Guyana

Debt summary

Guyana is a country rich in ecology and natural resources. In spite of this, the country remains poor and 35% of the population live in poverty. From the 1970s international bodies including the IMF and World Bank offered loans to Guyana and the debt stock rose significantly. By 1999, the debt was equivalent to 189% of the countries GDP, proving to be an unsustainable burden. Seeking relief under the **Heavily Indebted Poor Countries** Initiative (HIPC), Guyana had some debts cancelled in 1999 and 2003, in addition to further relief of approximately US$65 million under the **Multilateral Debt Relief Initiative** in 2005.

History of Guyana's debt

As in many developing countries, Guyana began borrowing during the 1970s. Initially loans were spent development projects but as oil prices rose, they began to cover the cost of imports instead. In 1981 Guyana's government defaulted on their debts. With the suspension of debt repayments interest rates shot up leading to a huge growth in the total amount owed. The build up of payments damaged the credibility of the country, resulting in a refusal of further loans to the country.

By the late 1980s the crisis threatened to viability of the entire Guyanese economy, forcing the government to agree to a Structural Adjustment Programme designed by the IMF in 1988. The results of the austerity measures were disastrous. Alongside a huge devaluation in the Guyanese dollar, there were significant increases in malnutrition, infant mortality rates, unemployment, poverty and crime rates. Under the IMF programme, multinationals were made exempt from all taxation in Guyana for 10 years. Consequently 80% of the large rainforest which is home to many and rich in natural resources was leased to multinational corporations for their exploitation without any further contribution to the Guyanese people. Guyana attempted to increase their earnings through increasing exports but up to 80% of government revenues were used for servicing the large debts that had accumulated. HIPC allowed for a large percentage of the debts to be cancelled but also reinforced economic liberalisation with harmful consequences.

Debt relief

Before they sought relief from the IMF and World Bank in 1998 Guyana's debt burden was equivalent to 457% of exports and one of the highest in proportion to their GDP in the world. The relief allowed for an increase in social spending of 25% and substantial increases in health spending were observed in 2000 and 2004 as the debt burden decreased and can be linked to infant mortality rates being halved over the decade.

Current situation

Guyana's debts have grown once more and are now equal to over 62% of GDP. The country currently holds a high debt burden of US$1819 per person, leading Moses Nagamootoo, a Guyanese Politician, to state "We are once again in the middle of the vicious debt circle".

The economic state and growth in the country has been changeable with growth threatened by decreasing foreign investment linked to political unrest, and natural disasters which have harmed production. The free market policies encouraged by international financial institutions have resulted in an economy which is vulnerable to international fluctuations. The return to a high debt burden despite cancellation in recent years illustrates the need for the creation of more sustainable international finance rather than relying on ad-hoc cancellation.

Factfile

Population
741,000

Life expectancy
67 years

35%
of the population live below the poverty line

For every
£1
the poorest 10% earn, the richest 10% get
£26

67.3%
Total adult literacy rate

30 out of 1000
children die before the age of 5

Human Development Index rated
117
out of 187 countries

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