RESPONDING TO THE INTERNATIONAL DEBT PROBLEM:

A CASE STUDY OF THE GUYANESE ECONOMY

FOR THE 17TH ANNUAL REGIONAL MONETARY STUDIES CONFERENCE.

(Nov. 27 - 29 Nassau)

Leland A. Paul

CHAPTER I

INTRODUCTION:

The negative impact of the international debt problem has spared very few countries. Both semi-industrial and developing countries have felt its vice-like hold and strangeling grip. The source of this problem has been associated with an endless list of variables, which range from the drain of foreign exchange reserves associated with the oil crisis in the 1970's, the fluctuating prices of primary commodities and other exports of developing countries, excessive and unwise development programmes, misappropriation of borrowed funds, and either the high rate of project failures or their unsuccessful performances.

Whatever the source, the outcome has generally been the same. The necessity to reschedule overseas interest payments and outstanding principle, the introduction of stringent IMF measures to facilitate a continuous flow of new external funds; reduction in imports - consumers and intermediate; and an endless number of consequences from these measures on economies already under severe economic and social strain.

In spite of all these sacrifices and hardships, the end of the debt problem is not in sight and, for some countries, will not be in sight for a long time to come, creteris paribus.

The dreaded story is indeed the same, for many countries although the level of obligations may vary and the measures implemented to correct the problem may

differ. The individual stories of Mexico, Peru, Brazil, Argentina, Venezuela,[1] Jamaica and Guyana, just to name a few, are there to be read.

The problem is compounded when a country's political ideology is not harnessed to the interest of the major financial actors of the show.

PROBLEM

The international financial markets were eventually forced to respond to the extensive number of countries requesting deferment on their loan repayments.

One of the first responses from these institutions was their reassessment of their overseas financial investments. This response was necessary, since these institutions were forced to make continued concessionary committments to defaulters in order to help them tide over their debts and to meet current financial needs. The final outcome was the reduction of the flow of new funds to developing countries and led to the introduction of additional conditionality measures as a prerequisite to obtain the rescheduling of existing external debt arrears.

In addition to these new problems, the number of sources for external aid have significantly shrunk from bilateral government sources and have increasingly

[1] "Rescheduling the start of the long, long Trail" in Euromoney, March 1985, pp. 164-169.

shifted to multilateral agencies and private overseas commercial banks.

In last month's, October 85, IMF-IBRD meeting in Seoul, South Korea, the US repeatedly emphasized the pivotal role that the commercial banks must play in the future in picking up the tabs of overseas loan financing and in bailing out countries from the current debt problem.

This greater trust towards commercial banks involvement have various implications for developing countries, and it is incumbent that a fullproof strategy be developed in order to meet this new development.

OBJECTIVES:

(1) To analyse Guyana current and historical external debt obligations;

(2) to develop a strategy to deal with the external payment arrears problem and with the future sources of new loans particularly from the commercial banks;

(3) to examine ways to minimize the implications of the problem; and

(4) to provide information for other countries in similar circumstances.

HYPOTHESIS

The solution to Guyana's external debt problem involves a long run planning strategy, and will involve a very painful process.

METHODOLOGY

The basic approach to this analysis is analytical. Some of the data used in this analysis were obtained from interviews with relevant government officials. Other information was obtained from a variety of current sources. See bibliography.

This analysis proceeds along the flowing course:-

Chapter I provides the basic frame-work of the analysis, in that, the Introduction, Problem, Objectives, Hypothesis and the Methodology;

Chapter 2 presents a historical development of the country's external problem and other relevant information;

Chapter 3 details a strategic response to the overall debt problem facing the country and lists the possible options available to the government; and

Chapter 4 gives the Summary and Recommendations of the analysis.

CHAPTER 2

LESSONS FROM THE PAST

Guyana's foreign exchange predicament began in 1976, when its net International reserves fell by G$29.2 million, trippled by 1977, decreased by 6 fold in 1979, 14 times by 1980 and has progressively increased since then. See Table 2:1, below.

TABLE 2:1

GUYANA INTERNATIONAL ACTIVITY

YEAR	NET INT. RESERVES	EXPORTS	IMPORTS C.I.F.	IMPORT SERVICE
1975	197.7	857.7	927.4	130.0
1976	-29.2	711.3	804.3	167.4
1977	-99.8	661.2	711.1	144.0
1978	-50.6	753.8	810.1	138.8
1979	-181.6	746.4	1010.00	196.7
1980	-480.9	991.20	1236.50	290.0
1981	-634.8	971.20	841.10	326.0
1982	-931.0	724.0	738.26	354.0
1983	-1245.0	565.96	809.42	398.0
1984	-630.0	517.20	910.0	487.7

Source: Bank of Guyana Report 1983, and unpublished data from the bank.

The decline in the country's reserves was associated with the following phenomena: -

1) the oil crisis;
2) the fall of real export receipts;
3) the increase price of imports; and
4) government local and overseas excesses.

So inspite of the stable and declining volume of imports, ochestrated by government policy to stimulate import-substitution activities and to change the pattern of taste, the situation has not reversed.

The government, therefore, was forced to augument its declining reserves and falling export receipts by growing external borrowings in order to finance capital expenditure, and to repay interest on existing multilateral loans. The replenishment of reserves was accommodated by an increase in government long term loans. See Table 2:2. This fact was particularly relevant for the 1980 period onward in order to accommodate a rising total import bill (goods & services) and a falling away of export receipts. See Table 2:1 and Table 2:2.

Table 2:2 displays the fluctuating increases of government long-term loans from the 1980 period onwards and the increases in total long-term external debt.

The table also reveals the insignificance of short-term loans in the overall Public Debt picture of the country.

TABLE 2.2

PUBLIC DEBT (G$)

DATE	GOVT. LONG-TERM LOANS	TOTAL EXT. DEBT	SHORT TERM	LONG TERM	IMF CREDIT US $
1975	142,237	533.4	21	531.3	
1976	162,714	662.5	-	662.5	
1977	61,408	689.8	-	689.8	
1978	106,500	744.0	0.5	743.5	
1979	135,500	811.7	2.0	809.7	
1980	159,556	897.8	1.3	896.5	67.4
1981	340,369	-	-	1942.3	74.5
1982	114,639	-	-	2013.4	77.81
1983	224,700	-	-	2107.6	73.75
1984	-	-	-	-	72.75
1985	-	-	-	-	71.75

Source: Bank of Guyana Unpublished data.

This overall picture has not changed for in addition to the massive decline in the country's foreign assets during this decade, the country's indebtedness to the IMF has continued, because of its inability to repay its loans. Funds from the IMF were facilitated under the Compensatory Financing Facility, the extended facility (Ordinary) and the Extended Facility (SSF).

TABLE 2:3

SUMMARY SHEET: GUYANA EXTERNAL PUBLIC DEBT

US$Mn.

	OUTSTANDING END 1981	DEBT SERVICE PAYMENTS					
		1982			1983		
		Prin.	Int.	Total	Prin.	Int.	Total
Suppliers Credits	23.2	6.4	1.9	8.3	6.3	1.4	7.7
Financial Institutions	91.1	21.5	13.8	35.3	26.4	11.1	37.5
Bonds	11.6	–	0.3	0.3	–	0.3	0.3
Nationalization	61.0	4.2	3.0	7.2	4.3	2.7	7.0
Multilateral Loans	167.9	1.5	7.5	9.0	2.7	8.6	11.3
Bilateral Loans	191.0	22.1	6.6	28.7	20.8	6.8	27.6
TOTAL	545.8	55.7	33.1	88.8	60.5	30.9	91.4

Source: "Report of the Technical Support Group Recommendations for A Rescheduling Proposal to the 'Paris Club,'" Ministry of Finance. 24th April 1982. pp. 1-9.

Table 2:4

GUYANA EXTERNAL PUBLIC DEBT

By [illegible]

	OUTSTANDING 1981	DEBT SERVICE PAYMENTS 1982	1983
Financial			
Bahamas	1,211	785	632
Canada	41,063	11,647	13,226
Netherland	4,254	1,781	1,677
Switzerland	8,500	1,439	9,530
Austria	1,768	628	590
U.K.	5,633	6,039	2,463
U.S.	4,653	2,641	1,593
Multiple	23,986	10,337	7,690
Total	91,068	35,297	37,505
Nationalization			
Alcan	40,066	3,708	3,681
U.K.	14,341	2,175	2,032
Demerara Holding	1,463		
Bookers	12,791		
Cable & Wireless	60		
Broadcast Relay Service	27		
U.S.A.	6,589	1,295	1,295
Total	60,996	7,178	7,008

Table 2:4

	OUTSTANDING END 1981	DEBT SERVICE PAYMENTS	
		1982	1983
MULTILATERAL			
Caribbean Development Bank	28,904	2,230	2,576
E.E.C.	2,542	32	48
European Dev. Bank	512	—	—
European Investment Bank	2, 156	52	63
I.BR.D.	41,960	4,661	5,269
I.D.A.	25, 817	272	309
I.D.B.	30,267	743	908
I.M.F.	13,102	65	65
OPEC Special Fund	22,600	947	2,017
Total	167,860	9,002	11,327
BILATERAL			
O.E.C.D.			
United States			
U.K.			
Canada			
W. Germany			
Netherlands			
SUB-TOTAL			

Table 2:4 (contd.)

	OUTSTANDING END 1981	DEBT SERVICE PAYMENTS 1982	1983
NON-OECD			
Brazil	8.3	1.8	3.0
China	8.1	0.9	1.8
G.D.R.	12.1	6.3	4.4
North Korea	0.9	0.1	0.1
Libya	5.0	1.1	1.1
Venezuela	14.2	0.7	0.7
Yugoslavia	1.1	1.1	—
U.A.E.	2.9	0.6	0.6
U.S.S.R.	—	—	—
SUB-TOTAL	52.6	12.6	11.7
TOTAL	191.0		

Source: "Report of the Technical Support Group Recommendations for a Rescheduling Proposal to the Paris Club." Ministry of Finance.

Finally, Table 2:4 shows the concentration of debt service payments in terms of interest and delayed principal payments. This situation has implications for the termination of the country overseas external payments, and indicates the urgency of assigning some higher level of priority to the payment of principal.

CHAPTER 4

RESPONDING TO THE EXTERNAL DEBT PROBLEM

The first lesson Guyana should learn from the external debt problem is that it is expensive to borrow money and that borrowing money is a risk business.

Lesson #2 is that our financial overseas' obligations will not disappear, and that the country will still have to meet principal and interest payments on its existing external debt.

Lesson #3 is that, in the context of Guyana, the dependence on overseas funding is here to stay, at least for a long time, and that the urgent need for immediate funds to solve the country's balance of payment problems, the funding of essential consumer items and the development of the country's resources restricts the country's options.

One of the serious concerns of overseas borrowing, to this analyst, is the philosophy associated with this activity. The general mentality of overseas borrowing can be compared with the one existing in the North American automobile market, where it makes good sense to a consumer to hire-purchase his car, since the risk of the car is spreaded between himself and the car dealer. At the end of the three-year period, the car is habitually traded-in to provide the consumer with access to newer and updated automobile technology. It, therefore, pays the consumer to extend the monthly payments on the car over the three-year period, since maintenance

costs increases and limits warranty coverage for certain parts of the car expires.

Given a similar philosophy to overseas borrowing, answers to a number of relevant questions on the debt problem takes on predicted answers:-

a) Can Guyana resolve its current external debt problem in the medium or long-term period? What would this solution involve?

b) Is it possible to run the economy and make it less dependent on external borrowing?

c) Can a workable strategy be developed to deal with the IMF, IBRD and other multilateral agencies?

d) Can Guyana develop a plan to deal with overseas commercial financial institutions?

e) Should there be a limit to new external borrowings; and if so, what are the implications of such a plan?

and finally;

f) Are there any lessons to be learnt from the present situation which can guide us in the future?

In relation to #A, the immediate problem is to resolve the current external debt problem as quickly as possible. But to all noble intents and purposes, the time frame under consideration would seem to stretch from a period of 10 to 20 years. This time frame imposes a penalty on future export earnings, and will increase the burden associated with the future obligations from additional loans for new development projects.

Given this time frame, the issue remains the same, in that, how should Guyana finance its existing external debt arrears? The existing options to this problem, to list a few, have already been defined by the exports, namely:-

(A.1) Rescheduling outstanding interest payments;

(A.2) Roll over outstanding interest into new principal;

(A.3) Align overdue repayments to some percentage of GNP or export earnings.

A.1 The rescheduling approach involves an encounter of "the first kind" with"the IMF goodwill team" and the imposition of inflexible conditionality measures on an overburden stagnant economy. This rendevous preceeds the encounter of "the second kind" with the Paris Club to reschedule existing arrears at a lower interest rate. The relevant question to ask, although one of primarily local interest, is can Guyana undergo

additional austere measure without civil unrest? The answer lies in:

(1) The ability to convince the population of the beneficial aspects of these measures; and

(2) Create an atmosphere of improvement in the standard of living - increasing wages - prior to a compromise with IMF austerity.

A.2 The rolling over of outstanding interest into net principal, does not solve the problem, since it leads to future interest payment increases and aggravates the existing problem.

In terms of #A.3, the future assignment of 10 percent of export earnings to cover external payments arrears is the best accommodation at the moment, although there has been negative comments on the restrictive nature of this approach, especially when export earning are fluctuating downward.

Obviously then, there is no tube of "quick fix" for the country's debt problem.

B. There seems to be several initial short-run crisis management options which are available to the government, and can make the country less dependent on overseas funding:-

(B.1) Overhaul government budgeting operation. This assignment would involve

better supervision of financial spending agencies, severe monitoring of government projects and programmes[(1)], and the reduction of government budget deficits on non-essentials. For example, in 1984, govermment expenditures was 68 percent of GDP, and obviously indicates an excess of government activity in the country's economy:

(B.2) Reduce the urgency of implementing innovating high-technology in the country;

(B.3) Reduce the number of prefeasibility studies and overseas contracts and consultants, where possible;

(B.4) Increase local savings, where possible, in order to release the inputs used for consumption into potential productive activity:

(B.5) Increase export earnings in order to keep up-to-date with overseas payment; and

(B.6) Manage existing foreign exchange reserves more efficiently.

---

(1) Solomon, Anthony, "Towards A More Resilient System", in Economic Impact. Vol. 2.U.S.I.A. Washington D.C. 1984. pp. 40 - 43.

It can be seen that even in the short and medium run, there is a limited margin for error.

So far the government's general approach to the problem has included the following elements:-

1) The rescheduling of existing bilateral debt, which are outside the sphere of the Paris Club. In terms of arrears to commercial banks and nationalization reimbursements, the basic approach has been to obtain (i) safer terms on external arrears, (ii) the extension of the various maturity dates, and (iii) counter trade;

2) Entering into open joint ventures with other countries in order to facilitate the inflow of needed inputs. With this approach, the final product is sold to the partner and profits are used to finance external debt committments; and

3) A heavy dependence on the implementation of demand measures to reduce the foreign exchange gap.

C. The next question to be asked is can Guyana develop a strategy to deal with the IMF, IBRD and other overseas lending agencies?

Obviously, the answer to this question is clothed in the bargaining position of the country. At the present time, Guyana's garments are very transparent and tattered.

At the recent Seoul meeting in October 1985, with the IMF-IBRD and member countries, mounting pressure was placed on these organizations to reduce the harsh conditions imposed by the IMF for funding and the rescheduling of less developed countries debts.

One of the serious problems with this institution is that it is fundamentally an instrument of capitalist orientation. Its prescription for stabilization is destabilizing and can be easily forecasted:-

1) devaluation:
2) the reduction of government deficit;
3) the reduction or removal of subsidies;
4) wage freeze; and,
5) rentrenchment.

So far, the recent expenriences of Guyana can show that devaluation does not increase the country's export drive, inspite of a large unutilized rate of excess capacity. Other factors are at a work in Guyana which is counter productive to these measures: political and civil disobedience by the worker, a draught of foreign exchange to import required inputs, to name a few.

The overall outcome of a devaluation exercise, in this writer's opinion, is the subsidiazation of overseas' consumers and the transferral of resources to the capitalist markets. This makes it less urgent to own developing countries raw materials. In the end, the latter situation, for a country like Guyana is far worse than the first, since

the host country is unable to maintain its external debt payments, and since it is often forced to return to the international financial markets for more funding for imports and to repay outstanding debt obligations.

The overall situation is not improved when the country is faced with international agricultural and other trade protectionist measures and competition, the flight of capital, world recession, and the decline in the demand for its exports.

It is indeed a great truism that "it is easier for those who have to borrow". According to the Bible "he that hath not, even that he hath, shall be taken away from him".

These two statements clearly depict the present situation of Guyana, and so to answer the initial question #C, the options whach are available to Guyana are indeed limited, and the best approach is to unshakle ourselves from our dependence on these institutions through a process of gradualism, and to spend within our means.

D. The great involvement of commercial banks into overseas lending operations took a significant climb with the decline in overseas government grants, and the difficulty of advanced nations to gain support for soft loans for developing countries from their own legislative assemblies, unless financing was related to the support of some overseas favoured but locally threatened government.

With the reckless financing of overseas' loans during the 1970's and 1980's, and the lessons learnt from the Mexico bombshell in 1983, the commercial banks learnt from personal exposure of the cost of lending money, even to good customers, and the continual need to relend and reschedule their overseas loans in order to avoid embarrassing and negative shareholders' reports.

Invariably, there was going to be some urgent introduction of high risk evaluation criteria for new loans, and those who would feel the squeeze the most would be those who could afford it the least.

Obviously then, a developing country is in a bitter position to obtain new loans, if it can reduce the risk of default to its creditors.

This strategy can be implemented by first updating the country's information system and data base, and so provide relevant and realistic information on its economy. Towards this end, Guyana, in the early 1980's, contracted the services of Morgan Greenfield Consultants to implement a system to monitor the country's debt obligations.

Another important preparation for dealing with the commercial banks is to asssmble a local financial team for loan negotiation and loan tracting purposes. Obviously, there are limitations with the effectiveness of this team, but at least, with some informed aggression, the probability of influencing the overseas' assessment of local risk for foreign loans can have an impact on the spread over Libor and the U.S. Prime Interest Rate. This approach will

have greater returns than the normal hurried generation of skimpy information and forced preparation for either some short-notice encounter with a visiting IMF team or some hurriedly unprepared overseas delegation making some financial committments for the country, but which has to be cancelled, at some financial cost, after reassessment of the contractual implications on their return home.

It is particularly important to develop some concrete strategy to deal with commercial banks, given the implications of their activities. (See Table 2 3). Signigifantly, local personnel well-versed in overseas banking and loan technology is a fundamental asset in dealing with international commercial banks, whose prime interest is their own interest, in that, the highest interest rate bearable. For example, one should know from first-hand information the following information:-

(C.1) Overseas bankings lending mechanism, in that the commercial banks various criteria for lending, and how they assess risk. This will allow Guyana to do a comparative analysis on banks' lending criteria in order to guide them in prospective loan engagement.

It obviously pays to have as many different sources of funding as possible in order to select the best options available; and

(C.2) There should be a deliberate policy to

have as many different sources of funding
as possible.

According to Solomon, developing countries would have saved about US$30,000 million, if their overseas' debts were diversified over several countries instead of having their overseas' debts concentrated in a particular country. Guyana, therefore, needs to have a skillfully managed portfolio of external debts. This strategy will need some accommodation by overseas' banks themselves.

One good point to remember, inspite of its implications, Guyana can threaten non-payment of arrears. For if interest is unpaid, loans are classified under the non-performing category of a bank's accounts and would show up as heavy losses in the earning statements of the bank

This suggestion is not as naive as it seems, especially in our dealing with the IMF. It would seem to make greater sense to hold off payments of interest from the country's limited foreign exchange earnings, and use the money in necessary intermediate capital imports for export promotion, and then use the new generated foreign exchange for interest payments than to pay the interest arrears and have to borrow to finance intermediate inputs. In this approach the country would have two loons to deal with than one.

So far it has been observed that the deficit in the country's balance of payments have been financed by an increase in government debt obligations and that borrowing

funds from financial institutions have a higher interest penalty than other sources. Actually, the medium and long-term debt obligation jumped from 60% of the GDP in 1975 to about 680 percent in 1982, while the Public debt service ratio skipped from 5 percent in 1975 to 20 percent in 1981, and to 15% in the 1982 to 1983 period.

Generally, for the period 1970 to 1984, the country was able to obtain favourable rate of interest on its new overseas loan. During the earlier years, commercial loans accounted for 3/4 of the new loan agreements, and had an average maturity date of 20 years plus an additional five year grace period.

Recently, however, Guyana has not been successful in initiating any new commercial loans, and have been hard pressed to raise any multilateral loans. In addition, several new loan agreements with the CDB were cancelled, since the beginning of the decade. So with the exception of a few soft loans from IDB, and a limited number of bilateral agreements, for example, the Libya funded Abary drainage and irrigation project and several counter trade agreements, the inflow of funds has been very limited indeed.

This overall state of affairs has resulted in several changes in terms of local access to overseas' funds.

Formerly, for example, government corporations were allowed to borrow overseas loans, but because of the foreign exchange problem, the government had to terminate

this practice. So in 1981, the government initially requested the former Royal Bank to coordinate the transfer of the government corporations overseas' arrears to itself with the intention of repaying this transfer loan by 1980. The Guyana government, however, could only pay the interest on the corporations' loans, and not the interest charges, and was, therefore, forced to take over all the overseas' loan operations of the corporations under its wing.

In the meantime, the total external payment arrears have increased. For example, in 1983, total external payment arrears was US$450.6Mn, and in 1984 it had reached US$625.4Mn.

Loan charges, of course, vary from source to source. For instance, IDB interest fluctuates annually and is specified on the first week in January of each year; other charges from this source include a committment fee on the loan and 1 1/4 percent charge on the undisbursed part of any approved loan. OPEC charges Guyana 3 percent per annum on loans and a 1 percent per annum on the undisbursed part of the loan. There is also a 0.5 percent charge for a request for special committment. On the average, the interest rate charged for overseas loans from 1970 to 1984 averaged around 6 percent, and there was also a penalty for the cancellation of a loan agreement.

F. This approach has merit when one recognizes that the present conditions of external debt servicing obligation, i.e. amortization and interest, can soon be greater than the sum of annual new loans, and can invariably result in a reverse flow of capital from the developing countries to the developed countries.[2]

To avoid this reversal, the rate of growth of the economy has to exceed the rate of interest and loans.[3] Some experts state that this has never happened.

This reverse flow of capital, in the context of Guyana, does pose a serious threat to the country's independence committments and to a reversal of the colonial days experience, when the resource of the country was exploited primarily for the benefit of the metropolis. Evident from this discussion is the realization that the national ownership of local resources is not enough, since their exploitation and sale depends on overseas funding and the associated contracted stipulations and the manipulation of commodity prices. When these facts are combined with the frequent devaluation exercises, it may well be that a country like Guyana former state was better than its present state.

---

(2) "The Uneasy Calm: Third World Debt - The Case of Mexico," Monthly Review, Vol. 36 #10, pp. 7-19.

(3) Ibid.

On several counts, therefore, there needs to be a limit on new external funding. One recommendation is that the combined external debt ratio never exceed 20 percent of export earnings in good years and should fluctuate to 10 percent in the off-seasons.

In the interim, the priority for new funding should be associated with the productive sectors of the economy and should not exceed 10% of GDP.

G. There is an old parable in the Bible which says that no man builds a house without first sitting down and counting the cost least he stops halfway and his friends pass by and laugh at him.

There are many situations in Guyana which are above a laugh. One only has to look at the hasty and unwise committments to projects, which have never taken off. For example, the bicycle factory, the fruit processing plant, the corn project up by the Bebice area and the hotel project in Essequibo. Some others have just hopped along for awhile, for example, the baby cerex and soya-bean oil production. Or consider the number of wasted research experiments, which never get implemented commercially; or the number of prefeasibility studies on a particular sector's operations - GEC. All of these activities, successful or not, involve overseas funding and repayment.

Guyana's problem started way back, during the early post-independence period, when the country was persuaded about the virtues of borrowing. External borrowing, however, is a death trap, when most of the money borrowed is either misappropriated or misallocated to non-productive areas and infrastructural development, which anticipates overseas investments that never materialize, because of government policy or political ideology.

The golden rule, therefore, is to live and spend within one's means. This is applicable to the individual and for a developing nation with limited options, and who is also experimenting with its own development strategy.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

This analysis has examined the predicament of Guyana external debt problem and has attempted to examine the possibilities of preparing useful strategies to deal with the actors in the game, in that, overseas' financial institutions and multilateral and bilateral sources of loans.

Tha analysis made several conclusions and included the following:-

(1) the reduction of non-essential overseas' government expenditure;

(2) annhilation of the corrupt use of funds;

(3) reduction in the number of new projects, feasibility studies, and overseas' consultants;

(4) develop an accurate and up-to-date data base on relevant statistics and on the external debt arrears to reduce negative overseas' risk assessment;

(5) assemble a local professional team of external loan negotiators;

(6) assemble up to date information on overseas' financial institutions to assess the different criteria for loans;

(7) proper management of our limited foreign exchange; and

(8) to spread the country's overseas' loans over a wider variety of sources to reduce the penalty of fluctuating foreign currencies.

But given the present state of the country's economy and the urgent need for foreign exchange, the realistic short-term options opened to the government are limited in scope. Firstly, the government must increase the incentives to non-traditional exports, and these incentives should be comparable to those afforded to private overseas investors. This actually will depend on the creative export marketing skills of the exporter and the government export agency, and can include the following: charcoal, fish, shrimps, prowns, fish products, greens, ground provisions, local wood and leather craft, furniture and so on.

Secondly, the government must examine the possibility of delaying all overseas payment arrears in the first round, in that, reinvest earned exchange rate then to repay outstanding overseas loan obligations.

Thirdly, spread the source of overseas' loans over different types of currency in order to reduce the penalty of the upward movement of stronger currency:

Fourthly, to open up the economy to private investors, local and overseas, with ceilings on both the rate of profit and wage increases and non-wage compensation.

Fifthly, to implement short-term and long-term approaches which would involve:

(1) national and international moves to reduce IMF severe conditionality measures;

(2) agitated against the move for new measures from IMF - IBRD, which are contradictory

to the welfare and economic programmes of developing countries;

(3) insure the confidentiality of information provided to multilateral institutions and to insist that these institutions to not negatively assist financial institutions to evaluate the country's application for loans;

(4) change the philosophy of overseas borrowing, in that, the country must insure that it spends within the financial means of the country in order to influence the reduction of the continual refinancing of debts and new projects. In terms of the latter, there should be a more rigourous application of project evaluation with the intent of reducing the number of new projects coming on stream. In times like these, there should be less urgency in introducing new and bigger projects, if the returns from these projects are stretched way out into the future.

In the final analysis, there is much that has to be done by the government and the burden and consequences is at our own door step.

BIBLIOGRAPHY

Bank of Guyana 1982 Annual Report

Clive, William R. "Proposals for Reform: An Analysis", in Economic Impact. Vol. 2. U.S.I.A. Washington D.C. 1984.

Fleming, Stewart. "$2.7 billion(U.S.) To Be Set Aside to Assist Trouble Debtors" in Financial Times. Tuesday, October 8, 1985 p.4.

Friedman, Irving. "The Key Role of Bank Lending", in Economic Impact. Vol 2. USIA. Washington D.C. pp. 23 - 29.

Montagnon, Peter. "Mexicans Look For An Easy Way Out", Financial Times. Wednesday, October 9, 1985 - p.4.

Montagnon, Peter. "Peru Told, IMF Split Could End in World Bank Ban"; in Financial Times. Friday, October 11, 1985. p 20.

Montagnon, Peter. "U.S. Debt Move Provides Fillip for Co-financing", in Financial Times, Thursday, October, 10, 1985. p.4.

Pool. John C. Et al. "The Uneasy Calm: Third World Debt - The Case of Mexico", in Monthly Review. Vol 36, March, 1985.

"Report of the Technical Support Group Recommendations for a Rescheduling Proposal to the Paris Club", Ministry of Finance. 24th April, 1982. pp. 1 - 9 (Unpublished).

Rescheduling the Start of the Long, Long Trail, in Euromoney March, 1985. pp. 164-169.

Solomon, Anthony. "Towards A More Resilient System", in Economic Impact. Vol 2. U.S.I.A. Washington D.C. 1984, pp. 40 - 43.