

Guyana - Extended Arrangement

1. Annexed hereto is a letter dated May 12, 1979 from the Minister of Finance and the Governor of the Bank of Guyana setting forth:

(a) The objectives and policies that the authorities of Guyana will pursue for the period of the extended arrangement;

(b) The policies and measures that the authorities of Guyana will pursue for the first year of the extended arrangement; and

(c) Understandings of Guyana with the Fund regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of Guyana will pursue for the second and third years of the extended arrangement.

2. The International Monetary Fund grants this extended arrangement to support these objectives, policies, and understandings.

3. Guyana will remain in close consultation with the Fund during the period of the extended arrangement. These consultations may include correspondence and visits of officials of the Fund to Guyana or of representatives of Guyana to the Fund. For the purposes of these consultations, Guyana will provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with Guyana's objectives and policies set forth in the annexed letter. In particular, Guyana will consult with the Fund on the adoption of any measures that may be appropriate at the initiative of Guyana or whenever the Managing Director requests consultation because any of the criteria in paragraph 31 of the annexed letter are not being observed or because he considers that consultation on the programme is desirable. In addition, after the period of the extended arrangement and while Guyana has outstanding purchases in the upper credit tranches, the Government will consult with the Fund from time to time, at the initiative of the Government or at the request of the Managing Director, concerning Guyana's balance of payments policies.

4. For a period of three years from June , 1979, Guyana will have the right, after making full use of any reserve tranche that it may have at the time of making a request for a purchase under the extended arrangement, to make purchases from the Fund in an amount equivalent to SDR 62.75 million as follows:

(a) Until June , 1980 purchases under this extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 25 million provided that:

(i) Purchases shall not exceed the equivalent of SDR 19 million until September 30, 1979, and the equivalent of SDR 18 million until January 31, 1980; and

(ii) The right of Guyana to make purchases during the first year under this arrangement shall be subject to paragraph 31 of the annexed letter.

(b) Until June , 1981 and June , 1982 purchases under this extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 45 million and SDR 62.75 million, respectively, and the right of Guyana to make purchases shall be subject to:

(i) Such phasing during each of these years as shall be determined; and

- (ii) Suitable performance clauses to be established in consultation with the Fund before the beginning of the second year and the beginning of the third year of the extended arrangement, respectively, as contemplated in paragraph 32 of the annexed letter.

(c) Each purchase under this extended arrangement shall be made with supplementary financing until total purchases under this extended arrangement reach the equivalent of SDR 7.25 million, and then from ordinary resources and with supplementary financing in the ratio of one to one.

5. Purchases under the extended arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, and may be made in special drawing rights if, on the request of Guyana, the Fund agrees to provide them at the time of the purchase. Purchases shall be made in exchange for the currency of Guyana.

6. Guyana will pay a charge for this extended arrangement in accordance with the decisions of the Fund.

7. Subject to paragraph 4 above, Guyana will have the right to engage in transactions covered by this extended arrangement. This right can be suspended only with respect to requests received by the Fund after (a) formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or limit the eligibility of Guyana. Such notice of a decision to consider a proposal is given pursuant to this paragraph 7, purchases under the extended arrangement will be resumed only after consultation has taken place between Guyana and the Fund and understandings have been reached regarding the circumstances in which such purchases can be resumed.

8. (a) Repurchase of the outstanding amount of Guyana's currency which results from a purchase under this arrangement and is subject to charges under Article V, Section 8(b):

- (i) May be made at any time;
- (ii) Will be expected normally as the balance of payments and reserve position of Guyana improves;
- (iii) Shall be made in accordance with the representation of the Fund if, after consultation with Guyana, the Fund represents that under its policies at the time of the repurchase Guyana should repurchase because of an improvement in its balance of payments and reserve position;
- (iv) With respect to purchases from ordinary resources, shall be completed eight years after the date of the purchase, provided that the repurchase shall be made in equal quarterly installments during the period beginning four years and ending eight years after the date of the purchase unless the Fund approves of different schedule; and
- (v) With respect to purchases with supplementary financing, shall be completed seven years after the purchase, provided that the repurchase shall be made in equal semi-annual installments during the period beginning three and one half years and ending seven years after the purchase.

(b) Any reductions in Guyana's currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction, provided, however, that a repurchase attributed to a purchase with supplementary financing in advance of the schedule in (a)(v) above shall be accompanied by a repurchase in respect of the purchase from ordinary resources made at the same time if any part of the latter purchase is still outstanding. The amounts of the two repurchases shall be in the same proportions in which ordinary resources and supplementary financing were used in the purchases, provided, however, that the repurchase in respect of the purchase from ordinary resources shall not exceed the amount of the purchase still outstanding.

(c) Repurchase shall be made with special drawing rights, or with the currencies specified by the Fund at the time of the repurchase in accordance with the policies and procedures of the Fund at the time of the repurchase.



Annex to Extended Arrangement

Georgetown, Guyana

May 12, 1979.

Mr. J. de Larosiere  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Mr de Larosiere:

1. A precipitous decline in world sugar prices, unusually adverse weather conditions and unstable industrial relations -- particularly in the Guyana Sugar Corporation -- were the principal reasons for a reduction of nearly one fourth in the value of exports between 1975 and 1977. At the same time, public sector expenditures did not adjust sufficiently to the reduced revenues. Large deficits on the current account of Guyana's balance of payments resulted, equivalent to 34 per cent of GNP in 1976 and 24 per cent in 1977, compared with a deficit amounting to less than 4 per cent of GNP in 1975. Despite a significant tightening of restrictions on imports of goods and services and some substantial recourse to foreign borrowing, Guyana almost exhausted its international reserves and incurred a sizable amount of commercial arrears to finance the balance of payments deficits of 1976 and 1977.

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2. In the course of 1978, the authorities undertook a short-term stabilization programme to bring about a considerable improvement in Guyana's balance of payments. These stabilization efforts were supported by the International Monetary Fund with a stand-by arrangement and by aid from other international organizations and foreign governments. At that time, the Government of Guyana also expressed its intention to formulate a medium-term economic programme at a later stage that could be supported with an extended Fund facility arrangement.

3. The short-term stabilization programme of 1978 was directed mainly at raising appreciably national savings. In the case of the Central Government, a policy of spending austerity was complemented with specific revenue measures, i.e., increased taxation on alcoholic beverages, cigarettes, gasoline and motor vehicles; the introduction of a sales tax; substantial increases in the contribution to various social security funds; substantial reductions in direct subsidies on consumer goods and in indirect subsidies to consumers. The Government also tightened its control over the operations of the numerous state enterprises and adjusted upwards the prices of a number of goods and services provided by these enterprises. In particular the prices of rice and sugar were virtually doubled. In addition, the prices of electricity, transport, and communications were also raised. All of these prices had remained well below their production costs for a long time. To stimulate private sector savings and to assure a better allocation of credit, both deposit and lending rates of interest were increased. The authorities also established a requirement of a 100 per cent domestic currency deposit against external arrears. Exchange restrictions were reduced through an amortization of external arrears and the rescinding of the prohibition on transfers abroad of funds arising from the depreciation allowances by foreign-based companies.

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4. Guyana met all its commitments under the stand-by arrangement and made all the purchases to which it was entitled. Public sector savings turned around from minus 3 per cent of GNP in 1977 over 5 per cent in 1978. Such savings would have been even higher had it not been for unexpected production shortfalls in the mining and sugar industries. Similarly, private sector savings remained high at 9 per cent of GNP and there was a large increase in savings deposits in 1978. Also, the rate of domestic bank credit expansion was moderate. Despite the restrained demand policies, imports could not be liberalized in part because of a lower than anticipated growth of exports. The value of imports declined in 1978 by almost 12 per cent to a level that was below that recorded in 1975. The balance of trade swung from a large deficit in 1977 to a small surplus last year, and in the same period the current account deficit declined from 24 per cent of GNP to 6 per cent. The overall balance of payments shifted from a deficit of some US\$60 million in 1977 to a surplus of US\$20 million in 1978. That surplus in 1978 was used to repay a sizable amount of external arrears and to strengthen official reserves. Unfortunately, however, the low level of imports and serious electrical power shortages had an adverse impact on economic growth; it is estimated that in 1978 real GNP declined slightly for the second consecutive year. The low level of domestic production, continued increases in import prices and the corrective measures mentioned above accelerated the rate of increase in urban consumer prices to 15 per cent in 1978.

5. Having halted the deterioration in Guyana's external position, the Government has decided to adopt a medium-term economic programme to generate higher employment, to raise economic activity from the static levels of recent years and to restore external and internal equilibrium. In support of this programme, Guyana requests the use of Fund resources under the extended Fund facility and over a period of three years in an amount equivalent to SDR 62.75 million; of this amount SDR 27.75 million shall be from ordinary resources and SDR 35 million shall be with supplementary financing. Guyana also requests that the current stand-by arrangement approved by the Fund be terminated when the requested extended arrangement is approved.

#### The Medium-Term Strategy

6. The main targets of the medium-term programme are summarized in the annexed Table 1. The most important goal is the revival of economic activities with annual growth rates of 4-5 per cent in 1979 and 5 per cent or more in 1980-81. Given the existence of substantial unused capacity, a more adequate supply of electric energy, an anticipated easing of the foreign exchange situation, and an industrial climate in which productivity growth can be co-operatively generated, the Government believes that this year's growth target can be achieved primarily with the existing capital stock, including the rehabilitation of equipment and infrastructure. But high growth and increased employment in 1980 and beyond will require substantial investments of 25 per cent of GNP or more annually. In this context, it should be noted that Guyana traditionally has had relatively high investment ratios. With an estimated increase in national savings, rising gradually from 14 per cent of GNP in 1978 to 17 per cent in 1979 and 22 per cent in 1981, the amount of foreign savings required to finance the presently projected level of investment (as well as to improve moderately net international reserves) will need to increase from 6 per cent of GNP in 1978 to 10 per cent in 1979, but decline gradually thereafter to 4 per cent in 1981.

7. To achieve these macroeconomic targets, the Government's programme addresses the following main areas: (1) programmes and policies to stimulate output and create employment; (2) income and price policies; (3) policies to raise public and private savings; and (4) external policies.

8. Guyana's economy is extremely open. Imports and exports each account on average for over two thirds of GNP. As was so evident in 1978, Guyana's capacity to grow depends, to a significant extent, on the availability of foreign exchange to import necessary inputs for production. Therefore, the Government believes that substantial financial support from the Fund, in particular at the beginning of the programme period, will assist greatly in

stimulating economic growth.

9. The Government's philosophy of socialism and tactic of resource control call for a predominant role of the public sector. It is therefore particularly important that this sector be efficient and productive. In order to oversee and coordinate more effectively the operations of the public sector, the Government established last year Cabinet Sub-committees to monitor and improve the performance of the public sector. The Government also established the State Planning Commission. The work of these committees and of the State Planning Commission has already contributed to an improvement of public sector efficiency.

10. Making the public sector more efficient and simultaneously increasing the production base require also a major restructuring of public employment. Too many Government agencies are overstaffed with clerical and other personnel. This results in a reduction in the efficiency of the agencies where they are employed, while, on the other hand, the major production sectors are short of workers. The Government undertook a sizable redeployment of personnel in 1978, and to the extent possible, it will proceed in an orderly, systematic and equitable way with the process of proper labour placement. Moreover, the public sector has been suffering from a lack of qualified personnel, particularly at the middle-management level. This shortage has and will continue to exacerbate production difficulties. The Government is attending to this problem and has established the nucleus of a National Management Training Centre which will be put on a formal legal basis this year and will be expanded and strengthened.

11. With respect to its investment policy, the Government is emphasizing quick-yielding and export-oriented as well as self-sufficiency projects in both the agricultural and manufacturing sectors. In the former, particularly note-worthy are a number of forestry projects and the completion of water control schemes that should lead to higher output in the agricultural sector. In an effort to support these major production emphases, increasing stress is being placed on an intensification of agricultural production on small farm and homestead plots. Included among new projects in the manufacturing sector are a glass factory, a textile mill, bicycle, leather and shoe factories, and a stove factory, the last with IFC participation. The Government at present is also actively engaged in overcoming weaknesses in the identification, preparation and execution of projects with the help of technical assistance from international agencies.

12. The Government also embarked upon a crop diversification programme, spearheaded by the Guyana Sugar Corporation but involving small farmers and other agencies, for the production of crops other than sugar and rice on lands which are presently either entirely unutilized or inefficiently utilized. Past mono-cultural biases have to be reduced and the diversification programmes have to be made profitable. The Government is reviewing their cost-price structures with a view to identifying the most appropriate production agencies and methods and to removing any implicit subsidies.

13. The Government recognizes the importance of the private sector's contribution to domestic output. In order to strengthen private sector confidence, the Government promulgated earlier this year the Guyana Investment Code which defines the role of the private sector in Guyana's socialist economy and welcomes foreign capital and technology.

14. In August 1977, a minimum wage agreement was signed between the Government and the Trade Union Congress (T.U.C.) that called for an increase in the minimum daily wage of most public sector employees from G\$5.50 in 1976 to G\$14.00 in 1979 in three stages. This agreement was a package which contained a provision for productivity linked incentive schemes to be established within the framework of national guidelines. The Government was confident that a significantly increased minimum wage could in itself result in higher labour efficiency and higher output, given the near-subsistence level of income of a large number of public sector employees. Private sector wages, particularly in the manufacturing sector, were not much affected by the Minimum Wage Agreement.

15. In fact, however, the Minimum Wage Agreement has not resulted in an increase in output. On the contrary, the Agreement may have been counter-productive in some instances in that it curtailed work incentive by reducing appreciably the wage differential between the lower and the middle and the upper strata of the pay scale. The incentive schemes were not put in place because of protracted delays in reaching an agreement with the T.U.C. on national guidelines. In 1978, output of the public sector is estimated to have been 5 per cent below that recorded in 1976, while that sector's wage bill rose by nearly one half over these two years. With prices rising and employment failing to expand, the large wage increases of 1977 and 1978 in effect were secured at the expense of the existing unemployed and those that entered the job market but could not readily find employment. The economy cannot afford a further raising of the minimum wage in the present circumstances. This would only lead to further unemployment and higher inflation.

16. Therefore, as part of its three-year economic programme, the Government has adopted a wage policy consistent with the objectives of raising investment and stimulating economic growth. Under this policy, there will be no increase in the minimum wage nor any other type of widespread wage and salary increase in the public sector in 1979. The wage policy will not revert to the system of incremental lists that had determined wage and salary increases prior to the Minimum Wage Agreement of August, 1977. Rather, increases in labour remuneration in the public sector will be non-inflationary and will be linked by agreement to actual increases in output. Reliance will be placed on greater production to relieve the burden of workers and on such reductions in price as can be achieved by cost efficiencies rather than from the application of subsidies. The guidelines for the incentive schemes associated with the higher production and reduced costs have already been agreed between the Government and the T.U.C. and the Government intends to implement such incentive schemes shortly in the public sector.

17. For some time the Government has followed a policy of reducing direct and indirect subsidies and restoring prices of goods and services to realistic levels. These efforts were intensified in 1978. However, a reduced number of public sector subsidies still remain in effect; they refer mainly to drainage and irrigation, transportation, and electricity rates, the production and marketing of agricultural products, water, rice and sugar. When presenting the 1979 Budget to Parliament, the Government reiterated its determination to keep subsidies to an absolute minimum. In keeping with this policy, many subsidies are slated for progressive removal. While the needs of the poorest section of the population will be taken into account, the Government does not intend to subsidize the cost of increases in energy that may be forthcoming.

18. The products subject to price controls are mostly essentials. The Government intends to eliminate most of these controls over the programme period to facilitate adequate production.

19. After the substantial tax measures taken in 1978, the required further increase in public sector savings should come primarily from austere spending policies, strengthened expenditure control, higher efficiency and improved tax administration. Tight spending policies will apply in particular to personnel expenditures. In addition to the wage policies outlined above, the Government will apply hiring policies consistent with improving the efficiency of the public sector. Moreover, the Government has already initiated a programme of job audit and evaluation in the public sector with the aim of ensuring efficient deployment of human resources and of enhancing productivity. The process of strengthening expenditure control that was begun successfully last year will be continued through substantially stepped-up auditing activities by the Ministry of Finance. On the revenue side, the anticipated recovery of output, a full year's application of the measures introduced in 1978, further price adjustments in the rest of the public sector, and generally an increase in productivity from the present low level should provide for a strong growth in revenue over the programme period. Also, as some of the public sector projects currently under construction come on stream, their anticipated operating surpluses should further strengthen public finances. In all, public sector savings are projected to increase from 5 per cent of GNP in 1978 to 13 per cent in 1981.



20. There is a need to strengthen private savings. The increase in interest rates late last year appears to have contributed to an acceleration in the growth of savings deposits in the banking system, while demand deposits declined. At the same time, public sector corporations became more cost conscious in their borrowing. Despite last year's increase, real rates of interest are still substantially negative in Guyana. In order to improve the allocation of financial resources throughout the economy, deposit and lending rates of the banking system were increased by 2 percentage points as of May 11, 1979. The Government intends to use the monetary policy instrument of interest rates more actively and flexibly in the future, particularly as a support to mechanisms for the management of Guyana's external position.

21. The strengthening of Guyana's external position over the medium-term is one of the fundamental objectives of the Government's economic policy. However, the deficit on current account of Guyana's balance of payments is expected to widen in the short run because the need for imported production inputs, energy, spare parts and investment goods is large and immediate. Also, the increase in the cost of energy will have a negative impact but the Government is presently engaged in the formulation of a comprehensive energy programme. A recovery of exports, and the completion of new projects in manufacturing, agriculture, and forestry are expected to result in a decline of the current account deficit of Guyana's balance of payments in terms of GNP beginning in 1980. In 1981, the current account deficit should reach a level equivalent to 4 per cent of GNP which the Government believes can be sustained in the medium-term. Moreover, Guyana's net international reserve position should be strengthened over the period of this economic programme.

22. The Guyana dollar has been pegged to the United States dollar since October 1975. On a trade-weighted basis and adjusted for relative prices, the Guyana dollar has depreciated somewhat over the past few years. Despite the wage developments in 1977 and 1978, Guyana continues to be competitive in foreign markets. However, the Government intends to watch closely relative cost and price movements between Guyana and its main competitors.

23. Notwithstanding a substantial reduction in excess demand, the Government still has to rely to a large extent on restrictive measures to manage Guyana's external accounts. Significant reductions in these restrictions were achieved last year, such as a sizable decrease in external arrears, speedier approval of exchange licenses, and the repeal of the prohibition on the transfer abroad of depreciation allowances by foreign companies. The Government will continue to follow similar policies, in order to restore fully the confidence that Guyana has traditionally enjoyed abroad. The speed of the liberalization of the trade and payments system will depend largely on the easing of the foreign exchange situation, but in any case, the Government intends to remove over the programme period all import and current payments restrictions maintained for balance of payments reasons.

24. The Government intends to continue to pursue careful external borrowing and debt management policies that will help avoid undue pressures on the balance of payments in future periods. Although Guyana's access to international financial markets over the past year or so was rather limited, certain weaknesses in the effective control over public sector external borrowing have become evident. To improve such control, the Government has established a foreign debt committee that has the sole right to approve the contracting and guaranteeing by the public sector of external indebtedness. The Committee is charged with maintaining an accurate and up-to-date record of such transactions. As access to international financial markets improves, the Government will make every effort to lengthen the maturity structure of Guyana's external debt. Independently, the Government will continue to seek actively additional foreign assistance predominantly in the form of balance of payments support loans at concessional terms from international development institutions and the donors to the Caribbean Group for Cooperation in Economic Development.

The Financial Programme for the First Year

25. The financial programme for the first year of this medium-term economic recovery programme will be geared mainly to consolidate the positive results of the substantial demand measures taken in 1978 and to revive domestic production. Reflecting chiefly the earlier described stance of wage policy, current government outlays are expected to increase only moderately during 1979 and early 1980. A full year's application of the 1978 tax measures and the anticipated recovery of economic activity are expected to boost current revenue appreciably. Consequently, fiscal savings are projected to improve. Capital expenditures are estimated to rise strongly from their depressed 1978 level, with particular emphasis on outlays that will have a quick production response. The expanding capital programme should lead to an increase in the overall deficit in 1979 and beyond, but higher foreign assistance should keep the need for domestic financing at acceptable levels.

26. For the rest of the public sector similar revenue and expenditure policies are projected for 1979 and early 1980. The Government is confident that the more effective control exercised over public sector enterprises, a higher degree of efficiency in these and the implementation of the Government's price policies will contribute to a strengthening of total public sector finances in 1979 and beyond.

27. Consistent with the Government's stabilization policies, a monetary programme has been drawn up. As a key variable of this programme, limits have been established on the net domestic assets of the Bank of Guyana, which are set forth in the annexed Table 2. Moreover, limits on the net credit by the banking system to the public sector have been established consistent with the fiscal policy outlined in the preceding paragraphs. These limits are set forth in the annexed Table 3.

28. Guyana incurred a substantial amount of commercial arrears in 1977. In order to quantify their level and to achieve their elimination in an orderly way, the Government introduced in mid-1978 a system requiring that all requests for foreign exchange be accompanied by a local currency deposit of equivalent amount. These deposits have been sterilized in the Bank of Guyana. After amortizing G\$26 million in 1978, such arrears at present still amount to over G\$40 million. In order to re-establish a regular flow of trade credits, the Government intends to reduce these arrears during the first year of the medium-term economic programme in accordance with the minimum schedule set forth in the annexed Table 4.

29. In order to ensure an appropriate maturity structure of external debt, the Government intends to keep the size and maturity of the external public sector debt under constant review and, specifically to limit the contracting of such debt with an original maturity of under 12 years (with the exception of trade credits) to the amounts shown in the annexed Table 5.

30. During the period of the extended arrangement, the Government does not intend to introduce any multiple currency practices or introduce new or intensify existing restrictions on payments and transfers for current international transactions, or enter into any new bilateral payments agreements with Fund members. Furthermore, the Government of Guyana does not intend to introduce new or intensify existing restrictions on imports for balance of payments reasons.

31. During any period of the extended arrangement through May 1980 in which the limits referred to in paragraphs 27, 28 and 29 above are not observed, or the intentions of paragraph 30 above are not carried out, Guyana will not request any purchase under the extended arrangement except after reaching understandings with the Fund regarding the circumstances in which such purchases may be made.

32. The Government of Guyana believes that the policies set out in this letter are adequate to achieve the objectives of its programme, but will take any further measures that may become appropriate for this purpose. Guyana will consult with the Fund, in accordance with the policies of the Fund on such consultation, on the adoption of any measures that may be appropriate. In addition, Guyana will seek to reach understandings with the Fund before May 31, 1980 and May 31, 1981 on Guyana's policy intentions and on performance clauses related to the implementation of these policies for subsequent 12-month periods.

Yours co-operatively,

/s/

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Patrick E. Matthews  
Governor  
Bank of Guyana.

/s/

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F.E. Hope  
Minister of Finance



Table 1. Guyana: Selected Indicators  
(In per cent of GNP)

	Actual		EFF Program Targets		
	1977	1978	1979	1980	1981
Real economic growth (in per cent)	-6.2	-1.0	4.5	5.0	5.5
<u>Savings and investment</u>					
Investment	30	20	27	26	26
Public sector fixed capital formation	24	18	22	21	21
Private fixed capital formation	6	4	4	4	4
Inventory accumulation	—	-2	1	1	1
National savings	6	14	17	19	22
Public sector savings	-3	5	9	11	13
Private savings	9	9	8	8	9
Foreign savings <sup>1/</sup>	24	6	10	7	4
Net foreign capital inflows	9	10	11	9	7
Overall balance (surplus -)	15	-4	-1	-2	-3
Of which: gross official reserves (increase -)	1	-8	-4	-2	-4

<sup>1/</sup> Equal to the deficit on current account of the balance of payments.

Table 2. Guyana: Ceilings on the Net Domestic Assets of the Bank of Guyana 1/

(In millions of Guyana dollars)

<u>Time Periods</u>	<u>Limits</u>
Through September 30, 1979	270
October 1, 1979 - January 31, 1980	285
After February 1, 1980 <u>2/</u>	290

1/ Defined as the difference between (1) currency issue and the domestic counterpart of the allocation of special drawing rights, and (2) net international reserves (which are presently negative) of the Bank of Guyana.

2/ Until the time that appropriate ceilings are established under the financial programme for the second year of this extended arrangement.

Table 3. Guyana: Ceilings on Net Credit  
by the Banking System to the Public Sector 1/

(In millions of Guyana dollars)

Time Periods	Limits
Through September 30, 1979	690
October 1, 1979 - January 31, 1980	725
After February 1, 1980 <u>2/</u>	735

1/ Defined as the difference between gross credit and deposits (including arrear deposits) of the Government of Guyana, Local governments, decentralized public sector agencies, social security and pension funds, and public sector nonfinancial enterprises (government corporations and government companies).

2/ Until the time that appropriate ceilings are established under the financial programme for the second year of this extended arrangement.

Table. 4. Guyana: Ceilings on External  
Payments Arrears <sup>1/</sup>(In millions of Guyana dollars)

<u>Time Periods</u>	<u>Limits</u>
Through June 30, 1979	45
July 1, 1979 - October 31, 1979	35
November 1, 1979 - February 29, 1980	28
March 1, 1980 - End of first year	20

<sup>1/</sup> These ceilings comprise arrears on payments for goods and services of both the public and private sectors, for which local currency deposits of G\$57 million had been established at the end of 1978 in the domestic banking system.



Table 5. Guyana: Limits on the Contracting of  
New External Debt Contracted by or Guaranteed by  
the Public Sector with an Original Maturity of  
Under 12 years <sup>1/</sup>

(In millions of Guyana dollars)

	Period of First Year Financial Programme
5 years and under	50
Under 12 years	100

<sup>1/</sup> For the purpose of these limits: (1) refinancing loans and trade credits are excluded; and (2) the public sector is defined as the Central Administration, government corporations, government companies, decentralized agencies, social security funds, local governments; and the Guyana National Cooperative Bank, and the public nonbank financial intermediaries.