1). The government introduced fiscal measures during March-December 2022 to contain inflation and announced additional measures in July 2023.[7] CPI inflation declined rapidly, reaching 1.2 percent on a y-on-y basis in July 2023, owing to lower food, transport and utilities prices. The CPI housing component (including rent) remained low and reached -0.6 percent on a y-on-y basis in July 2023. Data shows slack remains in the economy,[8] particularly the labor market. Although there was employment growth in the oil, services, and construction industries, the slack in the labor market remains unemployment rate was estimated to be 12.4 percent in 2022, and the youth unemployment rate to be 25 percent.

Commercial Bank Credit to the Economy 1/
(In GYD millions)



Sources: Bank of Guyana; IMF staff calculations.
1/ Includes net interbank (float) and unclassified items.

8. Credit to the private sector was supportive to economic growth. Broad money grew by 14.5 percent in 2022, around 3 percent below the nominal growth rate of the non-oil GDP. Although credit from commercial banks to the government increased noticeably (chart), it was in line with nominal non-oil GDP growth, and most

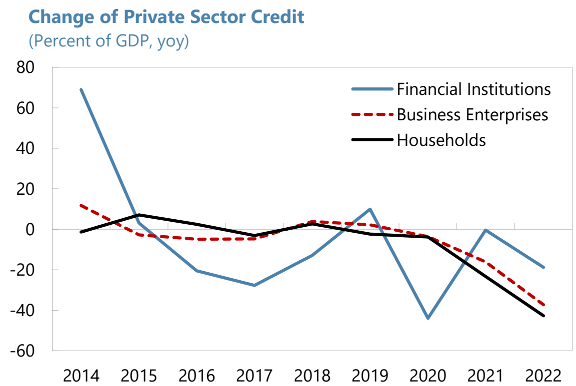
[6] Sugar production remained affected by the 2021 floods. Increased acreage and yield in rice, coconuts and sweet potatoes supported agricultural growth.

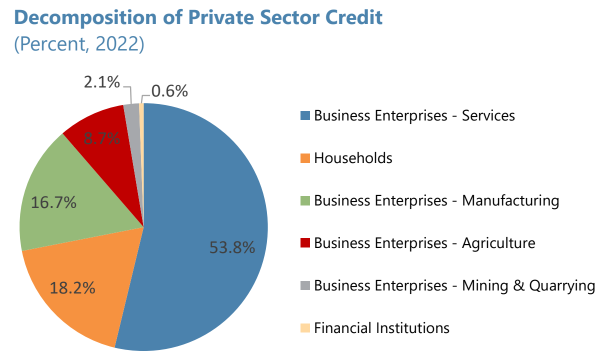
[7] Lowering the excise tax rate for petroleum imports to zero; extending the application of the freight cost adjustment to pre-pandemic levels for the calculation of import taxes; and distributing fertilizer to farmers to encourage replanting and reduce the impact of imported fertilizer price spikes. In 2023 corporate income tax on income earned by banks on loans to poultry farmers has been removed.

[8] Staff analysis suggests large negative output gaps in 2022 and 2023.

of the credit increase went to the private sector, remaining concentrated in the business and trade services sectors (charts). These trends continued in the first half of 2023.[9]

Guyana: Monetary Developments





Source: Bank of Guyana; and IMF staff calculations.

9. Despite much higher capital spending, the fiscal deficit as a share of GDP improved in 2022, due to oil revenues. Public capital expenditures more than doubled to 20.3 percent of non-oil GDP,[10] while current expenditures remained roughly constant. For the first time, oil revenue were transferred from the NRF (in line with the maximum allowed) and accounted for almost 30 percent of total central government revenues (10 percent of non-oil GDP). The non-oil primary deficit (as a share of non-oil GDP) more than doubled, to 21.5 percent, from 9.8 percent in 2021. The overall fiscal deficit (after grants) as a share of non-oil GDP increased by 1¾ percent, to 12.2 percent, but it declined as a share of GDP, from 7.2 to 5.1 percent, with the rapid increase of the overall economy. The share of external financing of the fiscal deficit almost tripled, to 38.7 percent, but total public debt fell sharply, from 43.2 to 26.0 percent of GDP.

10. Guyana's current account swung to a surplus of 23.8 percent of GDP in 2022, as the strong growth in oil exports more than offset higher imports, which increased largely due to commodity prices. While the financial account recorded a net outflow, due to repatriation of investment by oil operators, inflows of FDI remained high in the oil sector.

11. Commercial banks remain well capitalized and continue to improve their loan portfolios. At end-June 2023, banks' capital adequacy ratio (CAR), of 18.4 percent was well above the regulatory minimum of 8 percent, and the ratio of nonperforming loans to total loans was 3.4 percent down from 7.8 percent at end-2021. Returns on assets and equity have also improved slightly. The Bank of Guyana (BoG) has advanced in major reform areas, specifically in: (i) revising AQR guidelines (including revised credit classification and provisioning for the loss category) and (ii)

[9] Broad money grew by 10 percent in the first six months of 2023, well below the nominal non-oil GDP growth. In addition, commercial bank reserves at the Bank of Guyana decreased, by 1.4 percent, reflecting a decline in excess reserves.

[10] Public capital spending is reflecting first installments of multi-year contracts after the signing of large infrastructure projects. The rate and pace of execution of these projects vary.

implementing some pillars of Basel II and III.[11]

12. Guyana's external position at end-2022 is assessed to be moderately stronger than the level implied by fundamentals and desired policies (Annex I). The nominal and real effective exchange rates appreciated in 2022 by 4.7 and 3.0 percent, respectively, due to U.S. dollar appreciation against the currencies of Guyana's other trading partners and to higher inflation in Guyana relative to most trading partners.[12] Guyana accumulated gross international reserves (GIR) in 2022, about US$120 million. The GIR coverage related to total imports deteriorated slightly to 1.1 months and to 50.4 percent of the Assessing Reserve Adequacy (ARA) Emerging Markets (EM) metric.[13]

OUTLOOK AND RISKS

13. The near-term growth outlook remains very positive. In the near term (2023-24), oil production is projected to increase further, to about 550,000 bpd (about 200 million barrels per year) as the third field, Payara, comes on stream. In addition, good prospects in agriculture are expected with the rehabilitation and expansion of sugar plants following the 2021 floods. Construction and services are expected to continue to strongly support non-oil GDP growth. As a result, in 2023 real GDP growth is projected to reach 38.4 percent, and non-oil real GDP growth about 9.1 percent.

14. The outlook for medium-term growth is extremely strong. Private investment for the growing oil and gas, and service industries are expected to further support growth.[14] Public capital spending is expected to remain elevated (on average about 6½ percent of GDP per year), to meet the economy's development needs, and the increase will be financed mostly by the expected oil revenue transfers (about G$278 billion on average, or 15 percent of non-oil GDP and 5 percent of GDP per year). In staff's projections, the economy is expected to double in size by 2028. Inflation is projected to rise[15] but not to jeopardize price stability, given the moderation in fiscal impulses every year, the slack in the economy, and the authorities' efforts to ease capacity constraints. Given staff

[11] Owing to the implementation of Basel II and III the CAR ratios have declined as the level of capital remained the same, but the risk weighted assets increased to account for market and operational risks, in addition to credit risks.

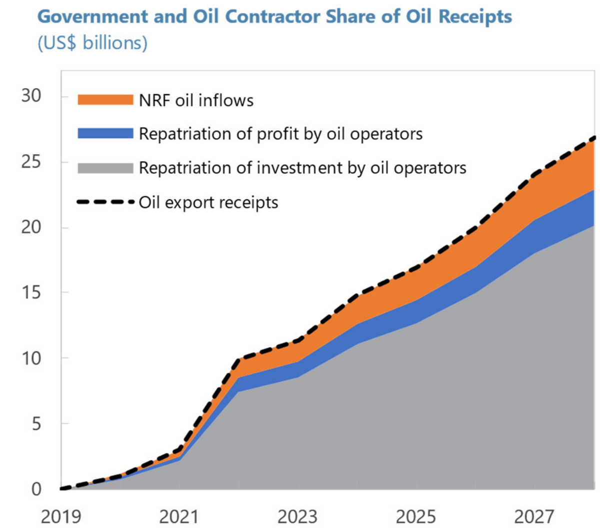
[12] Guyana's main trading partners are the United States, Trinidad and Tobago, China, and Japan. Inflation in Guyana was higher than its partners, except for the United States.

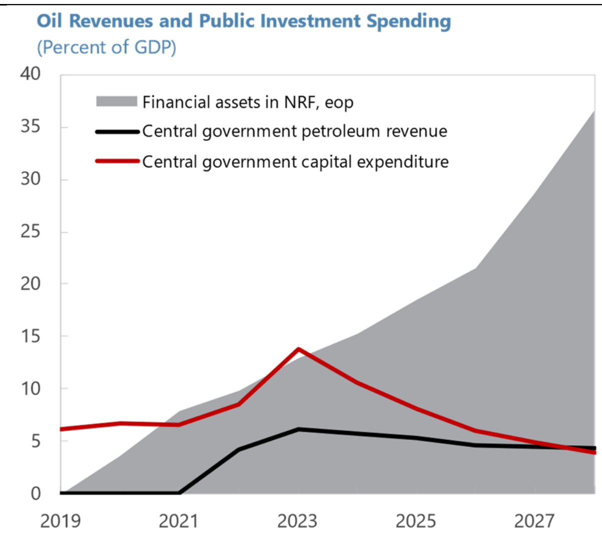
[13] Total imports are often distorted by large, temporary oil-related investments that are financed by FDI. GIR coverage relative to the ARA EM metric increased to over 100 percent if calculated using non-oil exports, and decreased from 3.8 to 2.8 of non-oil imports.

[14] Projected medium-term real non-oil GDP growth is 5.5 percent, 1.5 percentage points higher than pre-oil average. The output gap is projected to close in 2026.

[15] About 5.5 percent per annum, 3.5 percentage points higher than the historical average in the pre-oil economy to reflect pressures on non-tradeable prices, including expected wage pressures. Given the moderation of fiscal impulses in the medium-term, the inflation projections assume that the currently estimated output gap can absorb the inflationary pressures without creating imbalances.

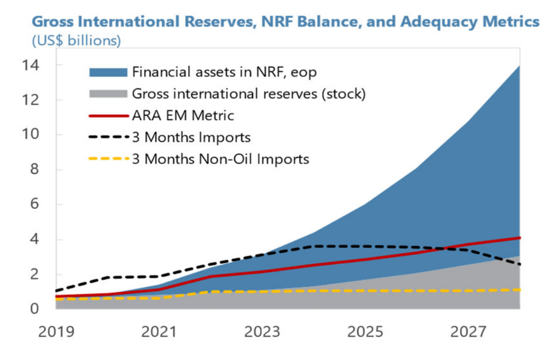
projections for inflation in Guyana and its trading partners, a steady real appreciation in the real exchange rate is expected.





Source: Ministry of Finance, IMF staff calculations.

15. The external position is expected to continue to strengthen. Investment imports related to the oil sector will remain high ramping up oil production, sustaining current account surpluses going forward. All GIR coverage indicators will continue to strengthen, and the GIR stock is expected to reach about 10 percent of GDP by 2028 (chart). In addition, savings in the NRF are expected to reach about US$11 billion (36.5 percent of GDP) by 2028 (charts).[16]



Source: Ministry of Finance, IMF staff calculations.

16. Guyana's very favorable growth prospects are accompanied by upside and downside risks (Annex III). On the upside, further oil discoveries would continue to improve Guyana's long-term economic prospects.[17] A construction boom may support higher short-term non-oil GDP growth than projected, but with a short- and medium-term downside risk of higher inflationary pressures, an appreciation of the real exchange rate beyond the level implied by the projected

[16] Oil operators can recover costs associated with approved and unapproved projects (¶3), including exploration and development costs of the approved fields (Liza-1, Liza-2, Payara, Yellowtail and Uaru) and the field that is expected to be approved shortly (Whiptail), the Gas to Energy project (expected start up by 2025), and two additional unapproved fields, which are scheduled to begin development in 2024, and be approved in the medium term.

[17] See also footnote 16. Additional offshore oilfields in the Stabroek block announced by Exxon potentially account for over 30 percent of the commercially recoverable reserves in that block.

balanced expansion of the economy.[18,19] Global risks include highly volatile commodity prices that could adversely affect growth, fiscal performance, and external buffers. Adverse climate shocks could also weaken the macroeconomic outlook.

Authorities' Views

17. The authorities agreed that medium-term growth prospects are better than ever before and broadly agreed with the risks to the economy. The authorities agreed that their modernization plans, and the unparalleled expansion of oil production will contribute to a very rapidly growing economy, including the non-oil sector. They also highlighted their efforts to ensure a balanced growth path. The authorities broadly agreed with the upside and downside risks to the outlook and emphasized that they are vigilant and working towards mitigating the potential downside risks, including the main one rising from overheating, leading to inflationary pressures and appreciation of the real exchange rate beyond the level implied by a balanced expansion of the economy.

POLICY DISCUSSIONS

Policy discussions focused on the authorities' ambitious plans to rapidly transform Guyana using revenues from the oil extraction, while ensuring macroeconomic and financial stability, mitigating risks, addressing governance vulnerabilities, and adapting to climate change.

A. Ensuring Fiscal Sustainability

18. The 2023 budget is dominated by another year of strong oil revenues and high public investment spending. The 2023 budget projects a continued expansionary stance, driven by a further increase in public investment, from 8.5 to 13.8 percent of GDP,[20] while non-interest current expenditures grow in line with non-oil GDP. Total revenues are projected to grow strongly as well, driven by (i) an increase in oil revenues, to about US$1 billion (6 percent of GDP), which will finance more than one-quarter of the 2023 budget, and (ii) capital revenues and carbon credit inflows (1 percent of GDP). The overall fiscal deficit after grants is projected to increase to about 15.5 percent of non-oil GDP and 6.7 percent of GDP.[21] Staff views this stance as appropriate, given the country's

[18] Overheating or larger FX inflows may lead to additional appreciation of the real exchange rate beyond the expected appreciation in the macroframework. See 2022 Article IV report for simulations in Annex IV for the risks of rapidly expanding public investment spending.

[19] Additional risks include crowding out of private sector credit, and lower public investment efficiency and governance concerns. International experience shows that public investment efficiency may decrease if project implementation ramps up past capacity constraints, quality of governance deteriorates, or lower quality projects might be successively selected for implementation.

[20] For advancement of modernizing schools, the construction of specialized and regional hospitals, training facilities, housing, community road, and expansion of drainage and irrigation infrastructure.

[21] The non-oil primary deficit as a percentage of non-oil GDP is projected to increase further in 2023, to 28.8 percent (up from 21.5 percent in 2022). Up to June 2023 about 27 percent of the revised budget was executed.

development needs, absence (as of now) of any evidence of macroeconomic imbalances, and low public debt, but urges vigilance and adoption of a comprehensive fiscal policy strategy.

19. To ensure fiscal sustainability, fiscal policy complies with several self-imposed constraints. The limits posed by the recently amended NRF Act, together with the Fiscal Management and Accountability Act of 2003, provide constraints on fiscal policy in practice. Debt sustainability is also ensured by the authorities' commitment to maintain Guyana's risk of debt distress at a moderate (or lower) level. In addition, Guyana has statutory ceilings on domestic and external debt, which could be recalibrated to reflect the economy's evolving financing needs. However, these constraints do not constitute a fiscal anchor embedded in a medium-term fiscal framework.

20. Guyana's debt-sustainability analysis (DSA) indicates that the risk of (overall and external) debt distress remains moderate, with debt dynamics improving significantly with incoming oil revenues. Guyana's debt carrying capacity, for both overall public debt and public external debt, is now 'medium,' mostly reflecting an improvement in gross official reserve coverage of imports from 2023 onwards, as well as the current low level of external debt. The authorities' commitment to fiscal discipline (zero overall fiscal balance by 2028) grounds the baseline scenario (Tables 1-8, and DSA). As a result, after peaking in 2023 the non-oil primary deficit in percent of non-oil GDP is expected to improve from 28.8 percent in 2023 to about 11 percent in 2028, and public debt as a share of GDP to decline from about 30 percent to 26 percent in 2028.[22]

21. A comprehensive medium-term fiscal framework would help attain all fiscal policy objectives with spending decisions being based on a medium-term fiscal framework (MTFF) for resource rich countries. Such framework would encompass further modernizing the public financial management and public investment management (PFM and PIM) frameworks. Staff recommends assessing the speed with which these development needs can be addressed without creating macroeconomic imbalances or jeopardizing fiscal sustainability, through an expenditure review.[23] Another integral part of such a comprehensive framework would be aligning the existing annual budgetary withdrawals from the NRF with the medium-term expenditure and fiscal frameworks. Staff and CARTAC stand ready to support the authorities in this endeavor.

22. The framework would also contain a clear medium-term fiscal anchor, a transition path, and an operational target. The literature and international experience suggest using the non-oil primary balance as a fiscal policy anchor, to ensure (i) that fiscal imbalances do not arise in the non-oil economy, (ii) intergenerational equity, and (iii) fiscal sustainability. Staff recommends designing a path for the non-oil primary balance (as a percent of non-oil GDP) that is consistent

[22] The macroframework and the DSA include the latest debt projections reflecting contracted or planned debt, including as much concessional external financing as available. Domestic financing is assumed to remain relatively elevated in the near term, given these external financing plans, to about 10 percent of non-oil GDP (or 4 percent of GDP) in 2024. However, with expected moderating fiscal impulses, net domestic financing will decline (for example to 3 percent of non-oil GDP, or 1 percent of GDP, by 2027).

[23] The review should encompass current expenditures as well, given that public works, schools and hospitals will need recurrent expenditures once constructed (such as maintenance, staff, goods and services).

with the NRF ceilings on withdrawals of oil revenues. Staff simulations show that the spending path consistent with steadily moving towards zero overall fiscal balance by 2028 will be more than adequate to meet the country's development needs[24] and implement the government's ambitious plans, while also being consistent with intergenerational equity and fiscal sustainability (see simulations of the permanent income hypothesis, and other approaches, including the staff recommendation to transition to zero overall fiscal balance by 2028 in Annex IV).[25] This fiscal policy path results in the non-oil primary deficit as a percent of non-oil GDP improving steadily from its trough in 2023, and declining debt, while closing the output gap, and being financed mostly by the withdrawals from the NRF. Therefore, staff recommends this path, as long as there are no absorptive capacity constraints and/or overheating pressures. The public spending path should be regularly reviewed in light of new information and updated with analysis of the economy's capacity constraints and absorption limits.

Authorities' Views

23. The authorities reaffirmed their commitment to fiscal discipline, while also addressing Guyana's physical infrastructure and human capital needs as rapidly as possible without generating macroeconomic imbalances. The authorities affirmed that the limits on oil revenue withdrawals to the budget imposed by the 2021 amendments to the NRF Act, together with the ceilings imposed by Parliament on domestic and external public debt, provide effective constraints on fiscal policy in practice. Moreover, debt sustainability is ensured by their commitment to maintain Guyana's risk of debt distress at a moderate (or lower) level, and wealth is being preserved for the next generation. The authorities agreed to closely monitor possible bottlenecks and shortages, and build-up of macroeconomic imbalances, that could arise from their ambitious public investment plans. They agreed with staff on the need for a comprehensive medium-term fiscal framework that would encompass updating public financial management framework, as it will reflect the continuing efforts to modernize the economy. The authorities agreed on the need to set a path for the non-oil primary balance (as a percent of non-oil GDP) over the medium-term and stressed the need to allow for higher public expenditures during a transition period, while moving steadily towards zero overall fiscal balance as an anchor for fiscal policy, by 2028.

B. Monetary and Exchange Rate Policies

24. Monetary policy was appropriately tight in 2022, to counterbalance the expansionary fiscal policy. As pandemic-related accommodative measures expired, reserve requirements increased to 12 percent, from 10 percent, in September 2022. At the same time, the increase in

[24] The authorities largest ten capital spending plans amount to a total US$2 billion, and are mainly concentrated in infrastructure building for transportation, water treatment plants, and the construction of new hospitals. Staff baseline projections, centered around a transition to a zero overall fiscal balance by 2028, allows for capital spending in total of about US$9.3 billion over 2023-28, thereby including the gas to energy project as well as the building of additional hospitals, schools, roads and housing projects as needed.

[25] Annex III shows that the withdrawals rules from NRF, based on the current oil projections, and assuming the maximum amount of withdrawals allowed each year is consistent with intergenerational equity.

broad money remained below the rate of nominal non-oil GDP growth.[26] Staff advise vigilance in the monetary policy stance, continuing to counterbalance the large increases in fiscal spending, and tightening monetary policy if signs of overheating or imbalances arise.[27] Close monitoring of the absorption of large FX inflows and their impact on the economy should be continued as increasing oil receipts are brought onshore to the budget. The authorities maintain a set of eight indicators, including credit-to-GDP measures, banking stability index and systemic risk matrix to assess developments, and mainly to monitor financial stability.[28] Appropriate macroprudential tools, such as loan-to-value ratios or debt-to-income requirements, should be used if needed to contain credit growth or signs of overheating.

25. In the medium term, the monetary policy and exchange rate framework should be reviewed to ensure it serves best the economy.[29] Staff supports the authorities' view that the exchange rate should continue to serve as the nominal anchor in the near term, given the underdevelopment of domestic financial markets, related weakness of the monetary policy transmission mechanism, and accumulation of substantial buffers in the NRF (which supports Guyana's ability to maintain a stable exchange rate). This will need to be concurrent with increased efforts to deepen financial markets to ensure effective functioning of the interbank, domestic debt, and FX markets and to strengthen the monetary policy transmission mechanism. Over the medium term, consideration should be given if a more flexible exchange rate could serve best the economy needs.

Authorities' Views

26. The authorities agreed on the need to maintain macroeconomic stability and an appropriate policy mix. The authorities agreed on continuing to closely monitor macroeconomic and financial indicators, tightening monetary policy stance, and using macroprudential tools as needed. The authorities noted that exchange rate stability serves best Guyana's current needs of a nominal anchor and over the medium-term, a review of the exchange rate framework will ensure what framework best serves the economy. The authorities reinstated their commitment to a step-by-step approach to deepen the interbank, domestic debt, and FX markets to strengthen the monetary policy framework and transmission mechanism. The authorities stressed that they will closely follow

[26] The BoG targets a path for the growth of broad money to maintain price stability and provide the credit to the economy to grow. Reserve requirements and open market operations (OMO) are used to control monetary aggregates (base money and thus, through the money multiplier, broad money). The BoG also purchases and sells foreign exchange to control liquidity when there are large changes in net foreign assets (notably inflows from the NRF). Given the increase in net foreign assets due to the current account surpluses, and the transfers to the budget from the NRF, it is crucial to continue containing base money increases.

[27] If fiscal policy is more expansionary than projected, or if signs of overheating arise, monetary policy should tighten further, to ensure macroeconomic stability.

[28] The authorities have also introduced an absorption ratio measure to measure direct interbank exposures and interconnectivity.

[29] Guyana's exchange rate regime is a *de jure* float but a *de facto* stabilized arrangement. The Bank of Guyana conducts occasional foreign exchange rate interventions to maintain the level of reserves and control liquidity.

up with the Fund on needed capacity development.

C. Financial Sector Policy

27. The authorities are systematically implementing financial sector recommendations from the 2016 FSSA report (Annex V). The BoG expanded the supervisory and regulatory perimeter and is making progress in updating Crisis Management and Supervision Guidelines. The remaining FSAP recommendations include closely monitoring sectoral lending exposures, related party lending, banks' ownership structure and increasing competition in the banking sector. Improving data collection and statistics on corporate and household balance sheets and real estate prices will also be critical to support strengthening banking supervision. The authorities remain committed to completing the implementation of the FSAP recommendations including strengthening crisis management measures and preparedness.

28. Maintaining financial stability is paramount to support economic growth (see Annex VI). The main macro-financial risk is related to the government's ambitious spending plans possibly leading to inflationary pressures and an overvalued real exchange rate, beyond what is expected in the baseline scenario, and crowding out private sector lending. In addition, given the structure of the economy, real shocks, in particular adverse weather conditions, continue to play a large role in negatively impacting agricultural production, exports and banks' credit portfolios. Over the medium term, nominal shocks, predominantly commodity price fluctuations, could affect exports and gross international reserves. Staff support the authorities' efforts to improve systemic risk monitoring, including through stress testing with more macro-financial scenarios provided by the Caribbean Regional Technical Assistance Center (CARTAC). Staff support the authorities' efforts to continue: (i) strengthening financial sector supervision, and (ii) implementing asset quality reviews as needed. Staff support the authorities' consideration to further enlarge the supervisory perimeter beyond the banking sector to include quasi-financial institutions and credit unions and increase the efficiency of supervision, including the adequacy of stress testing.

29. In 2022, Guyana embarked on many financial development initiatives. The authorities developed a National Financial Inclusion Strategy, fully integrated the Real Time Gross Settlement and Central Securities Depository Systems with the National Payment System and finalized and enforced two new regulations to safely trade securities on the Central Security Depository.[30]

Authorities' Views

30. The authorities are committed to continuing to maintain financial stability and implementing financial reforms. The authorities will continue to fully monitor macro-financial risks and their work on completing the implementation of the 2016 FSAP recommendations. The authorities agreed that improving data collection and statistics on corporate and household balance sheets and real estate prices will be critical to support strengthening banking supervision as well as

[30] Currently, the system is utilized for the trading of Government securities with plans to roll out more widely. This will also support capital market development.

their continued move towards broad-based risk-based supervision. They stressed that their digitalization of banking records could enhance smooth functioning of the financial system, increase productivity and lower lending rates.

CLIMATE POLICIES, STRUCTURAL REFORMS, AND GOVERNANCE

A. Climate Policies

31. Significant progress has been made on climate actions, with Guyana becoming a world leader in forest conservation and supporting global climate change mitigation. The government reinstated the Low Carbon Development Strategy (LCDS), which combines a low carbon pathway with earnings from maintaining forest coverage and with it preserving the sequestration rates of Guyana's forest. Guyana is committed to maintain its vast forest coverage and monetize these efforts. For example, in 2022, after Guyana was awarded the first jurisdiction scale certification of carbon credits, Guyana sold 37.5 million carbon credits for US$750 million, to be paid during 2022-32 (a third of the credits Guyana will receive over 2016-30), one of the largest carbon credit transactions in the world.

32. The LCDS 2030—a more comprehensive concept to protect Guyana's natural ecosystems—was launched in July 2022. LCDS 2030 expands the focus of nature conservation to include biodiversity conservation, watershed management, and the ocean economy, both for protection and by receiving payments for these efforts (Annex VIII).

Authorities' Views

33. The government is advancing on the implementation of its Low Carbon Development Strategy (LCDS) 2030. The government is staunchly committed to continuing to preserve forest coverage, the sequestration rates of Guyana's forests, as well as biodiversity and ocean diversity for the benefit of current and future generations, in Guyana, and for the world at large. The LCDS 2030 allows Guyana to receive income for these efforts through the carbon credit markets, enhancing the government's revenues streams over the medium- to long-term, and funding flood and watershed management, diversification of the energy matrix, resources for Amerindian communities and biodiversity conservation.

B. Structural Reforms, Competition and Business Climate

34. Staff supports the authorities' plans to implement structural reforms including to diversify the economy and to support higher and inclusive growth (Annex VII). Measures focus on (i) addressing potential labor shortages and skill mismatches (through training, creating incentives to set up business outside the capital, and targeted immigration of skilled labor unavailable domestically among others, (ii) improving infrastructure, (iii) expanding the generation and transmission capacity of the energy sector, (iv) improving the business environment and (v) continuing to diversify the economy, by expanding the hospitality industry, light manufacturing, and agribusiness.

35. The government advanced in modernizing the oil and gas industry operating framework. The modernized Petroleum Exploration and Production Act was approved by parliament in August 2023, and it enhances the regulation of exploration and production of oil. The government is auctioning 14 new offshore blocks for oil and gas exploration and discovery, based on a new Production Sharing Agreement (PSA) which includes: (i) increased royalties to 10 percent from 2 percent, (ii) lower cost recovery ceiling, to 65 percent; the sharing of profits after cost recovery will remain 50/50 between the government and the contractor, and (iii) the introduction of a new corporate tax of 10 percent applied to profits.

36. The new Local Content Act has been brought into operation in 2022, establishing the regulations on utilizing local employment and contractors in the energy sector by introducing a floor on local labor usage and contractual terms, including payments to local suppliers. The Local Content Secretariat (LCS) has been established and the Local Content Register put in place. The Register now includes 876 Guyanese companies as of end-June 2023, and the Secretariat has approved over 43 five-year local content master plans to date.

37. Staff also discussed with the authorities' other reform and plans to improve the business environment. Staff welcome authorities' efforts to strengthen the legal framework and process for dealing with insolvency and judicial liquidation, including by addressing labor shortages in the judicial sector. Staff see benefits in reducing the time for permits and inspections through a single digital window, through the recently implemented measures. Staff welcome the authorities' efforts to increase electricity supply, and its reliability, and reduce its cost and time to accessit.

Authorities' View

38. The authorities stressed that they took significant steps to boost the non-oil economy, by providing support to the expansion of the hospitality industry, light manufacturing, and agribusiness. The authorities stressed their successful efforts to implement a range of reforms that will increase the digitalization of the economy and labor and total factor productivity. They also emphasized that the construction of the gas to-shore pipeline has commenced, supporting the increase in electricity supply, reducing its costs, and increasing its reliability. The authorities acknowledged the need to strengthen the legal framework and processes for dealing with insolvency and judicial liquidation, where there is a backlog of cases still pending to be resolved. They are working in this respect, both on the framework and on addressing staffing shortages.

39. The authorities stressed that they are working actively to improve efficiency and reduce mismatches in the labor market. The authorities recognize the importance of an efficient and responsive labor market given the scale and pace of the economic expansion and structural changes occurring in the economy. The authorities highlighted their strong investment in human capital development, including through providing basic facilities for vocational training, resources for online training and incentives to set up business outside the capital, both to ensure an adequate supply-side response to emerging demands, especially in the market for skilled labor, and to reduce skill and labor mismatches. Additionally, work has begun with the support of an expert to gather critical data to inform strategic interventions aimed at addressing labor market mismatches.

C. Governance and Anti-Corruption Reforms

40. Guyana continues to strengthen its AML/CFT framework. Guyana is undergoing its 4th round mutual evaluation by the Caribbean Financial Action Task Force (CFATF) in 2023-24[31] which focuses on technical compliance and the effective implementation of FATF's 40 Recommendations. Guyana has approved a National Policy and Strategy for Combating Money Laundering, Terrorism Financing which addresses the risks identified in its 2021 National Risk Assessment. Staff welcome the authorities' efforts to strengthen AML CFT Act through its recently enacted legislative amendments in August 2023.

41. Guyana is complying with the recommendations of the Extractive Industries Transparency Initiative (EITI), and more progress is needed. In 2022, Guyana went through its third EITI validation process, for the year 2019. The assessment was positive, highlighting key achievements in developing multi-stakeholder discussions over the governance of the extractive industries and innovative outreach and dissemination channels. There are public demands for information beyond the mining, oil, and gas sectors, and enlarging the scope of the EITI implementation. Staff support the authorities' efforts to address remaining gaps, including in moving towards electronic disclosure and adequate follow-up reporting (see Annex VIII).

42. The governance framework was strengthened, through the appointment of three critical entities for the NRF governance in 2022: the NRF Board of Directors, the Public Accountability and Oversight Committee, and the Investment Committee. Furthermore, to ensure full transparency and accountability, notifications of receipts of petroleum revenues have been published in the Official Gazette since April 2022. The government also strengthened the procurement framework as the Public Procurement Commission, had five new commissioners sworn in and the National Procurement and Tender Administration Board (NPTAB) designed a comprehensive training program in procurement, and commenced the design of a management information system to improve its operational efficiency. As a next step, to build on these efforts the authorities could consider collecting beneficial ownership information as part of all tender processes, or as a centralized registry, which may require legislation updates.[32]

43. The anti-corruption framework is being strengthened. The Integrity Commission, operationalized with resources reflected in the 2023 budget, managed to increase compliance with asset declarations of public officials in the year ending in August 2023 and plans to step up its

[31] The on-site visit took place in September 2023, the discussion of the draft mutual evaluation report is planned for May 2024.

[32] NPTAB publishes all contracts, including beneficial owner and bidding registry.

efforts to ensure further compliance.[33] Guyana is also a review of the United Nations Convention Against Corruption (UNCAC) and the 6th round in the Follow-Up Mechanism for the Implementation of the Inter-American Convention against Corruption (MESICIC).[34]

Authorities' View

44. The authorities stressed their numerous efforts on strengthening governance, anti-corruption and AML/CFT frameworks and fiscal transparency. The authorities highlighted the ongoing work to strengthen governance and anti-corruption, including through the Integrity and Public Procurement Commissions and the National Procurement and Tender Administration Board and the work with the United Nations Convention Against Corruption (UNCAC), the Follow-Up Mechanism for the Implementation of the Inter-American Convention against Corruption (MESICIC) and the Caribbean Financial Action Task Force (CFATF). The authorities also agreed that following up adequately on EITI recommendations is essential, with capacity building and legislation efforts to follow concurrently.

DATA AND CAPACITY DEVELOPMENT

45. Data provided to the Fund is broadly adequate for surveillance purposes. Since last year's Article IV, the authorities' progress in improving data provision to the Fund has been slow, and timeliness, reliability, and coverage, as the Statistics commission is focused on conducting the once a decade census.

46. Capacity development needs continue to be large, and they need to be addressed. In line with the rapid economic transformation improving GDP and CPI statistics (continuing work with CARTAC) will be key, along with other indicators needed to assess build-up of imbalances. Furthermore, CD on developing capital markets (financial market infrastructure) is needed.

Authorities' View

47. The authorities concurred with staff on the need to strengthen crucial statistics, widen the capacity development efforts, and prioritize accordingly.

STAFF APPRAISAL

48. The Guyanese economy continues to experience record growth, supported by the government's modernization plans and unparalleled oil and gas sector expansion. Guyana's external position at end-2022 is assessed to be moderately stronger than the level implied by fundamentals and desired policies. Guyana's debt-sustainability analysis (DSA) indicates that the risk of (overall and external) debt distress remains moderate, with debt dynamics improving significantly with incoming oil revenues. Overall real GDP growth is projected to grow 38.4 percent in 2023 and

[33] The next steps to publish the name of defaulters in the local press and the Official Gazette, then to prosecute.

[34] The on-site review took place during October 2-6, 2023.

on average of 20 percent per year during 2024-28. Guyana's very favorable medium-term growth prospects are accompanied by upside risks—key among them being further oil discoveries that would continue to improve growth prospects—and downside risks—inflationary pressures and the appreciation of the real exchange rate beyond the level implied by a balanced expansion of the economy. Adverse climate shocks, and volatile or lower than projected commodity prices, may also negatively impact the economy. The key challenges are managing large resource revenue inflows to ensure macro-economic stability and sustainability, while investing steadily in people, physical infrastructure, and institutions.

49. Given the medium-term risks of inflationary pressures and real exchange rate appreciation beyond the level implied by a balanced expansion of the economy, staff recommend a continued focus on maintaining macroeconomic stability through an appropriate policy mix. Staff assess the 2023 policy mix to be appropriate, with fiscal policy increasing public investment to address the large development needs, and broad money growing in line with non-oil GDP. Staff welcome maintaining debt sustainability and a balanced growth path through moderating fiscal impulses over the medium-term, while continuing to address development needs.

50. The authorities' commitment to fiscal discipline is welcome and allows for a balanced growth path, with moderating fiscal impulses projected to achieve a zero overall fiscal balance by 2028. Gross international reserves and substantial saving in the National Resource Fund are expected to continue to accumulate in the medium-term.

51. Staff recommend adopting over the medium-term a comprehensive medium-term fiscal framework (MTFF). As a fiscal anchor, staff recommend setting a path for the non-oil primary balance (as a percent of non-oil GDP) consistent with the ceilings the withdrawals from the NRF of oil revenues which aim to ensure inter-generational equity. The MTFF should encompass further modernizing the public financial management framework, to contain a clear medium-term fiscal anchor, a transition path, and an operational target. Staff recommend periodic expenditure reviews to ensure macroeconomic stability and preserve competitiveness by setting the pace of public investment to take into account absorption and institutional capacity constraints of the economy.

52. Staff recommend continuing close monitoring of macroeconomic and financial indicators, tightening monetary policy stance, and using macroprudential tools as needed. In the medium term, staff recommends a review of the exchange rate framework to ensure that it best serves the economy.

53. Staff support the authorities' efforts to maintain financial stability and recommend completing the implementation of the 2016 FSAP recommendations. Staff welcome BoG's asset quality reviews, the progress in conducting stress tests exercises, and the authorities' strategies to promote financial inclusion. Staff strongly support the authorities' commitment to complete the implementation of the 2016 FSAP recommendations, including closely monitoring sectoral lending exposures, related party lending, banks' ownership structure and increasing competition in the banking sector.

54. Staff commend the authorities' progress in strengthening AML/CFT, governance, anti-corruption frameworks and support further advances in their effective implementation.

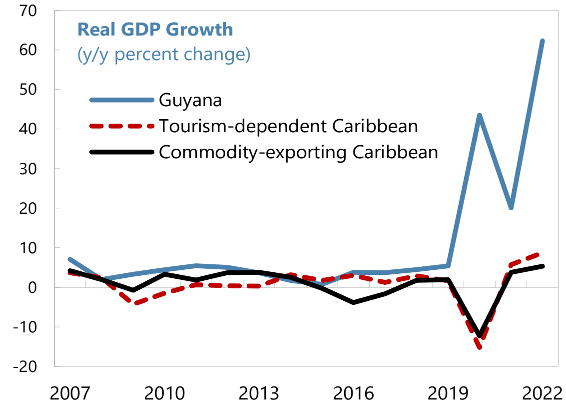
55. Staff commend the authorities' progress to strengthen the management of oil wealth and its fiscal transparency and recommend addressing remaining gaps. In particular it is important to implement the recommendations of the 2019 Extractive Industries Transparency Initiative (EITI) reports, including in moving towards electronic disclosure and adequate follow-up.

56. Staff welcome the authorities' climate efforts implemented through LCDS 2030, which maintains forest coverage and preserves sequestration rates, and aims to enhance nature conservation, by including biodiversity conservation, watershed management, and the ocean economy, and receive payments for these efforts.

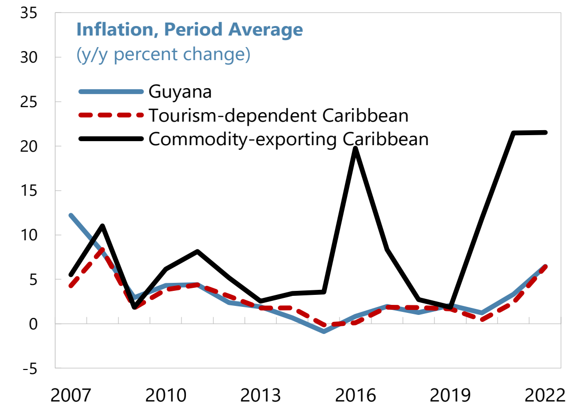
57. It is proposed that the next Article IV consultation takes place on the standard 12-month cycle.

Figure 1. Guyana: Comparative Regional Developments 1/

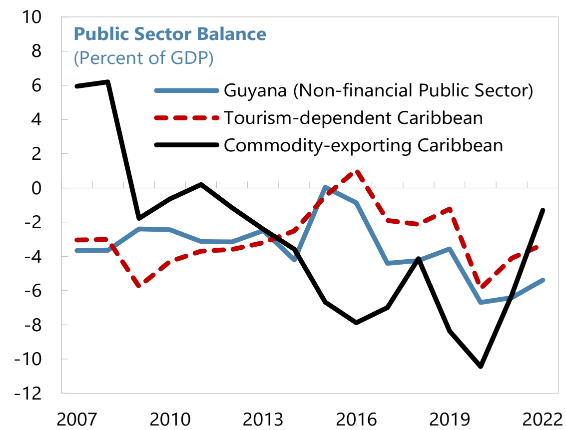
Owing to oil boom, Guyana's real GDP growth outpaced the growth of regional peers.



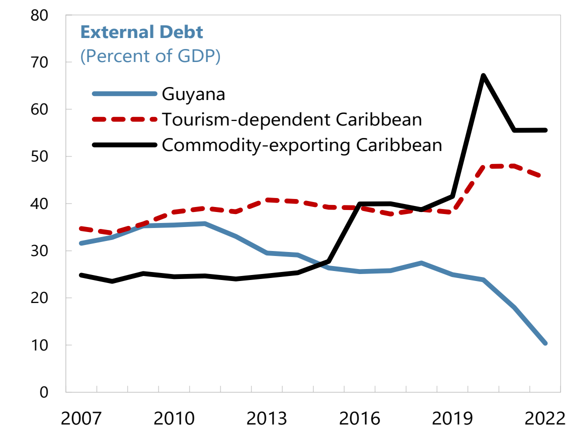
Guyana's inflation performance has also been relatively better compared to peers.



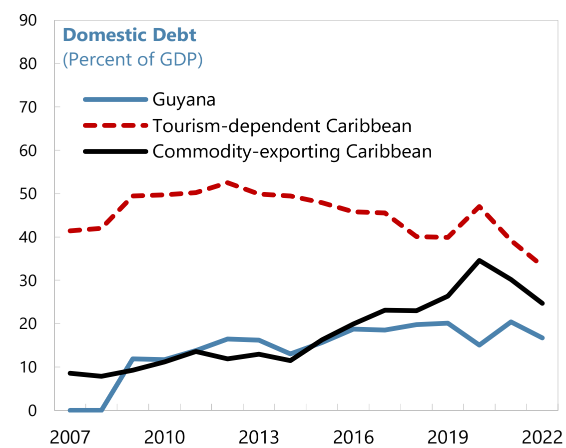
Fiscal performance however was behind the peers...



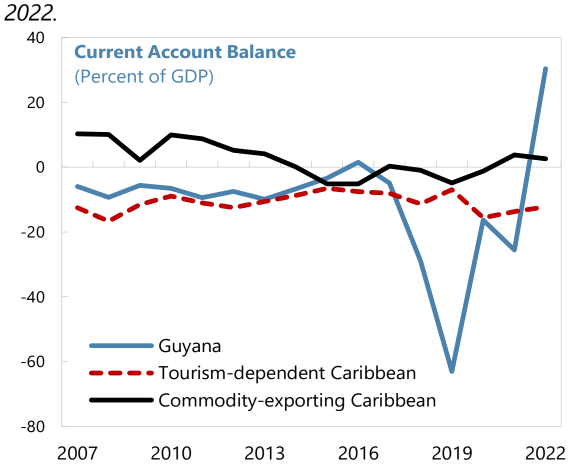
...while the public debt trajectory improved considerably...



...including domestic debt.



The current account balance reached a large surplus in 2022.

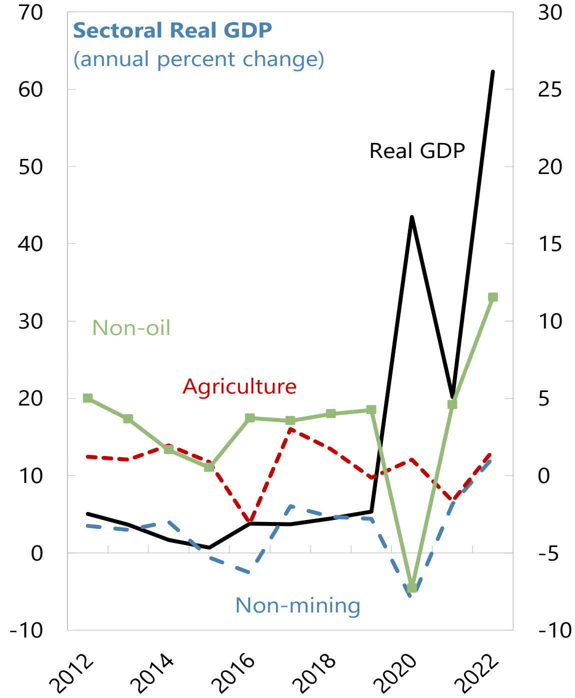


Sources: Country authorities; and IMF staff calculations.

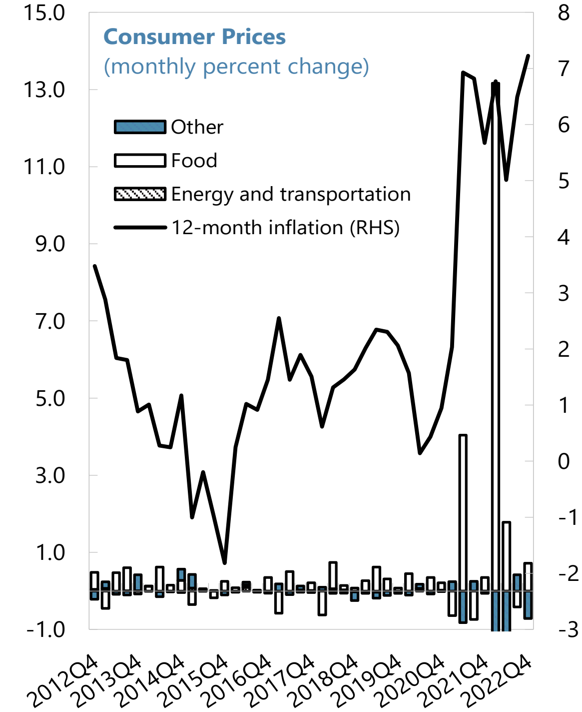
1/ Caribbean region measured as simple averages of corresponding variables. Tourism-dependent Caribbean includes Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Commodity-exporting Caribbean includes Belize, Suriname and Trinidad and Tobago.

Figure 2. Guyana: Real Sector Indicators

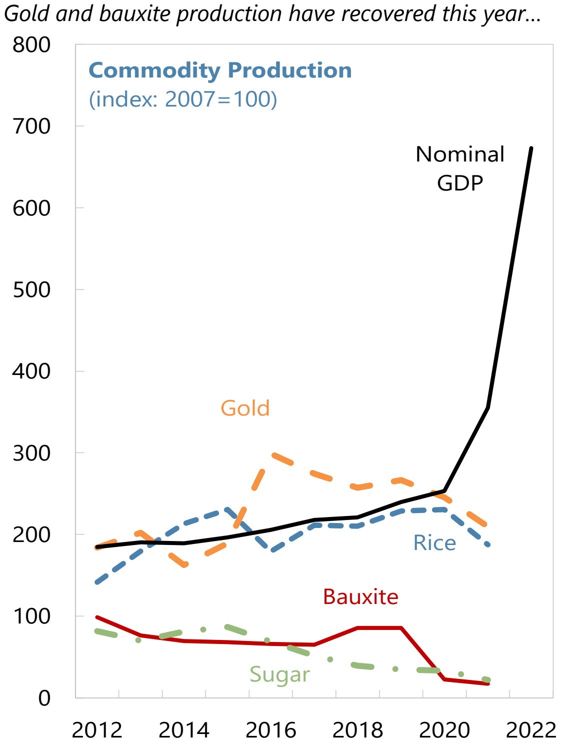
The recovery in agriculture post 2021 floods and another boost in construction have contributed to impressive growth in non-oil GDP…



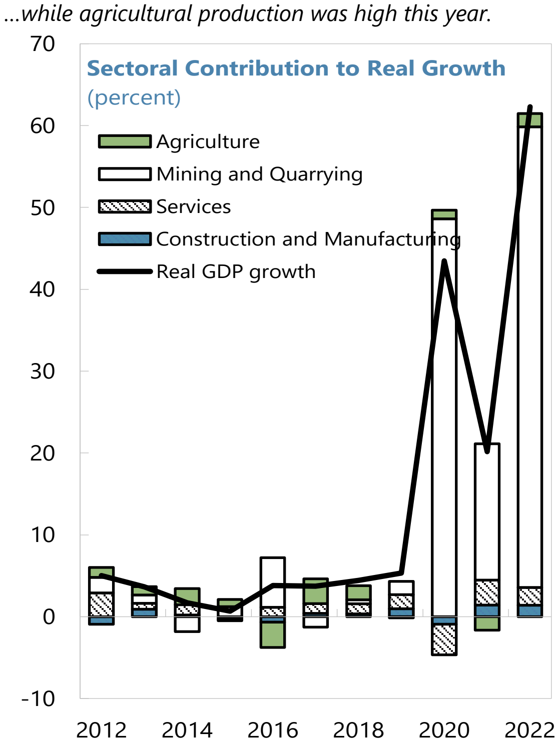
…and 2022 ended with higher inflation owing to higher food prices.



Gold and bauxite production have recovered this year…



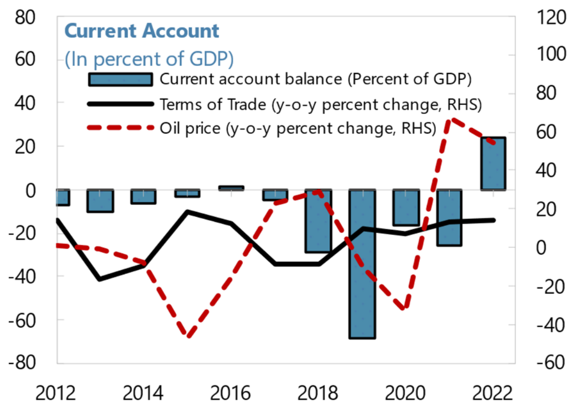
…while agricultural production was high this year.



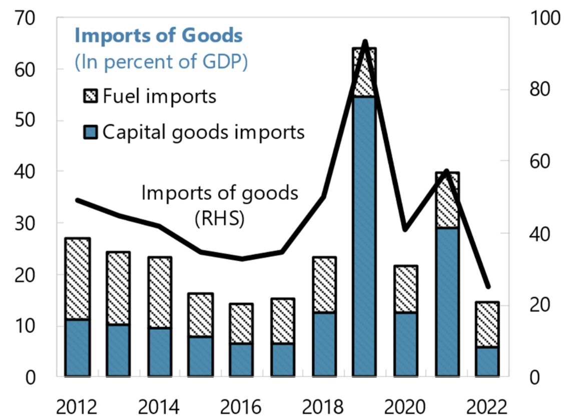
Source: Bank of Guyana; Ministry of Finance; and IMF staff calculations

Figure 3. Guyana: External Sector Developments

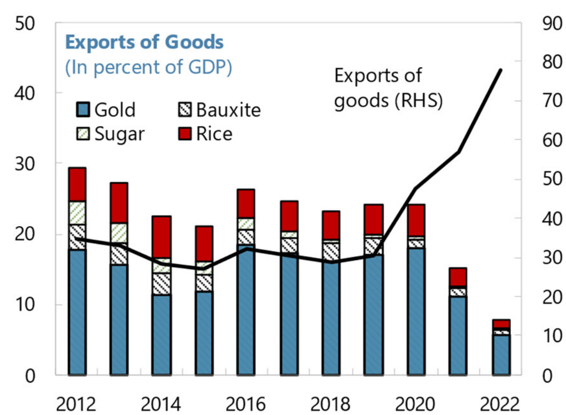
The current account swung to a large surplus as oil production increased and oil prices remained high…



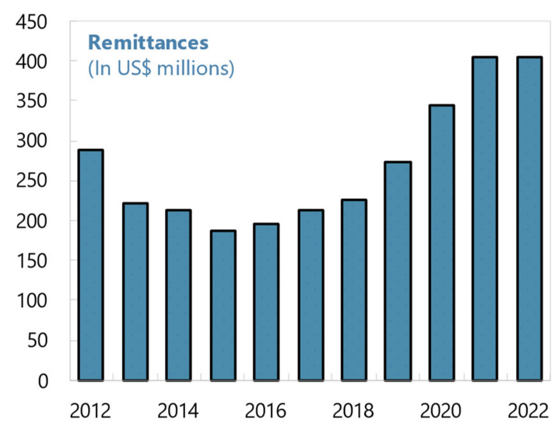
…and capital goods imports declined.



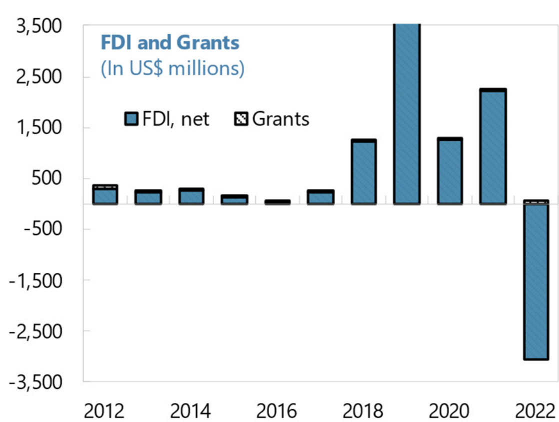
While non-oil commodity exports comprise a smaller share of exports due to the growth of the oil sector, non-oil commodity exports grew in value…



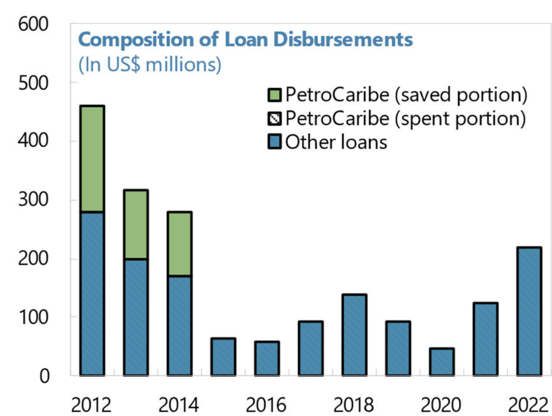
…as did remittances.



Net FDI was negative due to repatriation of investment by oil operators…



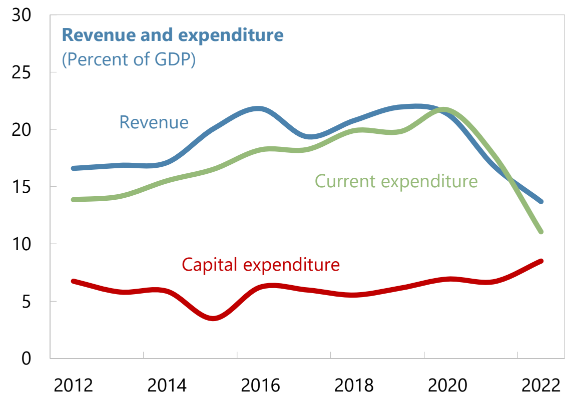
…and official loan disbursements increased.



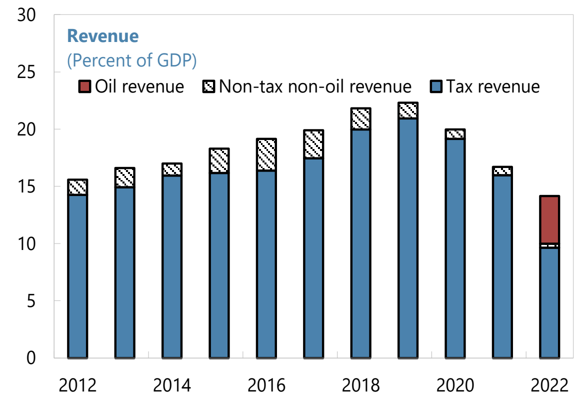
Sources: Bank of Guyana; and IMF staff calculations.

Figure 4. Guyana: Fiscal Sector Developments

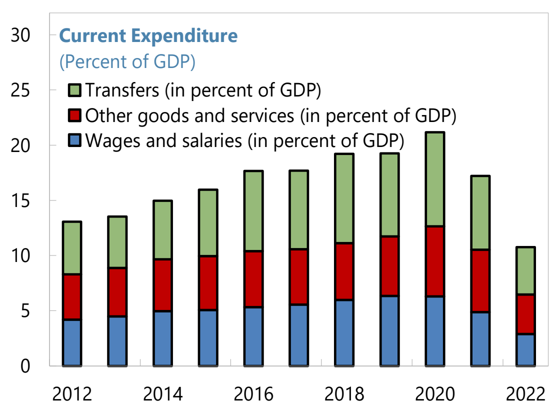
Fiscal developments in 2022 were dominated by a rise in public investment…



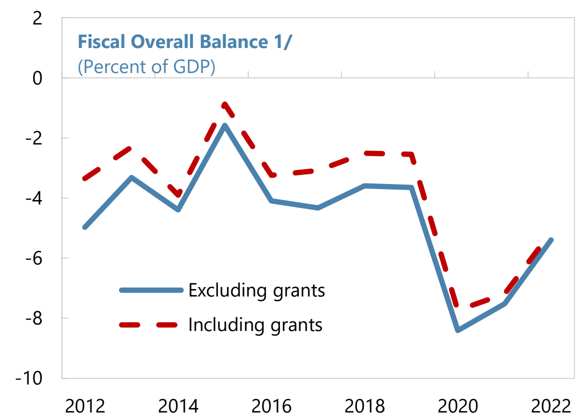
…while revenues declined as a share of GDP, reflecting mostly the extraordinary growth of the oil sector, despite oil revenues contributing to the budget for the first time.



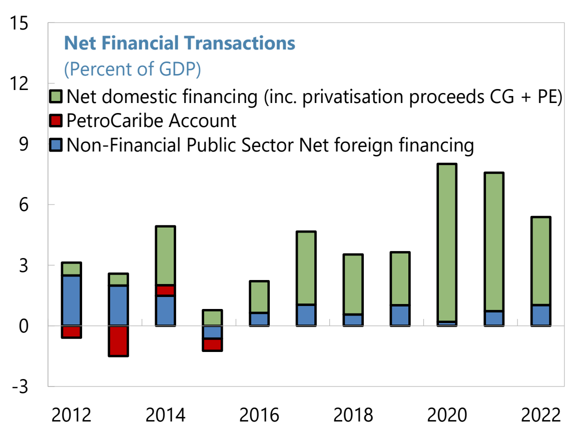
Current expenditures are declining for all components.



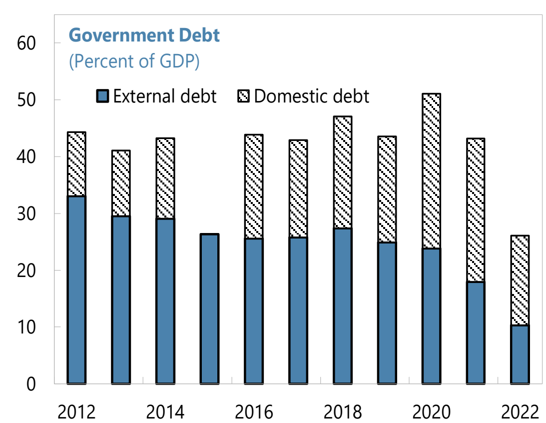
The overall fiscal balance continues to improve (in percent of GDP).



Net domestic financing continued to decline…



…also did (both domestic and external) public debt.

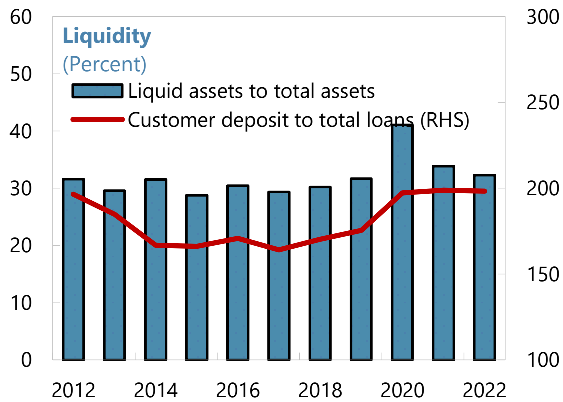


Sources: Ministry of Finance; and IMF staff calculations.

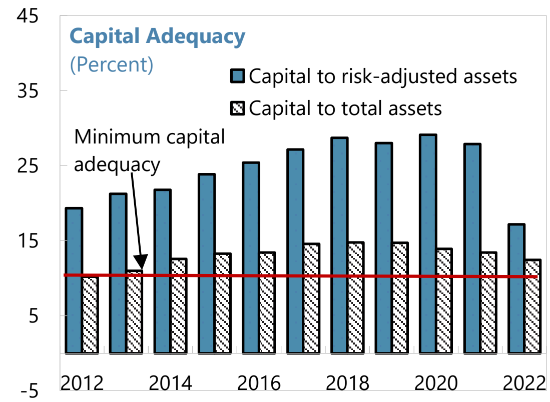
1/ Computed as total revenue less current expenditures.

Figure 5. Guyana: Financial Soundness Indicators

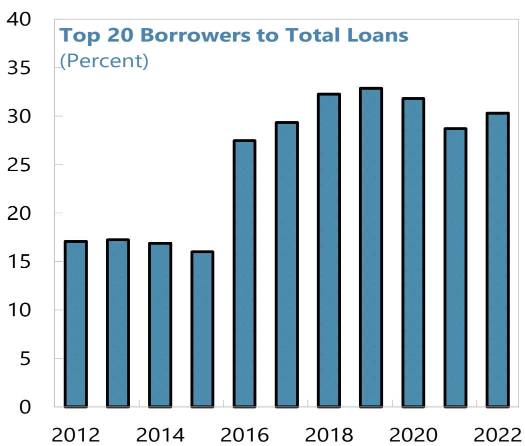
Customer deposits to total loans ratio stabilized at 2, while liquid assets remained above 30 percent of total assets.



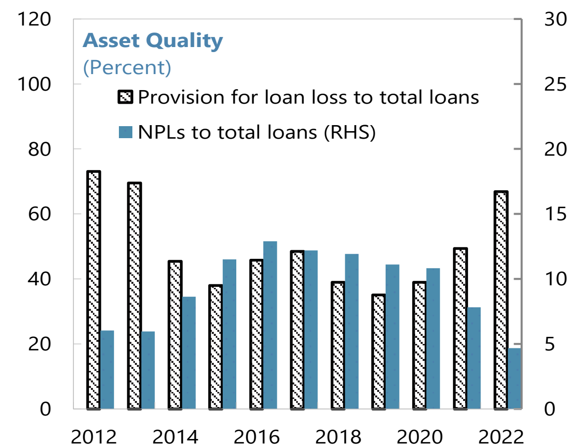
Capital to risk-adjusted assets remains well above the regulatory minimum, but with implementation of Basel II and III rules it declined...



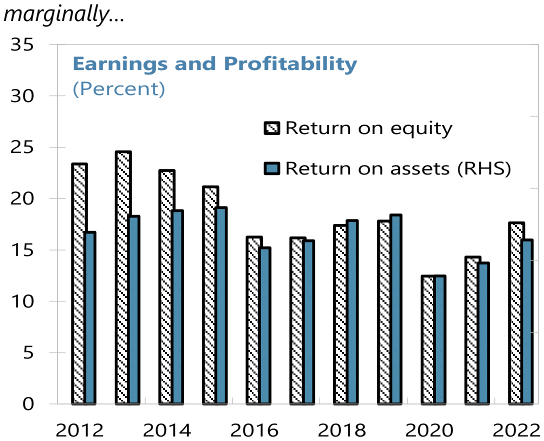
Loan concentration remains high.



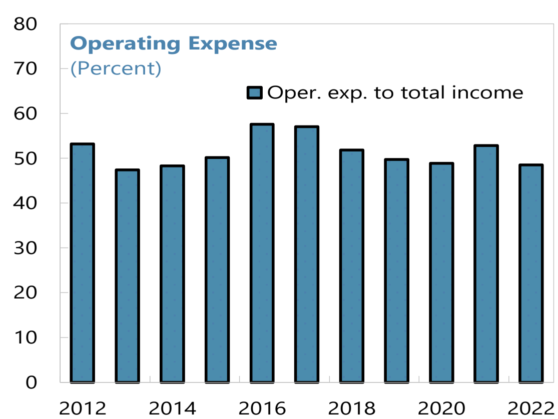
NPLs reached the lowest level in a decade, while provisioning increased significantly.



Bank profitability remained low, although increasing marginally...



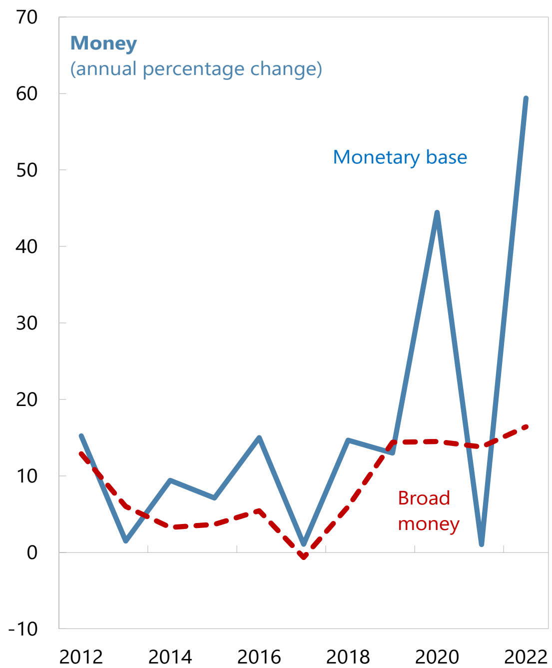
...while operating expenses declined slightly.



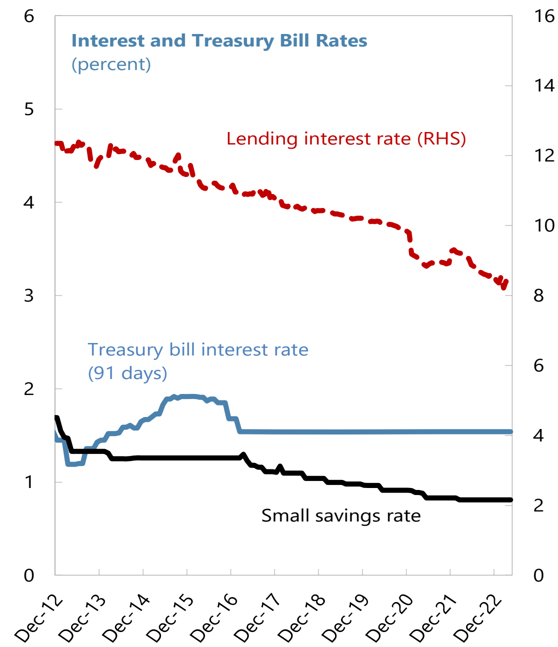
Source: Bank of Guyana.

Figure 6. Guyana: Monetary Developments

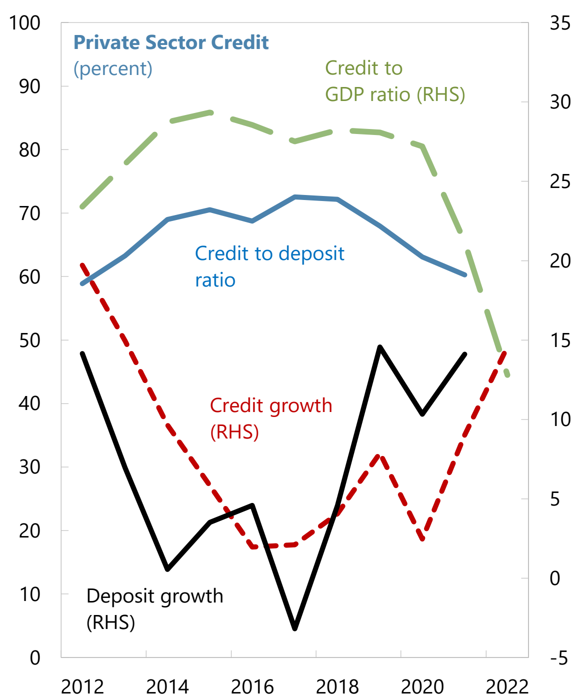
Owing to increased reserves, monetary base has expended in 2022.



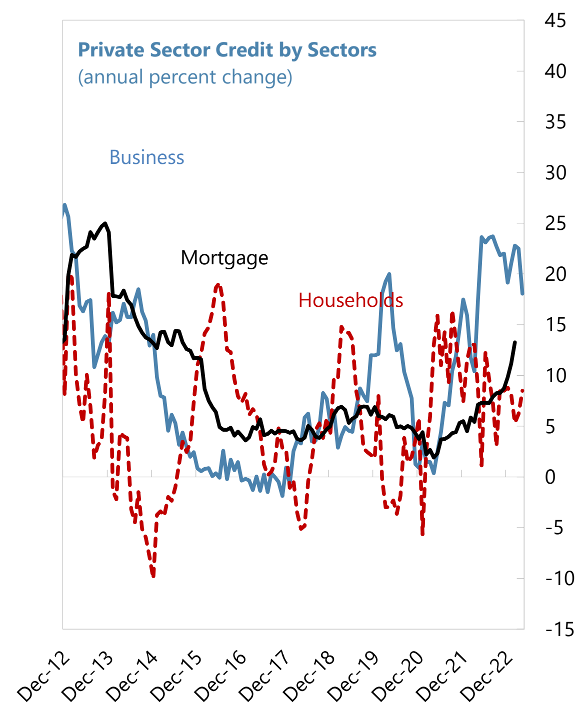
Despite a decline in lending rates, the spread with the savings rate remains high.



Credit growth has been slightly below the nominal non-oil GDP growth this year…



…and business credit took most of the pie this year.



Source: Bank of Guyana.

Table 1. Guyana: Selected Social and Economic Indicators, 2021–28

I. Social Indicators

Population, 2021 (thousands)	805	Population not using an improved water source (%), 2020	3.2
Life expectancy at birth (years), 2021	66	Access to electricity (%), 2020	93
Under-five mortality rate (per 1,000 live births), 2021	28	Gini index, 2019	47
Population living below the poverty line (%), 2000-06	35		
HDI rank, 2021	108		

II. Economic Indicators

		Prel.	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028
	(Annual percent change)							
Production and Prices								
Real GDP	20.2	62.3	38.4	26.6	18.8	21.2	21.2	13.5
Real Non-Oil GDP	4.6	11.5	9.1	6.6	5.5	5.5	5.5	5.5
Real Oil GDP	46.8	124.8	56.4	35.1	23.2	25.7	25.0	15.1
Consumer prices (average)	3.3	6.5	5.5	4.7	5.5	5.5	5.5	5.5
Consumer prices (end of period)	5.7	7.2	3.8	5.5	5.5	5.5	5.5	5.5
	(Percent of non-oil GDP)							
Central Government								
Revenue	24.5	33.8	41.1	40.4	40.1	38.6	37.4	36.8
Grants	0.5	0.6	0.7	0.0	0.0	0.0	0.0	0.0
Expenditure	35.5	46.7	57.2	53.5	48.4	44.6	40.2	36.8
Current	26.0	26.4	25.2	25.6	26.1	26.6	26.5	26.5
Capital	9.6	20.3	32.1	27.9	22.3	18.0	13.7	10.3
Overall balance (after grants)	-10.5	-12.2	-15.5	-13.1	-8.3	-6.0	-2.8	0.0
Non-oil Primary Balance (after grants)	-9.8	-21.5	-28.8	-27.6	-22.5	-19.0	-15.0	-11.2
	(Percent of GDP)							
Revenue	16.7	14.2	17.6	15.4	14.5	13.0	13.4	13.9
Expenditure	24.2	19.6	24.6	20.4	17.5	15.0	14.4	13.9
Current	17.7	11.1	10.8	9.8	9.4	8.9	9.5	10.0
Capital	6.5	8.5	13.8	10.6	8.1	6.0	4.9	3.9
Overall balance (after grants)	-7.2	-5.1	-6.7	-5.0	-3.0	-2.0	-1.0	0.0
Total public sector gross debt 1/	43.2	26.0	29.9	29.0	28.2	26.0	26.5	26.0
External	18.0	10.3	11.0	9.7	9.3	7.8	7.6	7.1
Domestic	25.2	15.7	18.9	19.3	18.9	18.2	19.0	18.9
	(Annual percent change)							
Money and Credit								
Broad money	13.8	14.5	16.8	12.8	11.6	10.7	10.8	10.9
Domestic credit of the banking system	20.1	22.5	24.3	19.7	10.5	10.8	7.7	4.0
Public sector (net)	34.0	30.7	35.5	27.8	12.2	12.7	7.7	1.8
Private sector	9.0	14.5	11.7	8.6	7.8	7.8	7.7	7.7
External Sector								
Current account balance 2/	-1,981.6	3,450.9	2,945.2	4,070.2	4,247.2	7,051.1	11,122.3	14,259.3
(Percent of GDP)	-25.9	23.8	18.0	20.0	18.1	25.3	38.6	47.7
Gross official reserves	810.8	932.4	1,064.6	1,305.7	1,677.7	2,078.6	2,552.8	3,057.6
(Percent of GDP)	10.6	6.4	6.5	6.4	7.1	7.5	8.8	10.2
Months of imports of goods and services 3/	1.3	1.1	1.0	1.1	1.4	1.8	2.2	3.6
Months of non-oil imports of goods and services	3.8	2.8	3.1	3.7	4.9	6.0	7.2	8.4
Crude oil production (million barrels)	42.7	101.4	138.7	182.5	219.0	268.3	335.8	386.9
Oil price (barrel)	70.8	99.0	82.4	81.2	77.4	74.3	71.6	69.3
Memorandum Items:								
Nominal GDP (G$ billion)	1,597.4	3,029.4	3,404.6	4,236.5	4,905.4	5,815.6	6,014.5	6,235.8
Nominal GDP, non-oil (G$ billion)	1,089.9	1,270.4	1,462.9	1,612.3	1,775.0	1,950.7	2,145.7	2,363.2
Per capita GDP, US$	9,707.0	18,353.1	20,564.6	25,513.0	29,452.9	34,813.6	35,896.4	37,106.3
Guyana dollar/U.S. dollar (period average)	208.5	208.5	...	...	...	...	...	...

Sources: Guyanese authorities; UNDP Human Development Report; World Bank; and IMF staff calculations and projections.

1/ Since 2015-16, public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.

2/ The external current account for 2018 onwards includes high value imports of oil goods and services.

3/ Gross reserves in months of projected imports of goods and services. From 2017, these are affected by high value imports of oil goods and services.

Table 2. Guyana: Medium-Term Macroeconomic Framework
(Annual percent change)

	2020	2021	Prel. 2022	Proj. 2023	2024	2025	2026	2027	2028
				(Annual percent change)					
Production and Prices									
Real GDP	43.5	20.2	62.3	38.4	26.6	18.8	21.2	21.2	13.5
Non-oil real GDP	-7.3	4.6	11.5	9.1	6.6	5.5	5.5	5.5	5.5
Oil real GDP	2,603	46.8	124.8	56.4	35.1	23.2	25.7	25.0	15.1
GDP deflator	-26.3	16.5	16.9	-18.8	-1.7	-2.5	-2.2	-14.6	-8.6
Non-oil sector	-2.3	8.5	4.5	5.6	3.4	4.3	4.1	4.3	4.4
Oil sector	-64.3	91.7	54.1	-29.4	0.1	-3.2	-1.8	-19.9	-13.0
Consumer prices (average)	1.2	3.3	6.5	5.5	4.7	5.5	5.5	5.5	5.5
Consumer prices (end of period)	0.9	5.7	7.2	3.8	5.5	5.5	5.5	5.5	5.5
Terms of trade	6.9	13.0	14.2	-7.7	-1.8	-3.9	-3.8	-3.5	-3.1
				(In percent of GDP)					
Central Government									
Revenue	**20.0**	**16.7**	**14.2**	**17.6**	**15.4**	**14.5**	**13.0**	**13.4**	**13.9**
Tax revenue	19.1	16.0	9.7	10.0	8.8	8.4	7.8	8.3	8.8
Non-tax revenue	0.8	0.7	4.5	6.6	6.1	5.7	5.0	4.9	4.9
of which: Oil-related revenue	0.0	0.0	4.2	6.1	5.7	5.3	4.6	4.5	4.4
Capital revenue	0.0	0.0	0.0	1.0	0.4	0.4	0.2	0.2	0.2
Grants 1/	**0.7**	**0.3**	**0.3**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Expenditure	**28.4**	**24.2**	**19.6**	**24.6**	**20.4**	**17.5**	**15.0**	**14.4**	**13.9**
Current	21.7	17.7	11.1	10.8	9.8	9.4	8.9	9.5	10.0
Capital	6.7	6.5	8.5	13.8	10.6	8.1	6.0	4.9	3.9
Overall balance (before grants)	-8.4	-7.5	-5.4	-7.0	-5.0	-3.0	-2.0	-1.0	0.0
Overall balance (after grants)	**-7.7**	**-7.2**	**-5.1**	**-6.7**	**-5.0**	**-3.0**	**-2.0**	**-1.0**	**0.0**
Non-oil Primary Balance (after grants)	-7.2	-6.7	-9.0	-12.4	-10.5	-8.1	-6.4	-5.3	-4.3
Financing	**7.7**	**7.2**	**5.1**	**6.7**	**5.0**	**3.0**	**2.0**	**1.0**	**0.0**
Net external financing 2/	0.2	0.7	2.0	2.2	1.2	1.0	0.0	0.0	-0.2
Net domestic financing	7.5	6.5	3.1	4.4	3.8	2.0	2.0	1.0	0.2
Total Public Sector Gross Debt 3/	**51.1**	**43.2**	**26.0**	**29.9**	**29.0**	**28.2**	**26.0**	**26.5**	**26.0**
External	27.2	25.2	15.7	18.9	19.3	18.9	18.2	19.0	18.9
Domestic	23.8	18.0	10.3	11.0	9.7	9.3	7.8	7.6	7.1
				(Annual percent change)					
Money and Credit									
Broad money	14.5	13.8	14.5	16.8	12.8	11.6	10.7	10.8	10.9
Domestic credit of the banking system	17.2	20.1	22.5	24.3	19.7	10.5	10.8	7.7	4.0
Public sector (net)	42.9	34.0	30.7	35.5	27.8	12.2	12.7	7.7	1.8
Private sector	2.5	9.0	14.5	11.7	8.6	7.8	7.8	7.7	7.7
				(In percent of GDP, unless otherwise indicated)					
External Sector									
Current account balance, incl. off. transfers	-16.3	-25.9	23.8	18.0	20.0	18.1	25.3	38.6	47.7
Gross official reserves (US$ million)	681	811	932	1,065	1,306	1,678	2,079	2,553	3,058
Months of imports of goods and services 4/	1.1	1.3	1.1	1.0	1.1	1.4	1.8	2.2	3.6
				(In percent of GDP, unless otherwise indicated)					
Memorandum Items:									
Nominal GDP (G$ billion)	1,141	1,597	3,029	3,405	4,236	4,905	5,816	6,014	6,236
Growth rate	5.8	40.0	89.6	12.4	24.4	15.8	18.6	3.4	3.7
Output gap (in perent)	-33.1	-37.5	-19.9	-10.7	-7.0	-7.2	-3.7	1.7	2.3
Central government Primary balance	-7.2	-6.7	-4.8	-6.3	-4.8	-2.8	-1.8	-0.9	0.1
General government overall balance (CG and NIS)	-7.8	-7.3	-5.2	-6.7	-5.0	-3.0	-2.0	-1.0	0.0
NFPS overall balance	-6.7	-6.4	-5.4	-6.8	-5.0	-2.9	-1.9	-1.2	-0.1
DSA public sector gross debt	51.1	43.2	26.0	29.9	29.0	28.2	26.0	26.5	26.0
External	23.8	18.0	10.3	11.0	9.7	9.3	7.8	7.6	7.1
Domestic	27.2	25.2	15.7	18.9	19.3	18.9	18.2	19.0	18.9
Per capita GDP, US$	6,952.7	9,707.0	18,353.1	20,564.6	25,513.0	29,452.9	34,813.6	35,896.4	37,106.3
Guyana dollar/U.S. dollar (period average)	208.5	208.5	208.5	…	…	…	…	…	…

Sources: Guyanese authorities; and IMF staff calculations and projections.
1/ Includes debt service savings under HIPC and MDRI.
2/ Reflects interest and amortizations after debt stock operations.
3/ Since 2015-16, public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.
4/ Gross reserves are in months of projected imports of goods and services. For 2017 onward, these are affected by high value imports of oil goods and services.

Table 3. Guyana: Balance of Payments, 2020-28 1/

(In Millions of U.S. dollars, unless otherwise specified)

	2020	2021	Prel. 2022	Proj. 2023	2024	2025	2026	2027	2028
				(In millions of U.S dollars)					
Current Account (incl. official transfers)	**-893**	**-1,982**	**3,451**	**2,945**	**4,070**	**4,247**	**7,051**	**11,122**	**14,259**
Current Account (excl. official transfers)	-925	-1,990	3,451	2,945	4,070	4,247	7,051	11,122	14,259
Merchandise Trade (net)	**340**	**-20**	**7,676**	**7,615**	**11,468**	**11,754**	**14,926**	**20,738**	**23,746**
Exports (f.o.b.)	**2,590**	**4,356**	**11,299**	**13,235**	**16,750**	**19,034**	**22,163**	**26,384**	**29,267**
Bauxite	73	80	99	80	81	88	95	102	108
Sugar	24	15	17	38	36	34	32	31	31
Rice	243	201	196	236	249	256	264	269	275
Gold	979	858	830	1,151	1,238	1,355	1,460	1,553	1,647
Timber	28	26	28	28	28	29	30	32	33
Oil	1,064	2,975	9,874	11,423	14,817	16,950	19,935	24,049	26,822
Other	178	199	257	280	300	321	346	349	351
Imports (c.i.f.)	**2,250**	**4,376**	**3,623**	**5,620**	**5,282**	**7,280**	**7,236**	**5,647**	**5,521**
Capital goods	691	2,236	862	3,242	2,509	4,224	4,030	2,283	2,096
Fuel and lubricants	493	823	1,268	1,033	998	944	898	856	832
Other	1,066	1,317	1,493	1,345	1,774	2,112	2,308	2,507	2,593
Services (net)	**-1,788**	**-2,586**	**-3,565**	**-4,455**	**-6,838**	**-6,726**	**-6,781**	**-8,116**	**-7,694**
Primary Income (net)	**-108**	**-390**	**-1,716**	**-1,297**	**-1,663**	**-1,900**	**-2,225**	**-2,637**	**-2,932**
of which: Repatriated oil earnings	-75	-335	-1,627	-1,199	-1,556	-1,780	-2,093	-2,525	-2,816
Secondary Income (net)	**663**	**1,014**	**1,056**	**1,082**	**1,103**	**1,119**	**1,131**	**1,138**	**1,139**
Financial Account	**879**	**1,898**	**-3,819**	**-2,994**	**-4,109**	**-4,288**	**-7,106**	**-11,180**	**-14,310**
Nonfinancial public sector (net)	-203	-92	-603	-372	-804	-975	-1,625	-2,206	-2,631
Net official borrowing	-5	70	201	282	180	226	-8	-6	-46
Other public sector (net) 2/	-198	-162	-804	-654	-984	-1,200	-1,618	-2,200	-2,585
Private sector (net)	1,186	2,120	-3,094	-2,490	-3,064	-2,941	-5,079	-8,500	-11,175
Foreign direct investment (net) 3/	1,269	2,222	-3,054	-2,360	-2,918	-2,778	-4,896	-8,295	-10,946
Portfolio investment (net)	-21	-50	-56	-65	-71	-79	-86	-95	-105
Other (net)	-62	-52	16	-66	-75	-85	-96	-110	-125
Errors and Omissions	**-34**	**2**	**329**	**0**	**0**	**0**	**0**	**0**	**0**
Overall Balance	**105**	**130**	**122**	**132**	**241**	**372**	**401**	**474**	**505**
Memorandum Items:									
Exports (in percent of GDP)	47.3	56.9	77.8	81.1	82.4	80.9	79.5	91.5	97.9
Imports (in percent of GDP)	41.1	57.1	24.9	34.4	26.0	30.9	25.9	19.6	18.5
Foreign direct investment (net) (in percent of GDP)	23.2	29.0	-21.0	-14.5	-14.4	-11.8	-17.6	-28.8	-36.6
Current account, incl. off. transfers (in percent of GDP)	-16.3	-25.9	23.8	18.0	20.0	18.1	25.3	38.6	47.7
Current account, excl. off. transfers (in percent of GDP) 4/	-16.9	-26.0	23.8	18.0	20.0	18.1	25.3	38.6	47.7
Overall balance (in percent of GDP)	1.9	1.7	0.8	0.8	1.2	1.6	1.4	1.6	1.7
Gross international reserves	680.6	810.8	932.4	1,064.6	1,305.7	1,677.7	2,078.6	2,552.8	3,057.6
(Percent of GDP)	12.4	10.6	6.4	6.5	6.4	7.1	7.5	8.8	10.2
(in months of imports of goods and services) 5/	1.1	1.3	1.1	1.0	1.1	1.4	1.8	2.2	3.6
(in months of imports of non-oil goods and services)	3.3	3.8	2.8	3.1	3.7	4.9	6.0	7.2	8.4
End of year balance of the NRF	198	608	1,426	2,095	3,100	4,332	5,993	8,253	10,920
(Percent of GDP)	3.6	7.9	9.8	12.8	15.3	18.4	21.5	28.6	36.5
Oil price assumption (US$/b)	43.3	70.8	99.0	82.4	81.2	77.4	74.3	71.6	69.3
Gold price assumption (US$/troy ounce)	1,632	1,707	1,718	1,834	1,886	1,976	2,038	2,074	2,106
HIPC and MDRI debt service relief	16.1	14.0	10.4	9.8	9.3	8.9	8.4	8.0	7.6
GDP (US$ million)	5,471	7,662	14,529	16,329	20,319	23,527	27,893	28,846	29,908
Guyana dollar/U.S. dollar (period average)	208.5	...	...	...	...	...	...	...	...
Guyana dollar/U.S. dollar (end-of-period)	208.5	...	...	...	...	...	...	...	...
				(Annual percent change)					
Growth of Value of Exports	55.8	65.8	148.9	17.1	26.3	13.6	16.3	18.9	10.9
of which exports of goods (excl re-exports)	70.7	68.8	160.4	17.1	26.6	13.6	16.4	19.2	11.0
Growth of Value of Imports	-28.6	70.6	2.4	39.4	20.1	15.5	0.3	-1.5	-3.6
of which Imports of goods	-53.4	94.5	-17.2	55.1	-6.0	37.8	-0.6	-22.0	-2.2
Growth of Volume of Exports	161.6	46.4	100.7	34.2	28.7	18.6	21.1	23.8	14.6
Growth of Volume of Imports	26.1	16.2	6.7	15.4	24.8	-0.9	-0.6	9.5	-4.2
Terms of trade (Goods)	6.9	13.0	14.2	-7.7	-1.8	-3.9	-3.8	-3.5	-3.1
Goods Export Price Index	5.2	34.6	31.5	-14.3	-1.0	-3.8	-3.4	-3.2	-2.8
Goods Import Price Index	-1.6	19.0	15.1	-7.1	0.8	0.1	0.4	0.3	0.3

Sources: Bank of Guyana; and IMF staff calculations and projections.

1/ Table has been revised to BPM6 presentation.

2/ Includes oil receipt flows to and from the Natural Resource Fund.

3/ Includes cost recovery by oil operators for approved projects and projects in development.

4/ The external current account for 2018 onwards includes high value imports of oil goods and services.

5/ Gross reserves are in months of projected imports of goods and services. For 2017 onward, these are affected by high value imports of oil goods and services.

Table 4a. Guyana: Public Sector Operations, 2020–28
(In percent of GDP, unless otherwise specified)

	2020	2021	Prel. 2022	Proj. 2023	2024	2025	2026	2027	2028
Central Government Revenue	**20.0**	**16.7**	**14.2**	**17.6**	**15.4**	**14.5**	**13.0**	**13.4**	**13.9**
Tax revenue	19.1	16.0	9.7	10.0	8.8	8.4	7.8	8.3	8.8
Income taxes	9.2	7.7	5.4	5.7	5.1	4.8	4.5	4.8	5.1
Consumption taxes	7.3	5.9	2.8	2.8	2.5	2.3	2.2	2.3	2.4
Trade taxes	1.7	1.6	1.0	1.0	0.9	0.9	0.8	0.9	0.9
Other	0.9	0.7	0.4	0.5	0.4	0.4	0.3	0.4	0.4
Non-tax revenue	0.8	0.7	4.5	6.6	6.1	5.7	5.0	4.9	4.9
Of which:									
Oil revenue	0.0	0.0	4.2	6.1	5.7	5.3	4.6	4.5	4.4
Net revenue from PE and statutory bodies	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.1	0.1
Capital revenue & GRIF, carbon credit Inflows	0.0	0.0	0.0	1.0	0.4	0.4	0.2	0.2	0.2
Grants	**0.7**	**0.3**	**0.3**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Central Government Expenditure	**28.4**	**24.2**	**19.6**	**24.6**	**20.4**	**17.5**	**15.0**	**14.4**	**13.9**
Current expenditure	21.7	17.7	11.1	10.8	9.8	9.4	8.9	9.5	10.0
Wages and salaries	6.3	4.9	2.9	3.1	2.9	2.8	2.7	2.9	3.0
Other goods and services	6.4	5.7	3.6	3.0	2.9	2.9	2.7	2.9	3.1
Transfers	8.5	6.7	4.3	4.3	3.8	3.6	3.4	3.6	3.8
Interest 1/	0.5	0.5	0.3	0.4	0.2	0.2	0.2	0.1	0.1
Domestic	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
External	0.4	0.3	0.2	0.3	0.1	0.1	0.1	0.0	0.0
Capital expenditure	6.7	6.5	8.5	13.8	10.6	8.1	6.0	4.9	3.9
Overall Balance (before grants)	**-8.4**	**-7.5**	**-5.4**	**-7.0**	**-5.0**	**-3.0**	**-2.0**	**-1.0**	**0.0**
Overall Balance (after grants)	**-7.7**	**-7.2**	**-5.1**	**-6.7**	**-5.0**	**-3.0**	**-2.0**	**-1.0**	**0.0**
Primary Balance (after grants)	**-7.2**	**-6.7**	**-4.8**	**-6.3**	**-4.8**	**-2.8**	**-1.8**	**-0.9**	**0.1**
Non-Oil Primary Balance (after grants)	**-7.2**	**-6.7**	**-9.0**	**-12.4**	**-10.5**	**-8.1**	**-6.4**	**-5.3**	**-4.3**
Non-Oil Overall Balance (after grants)	**-7.7**	**-7.2**	**-9.3**	**-12.8**	**-10.7**	**-8.3**	**-6.6**	**-5.5**	**-4.4**
Financing	**7.7**	**7.2**	**5.1**	**6.7**	**5.0**	**3.0**	**2.0**	**1.0**	**0.0**
Net foreign financing	0.2	0.7	2.0	2.2	1.2	1.0	0.0	0.0	-0.2
Net domestic financing 2/	7.5	6.5	3.1	4.4	3.8	2.0	2.0	1.0	0.2
Memorandum Items:									
Total public debt	51.1	43.2	26.0	29.9	29.0	28.2	26.0	26.5	26.0
Domestic	27.2	25.2	15.7	18.9	19.3	18.9	18.2	19.0	18.9
External	23.8	18.0	10.3	11.0	9.7	9.3	7.8	7.6	7.1

Sources: Ministry of Finance; and IMF staff calculations and projections.
1/ Reflects interest and amortization after total debt relief.
2/ Includes statistical discrepancies.

Table 4b. Guyana: Public Sector Operations, 2020–28
(In billions of Guyanese dollars, unless otherwise specified)

			Prel.	Proj.					
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Central Government Revenue	**228**	**267**	**430**	**601**	**651**	**713**	**754**	**803**	**870**
Tax revenue	218	255	292	342	373	411	454	499	549
Income taxes	105	123	163	194	214	236	261	287	316
Consumption taxes	84	95	85	94	104	114	126	138	152
Trade taxes	20	26	30	35	39	43	47	52	57
Other	10	12	13	18	16	18	20	22	24
Non-tax revenue	9	12	136	224	259	281	290	294	307
Of which:									
Oil revenue	0	0	127	209	243	262	265	268	272
Net revenue from PE and statutory bodies	2	3	4	7	8	9	10	5	6
Capital revenue & GRIF, carbon credit Inflows	0	0	1	34	18	21	10	10	13
Grants	**8**	**5**	**8**	**10**	**0**	**0**	**0**	**0**	**0**
Central Government Expenditure	**324**	**387**	**593**	**837**	**863**	**860**	**870**	**863**	**870**
Current expenditure	248	283	335	368	413	463	518	569	626
Wages and salaries	72	78	88	106	121	137	155	172	190
Other goods and services	72	90	109	104	122	140	158	176	194
Transfers	97	107	130	145	160	176	195	214	236
Interest 1/	6	8	9	14	10	10	11	7	6
Domestic	1	3	4	4	4	4	4	4	4
External	5	5	5	10	6	6	6	3	2
Capital expenditure	76	104	258	469	450	396	352	294	243
Overall Balance (before grants)	**-96**	**-120**	**-163**	**-237**	**-212**	**-147**	**-116**	**-60**	**0**
Overall Balance (after grants)	**-88**	**-115**	**-155**	**-227**	**-212**	**-147**	**-116**	**-60**	**0**
Primary Balance (after grants)	**-82**	**-107**	**-146**	**-213**	**-202**	**-137**	**-106**	**-53**	**6**
Non-Oil Primary Balance (after grants)	**-82**	**-107**	**-273**	**-422**	**-445**	**-399**	**-371**	**-322**	**-266**
Non-Oil Overall Balance (after grants)	**-88**	**-115**	**-282**	**-436**	**-455**	**-409**	**-382**	**-328**	**-272**
Financing	**88**	**115**	**155**	**227**	**212**	**147**	**116**	**60**	**0**
Net foreign financing	2	12	60	76	49	51	2	-3	-11
Net domestic financing 2/	86	103	95	151	163	96	114	63	11
Memorandum Items:									
Total public debt	583	690	789	1017	1227	1383	1515	1595	1624
Domestic	311	403	476	644	816	926	1059	1140	1179
External	272	287	313	373	410	457	456	455	445

Sources: Ministry of Finance; and IMF staff calculations and projections.
1/ Reflects interest and amortization after total debt relief.
2/ Includes statistical discrepancies.

Table 4c. Guyana: Public Sector Operations, 2020–28
(In percent of non-oil GDP, unless otherwise specified)

			Prel.	Proj.					
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Central Government Revenue	**23.7**	**24.5**	**33.8**	**41.1**	**40.4**	**40.1**	**38.6**	**37.4**	**36.8**
Tax revenue	22.7	23.4	23.0	23.4	23.2	23.2	23.3	23.3	23.3
Income taxes	10.9	11.3	12.9	13.3	13.3	13.3	13.4	13.4	13.4
Consumption taxes	8.7	8.7	6.7	6.4	6.4	6.4	6.4	6.4	6.4
Trade taxes	2.0	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Other	1.1	1.1	1.1	1.2	1.0	1.0	1.0	1.0	1.0
Non-tax revenue	1.0	1.1	10.7	15.3	16.1	15.8	14.8	13.7	13.0
Of which:									
Oil revenue	0.0	0.0	10.0	14.3	15.1	14.8	13.6	12.5	11.5
Net revenue from PE and statutory bodies	0.2	0.3	0.3	0.5	0.5	0.5	0.5	0.2	0.2
Capital revenue & GRIF, carbon credit Inflows	0.0	0.0	0.1	2.3	1.1	1.2	0.5	0.5	0.6
Grants	**0.8**	**0.5**	**0.6**	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Central Government Expenditure	**33.7**	**35.5**	**46.7**	**57.2**	**53.5**	**48.4**	**44.6**	**40.2**	**36.8**
Current expenditure	25.8	26.0	26.4	25.2	25.6	26.1	26.6	26.5	26.5
Wages and salaries	7.5	7.1	6.9	7.2	7.5	7.7	7.9	8.0	8.0
Other goods and services	7.5	8.3	8.5	7.1	7.6	7.9	8.1	8.2	8.2
Transfers	10.1	9.8	10.2	9.9	9.9	9.9	10.0	10.0	10.0
Interest 1/	0.6	0.7	0.7	1.0	0.6	0.6	0.5	0.3	0.3
Domestic	0.1	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
External	0.5	0.5	0.4	0.7	0.3	0.3	0.3	0.1	0.1
Capital expenditure	7.9	9.6	20.3	32.1	27.9	22.3	18.0	13.7	10.3
Overall Balance (before grants)	**-10.0**	**-11.0**	**-12.9**	**-16.2**	**-13.1**	**-8.3**	**-6.0**	**-2.8**	**0.0**
Overall Balance (after grants)	**-9.2**	**-10.5**	**-12.2**	**-15.5**	**-13.1**	**-8.3**	**-6.0**	**-2.8**	**0.0**
Primary Balance (after grants)	**-8.6**	**-9.8**	**-11.5**	**-14.6**	**-12.5**	**-7.7**	**-5.4**	**-2.5**	**0.3**
Non-oil Primary Balance (after grants)	**-8.6**	**-9.8**	**-21.5**	**-28.8**	**-27.6**	**-22.5**	**-19.0**	**-15.0**	**-11.2**
Non-oil Overall Balance (after grants)	**-9.2**	**-10.5**	**-22.2**	**-29.8**	**-28.2**	**-23.1**	**-19.6**	**-15.3**	**-11.5**
Financing	**9.2**	**10.5**	**12.2**	**15.5**	**13.1**	**8.3**	**6.0**	**2.8**	**0.0**
Net foreign financing	0.2	1.1	4.7	5.2	3.0	2.9	0.1	-0.1	-0.5
Net domestic financing 2/	9.0	9.5	7.5	10.3	10.1	5.4	5.9	2.9	0.5
Memorandum Items:									
Total public debt	60.7	63.3	62.1	69.5	76.1	77.9	77.7	74.3	68.7
Domestic	32.3	37.0	37.5	44.1	50.6	52.2	54.3	53.1	49.9
External	28.3	26.3	24.7	25.5	25.5	25.8	23.4	21.2	18.8

Sources: Ministry of Finance; and IMF staff calculations and projections.
1/ Reflects interest and amortization after total debt relief.
2/ Includes statistical discrepancies.

Table 5. Guyana: Summary Account of Bank of Guyana and Monetary Survey, 2020–28

(In billions of Guyanese dollars, end of period, unless otherwise specified)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
				(In billions of Guyanese dollars, end of period)					
				Bank of Guyana					
Net Foreign Assets	116.6	94.5	120.3	147.9	198.1	275.7	359.3	458.2	563.4
Foreign assets	146.5	174.7	200.1	227.6	277.9	355.5	439.1	537.9	643.2
Foreign liabilities	30.0	80.2	79.8	79.8	79.8	79.8	79.8	79.8	79.8
Net Domestic Assets	182.6	201.6	351.4	604.1	873.3	1,165.9	1,490.3	1,844.5	2,244.6
Of which:									
Credit to public sector (net)	188.0	213.0	193.7	185.7	177.7	169.7	161.7	153.7	145.7
Liabilities to commercial banks	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other items (net)	0.4	-3.2	-96.7	0.0	0.0	0.0	0.0	0.0	0.0
Currency in Circulation	162.2	183.6	340.7	601.2	905.3	1,258.8	1,648.8	2,081.9	2,565.0
Base Money	292.2	295.2	470.8	751.0	1,070.5	1,440.6	1,848.6	2,301.7	2,807.0
				Monetary Survey					
Net Foreign Assets	194.0	182.5	220.3	261.6	327.4	422.6	526.3	648.0	779.3
Bank of Guyana	116.6	94.5	120.3	147.9	198.1	275.7	359.3	458.2	563.4
Commercial banks	77.4	88.0	100.0	113.7	129.3	146.9	167.0	189.9	215.8
Net Domestic Assets	456.7	550.5	619.0	720.4	778.4	811.7	839.8	864.7	898.6
Credit to public sector (net)	248.9	333.7	436.1	591.0	755.5	847.9	955.3	1,028.5	1,047.5
Private sector credit	310.3	338.3	387.4	432.9	470.3	506.9	546.4	588.7	634.2
Other items (net)	-102.6	-121.5	-204.5	-303.5	-447.4	-543.1	-661.9	-752.5	-783.2
Broad Money	643.6	732.3	838.6	979.2	1,104.3	1,232.6	1,364.1	1,511.0	1,676.0
				(annual percent change)					
Net Foreign Assets	19.9	-5.9	20.7	18.7	25.2	29.1	24.5	23.1	20.2
Net Domestic Assets	14.0	20.6	12.4	16.4	8.0	4.3	3.5	3.0	3.9
Domestic Credit	17.2	20.1	22.5	24.3	19.7	10.5	10.8	7.7	4.0
Of which:									
Private sector credit	2.5	9.0	14.5	11.7	8.6	7.8	7.8	7.7	7.7
Public sector net	42.9	34.0	30.7	35.5	27.8	12.2	12.7	7.7	1.8
Broad Money	14.5	13.8	14.5	16.8	12.8	11.6	10.7	10.8	10.9
				(Contribution to changes in base money, 12–month basis)					
Base Money	44.5	1.0	59.5	59.5	42.5	34.6	28.3	24.5	22.0
Net foreign assets	10.9	-7.5	8.7	5.9	6.7	7.2	5.8	5.3	4.6
Other including net credit to public sector	33.6	8.6	50.8	53.7	35.8	27.3	22.5	19.2	17.4
Memorandum Items:									
Bank of Guyana's net foreign assets, in millions of U.S. dollars	559.1	453.4	577.0	709.2	950.3	1,322.3	1,723.1	2,197.4	2,702.2
Commercial banks' net foreign assets, in millions of U.S. dollars	371.3	422.1	479.8	545.4	620.0	704.8	801.1	910.7	1,035.2
Money multiplier	2.2	2.5	1.8	1.3	1.0	0.9	0.7	0.7	0.6
Income velocity of broad money	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Non-oil Nominal GDP	960	1090	1270	1463	1612	1775	1951	2146	2363
Growth Rate	-9.4	13.5	16.6	15.1	10.2	10.1	9.9	10.0	10.1

Sources: Bank of Guyana, and IMF staff calculations and projections.

Table 6. Financial Soundness Indicators, 2016–22
(In percent, unless otherwise specified)

	2016	2017	2018	2019	2020	2021	2022
Capital Adequacy							
Capital to risk-adjusted assets	25.41	27.14	28.72	28.01	29.12	27.91	17.17
Tier I capital to risk-weighted assets	25.68	27.62	29.55	28.22	29.33	29.74	17.67
Capital to total assets	13.44	14.56	14.77	14.72	13.92	13.43	12.46
Lending to Connected Parties							
Related party loans to total loans	4.07	3.38	2.95	3.12	3.52	3.77	4.98
Related party loans to capital base	16.32	12.95	10.00	10.93	11.40	13.25	19.21
Director exposure to related party exposure	0.60	1.60	2.21	2.59	3.07	5.53	7.69
Asset Composition							
Business enterprises to total loans	49.24	49.14	48.68	49.94	49.32	51.58	53.24
Agriculture to total loans	5.49	6.11	5.86	4.89	5.42	5.75	5.75
Mining and quarry to total loans	1.90	2.38	2.19	1.74	1.83	1.45	1.34
Manufacturing to total loans	13.52	11.32	10.79	10.44	8.42	9.47	11.11
Services to total loans	28.33	29.32	29.83	32.88	33.65	34.91	35.04
Households to total loans	13.51	13.54	13.53	12.65	13.10	12.54	11.83
Asset Quality							
Nonperforming loans to total loans	12.91	12.19	11.93	11.11	10.83	7.82	4.69
Nonperforming loans to total assets	6.05	5.81	5.55	5.06	4.47	3.22	1.94
Gross loans to deposits	58.54	60.92	58.71	56.97	50.72	50.27	50.43
Gross loans to gross assets	48.23	47.68	46.48	45.57	41.31	41.18	41.46
Earnings and Profitability							
Return on assets	0.55	0.57	0.59	0.73	0.59	0.50	0.52
Return on equity	4.05	3.90	3.95	4.88	4.17	3.69	4.8
Net interest income to gross income	66.09	65.59	66.53	64.59	64.89	67.48	68.04
Noninterest expenses to gross income	47.73	24.98	25.44	28.29	40.72	25.43	25.44
Operating expense to total income	58.30	57.16	51.82	49.72	48.86	52.86	48.53
Liquidity							
Interest expense to average earning assets	0.28	0.23	0.19	0.21	0.19	0.16	0.13
Net interest income to average earning assets	1.72	1.62	1.58	1.88	1.52	1.50	1.37
Liquid assets to total assets	30.44	29.36	30.21	31.68	41.05	33.84	32.29

Source: Bank of Guyana.

Table 7. Guyana: Indicators of External and Financial Vulnerability, 2020–28

(In percent, unless otherwise indicated)

	2020	2021	Prel. 2022	Proj. 2023	2024	2025	2026	2027	2028
Financial Indicators									
Public sector debt-to-GDP 1/	51.1	43.2	26.0	29.9	29.0	28.2	26.0	26.5	26.0
NPV of public sector debt-to-GDP	32.3	39.3	21.6	24.9	24.7	24.1	22.5	23.1	22.9
NPV of public sector debt-to revenue	144.9	196.9	151.9	141.4	160.6	166.0	173.8	173.2	164.1
CPI-inflation (end of period)	0.9	5.7	7.2	3.8	5.5	5.5	5.5	5.5	5.0
External Indicators									
Exchange rate (per US$, end of period)	208.5	208.5	208.5	…	…	…	…	…	…
Current account balance-to-GDP	-16.3	-25.9	23.8	18.0	20.0	18.1	25.3	38.6	47.7
Gross official reserves (in millions of U.S. dollars)	680.6	810.8	932.4	1,064.6	1,305.7	1,677.7	2,078.6	2,552.8	3,057.6
Gross official reserves in months of imports 2/	1.1	1.3	1.1	1.0	1.1	1.4	1.8	2.2	3.6
Gross official reserves to short-term external public sector debt	1,297.4	1,468.3	1,550.2	1,567.6	1,919.7	2,546.5	2,725.4	4,723.0	5,615.5
External public sector debt to GDP	18.2	16.0	10.7	9.1	8.0	7.5	6.2	5.1	4.4
NPV of external public debt (in millions of U.S. dollars)	902.8	1,310.1	848.5	981.1	1,098.6	1,230.7	1,202.4	1,205.0	1,189.0
NPV of external public sector debt to exports	47.8	33.6	7.4	7.3	6.5	6.4	5.3	4.5	4.0
NPV of external public debt-to-GDP	16.5	17.1	5.8	6.0	5.4	5.2	4.3	4.2	4.0

Sources: Bank of Guyana; and IMF staff calculations and projections.
1/ Since, 2015-16, the public debt to GDP ratios have been adjusted to reflect unsettled government balances at the central bank.
2/ Gross reserves are in months of projected imports of goods and services. For 2017 onward, these are affected by high value imports of oil goods and services.

Table 8a. Guyana: Saving-Investment Balance, 2018–28

(In percent of GDP)

	2018	2019	2020	2021	2022 Prel.	2023 Projections	2024	2025	2026	2027	2028
Gross national disposable income	**110.8**	**111.4**	**110.1**	**108.1**	**95.5**	**98.7**	**97.2**	**96.7**	**96.1**	**94.8**	**94.0**
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net factor payments from abroad	-0.6	-0.9	-2.0	-5.1	-11.8	-7.9	-8.2	-8.1	-8.0	-9.1	-9.8
Net transfers from abroad	11.3	12.3	12.1	13.2	7.3	6.6	5.4	4.8	4.1	3.9	3.8
Consumption	**126.8**	**166.7**	**117.4**	**125.2**	**61.7**	**64.3**	**65.1**	**67.4**	**62.2**	**49.9**	**41.0**
Public sector[1/]	19.2	19.3	21.2	17.2	10.8	10.4	9.5	9.2	8.7	9.4	9.9
Private sector	107.6	147.5	96.2	107.9	51.0	53.9	55.6	58.2	53.5	40.5	31.1
National saving	**-16.1**	**-55.4**	**-7.3**	**-17.0**	**33.7**	**34.4**	**32.1**	**29.2**	**33.9**	**44.9**	**53.0**
Public sector	1.5	2.7	3.8	5.1	8.8	10.8	10.3	10.2	9.9	11.6	12.7
Private sector	-17.5	-58.1	-11.1	-22.1	24.9	23.6	21.9	19.1	24.0	33.3	40.3
Gross domestic investment	**12.9**	**13.4**	**9.0**	**8.9**	**10.0**	**16.4**	**12.1**	**11.2**	**8.6**	**6.4**	**5.3**
Public sector[1/]	6.2	6.8	7.0	5.8	8.3	13.6	10.4	8.0	5.9	5.1	4.1
Private sector	6.7	6.6	2.1	3.0	1.7	2.8	1.6	3.2	2.6	1.2	1.1
Savings-Investment balance	**-29.0**	**-68.8**	**-16.3**	**-25.9**	**23.8**	**18.0**	**20.0**	**18.1**	**25.3**	**38.6**	**47.7**
Public sector	-4.7	-4.1	-3.2	-0.7	0.5	-2.8	-0.2	2.2	3.9	6.5	8.5
Private sector	-24.2	-64.6	-13.2	-25.2	23.3	20.8	20.2	15.9	21.4	32.1	39.2
Memorandum items											
Current account balance	-29.0	-68.8	-16.3	-25.9	23.8	18.0	20.0	18.1	25.3	38.6	47.7
Exports of goods and services	32.0	34.6	51.0	60.4	79.3	82.6	83.8	82.2	80.7	92.7	99.2
Imports of goods and services	71.8	114.8	77.5	94.4	51.0	63.2	61.0	60.8	51.4	49.0	45.5

Sources: National authorities and IMF staff calculations.
1/Projections are based on national accounts data increased with growth rates from the fiscal projections.

Table 8b. Guyana: Saving-Investment Balance, 2018–28
(In billions of Guyanese dollars)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
					Prel.			Projections			
Gross national disposable income	**1,101.6**	**1,201.2**	**1,256.4**	**1,727.5**	**2,891.8**	**3,359.7**	**4,119.7**	**4,742.7**	**5,587.5**	**5,701.8**	**5,862.0**
Nominal GDP	994.5	1,078.7	1,140.8	1,597.4	3,029.4	3,404.6	4,236.5	4,905.4	5,815.6	6,014.5	6,235.8
Net factor payments from abroad	-5.8	-9.7	-22.6	-81.3	-357.7	-270.4	-346.8	-396.1	-464.0	-549.9	-611.3
Net transfers from abroad	112.9	132.2	138.2	211.4	220.2	225.5	230.0	233.4	235.9	237.2	237.5
Consumption	**1,261.5**	**1,798.6**	**1,339.5**	**1,999.2**	**1,870.5**	**2,188.9**	**2,759.2**	**3,308.2**	**3,618.2**	**3,000.6**	**2,559.5**
Public sector[1/]	191.1	207.7	241.6	275.0	326.1	354.2	403.4	453.0	507.6	562.7	619.7
Private sector	1,070.4	1,590.9	1,097.9	1,724.2	1,544.4	1,834.8	2,355.8	2,855.2	3,110.6	2,438.0	1,939.8
National saving	**-159.9**	**-597.4**	**-83.0**	**-271.7**	**1,021.3**	**1,170.7**	**1,360.5**	**1,434.5**	**1,969.3**	**2,701.2**	**3,302.5**
Public sector	14.5	28.8	43.6	82.0	265.8	368.8	434.3	498.9	573.8	696.7	789.9
Private sector	-174.4	-626.2	-126.7	-353.7	755.5	802.0	926.2	935.7	1,395.5	2,004.5	2,512.5
Gross domestic investment	**128.2**	**144.5**	**103.2**	**141.5**	**301.8**	**556.7**	**511.9**	**549.0**	**499.1**	**382.2**	**329.4**
Public sector[1/]	61.7	73.4	79.7	92.9	250.8	463.0	442.5	391.6	345.8	308.2	258.7
Private sector	66.5	71.2	23.5	48.6	51.1	93.7	69.4	157.4	153.4	74.0	70.7
Savings-Investment balance	**-288.1**	**-741.9**	**-186.2**	**-413.2**	**719.5**	**614.1**	**848.6**	**885.5**	**1,470.2**	**2,319.0**	**2,973.1**
Public sector	-47.2	-44.5	-36.1	-10.8	15.1	-94.2	-8.2	107.3	228.0	388.5	531.3
Private sector	-240.9	-697.4	-150.2	-402.3	704.5	708.3	856.8	778.3	1,242.1	1,930.5	2,441.8
Memorandum items											
Current account balance	-288.1	-741.9	-186.2	-413.2	719.5	614.1	848.6	885.5	1,470.2	2,319.0	2,973.1
Exports of goods and services	318.7	373.6	582.0	964.7	2,401.1	2,811.5	3,549.6	4,031.7	4,690.3	5,577.4	6,186.2
Imports of goods and services	713.9	1,238.1	883.9	1,508.0	1,544.0	2,152.5	2,584.2	2,983.5	2,992.0	2,945.8	2,839.3

Sources: National authorities and IMF staff calculations.

1/Projections are based on national accounts data increased with growth rates from the fiscal projections.

Table 8c. Guyana: Saving-Investment Balance, 2018–28
(Growth rate from previous year; In percent)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
					Prel.			Projections			
Gross national disposable income	**5.1**	**9.0**	**4.6**	**37.5**	**67.4**	**16.2**	**22.6**	**15.1**	**17.8**	**2.0**	**2.8**
Nominal GDP	1.4	8.5	5.8	40.0	89.6	12.4	24.4	15.8	18.6	3.4	3.7
Net factor payments from abroad	143.1	68.8	132.0	260.4	340.1	-24.4	28.3	14.2	17.2	18.5	11.2
Net transfers from abroad	60.7	17.1	4.6	52.9	4.2	2.4	2.0	1.5	1.1	0.6	0.1
Consumption	**30.3**	**42.6**	**-25.5**	**49.3**	**-6.4**	**17.0**	**26.0**	**19.9**	**9.4**	**-17.1**	**-14.7**
Public sector[1/]	10.2	8.7	16.3	13.8	18.6	8.6	13.9	12.3	12.1	10.8	10.1
Private sector	34.7	48.6	-31.0	57.1	-10.4	18.8	28.4	21.2	8.9	-21.6	-20.4
National saving	**-298.8**	**-273.6**	**86.1**	**227.1**	**476.0**	**14.6**	**16.2**	**5.4**	**37.3**	**37.2**	**22.3**
Public sector	-14.9	98.4	51.4	87.9	224.1	38.7	17.8	14.9	15.0	21.4	13.4
Private sector	-375.3	259.0	-79.8	179.2	313.6	6.2	15.5	1.0	49.1	43.6	25.3
Gross domestic investment	**-0.1**	**12.7**	**-28.6**	**37.1**	**113.3**	**84.4**	**-8.0**	**7.2**	**-9.1**	**-23.4**	**-13.8**
Public sector[1/]	-6.7	18.9	8.6	16.5	170.1	84.6	-4.4	-11.5	-11.7	-10.9	-16.1
Private sector	7.0	7.0	-67.0	107.2	5.0	83.5	-25.9	126.8	-2.6	-51.8	-4.4
Savings-Investment balance	**501.3**	**157.5**	**-74.9**	**121.9**	**-274.2**	**-14.7**	**38.2**	**4.3**	**66.0**	**57.7**	**28.2**
Public sector	-3.9	-5.6	-19.0	-70.0	-239.0	-725.9	-91.3	-1409.9	112.6	70.4	36.8
Private sector	-20623.7	189.4	-78.5	167.9	275.1	0.5	21.0	-9.2	59.6	55.4	26.5
Memorandum items											
Current account balance	501.3	157.5	-74.9	121.9	-274.2	-14.7	38.2	4.3	66.0	57.7	28.2
Exports of goods and services	32.0	34.6	51.0	60.4	79.3	82.6	83.8	82.2	80.7	92.7	99.2
Imports of goods and services	71.8	114.8	77.5	94.4	51.0	63.2	61.0	60.8	51.4	49.0	45.5

Sources: National authorities and IMF staff calculations.

1/Projections are based on national accounts data increased with growth rates from the fiscal projections.

Annex I. External Sector Assessment

***Overall Assessment**: The external position of Guyana in 2022 was moderately stronger than the level implied by fundamentals and desirable policies. The real exchange rate against currencies of trading partners appreciated. While reserve adequacy deteriorated slightly to 1.1 months of imports and 50.4 percent of the Assessing Reserve Adequacy Emerging Markets metric, Guyana accumulated gross international reserves (GIR) of about US$120 million. As oil production increases, the external position is expected to continue improving and to maintain current account surpluses, with accumulation of buffers both in gross international reserves and in the Natural Resource Fund. The outlook is favorable, but there are inflationary and appreciation pressures that need to be closely monitored.*

Current Account

Guyana's current account swung to a surplus of 23.8 percent of GDP in 2022, after having been in deficit over the last 20 years. Strong growth of over 200 percent in oil exports more than offset higher imports that were due to increases in services imports in the oil sector and elevated commodity prices. Reflecting the large current account surplus, national savings turned positive and increased to 33.7 percent of GDP, from -17.0 percent of GDP, driven both by the private and public sector. Investment imports related to the oil sector have previously led to large deficits in the current account balance. While these will continue to lead to fluctuations in the current account, high oil production will sustain current account surpluses going forward.

Staff's assessment is that the external position in 2022 was moderately stronger than the level implied by fundamentals and desired policies. Staff assessed the current account position using the current account norm adjusted for expected large current account surpluses in the near and medium term. EBA-lite CA model estimates with an unadjusted current account norm suggest that the external position was substantially stronger than the level implied by fundamentals and desirable policies. The cyclically adjusted (multilaterally consistent) current account norm was 5.9 percent of GDP compared with a cyclically adjusted actual level of 23.7 percent of GDP.[1] This results in a current account gap of 17.8 percent and a policy gap of 2.1 percent, implying a substantial real exchange rate undervaluation of 41.1 percent. However, this does not reflect continued current account surpluses averaging 27.9 percent of GDP in 2023-28 and an over 600 percent increase in public savings as a percent of GDP in 2028-29 compared to 2018-21, due to both the moderating fiscal impulses after 2024 and large inflows into the Natural Resource Fund (NRF). To reflect this structural shift and accumulation of savings, staff applied an adjustment to the current account norm based on the increase in public savings in the medium term.[2] This leads to a current account norm of 22.0 percent of GDP, implying a current account gap of 1.7 percent of GDP and a 3.9 percent undervaluation of the real effective exchange rate. Thus, staff assess that the external position was moderately stronger than the level implied by fundamentals and desired policies.

[1] The current account norm also reflects a desirable policy level of the cyclically adjusted fiscal balance of 3 percent that is consistent with a modified Permanent Income Hypothesis model over the long term.

[2] Because the NRF is held offshore, the cyclically adjusted fiscal balance does not include oil receipts that are not transferred to the budget. Using public savings reflects both the inflows into the NRF and their expected increase over the medium term. Hence, the adjustment assumes that the increase in the current account norm is a fraction (43 percent, or the weight of the cyclically adjusted fiscal balance in the CA model) of the expected increase in public savings as a percent of GDP between 2028-29 and 2018-21.

Text Table 1. Guyana: EBA-lite Model Results, 2022

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**23.8**	
Cyclical contributions (from model) (-)	-0.1	
COVID-19 adjustors (-) 2/	0.2	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	**23.7**	
CA Norm (from model) 3/	**5.9**	
Adjustments to the norm (-) 4/	16.1	
Adjusted CA Norm	**22.0**	
CA Gap	**1.7**	**0.7**
o/w Relative policy gap	2.1	
Elasticity	-0.4	
REER Gap (in percent)	**-3.9**	**-1.5**

1/ Based on the EBA-lite 3.0 methodology

2/ Additional cyclical adjustment to account for the temporary impact of the tourism (0.7 percent of GDP) and remittances (0.12 percent of GDP). 100 percent of the shock to tourism is assumed temporary.

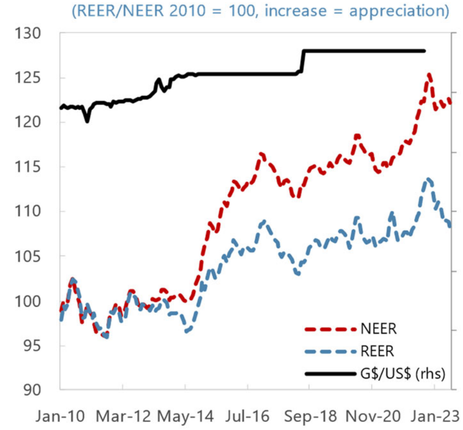
3/ Cyclically adjusted, including multilateral consistency adjustments.

4/ Norm adjustment to reflect new high level of public savings over medium term

Real Exchange Rate

The real effective exchange rate (REER) appreciated in 2022 by 3.0 percent, due to higher inflation in Guyana and depreciation in the currencies of major trading partners. Similarly, the nominal effective exchange rate (NEER) appreciated by 4.7 percent. Historically, movements in effective exchange rates have been broadly stable, and were driven by developments of the US dollar vis-à-vis other currencies. Guyana's main trading partners are the United States, Trinidad and Tobago, Japan, and China. In 2022, inflation in Guyana was higher than its partners, except for the United States, which contributed to REER appreciation. As of July 2023, the REER has remained stable.

Real and Nominal Effective Exchange Rates
(REER/NEER 2010 = 100, increase = appreciation)



Staff's assessment is that the REER in 2022 was broadly in line with the level implied by fundamentals and policies, but signs of appreciation pressures will need to continue to be closely monitored. EBA-lite REER model estimates indicate a negative REER gap but that the external position in 2022 was broadly in line with the level implied by fundamentals and desirable policies. The REER norm was 112.3 compared with the actual level of 110.6. This results in a REER gap of -1.5 percent and a policy gap of -3.8 percent, implying a current account gap of 0.7 percent of GDP.[3] Going forward, while high public investment spending may improve growth and competitiveness in the non-oil economy, these also risk creating inflationary and appreciation pressures. Close monitoring is needed, particularly in the absorption of large FX flows as oil receipts are brought onshore to the government budget.

[3] The policy gap is driven by negative real interest rates and lower private credit growth.

Capital and Financial Accounts

The capital and financial accounts are dominated by foreign direct investment (FDI) flows, which recorded a net outflow equal to 21 percent of GDP in 2022. While in the past net FDI increased (over four-fold between 2017 and 2018), as FDI finances primarily the import of goods and services needed for investment in the oil sector, the financial account recorded a *net* outflow in 2022 due to repatriation of investment by oil operators. Repatriation of investment is expected to increase over 2023-28. *Inflows* of FDI remained high in the oil sector, equal to US$4,269.1 million or 29.4 percent of GDP. In the non-oil sector, *net* FDI continued to recover from the pandemic-related decline, doubling in size to US$119.8 million or 0.8 percent of GDP. On the public sector side, the financial account recorded *inflows* of government oil revenue into the NRF, equal to US$1,411.9 million or 9.7 percent of GDP. For the first time, *withdrawals* from the NRF were also recorded, equal to US$607.6 million or 4.2 percent of GDP. Public external debt comprises concessional loans, with disbursements in 2022 equaling US$261.3 million or 1.8 percent of GDP. Guyana received debt relief under HIPC, reaching the completion point in December 2003, and received debt relief from the IMF, in 2005 under MDRI.

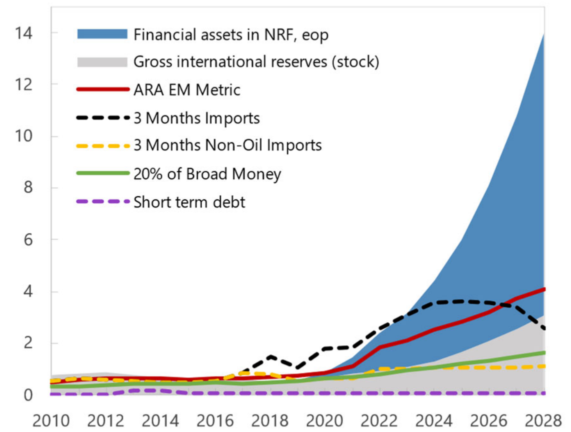
Oil production is expected to continue to grow, which will increase vulnerability in the financial account to external shocks. Shocks to oil production and oil prices will impact government oil revenue flows and oil related FDI flows. Non-oil related FDI showed strong growth in 2022 but is vulnerable to changes in the business climate. However, given Guyana's favorable growth prospects, the concessional nature of external public borrowing, and low reliance on other financial flows in the private sector, vulnerabilities remain contained.

Reserves Level

In 2022, Guyana accumulated US$121.5 million of gross international reserves (GIR), with the stock equaling 6.4 percent of GDP. The level of GIR has been low since 2018 and has been slowly recovering. As of end-2022, GIR were 1.1 months of imports, 2.8 months of non-oil imports, 50.4 percent of the Assessing Reserve Adequacy (ARA) Emerging Markets (EM) metric, 23.2 percent of broad money (M2), and 1,467.1 percent of short-term debt. While not included in the calculation of GIR, over US$800 million was accumulated in the NRF, with the balance at end-2022 equaling 9.8 percent of GDP.

Guyana's level of GIR is expected to be above most adequacy metrics by end-2028, and substantial buffers will be accumulated in the NRF. The balance in the NRF is projected to grow to about US$11 billion by 2028, about 36.5 percent of GDP. While GIR is currently below adequate coverage in months of imports and the ARA EM metric, these metrics are skewed by activity in the oil sector (the former by large oil-related investment imports and the latter by large oil exports). Imports coverage is expected to exceed adequate coverage relative to non-oil imports by end-2023 and relative to total imports by end-2028. Adequacy across other metrics indicates that the current level of GIR provides adequate buffers against capital flight and limited market access in the event of adverse shocks.

Gross International Reserves, NRF Balance, and Adequacy Metrics
(US$ billions)



Text Table 2. Guyana: Ratio of Reserves to Optimal Reserves Based on Various Measures
(in percent)

		ARA EM Metric	3 Months Imports 1/	3 Months Non-oil Imports 1/	20% of Broad Money	Short Term Debt
2010		164.9	141.6	141.6	260.4	4627.9
2011		143.0	126.5	126.5	235.4	2962.4
2012		134.8	145.0	145.0	225.7	2933.2
2013		118.4	143.6	143.6	192.8	424.1
2014		106.1	138.9	138.9	160.8	439.5
2015		100.8	124.2	124.2	139.5	734.9
2016		95.3	109.6	109.6	131.9	1653.1
2017		90.8	68.0	68.0	130.0	1453.1
2018		79.2	35.6	65.1	112.1	958.8
2019		79.6	54.3	104.4	106.8	1054.1
2020		78.7	37.6	109.7	110.2	1297.4
2021		73.3	43.8	127.1	115.4	1413.3
2022	Prel.	50.4	36.1	93.2	115.9	1467.1
2023	Proj.	50.4	34.4	104.3	113.4	1567.6
2024	Proj.	51.7	36.5	124.4	123.3	1919.7
2025	Proj.	59.5	46.8	162.8	141.9	2546.5
2026	Proj.	64.9	58.8	198.9	158.9	2725.4
2027	Proj.	69.2	75.0	240.3	176.1	4723.0
2028	Proj.	75.3	119.4	280.4	190.2	5615.5
Adequate Range		100-150	100	100	100	100

Source: IMF staff calculations
1/ Gross reserves are in months of projected imports of goods and services. For 2017 onward, these are affected by high value imports of goods and services in the oil sector.

Annex II. Inflation and Real Exchange Rate Developments in Countries with Large Oil Production and Exports

1. **After almost three years of exporting oil, Guyana's oil sector accounts for over 60 percent of its economy, raising Guyana's growth prospects for both its oil and non-oil economy.** This higher growth in the medium term could imply a higher level of inflation and a steady appreciation of the real exchange rate even with a balanced expansion of the economy. Understanding these macroeconomic developments in other oil producers is critical to gaining insight to Guyana's forthcoming transformation.

2. **The academic literature confirms that a real exchange rate appreciation has been a common experience among oil producers.**[1] Of note, Harding et al. (2020) examine the impact of 302 large oil discoveries on bilateral real exchange rates across 56 countries and 40 years (1970-2013) and find a 1.5 percent cumulative appreciation of the real exchange rate in the ten years following an oil discovery (equal to 10 percent of a country's GDP), or 0.2 percent per year. Calibrating the estimates from Harding et al. (2020) to the size of Guyana's oil discoveries,[2] Guyana's exchange rate is expected to cumulatively appreciate about 10 percent between 2019 (the year prior to the onset of oil production) and 2024, or 1.9 percent per year. In addition to an appreciation of the exchange rate, Harding et al. (2020) find that economies further adjust through a reallocation of labor from the traded sector to the non-traded sector, leading to changes in labor productivity. However, a large sample of Harding et al. (2020) is constituted by higher income economies.

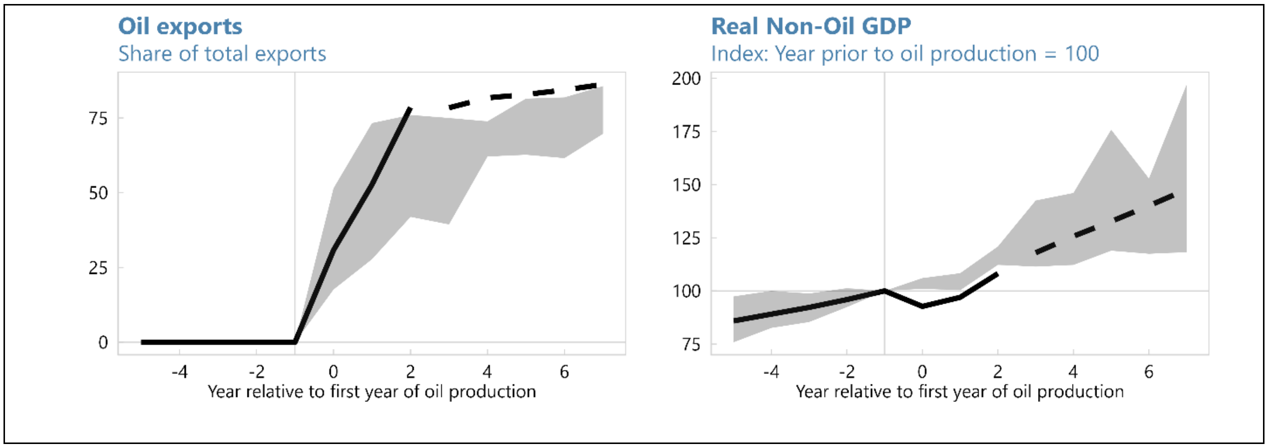
3. **Given the size of the oil discoveries in Guyana, it is useful to compare the path of inflation and exchange rate appreciation presented in the macroframework in Tables 1-8 with the experience of other developing countries which transitioned to exporting large shares of oil.** While the history of oil producers is long (for example, Saudi Arabia started producing oil in 1939 and Kuwait in 1946), consistent macroeconomic data is found only after 1970. Using data between 1970-2022 from the World Economic Outlook database, countries are identified as oil exporters if at any time the share of oil exports out of total exports exceeded 50 percent. In the last 50 years, only 5 countries besides Guyana have become new oil exporters.[3] While it is difficult to disentangle causality from country-specific characteristics, examining these countries' experiences in the years after becoming oil producers adds the following additional insights:

[1] Chen and Rogoff (2003) and Cashin et al. (2004) find real exchange rate appreciation following positive commodity price shocks. Bjornland and Thorsrud (2016) and Alssadek and Benhin (2021) find real exchange rate appreciation in some countries after a resource sector boom.

[2] The net present value of approved fields in Guyana was at least 7000 percent of GDP in 2019.

[3] Classification methodology of the World Economic Outlook Analytical Groups is based on countries' main source of export earnings. Total exports are defined as the sum of exports of goods, exports of services, primary income, and secondary income. Using this classification, the recent oil exporters are Aruba (1999), Chad (2003), Equatorial Guinea (1992), and Sudan (1999). Timor-Leste is also a recent oil exporter, but is excluded from this analysis due to lack of data availability. For the rest of the countries, the first year of oil production was inferred using data on oil exports (3 sustained years exceeding 5 percent of exports) and the World Bank's oil rents series (3 sustained years above 10 percent of the country's maximum oil rents).

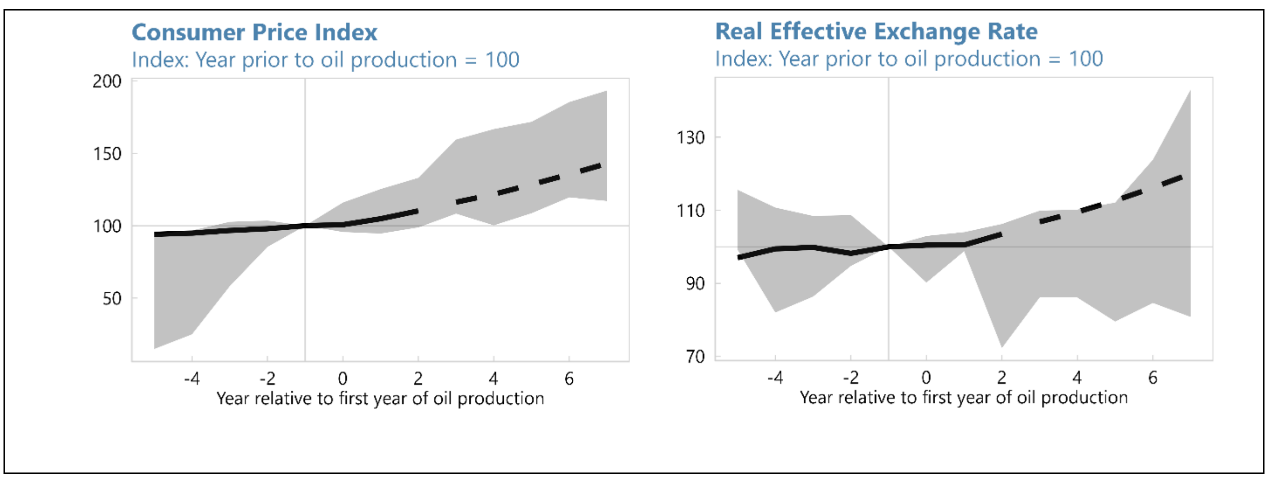
- The expansion of oil production in Guyana is in line with the rate of expansion of other recent oil producers, when looking at export share (charts). However, over the next three years, oil will account for almost 90 percent of exports in Guyana, given the much larger oil production in absolute terms, not only relative to the economy.



- The paths of inflation and the real effective exchange rate (REER) after the onset of oil production have varied (charts). Inflation rose on average to 4.9 percent per year in the subsequent five years, compared to inflation on average of 1.9 percent per year in the five years prior to oil production.[4]

- The REER appreciated on average 1.1 percent per year in the subsequent five years, compared to appreciation of 0.2 percent in the five years prior to the oil production.[5]

- Inflation and REER appreciation in Guyana in the first two years are in line with experiences of recent oil producers.



4. Going forward, experiences from recent oil producers and the economic literature suggest that an expansion of the non-oil economy, an increase in inflation, and an

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[4] Excluding Sudan, due to hyperinflation from other causes.

[5] Excluding Equatorial Guinea, due to the CFA franc devaluation in 1994.

appreciation of the REER are likely in Guyana's future, although a wide range of paths is possible. Changes in the labor market will be important to monitor and manage as well. As Guyana's construction and services sectors boom, developments in the labor market will have implications for relative prices and Guyana's competitiveness. Domestic policies and the appropriate policy mix will play a major role in ensuring macroeconomic stability and a balanced expansion of the economy.

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Annex III. Risk Assessment Matrix

Risks	Likelihood	Impact	Policy Response
Global Risks			
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	**High**	**Medium.** Higher commodity prices increase inflation, but also support the current and public sector accounts. Trade disruptions weigh on domestic activity.	Tighten monetary policy if needed to contain inflationary pressures. Make investments to diversify supply chains. Continue investing in domestic production and renewable energy to reduce exposure to international prices.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation.	**Medium**	**Medium.** Weaker growth by trading partners reduces external demand. Lower commodity prices worsen fiscal and external balances.	Prepare medium-term plans to preserve fiscal sustainability. Build external buffers but stand ready to provide temporary fiscal, FX, and liquidity support measures if needed.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	**Medium**	**Medium.** Higher commodity prices increase inflation. While higher oil prices strengthen the fiscal and external balances, excessive volatility reduces confidence and adversely affects growth and spending plans.	Tighten monetary policy if needed to contain inflationary pressures. Tighten the fiscal framework to allow not only building buffers, but also to use them to avoid sudden adjustment if oil revenues fall. Strengthen safety nets but provide temporary targeted support to vulnerable households. Continue investing in renewable energy and domestic production to reduce exposure to international prices.
Cyberthreats. Cyberattacks on critical domestic and/or international physical or digital infrastructure (including digital currency and crypto ecosystems) trigger financial and economic instability.	**Medium**	**Medium.** Disruption is widespread including to socioeconomic activities and financial market stability.	Strengthen financial stability and resilience framework, including AMF/CFT framework.
Extreme climate events. Extreme climate events cause more severe than expected	**Medium**	**High.** Damage to infrastructure, agriculture, and mining results in	Implement Low Carbon Development Strategy. Build structural and financial resilience,

Risks	Likelihood	Impact	Policy Response
damage to infrastructure (especially in smaller vulnerable economies) and loss of human lives and livelihoods, amplifying supply chain disruptions and inflationary pressures, causing water and food shortages, and reducing growth.		economic, social, and fiscal costs.	including through resilient infrastructure, disaster insurance, and access to contingent credit facilities. Strengthen fiscal framework to allow for the use of buffers.
Domestic Risks			
Political tensions could lead to social unrest and political instability. Political uncertainty could recur, especially in the runup to and during the 2025 elections. Perceived unfairness in use of oil revenues could impair ethnic tensions.	**High**	**High.** Political tensions worsen governance. Social unrest and political instability adversely affect growth. A political crisis may delay the budget approval (like in 2020).	Increase efforts to improve governance. Ensure strength of political institutions. Set up precautionary stabilization buffer which could be used to finance essential expenditures (rather than borrowing from the central bank or from the markets).
Excessive dependence on oil revenues. Increasing oil production leads to greater exposure to external shocks. Fiscal and external positions become dependent on oil revenues and global oil prices.	**High**	**High.** Greater volatility in macroeconomic variables, including GDP growth, fiscal revenues, fiscal expenditures, current account balances, inflation, and real exchange rates.	Adopt a fiscal strategy to reduce volatility in fiscal balances and ensure fiscal sustainability. Continue structural reforms and public investment to boost potential growth in the non-oil sector. Deepen interbank, domestic debt, and FX markets to strengthen monetary policy transmission.
Large foreign exchange inflows. Increased government spending financed by oil revenues leads to large FX inflows.	**High**	**Medium.** Absorption of oil inflows increases credit risk and exchange rate pressures.	Maintain enhanced monitoring of the financial system and the impact of large inflows of government revenue. Deepen interbank, domestic debt, and FX markets to strengthen monetary policy transmission.
Adverse Dutch disease effects. Rapid ramping up of public spending results in inflationary pressures and appreciation pressures on the real exchange rate.	**High**	**High.** Excessively expansionary fiscal stance increases governance concerns and crowds out private credit. Appreciation pressures reduce external competitiveness.	Gradually scale up public spending to not exceed capacity constraints. Embed fiscal plans in a medium-term framework to ensure sustainability. Continue structural reforms in public procurement and anti-corruption frameworks.

Annex IV. Fiscal Strategy

Guyana is facing a critical juncture in its economic history, and fiscal policy can play a critical role in ensuring that the country's oil wealth is managed effectively and equitably. Issues of long-term fiscal and debt sustainability, while not of pressing concern, cannot be ignored as oil is an exhaustible resource. Nevertheless, favorable debt dynamics indicate that issues of overheating, absorptive and institutional capacity constraints, and inflationary and real exchange rate pressures are likely to be more pressing policy challenges over the near- and medium-term. Moreover, savings accumulated in the Natural Resource Fund, consistent with a zero overall fiscal balance by 2028 and thereafter, are projected to rise substantially (around 36.5 percent of GDP by 2028).

These considerations, together with the limitations of the current fiscal policy practices and practical challenges involved in calibrating a floor for the non-resource primary balance, usually recommended in resource rich countries, suggest adoption of a comprehensive fiscal policy framework that guides spending decisions based on a medium-term fiscal framework (MTFF) and updated public financial management (PFM) and public investment management frameworks. This should be combined with an effective medium-term fiscal anchor, which staff suggests to be zero overall fiscal balance by 2028 following a transition path with higher public spending to meet urgent human capital and physical infrastructure needs. The authorities are encouraged to carry out an in-depth analysis, by an independent consultant, of existing absorptive and institutional capacity constraints on scaling up of public spending; this could be a crucial input in the setting of expenditure limits in the context of the MTFF.

1. **Fiscal policy in resource rich countries (RRCs) usually has to balance several, and sometimes competing, policy objectives.** In particular, fiscal policy has a crucial role to play, to (i) promote and maintain macroeconomic stability, (ii) safeguard the sustainability of public finances, (iii) ensure an equitable intertemporal distribution of oil wealth across generations, and (iv) meet the economy's infrastructure and human capital needs while taking into account absorptive and institutional capacity constraints.

2. **The key fiscal policy challenges for Guyana over the short- and medium-term will likely focus on containing absorptive capacity constraints, overheating, inflationary pressures beyond what is expected from a balanced growth path, and the associated loss of competitiveness.** Stress tests carried out using the LIC-DSF framework suggest that long-term fiscal and debt sustainability could come under risk if there are adverse shocks to real GDP growth, exports, and/or commodity prices. However, accumulation of savings under Guyana's Sovereign Wealth Fund, the NRF, are projected to rise rapidly and are providing a very substantial buffer against a major natural disaster. Considerations regarding overheating and macroeconomic stability will be much more important than fiscal sustainability over the near and medium-term. Moreover,

the authorities are well aware of the dangers of 'Dutch disease' through inflationary and real exchange rate pressures.[1]

3. **Many RRCs have adopted the non-resource primary balance (NRPB) as their fiscal policy anchor,** with calibration of the non-resource overall balance based on simulations of a modified Permanent Income Hypothesis (PIH) model. This is particularly useful for countries with relatively short reserve horizons (typically 30 years or less) and where fiscal and debt sustainability are pressing fiscal policy concerns.

4. **Staff recommends adoption of a comprehensive fiscal policy framework to guide spending decisions based on a medium-term fiscal framework (MTFF) and updated public financial management and public investment management (PFM and PIM) frameworks.** Such a comprehensive fiscal framework would contain a clear and realistic medium-term fiscal anchor. Based on existing literature and international experience, staff recommends using the non-oil primary balance as a percent of non-oil GDP as an operational target and assessing the speed with which urgent development needs can be addressed without creating macroeconomic imbalances or jeopardizing fiscal sustainability through an expenditure review,[2] which would serve as the basis of a medium-term fiscal framework. An integral part of such a comprehensive framework should be that annual budgetary withdrawals from the NRF would be consistent with the medium-term expenditure and fiscal frameworks, in line with best PFM practices.[3] The MTFF also needs to ensure that the medium-term fiscal targets are consistent with intergenerational equity and fiscal sustainability.

5. **Staff simulations show that a modified PIH approach can be consistent with meeting the authorities' ambitious public investment plans over the medium term, but with a steady and significant decline in capital spending as a share of non-oil GDP.** Incorporating the government's 2023 budget, and using oil price assumptions from the August 2023 WEO, staff estimates show that the modified PIH approach is consistent with a very high level of public capital spending over the medium-term, albeit steadily declining as a share of non-oil GDP, provided that it does not build macroeconomic imbalances (Figure 1).[4]

[1] Dutch disease describes a situation where natural resource windfalls increase the demand for non-traded goods, which would then draw production factors away from non-resource-traded sectors and generate an appreciation of the real exchange rate, thereby eroding competitiveness of the non-resource sector. Real exchange rate pressures could arise either from "Dutch disease" pressures emanating from oil wealth, or from the economy overheating, or both.

[2] The review should encompass current expenditures as well, given that public works, schools, and hospitals will need recurrent expenditures once constructed (such as maintenance, staff, goods and services).

[3] Not only complying with the ceilings imposed by the NRF amended Act.

[4] The "Bird-in-Hand" approach (BIH) provides an alternative, very conservative fiscal policy anchor for consumption of an economy's natural resource revenues. Under this approach all resource revenues are invested in financial assets and consumption out of resource wealth is equivalent to the interest earned on accumulated financial wealth (i.e., not based on permanent income concepts). However, this approach benefits future generations more than the current (likely less well-off) generation and allows policy makers no flexibility on borrowing to finance productive investment opportunities. Hence it is less suitable for countries like Guyana with urgent public expenditure needs.

6. Projected large savings accumulation in the NRF suggests that a looser fiscal policy stance than that implied by a modified PIH approach would also be fiscally sustainable. Staff simulations show that the modified PIH approach is consistent with savings accumulation in the NRF, to over 96 percent of non-oil GDP (more than 36 percent of GDP) by 2028, and even more so in the long term, based on staff's projections of oil receipts and current operational rules for deposits and withdrawals from the NRF based on the previous year withdrawals. The size of these projected savings leads staff to assess that a more gradual decline in capital spending, consistent with moving steadily towards a zero overall fiscal balance by 2028 (instead of overall fiscal surpluses as recommended by the PIH rule), is also fiscally sustainable (see Figure 2 below). This path would allow the government to execute its ambitious capital spending plans over the medium-term, subject to overheating and absorptive capacity constraints and consistent with accumulation of substantial financial and resource wealth to help maintain living standards for future generations and with a steady decline in the public debt-to-GDP ratio, from around 30 percent in 2023 to 26 percent in 2028. The low oil price scenario presented in Figure 3 shows that a significant permanent reduction in oil prices, of US$30 from the baseline, would have a large adverse impact on Guyana's fiscal position, but savings accumulation in the NRF would still be sizeable, at around 25 percent of GDP by 2028.[5]

7. Over the medium- to long-term the establishment of a precautionary stabilization fund could enhance the effectiveness of the MTFF. Currently, withdrawals from the NRF are not integrated with the budgetary financing needs and cannot be drawn upon readily when shocks materialize, except in the case of a major natural disaster. Establishment of a precautionary stabilization fund in the medium- to long-term, as part of the MTFF, would help avoid a procyclical fiscal policy (a sudden adjustment in capital spending or increase in non-oil tax revenues), or borrowing at highly unfavorable terms, in case of an adverse shock. The DSA shows that external and public debt are susceptible to export shocks, and in the case of Guyana, 80 percent of exports are constituted by oil. The NRF rules protect against some procyclicality as the annual withdrawal from the NRF is a step function of the preceding year inflows into the NRF. However, in a scenario of two-three years of depressed prices with low oil production, oil revenues and hence NRF transfers will be low. Moreover, there is uncertainty about the world's transition to net zero emission and what impact this will have on oil demand and on prices. If a sizeable adverse shock materializes a precautionary stabilization fund would help smooth the fiscal adjustment while giving the authorities time to ascertain the permanence or otherwise of the shock.

8. One possible way of deciding the design of such a precautionary fund could be established in relation to (net) financial assets of the government—deducting government debt from financial assets—as a ratio to commodity (oil and gas) revenues, or NFACR, or using some other indicator. The fund should include only liquid assets of the government that can be used to

[5] The low oil price scenario looks at the impact of a permanent reduction in oil prices of US$30 from the baseline, which is a one standard deviation of oil prices over the period 1996-2021.

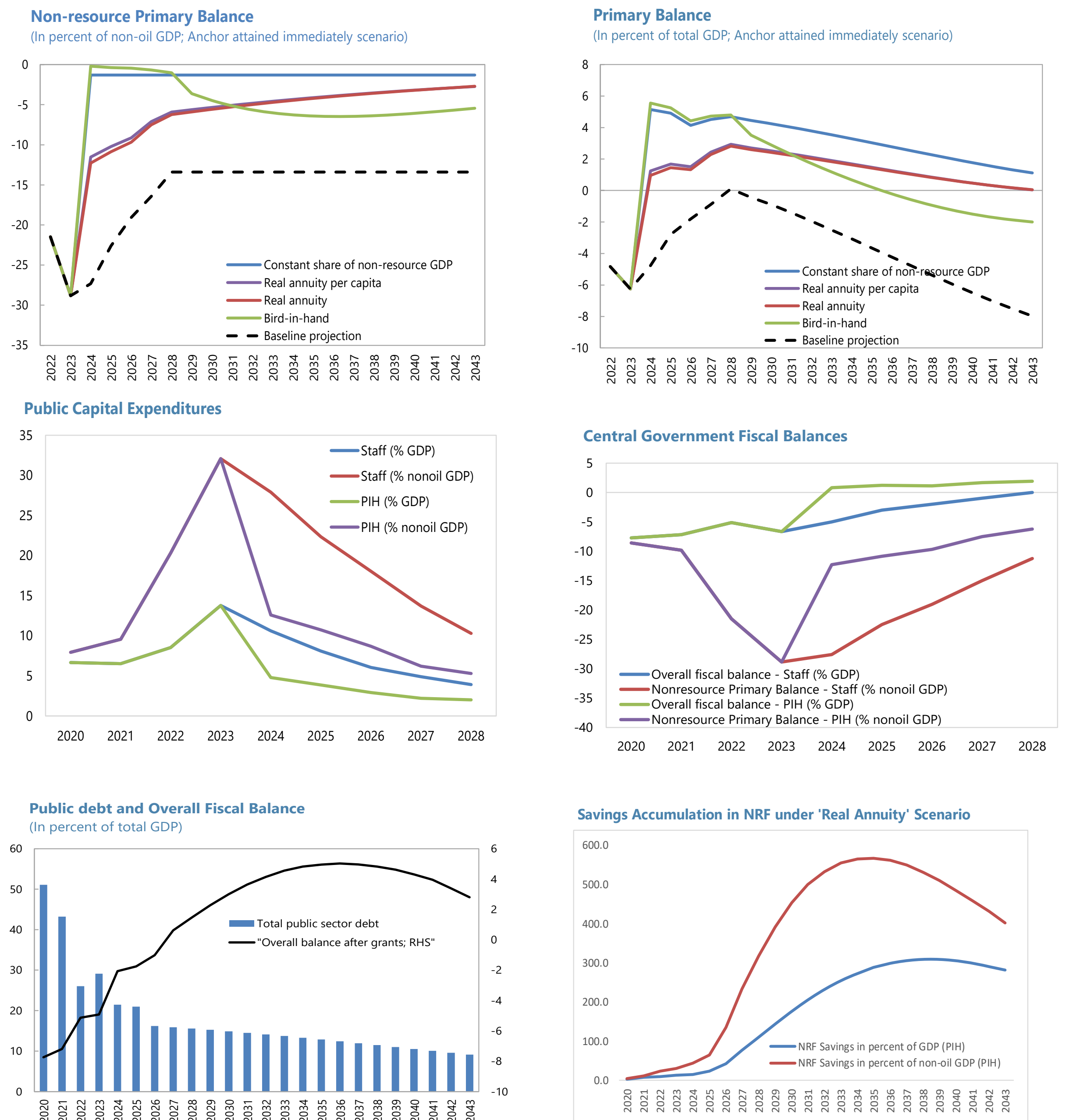
respond to shocks. The size of the floor[6] can be calibrated to be a function of the degree of protection desired—for example, to insure against 75 percent of shocks, or 90 percent or 95 percent of shocks, and the literature suggests having a floor.

9. In short, staff's recommendations for a fiscal strategy for Guyana can be summed up as follows:

- Staff recommend adoption of a comprehensive medium-term fiscal framework to guide public expenditure decisions; this would allow the government to meet urgent public spending needs while taking into account absorptive and institutional capacity constraints.
- An in-depth analysis of existing absorptive and institutional capacity constraints on scaling up of public spending should be carried out to inform the spending path.
- Staff simulations suggest that a zero overall fiscal balance by 2028, following a transition period with high spending to meet human capital and physical infrastructure needs, is consistent with both fiscal sustainability and maintaining living standards for future generations since the non-oil primary deficit steadily improves and follows a modified permanent income hypothesis approach, recommended for resource rich countries. Therefore, staff recommends a zero overall fiscal balance in the medium-to long-term as an anchor.
- Consideration could be given to setting up a precautionary stabilization fund over medium- to-long-term, as part of the MTFF, to ensure that the accumulation of precautionary savings against adverse shocks that could be used to smooth the fiscal adjustment process if a prolonged adverse shock materializes, without affecting the long-term savings needed to ensure intergenerational equity.
- To ensure macroeconomic stability and preserve competitiveness, periodic reviews of the operational target, including spending path, are necessary.

[6] NFACR could be calculated as net financial assets of the government in year t, divided by average commodity (oil and gas) revenues to the budget for the years (t-1) to (t-3). This would provide a more stable indicator as (i) the numerator is a stock variable, and hence less affected by changes in flows of central government assets and liabilities in year *t*; (ii) the denominator will not be affected by oil revenue projections for the current (and future) years; and (iv) the moving average feature of the denominator also makes this anchor more stable over time. In most cases a floor of 3-5 is considered adequate.

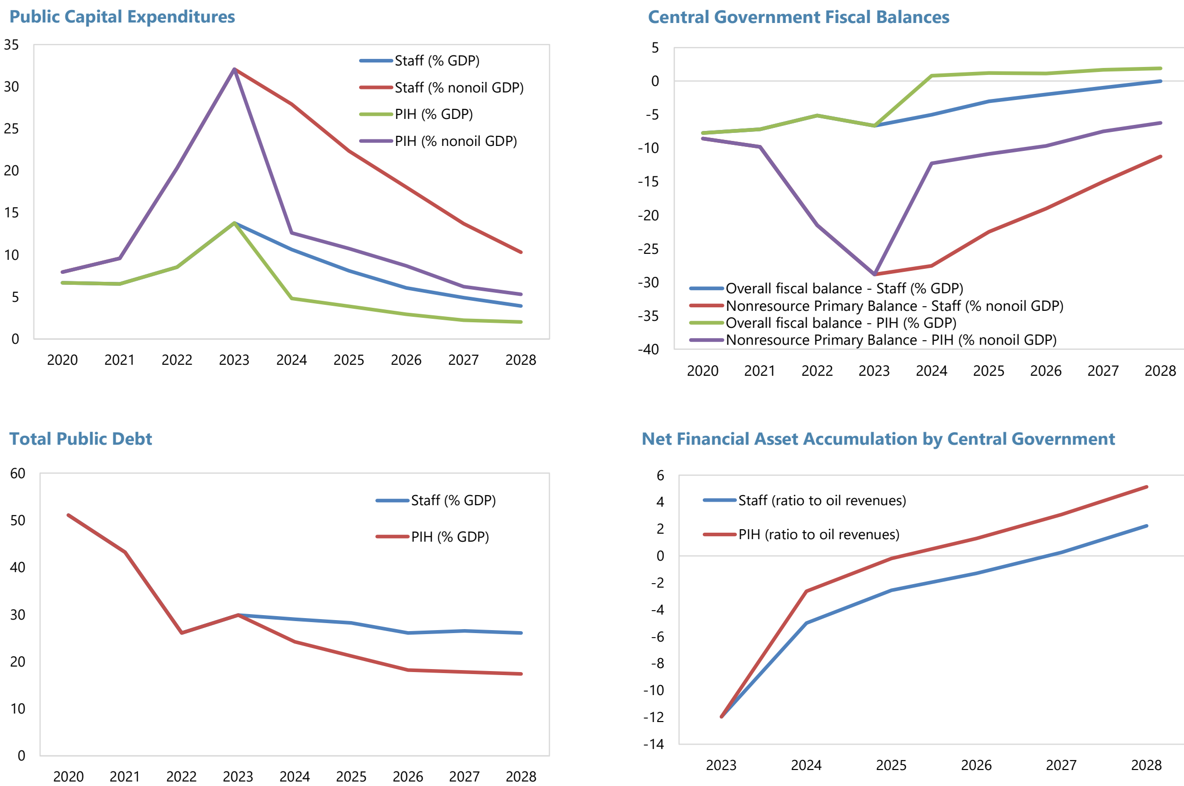
Figure 1. Guyana: Fiscal Simulation Results 1/



Source: IMF staff calculations.

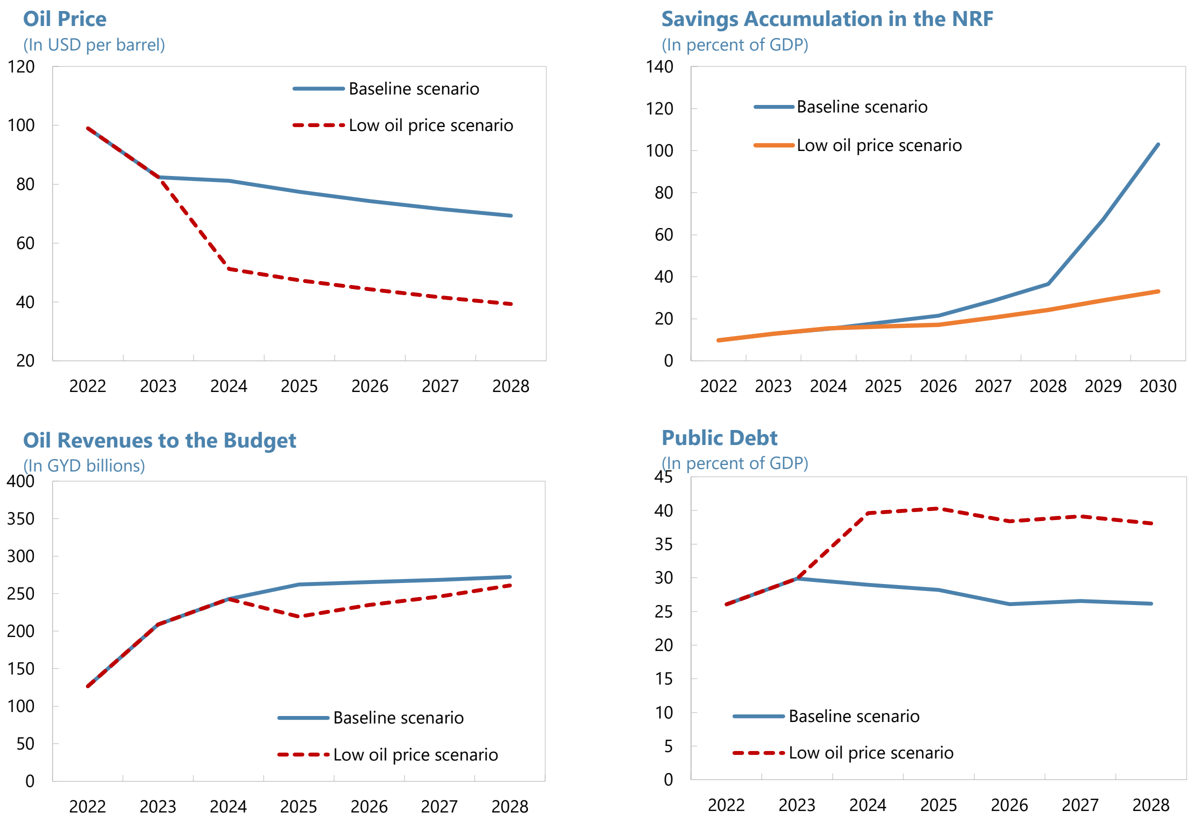
1/ Staff projections are consistent with achieving zero overall fiscal balance by 2028. Real annuity scenario refers to PIH simulations. Staff projections are consistent with PIH, because the savings in the NRF would be similar.

Figure 2. Guyana: Staff's Recommended Fiscal Policy Path



Source: IMF staff calculations.

Figure 3. Guyana: Staff's Baseline and Low Oil Price Scenario



Source: IMF staff calculations.

Annex V. FSAP Follow Up

Recommendations	Time[1]	Authorities' Responses
To improve systemic risk monitoring and stress testing:		
Analyze system-wide risks by clearly mapping upstream and downstream ownership of banks, collecting data on housing market developments and corporate and household balance sheets.	I	The ownership structure of the banks is in the process of being updated. Data on upstream ownership will be obtained. Initial discussions have been held with the Bureau of Statistics on collecting data on housing market development and corporate and household balance sheets. The authorities will request technical assistance to expedite the progress.
Assess credit risk without considering collateral values, given difficulties in collateral recovery.	I	Done for stress tests in June 2016. Further, a new model is being considered in which haircuts are applied to collateral instead of total removal of collateral.
Develop real estate price indices (possibly the Bureau of Statistics).	NT	Initial discussions have been held with the Bureau of Statistics.
Expand BoG's stress testing toolkit to incorporate macro financial scenarios; collect more detailed data; and carry out validity checks to ensure data accuracy and reliability.	NT	BOG has requested TA from IMF in the modelling and implementation of macro-financial scenarios for its stress testing toolkit. CARTAC provided TA during the week of January 17-21, 2022, to present a multifactor Stress Test covering the risk areas of Credit, Concentration, Foreign Currency Exposure, and Interest Rates. BOG is implementing this proposal.
To enhance banking supervision, regulations, and financial safety nets:		
Ensure consistency across the continuum of supervisory functions, from routine supervision to intervention and resolution.	I	Revised Risk-Based Supervision Manual has been revised. CARTAC's RBS workshop held on September 3−5, 2018. Work is in progress to upgrade and enhance the risk-based approach over time.
Continue to enforce timely and effective remedial actions from banks, as recently initiated by the BoG, to ensure bank compliance with requirements of bank examinations.	I	The BoG has continued to intensify its follow-up action to ensure all recommendations of examinations are adequately addressed prior to the next examination cycle. Some of the initiatives undertaken are: - More frequent follow-up examinations - More frequent periodic reporting - Meetings are convened with the Board of Directors and senior management of institutions to discuss areas of significant concern.

Recommendations	Time[1]	Authorities' Responses
Eliminate reduced provisioning requirements for "well-secured" portions of NPLs and ensure that loan classification and provisioning reflect borrowers' true financial conditions.	I	SG No. 5 was revised and issued with effect from July 30, 2021. Policy decision was taken to retain vis-à-vis other provisions to reduce NPLs and loss accounts.
Fill information gaps on banks' condition and group structures to facilitate consolidated supervision and to design ex-ante contingency plans for takeover when necessary.	I	On completion of ownership structure update, a questionnaire will be sent to relevant institutions. Ownership structure updated. Will be reassessed with implementation of consolidated supervision.
Require banks to develop contingency funding plans to manage liquidity risks due to deposit concentration.	I	Liquidity Risk Management Guideline drafted and issued for comments.
Clarify the instruments, policies, required collateral and procedures for providing ELA.	I	BOG Act was passed in Parliament on July 13, 2018, and assented to on September 7, 2018.
Reinforce the role of the Financial Stability Committee as a forum for rigorous systemic assessments, including activation of crisis protocols.	I	A Financial Stability Unit was established in July 2017, and focuses on, inter alia, identifying and measuring systemic risks.
Amend the FIA to make the definition of banks' related parties more stringent and reduce the large exposure limit from 40 percent to 25 percent of capital. Start mapping the amounts and types of related-party transactions to quantify hidden concentrations and wind-up excess risks as soon as possible.	NT	Several amendments to the FIA have been drafted, but a policy decision was taken to prioritize other legislation- Bank Resolution, ELA & DIC.
Increase the minimum capital adequacy requirement, including charges for market and operational risk, to at least 12 percent.	NT	Supervision Guideline (SG) No. 14 was issued. A decision was taken to retain the 8 percent capital requirement now. The credit risk weighting of CARICOM government securities now reflect individual countries risks weight in SG No. 14.
Phase out the zero-risk weighting of CARICOM government securities and align the weights with individual countries' risks.	NT	
Encourage banks to cease the practice of overdraft lending.	NT	A policy decision was taken to not address in the recent revision of SG No. 5.
Streamline and operationalize the draft Crisis Management Plan.	NT	The draft Financial Crisis Management Plan was updated to reflect changes in the legislation.
Legislative Amendments:		
Provide resolution powers to the BoG and, to the extent possible, limit courts' ability to reverse the BoG's decisions.	NT	Bill passed in Parliament on July 12, 2018 and assented to on September 28, 2018.
Organize a small group at the BoG to develop resolution plans for vulnerable financial institutions.	NT	

Recommendations	Time[1]	Authorities' Responses
Amend FIA (Part VIII) to enable effective resolution of failing or about-to-fail banks.	NT	
Set up a resolution group for regionally active entities and request group recovery and resolution plans.	NT	
Review the draft DIS, eliminate its participation in open bank assistance, and ensure that all preconditions for its introduction are satisfied.	NT	Legislation passed in Parliament on July 13, 2018, assented to on August 13, 2018 with commencement dates of April 2nd and 3rd 2019. DIC operationalized on April 3, 2019.
Amend the BOG Act 1998 to facilitate the ELA framework.	NT	Bill passed in parliament on July 13, 2018 and assented to on September 7, 2018.
To further develop the financial system and promote responsible access to finance:		
Expedite preparation of required regulations to support the recently adopted insurance law.	I	Regulations came into effect in 2018.
Adopt a robust law to govern the NPS and enable the safe and efficient use of electronic payments and strengthen the regulatory framework. Grant the BoG enforcement powers.	I	The National Payments Systems laws has been passed by the Parliament in July 2018.
Strengthen the AML/CFT framework in line with international standards.	I	The authorities enacted legislative amendments to the AML/CFT Act to on August 5, 2023.
Extend maturities of government securities to facilitate capital market development and use in sterilizing structural liquidity.	NT	IMF TA was provided in July 2017. The implementation of TA recommendations is being examined.

[1] I: immediate; NT: near term; MT: medium term. Paragraph numbers refer to the FSSA

Annex VI. Macro-Financial Sector and Credit Growth

1. **Macro-financial linkages occur largely through the *real* sector.** Given the structure of the economy, shocks in Guyana tend to be real, where adverse weather conditions can reduce agricultural production and exports, and nominal, predominantly in the external sector, where commodity price fluctuations could affect exports and gross international reserves.

2. **The major channels from the *real* sector to the *financial* sector are through bank credit**, which is extended mainly to the primary sectors (construction) enjoying most growth, and at lower rates to households. Adverse weather conditions and other real shocks (pandemic) led to loan impairment, and increased NPLs. Although information on private sector balance sheets is limited, going forward this channel will also be important, as households are expected to increase home ownership. In the meantime, highly securitized banks' balance sheets (about 35 percent of total commercial bank's assets are in debt securities issued by the government), low financial deepening and inclusion, and limited credit extended by banks to the private sector and other financial institutions, are the possible channels to the *real* sector from the *financial* system.

3. **The link from the *fiscal* sector to the *financial* sector also goes through bank credit.** In the past, central bank financed the government by providing free overdraft facilities. Most recently in 2020, as the approval of the budget and its financing was delayed due to a political crisis, the government had to access central bank resources. In June 2021, however, the government securitized the inherited overdraft at the BOG using variable-rate debentures, with tenors ranging from 1 to 20 years, totaling G$200 billion (approximately US$960 million). Going forward, the authorities need to remain vigilant so that the large financing needs do not lead to crowding out credit to the private sector. Treasury Bills (TBs) account for around 45 percent of total domestic public debt, with commercial banks holding about 78 percent of the total outstanding stock of TBs. Debentures issued to the Bank of Guyana (BoG) account for a further 53 percent of the total stock of domestic public debt. Most of those instruments have short maturity, not expecting to have an impact from the *financial* sector *to the real* sector.

4. **Linkages from the *external* sector,** could be due to developments in commodity prices which will have a larger impact in the future on Guyana's increasing reliance on oil.

Guyana: Descriptive Macro Financial Linkages

Macro-financial Channels

From Real Sector through:		**To Real Sector through:**	
Loan concentration risks	x	*Asset prices*	
Increase in NPL	x	*Credit growth and allocation*	x
Private sector balance sheets	x	*Financial deepening and inclusion*	x
High dollarization		*Banks' balance sheet*	x
From External Sector through:		**To External Sector through:**	
Commodity price shocks	x	*Exchange rate volatility*	
Foreign capital market conditions			
Spillovers from parent banks	x		
From Fiscal Sector through:		**To Fiscal Sector through:**	
Fiscal dominance	x	*Recapitalization*	
Crowding out of bank credit to private sector		*Contingennt liabilities*	
Domestic payment arrears			
Holdings of government debt	x		

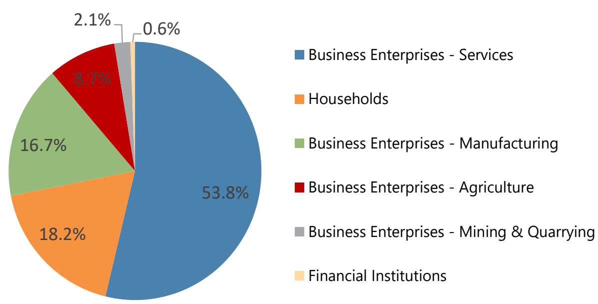
Source: Macro-Financial Linkages in Shallow Markets, IMF, 2018

5. **The financial sector in Guyana remains bank based.** Banks' assets account for about 70 percent of financial system's

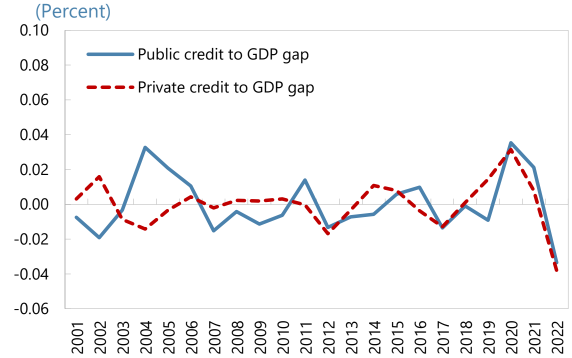
assets, equivalent to about 63 percent of GDP, and are evenly distributed among the three domestically owned banks and the three foreign owned banks. The non-bank sector including insurance companies, credit unions and pension funds account for 13.3 percent of total financial sector assets and comprises six institutions (the biggest being the Building Society).

6. The financial system in Guyana is susceptible to global risks such as lower global growth than expected, deterioration of terms of trade, regional and global fiscal stress affecting banks holding sovereign debt securities (about 10 percent of commercial bank's assets are held in foreign securities). Domestic risks are also important such as credit risk from the absorption of oil inflows. Calculations show that credit-to-GDP-gap (calculated as credit to output gap) has been much more volatile recently (chart).

Decomposition of Private Sector Credit
(Percent, 2022)



Credit to GDP Gap
(Percent)



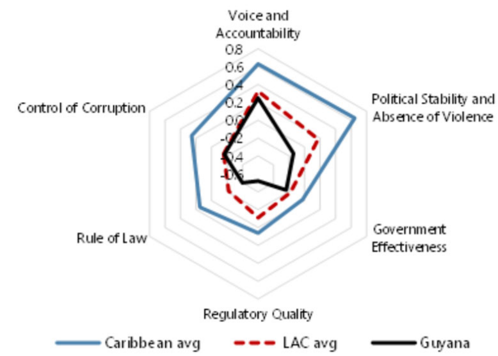
Source: Bank of Guyana; and IMF staff calculations.

Annex VII. Insights from Guyana's Growth Accounting Exercise

1. **Understanding non-oil growth prospects is paramount for Guyana**. A growth accounting exercise was undertaken, updating the exercise in "Guyana: Why Has Growth Stopped? An Empirical Study on the Stagnation of Economic Growth", Working paper 07/86, International Monetary Fund. That paper studied the factors behind the economic performance of Guyana in the late 90s using a growth accounting exercise as well as a cross country panel regression model.

2. **The authors found a large change in growth in TFP during the period of 1991-2004** suggesting that aside from changes in patterns of labor and capital accumulation there was also a significant change in various other factors affecting economic performance. During this period, Guyana has undergone major economic transformation, from a state-run centralized economy to a market economy. Numerous structural reforms have been implemented, and the sugar industry, bauxite and banking industries have been privatized. Moreover, in the same period, due to these steady macroeconomic and structural efforts Guyana was able to turn around the economy, with the public debt sector declining from about 700 percent of GDP in 1991 to 270 percent of GDP in 2000. Those continued efforts helped Guyana further benefit from external debt relief, once reaching the HIPC completion point in December 2003, and multilateral institutions debt relief, after the MDRI, and further reduce public sector debt to about 52 percent of GDP by 2015 (the oil discovery announcement). Continued efforts and reforms helped brought the public down further.

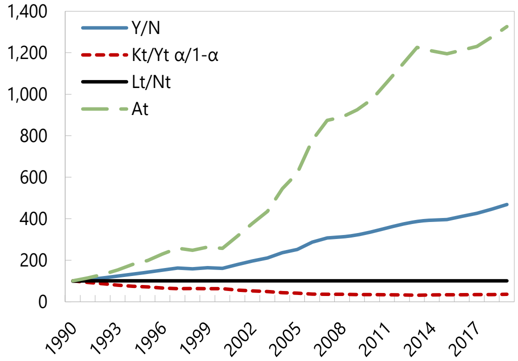
World Governance Indicators, 2021
(Estimate of governance)



Source: Worldwide Governance Indicators by D. Kaufmann (Natural Resource Governance Institute and Brookings Institution) and A. Kraay (World Bank), 2022; and IMF staff calculations.
Note: Estimates range from approximately -2.5 (weak) to 2.5 (strong). Simple average is used for Caribbean and LAC average. Use of these indicators should be considered carefully, as they are derived from perceptions-based data.

3. **Going forward, governance and structural policies will continue to support growth.** Staff updated this analysis by extending the labor and capital series until 2019 (the initial capital stock was assumed to be G$16.06 billion in 1990 prices). The results confirmed the 2007 findings. While economic growth rate can be explained by changes in labor and capital, a significant remaining residual suggests that other important factors including governance, business environment, and structural reforms supported growth, and going forward could enhance productivity.

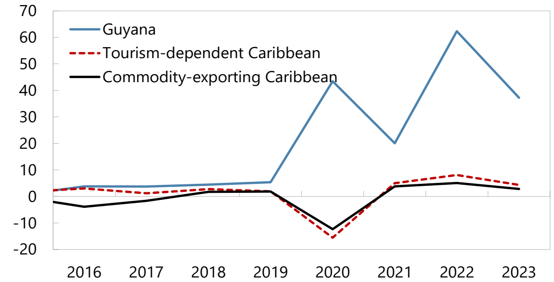
Guyana: Growth Accounting



Source: IMF staff calculations.

Guyana and the Caribbean: Real GDP

(In percent)



Sources: Country authorities; and IMF staff calculations.
Notes: Caribbean region measured as simple averages of corresponding variables. Tourism-dependent Caribbean includes Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Commodity-exporting Caribbean includes Belize, Suriname and Trinidad and Tobago.

Annex VIII. Climate Change Risks in Guyana and its Strategy to Reduce Them

1. Guyana has one of the highest disaster risks in the world, due to high exposure and lack of coping and adaptive capacities.[1] The 2023 UN World Risk Index, which measures exposures to natural disasters, susceptibility, and the capacity to adapt and cope with these events places Guyana in the 66th position out of 181 countries (and the highest in the Caribbean). This is due to multiple and recurrent floods,[2] alternating with droughts, which have caused significant damage to infrastructure and disruption of economic activity. The worst documented damages reached 60 percent of GDP in 2005.

2. Climate change will accentuate risks. Sea level along the Guyana coastline is rising faster than the global average[3] and is expected to accelerate in the coming decades due to global warming.[4] This could result in increased flooding, prolonged inundation of settlements and agricultural land including sugar plants, and contamination of fresh water supplies, with negative impacts on economic activity. 90 percent of the population lives in the coastal regions, prone to sea rising levels. According to the United Nation's Intergovernmental Panel on Climate Change (IPCC) 2021 report, Guyana's capital, Georgetown, is forecasted to be under water by 2030 due to rising sea levels.

3. Guyana's coastal vulnerability is aggravated by its ageing infrastructure system which is ill-equipped to handle higher water levels and more intense storm surges (Hickey and Weis, 2012).[5] Investments in identified priority areas, such as upgrading infrastructure to protect against flooding and hinterland adaptation, would increase resilience.

4. Guyana has started to take action to build resilience and enhance capacity to adapt. It has ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1994 and the United Nations Convention to Combat Desertification in 1997. Moreover, Guyana is implementing its comprehensive Low Carbon Development Strategy (LCDS) 2030.

5. Guyana's comprehensive strategy allows to receive revenues to the budget by maintaining forest coverage. Guyana's has a world-leading mechanism for payment for

[1] The 2022 UN World Risk Index, which measures exposure to natural disasters, susceptibility, and the capacity to adapt and cope with these events places Guyana in the 7th position in its disaster risk ranking of 181 countries.

[2] It experienced floods in 1996, 2005, 2006, 2008, 2010, 2011, 2013, 2014, 2015, and 2021, alternating with droughts in 1997-1998, 2009-2010, and 2015-2016 (NAPG, 2016).

[3] Sea level off Guyana coast rose at a rate of six times the global average, (0.4 inch, or 10.2 millimeters per year) from 1951 to 1979 (Guyana National Climate Committee, 2002). The country's low-lying coastline, which in some areas is 2 m below sea level, causes flooding to be an imminent threat.

[4] Projections for Guyana suggest that sea level could rise by 0.14m to 0.26m by 2030s, and 0.4 to 0.51m by 2100 (McSweeney et al. 2010).

[5] About 25 percent of the Guyana's coast is protected by seawalls, 60 percent by mangroves, and 15 percent by natural sandbanks.

maintaining forest coverage for carbon sequestration. In 2015 Guyana received funds from Norway, conditional upon meeting several indicators. LCDS 2030 expands the focus to include biodiversity conservation, water management, and the ocean economy. Guyana's vast forests and low deforestation rate supports its effort to mitigate climate change, which has benefited from the REDD+ Investment Fund (GRIF), established through an agreement with Norway, and more recently via a new proposal to join the LEAF (Lowering Emissions by Accelerating Forest Finance) Coalition. In November 2022, Guyana sold off a significant percentage of its ART-TREES credits. Overall, in 2022, after Guyana was awarded the first jurisdiction scale certification of carbon credits in the world by ART, Guyana sold 37.5 million TREES carbon credits for US$750 million, to be paid during 2022-32 (a third of the credits Guyana will receive over 2016-30), one of the largest transactions in the world. The strategy allows for using the funds for flood management, diversifying the energy matrix, and providing resources for Amerindian communities.

6. Crucial investment plans are underway in adaptation infrastructure as part of LCDS 2030, and financed with the help of development partners. Government has so far invested over G$35.8 billion (11.8 percent of GDP) to upgrade the drainage and irrigation networks across the country. The government also expanded the rehabilitation and maintenance of sea and river defense structures at areas, including La Resource/Maria's Delight, Leguan, Good Success/New Hope, Bygeval, Bengal, and Glasgo. Moreover, the government has plans for five water treatment plans, a flood recovery and economic resilience program, and a flood risk management program (including an East Demerara conservancy and two large pump stations), financed by the Caribbean Development Bank, Islamic Bank and International Development Agency, respectively.

7. Guyana is committed to net-zero carbon emissions by 2050, and staff support authorities' efforts to continue to meet its ambitious domestic targets and to compensate for increased emissions from oil extraction, or large environmental disasters from oil extraction. Guyana is committed to address climate change challenges by shifting towards renewable energy sources, hydropower and solar (see details below), while entering the international carbon credits market. While Guyana does not currently have a carbon tax, it has implemented a flaring tax at US$45 per ton of carbon. Moreover, the modernized Petroleum Exploration Act allows for increased regulation of the oil and gas sector.

8. Alternative energy sources are also being encouraged. In the area of hydropower, the government is planning to relaunch a Request for Proposals for the restart of the Amaila Falls Hydropower Project (AFHP). Its construction was planned to start in 2023 but was delayed owing to a change in the contractor. Further, to support Government's renewables' objectives, works are being initiated for the construction of a 1.5 MW hydropower facility at Kumu and the rehabilitation and upgrade of the 700 kW Moco-Moco hydropower plant. With respect to solar power, in 2022 the government commissioned a 1 MW solar farm in Lethem, while work advanced on another 1.5 MW solar farm in Bartica and 0.75 MW in Wakenaam. Looking ahead, the government has launched the tender for the completion of a total of 33 MW solar photovoltaic (PV) system to be connected to the GPL power system at Linden.

Annex IX. Strengthening Transparency in the Natural Resource Sector in Guyana

1. **Guyana joined the Extractive Industries Transparency Initiative (EITI) in 2017 after announcing commitment in 2010.** In 2015, the Ministry of Natural Resources of Guyana, declared the commencement of a process to appoint the members of a Multi-Stakeholder Group (MSG). In February 2017, the MSG was officially launched comprising twelve (12) members, four (4) representatives each from civil society organizations, extractive entities, and government agencies. The MSG approves the work plan for the Secretariat, approves the annual EITI Report, and assures that EITI contributes to the public debate. The Government of Guyana has also set up the GYEITI, which is the national secretariat in charge of coordinating EITI implementation. The MSG aims to ensure transparency and accountability in the governance of the natural resource sector and oversees the day-to-day operations and implementation of its work plan. Guyana published its second EITI Report, covering fiscal year 2018 in April 2021 and received the validation report under the EITI Standard on April 26, 2022, for the year 2019.

2. **Under the EITI standards, Guyana commits to:** (i) high standards of transparency and accountability in government operations and business, (ii) full disclosure of laws, procedures and conditions under which contracts and licenses to extract and develop the resources are issued, including institutional responsibilities of the State, (iii) full disclosure of exploration, production and exports in the extractive sector (iv) report ownership structures, including beneficial ownership information, transactions and financial flows in the extractive sector, (v) disclose the fiscal regime for managing natural resource revenues and expenditures as articulated in the Natural Resource Fund Act, (vi) report the contribution of the extractive sector in the economy.

3. **The latest assessment suggests that Guyana has made substantial progress meeting the EITI Requirements.** Guyana has fully met six EITI Requirements, mostly met six and partly met 14 requirements. Through EITI implementation, Guyana has successfully established the country's first functioning platform for multi-stakeholder discussions of the governance of the extractive industries. Guyana has also sought to tailor the scope of its EITI implementation to address public demands for information beyond the mining, oil, and gas sectors. In the most recent phase of implementation, particularly since 2021, Guyana EITI has sought to develop innovative outreach and dissemination channels such as youth competitions, social media, newsletters, and hybrid (virtual and in-person) public conferences to stimulate public debate on the extractive industries. Such innovations are commendable following a challenging year of a triple crisis in Guyana, when delayed political elections and the new government's investiture coincided with unprecedented floods and the Covid-19 pandemic. However, the innovative outreach efforts during the pandemic had not been sufficiently regular and more sustained and effective outreach is expected as part of the 2022-23 EITI work plan.

4. **Guyana's MSG noted some non-binding areas of development.** These include: (i) Guyana's EITI implementation should include issues related to extractive sector governance beyond the minimum scope of the EITI Standard, such as the energy transition, environmental impacts, and

gender aspects of the extractive industries; (ii) while civil society has been a driving force in implementation, there have been weaknesses in government and industry engagement in the EITI process, including in disclosures of required data. Although the weaknesses in government engagement in 2020 were largely due to the triple crisis, delays in reconstituting the MSG in 2021 reflect ongoing weaknesses that have impacted EITI implementation. Weaknesses in industry participation in EITI reporting, particularly in the mining sector, reflect challenges in the constituency's coordination and engagement. Ensuring a balance of views in developing objectives for EITI implementation could also contribute to strengthening government and industry engagement. Guyana's EITI reporting has shed some light on the government's revenues from the extractive industries for the first time. However, only a minority of the government's revenues have been disclosed through EITI to date to the levels of disaggregation and reliability required under the EITI, due to weaknesses in company reporting and taxpayer confidentiality constraints. Gaps in EITI disclosures are also linked to weaknesses in government systems and record-keeping, including the lack of integration between databases of line ministries and the Ministry of Finance, and tax administration in the extractive industries in Guyana, including in the lack of consistent tax identification numbers for instance. Ensuring complete and reliable revenue disclosures would yield important evidence to support the government's public finance management reforms.

Annex X. Progress on Previous Article IV Policy Recommendations

IMF 2019 and 2022 Article IV Recommendations	Authorities' Response
Fiscal policy Complement the Natural Resource Fund Act with a fiscal responsibility framework to ensure effective management of the oil wealth. To anchor fiscal policy, a complementary fiscal framework that constrains the annual non-oil deficit to not exceed the expected transfer from the NRF (i.e., a zero-overall fiscal balance).	**Broadly consistent** The Natural Resources Fund Bill, No. 21, was signed into law by the President at the end of 2021 and included a new fiscal transfer rule from the NRF to the budget based on a simplified step formula that allows for increasing savings accumulation in the NRF. The 2023 Budget did not spell out a medium-term anchor for fiscal policy.
Monetary and exchange rate policies Continually reassess the monetary policy stance to reflect changes in the macroeconomic outlook and risks. Monetary policy should tighten to contain inflationary pressures from international commodity prices, the economic recovery, and higher government spending. Over the medium term, consider revising the monetary policy framework, including allowing greater exchange rate flexibility.	**Broadly consistent** Monetary policy was tight to counterbalance the expansionary fiscal policy and large net foreign asset inflows and contain inflationary pressures. The financial market infrastructure to strengthen the monetary policy transmission mechanism and allow increased exchange rate flexibility, if needed, was not developed.

IMF 2019 and 2022 Article IV Recommendations	Authorities' Response
Financial sector policy Strengthen supervisory and regulatory framework in line with the 2016 FSAP recommendations. Closely monitor NPLs and take steps to strengthen financial sector stability.	**Broadly consistent** The authorities have made good progress in implementing recommendations from the 2016 FSAP including by passing: amendments to the Bank of Guyana's Act to provide emergency liquidity assistance (ELA) to deposit taking financial institutions; amendments to Part VIII of the Financial Institutions Act (FIA) for orderly resolution of a failing institution; the National Payment System (NPS) law to facilitate the establishment, regulation and oversight of a modern national payment system; and the Deposit Insurance Act to foster financial stability by protecting depositors and by contributing to the resolution of member institutions. Work needs to accelerate in areas of under-provisioning and related party lending. The authorities registered some progress in adopting a Crisis Management Plan and Supervision Guideline; accelerated Basel II/III implementation. The authorities have closely monitored NPLs and an Asset Quality Review to examine Banks' credit risks remains under consideration. NPLs have considerably declined in 2021.
Continue to strengthen the AML/CFT framework.	Guyana has strengthened its AML/CFT legal framework to be consistent with the FATF standards and recently completed its 2021 NRA. Current efforts are focused on implementing recommendations made in the NRA. The 2023 Mutual Evaluation by the Caribbean Financial Action Task Force is underway.
Structural reforms Structural reforms and infrastructure investment are needed to support economic diversification and achieve inclusive economic growth.	**Broadly consistent** The authorities continue to reduce the cost of doing business through the public investment program and administrative reforms. They remain committed to a cleaner and more affordable energy matrix, to eliminating infrastructure deficits, and integrating remote regions in the Hinterland. Also, the authorities are scaling-up investment in infrastructural development and expanding the generation and transmission capacity of the electricity company to help in unlocking growth, and help address potential labor shortages and skill mismatches.

IMF 2019 and 2022 Article IV Recommendations	Authorities' Response
Governance Continue the progress that has been made and take additional steps to tackle capacity weaknesses to strengthen transparency and governance.	**Broadly consistent** Recent progress on the anti-corruption framework includes publication of audit reports of public expenditures, including for COVID, and partial implementation of recommendations as well as the re-establishment of the Integrity Commission. are published, and their recommendations followed up on. The authorities informed staff that asset declarations of a large number of public officials are submitted annually, and public procurement tenders are streamed live. The authorities made progress in implementing the recommendations of the 2019 and 2021 EITI (Extractive Industries Transparency Initiative) reports, notably on the reconciliation with the fiscal regime. Some progress has also been made on information sharing and publication of extractive industries' financial statements, but further progress is needed to improve Guyana's overall score to address remaining gaps, including in moving towards electronic disclosure and adequate follow-up.

INTERNATIONAL MONETARY FUND

GUYANA

October 19, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of July 31, 2023)

Membership Status. Joined: September 26, 1966; Article VIII.

General Resources Account	**SDR Million**	**Percent Quota**
Quota	181.80	100.00
IMF's Holdings of Currency (Holdings Rate)	181.80	100.00
Reserve Tranche Position	0.00	0.00

SDR Department	**SDR Million**	**Percent Allocation**
Net cumulative allocation	261.33	100.00
Holdings	3.13	1.20

Outstanding Purchases and Loans: **None**

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF[1]	Sep. 20, 2002	Sep. 12, 2006	54.55	54.55
ECF[1]	Jul. 15, 1998	Dec. 31, 2001	53.76	24.88
ECF[1]	Jul. 20, 1994	Apr. 17, 1998	53.76	53.76

[1]Formerly PRGF.

Overdue Obligations and Projected Payments to Fund[2]

(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2023	**2024**	**2025**	**2026**	**2027**
Principal					
Charges/Interest	5.18	10.42	10.41	10.42	10.42
Total	**5.18**	**10.42**	**10.41**	**10.42**	**10.42**

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Previous Decisions and Article IV Consultation Cycle:

- On May 24, 2017, the Executive Board concluded the 2017 Article IV consultation (IMF Country Report No. 17/175). Guyana is on a 12-month cycle for Article IV consultations.
- On June 15, 2018, the Executive Board concluded the 2018 Article IV consultation (IMF Country Report No. 18/220). Guyana is on a 12-month cycle for Article IV consultations.
- On August 30, 2019, the Executive Board concluded the 2019 Article IV consultation (IMF Country Report No. 19/296). Guyana is on a 12-month cycle for Article IV consultations.
- On August 31, 2022, the Executive Board concluded the 2022 Article IV consultation (IMF Country Report No. 22/317). Guyana is on a 12-month cycle for Article IV consultations.

Safeguard Assessments

The most recent safeguards assessment of the Bank of Guyana (BoG) was completed in May 2007 in respect of the then expected PRGF arrangement. Overall, the assessment noted capacity constraints, including in the internal audit function. Recommendations were made to enhance internal audit reporting and to improve external audit quality to enable compliance with International Standards on Auditing (ISA) and IFRS. In the reserves management area, staff recommended the establishment of an investment committee. The latter has been implemented. The BoG continues to be audited by the Audit Office of Guyana and the reports state compliance with ISA. The BoG's financial statements refer to IFRS and are published.

Exchange Rate Arrangement

Guyana has accepted the obligations of Article VIII—Section 2, 3, and 4—and maintains an exchange system that does not have any multiple currency practices, and is free of restrictions on the making of payments and transfers for current 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 floating. Guyana's *de facto* exchange rate regime is classified as a stabilized arrangement. The currency of Guyana is the Guyana dollar. The exchange rate was G$208.5 per U.S. dollar as of August 10, 2023.

ROSC, FSAP, EPA Participation

- The ROSC on Fiscal Transparency Module was undertaken in July 2002.
- A WB/IMF FSAP took place in November 2005 and concluded in September 2006.
- Ex-Post Assessment findings were discussed with the authorities in June 2006 and concluded on October 23, 2006.
- A WB/IMF FSAP took place in May 2016 and concluded in March 2017.

Technical Assistance - Fiscal Affairs Department

Feb. 2015	CARTAC (Training on chart of accounts)
Mar. 2015	CARTAC (Tax Administration)
Jun. 2015	CARTAC (Statistical data analysis and revenue forecasting mission)
Sep. 2015	CARTAC (Tariff classification of goods using the Harmonized System)
Jan. 2016	CARTAC (Customs Valuation training)
Jan. 2016	CARTAC (Debt Management)
Aug. 2016	CARTAC (VAT administration and policy review)
Mar. 2017	CARTAC (Tax Administration)
Apr. 2017	Tax Administration Diagnostic Assessment Tool (TADAT).
Jul. 2017	A Reform Agenda for Petroleum Taxation and Revenue Management
Sep. 2017	Next Steps in Modernizing the Revenue Administration (TADAT)
Sep. 2017	Public Investment Management Assessment (PIMA)
Mar. 2018	Selected Petroleum Fiscal Issues
Jun. 2018	Tax Administration: Risk Based Compliance Management
Aug. 2018	Tax Administration: Strategic Management Framework
Feb. 2019	Mining and Petroleum Fiscal Regime Review
May 2020	Strengthening Risk Management in Customs
Sep. 2020	Developing Post Clearance Audit Capacity in Customs
Mar. 2021	Strengthening Risk Management in Customs
Jul. 2021	Strengthening Performance Management in Customs
Aug. 2021	Tax Administration: Developing Audit Capacity
Nov. 2021	Tax Administration: Developing Audit Capacity – Train the Trainers
May 2022	Strengthening Performance Management in Customs
Jun. 2022	Developing Data Analysis Capacity in Customs
Sep. 2022	Trusted Trader Program Assessment and AEO Preparation
Oct. 2022	Petroleum Tax Administration
Nov. 2022	Strengthening Risk Management in Customs
Mar. 2023	Strengthening Customs Control of Bonded Warehouses in the Petroleum Sector

Monetary and Capital Markets Department

Jan. 2015	CARTAC (Risk-based supervision training)
Apr. 2015	CARTAC (Identifying and developing measures of systemic risk)
Sep. 2015	CARTAC (Financial soundness indicators for insurance sector)
Sep. 2016	CARTAC (Systemic risk indicators)
Mar. 2017	CARTAC (Stress testing framework for the insurance sector)
Apr. 2017	CARTAC (Financial health indicators for the pension sector)
Apr. 2017	CARTAC (Financial crisis management framework)
Aug. 2017	Government debt market development
Feb. 2018	CARTAC (Implementation of Basel II and III)
Apr. 2018	CARTAC (Correspondent bank relationships monitoring toolkit)
Sep. 2018	CARTAC (Developing macroprudential framework)
Nov. 2018	CARTAC (Stress testing)

Nov. 2019	CARTAC (Basel II/III – Pillar 2)
Mar. 2021	CARTAC (Feedback on risk management guidelines – Pillar 2 Implementation)
Jan. 2022	Stress Testing
Nov. 2022	CARTAC (Risk-based supervision)
Jul. 2023	CARTAC (Internal Capital Adequacy Assessment Process)

Statistics Department

Apr. 2015	CARTAC (Training on balance of payments)
Aug. 2015	CARTAC (Macro TA need assessment)
Nov. 2015	CARTAC (Medium-term macro framework)
May 2016	CARTAC (National accounts)
Aug. 2016	CARTAC (External sector statistics)
May 2017	CARTAC (National accounts)
Jun. 2017	CARTAC (External sector statistics)
Jun. 2018	CARTAC (Implementation of BPM6)
Mar. 2019	CARTAC (National Accounts)
Jun. 2017	CARTAC (Balance of Payments statistics)
May 2019	CARTAC (External sector statistics)
Feb. 2021	CARTAC (External sector statistics)
Jul. 2021	CARTAC (CPI)
Nov. 2021	CARTAC (National Accounts)
Mar. 2022	CARTAC (External sector statistics)
Nov. 2022	CARTAC (National Accounts)
Apr. 2023	CARTAC (External sector statistics)

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

Resident Representative

The office was closed in end-January 2009.

COLLABORATION WITH THE BANK AND OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- As of August 11, 2023, Guyana has collaborations with The World Bank Group, Inter-American Development Bank, and Caribbean Development Bank.

- Further information can be obtained from the following hyperlinks.

International Financial Institution	Hyperlink
The World Bank Group	https://www.worldbank.org/en/country/caribbean/overview
Inter-American Development Bank	https://www.iadb.org/en/countries/guyana/overview
Caribbean Development Bank	https://www.caribank.org/countries-and-members/borrowing-members/guyana

STATISTICAL ISSUES

(As of July 31, 2023)

A. Assessment of Data Adequacy for Surveillance

General: Data provided to the Fund is broadly adequate for surveillance purposes, although timeliness, reliability, and coverage can be improved. Selected data are only available during missions and upon request. Monetary and external statistics, exchange rates and interest rates are reported to the Fund and available also from the website of the Bank of Guyana (BoG) but with certain lags. The Ministry of Finance (MOF) provides macroeconomic and fiscal statistics in annual and semiannual publications on its website in a PDF format. While specific statistics areas have received technical assistance (TA), some limitations remain in the compilation and dissemination of data for certain sectors. Oil exploration and drilling is partially included in the balance of payments statistics and requires further refinement in the national accounts.

National Accounts: The 2018 TA mission from CARTAC provided advice to the Bureau of Statistics (BoS) to improve the GDP-P and GDP-E methodology and related source data, as well as implement the relevant *System of National Accounts 2008 (2008 SNA)* changes. The compilation files were redeveloped for manufacturing, construction, accommodation, food services, real estate, business, and other services industries, with 2012 as the new base year. The TA also helped improve coverage and the source data quality issues and trained the BoS national accounts staff on the recommended SNA changes. The 2019 technical assistance helped the BoS incorporate oil production into the national accounts statistics. In 2021, technical assistance reviewed the compilation methodology for several activities and established the basis for producing chained volume measures for both the annual and quarterly estimates of GDP from 2012-2021. The mission also provided advice on the completion of work to develop Supply and Use Tables (SUT) for 2019, which can be used to improve the input/output ratios and estimates of informal activity used in GDP compilation. A follow up national accounts mission took place in November 2022 and provided additional improvements to Gross Domestic Product by activity and expenditure. Future work will focus on compiling a SUT for 2019, Industrial Production Index and a Producer Price Index.

A mission on the CPI supported the preparation of an update of the expenditure weights based on the results of the 2018/19 household budget survey. The target date for publication is Feb 2024.

Government finance statistics (GFS): Fiscal statistics are disseminated through several MOF publications, including the Mid-Year Report on the annual budget, the Budget Speech and other budget-related documents. Authorities plan to upgrade their fiscal statistics to reflect the impact of future petroleum revenue and to incorporate it in their future budget projections. While fiscal data are published by the MoF, GFS data are not reported to the IMF Statistics Department for publication in the GFS database.

Monetary and financial sector statistics: The BoG has made significant progress in improving the quality of monetary statistics, especially 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, on a regular basis, prudential indicators for commercial banks, depository and non-depository nonbanks in its quarterly report and on its website. CARTAC has helped make progress with developing macro-prudential/systemic risk indicators and financial stability indicators for the insurance sector. The BoG also reports data on several indicators of the Financial Access Survey (FAS) including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

External sector statistics (ESS): In 2023, a follow-up mission from CARTAC assisted the BoG in strengthening the compilation and dissemination of external sector statistics. The BoG disseminates quarterly balance of payments data following the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) format; however, it maintains its Balance of Payments Manual, fourth edition (BPM4)-based balance of payments for national publications. The mission continued to strongly recommend that the BoG compiles one set of balance of payments data, based on BPM6. Since 2021, the BoG has prepared an analytical table of selected balance of payments data for the oil and gas sector, nevertheless there are still some gaps on source data.

B. Data Standards and Quality

Guyana is a participant in the IMF Enhanced General Data Dissemination System (e-GDDS) and disseminates key economic data through the National Summary Data Page launched in December 2019.

Guyana: Table of Common Indicators Required for Surveillance
(As of August 11, 2023)

	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	08/23	10/23	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	08/23	10/23	M	M	M
Reserve/Base Money	08/23	10/23	M	M	M
Broad Money	08/23	10/23	M	M	M
Central Bank Balance Sheet[2]	08/23	10/23	M	M	M
Consolidated Balance Sheet of the Banking System[2]	08/23	10/23	M	M	M
Interest Rates[3]	08/23	10/23	M	M	M
Consumer Price Index	08/23	10/23	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[4] – General Government[5]	2021	05/22	A	A	A
Revenue, Expenditure, Balance and Composition of Financing[4] – Central Government	2021	05/22	A	A	A
Stocks of Central Government and Central Government-Guaranteed Debt[6]	2021	05/22	A	A	A
External Current Account Balance	Q12022		Q	Q	Q
Exports and Imports of Goods	Q12022		Q	Q	Q
GDP	2021	11/21	A	A	A
Gross External Debt	2021	02/22	A	A	A
International Investment Position	Q12022		Q	Q	Q

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

[2] 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.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic nonbank financing (partial information).

[5] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[6] Only domestic debt, including currency and maturity composition (partial information).

[7] Daily (D), Weekly (W), Monthly (M).

GUYANA

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

October 19, 2023

Approved By
James Morsink (IMF), and Geremia Palomba (IMF), Manuela Francisco, and Oscar Calvo-Gonzalez (IDA)

Prepared by the Staff of the International Monetary Fund and the International Development Association based on the debt sustainability framework (DSF) for low-income countries (LICs), implemented since July 2018.

Risk of external debt distress	*Moderate*[1]
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Substantial space to absorb shocks*
Application of judgment	*No*

The risk of external and overall debt distress for Guyana remains moderate (as in the previous DSA of July 2022). There are significant upside risks to the outlook for debt dynamics in the medium- to long-term, given the August 2023 WEO forecast of moderately high oil prices (averaging $76 a barrel over 2023-28) and continuing discoveries of new oil fields, which will help Guyana build up significant external buffers against adverse shocks. All external debt indicators remain well below the relevant indicative vulnerability thresholds under the baseline scenario, which incorporates the long-term effects of oil production. Guyana's debt-carrying capacity is now classified as "medium" based on the value of the Composite Indicator (CI), up from "weak" in the 2022 DSA, due mainly to an increase in gross official reserve coverage of imports.

Stress tests illustrate the susceptibility of Guyana's external public debt to shocks, and in particular to an export shock, which could cause significant breaches in the external debt thresholds. Guyana has substantial space to absorb shocks, reflecting the current low level of external debt and significant projected increases in oil revenues.

[1] Low Income Country Debt Sustainability Framework (LIC-DSF) is used to assess debt sustainability for Guyana given its eligibility for World Bank's IDA financing and access to concessional financing terms. Guyana's debt-carrying capacity assessment is based on the value of the Composite Indicator (CI), using the 2021 CPIA score (released in July 2022) and data and projections from the August 2023 WEO.

PUBLIC SECTOR COVERAGE

1. **The coverage of public sector debt used in this report is central government debt and central government-guaranteed debt** (Text Table 1). External debt is defined based on residency basis and includes the external debt of the central government. Since December 2020 central government domestic debt also includes a central government-guaranteed five-year syndicated loan amounting to G$16.5 billion (2.1 percent of GDP) raised by the National Industrial and Commercial Investments Limited (NICIL)[2] for the purpose of restructuring state-owned Guyana Sugar Corporation (GuySuCo). In addition, state-owned enterprises' (SOEs) debts are included in central government debt as these entities are not allowed to borrow directly. The central government borrows and on-lends to the SOEs. The central government does not issue explicit or implicit guarantees on sub-nationals and local governments' debts, which are not included in the DSA. Also included under central government domestic debt is borrowing by the Social Security Administration. Central government domestic debt also includes borrowing from the Central Bank of Guyana (BOG) during 2015-2020, amounting to G$163.3 billion (14.3 percent of GDP) as of end-2020.[3] However, in June 2021 the government securitized the inherited overdraft at the BOG using variable-rate debentures, with tenors ranging from 1 to 20 years, totaling G$200 billion (approximately US$960 million).

Text Table 1. Guyana: Coverage of Public Sector Debt

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	X

2. **The DSA includes a combined contingent liabilities stress test which does not adjust the default setting for public–private partnership (PPP) debt.** The authorities indicated no PPP debt outstanding as of end-2021 and any financing requirements by developmental agencies are met directly through central government borrowing. The World Bank Investments in IDA Countries Report also shows no outstanding PPI investments and projects in Guyana for 2013–21. Government liabilities included under the contingent liability shock include the default value regarding SOE debt and debt of financial institutions implicitly or explicitly guaranteed by the government.

[2] NICIL was incorporated as a Private Limited Company under the Companies Act of 1991 and is 100 percent owned by the Government of Guyana.

[3] The central bank does not borrow externally on behalf of the central government.

Text Table 2. Guyana: Variables Used in Stress Test

1	The country's coverage of public debt	The central government plus social security, government-guaranteed debt, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	0.0	The authorities and IDA confirmed that PPP stock is zero
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		7.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

3. **The Government of Guyana has been working closely with the World Bank on issues related to debt transparency and management in the context of Sustainable Development Finance Policy (SDFP).** This included increasing the periodicity and coverage of debt statistics, strengthening the policy framework for debt management, and publishing audited financial statements for SOEs that previously required support from the budget. The government has also made progress on public investment management (PIM) by introducing a pre-appraisal mechanism for new capital investments.[4]

BACKGROUND ON DEBT

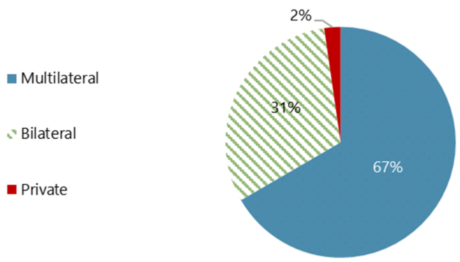
4. **Total gross public debt has declined significantly over the past decade, driven by repayments, oil revenues, and prudent debt management.** Guyana's total public-sector debt declined to 26 percent of GDP in 2022 (including central government guarantee on NICIL's G$16.5 billion syndicated loan), down from 49.5 percent of GDP in 2012—and from 43.2 percent in 2021. At the same time the share of domestic debt in total public debt has been increasing steadily over the past few years, from just under 42 percent in 2018 to just over 60 percent in 2022. Oil production since 2020 has helped to reduce the debt ratio by significantly increasing the denominator, namely nominal GDP. Rice exports to Venezuela helped Guyana repay part of its debt owed to that country under the PetroCaribe agreement (which was suspended since 2015 following the revival of a border dispute) and there has been no further borrowing from Venezuela since then. In addition, the Guyanese authorities have been prudent in accumulating new public debt. In December 2020 a central government-guaranteed five-year syndicated loan, amounting to G$16.5 billion (2.1 percent of GDP) raised by the National Industrial and Commercial Investments Limited (NICIL) for the purpose of restructuring state-owned Guyana Sugar Corporation (GuySuCo), was re-classified as domestic public debt.[5] This was because the government had been obliged to meet debt service obligations under this bond during the year.

[4] The new PIM framework has been rolled out to two sectors—agriculture and public works—in 2023, and is expected to be expanded to two additional sectors—education and health—in 2024 supported under the performance and policy actions (PPAs).

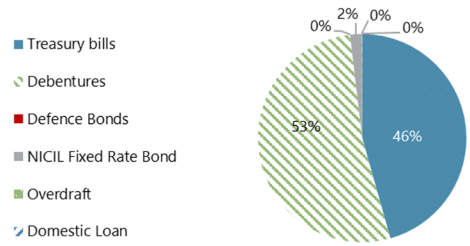
[5] The 2018 government guaranteed loan, which is also secured by NICIL's assets, carries an interest rate of 4.75 percent. The government had undertaken the restructuring of GuySuCo following continued losses which resulted in heavy subsidies amounting to 1–2 percent of GDP per year during 2015–20. Proceeds from the privatization of GuySuCo's estates will be used to repay this loan.

5. External debt accounts for over 40 percent of total public sector debt, mostly to multilateral institutions.[6] Multilateral creditors accounted for around 67 percent of total external debt in 2022. The IDB is the largest multilateral creditor, accounting for 46.7 percent of total external debt in mid-2022. China's state-owned Export-Import Bank is the largest bilateral creditor, comprising 16.2 percent of total external debt in mid-2022. Eurobond holders are the only private (commercial) creditors. Domestic debt comprises mainly Treasury bills (T-bills) and borrowing from the central bank, which is now securitized (see below).

Guyana: External Public Debt by Creditor
(In percent, mid-year 2022)



Guyana: Domestic Public Debt by Creditor
(In percent, mid-year 2022)



6. The authorities remain committed to ensuring fiscal prudence and contracting external loans on highly concessional terms. In particular, the government has been prudent in ensuring that its fiscal integrity would not be compromised by contracting large debt and has been relying on concessional financing from Multilateral Development Banks, consistent with staff recommendations. Also, the fiscal policy limits posed by the recently amended Natural Resource Fund (NRF) Act, together with the Fiscal Management and Accountability Act of 2003, provide constraints on fiscal policy in practice. Debt sustainability is also ensured by the authorities' intention to maintain Guyana's risk of debt distress at a moderate (or lower) level. In addition, Guyana has statutory ceilings on domestic and external debt, recalibrated every three years to reflect the economy's evolving financing needs.

MACROECONOMIC ASSUMPTIONS

7. The assumptions in the baseline scenario are consistent with the macroeconomic framework presented in the Staff report. The baseline scenario incorporates the macroeconomic effects of oil production through revenue transfers to the budget from 2022 onwards and based on value added to domestic economic activities through employment and capital flows.[7] The scenario also includes the authorities' ambitious public capital expenditure plans over the medium term, and assumes thereafter a fiscal policy anchor that sets a zero overall fiscal balance (after grants) from 2028 onwards, in line with the authorities commitment to fiscal discipline and agreement to this advice on September 11, 2023.[8] The

[6] All of Guyana's external debt is on concessional terms. Starting in 2022, however, new IDB loans are no longer concessional for Guyana as Guyana has graduated from concessional lending.

[7] Based on staff projections from the Fiscal Analysis of Resource Industries (FARI) Model with inputs from the authorities, taking into consideration oil royalty and production profit-sharing with ExxonMobil.

[8] Given the timing of the advice there is no change in legislation or PFM practices or procedures.

discount rate used to calculate the net present value of external debt is 5 percent, consistent with the 2018 guidance note on Bank-Fund debt sustainability framework for low-income countries. The baseline projections are subject to significant risks, both upside and downside, relating to the future path of both oil prices and production, and to the government's fiscal policy stance. On the upside further oil discoveries and production, if continued to be managed effectively by the government, would have positive effects on GDP growth and on the fiscal and external accounts. A construction boom may support higher short-term non-oil GDP growth than projected, but with a short- and medium-term downside risk of high inflationary pressures, an overvalued real exchange rate, and possibly 'Dutch disease.' Additional risks related to the government's capital spending plans include crowding out of private sector credit, potential delays in the operationalization of new oil fields, and management execution and governance concerns. Global risks include highly volatile commodity prices that could adversely affect growth, fiscal performance, and external buffers. Adverse climate shocks (mostly flooding in the case of Guyana) or environmental risks related to oil production could also weaken the macroeconomic outlook. In the longer term, global decarbonization efforts could lead to structurally lower global demand for oil, lowering international prices and consumption, thereby reducing oil-related fiscal revenue.

8. The Guyanese economy continued its growth momentum in 2022 and first-half 2023, driven by rapid expansion of the oil sector, with no sign of macroeconomic imbalances building up yet. In 2022, real oil GDP grew by 62.3 percent and non-oil GDP by 11.5 percent, primarily due to the recovery in agricultural production and quarrying and construction, supported by continued public investment in infrastructure. The strong growth momentum continued in the first half of 2023, with the real GDP estimated to have grown by 59.5percent and non-oil GDP by 12.3 percent. Credit to the economy grew in line with nominal non-oil GDP, and credit to the private sector remained supportive. Inflation, measured by the Urban Consumer Price Index (CPI), reached 7.2 percent in end-2022, reflecting elevated food prices and supply side bottlenecks as well as higher fuel prices in world markets, driven in large part by the Russia's invasion on Ukraine. However, inflation was in line with regional peers. With the doubling of oil production, the current account balance moved to a surplus of around 24 percent of GDP, a sharp turnaround from a deficit of around 26 percent of GDP in 2021. Accumulation of reserves continued. Gross international reserves coverage to imports has remained low (1.1 months) in end-2022, due mostly to large imports needed for oil exploration. However, it reached 2.8 months of non-oil imports.

9. Going forward, the economy's prospects are better compared to its historical track record. Oil production is projected to increase from 278 thousand barrels per day (bpd) in 2022 to over 1 million bpd by 2028 as three new approved fields (Payara, Yellowtail and Uaru) come on stream.[9] Guyana's commercially recoverable petroleum reserves are estimated to be well over 11 billion barrels, the third largest in Latin America and Caribbean and one of the highest levels of oil reserves per capita in the world, and are expected to last over 40 years. This could help Guyana build up substantial fiscal and external buffers to absorb shocks while addressing infrastructure gaps and human development needs. The government plans to use the oil revenues transferred to the budget to support growth of the non-oil economy, through human capital (building schools and hospital), increasing access to energy and lowering

[9] The approval of a sixth field in the offshore Stabroek Block in 2027 is planned, and Exxon has announced at least two other field discoveries.

energy costs, investing in transport infrastructure (highway to Brazil, bridge to Suriname, bridge and deep water port, plus rehabilitation of the road and railway network) and in infrastructure to increase the economy's resilience to natural disasters and climate change, and increasing value added exports (e.g. agribusiness).

10. These favorable prospects are accompanied by upside and downside risks. On the upside, further oil discoveries will continue to improve Guyana's long-term economic prospects and a construction boom will support higher short-term growth. The main downside risks relate to overheating (inflationary pressures and real exchange rate appreciation beyond what is projected in staff's medium-term baseline scenario) and 'Dutch disease'.[10] Other risks include highly volatile commodity prices and adverse climate shocks, or environmental risks related to oil production, which will negatively impact the economy. Limited administrative and institutional capacity may raise risks in public expenditure management execution.

11. The government has embarked on its ambitious plans to diversify the economy and support long-term growth by investing in infrastructure, health, and education, financed mostly with the oil revenues transferred from the NRF to the budget. The 2023 budget envisages a second year of substantial increase in public investment, and the government is planning to maintain this effort over the medium term to address bottlenecks to growth, focusing on transport infrastructure, health, and education. Public capital spending is projected to increase from 20.3 percent of non-oil GDP in 2022 (already up from 9.6 percent in 2021) to 32.1 percent in 2023.

12. The authorities are advancing on governance issues. The governance of the NRF was strengthened through the appointment of three critical entities in 2022: the NRF Board of Directors, the Public Accountability and Oversight Committee, and the Investment Committee. Furthermore, to ensure full transparency and accountability, notifications of receipts of petroleum revenues have been published in the Official Gazette since April 2022, with hearings planned in Parliament. Going forward, the government will apply a new Production Sharing Agreement (PSA), to all new auctioned oil blocks with much more favorable terms for Guyana, to new oil fields open to auction for exploration and discovery. Fourteen new offshore exploration blocks have been put on auction under terms that significantly increases the government's share of oil revenues. The public procurement framework has been further strengthened: five new commissioners have been appointed to the Public Procurement Commission, and the National Procurement and Tender Administration (NPTA) has been publishing all contracts—with information on the beneficial owners of successful bidders—and designing a comprehensive training program in procurement. The government has made progress on public investment management, by introducing a pre-appraisal mechanism for new capital investments. Guyana has also made significant progress in aligning the anti-corruption framework with international best practices and in strengthening the public financial management system. The government is also complying with the recommendations of the Financial Action Task Force (FATF). While Guyana was suspended from the EITI in early 2023, following its

[10] Dutch disease describes a situation where natural resource windfalls increase the demand for non-traded goods, which would then draw production factors away from non-resource-traded sectors and generate an appreciation of the real exchange rate, thereby eroding competitiveness of the non-resource sector.

failure to submit the EITI 2020 report on time, the suspension was lifted in June 2023 when the report was published.

13. The main macroeconomic assumptions underlying the DSA are:

- **Real GDP growth is projected at 13.5 percent on average during 2023-2033, with volatility reflecting projected movements in oil production.** Real GDP growth rose sharply in 2022 as Liza-2 started operating early in the year. This is projected to be followed by the start of oil and gas production from the Payara, Yellowtail, and Uaru oil fields from 2024, 2026, and 2027 respectively (all included in the macro framework and the DSA). The projections also take into account measures taken in the 2023 budget to mitigate the impact of rising commodity prices on households, and a continued sharp increase in public capital spending to address human capital and physical infrastructure needs, supported by oil revenues. In addition, growth projections of the domestic non-oil sectors take into account the positive impact coming from sharp increases in public capital investment. The non-oil growth projections are higher than in the 2022 DSA, reflecting higher public capital expenditures, as well as upward revisions to the 2023 real non-oil GDP growth based on the good performance in the first half of 2023.

Text Table 3. Guyana: Baseline Macroeconomic Assumptions
(In percent of GDP, period averages, unless stated otherwise)

	2023	2024	2025	2026	2027	Avg 2023-27	Avg 2023-33
Real GDP growth							
2023 DSA - current	38.4	26.6	18.8	21.2	21.2	25.2	13.5
2022 DSA -previous	25.2	21.2	28.2	25.5	3.3	20.7	12.0
Real Non-oil GDP growth							
2023 DSA - current	9.1	6.6	5.5	5.5	5.5	6.4	6.0
2022 DSA -previous	5.1	5.1	5.2	5.2	5.2	5.2	5.2
Consumer prices (eop) 1/							
2023 DSA - current	3.8	5.5	5.5	5.5	5.5	5.2	5.4
2022 DSA -previous	6.0	4.1	3.5	3.5	3.5	4.1	3.8
Central Government overall balance 2/							
2023 DSA - current	-6.7	-5.0	-3.0	-2.0	-1.0	-3.5	-1.6
2022 DSA -previous	-0.5	-0.2	0.0	0.0	0.0	-0.1	-0.1
External current account balance							
2023 DSA - current	18.0	20.0	18.1	25.3	38.6	24.0	35.7
2022 DSA -previous	30.4	28.3	17.2	26.1	26.6	25.7	24.1

Sources: Guyanese authorities, IMF staff calculations and projections.

1/ Measured as percent (y/y) change.

2/ After grants.

- **Inflation (measured by CPI) is projected to average 5.4 percent during 2023-2033.** This is higher than the previous forecast of 3.8 percent in the 2022 DSA, reflecting in part higher projected global food and commodity prices and the impact of higher fiscal spending on domestic demand in the medium-term.

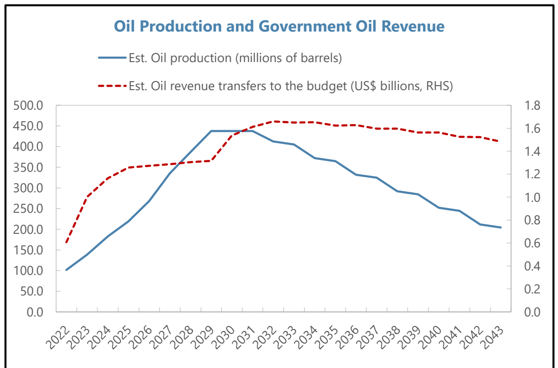
- **The central government's public finances are projected to show a modest overall fiscal deficit (after grants) averaging around 1.6 percent of GDP during 2023-2033.** In 2022 public capital expenditures rose to 8.5 percent of GDP, a 2 percentage point increase compared to 2021, while current expenditures grew in line with non-oil GDP.[11] The 2023 budget envisages a continued expansionary fiscal policy stance, driven by a further increase in public investment from 8.5 to 13.8 percent of GDP. Staff views this stance as appropriate, given the country's urgent development needs and the absence (as of now) of any evidence of macroeconomic imbalances, and recommends careful monitoring of inflationary and overheating pressures and absorptive capacity constraints. Over the medium-term, savings in the Natural Resource Fund (NRF), Guyana's Sovereign Wealth Fund, are projected to accumulate rapidly, while transfers of oil revenues from the NRF to the budget are expected to remain large and to cover only public capital expenditures (as required by law—development initiatives). Compared to the 2022 DSA, the overall fiscal deficit is higher in: (i) 2022, given the higher than expected execution, (ii) 2023, as envisaged by the authorities in their budget, and (iii) 2024-28, due to a longer transition to a zero balance (in 2028, rather than 2025), reflecting the authorities' commitment to adopt such an anchor over the longer-term while meeting the urgent development needs over the short- and medium-term.

- **Staff simulations show that a public expenditure path consistent with steadily moving towards a zero overall balance (after grants) by 2028 will be more than adequate to meet the country's development needs.** Staff assesses that this transition path will allow for implementation of the government's ambitious capital spending plans while also being consistent with intergenerational equity and fiscal sustainability. Staff simulations further show that maintaining a zero overall fiscal balance after this transition period to 2028 would be consistent with these broad fiscal policy objectives over the long term, as long as there are no absorptive capacity constraints and/or overheating pressures. This is the fiscal policy stance underlying staff's baseline scenario in the macroframework and in this DSA.

- **The projections take into account the recently revised rules for withdrawing funds from the Natural Resource Fund.** The Natural Resource Fund (NRF) Bill, signed into law by President Irfaan Ali on December 30, 2021, allowed the government to extract the entire amount deposited in the NRF by end-2021, around US$608 million, in the first year of operation of the Fund (2022) and use it for budgetary spending. Thereafter, after the first withdrawal, the proposed legislation sets out a ceiling on withdrawals, with a progressively smaller proportion of the inflows in the NRF in the preceding year being allowed to be transferred to the budget for public spending, as those inflows increase. The remainder of the petroleum revenues is accumulated as savings in the NRF. More specifically, in any given year, 100 percent of the first US$500 million of deposits in the preceding year can be withdrawn, followed by a steadily lower percentage of what remains: 75 percent from the second US$500 million; 50 percent from the

[11] Public capital spending might reflect mostly first installments of multi-year contracts for large public infrastructure projects. The share of execution is unknown.

third US$500 million; 25 percent from the fourth US$500 million; 5 percent from the fifth US$500 million, and then 3 percent from any amounts in excess of US$2.5 billion.



Sources: Authorities data and IMF staff calculations.

- **Oil revenues coming into the budget will continue to have a significant positive impact on budget financing and debt dynamics.**[12] Oil production is expected to increase from 101 million barrels in 2022 to 387 million barrels by 2028, compared to 265 million barrels in the 2022 DSA, due in part to faster-than-envisaged approval of the fifth oil field, Uaru. Over the medium-term, estimated oil revenues[13] will more than cover the cost of additional spending planned by the new government on priority social sectors–health and education–and on infrastructure, and also the cost of gradually paying off the government's overdraft with the central bank.[14] With real growth projections averaging 13.5 percent a year over 2023-2033 (reflecting both the direct and indirect effects of rapid growth of the oil sector) and substantially exceeding the real interest rate paid by the government on its debt, the public debt to GDP ratio is projected to fall from almost 30 percent in 2023 to 23.4 percent in 2033.

- **The current account balance is projected to improve significantly to a surplus of 35.7 percent of GDP on average during the forecast period.** The current account deficit widened significantly in 2021, mostly reflecting a large increase in capital goods imports as the government ramped up public investment and oil companies continued to invest to expand new production capacity. However, as oil production from Liza II came into full swing in April 2022 and as oil sector-related imports fell sharply, the current account moved to a surplus of 23.8 percent of GDP in 2022. As the Payara, Yellowtail, and Uaru oil fields are expected to come on stream during the next five years, and as oil companies tamper down new investments, the current account is projected to maintain a significant surplus over the foreseeable future. Gross international reserves in months of projected imports of goods and services are expected to increase from 1.0 in 2023 to 3.6 by 2028 and to 11.5 by 2033. Compared to the 2022 DSA the oil investments have been revised up, reflecting a higher cost recovery, and therefore a relatively slower accumulation of buffers by 2028. That being said, these investments are related to a sixth

[12] Under the 2016 Production Sharing Agreement, up to 75 percent of each's year's oil revenues can be assigned to production costs while the remainder comprises profit oil to be split evenly between Guyana on one hand and ExxonMobil, Hess and CNOOC on the other. In addition, the contracts include a 2 percent royalty on gross earnings, leaving the government to receive 14.5 percent of initial oil revenues. The government will begin to receive higher revenues after the oil companies recuperate initial costs.

[13] By end 2028 almost US$11 billion is expected to be accumulated in the NRF, up from US$608 million at end-2021. Fiscal projections for oil revenues are based on projections of oil export earnings and the maximum withdrawal amounts that are allowed under the amended 2021 NRF Act.

[14] In the long-term, as oil production from the approved fields will decline after reaching the peak, in the absence of new fields coming on-stream (central macroframework scenario), oil revenues will decline. Under zero balance assumption, capital spending financed by oil revenues will decline to pre-oil levels by 2043.

field, planned to be approved by end-2023, and two additional fields, thereby once approved, they will push up projected oil production after 2028.

- **Financing of the overall fiscal deficit will shift toward domestic sources over the longer-term.** The authorities are working on a step-by-step approach in deepening the interbank, domestic debt, and FX markets to strengthen the monetary policy framework and the transmission mechanism. The share of domestic financing of the overall fiscal deficit is projected to increase over the next few years, from 67 percent in 2023 to 98 percent in 2026. Moreover, in line with the government's plans to develop and deepen the domestic financial market, and given the projected large increases in oil revenue receipts, it is assumed that the government will not need to borrow externally after 2026. Hence net external financing of the government's fiscal deficit is thus projected to decline steadily from 2026 onwards.

RISK RATING AND VULNERABILITIES

14. Guyana's very favorable prospects are accompanied by upside and downside risks. On the upside, further oil discoveries will continue to improve Guyana's long-term economic prospects and a construction boom will support higher short-term growth than projected. The main downside risks relate to the "natural resource curse", of rapid increases in government spending from oil revenues resulting in significant higher inflationary pressures and real exchange rate appreciation (all higher than projected) leading to 'Dutch disease', along with public investment management and governance concerns. Other downside risks include adverse climate shocks, which will negatively impact the economy, and increased dependence over time on oil revenues, which would expose the economy to volatility of oil prices in world markets. In the longer term, global decarbonization efforts could lead to structurally lower demand for oil, lowering international prices and consumption, thereby reducing oil-related fiscal revenue.

15. The realism tools support the reasonableness of our projections, in line with historical and peer experiences, and taking into account the continuing structural changes taking place in Guyana's economy.

- **Forecast errors** (Figure 3): Forecast errors of past external debt projections (measured as the difference between actual and anticipated contributions on debt ratios) are at a relatively low level. The forecasts of both public and external debt to GDP ratios have been slightly higher than actual outturns, largely owing to stronger real GDP growth than had been forecast more than offsetting the impact of higher-than-anticipated primary deficits and, in the case of external debt, to stronger-than-anticipated FDI flows. Relatively large residuals for external debt forecasts for the next five years are due for the most part to the DSA external debt dynamics assuming financing of the current account balance by both the private and public sectors, while in the case of Guyana data for private sector external debt is missing.

- **Realism of fiscal adjustment** (Figure 4): The three-year adjustment in the primary balance of 4.7 percentage points of GDP over the period 2023-2026 is consistent with our recommendation to use some of the accumulated oil revenues to address urgent human capital and physical infrastructure needs, after taking into account absorptive capacity constraints. The steady reduction in projected primary deficits over the next three years is mostly resulting from large oil revenues flowing into the budget, and with gradual declines in capital spending from very high levels in 2023 and 2024. Fiscal adjustment measures are not assumed. On a similar vein projected growth over the medium term is significantly lower than implied by the application of standard fiscal multipliers, mainly reflecting the major structural changes to the economy with the coming into production of new oil fields. These structural changes to the economy are also distorting the relationship between investment (private and public) rates and real GDP growth.

COUNTRY CLASSIFICATION AND SCENARIO STRESS TESTS

16. **Guyana is assessed having a "medium" debt carrying capacity, given the large oil-related imports.** Based on the April 2023 WEO and the 2021 CPIA score (released in July 2022), the country's composite indicator (CI) score is 2.86, falling within the range of 2.69–3.05 for "medium" rated countries. This is an improvement in the assessment from "weak" debt carrying capacity in the 2022 DSA and is mainly due to higher import coverage of gross official FX reserves. It is important to note that the DSA calculations do not take into account the structural changes the economy is going through and ignores expected reserve accumulation in the NRF, and hence may underestimate the true debt absorption capacity of the Guyanese economy.

Text Table 4. Guyana: Debt Carrying Capacity Under the Composite Indicator Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.39	3.27	1.26	44%
Real growth rate (in percent)	2.72	10.76	0.29	10%
Import coverage of reserves (in percent)	4.05	28.19	1.14	40%
Import coverage of reserves^2 (in percent)	-3.99	7.95	-0.32	-11%
Remittances (in percent)	2.02	4.70	0.10	3%
World economic growth (in percent)	13.52	2.86	0.39	14%
CI Score			2.86	100%
CI rating			Medium	

Text Table 5. Guyana: Composite Indicator Index Thresholds

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

Text Table 6. Guyana: Debt Carrying Capacity and Thresholds

Country	Guyana
Country Code	**336**

Debt Carrying Capacity	**Medium**

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium	Medium	Weak
	2.86	2.77	2.66

DEBT SUSTAINABILITY ANALYSIS

17. The analysis for external PPG and public debt, includes the baseline scenario and a set of standardized shocks. These shocks include (i) a historical scenario, where all key variables are projected to have the same values for 2023-33 like their historical averages (previous three years averages, 2020-22), alternative scenarios, which include projections for main variables, at a lower value than projected by one standard deviation (real GDP, primary balance, exports, other flows, depreciation, and a combination of all) and tailored tests that include for Guyana contingent liabilities, commodity prices and natural disasters. The former is included because oil revenues and exports depend on oil prices, and the latter because of vulnerability to flooding.

A. External PPG Debt

18. Under the baseline scenario, all external PPG debt indicators remain below the policy relevant benchmarks for the next ten years (Figure 1). The PV of external PPG debt is expected to decline gradually from 6.0 percent of GDP in 2023 to 2.5 percent in 2033 as existing debt is being amortized and the need to incur additional new external debt is significantly reduced with the incoming oil revenues to the central government budget starting from 2022.

19. The standardized stress tests show that the debt trajectory deteriorates very early on with a export shock, with the breach of the benchmark for the PV of external PPG debt-to-GDP ratio starting in 2025 (Table 3, Figure 1). With an export shock the PV of debt-to-GDP ratio could increase from 6 percent in 2023 to 61 percent in 2025 before declining steadily to 49 percent by 2033. However, it is important to note that shocks under the stress tests could be overestimated because these shocks are based on historical macroeconomic paths which do not take into account structural changes caused by the oil production, or the significant investments in the economy, to increase its resilience to flooding and adapt to climate change, increase competitiveness, and diversify the economy, or the impact of the oil revenues used for emergency financing in case of a major natural disaster.[15] In particular, the coming into production of new oil fields—of which Liza 2 in 2022—has led to very high growth rates of real GDP and of exports in these years and, as a consequence, to very high historical standard deviations of these variables. This in turn has affected the size of the shocks used in the standardized stress tests and led to an easier breach of the thresholds.[16]

20. In line with the 2022 DSA, the results suggest that the risk of external debt distress remains moderate in the baseline scenario, with all solvency and liquidity indicators remaining below their relevant benchmarks. It could be argued that the breaches of the benchmarks under the export shock scenario is caused by shock assumptions which, under current and anticipated developments in Guyana, may be less relevant and likely. Moreover, the Natural Resource Fund is expected to accumulate substantial savings over the medium term, amounting to almost 100 percent of non-oil GDP by 2028.

21. With the current low level of external debt, Guyana's has substantial space to absorb shocks. Figure 5 shows that all debt burden indicators in the baseline scenario are well below their respective benchmarks from the Moderate Risk tool and show that Guyana has substantial space to absorb shocks. Only shocks in the upper quartile of the observed distribution of shocks would downgrade the country to high risk of debt distress.

B. Public Sector Debt

21. Under the baseline scenario, the PV of public debt-to-GDP ratio does not breach the 55 percent benchmark (Table 2). The PV of debt-to-GDP ratio is expected to decline gradually from almost 25 percent in 2023 to just over 21 percent in 2033. The existing debt is being largely amortized and the need to incur large additional new external debt is significantly reduced with increasing oil revenues from 2022 onwards. The gradual transition of the fiscal policy stance to a zero overall fiscal balance (after grants)

[15] The standardized shocks reflect the past structural shift (exceptionally high real GDP growth in 2020-2022). However, the NRF Act allows for clear rules when oil revenues can be transferred to the budget for emergency financing for "essential projects that are directly related to ameliorating the effect of a major natural disaster".

[16] The external financing need, and thereby the debt path under the export shock, may be overestimated because the standardized tests do not take into account Guyana's high share of FDI linked to oil recoveries and discoveries, which in turn affect exports and current account projections.

by 2028 and maintained thereafter, as assumed under staff's baseline scenario, contributes to a further decline of the public-debt-to-GDP ratio.

22. The standardized stress tests show again that shocks to real GDP, exports, and commodity prices are the ones leading to the highest PV of the debt-to-GDP ratio (Table 4, Figure 2). Under the real GDP growth shock, the debt ratio could reach 260 percent of GDP by 2033. A shock to exports would also result in the PV of debt-to-GDP breaching the 55 percent benchmark over 2025-33.[17] In addition, a commodity price shock could result in a breach of the vulnerability threshold in 2026, pushing the PV of public debt-to-GDP to 72 percent that year and rising to 236 percent by 2033. The vulnerability to the latter shock highlights the importance of structural reforms to diversify the domestic economy to ensure broad-based growth and reduce reliance on the oil sector, thereby making the economy less exposed to oil price shocks. It is worth noting that the coming into production of new oil fields—of which Liza 2 in 2022—has led to very high growth rates of real GDP and of exports in these years and, as a consequence, to very high historical standard deviations of these variables. This in turn has affected the size of the shocks used in the standardized stress tests and led to an easier breach of the thresholds. It is important to note also that if such a shock materializes, most likely the authorities would adjust the execution of their capital spending. Moreover, the susceptibility to these shocks also underscores the importance of adopting a comprehensive medium-term fiscal framework to safeguard long-term debt sustainability and to indicate a clear medium-term fiscal anchor. In the presence of such a shock, the anchor and the framework would indicate the optimal path.

CONCLUSION

23. The debt sustainability analysis under the LIC DSF framework suggests that Guyana's risk of external and overall debt distress remains moderate. While the country's debt dynamics improve considerably under the baseline, it remains vulnerable under the standardized stress tests. In the baseline scenario, debt indicators remain well below their respective benchmarks over the projection period. The PV of external debt-to-GDP ratio is projected to decline to around 2.5 percent over the coming decade as the need for external borrowing is eliminated by the accumulation of external assets. At the same time stress tests indicate that Guyana's external public debt ratio is vulnerable to an export shock, while the overall public debt ratio is vulnerable to real GDP shocks, export shocks, and commodity price shocks. Nevertheless, Guyana still has substantial space to absorb shocks, reflecting the current low level of external debt, as confirmed by the results from the Moderate Risk tool (Figure 5). Moreover, the Natural Resource Fund is expected to accumulate substantial savings over the medium term to provide more-than-adequate buffers against shocks, amounting to almost 100 percent of non-oil GDP in 2028.

Authorities' Views

[17] As noted above, the coming into production of new oil fields—and in particular of Liza 2 in 2022—has led to very high growth rates of real GDP and of exports in these years and, as a consequence, to very high historical standard deviations of these variables. This in turn has affected the size of the shocks used in the standardized stress tests and made it much easier to breach the thresholds.

24. The authorities broadly agreed with the analysis and conclusions of the DSA, emphasizing the major structural changes taking place in the Guyanese economy and the savings accumulated and projected to accumulate in the Natural Resource Fund, which are not counted in gross official FX reserves, but represent considerable buffers.[18] They also emphasize the importance of addressing Guyana's large physical infrastructure and human capital needs.

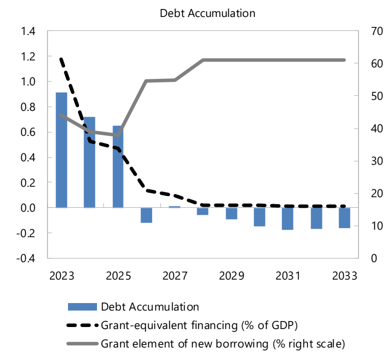
[18] Only the transfers from the NRF to the budget are included into reserves.

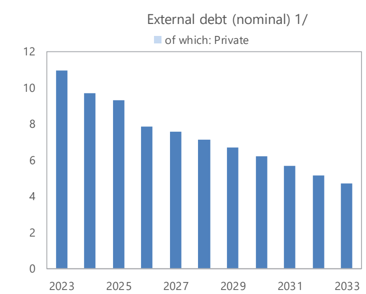
Table 1. Guyana: External Debt Sustainability Framework, Baseline Scenario, 2020–2043

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	23.8	18.0	10.3	11.0	9.7	9.3	7.8	7.6	7.1	4.7	1.5	24.1	7.4
of which: public and publicly guaranteed (PPG)	23.8	18.0	10.3	11.0	9.7	9.3	7.8	7.6	7.1	4.7	1.5	24.1	7.4
Change in external debt	-1.1	-5.9	-7.6	0.6	-1.3	-0.4	-1.5	-0.3	-0.4	-0.5	-0.2		
Identified net debt-creating flows	-8.2	-10.0	-11.2	-7.1	-8.0	-7.8	-9.4	-11.4	-12.1	-39.0	-11.6	-3.1	-23.2
Non-interest current account deficit	15.9	25.6	-23.9	-18.2	-20.2	-18.2	-25.4	-38.6	-47.8	-41.3	-11.8	13.6	-35.8
Deficit in balance of goods and services	26.5	34.0	-28.3	-19.4	-22.8	-21.4	-29.2	-43.8	-53.7	-76.0	-24.6	22.6	-53.6
Exports	51.0	60.4	79.3	82.6	83.8	82.2	80.7	92.7	99.2	94.2	36.0		
Imports	77.5	94.4	51.0	63.2	61.0	60.8	51.4	49.0	45.5	18.2	11.4		
Net current transfers (negative = inflow)	-12.1	-13.2	-7.3	-6.6	-5.4	-4.8	-4.1	-3.9	-3.8	-2.9	0.1	-10.5	-4.1
of which: official	-0.6	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1		
Other current account flows (negative = net inflow)	1.5	4.8	11.6	7.8	8.0	7.9	7.8	9.1	9.7	37.7	12.7	1.5	21.9
Net FDI (negative = inflow)	-23.2	-29.0	21.0	14.5	14.4	11.8	17.6	28.8	36.6	2.2	0.2	-14.7	13.7
Endogenous debt dynamics 2/	-0.9	-6.5	-8.3	-3.4	-2.2	-1.4	-1.5	-1.5	-0.9	0.1	0.0		
Contribution from nominal interest rate	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0		
Contribution from real GDP growth	-10.2	-3.4	-5.9	-3.5	-2.3	-1.6	-1.7	-1.6	-1.0	0.0	0.0		
Contribution from price and exchange rate changes	8.9	-3.4	-2.6	...	...	...	...	...	...	...	...		
Residual 3/	7.2	4.1	3.6	7.7	6.7	7.5	7.9	11.1	11.6	38.6	11.4	0.8	22.7
of which: exceptional financing	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	5.8	6.0	5.4	5.2	4.3	4.2	4.0	2.5	0.7		
PV of PPG external debt-to-exports ratio	...	...	7.4	7.3	6.5	6.4	5.3	4.5	4.0	2.7	1.9		
PPG debt service-to-exports ratio	2.7	1.7	0.8	0.7	0.6	0.5	0.5	0.3	0.3	0.3	0.2		
PPG debt service-to-revenue ratio	7.0	6.3	4.4	3.3	3.2	3.0	3.3	2.1	1.9	1.8	0.3		
Gross external financing need (Billion of U.S. dollars)	-0.3	-0.2	-0.3	-0.5	-1.1	-1.4	-2.1	-2.8	-3.3	-14.5	-8.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	43.5	20.1	62.3	38.4	26.6	18.8	21.2	21.2	13.5	-0.4	0.8	14.9	13.5
GDP deflator in US dollar terms (change in percent)	-26.3	16.6	16.9	-18.8	-1.7	-2.5	-2.2	-14.6	-8.6	5.6	8.0	0.9	-3.1
Effective interest rate (percent) 4/	1.8	1.8	2.0	1.7	1.8	1.9	2.0	1.2	1.2	1.0	0.8	1.7	1.4
Growth of exports of G&S (US dollar terms, in percent)	55.8	65.8	148.9	17.1	26.3	13.6	16.3	18.9	10.9	1.0	0.8	28.0	11.0
Growth of imports of G&S (US dollar terms, in percent)	-28.6	70.6	2.4	39.4	20.1	15.5	0.3	-1.5	-3.6	1.7	2.2	16.2	0.7
Grant element of new public sector borrowing (in percent)	...	...	...	43.9	38.9	37.9	54.6	55.0	61.0	61.0	0.0	...	54.2
Government revenues (excluding grants, in percent of GDP)	20.0	16.7	14.2	17.6	15.4	14.5	13.0	13.4	13.9	16.8	20.4	18.6	15.2
Aid flows (in Billion of US dollars) 5/	0.1	0.2	0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.2	0.5	0.5	0.1	0.1	0.0	0.0	0.0	...	0.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	51.0	38.9	37.9	54.6	55.0	61.0	61.0	...	...	54.8
Nominal GDP (Billion of US dollars)	5	8	15	16	20	24	28	29	30	37	75		
Nominal dollar GDP growth	5.8	40.0	89.6	12.4	24.4	15.8	18.6	3.4	3.7	5.2	8.9	16.0	9.2
Memorandum items:													
PV of external debt 7/	...	...	5.8	6.0	5.4	5.2	4.3	4.2	4.0	2.5	0.7		
In percent of exports	...	...	7.4	7.3	6.5	6.4	5.3	4.5	4.0	2.7	1.9		
Total external debt service-to-exports ratio	2.7	1.7	0.8	0.7	0.6	0.5	0.5	0.3	0.3	0.3	0.2		
PV of PPG external debt (in Billion of US dollars)			0.8	1.0	1.1	1.2	1.2	1.2	1.2	0.9	0.5		
(PVt-PVt-1)/GDPt-1 (in percent)				0.9	0.7	0.7	-0.1	0.0	-0.1	-0.2	0.0		
Non-interest current account deficit that stabilizes debt ratio	17.0	31.4	-16.3	-18.8	-18.9	-17.9	-24.0	-38.4	-47.3	-40.8	-11.6		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

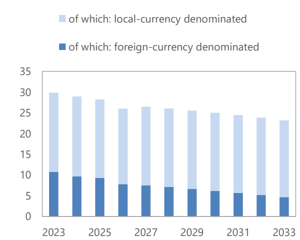
Table 2. Guyana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2043

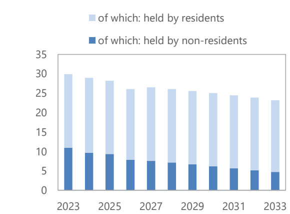
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	**51.1**	**43.2**	**26.0**	**29.9**	**29.0**	**28.2**	**26.0**	**26.5**	**26.0**	**23.2**	**15.1**	**42.9**	**26.2**
of which: external debt	**23.8**	**18.0**	**10.3**	**11.0**	**9.7**	**9.3**	**7.8**	**7.6**	**7.1**	**4.7**	**1.5**	**24.1**	**7.4**
			15.7	18.9	19.3	18.9	18.2	19.0	18.9				
Change in public sector debt	7.5	-7.9	-17.2	3.8	-0.9	-0.8	-2.2	0.5	-0.5	-0.7	-0.9		
Identified debt-creating flows	**5.4**	**-7.4**	**-15.3**	**1.6**	**-1.1**	**-1.1**	**-2.5**	**-0.8**	**-1.3**	**-0.5**	**-0.8**	**-1.0**	**-0.7**
Primary deficit	**7.2**	**6.7**	**4.8**	**6.3**	**4.8**	**2.8**	**1.8**	**0.9**	**-0.1**	**-0.1**	**0.0**	**3.3**	**1.5**
Revenue and grants	20.6	17.1	14.5	17.9	15.4	14.5	13.0	13.4	13.9	16.8	20.4	**19.4**	**15.2**
of which: grants	0.7	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Primary (noninterest) expenditure	27.9	23.7	19.3	24.2	20.1	17.3	14.8	14.2	13.8	16.7	20.4	**22.7**	**16.7**
Automatic debt dynamics	**-1.8**	**-14.1**	**-20.1**	**-4.6**	**-5.9**	**-3.9**	**-4.3**	**-1.7**	**-1.2**	**-0.5**	**-0.8**		
Contribution from interest rate/growth differential	-8.4	-12.1	-19.2	-4.6	-5.9	-3.9	-4.3	-1.7	-1.2	-0.5	-0.8		
of which: contribution from average real interest rate	4.8	-3.5	-2.6	2.6	0.4	0.7	0.6	2.9	1.9	-0.6	-0.6		
of which: contribution from real GDP growth	-13.2	-8.5	-16.6	-7.2	-6.3	-4.6	-4.9	-4.6	-3.2	0.1	-0.1		
Contribution from real exchange rate depreciation	6.5	-2.0	-0.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**2.1**	**-0.5**	**-1.9**	**2.2**	**0.2**	**0.4**	**0.3**	**1.2**	**0.9**	**-0.1**	**-0.1**	**-1.4**	**0.5**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**21.6**	**24.9**	**24.7**	**24.1**	**22.5**	**23.1**	**22.9**	**21.0**	**14.3**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**149.1**	**139.1**	**160.6**	**166.0**	**173.8**	**173.2**	**164.1**	**125.4**	**70.3**		
Debt service-to-revenue and grants ratio 3/	**68.2**	**129.0**	**73.0**	**4.6**	**31.0**	**46.1**	**51.2**	**55.3**	**52.4**	**30.9**	**14.5**		
Gross financing need 4/	21.3	28.7	15.4	7.1	9.5	9.5	8.4	8.3	7.2	5.1	2.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	43.5	20.1	62.3	38.4	26.6	18.8	21.2	21.2	13.5	-0.4	0.8	**14.9**	**13.5**
Average nominal interest rate on external debt (in percent)	1.8	1.8	2.0	1.7	1.8	1.9	2.0	1.2	1.2	1.0	0.8	**1.7**	**1.4**
Average real interest rate on domestic debt (in percent)	36.3	-13.3	-13.6	24.3	2.8	4.1	4.1	19.6	11.9	-2.8	-4.4	**1.4**	**6.0**
Real exchange rate depreciation (in percent, + indicates depreciation)	37.4	-10.4	-8.4	...	...	...	...	...	...	...	...	**2.9**	**...**
Inflation rate (GDP deflator, in percent)	-26.3	16.6	16.9	-18.8	-1.7	-2.5	-2.2	-14.6	-8.6	5.6	8.0	**1.1**	**-3.1**
Growth of real primary spending (deflated by GDP deflator, in percent)	57.4	2.4	31.8	73.6	5.4	2.2	3.4	16.8	10.3	0.6	2.4	**14.3**	**12.8**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.3	14.6	22.0	2.4	5.7	3.6	4.0	0.4	0.4	0.6	0.8	**12.1**	**1.7**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Guyana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–2033 (In percent)

	Projections 1/										
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
	PV of debt-to GDP ratio										
Baseline	6	5	5	4	4	4	4	3	3	3	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	6	8	10	12	15	18	32	**47**	**62**	**75**	**85**
B1. Real GDP growth	6	9	13	11	11	10	9	9	8	7	6
B2. Primary balance	6	5	5	5	4	4	4	4	4	3	3
B3. Exports	6	24	**61**	**53**	**53**	**53**	**53**	**52**	**52**	**51**	**49**
B4. Other flows 3/	6	18	29	26	26	25	25	25	25	24	23
B5. Depreciation	6	7	8	6	6	6	6	5	5	5	4
B6. Combination of B1-B5	6	24	38	33	32	32	32	31	31	30	28
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	6	5	5	5	4	4	4	4	3
C2. Natural disaster	6	6	6	5	5	5	5	5	4	4	4
C3. Commodity price	6	18	27	25	27	29	32	35	38	**40**	**42**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
	PV of debt-to-exports ratio										
Baseline	7	6	6	5	5	4	3	3	3	3	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	7	10	12	15	16	18	29	44	59	76	90
B. Bound Tests											
B1. Real GDP growth	7	6	6	5	5	4	3	3	3	3	3
B2. Primary balance	7	7	7	6	5	4	4	4	3	3	3
B3. Exports	7	42	166	148	129	120	108	109	110	117	118
B4. Other flows 3/	7	22	36	32	28	26	23	23	23	25	24
B5. Depreciation	7	6	7	6	5	5	4	4	4	4	3
B6. Combination of B1-B5	7	24	25	35	30	28	25	25	25	26	26
C. Tailored Tests											
C1. Combined contingent liabilities	7	7	7	6	5	5	4	4	4	4	4
C2. Natural disaster	7	7	7	6	5	5	4	4	4	4	4
C3. Commodity price	7	30	44	39	33	32	30	34	37	43	47
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
	Debt service-to-exports ratio										
Baseline	1	1	1	1	0	0	0	0	0	0	0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	1	1	1	1	0	0	0	1	1	1	1
B. Bound Tests											
B1. Real GDP growth	1	1	1	1	0	0	0	0	0	0	0
B2. Primary balance	1	1	1	1	0	0	0	0	0	0	0
B3. Exports	1	1	3	4	3	3	2	3	3	3	5
B4. Other flows 3/	1	1	1	1	1	1	1	1	1	1	1
B5. Depreciation	1	1	1	1	0	0	0	0	0	0	0
B6. Combination of B1-B5	1	1	1	1	1	1	1	1	1	1	2
C. Tailored Tests											
C1. Combined contingent liabilities	1	1	1	1	0	0	0	0	0	0	0
C2. Natural disaster	1	1	1	1	0	0	0	0	0	0	0
C3. Commodity price	1	1	1	1	1	1	1	1	1	1	2
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
	Debt service-to-revenue ratio										
Baseline	3	3	3	3	2	2	2	2	2	2	2
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	3	3	4	4	3	3	3	4	6	7	8
B. Bound Tests											
B1. Real GDP growth	3	5	8	8	5	5	5	5	5	5	4
B2. Primary balance	3	3	3	3	2	2	2	2	2	2	2
B3. Exports	3	4	6	11	9	8	8	8	7	7	12
B4. Other flows 3/	3	3	4	6	5	5	4	4	4	4	7
B5. Depreciation	3	4	4	4	3	3	3	3	3	3	2
B6. Combination of B1-B5	3	5	8	10	7	7	7	6	6	6	10
C. Tailored Tests											
C1. Combined contingent liabilities	3	3	3	3	2	2	2	2	2	2	2
C2. Natural disaster	3	3	3	3	2	2	2	2	2	2	2
C3. Commodity price	3	4	6	9	6	6	5	5	5	5	9
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

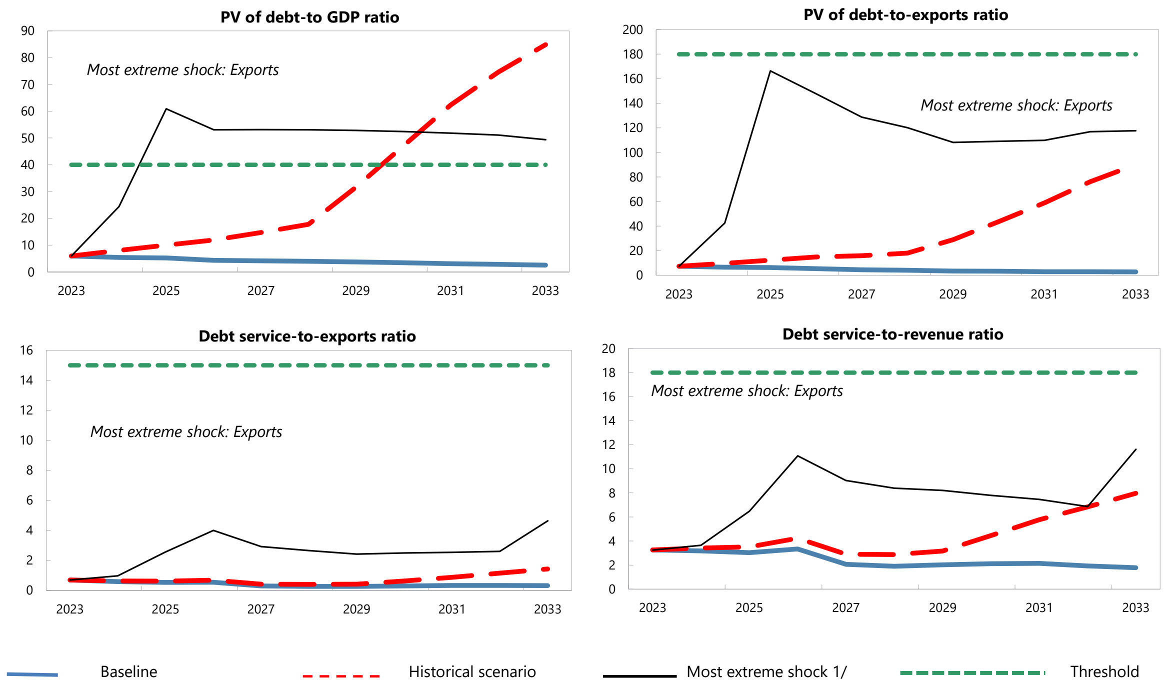
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Guyana: Sensitivity Analysis for Key Indicators of Public Debt, 2023–2033 1/

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	25	25	24	23	23	23	23	22	22	22	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	25	26	25	25	24	23	22	21	20	19	19
B. Bound Tests											
B1. Real GDP growth	25	52	**96**	**106**	**120**	**135**	**150**	**174**	**199**	**230**	**259**
B2. Primary balance	25	27	28	26	26	26	25	25	25	24	24
B3. Exports	25	41	**65**	**58**	**59**	**59**	**58**	**58**	**58**	**57**	**56**
B4. Other flows 3/	25	37	48	44	45	44	44	44	43	43	42
B5. Depreciation	25	24	23	21	21	20	20	19	18	17	16
B6. Combination of B1-B5	25	29	32	34	38	41	45	49	53	**59**	**64**
C. Tailored Tests											
C1. Combined contingent liabilities	25	31	30	28	27	27	26	26	26	26	25
C2. Natural disaster	25	35	33	30	30	30	29	29	29	29	29
C3. Commodity price	25	34	51	**72**	**93**	**111**	**127**	**150**	**175**	**207**	**235**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	139	161	166	174	173	164	157	144	136	130	125
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	139	166	173	190	177	162	150	134	125	117	112
B. Bound Tests											
B1. Real GDP growth	139	338	660	817	902	971	1,046	1,125	1,236	1,389	1,541
B2. Primary balance	139	175	194	201	196	184	175	161	153	147	143
B3. Exports	139	264	444	447	440	421	407	376	359	343	331
B4. Other flows 3/	139	244	333	338	333	318	307	283	270	258	248
B5. Depreciation	139	157	157	161	157	146	137	122	113	104	97
B6. Combination of B1-B5	139	189	221	262	286	297	310	316	332	356	381
C. Tailored Tests											
C1. Combined contingent liabilities	139	205	206	212	206	193	183	169	160	154	150
C2. Natural disaster	139	227	228	234	226	212	202	187	179	175	172
C3. Commodity price	139	296	485	810	901	932	952	973	1,088	1,246	1,402
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	5	31	46	51	55	52	46	40	36	33	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	5	33	49	56	54	46	36	28	23	19	16
B. Bound Tests											
B1. Real GDP growth	5	52	196	327	403	472	530	612	707	844	964
B2. Primary balance	5	31	57	74	74	69	61	53	49	46	44
B3. Exports	5	31	48	56	60	57	50	44	40	36	38
B4. Other flows 3/	5	31	48	54	58	55	49	42	38	35	36
B5. Depreciation	5	29	43	48	51	48	43	37	33	30	28
B6. Combination of B1-B5	5	36	61	68	94	111	122	136	154	180	204
C. Tailored Tests											
C1. Combined contingent liabilities	5	31	81	84	82	75	66	59	54	51	49
C2. Natural disaster	5	31	97	101	96	88	79	71	67	66	64
C3. Commodity price	5	43	67	146	309	408	463	517	611	747	874
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 1. Guyana: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2023–2033



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price 2/	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	36	36
Avg. grace period	8	8

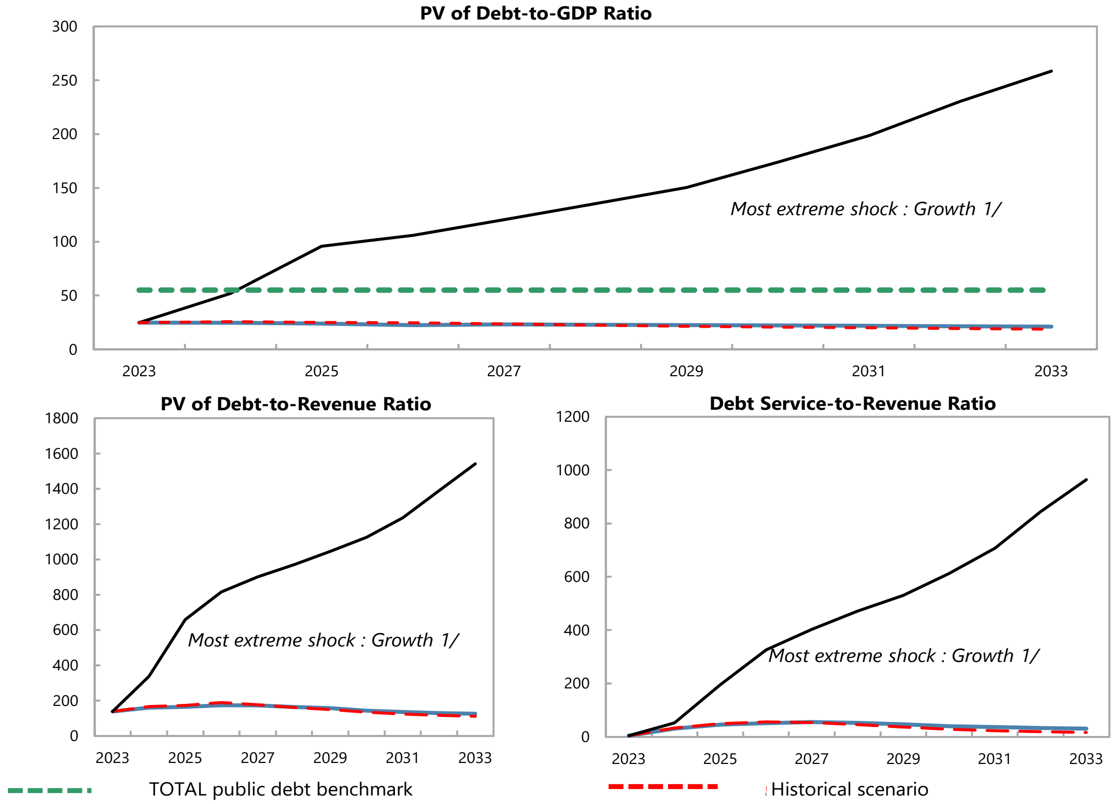
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Guyana: Indicators of Public Debt Under Alternative Scenarios, 2023–2033



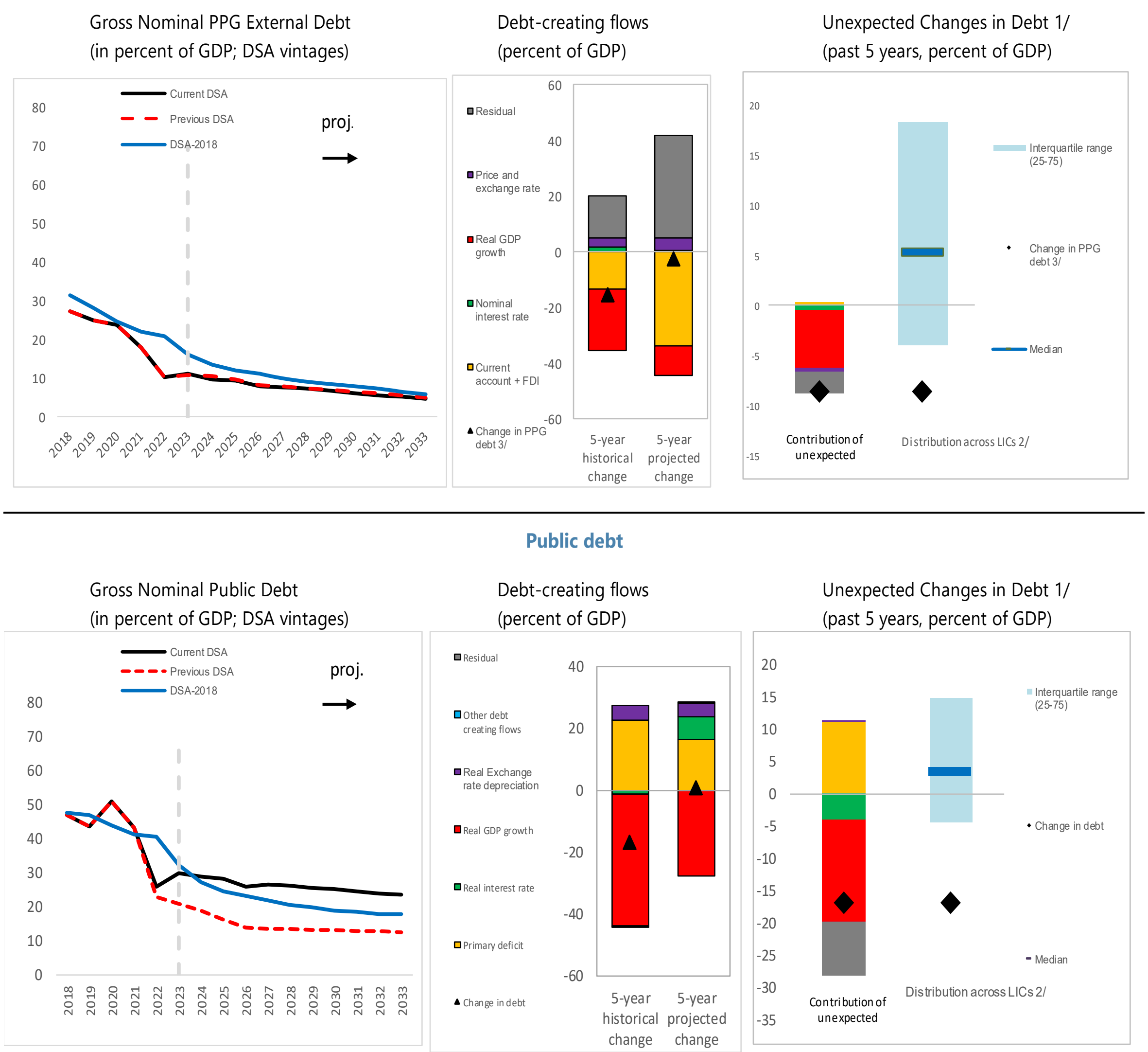
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	6%	6%
Domestic medium and long-term	13%	13%
Domestic short-term	81%	81%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
Avg. maturity (incl. grace period)	36	36
Avg. grace period	8	8
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.8%	5.8%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	5.3%	5.3%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

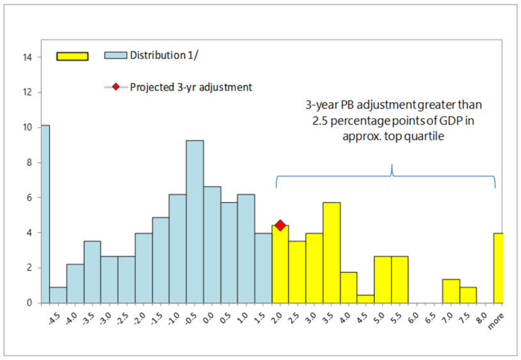
Figure 3. Guyana: Drivers of Debt Dynamics – Baseline Scenario



1/ Difference between anticipated and actual contributions on debt ratios.
2/ Distribution across LICs for which LIC DSAs were produced.
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

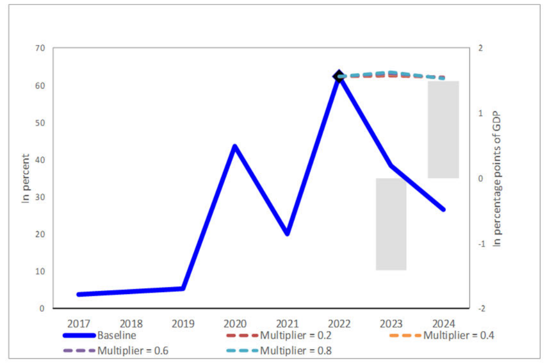
Figure 4. Guyana: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



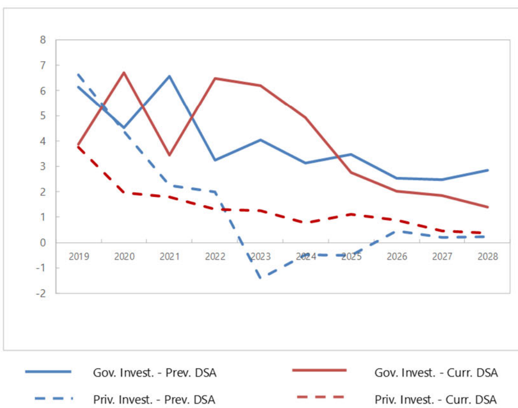
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

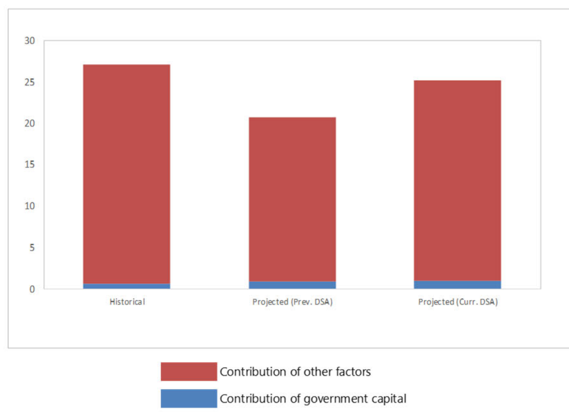
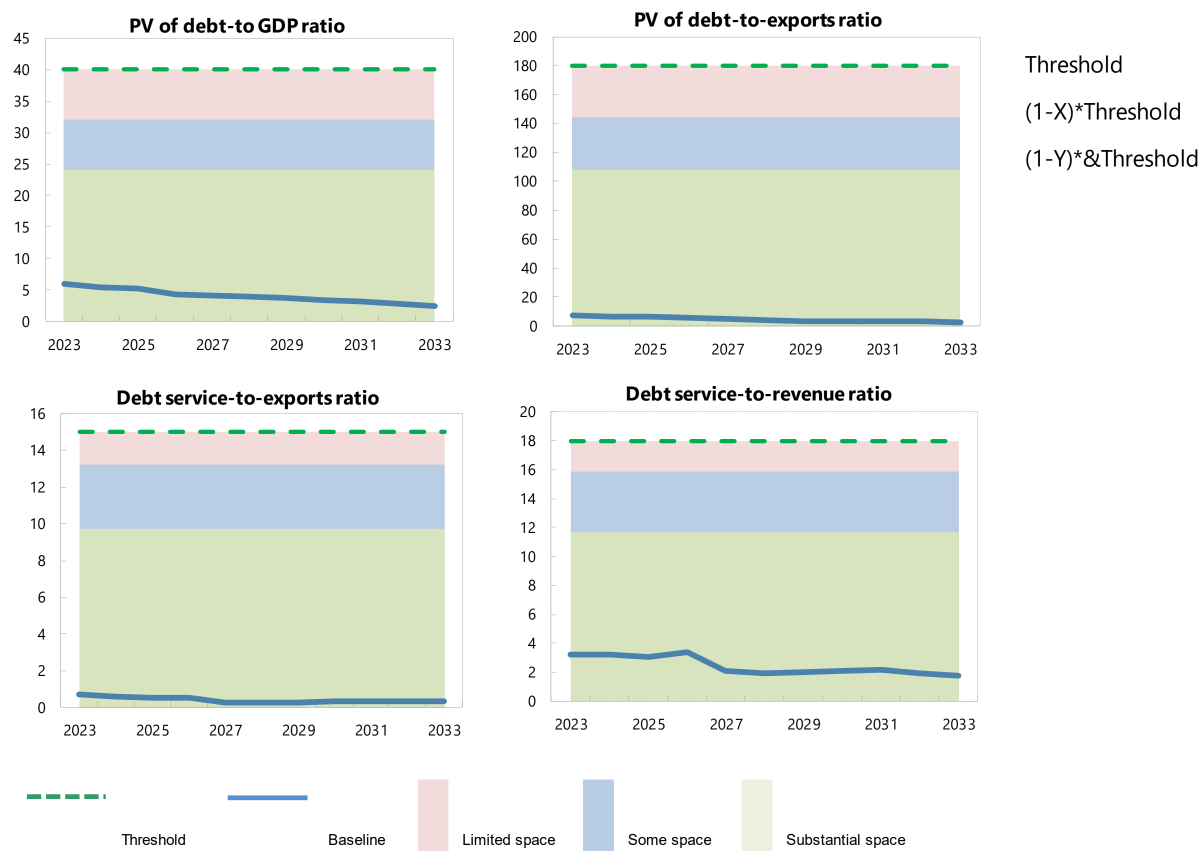


Figure 5. Guyana: Qualification of the Moderate Category, 2023–2033[1/]



Sources: Country authorities; and staff estimates and projections.
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.