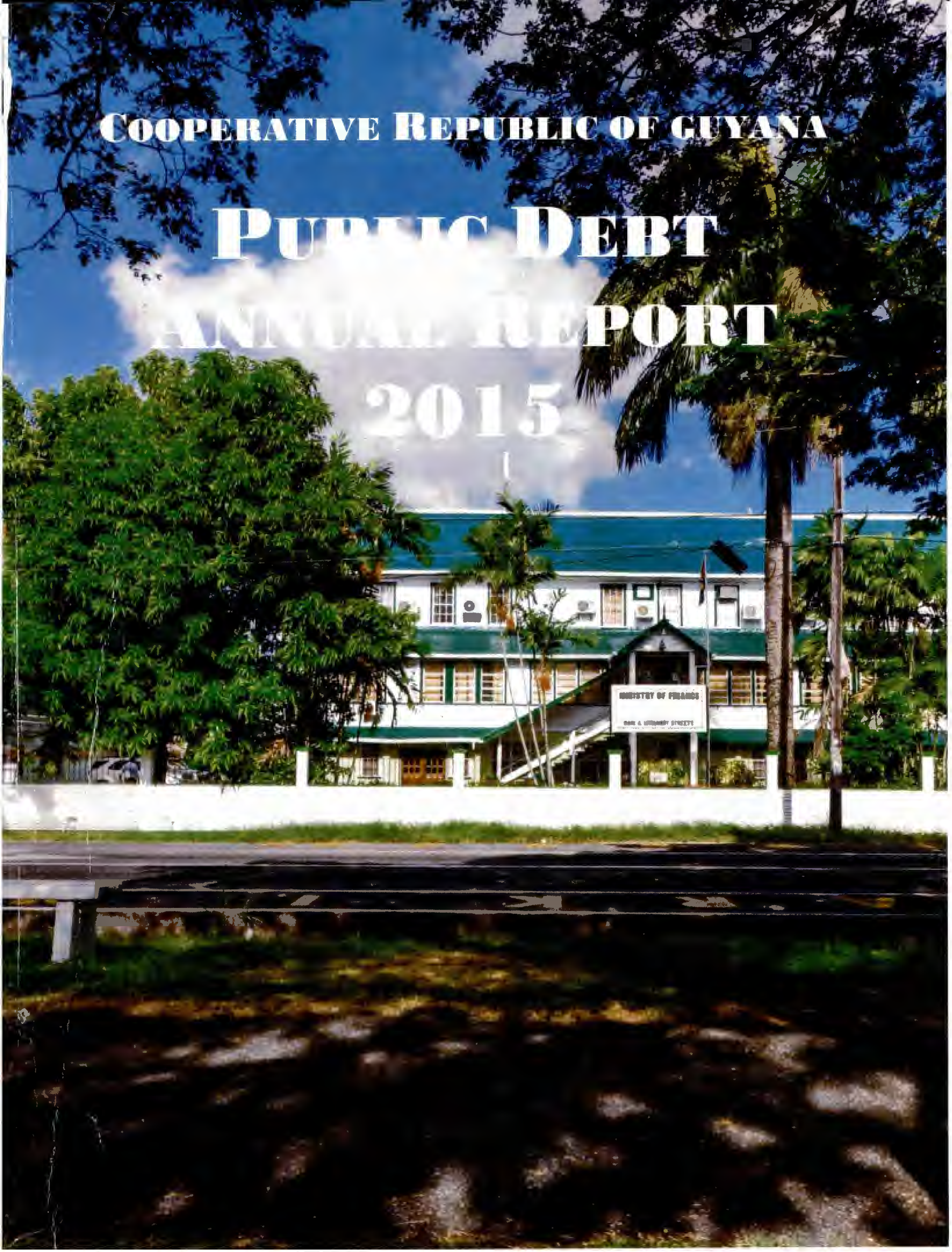
COOPERATIVE REPUBLIC OF GUYANA

PUBLIC DEBT ANNUAL REPORT 2015



COOPERATIVE REPUBLIC OF GUYANA

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Message from the Minister of Finance

It is with great pleasure that I present to this honourable House the 2015 Annual Public Debt Report, the first of its kind in Guyana. The compilation of this inaugural Annual Report on the Public Debt for Guyana once again clearly demonstrates the deserved and prominent place which debt-related issues have been given in the Government's strategic agenda for the development of Guyana. This Report presents an overview of debt developments during the last five-year period (2011 to 2015). For the fiscal year 2014/2015, Guyana's total debt as a percentage of Gross Domestic Product (GDP) has declined from 51.9 percent at end-2014 to 48.6 percent of GDP at end-2015. With this reduction, Guyana's debt profile continues to remain stable and sustainable over the medium-term.

Noteworthy, Guyana is now faced with the challenge of maintaining debt sustainability in a volatile and uncertain global economy. In 2015, Guyana's economy, perhaps for the first time in recent history, found itself in a precarious situation where most of the of the country's key agricultural commodities, including sugar, rice, and forestry, faced headwinds. The slowdown in the global economy, combined with the loss of preferential markets, negatively affected demand for these produce. Even remittances, on which so many of our people depend, were a victim of the slowdown in the world economy. It is obvious that our excessive reliance on these sources of foreign exchange will continue to expose the economy to volatile external developments, and make us more susceptible to external shocks.

Our recent Debt Sustainability Analysis indicates that Guyana will remain vulnerable to external shocks. Commodity price fluctuations have added to the volatility of our export earnings and tax revenues, and have also affected the financial performance of state-owned agricultural enterprises. Borrowing has also become more uncertain, with the recent increases in Guyana's income. This has far-reaching implications for the terms at which Guyana can access financing. As a result of our higher GDP, concessional lending will become scarcer. To access affordable financing, Guyana has sought alternative funding sources, especially from our South-South partners such as EXIM Bank of China, EXIM Bank of India, the Mexican Agency for International Cooperation and Development, and the Islamic Development Bank. At the same time, we have maintained close ties with the multilateral agencies, including the World Bank, Inter-American Development Bank (IDB) and Caribbean Development Bank (CDB), and our more traditional western bilateral donors.

Based on these developments, Guyana's debt portfolio and the risks associated with it are becoming more complex. It thus becomes a policy imperative for us to strengthen the institutional framework for public debt management including establishing a sound and modernised legal framework for debt management and implementing a comprehensive medium-term debt strategy that is not only cost but risk focused. Managing operational risk has also been assigned much higher priority in ensuring effective debt management operations.

In addition, the government must continue to invest in a consistent capacity building plan to develop the skill-set necessary in understanding public debt management, and implementing a comprehensive debt strategy. To remedy some of the challenges facing the Debt Management Division (DMD), and supporting our national development, the Government is committed to building a comprehensive plan to develop the skill-set required to understanding public debt linkages. There are at least six (6) main areas where Guyana hopes to improve its debt management capacity: institutional and legal frameworks, debt strategy formulation, self-assessment, operational risk management and debt negotiations. In this regard, a major thrust expected in 2017 is a modern consolidated Debt Management Act.

The Government keeps in mind that good public debt management builds a strong public finance infrastructure that supports our national development. Strong public finance infrastructure fosters macroeconomic stability, which is the cornerstone for the achievement and sustainability of a 'good life' for all.

As such, these developments seek to usher in a new era in public debt management that will entrench and promote prudent and sound debt management practices with the aim of enhancing efficiency and improving accountability and transparency. The compilation of this inaugural Annual Public Debt Report represents an important step to ensuring institutional transparency and accountability. It also demonstrates the administration's intention to lead through proactive action, so as to improve Guyana's performance in sovereign debt management and, by extension, the overall quality of governance.

Hon Winston D. Jordan, MP

Minister of Finance

Foreword

Effective public debt management plays a critical role in supporting the achievement of sustainable growth and economic stability. As a part of the commitment to improve transparency and accountability, the Government of the Cooperative Republic of Guyana recognises the need to disseminate information on public debt annually.

For the first time, the Government will publish its Public Debt Annual Report as a stand-alone document primarily to inform the public of the state of Guyana's public debt and actions taken, and to be taken to ensure effective public debt management. While the annual financial statements are presented to Parliament and there is information on debt contained in the Annual Budget Statement, there is no detailed reporting of debt operations in Guyana in the context of an articulated high-level debt objective and a formulated and approved debt management strategy. Information on the public debt is sparse with very limited data provided on portfolio costs and risk exposures. The publication of this Public Debt Annual Report 2015 provides the public with a comprehensive assessment of Guyana's debt and debt management operations over the past five-year period 2011-2015.

As a matter of priority, the Government intends to review and modernise its legislation with a view to enacting a Public Debt Management Act that incorporates the articulation of a high level debt management objective, the requirement to formulate a debt management strategy and the mandatory reporting to Parliament on debt management activities including the outturn of the debt management strategy.

For the review period, the Government reiterates its commitment to continue pursuing prudent debt management to ensure that the budgetary requirements are financed at minimum cost while maintaining risks at manageable levels. The Government had a relatively productive year as it relates to its debt management operations. This included the mounting of Guyana's first National Workshop on Sustainable Financing Strategy, which was held in Georgetown, Guyana in December 2015. The primary objective of this Technical Assistance was to undertake Debt Sustainability Analysis (DSA) and Medium-Term Debt Management Strategy (MTDS) exercises in collaboration with the Latin American Centre for Monetary Studies (CEMLA), which is financed by Swiss State Secretariat (SECO). Emanating from this workshop were: the building and strengthening of staff's capacities in the following two methodological tools: Low-Income Countries Debt Sustainability Framework (LIC-DSF) and Medium-Term Debt Management Strategy (MTDS); and the establishment of a permanent national core team comprising officials from the Bank of Guyana, Bureau of Statistics and Ministry of Finance. This technical team is mandated to use the analytical tools acquired with a view to ensuring that government funding needs are addressed and remain consistent with long-term fiscal and economic goals.

The Government values your input, and welcomes your comments on the document at the Ministry of Finance Website: www.finance.gov.gy

Hector C. Butts, Ph.D.
Finance Secretary
October 14, 2016

Acknowledgements

This is to acknowledge and thank the staff of the Debt Management Division, Office of the Budget, comprising Ms. Shaundell Taylor-Brotherson, Ms. Eleeni Komal-Persaud, Ms. Hsing Wong, Mr. Richard Rambarran, Ms. Drecina Fraser and Ms. Dawn Browman, for their great team effort and role in the preparation of this first Public Debt Annual Report, which demonstrates the Government's commitment to transparency and accountability. The team worked diligently, often beyond the call of the normal working hours, to ensure that the document portrayed an accurate picture of Guyana's public debt operations for the period under review.

I recognise and thank especially Ms. Michele Robinson, Debt Management Consultant, Ms. Sonya Roopnauth, Director of the Office of the Budget and Ms. Elizabeth Schultz, Economic and Financial Analyst, Economic Policy Analysis Unit, Office of the Budget, who with their comments, provided substantial and invaluable inputs to the development of this Public Debt Annual Report.

Ms Donna Yearwood
Head, Debt Management Division
Office of the Budget
Ministry of Finance

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Abbreviations and Acronyms

AG	Attorney General
AOG	Audit Office of Guyana
BO	Back-Office
BOG	Bank of Guyana
BOP	Balance of Payments
BOS	Bureau of Statistics
CDB	Caribbean Development Bank
CEMLA	Centre for Latin American Monetary Studies
CMCF	CARICOM Multilateral Clearing Facility
COMSEC	Commonwealth Secretariat
CPIA	Country Policy and Institutional Assessment (World Bank)
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
CSP	Country Strategic Plan
DAM	Demand Assessment Mission
DEMPA	World Bank's Debt Management Performance Assessment
DMD	Debt Management Division, Ministry of Finance
DRI	Debt Relief International
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DSTWG	Debt Strategy Technical Working Group
EIB	European Investment Bank
EU	European Union
FMD	Fiscal and Monetary Division, Ministry of Finance
FO	Front-Office
GDP	Gross Domestic Product
GEA	Guyana Energy Authority
GPL	Guyana Power and Light Incorporated
GRDB	Guyana Rice Development Board
GUYSUCO	Guyana Sugar Corporation Incorporated
HCBP	HIPC Capacity Building Programme
HIPC	Heavily Indebted Poor Countries
IDB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association (World Bank)
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LIC	Low-Income Country
MO	Middle-Office
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOLA	Ministry of Legal Affairs
MTDS	Medium-Term Debt Strategy
NPV	Net Present Value
PCMD	Project Cycle Management Division, Ministry of Finance
PDVSA	Petróleos de Venezuela South America
PSIP	Public Sector Investment Programme
SDR	Special Drawing Rights
T-bills	Treasury Bills
WBDRS	World Bank Debt Reporting System
XGS	Exports of Goods and Services

1 Introduction

During 2015, the Cooperative Republic of Guyana continued to maintain a sustainable level of public debt. This was achieved through the Government's ongoing effort to efficiently provide for its financing needs by minimising borrowing costs while keeping exposures to interest rate and refinancing risk at acceptable levels. The Government remained committed to containing and controlling public expenditure thereby avoiding a rapid build-up of public debt. The Government intends to continue with its strategy of primarily contracting external loans on highly concessional terms.

Up to end December 2015, Guyana remained classified as a lower middle-income country by the World Bank, after macroeconomic developments in the past few years raised its GDP per capita above the benchmark threshold, approximately a decade previously. Consequently, Guyana faced new challenges as a middle-income classified country, most prominent of which has been a reduction in the availability of concessional funding. These "softer terms" are generally confined to low-income countries – an income-classification for which Guyana no longer qualifies. Only countries with per capita income of US$1,045 or less are classified by the World Bank as low-income countries. In order to mitigate the reduced access to concessional financing, Guyana began to diversify its sources of financing, not only through new donor partners, but also through creative financing mechanisms such as blending hard or non-concessional resources with grant resources to increase loan concessionality.

The Government continued to borrow prudently in 2015 despite the challenges of low commodity prices, sluggish growth in the global economy and the slowdown in the domestic economy after the May 2015 General Elections. This resulted in a downward trend in both external and domestic public debt. This downward trend in the total public debt has become entrenched over the years, mainly as a result of the Government's committed effort to successfully negotiate debt relief with creditors such as Russia, Bulgaria and the CARICOM Multilateral Clearing Facility (CMCF). The Government also pursued other methods of repaying its debt, such as embarking on trading white rice and paddy to Venezuela to compensate partially for the oil debt outstanding to the country. On the domestic debt side there was no new issuance of bonds or debentures, while the issuance of Treasury Bills has contracted over the five-year period to end-2015.

This report on the public debt reviews developments in 2015. It also provides an extended analysis of Guyana's public debt for the five-year period, 2011 to 2015. The report provides an overview of developments affecting the overall debt portfolio in the context of the 2015 economic environment. Subsequent sections provide an analysis of developments relating to key segments of the debt portfolio. The external debt portfolio review focuses on the composition of debt by creditor, currency and interest rate and maturity structure while the domestic debt portfolio review focuses on trends affecting the composition of the debt by instrument type, institutional sector, interest rate and maturity structure. The risk analysis section assesses the risks associated with the external and domestic debt portfolios. The remaining sections provide an overview of the status and a brief analysis of contingent liability and on-lending loans, Guyana's debt sustainability, and, finally, the institutional framework for debt management in Guyana.

2 The Economic Environment

Guyana's economy in 2015 performed well, despite challenging domestic and international conditions, which included a weak global economy, a decline in world commodity prices, low international prices for Guyana's key exports and uncertainty and disruption in government spending related to the elections. The real economy grew by 3 percent, only slightly below the expected long-run growth rate.

2.1 The Global Economy

In 2015, the global economy remained rather weak, as there was an overall decline in commodity prices and slowdown in growth. Data from the International Monetary Fund (IMF), World Economic Outlook (January 2016) indicated that global growth rate declined by 0.2 percent to 3.1 percent in 2015, compared to 3.4 percent in 2014.

The United States (US) economy showed improved economic performance with a growth rate of 2.0 percent in the third quarter of 2015, supported by stronger domestic demand and robust investment in non-oil sectors. This prompted the US Federal Reserve to raise the Federal Funds Rate in December 2015. In Japan, economic recovery remained fragile, despite substantial policy stimulus.

The Euro-area economies witnessed a modest recovery, driven by domestic demand and investments, supported by low oil prices and favourable financing conditions. The contagion effect from the Greece debt crisis did not adversely affect the region, as the European Central Bank's asset purchase programmes helped to ease financial conditions and mitigate possible fall-out.

In the emerging markets and developing economies, economic growth decelerated to 4.0 percent in 2015, from 4.6 percent in 2014. China's economy witnessed a slowdown to 6.9 percent in 2015, from 7.3 percent in 2014, in spite of the reduction of interest rates and cash reserve requirements, as well as, devaluation of its currency to boost exports. Russia's economy went into recession amid imposed Western sanctions and a sustained decline in oil prices. India's economy strengthened in 2015, sustained by monetary easing and liberalisation of Foreign Direct Investments (FDIs).

According to the January 2016 Global Economic Prospects (World Bank Group) in 2015, economic activity in the Latin America and Caribbean (LAC) region contracted, mainly due to the on-going economic turmoil in Brazil and Venezuela. Brazil's economic slowdown has been fuelled by political turmoil, a credit ratings downgrade and a bleak fiscal position characterised by rising inflation and unemployment, while Venezuela's economy continues to deteriorate due to high inflation and declining oil export earnings. On the other hand, the Caribbean region experienced moderate growth underpinned by lower oil prices and strong tourism demand, which led to a 5.0 percent increase in the export of goods and services in 2015.

2.2 The Domestic Economy

In 2015, Guyana continued to achieve positive growth, despite challenging domestic and international conditions, which included low international prices for Guyana's key exports, slow global growth and uncertainty as well as disruption in government spending related to the elections. The real economy grew by 3.0 percent, only slightly below the expected long-run growth rate. Production increased in key sectors, including rice, sugar and mining. Sugar production increased by 6.9 percent, reaching its highest level since 2007. Rice production increased by 8.3 percent, despite uncertainty about export markets following the end of the Petrocaribe deal with Venezuela. Gold production grew by 16.4 percent, as new mining investments by Guyana Goldfields and Troy Resources Inc. came on board. Manufacturing grew by 5.3 percent, buoyed by sugar and rice processing, which mirrored the good performance of the sugar and rice industries. Growth in the services sector was slow, at 2.3 percent. The performance of the construction industry was especially weak, as the elections delayed a number of government capital projects.

Government's expenditures in 2015 were lower than budgeted, reflecting delays in government projects as a result of the elections and a change in government administration. Total expenditures were $178.3 billion, compared with a budget of $192.2 billion. Total revenues were $162.7 billion, roughly in line with the 2015 budget projection, as a result of increased tax revenues for personal and company income taxes and excise tax.

Guyana's balance of payments deficit narrowed in 2015, reflecting a large decrease in the trade deficit. Exports remained fairly constant, as increases in export quantities made up for lower export prices. Gold exports in particular performed creditably, with export values increasing by 6.7 percent, despite an 8.2 percent decline in the average price received. Imports fell by 16.8 percent in 2015. While imports fell across many categories, the decrease in imports of fuel and lubricants was particularly notable. Due largely to lower global oil prices, fuel and lubricant imports fell by 35.9 percent in 2015.

Guyana's exchange rate remained constant vis-à-vis the United States dollar in 2015. The Bank of Guyana's official transaction rate has remained stable at $206.5 since March 2014. Domestic interest rates were largely unchanged in 2015. The spread between the 91-day Treasury bills and the 364 day Treasury bills narrowed slightly, as the interest rate on the 91-day Treasury bills rose while the interest rate on the 364-day Treasury bills remained roughly unchanged. The interest rate on the 91 day Treasury bills increased from 1.67 percent in December 2014 to 1.92 percent in December 2015, an increase of 25 basis points. The weighted average Commercial Bank Lending Rate declined slightly in 2015 from 10.86 percent in December 2014 to 10.63 percent in 2015, a decrease of 23 basis points. This is in line with the gradual downward trend in commercial bank interest rates over the past few years. The Commercial Bank Small Savings Rate was unchanged in 2015 at 1.26 percent.

3 Total Public Debt

As at December 2015, Guyana's total public debt (external and domestic) amounted to $317.7 billion, reflecting a decrease of 3.6 percent compared to its 2014 level. This decrease was largely due to repayments of the oil debt under the Guyana-Venezuela Rice Trade Arrangement.

During the five (5) year review period 2011 to 2015, total public debt fluctuated peaking at its highest level in 2012 at $371.3 billion before gradually declining to its lowest level in 2015. The peak during 2012 was mainly due to an increase in disbursements from Guyana's external creditors.

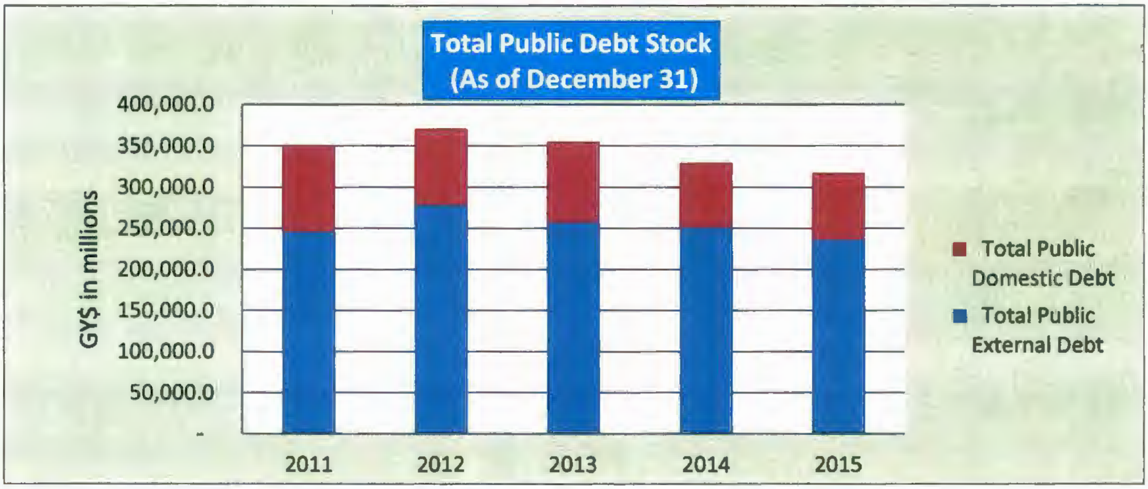
Table 1: Total Public Debt Stock in millions of Guyana dollars

Total Public Debt Stock in millions of Guyana dollars (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public Debt Stock	**350,575.1**	**371,295.5**	**355,809.5**	**329,619.8**	**317,724.3**
Total Public External Debt	245,637.9	277,833.7	256,994.1	251,182.1	236,031.0
Total Public Domestic Debt	104,937.2	93,461.9	98,815.4	78,437.7	81,693.3
In Percent of Total Public Debt					
External	70.1	74.8	72.2	76.2	74.3
Domestic	29.9	25.2	27.8	23.8	25.7

Source: Debt Management Division, Ministry of Finance

As at December 2015, total external debt amounted to $236 billion or 74.3 percent of total public debt, while domestic debt stood at $81.7 billion. The share of total public external debt averaged over 73 percent over the five (5) year period under review. Over the same period, there was lower activity in the domestic market and an unsteady decline in total domestic debt up until 2014. However, in 2015, domestic debt increased by 4.2 percent to $81,693.3 million as a result of an increase in issuance of Treasury bills (T-bills).

Figure 1: Total Public Debt Stock



Source: Debt Management Division, Ministry of Finance

The share of external debt to total public debt increased from 70.1 percent at end-2011 to 74.3 percent at end-2015, while the share of domestic debt to total debt decreased from 29.9 percent to 25.7 percent of total debt over the same period. The increasing share of external debt in the total debt portfolio reflects the continued preference of Guyana to borrow externally, given relatively lower interest rates and longer maturities on loans that are predominantly concessional. It represents the majority share of the total debt throughout the review period. The share of domestic debt to total debt as well as the nominal value of domestic debt, decreased over the review period, reflecting less need to conduct open-market operations to absorb the excess liquidity in the financial system.

Figure 2: Composition of Total Public Debt Stock 2011

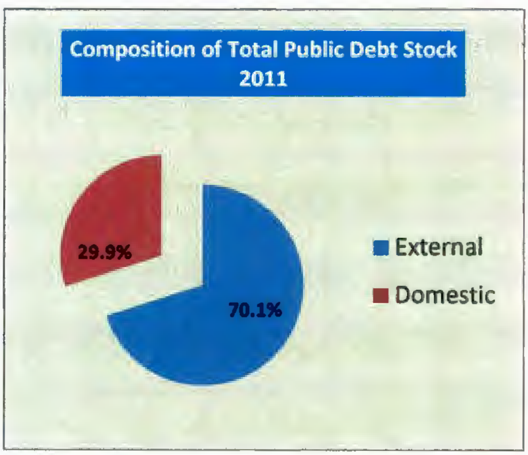
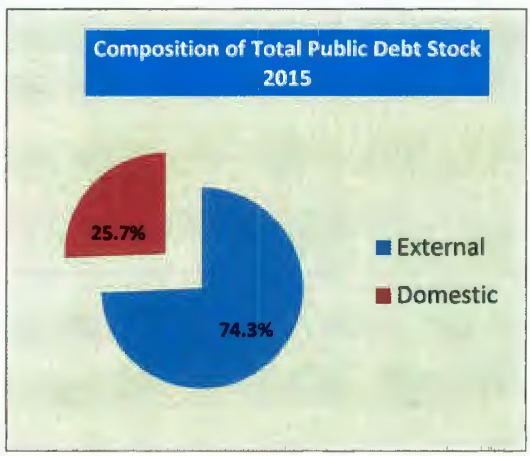


Figure 3: Composition of Total Public Debt Stock 2015



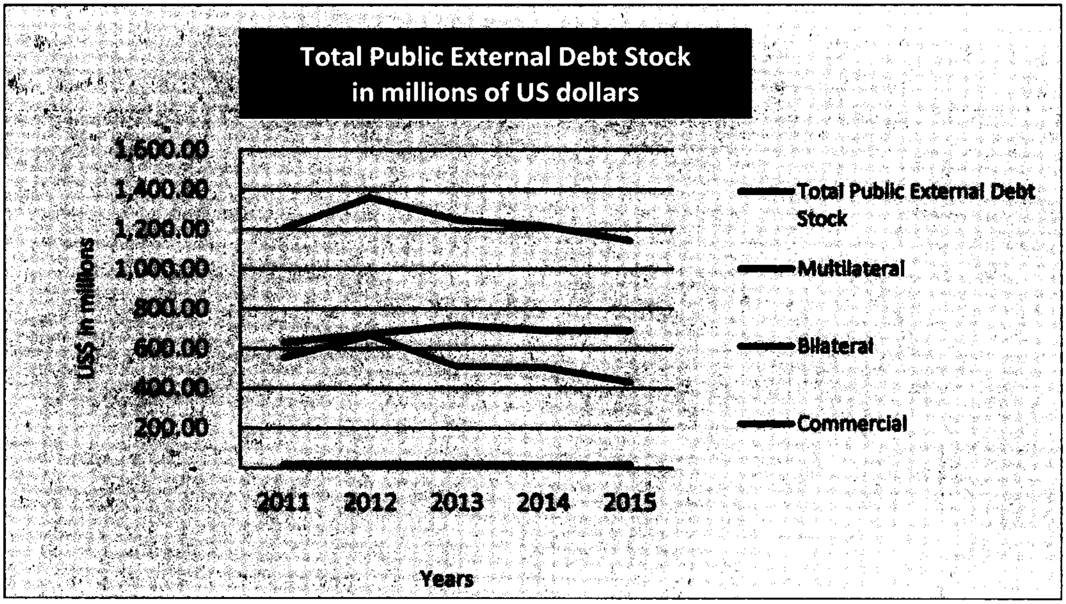
Source: Debt Management Division, Ministry of Finance

4 Public External Debt

As at end-2015, Guyana's public external debt stood at US$1,143.1 million, a decline of 6.0 percent from its end-2014 level. As a percentage of GDP, the public external debt stock was 36.1 percent at the end of 2015, compared to 39.5 percent at the end 2014. This decrease was largely due to repayments of the oil debt to Venezuela in the form of rice and paddy shipments to Venezuela. Guyana concluded two Debt Compensation Agreements with Venezuela (PDVSA) in 2015, for a total of US$88.7 million. One debt compensation agreement for US$43.8 million is yet to be signed.

Guyana's public external debt has been on a downward trend over the review period. However, in 2012 Guyana's public external debt stock peaked, totalling US$1,358.6 million, as a direct result of disbursements from Venezuela totalling US$178.8 million under Guyana's Petrocaribe arrangement. During the review period, Guyana received a total of US$534.9 million in disbursements from Venezuela.

Figure 4: Total Public External Debt Stock



Source: Debt Management Division, Ministry of Finance

However, since 2013, the public external debt stock has trended downwards. Repayments of the oil debt to Venezuela in the form of rice and paddy shipments largely explain the decline. Over the period 2013 to 2015, Guyana repaid Venezuela a total US$494.3 million in the form of rice and paddy shipments. In addition, Guyana concluded debt cancellation agreements with the Government of the Russian Federation in 2013 and with the CARICOM Multilateral Clearing Facility (CMCF) in 2014, resulting in the cancellation of US$36.1 million. Further, in October 2013 Guyana signed a bilateral debt relief agreement to cancel US$2.9 million of the debt owed to Bulgaria as at December 31, 2012. The balance of US$0.3 million was rescheduled over three (3) years.

Box 1: Petrocaribe Financing

The Petrocaribe Agreement was signed between the Governments of the Cooperative Republic of Guyana and the Bolivarian Republic of Venezuela on September 6, 2005 in Montego Bay, Jamaica. This agreement is an extension of the Caracas Energy Co-operation Agreement signed between the Government of Bolivarian Republic of Venezuela and the Government of the Cooperative Republic of Guyana on December 12, 2001. Further, a Sales Contract was signed annually commencing January 23, 2007 between the Guyana Energy Authority (GEA) and Petróleos de Venezuela S.A. (PDVSA).

The creation of the Petrocaribe Agreement was aimed at facilitating the development of energy polices and plans for the integration of the nations of the Caribbean through the sovereign use of natural energy resources to directly benefit their citizens.

The Petrocaribe Agreement stipulated that the Government of the Bolivarian Republic of Venezuela, through PDVSA, shall directly supply crude oil, refined products and L.P.G or its energy equivalent to the Government of the Cooperative Republic of Guyana. An amount of five thousand two hundred barrels per day (5200 bbl/day) will be supplied on an annual basis. According to the agreement, the Government of the Bolivarian Republic of Venezuela, in line with supply quotas established, made financing available to the Government of the Cooperative Republic of Guyana.

Venezuela (PDVSA) provided a long-term credit arrangement for a certain percentage of the value of the order, according to the world market price of oil prevailing at the time. The financing shall only cover the value of the product, freight costs shall be paid in cash upon unloading of the cargo.

The repayment terms of the oil debt owed to Venezuela (PDVSA) under the financed portion of fuel shipments varied depending on whether the price of the fuel products was above or below US$40 per barrel. Table 1 below summarises the applicable repayment terms. In addition, the Petrocaribe Agreement made provision for the interest and principal payments to be made through commercial compensation as requested by Venezuela.

Table 1: Financing Terms Offered under the Petrocaribe Initiative

Financing Terms	Price/Barrel below US$40	Price/Barrel above US$40
Interest Rate per annum	2%	1%
Grace Period	2 years	2 years
Repayment Period	15 years	23 years
Maturity Period	17 years	25 years

Guyana lifted its first shipment of fuel products under the Petrocaribe Agreement on May 8, 2007 and the purchase of fuel products from Venezuela (PDVSA) continued until July 4th 2015 when the last shipment of fuel was lifted from Venezuela. Over the period, May 2007 to July 2015, Guyana received a total of US$719,927,662.12 in disbursements from Venezuela under the Petrocaribe Arrangement.

Under the Debt Compensation Mechanism, the value of Guyana's white rice and paddy exported to Venezuela under the Guyana-Venezuela Rice Trade Agreement (GVRTA) was offset against the value of the oil debt incurred under Petrocaribe. To-date, Guyana has signed six (6) Debt Compensation Agreements totalling US$551,336,012.51 for the total value of rice and paddy shipped under the GVRTA, with the last Debt Compensation Agreement in the value of US$43,765,716.00 yet to be concluded.

4.1 Creditor Composition

Table 2: Total Public External Debt Stock by Creditor Category and Creditor in millions of US dollars

Total Public External Debt Stock by Creditor Category and Creditor In millions of US dollars (As of December 31)	2011	2012	2013	2014	2015
Total Public External Debt Stock (1+2)	**1,205.6**	**1,358.6**	**1,246.0**	**1,216.4**	**1,143.1**
1. Official (1.1+1.2)	**1,185.6**	**1,339.0**	**1,226.8**	**1,197.4**	**1,125.1**
1.1 Multilateral	631.1	673.6	716.6	691.8	692.2
CDB	134.2	139.8	139.8	143.1	143.6
IDA	10.0	11.0	12.9	14.2	20.4
IMF	48.4	37.0	25.7	13.4	3.8
IADB	365.9	415.3	469.1	486.3	489.3
IFAD	9.3	9.3	9.9	9.3	9.0
Other	63.3	61.2	59.3	25.5	26.0
1.2 Bilateral	554.5	665.4	510.2	505.5	432.9
Paris Club	48.6	45.0	40.7	35.3	29.2
T&T	43.3	39.7	35.6	30.8	25.3
Italy	4.1	4.1	4.3	3.8	3.2
USA	0.9	0.8	0.8	0.7	0.7
Russian Federation	0.3	0.3	0.0	0.0	0.0
Non-Paris Club	506.0	620.4	469.5	470.2	403.7
India	18.8	21.8	22.3	21.8	20.0
Venezuela	286.6	364.2	198.3	184.0	120.9
China	66.4	97.0	111.4	126.4	124.2
Kuwait	68.4	70.1	72.3	72.1	72.0
Libya	41.2	42.1	42.4	42.7	42.9
Other	24.5	25.2	22.8	23.3	23.7
2. Commercial	**19.9**	**19.6**	**19.2**	**19.0**	**18.0**
Banking Sector	6.5	6.2	5.7	5.5	5.4
Suppliers Credit	13.4	13.4	13.4	13.5	12.6
Other	0.0	0.0	0.0	0.0	0.0

Source: Debt Monogement Division, Ministry of Finance

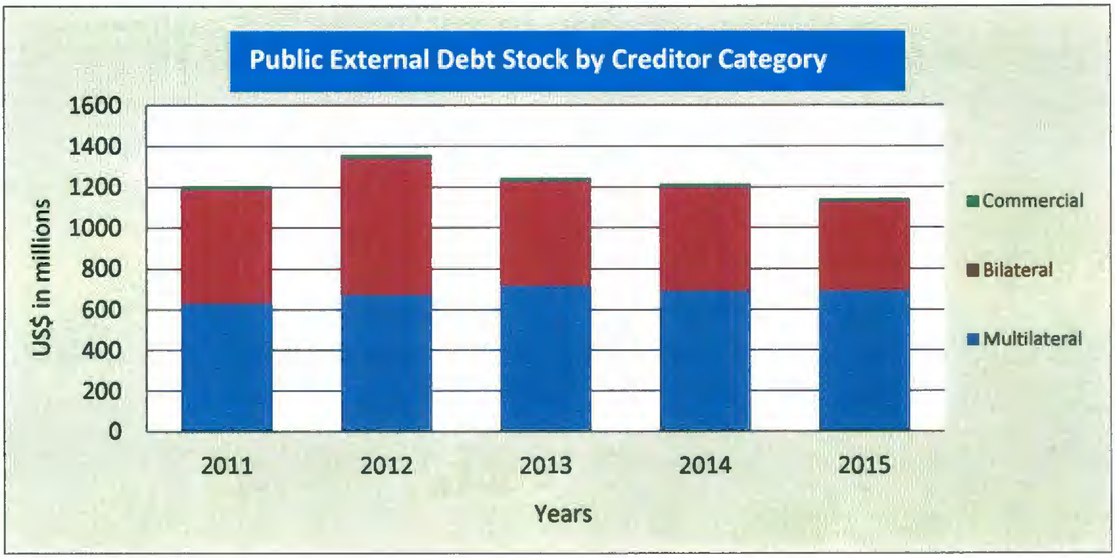
Notes:

1. Includes: OPEC Fund, EIB, EEC, CDF, CMCF
2. Includes: USA, Italy, Argentina, Bulgaria, Kuwait, Libya, UAE and Serbia
3. Includes: Bonds

The composition of external debt by creditor category changed slightly as at end-2015 compared to end-2014. The main change was the decrease in debt held by bilateral creditors from 41.6 percent at end-2014 to 37.9 percent at end-2015. This decrease in the share of bilateral debt was mainly due to US$43.8 million in repayments to Venezuela in the form of rice and paddy shipments during 2015. Notably, there was no significant change in the share of debt held by the multilateral and commercial creditors.

As shown in the Figure 5 below, the debt to multilateral and commercial creditors remained fairly stable during the review period. However, the debt to bilateral creditors fluctuated during the review period, reflecting mainly the disbursements and repayments made to Venezuela, one of Guyana's largest creditors.

Figure 5: Public External Debt Stock by Creditor Category



Source: Debt Management Division, Ministry of Finance

4.1.1 External Debt by Major Creditor

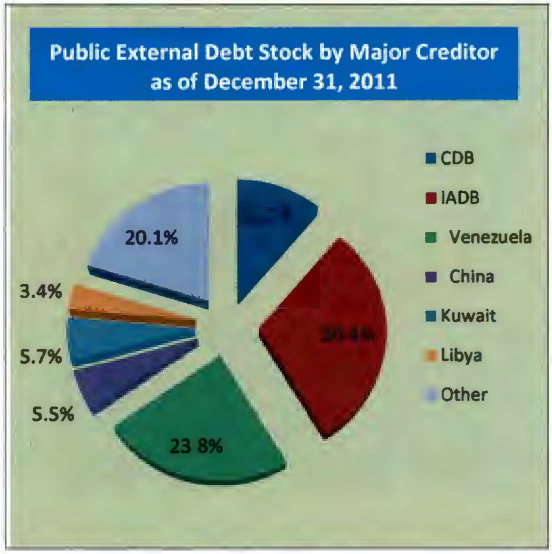
At the end-2015, a total of four creditors accounted for 76.8 percent of Guyana's public external debt stock. These were the Inter-American Development Bank (IDB), the Caribbean Development Bank (CDB), the Export-Import Bank of China and the Government of Venezuela. The IDB continued to be the dominant creditor with an average share of 36 percent of the debt over the review period. At the end of 2015, debt outstanding to IDB totalled US$489.3 million, being 42.8 percent of Guyana's total public external debt, while the CDB, Guyana's second largest creditor, accounted for 12.6 percent of total public external debt.

Guyana continued to source the majority of its project financing from the multilateral creditors consistent with agreed country strategies. The two major creditors, the IDB and the CDB, accounted for 55.4 percent of external debt, reflecting the reliance on financing from the multilateral creditors.

At end-2015, the Export-Import Bank of China and the Government of Venezuela accounted for 10.9 percent and 10.6 percent, respectively, of the public external debt. There was a marked reduction in financing from Venezuela, due to the halting of the Petrocaribe. During this period, China became a major creditor to the Cooperative Republic of Guyana.

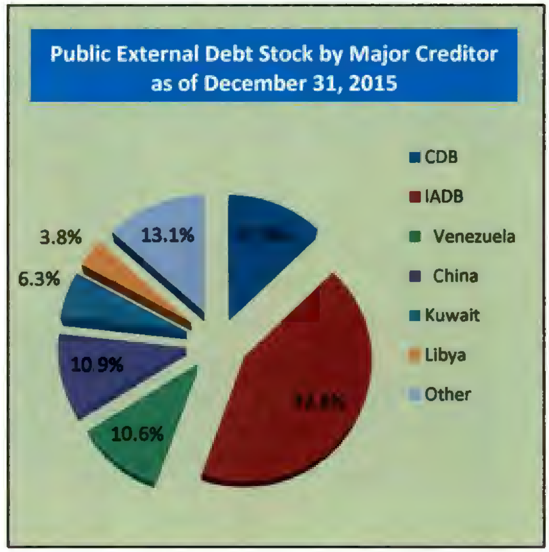
Kuwait and Libya are two of the largest Non-Paris Club bilateral creditors. However, neither creditor participated in the Heavily Indebted Poor Countries (HIPC) Initiative. As a result, the debts to these creditors are in arrears. Together, they account for 10.1 percent of the public external debt stock.

Figure 6: Public External Debt Stock by Major Creditor as at December 31, 2011



Source: Debt Management Division, Ministry of Finance

Figure 7: Public External Debt Stock by Major Creditor as at December 31, 2015



There has been a marked change in the composition of major creditors over the past five years with less reliance on bilateral creditors, in favour of multilateral creditors. This shift was due primarily to the loss of Venezuela as a major bilateral creditor. In 2011, Guyana's four major creditors were the IDB, the Government of Venezuela, the CDB and Kuwait. These creditors accounted for 30.4 percent, 23.8 percent, 11.1 percent and 5.5 percent, respectively, of public external debt or a total share of 70.8 percent. At that time, Venezuela was Guyana's second largest creditor, due to the financing received under the Petrocaribe Arrangement. Notably, at that time, too, the Export-Import Bank of China (China Eximbank) was an emerging creditor and accounted for 5.5 percent of the public external debt.

4.2 Borrower Category

Guyana's external debt outstanding by borrower category has not changed significantly during the review period. The Central Government continued to be the main recipient of external financing. Its share has increased incrementally, rising from 92 percent in 2011 to 97.6 percent in 2014 to 98.3 percent in 2015. As the share of central government rose gradually, the share of public external debt held by the Central Bank decreased correspondingly during the period under review. Repayments of the International Monetary Fund (IMF) debt and the cancellation of the debt to the CMCF in 2014 were the main factors behind the decline. The loan to the parastatal, Guyana Power and Light Inc., accounted for 1 percent of the public external debt in 2011 and was repaid in 2014.

Table 3: Total External Debt Stock by Borrower Category in millions of US dollars

Total External Debt Stock by Borrower Category in millions of US dollars (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public External Debt Stock	**1,205.6**	**1,358.6**	**1,246.0**	**1,216.4**	**1,143.1**
Central Government	1,109.0	1,273.8	1,173.1	1,186.9	1,123.2
Central Bank	95.6	84.2	72.9	29.5	19.9
Parastatal	1.0	0.5	0.1	0.0	0.0

Source: Debt Management Division, Ministry of Finance

4.3 Currency Composition

Table 4: Currency Composition of Total Public External Debt in percentage

Currency Composition of Total Public External Debt in percentage (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
US dollars	**77.8**	**78.8**	**76.4**	**76.2**	**75.9**
Euro	**3.3**	**2.8**	**3.0**	**2.6**	**2.3**
China Yuan	**5.5**	**7.1**	**8.9**	**10.4**	**10.9**
SDR	**5.6**	**4.2**	**3.9**	**3.0**	**2.9**
Kuwaiti Dinar	**5.7**	**5.2**	**5.8**	**5.9**	**6.3**
Other	**2.1**	**1.9**	**2.0**	**1.8**	**1.8**

Source: Debt Management Division, Ministry of Finance

The currency composition of the external debt portfolio over the review period was not linked to the implementation of a formal debt management strategy but rather the availability of funding and the currencies in which they are denominated. Over the review period, the United States dollar remained the main loan currency for external borrowing. This currency maintained an average share of 77 percent of the public external debt. At the end of 2015, the United States dollar fell marginally below the annual average, accounting for 75.9 percent of the public external debt.

Figure 8: Public External Debt by Currency Composition in 2011

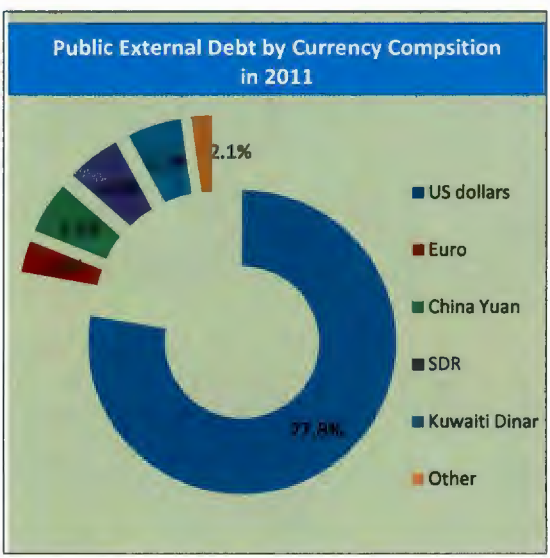
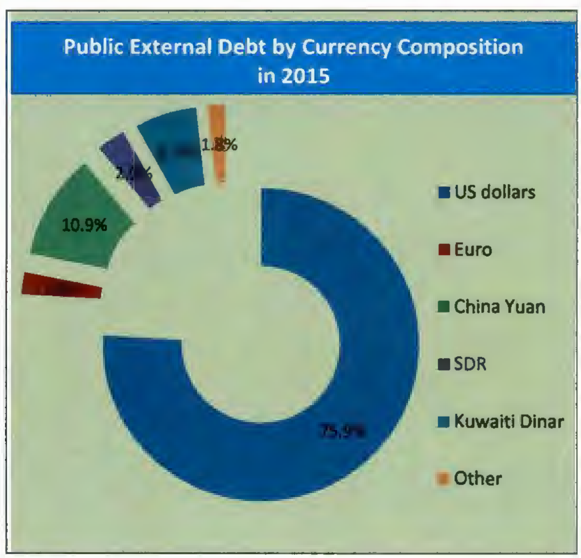


Figure 9: Public External Debt by Currency Composition in 2015



Source: Debt Management Division, Ministry of Finance

Over the period 2011-2015, the Chinese Renminbi (Yuan) emerged as the second largest currency in the currency basket of public external debt, accounting for an increased share of public external debt from 5.5 percent at the end of 2011 to 10.9 percent at the end of 2015. This reflects increased borrowing from China Eximbank to finance developmental projects and underscores the expanding role of non-traditional creditors.

Debts denominated in Special Drawing Rights (SDRs) and Euros represented a decreasing share of public external debt over the review period. SDRs decreased from 5.6 percent at the end-2011 to 2.9 percent at the end-2015. This decrease is as a result of repayments to the IMF and the International Fund for Agricultural Development (IFAD). Euro denominated debt also declined from a share of 3.3 percent at the end-2011 to 2.3 percent at the end-2015. This decrease was due to the repayments of debt to creditors from the Eurozone, mainly the European Investment Bank (EIB), the European Union (EU) and Italy.

Although the debt denominated in Kuwaiti Dinars grew throughout the review period, it was mainly as a result of an accumulation of arrears at a high market-based interest rate. Guyana's debt to Kuwait arose from a Deposit Agreement between the Central Bank of Kuwait (acting on behalf of Kuwait Investment Authority) and the Bank of Guyana (acting on behalf of the Government), in February 1975. This arrangement resulted in a loan of Kuwaiti Dinars 3 million (equivalent to US$10.3 million at that time) to the Bank of Guyana, for balance of payments support.

4.4 Interest Rate Structure

The public external debt continued to be heavily skewed towards fixed-rate debt, thereby ensuring greater predictability in interest cost projections and insulating the portfolio from the effects of adverse interest rate movements. At the end of 2015, fixed rate public external debt was 83.7 percent of the total public external debt.

Over the five-year review period, the share of fixed rate debt declined marginally. The increase in blended loans being offered to Guyana by multilateral creditors, where part of the financing is offered at a fixed interest rate and another part at a variable interest rate, has been the main contributor to this change.

The decline in fixed rate debt has led to an increase in the share of variable rate debt. This share was 16.3 percent of the public external debt portfolio at end-2015. The share of variable rate debt has been increasing since 2013 and has resulted in the increased exposure of the external debt portfolio to changes in international interest rates, especially the London Interbank Offer Rate (LIBOR).

Table 5: Total Public External Debt Stock by Interest Rate Structure

Total Public External Debt Stock by Interest Rate Structure (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public External Debt Stock	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Fixed Rate	84.9%	86.7%	85.1%	84.6%	83.7%
Floating Rate	15.1%	13.3%	14.9%	15.4%	16.3%

Source: Debt Management Division, Ministry of Finance

4.5 Maturity Structure

As at the end of 2015, the proportion of public external debt with remaining maturities of more than 5 years was 97.2 percent, indicating that the country's public external debt is primarily long-term. This is consistent with Guyana's reliance on concessional financing, which offers loans with long-maturities, typically of 20 to 25 years. Only 2.8 percent of the debt portfolio will mature within 4 years and thus the overall burden of the debt, in terms of servicing, that is, payment of principal and interest, on an annual basis, remains low.

The Government has adopted an active strategy to source long-term concessional loans and so avoids the risk of a bunching of payments or the risk of refinancing the loans at a higher interest rate.

Table 6: Total Public External Debt Stock by Remaining Maturity

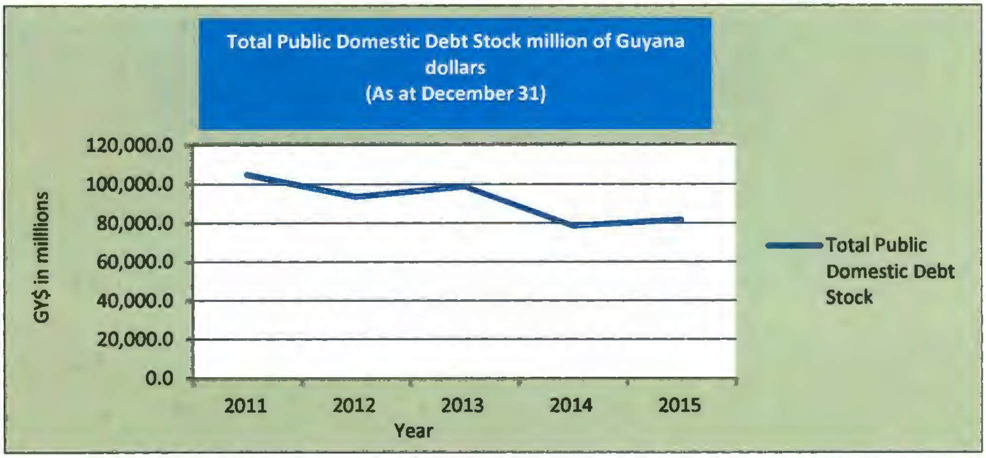
Total Public External Debt Stock by Remaining Maturity (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public External Debt Stock	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Less than 1 year	0.0%	0.0%	0.0%	0.8%	0.5%
Between 1 and 5 years	0.3%	3.0%	2.2%	2.9%	2.3%
More than 5 years	99.7%	97.0%	97.8%	96.4%	97.2%

Source: Debt Management Division, Ministry of Finance

5 Public Domestic Debt

As at end December 2015, Guyana's public domestic debt stock stood at $81.7 billion. This represents an increase of 4.2 percent compared to $78.4 billion at the end of 2014. The increase in the public domestic debt stock was mainly due to the increase in issuance of Treasury bills (T-bills), causing the stock of T-bills to increase by 4.4 percent. In 2015, the issuance of 91-day T-bills and 364-day T-bills rose by 27.0 and 8.6 percent respectively.

Figure 10: Total Public Domestic Debt Stock 2011-2015



Source: Debt Management Division, Ministry of Finance

As seen in the Figure 10 above, over the review period 2011 to 2015, total public domestic debt has shown a downward trend. From 2011 to 2015, domestic debt declined by 22.2 percent or $23.2 billion. This decline was mainly due to a reduction in the issuance of Treasury Bills over the review period, although this trend was reversed in 2015. However, the redemption of the Republic Bank Debentures and repayment of the loan to National Insurance Scheme (NIS) for the CARICOM Building Project also contributed to the decline.

5.1 Domestic Debt by Instrument Category

Table 7: Total Public Domestic Debt Stock by Instrument

Total Public Domestic Debt Stock by Instruments in millions of Guyana dollars (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public Domestic Debt Stock	**104,937.2**	**93,461.9**	**98,815.4**	**78,437.7**	**81,693.3**
Domestic Securities	**104,445.3**	**93,005.7**	**98,390.7**	**78,047.4**	**81,338.5**
Treasury Bills	98,593.4	88,128.8	94,488.8	74,145.5	77,436.6
91-Day 1/	4,705.5	4,496.9	7,997.1	6,997.4	8,884.5
182-Day	9,754.4	4,253.5	6,753.3	4,253.6	253.6
364-Day	84,133.6	79,378.4	79,738.5	62,894.5	68,298.6
Debentures 2/	5,848.5	4,873.5	3,898.5	3,898.5	3,898.5
Bonds	3.4	3.4	3.4	3.4	3.4
Domestic Loan	**491.9**	**456.2**	**424.7**	**390.3**	**354.8**
National Insurance Scheme Loan	491.9	456.2	424.7	390.3	354.8

Source: Debt Management Division

Notes:

1/ Includes K-Series

2/ Excludes non-interest bearing debentures

As shown in Table 7, between 2014 and 2015, domestic securities increased by 4.2 percent, or from $78.4 billion to $81.7 billion, while a single domestic loan decreased by 9.1 percent, or from $390.3 million to $354.8 million. The increase in domestic securities was solely as a result of greater issuance of T-bills. The stock of T-bills increased by 4.4 percent; this was mainly as a result of increased issuance of the 91-day T-bills and 364-day T-bills. This increased issuance of T-bills was in line with the Bank's objective of mopping up excess liquidity in the financial system. The stock of 91-day and 364-day T-bills increased by 27 percent and 8.6 percent, respectively. The domestic loan is paid according to an amortisation schedule and amount outstanding on this loan will continue to decline. This loan will mature fully in 2025.

Domestic securities steadily declined over the period 2011-2014, before resuming an upward trend in 2015. Domestic securities declined at an annual average rate of 8.6 percent between 2011 and 2014, reflecting a decline in T-bills issuance as well as a decline then subsequent levelling off in the stock of debentures. Similarly, domestic loans fell by 27.9 percent, from $491.9 million to $354.8 million. The decline in domestic securities was mainly due to the lower issuance of T-bills and the redemption of Republic Bank Debentures. The decline in the domestic loan reflected the amortisation of the NIS loan over the review period.

The issuance and redemption of T-bills are managed by the Bank of Guyana and are mainly determined by its monetary policy operations. Over the period 2011 to 2015, in line with the Bank's policy of maintaining an adequate level of liquidity in the system while creating an enabling environment for economic growth, the redemption of T-bills was greater than the issuance, resulting in an average annual decline of 5.0 percent in the stock of T-bills. From end-2011 to end-2015, the stock of T-bills declined by about 21.5 percent decline.

The redemption of debentures held by the Republic Bank over the period 2011 to 2013 also contributed to the decline of domestic securities over the review period. During the years 2011 to 2013, $975.0

million in debentures was redeemed annually by the Republic Bank. This resulted in a 33.3 percent decline in the stock of debentures. There has been no new issuance of debentures by the Government over the remainder of the review period. The existing stock of debentures is the Bank of Guyana variable interest rate debentures.

Figure 11: Public Domestic Debt Stock by Instruments, 2011

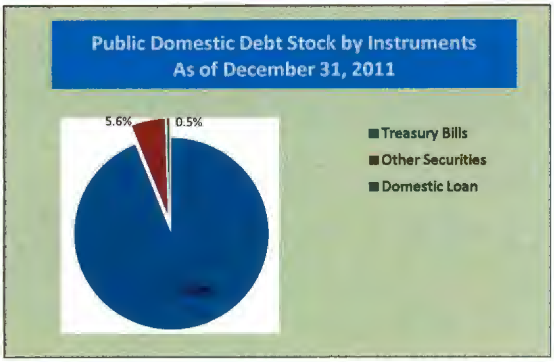
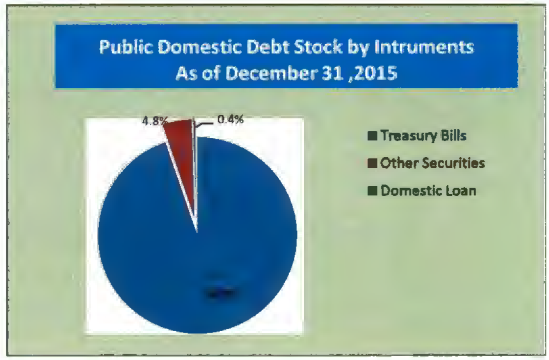


Figure 12: Public Domestic Debt Stock by Instruments, 2015



Source: Debt Management Division, Ministry of Finance

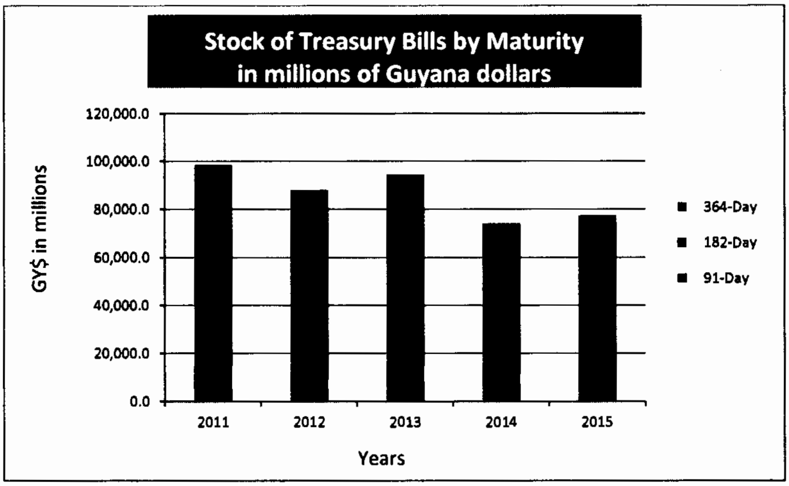
At the end of 2015, domestic securities accounted for 99.6 percent while domestic loan accounted for 0.4 percent of total public domestic debt. This was virtually unchanged from the share of domestic debt securities and loans in 2014.

Securities account for the bulk of public domestic debt stock. These are primarily short-term securities issued by the Government in the form of Treasury bills. At the end-2015, T-bills accounted for 94.8 percent of total public domestic debt while the other securities and domestic loan accounted for 5.2 percent. Compared to end-2014, the share of T-bills, other securities and domestic loan changed only marginally.

Over the 2011 to 2015 review period, the T-bills comprised the largest share of the domestic debt portfolio. While the nominal value of T-bills declined, the share of T-bills stood at 94.0 percent at end-2011 and increased slightly to 94.8 percent in 2015. The shares of other securities and domestic loans in the public domestic debt have had no significant change.

The fact that there were no new debentures, bonds or domestic loans added to the domestic debt portfolio probably reflects the Government's lack of appetite to access the domestic financial market for the funding of projects and other expenditures. This disinterest is explained primarily by the availability of long-term, low interest concessional financing from the country's external creditors. As such, it is less costly to borrow from Guyana's traditional multilateral and bilateral creditors, given that the lower cost of funding and the long repayment periods which significantly reduce refinancing risks.

Figure 13: Stock of Treasury Bills by Maturity



Source: Debt Monogement Division, Ministry of Finance

As at end-2015, T-bills remained the Central Bank's principal instrument of monetary control, with the auctioning of T-bills with various maturities (91-day, 182-day and 364-day) in the primary market.

T-bills issued with a 364-day maturity remained the largest share of the suite of T-bill instruments. As at end-2015, this accounted for 88.2 percent of the stock of T-bills and 83.6 percent of the total public domestic debt stock. Comparing this position to the end-2014, there was very little change in the composition. On average, over the five-year period, this accounted for 88 percent of the stock of T-bills. However, from end-2011 to end-2015, while the share of 364-day T-bills remained consistent, the stock in terms of nominal value declined by 21.46 percent. This decline was largely as a result of the Government's easing of monetary policy, which led to less need to mop-up excess liquidity in the financial system.

The year 2015 was significant with regard to 182-day T-bills. These T-bills declined to less than a one percent share of total T-bills. From end-2014 to end-2015, the stock of 182-day T-bill declined by 94 percent. This sharp decline reflected the lack of appetite to hold the 182-day T-bills given that the discount rate on average for 2015 was lower when compared to the other two T-bills. Apart from 2015, over the period end-2011 to end-2014, the share of the 182-day T-bills declined by an average of 2.4 percentage points relative to the stock of T-bills. Over the same period the nominal 182-day T-bills declined by 56.4 percent.

In contrast to the 182-day and 364-day T-bills, the 91-day T-bills have shown an upward trend. As at end-2015, the 91-day T-bills represented an 11.5 percent share of T-bills and an increase by about 2.0 percentage points from 2014. This increase reflects the Government's need to finance its cash flow deficit when meeting its current expenditure. Over the five years, the share of this T-bill increased by an average of 2.4 percentage points annually. From end-2011 to end-2015 the stock increased by 88.8 percent and, on average, over the five years it increased annually by about 22 percent.

5.2 Domestic Debt by Institutional Sector

Table 8: Total Public Domestic Debt by Institutional Sector

Total Public Domestic Debt by Instiitutional Sector in millions of Guyana dollars (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public Domestic Debt	**104,937.2**	**93,461.9**	**98,815.4**	**78,437.7**	**81,693.3**
Banking Sector	79,396.3	75,127.0	87,723.8	67,438.6	69,637.0
Pension Funds	8,529.9	7,267.6	6,905.2	6,100.8	5,161.9
Other	17,011.0	11,067.2	4,186.4	4,898.3	6,894.4

Source: Debt Management Division, Ministry of Finance

In Guyana, the banking sector comprises the Central Bank and commercial banks while the pension fund is currently made up of only the NIS. The "other category" comprises insurance companies, credit unions, and private individuals. At end-2015, the banking sector continued to be the largest holder of public domestic debt, accounting for an 85.2 percent share. The remaining two institutional sectors - pension funds and the "other category" accounted for 6.3 percent and 8.4 percent of total domestic public debt respectively. From end-2014 to end-2015, the banking sector and the pension funds shares of public domestic debt both declined marginally, while the share of the "other category" increased by 2.2 percentage points.

Over the review period, the share of the banking sector's holdings of domestic debt increased by an average of 2.4 percentage points annually. This sector has consistently remained the largest holder of domestic debt. This trend has been evident over the 2011 to 2015 review period where, on average, it held over 83 percent of the public domestic debt.

Within the banking sector, the commercial banks are the largest holders of domestic debt instruments. At the end-2015, their holdings of domestic debt instruments, all of which are T-bills, stood at 79 percent. This share has been approximately the same compared to end-2014. Prior to 2014, from end 2011 to end 2013, commercial bank holdings of domestic debt instrument relative to total domestic debt, increased by an average of about 2 percentage points annually.

T-bills have dominated the share of domestic debt instruments held by commercial banks. At end of 2015, commercial banks held 83.6 percent of T-bills. Over the review period, commercial banks holdings of T-bills showed an upward trend, this is represented by an average increase of about 2.5 percentage points annually.

The large share of domestic debt held by the banking sector is largely explained by the need to hold liquid assets on their balance sheet and to meet central bank reserve requirements. With the relative shallowness of the financial markets, there is not much demand from other institutional sectors such as non-bank and non-financial corporations.

Treasury bills are the primary investment asset preference of commercial banks in Guyana. Given that the primary source of funding for commercial banks is short-term deposits (liabilities) T-bills are preferred by commercial banks because they come closest to a risk-free investment, they are liquid in nature and, as assets, they most closely match the liabilities held on their balance sheet

The Bank of Guyana held 6.0 percent of domestic debt instruments at end of 2015. Their holdings of showed an upward trend from end-2011 to end-2013, with an approximate increase of one percentage point annually. This share contracted marginally by end-2014 and end-2015.

T-bills and debentures are the two instruments held by the Bank. At end-2015, the Bank held about 1.0 percent of T-bills and 100 percent of debentures. Over the review period, the Bank's share of T-bills was steady. From end-2011 to end-2013, the Republic Bank and Bank of Guyana were the only two holders of debentures. However, by 2013, the Republic Bank's debentures were fully redeemed, leaving the Bank of Guyana as the only holder of debentures.

The only institution that is categorised under pension funds is the NIS. It is, therefore, the only holder of domestic securities in this institutional sector. It holds the one domestic loan in the domestic debt portfolio and some T-bills. At end-2015, the pension fund share of total public domestic debt was 6.3 percent. This share declined marginally compared to end-2014. Over the five-year review period, the nominal value of these instruments declined at an average of 12 percent annually.

The only domestic loan contracted by the Government was with the NIS, in September 2000. This loan partially funded the project for the CARICOM Headquarters Building. Over the years, the loan has been repaid in accordance with the amortisation schedule and has an annual repayment of $34.3 million.

The "other sector", are holders of both T-bills and Defence Bonds. At end-2015, the "other sector" share of public domestic debt was 8.4 percent. From end-2011 to end-2013, the share of this sector declined by about 6.0 percentage points annually. However, from end-2013 to end-2015, this sector's share increased annually by about 2.0 percentage points, accounting for all holdings of Defence Bonds. From end-2011 to end-2013, the share of T-bills holdings declined by about 6.0 percentage points annually. For the remainder of the review period, the sector's share increased marginally.

5.3 Domestic Debt by Interest Rate Structure

Table 9: Total Public Domestic Debt Stock by Interest Rate Structure

Total Public Domestic Debt Stock by Interest Rate Structure in millions of Guyana dollars (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public Domestic Debt Stock	**104,937.2**	**93,461.9**	**98,815.4**	**78,437.7**	**81,693.3**
Fixed Rate	**99,088.7**	**88,588.4**	**94,916.9**	**74,539.2**	**77,794.8**
Treasury Bills	98,593.4	88,128.8	94,488.8	74,145.5	77,436.6
91-Day [1/]	4,705.5	4,496.9	7,997.1	6,997.4	8,884.5
182-Day	9,754.4	4,253.5	6,753.3	4,253.6	253.6
364-Day	84,133.6	79,378.4	79,738.5	62,894.5	68,298.6
Bonds	3.4	3.4	3.4	3.4	3.4
National Insurance Scheme Loan	491.9	456.2	424.7	390.3	354.8
Floating Rate	**5,848.5**	**4,873.5**	**3,898.5**	**3,898.5**	**3,898.5**
Debentures [2/]	5,848.5	4,873.5	3,898.5	3,898.5	3,898.5

Source: Debt Management Division, Ministry of Finance

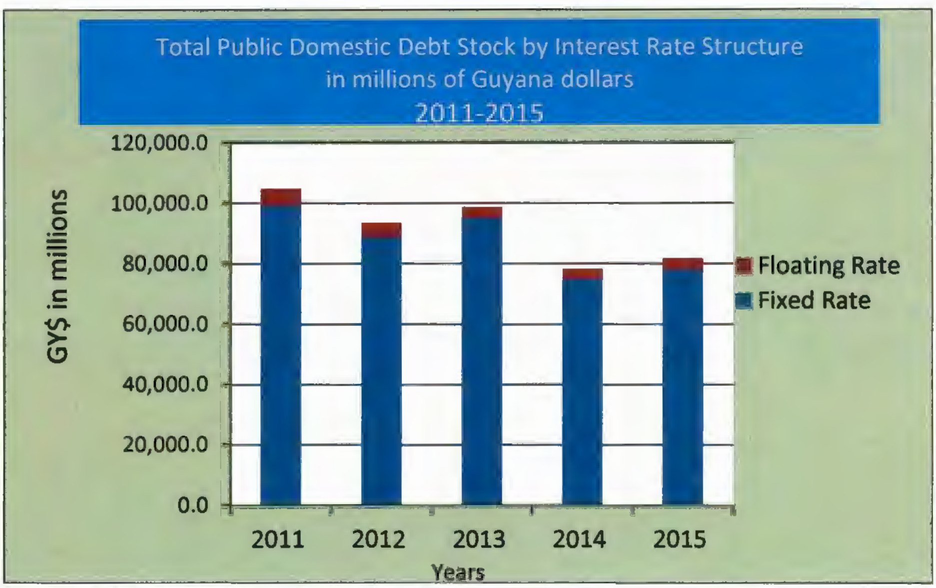
Notes:

1/ Includes K-Series

2/ Excludes non-interest bearing debentures [2/]

At end-2015, the share of public domestic debt with a fixed interest rate was 95.2 percent while the share of floating interest rate debt was 4.8 percent. Compared to end-2014 these shares remained unchanged.

Figure 14: Total Public Domestic Debt Stock by Interest Rate Structure



Source: Debt Management Division, Ministry of Finance

As shown in Figure 14, the share of fixed rate domestic debt has remained relatively flat over the five-year period, increasing only marginally over the period. In nominal terms, fixed rate domestic debt declined by an average of 5.0 percent annually, while floating rate domestic debt declined by an average of 12 percent annually from end-2011 to end-2013, and both have remained constant from end-2013 to end-2015.

T-bills are not, by definition, fixed rate instruments. Instead, they are classified as zero-coupon instruments, since they do not carry a fixed coupon but have their yield determined by the difference between the purchase price and the face value. The discount rate is fixed when the instrument is issued. The cost of issuing T-bills is the difference between the purchase price and the face value. This cost is fixed at the time of issuance. Given this, for analytical purposes, T-bills are classified as instruments with a fixed interest rate.

The high share of fixed-rate debt in the domestic debt portfolio causes Guyana's domestic debt to be less susceptible to interest rate variability. Notwithstanding, despite this, domestic debt is still subject to interest rate risk because of the size of short-term debt. This means that a large share of the domestic portfolio has its interest rates reset when instruments mature and are rolled-over or replaced with new issues, as these become subject to new and possibly higher interest rates. The extent of this exposure is measured by the proportion of debt that is subject to interest rate re-fixing within a specified period. Guyana's domestic debt portfolio remains subject to high interest rate risk because of the short-duration (short maturity) of the domestic debt. Since T-bills rollover in 364 days or less, almost 95 percent of the domestic debt portfolio is subject to changes in domestic interest rates. Spikes in T-bill rates would quickly have a large impact on total interest expenditures in the budget.

Apart from T-bills, the Defence Bonds and the loan from the NIS are both fixed rate instruments. Over the review period, their share to total fixed rate instruments remained consistent at less than one percent.

Debentures are the only instruments with a floating interest rate. After the redemption of Republic Bank Debentures in 2013, the Bank of Guyana variable interest rate debentures remained on the books. These debentures are perpetual debt instruments and their interest rate is pegged to the T-bill discount rate. This means that with no fixed maturity date, interest costs are on-going.

5.4 Domestic Debt by Maturity Structure

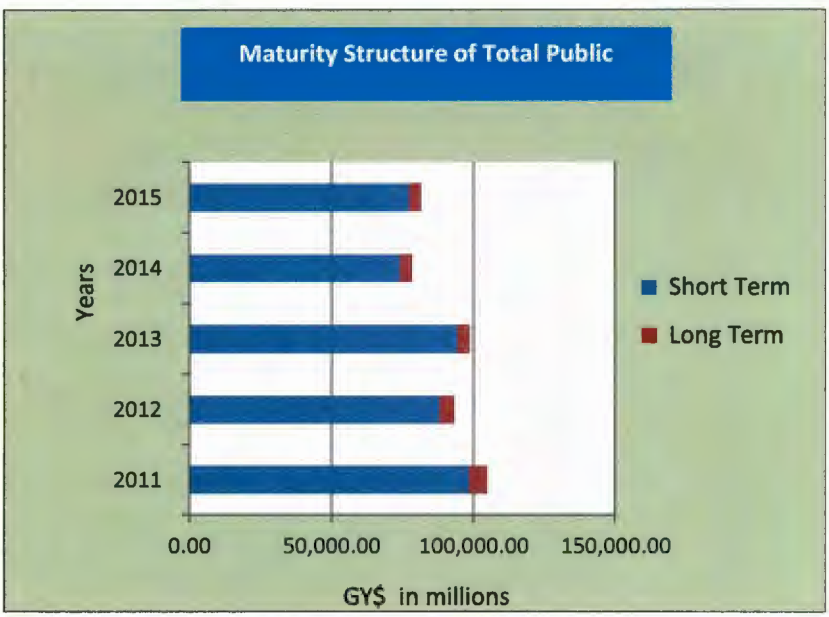
Table 10: Maturity Structure of Total Public Domestic Debt Stock

Maturity Structure of Total Public Domestic Debt Stock in millions of Guyana dollars (As of December 31)					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public Domestic Debt Stock	**104,937.2**	**93,461.9**	**98,815.4**	**78,437.7**	**81,693.3**
Short Term	**98,593.4**	**88,128.8**	**94,488.8**	**74,145.5**	**77,436.6**
Treasury Bills	98,593.4	88,128.8	94,488.8	74,145.5	77,436.6
91-Day [1/]	4,705.5	4,496.9	7,997.1	6,997.4	8,884.5
182-Day	9,754.4	4,253.5	6,753.3	4,253.6	253.6
364-Day	84,133.6	79,378.4	79,738.5	62,894.5	68,298.6
Long Term	**6,343.8**	**5,333.1**	**4,326.6**	**4,292.2**	**4,256.7**
National Insurance Scheme Loan	491.9	456.2	424.7	390.3	354.8
Debentures [2]	5,848.5	4,873.5	3,898.5	3,898.5	3,898.5
Bonds	3.4	3.4	3.4	3.4	3.4

Source: Debt Management Division, Ministry of Finance
Notes:
1/ Includes K-Series
2/ Excludes non-interest bearing debentures

Public domestic debt may be classified by two types of maturities – short-term debt, which represents debt with a maturity of one year or less; medium-term debt with maturities of over one to five years; and long-term debt which represents maturities of over five years. Over the review period, there have been no medium-term domestic debt instruments. As can be seen in Table 10, T-bills accounted for 100 percent of domestic debt maturing in less than one year, while long-term instruments comprised a single domestic loan as well as debentures and bonds.

Figure 15: Maturity Structure of Total Public Domestic Debt Stock



Source: Debt Management Division, Ministry of Finance

At end-2015, domestic debt maturing within one year or less – short-term domestic debt - stood at 94.8 percent of the public domestic debt. The share of short-term debt has remained relatively stable at around 95 percent over the past five years. In nominal terms, short-term debt has declined by an average of 5.0 percent annually.

6 Debt Service

Table 11: Total Public Debt Service

Total Public Debt Service during the period 2011-2015 in millions of Guyana dollars					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public Domestic Debt	**5,051.9**	**3,597.9**	**2,759.1**	**1,580.4**	**1,751.9**
Principal	1,010.1	1,010.7	1,010.4	35.5	35.5
Interest	4,041.8	2,587.2	1,748.8	1,544.9	1,716.5
Total Public External Debt	**8,804.7**	**8,716.3**	**40,646.1**	**34,520.1**	**20,397.1**
Principal	6,228.9	6,036.7	37,753.1	31,299.9	16,875.5
Interest	2,575.8	2,679.6	2,892.9	3,220.2	3,521.5
Total Public Debt	**13,856.6**	**12,314.2**	**43,405.2**	**36,100.5**	**22,149.0**

Source: Debt Management Division, Ministry of Finance

Notes:

1. There are no contracted Government guarantees.

Total debt service payments in 2015 amounted to $22.1 billion, a decrease of 38.6 percent from $36.1 billion in 2014. This significant reduction was due to the decline in debt service payments to Venezuela, resulting from the halt of the Petrocaribe Arrangement and the Guyana-Venezuela Rice Trade Agreement in July 2015. Of the total debt service payments in 2015, external debt service was $20.4 billion whilst domestic debt service was $1.8 billion, representing 92.1 percent and 7.9 percent of total debt service, respectively.

During the review period, total debt service peaked at $43.4 billion in 2013. This was a substantial increase of 252.5 percent from 2012. It gradually trended downwards, decreasing by 16.8 percent in 2014 and 38.6 percent in 2015. The abnormally high servicing cost during the period 2013 to 2015, reflected the principal repayments made to the Guyana Rice Development Board (GRDB) for rice shipped to Venezuela under the Guyana-Venezuela Rice Trade Agreement.

The proportion of external debt service and domestic debt service shifted significantly over the review period. Of the total debt service, external debt service increased from 63.5 percent in 2011 to 92.1 percent in 2015, whilst domestic debt service decreased from 36.5 percent in 2011 to 7.9 percent in 2015. This reflects the increasing obligations that Guyana has towards its external creditors and no new issuance of instruments from the domestic market, aside from T-bills.

6.1 External Debt Service

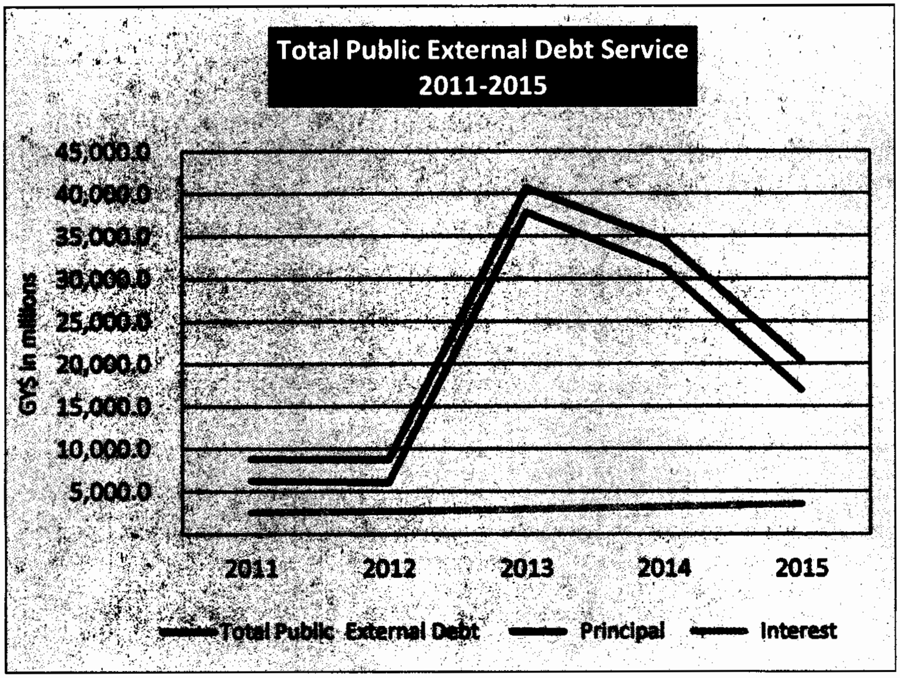
Table 12: Total Public External Debt Service by Borrower Category

Total Public External Debt Service by Borrower Category in millions of Guyana dollars					
	2011	**2012**	**2013**	**2014**	**2015**
Total Public External Debt	**8,804.7**	**8,716.3**	**40,646.1**	**34,520.1**	**20,397.1**
Principal	**6,228.9**	**6,036.7**	**37,753.1**	**31,299.9**	**16,875.5**
Central Government	3,956.6	3,627.0	35,353.1	28,965.2	15,003.4
Bank of Guyana	1,498.5	2,324.0	2,312.8	2,317.8	1,872.2
Parastatals	773.8	85.6	87.2	16.9	0.0
Interest	**2,575.8**	**2,679.6**	**2,892.9**	**3,220.2**	**3,521.5**
Central Government	2,429.6	2,629.2	2,866.3	3,194.2	3,508.8
Bank of Guyana	122.3	34.5	20.3	24.6	12.8
Parastatals	23.9	15.8	6.3	1.5	0.0

Source: Debt Management Division, Ministry of Finance
Notes:
1. Includes payments to Guyana Perpetual Stock
2. Excludes payments made from Loan Resources

External debt service payments decreased by 40.9 percent, from $34.5 billion in 2014 to $20.4 billion in 2015. The significant decline was due to a reduction in the principal repayments to Venezuela. The value of Guyana's rice and paddy shipped to Venezuela was offset against the value of the oil debt incurred under the Petrocaribe Arrangement. Principal repayments became less as a result of fewer shipments in the first half of 2015 and no further shipments in the second half of the year, due to the halt of the Petrocaribe Arrangement and the Guyana-Venezuela Rice Trade Agreement in July 2015. Of external debt service payments in 2015, principal repayments accounted for $16.9 billion or 82.7 percent.

Figure 16: Tatal Public External Debt Service



Source: Debt Management Division, Ministry of Finance

During the review period, external debt service averaged $22.6 billion per annum. External debt service peaked in 2013 at $40.6 billion, an increase of 366.3 percent when compared to 2012, before trending downwards to $20.4 billion in 2015. The increase reflected the increase of principal repayments to GRDB for rice and paddy shipped to Venezuela under the Guyana-Venezuela Rice Trade Agreement during the period 2013 to 2015.

External debt service interest progressively increased from $2.6 billion in 2011 to $3.5 billion in 2015, mainly due to new disbursements from Guyana's external creditors. There were no abnormal changes in external debt service interest as repayments to Venezuela were recorded only under principal.

6.2 Domestic Debt Service

Table 13: Total Public Domestic Debt Service

Total Public Domestic Debt Service in millions of Guyana dollars	2011	2012	2013	2014	2015
Total Domestic Debt	**5,051.9**	**3,597.9**	**2,759.1**	**1,566.7**	**1,751.9**
Principal	**1,010.1**	**1,010.7**	**1,010.4**	**35.5**	**35.5**
Treasury Bills 1/	0.0	0.0	0.0	0.0	0.0
Debentures 2/	975.0	975.0	975.0	0.0	0.0
National Insurance Scheme Loan	35.1	35.1	35.4	35.5	35.5
Other	0.0	0.7	0.0	0.0	0.0
Interest	**4,041.8**	**2,587.2**	**1,748.8**	**1,531.3**	**1,716.5**
Treasury Bills 1/	3,778.9	2,436.7	1,659.0	1,453.7	1,629.8
Debentures 2/	242.1	131.0	72.0	60.9	71.4
National Insurance Scheme Loan	20.7	19.5	17.8	16.7	15.3
Other	0.0	0.0	0.0	0.0	0.0

Source: Debt Management Division, Ministry of Finance

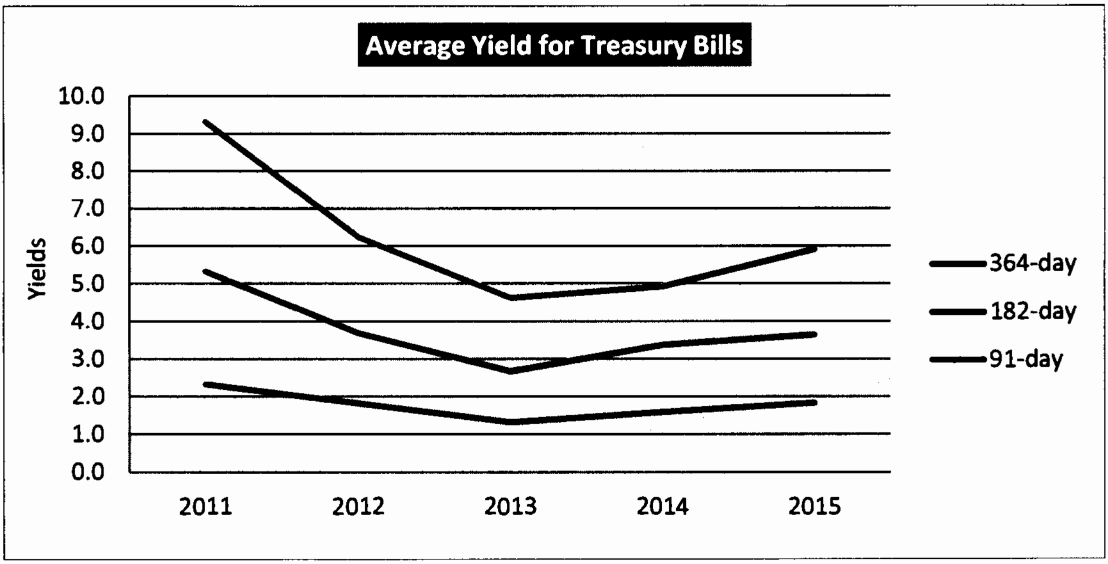
Notes:

1/ Includes K-Series

2/ Excludes non-interest bearing debentures

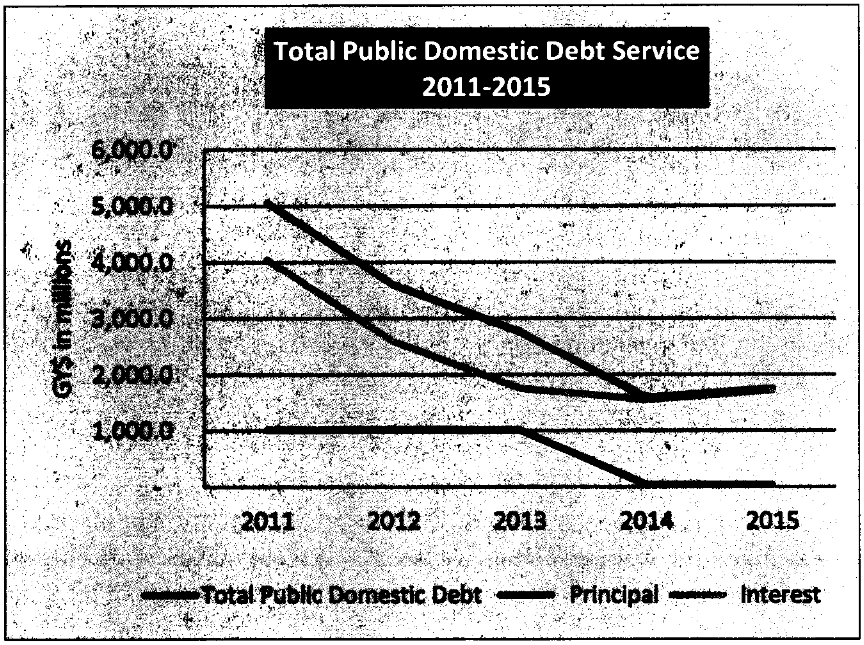
Domestic debt service payments increased by 10.9 percent from $1.6 billion in 2014 to $1.8 billion in 2015. This was due to higher interest payments by the Bank of Guyana for the redemption of T-bills, as result of the higher issuance of 91-day and 364-day T-bills during the year and the increased interest cost. The average yields for the 91-day and 364-day T-bills increased from 1.84 and 2.27 in 2014 to 1.90 and 2.35 in 2015, respectively.

Figure 17: Average Yield for Treasury Bills



Source: Bank of Guyana

Figure 18: Total Public Domestic Debt Service



Source: Debt Management Division, Ministry of Finance

Of domestic debt service payments in 2015, principal accounted for $35.5 million or 2.0 percent, while interest accounted for $1.7 billion or 98 percent. The NIS loan represented the only principal repayment made during that year.

During the review period, domestic debt service payments averaged $2.9 billion per annum. The payments peaked in 2011 at $5.1 billion and gradually trended downwards to $1.8 billion in 2015. This was attributed to the full redemption of all the Republic Bank Limited (Guyana) Debentures and Citizen Bank Debentures during the period 2011 to 2013. Thereafter, principal was only repayable towards the NIS loan, which will mature in 2025.

Domestic interest peaked in 2011 at $4 billion and gradually trended downwards to $1.5 billion in 2014 before, increasing to $1.7 billion in 2015. Given that the share of domestic interest in total domestic debt service, during the review period, was large (82 percent), this trend is similar to that of total domestic debt service payments

The decline during the 2011-2014 period was due to a decrease in the stock along with the lower interest payments on T-bills, specifically the 364-day. This was due to competitive bidding primarily amongst commercial banks and falling international interest rates. Interest costs on the T-bills redeemed declined considerably during this period. The average yields for the 91-day T-bills and the 364-day T-bills from 2011 to 2014 declined by 31.7 percent and 61.0 percent, respectively.

7 Contingent Liabilities and On-lending

7.1 Publicly Guaranteed Debt

Publicly guaranteed debt is defined as the debt liabilities of public and private sector units, the servicing of which is contractually guaranteed by public sector units[1]. In other words, publicly guaranteed debt refers to the debt owed by the country's public entities to both foreign and local creditors but which is guaranteed by the Central Government. The debts may be denominated in domestic or foreign currency. In Guyana's case, there are only a few loans that have been guaranteed by the Government and are still on the records of the Ministry of Finance (See Table 14 below).

During the review period, the stock of publicly guaranteed debt remained relatively stable, totalling US$14.5 million at end-2015. Guaranteed debts were owed to four creditors: Argentina (Banco de Inversion y Comercio Exterior-BICE), India (TATA Industries), Trinidad and Tobago (Republic Bank Limited), and the United States of America (International Telephone and Telegraph-ITT). The guaranteed obligations to three of the four external creditors, Argentina (BICE), USA (ITT) and India (TATA Industries) are in arrears. However, in 2015, a decision was taken by the Government to remove the debt obligations of India (TATA Industries) and USA (ITT) from the Public Debt Register until a debt settlement claim is made by the creditor. The debt to Argentina continues to accumulate arrears because Guyana is yet to receive comparable HIPC debt relief from this creditor.

The guaranteed debt owed to Trinidad and Tobago (Republic Bank Limited) was fully serviced and repaid by the Guyana Power and Light Company (GPL) in 2014.

Table 14: Publicly Guaranteed Debts

Publicly Guaranteed Debts in millions of US dollars (As of December 31)							
					Loan Balance		
Agency	**Purpose of Loan**	**Creditor**	**2011**	**2012**	**2013**	**2014**	**2015**
Guyana Pharmaceutical Corporation	Construction of New Pharmaceutical Plant	Argentina (BICE)	13.19	13.52	13.86	14.20	14.54
Telecommunication Corporation	Purchase of Telex Switching System	USA (ITT)	0.80	0.83	0.85	0.87	0.00
Guyana Transport Services Ltd	Acquistion of Tata Buses and Spares	INDIA (TATA Industries)	0.22	0.22	0.20	0.21	0.00
Guyana Power and Light Inc.	Debenture issued to cover debt to Republic Bank Trinidad	Republic Bank LIMITED (RBTT)	0.96	0.54	0.08	0.00	0.00
GRAND TOTAL			**15.17**	**15.12**	**15.00**	**15.28**	**14.54**

Source: Debt Management Division, Ministry of Finance

The Government has not issued any guarantees in the last decade. Its current policy is to on-lend loans to public corporations rather than to issue guarantees. The on-lent obligations are a direct obligation of the Government rather than a contingent liability arising from the issue of a guarantee.

[1] IMF, Public Sector Debt Statistics Guide for Compilers and Users, 2011

7.2 On-lent Loans

Table 15: Summary of On-lending Loan Agreements to State-Owned Enterprises

Summary of On-lending Loan Agreements to State Owned Enterprises in millions of US dollars As of December 31, 2015			
Guyana Sugar Corporation Inc.			
Year	**Source of Financing**	**Purpose**	**Loan Amount**
2003	Caribbean Development Bank	Drianage and Irrigation	5.1
2004	Caribbean Development Bank	Skeldon Sugar Modernisation Project	24.9
2004	World Bank and GoG Reserves	Skeldon Sugar Modernisation Project	56.0
2005	China Exim Bank	Skeldon Sugar Modernisation Project	41.6
Sub-total			**127.6**
Guyana Power and Light Inc.			
Year	**Source of Financing**	**Purpose**	
2007	PetroCaribe Fund	Infrastructure Development Project	3.8
2008	PetroCaribe Fund	Ten Megawatts of (10MW) of Interim Power Supply	31.1
2010	China Exim Bank	Infrastructure Development Project	39.6
2011	PetroCaribe Fund	Power Plan Turnkey Contract from Wartsila	18.9
2012	PetroCaribe Fund	Power Plan Turnkey Contract from Wartsila	26.0
2013	PetroCaribe Fund	Finance GPL's capital budget for fiscal year 2013	23.1
2014	PetroCaribe Fund	Finance GPL's capital budget for fiscal year 2014	12.1
Sub-total			**154.6**
Grand Total			**282.11**

Source: Debt Management Division, Ministry of Finance

An on-lending arrangement is an arrangement whereby the Government obtains a loan, usually concessional financing from an international financial institution such as the World Bank or the Caribbean Development Bank, and then passes on the loan principal to another entity, usually a State-Owned Enterprise (SOE), known as the beneficiary. The loan between Government and the international financial institution is often referred to as a primary loan and the on-lent loan between Government and the beneficiary is called the subsidiary loan.

On-lending is a means by which the Government can support strategically important projects that aid national development. The Government enters in an on-lending arrangement given that the primary loan proceeds are earmarked to fund capital expenditure for the SOEs.

The terms and conditions of the primary loan agreements differ typically from those included in subsidiary loan agreements. Interest rates are usually higher in subsidiary loan agreements than in primary loan agreements, but the rate is generally lower than the rate that the beneficiary could otherwise negotiate from commercial lenders. By improving their financial viability, on-lending can facilitate the delivery of development projects that are expected to provide broader economic benefits to Guyana.

The two beneficiaries of on-lent loans were the Guyana Power and Light Incorporated (GPL) and the Guyana Sugar Corporation Incorporated (GUYSUCO). At end-2015, the Government had on-lent some US$282 million to these two entities. Of that amount, 54.8 percent was on-lent to the GPL. There are eleven (11) on-lending loan agreements, seven (7) of which are between the Government and the GPL and four (4) between the Government and the GUYSUCO.

Of the eleven (11) on-lending agreements, six (6) of them were financed directly from the Petrocaribe Fund. Over the review period, all new on-lending agreements were contracted with the GPL in the amount of US$80.1 million. The source of funding for these agreements was the Petrocaribe Fund. GPL has been the only SOE that benefitted from the Petrocaribe Fund. The transfer of funds to GPL financed several projects aimed at improving the services provided by this entity.

At end-2015, GPL and GUYSUCO had repaid less than one percent of their debt due and payable to the Government. These SOEs have over the years been billed for the debt service payments falling due but have not made payments to the Government. Many SOEs do not appear to have the resources to service their debt obligations to the Government.

Of the main beneficiaries of on-lent loans, GUYSUCO was the only SOE covered by a Memorandum of Understanding (MOU), which was specifically for loans on-lent in relation to the Skeldon Sugar Modernisation Project (SSMP). The MOU states the all payments due within three (3) years after 2008 will be deferred. The MOU came to an end on December 31, 2011. However, GUYSUCO has not resumed repayment of its obligations to the Government.

The process of reconciling the debt outstanding by SOEs to the Government commenced in 2015. At end-2015, this process was still in progress. At the end of the exercise, the Government will make arrangements to recover the debt from the SOEs.

8 Public Debt and Risk Indicators

8.1 Debt indicators

Table 16: Debt Indicators

Debt Indicators for the period 2011-2015					
	2011	2012	2013	2014	2015
Total Debt to GDP	66.7%	[illegible]	57.0%	51.9%	48.6%
External Debt to GDP	46.7%	47.7%	41.0%	[illegible]	36.1%
Domestic Debt to GDP	20.0%	[illegible]	16.1%	12.7%	12.5%
Total Debt Service to Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total External Debt Service to Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Domestic Debt Service to Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total External Debt Service to Exports	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Public Debt Service to GDP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(In millions of Guyana dollars, unless otherwise indicated)					
Memorandum Items					
Total Public Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total External Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Domestic Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Public Debt Service	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total External Debt Service	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Domestic Debt Service	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GDP at Current Purchaser Prices	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GDP (US$ millions)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Current Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exports of Goods and Non-Factor Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exports (G & NFS) (US$ millions)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guyana dollar/U.S. dollar (End of Period)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guyana dollar/U.S. dollar (Period Average)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sources: Debt Monogement Division, Ministry of Finance and Bank af Guyana

Guyana's debt ratios indicate that the total public debt remained sustainable during the review period, 2011-2015, reflecting the Government's prudent management of its debt.

8.1.1 Total Public Debt to GDP

Guyana's total public debt to GDP decreased to 48.6 percent in 2015 from 51.9 percent in 2014. Public debt as a share of GDP is an important measure of debt sustainability and indicates how much of a country's total national income would be needed to repay the entire debt stock. This ratio, known as the solvency ratio, has decreased over the review period. The decrease was mainly due to a debt write-off from Venezuela. It also resulted from a decline in disbursements in 2015 from Guyana's external creditors as well as an increase in Guyana's nominal GDP by 2.9 percent. Of total public debt to GDP, external debt and domestic debt represented 36.1 percent and 12.5 percent, respectively, in 2015.

Guyana recorded a modest total debt to GDP over the period 2011 to 2015. This ratio progressively declined from its peak of 66.7 percent in 2011 to its lowest of 48.6 percent in 2015. The decline throughout the period was driven both by an increase in the nominal GDP and a reduction of the nominal total debt. Nominal total public debt declined during the period 2012 to 2015 at an average rate of 7.6 percent. This is mainly attributed to the debt write-offs from Venezuela (amounting to US$595.1 million). At the same time, nominal GDP grew at an average rate of 5.7 percent during the 2011-2015. The faster rate of growth of nominal GDP in comparison to the total public debt contributed to the more favourable ratio.

8.1.2 Total Debt Service to Revenue

The total debt service to revenue ratio is categorised as liquidity debt ratio. It measures the total debt service payments of principal and interest as a share of current revenue. This ratio can be used as a measure of sustainability and the government's ability to mobilise revenues. An increase in this indicator over time may indicate potential problems in a country meeting its debt obligations[2]

Total debt service to revenue ratio decreased from 24.8 percent in 2014 to 13.7 percent in 2015. This is within the threshold established by the Bretton Woods Institutions (BWIs) Debt Sustainability Framework (DSF) associated with a medium policy performance rating. This significant decrease was primarily due to a decrease in principal repayments to Venezuela combined with an 11.0 percent increase in government revenues. The growth in revenues was as a result of increases in personal income taxes, company income taxes and property taxes owing to more effective tax revenue collection by the Government.

The ratio of total debt service to revenue ratio has varied markedly during the review period. Following manageable ratios of 11.5 percent and 9.5 percent in 2011 and 2012, respectively, the ratio of total debt service to government revenue jumped sharply to 31.8 percent in 2013. The sharp increase in the ratio occurred because of substantial increase in external debt service as a result of principal repayments to Venezuela. While these repayments continue, they have reduced gradually and explain the decrease in the ratio in 2014 and 2015. Government revenues increased consistently throughout the review period.

8.1.3 Total External Debt Service to Exports

The total external debt service to exports ratio is often referred to as the debt service ratio. It is frequently used as a measure for debt sustainability because it indicates how much of a country's export revenues are used for servicing external debt and how vulnerable servicing is to a change in exports.

In 2015, the debt service ratio fell to 7.6 percent from 12.4 percent in 2014. A decline in principal repayments to Venezuela primarily explained the decrease in external debt service and the concomitant decline in the ratio. Although there was a decrease in exports by 3.1 percent in 2015 as a result of significant reductions timber, bauxite, rice, and sugar, it was not sufficient to offset the decline in debt service ratio. Notably, the declines in agriculture product exports, bauxite and timber were offset by increases in gold and other exports.

Compared to fairly low and stable debt service ratios in 2011 and 2012, there was a sharp spike in the debt service ratio in 2013 due to principal repayments to Venezuela. However, the ratio moved steadily downwards in tandem with declining principal repayments and, by 2015, was within the 20 percent threshold internationally regarded as sustainable.

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[2] External debt statistics: Guide for Compilers and Users. — Washington, D.C. : International Monetary Fund, 2003

9 Risk Indicators

Table 17: Risk Indicators

Risk Indicators for the period 2011-2015	2011	2012	2013	2014	2015
Total Share of Short Term Debt to Total Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Share of Short Term Debt to Domestic Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Share of US dollar Debt to Total External Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Share of Foreign Currency Debt to Total Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Share of Floating Rate Debt to Total Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(In millions of Guyana dollars, unless otherwise indicated)					
Memorandum Items:					
Total Public Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total External Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Domestic Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Short Term Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US dollar Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US dollar Debt (US$ millions)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Foreign Currency Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Floating Rate Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sources: Debt Management Division, Ministry of Finance and Bank of Guyana

There is international consensus that the main objective of public debt management is to ensure that a government's borrowing needs and obligations are met in a sustainable manner, at minimum cost over the medium-term, taking into account the associated risks. The imperative for governments is therefore to manage the trade-offs between cost and risk when contracting new loans or issuing new debt securities. In addition, it must manage the exposures that accompany borrowing, primarily interest rate, exchange rate and refinancing risks. An important component of public debt management is ensuring that these exposures are relatively low so as to avoid the attendant increases in debt service costs if there are adverse movements in interest rates or exchange rates, or if the government portfolio is heavily burdened with short-term debt.

9.1.1 Interest Rate Risk

In 2015, the total share of floating rate debt to total public debt was 13.3 percent in comparison to 12.2 percent in 2011. The share of floating rate has moderately increased over the 2011-2015 review period, due to the decreasing availability of fixed-rate concessional financing and the increasing share of new loans with floating interest rates. Floating rate debt has been acquired predominantly from external creditors such as the IDB and the CDB. The IDB and CDB debt represented 55.4 percent of Guyana's total debt as at December 2015.

The total share of fixed rate debt comprised the majority share of the debt portfolio throughout the review period. Most of Guyana's external debt portfolio comprises concessional loans with low, fixed interest rates. The high share of fixed rate debt contracted from Guyana's external creditors has helped to minimise Guyana's interest rate risk and kept the cost of debt servicing at a sustainable level.

The weighted average interest rate for the external debt portfolio at end-December 2014, was 1.7 percent.[3] This translates into the low cost of interest debt service payments, which were 0.75 percent of GDP, in 2014, and 0.80 percent, in 2015, as a result of the portfolio's low fixed rate. However, the cost of borrowing is expected to rise as concessionary borrowing available to Guyana continues to dwindle. External creditors are transitioning Guyana to less concessional financing from the "soft window" and are slowly diverting the country towards financing from its "hard" non-concessional window. The hard window consists of floating rate loans with a shorter maturity period. This means that Guyana is likely to face more floating interest rate loans in the future, rendering the country more vulnerable to interest rate shocks.

The IDB variable lending rate is referenced to the 3-month LIBOR, a funding margin and an IDB lending spread, whilst the CDB is a bank-determined variable rate. The IDB lending rate was relatively stable, below 2.0 percent during the 2011-2015 review period. There was a significant change in the third quarter of 2015, as a result of the bank increasing its funding margin and lending spread. The 3-month LIBOR remained stable within the review period but it is highly responsive to global financial and economic developments such as changes in the US Federal Reserve (Fed) rate or major political developments such as the exit of the United Kingdom from the European Union (Brexit).

The total share fixed rate debt consistently constituted the majority share of the public domestic debt throughout the review period. Fixed rate debt reduces the risk associated with the variability of a floating interest rate. However, as a result of the short-term maturity structure of the fixed rate debt, it is subject to rolling over as it matures to be replaced with new issues. The duration of all three categories of instruments offered is under a year. This subjects the interest rate to re-fix within a year, thereby increasing the exposure of this portion of the portfolio to interest rate shocks and higher variability to debt servicing.

The weighted average interest rate for the domestic debt portfolio at end-December 2014, was 16.3 percent.[4] The high cost reflected the high redemptions and issues throughout the year. The government services interest for all three categories, namely, the 91-day T-bill, 182-day T-bill and the 364-day T-bill, within the year, since all the instruments are short-term.

9.1.2 Exchange Rate Risk

Fluctuations in exchange rates pose the highest risk for Guyana's public debt portfolio, due to the high share of debt denominated in foreign currency. The total share of foreign currency debt to total debt was 74.4 percent in 2015 as compared to 70.2 percent in 2011. The total share of US dollar debt to total external debt was 75.9 percent in 2015 as compared to 70.2 percent in 2011. The US dollar currency debt has maintained its historical position of being the dominant currency in the external debt portfolio. However, in recent years, there has been a slight yield in the currency's dominance, reflecting small increases in new debt from other foreign currencies such as the Chinese Renminbi (Yuan) and Special Drawing Rights (SDRs.)

[3] This result was generated from the MTDS on existing debt during the National Workshop on Sustainable Funding Strategy in December 2015.
[4] See previous footnote.

The large share of foreign currency debt in the portfolio leaves Guyana highly vulnerable to exchange rate movements. Any depreciation in the Guyana dollar against foreign currencies, in particular, US dollar, will significantly contribute to higher debt service payments in Guyana dollar terms. The movement of exchange rates adds volatility to debt servicing costs, increasing costs when there is depreciation and lowering costs in the event of an appreciation.

The Guyana dollar has remained stable against the US dollar over the past five years (2011-2015) increasing only marginally over the review period. The exchange rate was $203.8 in 2011 and $206.5 in 2015. The Bank of Guyana has maintained an exchange rate of $206.5 since March 2014.

9.1.3 Refinancing Risk

Guyana's external debt portfolio is not highly exposed to refinancing risk since it consists mostly of long-term concessional debt. Refinancing risk is the risk that large volumes of debt will fall due within a short period exposing the borrower to the risk that the debt cannot be serviced or can only be rolled over at significantly higher cost. Notably, the domestic debt portfolio has a high level of refinancing risk since the bulk of the portfolio consists of T-bills which have a maturity of one year or less. The average total share of short-term debt to domestic debt of the domestic portfolio was 94.6 during the review period.

10 Debt Sustainability Evaluation

10.1 International Monetary Fund

The IMF Staff Report for the 2016 Article IV Consultation - Debt Sustainability Analysis (DSA) - indicated that Guyana's external debt burden thresholds are associated with a medium policy performance rating. This is because the three-year average of the CPIA (Country Policy and Institutional Assessment) remained stable at 3.3. This rating implies that Guyana's debt sustainability will be assessed under the following thresholds: (i) a PV of debt-to-GDP ratio of 40 percent; (ii) a PV of debt-to-exports ratio of 150 percent; (iii) a PV of debt-to-revenue ratio of 250 percent; and (iv) debt service-to-exports and revenue ratios of 20 percent, respectively.

The IMF Report pointed out that at end-2015, Guyana's external debt remained on a sustainable path under the baseline scenario and that the country is at a moderate risk of debt distress. The work of the IMF revealed that all the sustainability indicators remained well below their thresholds. The PV of gross external debt-to-GDP ratio was projected to range from 21 percent in 2016 to 28 percent in 2036. The IMF further stated that external debt would remain manageable as long as the government remained committed to borrowing on concessional terms. Regarding the debt service ratios, both the debt service-to-exports and debt service-to-revenue were projected to remain below their respective thresholds, being 3.7 percent and 6.3 percent, respectively, in 2016, reflecting the concessional nature of outstanding debt and new external borrowing in the near term.

The IMF has signalled that bound tests[5] and alternative scenarios show that Guyana's external debt is vulnerable to large shocks and a deteriorated economic environment. The report further stated that Guyana is still vulnerable to large terms of trade shocks given its concentration of its exports on a few commodities and dependence on imported oil. With the bound test, the PV of debt-to-GDP ratio breaches the threshold in the event of a one-time 30 percent depreciation. With regard to the repayment capacity of Guyana, under the debt sustainability stress tests, there were no breaches to the thresholds. However, the debt service-to-exports and debt service-to-revenue ratios were higher compared to the previous DSA conducted by the IMF.

Regarding total gross public debt, the study revealed that the risk of debt distress increases in 2020–21 and beyond. The nominal total debt-to-GDP ratio will reach the 60 percent threshold in 2021 and trend upwards through to 2036, while the PV of the public sector debt-to-GDP ratio was estimated to increase, reaching 61 percent of GDP in the long-term. Given these projections, the IMF recommended that fiscal consolidation is needed to place the debt on a steadily downward path.

Total public debt is also vulnerable to standard shocks[6]. This vulnerability highlights the need for Guyana to monitor closely the Public Sector Investment Program (PSIP) to ensure that the projects are financially

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[5] Bound tests are *temporary* shocks that last one or two years, after which the modified variables return to their baseline values. The bound tests were calibrated to yield roughly a 25 percent probability of shock occurrence at a 10-year horizon, based on stochastic simulations for a representative PRGT-eligible country. The 10-year horizon was intended to strike a balance between the uncertainty of long-term projections and the desire to capture debt service on loans with long maturities and grace periods.

[6] Standard shocks are the standardised tests that are conducted under unfavourable economic scenarios to determine whether the economy can withstand various adverse economic developments.

viable and that they increase the economy's productivity. The PV of debt-to-GDP ratio is most vulnerable to shocks to GDP growth. Assuming GDP growth is at historical average minus one standard deviation[7], the PV of debt-to-GDP ratio would increase to 47 percent in the medium-term and 68 percent by 2036, which is 6 percentage points higher than the baseline scenario. The analysis revealed that, although debt service payments will remain manageable in some scenarios, debt service could increase to as much as 20 percent of revenues, which could divert substantial resources away from public investment and social spending.

The report concluded by stating that, although Guyana's risk of debt distress remains moderate, the indicators show an increase in the long-term. In addition, the analysis revealed that debt service would remain manageable. However, with some scenarios and bound tests, debt service is projected to increase significantly which, would, in turn, reduce the amount of resources available to public investment and social spending.

The IMF recommends that the Guyanese authorities should proceed with extreme caution (e.g., by ensuring that the projects are financially viable and that they increase the economy's productivity) and take steps to improve debt management. The report stated that the Government may need to finance persistent deficits through non-concessional debt, including domestic borrowing. However, this may bring additional risks which are not captured in this Low-Income Countries Debt Sustainability Analysis (LIC-DSA), and as such will need to be closely monitored.

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[7] A descriptive statistic that shows how much variation from the average exists.

11 Institutional Developments

The Institutional Framework for Public Debt Management is one which combines legislature and institutions, creating a governing framework for Public Debt Management in Guyana. The following section deals with each component of the governing framework.

11.1 Public Debt Legislation Agenda

11.1.1 Existing Structure

A strong legal framework is critical to effective debt management. Such a framework is defined as one which clarifies who has the authority to borrow, invest, and undertake transactions on the Government's behalf; clearly specifies the organisational framework for debt management, ensures that mandates and roles are well articulated; and that the framework is fully supported by the authorities.

At present, in Guyana, there are five (5) primary Acts which define the legal framework for Debt Management. These are briefly summarised in Figure 19 and listed below:

1) External Loans Act of 1974 (last updated-1991)
2) The Guarantee of Loans (Public Corporation and Companies) Act of 1974
3) Financial Administration and Audit Act of 1963
4) General Local Loan Act of 1941 (Amendments- 1965, 1975, 1984)
5) Fiscal Management and Accountability Act of 2003

Figure 19: Legal Acts Governing Debt Management in Guyana

External Loan Act of 1974	Sets broad parameters for external borrowing; stipulates the authority to raise loans and procedures to be followed (Tabling before the National Assembly, repayments to be made from the consolidated Fund etc.)
Guarantee of Loans (Public Corporations and Companies) Act of 1974	Stipulates the reporting requirements regarding details of new guarantees to the National Assembly.
Financial Administration and Audit Act of 1963	Addresses short term local borrowing. Parts have been repealed and replaced by provisions under the FMAA
The General Local Loan Act of 1941 (amended 1965, 1975 & 1984)	Stipulates the authority of the Minister of Finance regarding internal borrowing & the role of the Bank of Guyana, mainly regarding issuance and redemption of debentures
The Fiscal Management and Accountability Act (FMAA) of 2003	Specifies the sources of finance available to the Government and reasons for borrowing. State that government guarantees may only be issued to a public entity and requires that all guarantees are monitored.

The External Loans Act of 1974 and the Fiscal Management and Accountability Act (FMAA) of 2003 continue to be the most important laws underpinning public debt management and the financial and accounting operations within the Ministry of Finance. Under the current legislation, the authority to undertake all borrowing operations for the country, on behalf of Government, resides solely with the Minister of Finance. The Minister of Finance delegates all debt related operations through the Debt Management Division (DMD). However, there are certain debt management and resource mobilisation functions which are not specifically covered under these laws.

11.1.2 A Critical Overview of the Existing Legislation

The existing legal framework for debt management in Guyana is not consistent with many of elements of international best practices and would need to be improved. The FMAA attempted to fill some of the gaps in the legislation and identifies the Ministry of Finance as being principally responsible for managing the public debt and cash-flow as they pertain to the Treasury functions.

However, this Act still needs further elaboration regarding the management of borrowing, lending, investments and guarantees. In addition, the existing legislation does not require an approved medium-term debt strategy being linked to a high-level debt management objective, expressed in terms of the cost-risk borrowing preferences of the Government.

Currently, debt levels and ceilings in the law are not linked to fiscal and macroeconomic conditions. There is also no requirement for the involvement of the Parliament or the Cabinet in the drafting or approval of the National Debt Strategy and; no guidance regarding the organisational structure for debt management, the roles of debt management officials and their relations with fiscal, monetary and other agencies. Finally, current legislation does not address the public dissemination of information or the flow of information among agencies regarding the public debt

Transparency in debt management operations is an integral component of sound debt management practice. While the existing legal framework provides for the auditing of loans, there is no requirement for the specific auditing of the Debt Management Division and its debt operations. There is no provision for the evaluation of debt management activities and outcomes against goals and objectives in what is called performance auditing. Sound practice in public debt management requires the auditing of public debt management operations, especially activities related to the formulation of the debt strategy, recording and accounting for debt, debt system administration, and management of loan records.

In terms of weaknesses of the existing legislation, the following were found:

- There is *no single consolidated debt management legislation* to prescribe the conduct of debt operations consistent with internationally accepted tenets of sound public debt management.
- There are *no clear high level debt management objectives* expressed in terms of cost or risk against which the government's performance can be assessed, for example, "Central Government funding should be met", the "cost of debt should be minimised in the medium term", the "risk of the portfolio should be kept at acceptable levels".
- While there is legislation which governs the issuance of loan guarantees and on-lending, there is *no corresponding operational policy or procedure that details the on-lending* process.

- There is *no mandate within the Primary Legislation to prepare a Debt Management Strategy* that makes the government's high level debt objective operational.
- The *Law does not mandate annual reporting to the Parliament* on debt management activities, including evaluation of debt management performance against established strategic benchmarks and a formulated and an approved debt management strategy.
- Primary Legislation *does not specifically mandate that external audits* be carried out on debt management activities.
- There is *no single annual borrowing limit* linked to the broader economic or fiscal performance; rather, there are several limits applied to different types of instruments under various Acts e.g. External Loans, Domestic Loans and Loan Guarantees.
- There are *no articulated roles and responsibilities of entities* associated with government debt management, including other Ministries, Bank of Guyana and Parliament.
- There is *no requirement for external auditing, compliance or performance auditing* of debt management operations.
- There is *no high-level Public Debt Management Committee* or similar decision making committee that provides oversight of debt management operations and acts as advisor to the government on debt related matters.

11.1.3 Improving the Existing Legal Framework for Public Debt Management

With the help of an IDB funded Consultant, a single Public Debt and Aid Management Act and Regulations were drafted in 2006. This important draft legislation was never enacted. There are plans in place in the second half of 2016, with external assistance from the Commonwealth Secretariat, to have the draft Public Debt and Aid Management Act and Regulations reviewed and updated. Once the current debt legislation is revamped and the several existing Acts are replaced with a single Public Debt Management Act, this legislation should be enacted in the near future.

Borrowing limits would be specified for total public debt (external and domestic) and provide the needed flexibility to borrow in new markets and with new instruments in tandem with the changing global financial architecture. In addition, the legislation would establish rules for on-lending arrangements. It would create a legal mandate for the DMD established in the Ministry of Finance, and formalise its role as the lead agency for public debt management. It would also establish domestic debt functions in the DMD. By assigning responsibility for roles, defining debt management objectives, and establishing audit procedures, the legislation would improve the accountability, transparency and precision of Guyana's debt management.

11.1.4 Progress with Legal Framework in Public Debt Management

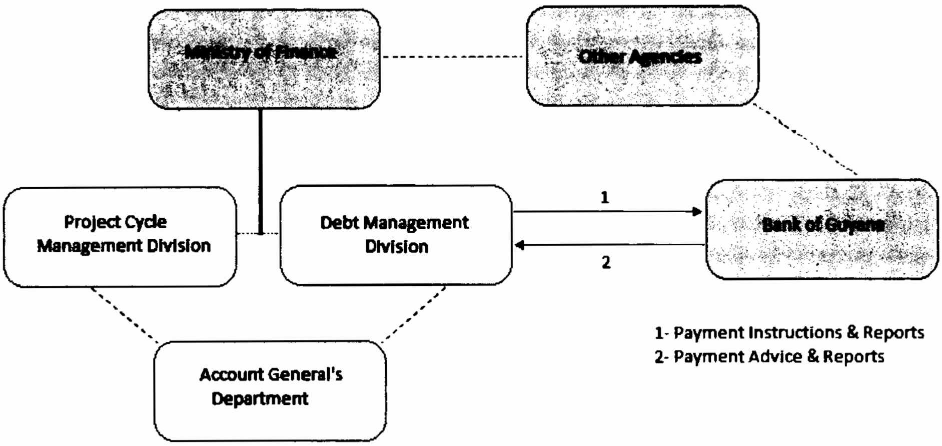
A major initiative undertaken in Public Debt Management in Guyana included a review of the legal framework for debt management. This initiative was conducted under the Fiscal and Financial Management Programme (FFMP), a programme funded by the IDB. Under the FFMP, a consultant was contracted to prepare a unified law for public debt management, inclusive of regulations and standard forms. It was out of this process that the draft version of a unified Public Debt Management Act, and its associated regulations, emerged. As it stands presently, this draft act is yet to be implemented by the authorities.

11.2 Institutional Framework

In the current institutional structure, debt management activities are fragmented, occurring in two main agencies viz. the Ministry of Finance and the Bank of Guyana. Within the Ministry of Finance, the Project Cycle Management Division (PCMD) including the Public Sector Investment Programming Department (PSIP) the Accountant General's Department and the Debt Management Division, Fiscal and Monetary Division in the Budget Office, all perform different functions for debt management.

The following, Figure 20, maps the relation of the respective agencies/departments within the broad institutional framework.

Figure 20: Institutional Framework of Principal Debt Management Agencies in Guyana



<u>The Principal Debt Management Entities</u>

There are three (3) entities:

1. **National Assembly (Parliament)**
   The National Assembly is the supreme legislative organ in the country. It is responsible for enacting legislation pertaining to public debt management, ratifying all external loans and approving the annual borrowing limit proposed by the Minister of Finance.

2. **Ministry of Finance**
   The Government, through the Minister of Finance, is responsible for managing and accounting for the public debt and contingent liabilities. The Ministry of Finance is the main institution responsible for external debt management and resource mobilisation. It is responsible for negotiations, renegotiations and servicing of foreign debt.

   The Ministry of Finance therefore is not only responsible for formulating and implementing a coherent and effective fiscal policy and providing for the adequate management of public financial resources but it is also responsible for public debt management.

   The FMAA, Section 57 (2) states that the Minister of Finance is responsible for:
   (i) the administration of all domestic and external indebtedness of the Government;

(ii) authorising and recording payment of all public debt obligations, including Government guarantees and contingent liabilities and;

(iii) maintaining all original documents evidencing borrowing and lending arrangements including contingent liabilities. In fulfilling its mandate, the MOF has delegated debt management functions to two internal divisions - the Debt Management Division (DMD) and the Project Cycle Management Division (PCMD).

a) Debt Management Division

The Debt Management Division (DMD) is responsible for the overall management of the public debt. By being placed in the Office of the Budget, the Debt Management division improves its coordination with departments responsible for fiscal operations and macroeconomic programming.

It is primarily responsible for:

(i) formulating the Government's debt management strategy and undertaking supporting analysis;

(ii) registering all loans contracted by Government and recording all public debts and related transactions;

(iii) payments administration;

(iv) debt reporting and;

(v) Debt restructuring and any other liability-management operations;

(vi) Negotiating and drafting the terms and conditions of on-lending arrangements and Monitoring and reporting on those already issued

The DMD also deals with renegotiation issues relating to the HIPC Initiative and, other forms of bilateral debt. It also ensures the maintenance of an active database using CS-DRMS, constituting the centre for data and technical analysis provision on restructuring and renegotiations of external debt. The DMD also liaises with the Bank of Guyana and the Accountant General's department to record information on public domestic debt. However, domestic debt administration of Treasury Bills, including recording and maintenance of those instruments are still being done by the Bank of Guyana.

b) Project Cycle Management Division

The PCMD is in charge of the aid and new foreign financing mobilisation, the programming of capital spending and projects finance with foreign resources. This includes the selection, appraisal and classification of public sector projects for further matching the required foreign financing for them.

The primary function of PCMD is to mobilise external and domestic resources in a manner that provides the best quality funding for poverty-reduction and economic development while ensuring the long-term sustainability of the public debt (domestic and external). The PCMD also coordinates with other key stakeholders involved in public investment projects in order to ensure that projects are completed successfully within the specified timeline.

The PCMD comprises three **departments**:

i. The Bilateral Department;

ii. The Multilateral Department and;

iii. The Public Sector Investment Programming Department

In addition to the DMD and the PCMD, another office integral involved in debt management operations is the Accountant General's Department.

c) The Accountant General's Department

The Accountant General's Department is responsible for all treasury operations related to the public debt. It is statutorily responsible for reporting on public and publicly-guaranteed debt and on the government accounts to the Auditor General. It is also required to approve payment orders prepared by the DMD and to authorise the Bank of Guyana to externalise payments.

In this process, the Accountant General's Department is supposed to maintain records on the debt. Its debt related functions are:

i. To provide the instructions to the Bank of Guyana to debit the appropriate government accounts for the servicing of foreign debt
ii. To (upon approval) provide the instructions to the Bank of Guyana to debit the appropriate government accounts for the servicing of domestic debt;
iii. To incorporate in its ledgers and books all the information referred to debt and aid disbursements and servicing.

3. The Bank of Guyana (BOG)

The Bank of Guyana acts as banker to the Government and as fiscal agent, trustee, and overseer of Guyana's payments system. It is also responsible for the issuance and redemption of T-bills and other domestic securities and captures information and reports on domestic debt. The DMD must work closely with the BOG to ensure that accounts earmarked for the servicing of debt are funded on time and in full, and authorisation is given to effect payment. The DMD must also liaise with the BOG to record information on public domestic debt.

With respect to Aid and Debt Management functions in Guyana, the Bank is expected to undertake:

i. <u>Recording and Management</u>
Collate and provide to the Accountant General's Department, Debt Management Division and the Fiscal and Monetary Department of the Ministry of Finance with all relevant records – external and domestic debt and aid flows including actual debt service payments with dates; disbursement data received; treasury bills issued on a monthly basis or as when required.

ii. <u>Fiscal and Monetary Policy</u>
Review and monitor the fiscal and monetary aspects of the financial system in Guyana on a weekly basis in collaboration with the relevant departments within the Ministry of Finance.

11.3 Other Key Stakeholders

The other key entities involved in public debt management, represented as 'other agencies' in Figure 20 are as follows:

1. **The Audit Office of Guyana (AOG)**
   As prescribed in the Financial Administration and Audit Act of 1962 and the Audit Act of 2004, the Audit Office is responsible for auditing the accounts of all public agencies, including ministries and other government bodies. The AOG ensures that all monies are spent responsibly and for the purposes intended. As such, the Auditor General prepares an Annual Report on the findings of the audits conducted on the public accounts of Guyana for the preceding year including details on revenue and expenditure related to the public debt.

2. **The Bureau of Statistics (BOS)**
   The Bureau of Statistics is responsible for compiling and reporting on Guyana's macroeconomic data and statistics. The DMD and the PCMD rely on the BOS for macroeconomic data necessary to inform aid and debt strategy analysis.

3. **The Ministry of Foreign Affairs (MOFA)**
   The Ministry of Foreign Affairs (MOFA) is responsible for maintaining diplomatic relations with other countries. MOFA is mandated to assist national development by promoting cooperation regionally and internationally. Close coordination between the MOFA and PCMD is necessary in liaising with donors and arranging donor missions.

4. **The Ministry of Legal Affairs (MOLA)**
   The Ministry of Legal Affairs (MOLA) is responsible for the administration of justice in Guyana. The PCMD must work closely with the MOLA in securing legal opinions on all loan agreements and in providing legal advice in loan negotiations.

11.4 Organisational Structure of the Debt Management Division

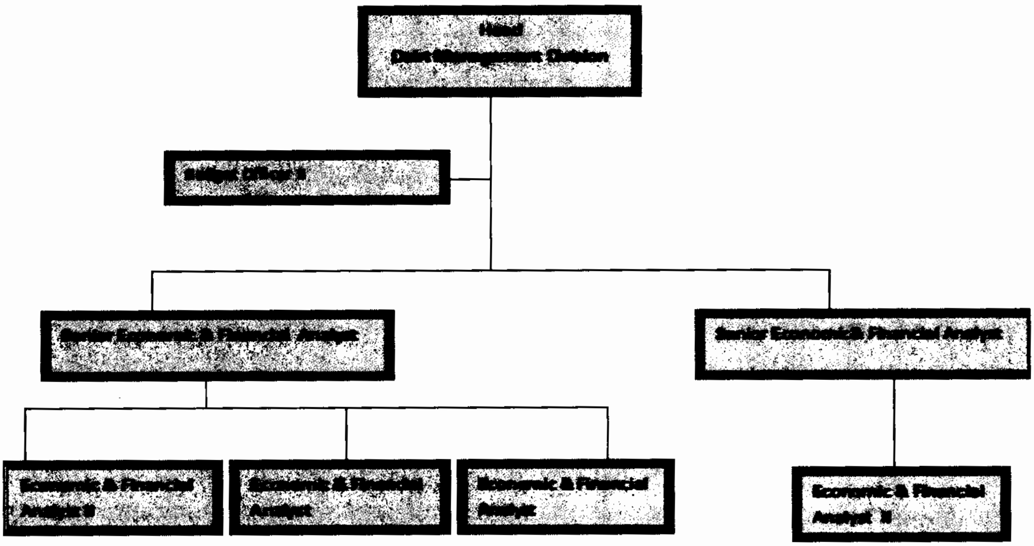
The present organisation of the Debt Management Division provides for a staff complement of eight, including the Head of the DMD. The Head of the DMD has overall responsibility for the management of the staff and work of the Division while two Senior Analysts have direct supervisory functions.

The Division is divided into two (2) sections:

i. <u>Debt Strategy and Analysis Section</u>
   This section is responsible for formulating the Government's debt management strategy, analysing the debt portfolio, and for producing reports on debt management for different parities including the Minister, the National Assembly, and multilateral creditors. It also is involved in the Debt Sustainability exercise undertaken in conjunction with the Bank of Guyana and the Project Cycle Management Division.

ii. <u>Loan Administration Section</u>
   This section is responsible for debt operations which include the registration and recording of public debt; payments administration; debt reconciliation and data validation; and issuance of guarantees and on-lending arrangements.

Figure 21: Debt Management Division, Office of the Budget Organisational Chart



11.4.1 Modernising the Debt Management Division

Modern debt offices are increasingly structured along functional lines with a clear segregation of duties in functional areas commonly referred to as the *front-, middle-, and back-offices*. Each functional area has clearly defined objectives, responsibilities, reporting lines and accountabilities. Work organised along these functional lines allows for a better streamlining of debt management functions. Such a structure provides for greater synergy and improved coordination between those formulating the debt strategy and those implementing the debt strategy and; between those executing the borrowing plan and those recording and reporting on the transactions. Adopting this structure for government debt management offices is a key component of prudent and modern debt management.

In the case of the DMD, there are two (2) factors that militate against such an organisational structure:

i. **<u>Understaffing of the Division</u>**

The DMD office has a small staff size which comprises only six (6) staff members including the Head of the Division, which severely hinders the organisation, streamlining and functions of a modern debt office.

ii. **<u>'Front Office' Functions</u>**

At present, DMD performs few front office functions. These functions which involve funding the government's borrowing requirement are undertaken by different agencies. In the case of domestic debt, the Bank of Guyana undertakes the responsibility and, in the case of external debt, the PCMD.

However, despite these constraints, there is still room for a better delineation of functions between debt administration (the *back office* functions) and debt analysis, debt reporting and strategy formulation (*middle office* functions). Typically, the skills and aptitude required of the staff to perform these functions are different. As a result, identifying staff with the appropriate skills for each functional area and assigning them accordingly allows for better streamlining of work. It also allows for better utilisation of staff skills and expertise, thus improving the efficiency at which tasks can be done.

Consideration should be given to reorganising the DMD to achieve improved staff functionality. This involves streamlining some staff to do work in an analytical aspect and others, in a more operational frame. Job descriptions could be reviewed and updated to reflect this reorganisation and to clarify responsibilities, coordinate activities, and increase accountability of staff with regards to designated tasks. Such a reorganisation would help to minimise operational risk and make the current debt operations in the DMD more effective, efficient and, by extension, more productive.

11.5 Technical Assistance

11.5.1 Past Interventions in Debt Management

Over the years, Guyana has benefitted from assistance provided by a number of international organisations in the area of debt management including; Commonwealth Secretariat with their flagship debt recording software (CS-DRMS), Debt Relief International (DRI) and the Centre for Latin American Monetary Studies (CEMLA) - which were part of the HIPC Capacity Building Programme (HCBP), Inter-American Development Bank (IDB), the European Union (EU) and the United Nations Conference on Trade and Development (UNCTAD).

11.5.2 Current Interventions

Guyana is working with the CEMLA, a regional partner, who has agreed to enter into a medium-term cooperation framework to provide country-specific capacity building support in public debt management. CEMLA, through the financing of the Swiss Government (SECO), conducts a Public Debt Management Capacity Building Programme (PDP), which is being undertaken in Guyana. The PDP was developed in response to the risks and vulnerabilities associated with public debt in the globalised financial system, as has been demonstrated clearly by the recent international financial crisis.

These associated vulnerabilities demonstrated the need for ongoing improvements in the analyses and management of financial liability. The primary aim of the programme is to assist governments in maintaining public debt sustainability and, improving macroeconomic management by helping them design and implement sound public debt and financing strategies.

The PDP can perform a number of activities, including:

a. Design of financing strategies, covering: external financing and renegotiation; domestic financing and restructuring; sustainability analysis at the central government and sub-national levels and; legal and institutional framework;
b. Debt portfolio and risks analysis;
c. Other areas based on country-specific demands.

The PDP's objective is to provide country-specific capacity building support in public debt management on a demand driven basis. To understand a country's specific needs, a Demand Assessment Mission (DAM) is designed to assess the country's debt management capacities and serve as a basis for formulating and/or updating a training programme. The objective of the DAM in Guyana's case was therefore two-fold:

i. To undertake a debt management performance assessment based on the World Bank's Debt Management Performance Assessment methodology (DEMPA) and;
ii. To prepare a Country Strategic Plan (CSP) based on the assessment of debt management capacities and priority areas identified by the Government.

After assessment in the DAM, the CSP for Guyana was designed considering four (4) main areas of intervention viz. 'Back-Office' (BO); 'Middle-Office' (MO); 'Front-Office' (FO) and Regulatory Framework (RF). This design was considered based on an assessment of public debt management capacities.

Generally, the overall results for the implementation of the Country Strategic Plan are expected to be as follows:

i. Participants applying acquired knowledge into formulation and implementation of national debt strategies;
ii. Trained trainers implementing national workshops;
iii. Government having the sustainable capacity to update Debt Strategies and conducting financing analysis on a regular basis;
iv. The enhancement of the operational framework as the debt management capacities and coordination are strengthened
v. An improvement in the quality of debt management, enhanced by a more efficient and effective coordination with fiscal and monetary policies

Box 2- CEMLA's Intervention in the area of Debt Management in Guyana

Area of Intervention	Aspect Addressed	Components Identified
1. Back Office	Operational Aspect of Debt	• Operational Risk Management • Debt Records and Reporting • Debt Database • Training on domestic market development
2. Middle Office	Evaluation and Analysis Aspect of Debt Management	• Debt management and strategy • Coordination with Fiscal Policy
3. Front Office	New borrowing of loans	• External Borrowing
4. Regulatory Framework	Legal Framework governing Debt Management	• Debt Management Objectives • Preparation of a Public Debt Strategy • Timing of the approval of the strategy • Accountability • Clear separation of functions

In addition, Guyana intends to seek the assistance of other development partners, such as the Commonwealth Secretariat in strengthening the area of Debt Management in terms of the legal framework.

11.6 DMD Participation in Seminars and Workshops

Figure 22: Participation in Seminars and Workshops

No.	Training	Person(s) Attended	Location	Dates
1	CS-DRMS Training for Trainers Workshop	Shaundell Brotherson	United Kingdom	January 22-23, 2015
2	Five-Day Meeting to undertake Reconciliation of debt and rice and paddy shipments under Petrocaribe and Guyana Rice trade Arrangements and to finalize 8th Debt Compensation Agreement.	Donna Yearwood Diwali Komal-Persaud	Venezuela	January 26-30, 2015
3	CEMLA-World Bank-International Monetary Fund (IMF) Joint Regional Training Workshop on the Debt Sustainability Framework (DSF) for Low-Income Countries (LICs)	Donna Yearwood Errol LaCruise Diwali Komal-Persaud	Mexico	May 25-29, 2015
4	Fifteenth Meeting of the Ministerial Council of Petrocaribe [illegible]	Donna Yearwood Hon. Winston Jordan	Venezuela	June 29-30, 2015
5	Five-day Meeting between Governments of Guyana and Venezuela (PDVSA and CORPOVEX) to finalize 9th Debt Compensation Agreement, Undertake Reconciliation of all debt and rice and paddy shipments under Petrocaribe and Guyana Rice trade Arrangements [illegible]	Donna Yearwood Diwali Komal-Persaud	Venezuela	July 27-31, 2015
6	The [illegible] Annual Proceedings of the Latin American and the Caribbean (LAC) Debt Management Specialist (DMS)	Haing Wong	Barbados	August 12-14, 2015
7	CEMLA-World Bank-International Monetary Fund (IMF) Joint Regional Training Workshop on Medium-term Debt Strategy	Donna Yearwood Errol LaCruise Natasha Gaskin-Peters	Mexico	September 21 - 25, 2015
8	[illegible] Workshop on Sustainable Funding Strategy	Donna Yearwood Shaundell Brotherson Errol LaCruise Diwali Komal-Persaud Haing Wong Dawn Bowman	Guyana	November 30 to December 11, 2015

11.7 Photos taken at Workshops and Seminars

Figure 23 Commonwealth Secretariat's Trainer for Trainers Workshop -Ms. Shaundell Brotherson (Back Row: second from right)

11.8 Next Steps for Guyana's Debt Management

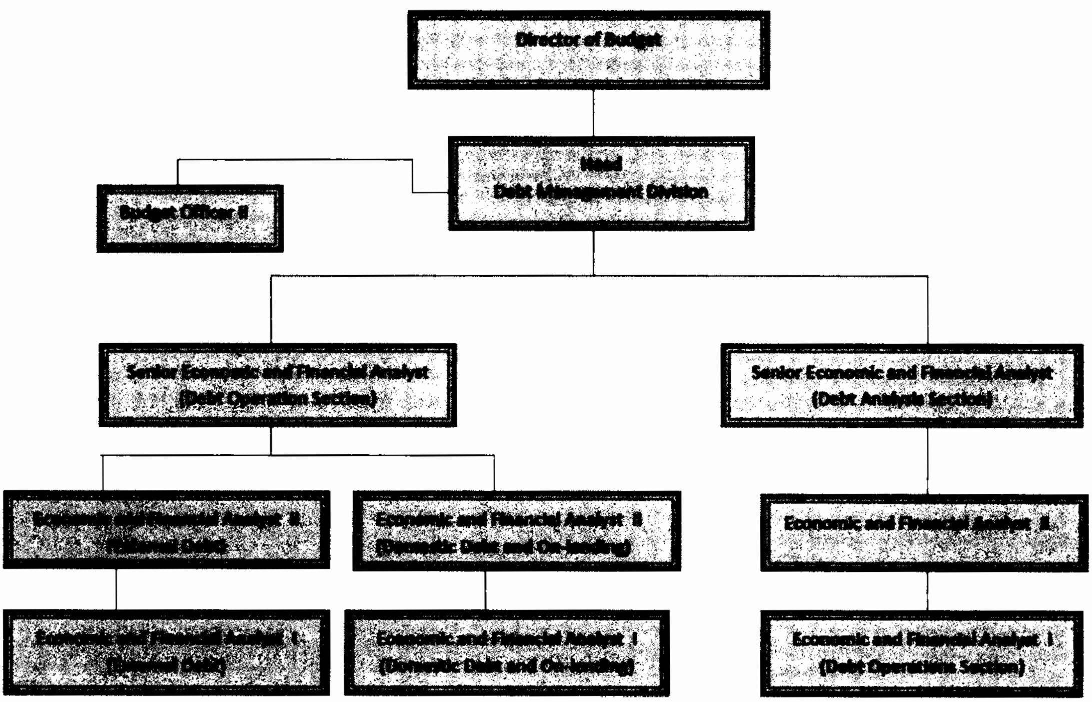
In keeping with the global developments of debt management, a number of key points have been identified in the improvement and modernisation of the Debt Management of Guyana. These points are as follows:

1. **Improvement to Organisational Structure of the DMD Office**

   Consideration will be given to reorganising the DMD to achieve greater streamlining of functions. This requires a portion of staff to be engaged in the analytical component of debt management, and others, in more operational activities. Job descriptions need to reviewed and updated to reflect this reorganisation and, so as to better clarify duties, streamline activities, and increase the accountability of staff. Such a reorganisation would also help to minimise operational risk and make the current debt operations in the DMD more effective and efficient.

   Below is a proposed organisational structure of DMD which will have DMD split into *Back Office (Operations)* and *Middle Office (Analysis)* functions, in keeping with a modernized debt office. Such a structure will allow for a better delineation of tasks to staff, and herein, improved productivity. *However, the modernisation of the debt office will require a staff complement of ten (10), inclusive of nine (9) technical staff.*

Figure 24: Proposed Organisational Structure of the Debt Management Division



2. **Legal Framework**
   The authorities have agreed to undertake work to review and revamp current debt legislation. This necessarily involves the replacement of the currently existing, but fragmented, debt management legislature into a single, comprehensive and coherent Act.

3. **Public Debt Management Committee**
   An oversight committee will be set up to steer debt management policy and provide oversight to debt management operations. The technical work group that was established in 2015 will undertake the analytical work but it was agreed that this working group should be a *complement to* rather than *a substitute* for a high-level policy committee.

4. **Medium-Term Debt Strategy**
   In the future, Guyana will work on the formulation and implementation of a medium-term debt management strategy which needs to be formally integrated into the economic policy framework.