

# Guyana: Country Experience with Institutional Reform

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# Key Indicators

Indicators	At Dec 31, 2012	At Dec 31, 2011
Total Public Debt (US\$ millions)	<b>1,815.59</b>	<b>1,720.61</b>
<i>of which External</i>	<b>1,358.56</b>	<b>1,205.58</b>
<i>of which Domestic</i>	<b>457.03</b>	<b>515.03</b>
Total Public Debt to GDP (in %)	<b>63.7</b>	<b>66.8</b>
Of which External Debt to GDP (in %)	<b>47.6</b>	<b>46.7</b>
External debt service payments (% of exports)	<b>2.5</b>	<b>2.8</b>
Total Public debt service payments (% of revenue)	<b>9.4</b>	<b>10.9</b>
Source: Ministry of Finance 2013 Budget Speech and Bank of Guyana Statistical Bulletin		

Guyana is a Post HIPC country. Currently classified as a Lower Middle Income Country with a Moderate Risk of Debt Distress.

Having benefited from considerable debt relief and positive economic growth over the past two decades, Guyana's overall public debt is currently on a sustainable path.

# Current Institutional Structure

Ministry of Finance



## Project Cycle

### Management Division

- ❖ Plans government borrowing and PSIP
- ❖ Negotiates and contracts loans and grants
- ❖ Coordinates with DMD to ensure new debt is concessional

### Debt Management Division

- ❖ Monitors and Manages debt
- ❖ Implements Policy and Strategy
- ❖ Maintains loan documents and records
- ❖ Updates and maintains loan data bases (CS-DRMS & Excel)
- ❖ Produces reports
- ❖ Restructures and renegotiates debt
- ❖ Debt Sustainability Analysis
- ❖ Assists with Domestic Debt

Payment  
Instructions,  
Reports



### BOG

- ❖ - Pays debt service upon request by MoF
- ❖ - Manages FOREX to ensure payments are met
- ❖ - Manages Domestic Debt (T-Bills and BOG Debentures)

Payment Advice,  
Reports

### Accountant General's Department

- ❖ Manages treasury functions related to debt
- ❖ Reviews payment orders from DMD
- ❖ Maintains Public Debt Records
- ❖ Reports to Auditor General

### OTHER AGENCIES (Aid Mobilisation)

- Office of the President
- Ministry of Foreign Affairs
- Ministry of Foreign Trade and International Cooperation
- Ministry of Legal Affairs (*Legal Opinion*)

# Legal Framework

The External Loans Act of 1974

Sets broad parameters for external borrowings; stipulates the authority to raise loans and the procedures to be followed (Tabling before the National Assembly, repayments to be made from the Consolidated Fund etc.)

The Guarantee of Loans (Public Corporations and Companies) Act of 1974

Stipulates the reporting requirements regarding details of new guarantees to the National Assembly

The Financial Administration and Audit Act of 1963

Addresses short term local borrowing. Parts have been repealed and replaced by provisions under the FMAA (below)

The General Loans 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. States that government guarantees may only be issued to a public entity and requires that all guarantees are monitored

**Administrative Circulars** not yet approved. Intended to implement some of the recommendations in the EU sponsored project to improve the legal framework for debt management

# Early Institutional Strengthening and Reforms

- The need for a centralised debt management office was recognised in the 1984 budget speech but the Guyana Debt Management Division (DMD), within the Ministry of Finance was only formally established in 1986.
- At that time, capacity constraints resulted from an unstructured environment characterized by cramped physical space, few calibre and administrative staff (due to poor emoluments), minimal equipment (computers) and facilities, and some hostility by existing debt agencies .
- COMSEC provided technical and advisory services in the setting up of the DMD, as well as general Macroeconomic advice during the late 1980's and 90's.
- DMD received initial assistance in the form of computer hardware, programmes and technical assistance from the UNDP, the Commonwealth Fund for Technical Assistance (CFTC) and International Development Research Centre (IDRC)
- In the early 90's, some capacity was also built in debt renegotiation and analysis with assistance from the World Bank and COMSEC.

# Institutional Strengthening and Reform: HIPC Capacity Building Program

- The HIPC Capacity Building Programme (CBP) was funded by donor governments and implemented by Debt Relief International (DRI) and its regional partners including Centro del Estudios Monetarios Latino Americanos (CEMLA)
- The aims of the HIPC CBP in Guyana were:
  - To assist in designing a debt management capacity-building programme for the medium term, and
  - To strengthen the linkages between debt management and macroeconomic analysis, in order to formulate a debt sustainability strategy, develop renegotiations skills and capacity etc.
- Guyana benefited from:
  - Institutional Missions that helped to identify weaknesses and made recommendations for improving debt management and coordination
  - Intensive training (International, Regional and National Workshops) which provided hands-on training in debt sustainability analyses and development of a National Debt and New Financing Strategy

# Institutional Strengthening and Reform: Commonwealth Secretariat

- The Commonwealth Secretariat has provided assistance to strengthen Guyana's recording and management of public debt with the provision of CS-DRMS and follow-up training and technical support
- COMSEC assisted Guyana with numerous training and capacity building initiatives such as;
  - The E-learning program where most of the current staff of the DMD and selected BoG officials were trained in loan administration and the use of CS-DRMS
  - Training of trainers in CS-DRMS and in-country training on CS-DRMS External Debt Module
  - Training on the preparation of Statistical Bulletin and debt reports
- COMSEC has assisted the Bank of Guyana to streamline domestic debt management, in particular, the introduction of CS-DRMS Auction Module for the management of T-bills



# Recent efforts at Institutional and Legislative Reform

- The European Union, under its Poverty Reduction Budget Support Project in 2007 identified several priority areas for improving Debt Management in Guyana and provided TA through:
  - Institutional review missions,
  - Development of a Procedures Manual for Aid and Debt Management,
  - Training to enhance the technical skills and capacity in debt strategy and sustainability analysis, portfolio review and to produce the DMD's Annual Report
- The Inter-American Development Bank (IDB) also provided assistance to finalise new legislation to bring Guyana's law on debt and aid management into line with international best practices

# Recent efforts at reform: Outcomes

There has been some improvement, in areas such as:

- National debt strategy – Guyana updated its national debt strategy periodically, but this has lapsed since the last strategy in 2009.
- External debt recording, renegotiation and debt servicing – there is good debt recording with information that is reliable and timely. There is also a core team of capable officials available for debt negotiations.
- Capacity building plan - Guyana has been able to develop and pursue a consistent and comprehensive capacity building plan
- Development of a Procedures Manual for Aid and Debt Management that sets out the work functions of the departments involved in aid and debt management
- Technical Analysis – Guyana has developed internal capacity to better perform analyses related to public debt management

# Recent efforts at reform: Challenges

- A new Public Debt and Aid Act was proposed in order to establish clear cut functions for Aid and Debt Management activities, and help improve the effectiveness and efficiency of Aid Mobilisation
- This Act was not formalised or implemented, instead it was decided that the provisions of the act regarding the roles and responsibilities of the agencies responsible for aid and debt management would be implemented through the use of Administrative Circulars.
- Administrative circulars were drafted but not finalised or approved.
- There is a need for advocacy (both external and internal) at higher administrative levels to ensure that proposed reforms are carried out.
- In terms of staffing, the DMD is supposed to have a staff complement of eight (8) but currently there are only seven (7) persons. Frequent staff turnover has been minimised but low remunerations remains an obstacle to the transfer of skills.

# Priority Areas and Needs

- There is a need for assistance in streamlining the institutional arrangements for domestic debt and training in domestic debt management
- Assistance in capturing all domestic debt instruments in CS-DRMS
- There is need for the development of an On-lending database to capture loans that were on-lent to Parastatals.
- In-house capacity to install, maintain and troubleshoot CS-DRMS needs to be rebuilt following the departure of the IT trained staff responsible for these tasks
- Training on the Public Debt Analytical Tool (PDAT)
- Advanced training in CS-DRMS, report preparation, portfolio analysis, reporting on statistics (statistical bulletins) and debt sustainability analyses

# Conclusion

- Guyana has benefited much from assistance in improving the Institutional and Legal Framework for Public Debt Management which has resulted in considerable improvement in domestic capacity and systems in place to effectively management the Public Debt.
- However, the Legal Framework has not yet been amended, in particular as it relates to clearly defining the roles of the agencies involved in Public Debt Management.
- There is a need for advocacy both internationally and locally in order to effect changes in the Institutional and Legal Framework for Public Debt Management.

**THANK YOU!!!**