**Guyana’s response**

**Debt relief, debt crisis prevention and human rights: the role of credit rating agencies**

November 8, 2020

Over almost three decades, Guyana has borrowed strategically from external creditors to finance developmental needs, targeting every sector to improve the well-being of its citizens. The quality of spending, sourced from external financing, is monitored closely to ensure that project targets are met.

Guyana’s approach to sovereign borrowing centres around strategically important areas such as infrastructure, energy, education, health, agriculture, water and sanitation, and new sectors such as telecommunications. These investments have improved the quality of life, access to clean, greater access by all sectors of the population to education and health facilities and care, and better infrastructure for the development and diversification of the economy.

Guyana is at a critical point in its development trajectory, given its nascent oil and gas sector. As such, one third of Guyana’s external debt is channelled towards financing infrastructure such as roads and bridges to facilitate and drive the growth of existing and emerging sectors. Moreover, 16 percent of external financing is invested in the energy sector, which is essential to enhancing Guyana’s competitiveness of its businesses and industries, in what is projected to be, in the near future, a fast-growing economy.

Given how far Guyana has come, moving from being a Severely Indebted Low-Income Country (SILIC) in the 1980s and 1990s, to one that has now maintained debt sustainability for over a decade, it is of utmost importance that sustainable external borrowing continues.

The improvement of Guyana’s debt sustainability position over time has enabled government to allocate more of its resources to poverty reduction and growth-enhancing initiatives, which will serve to increase the extent to which citizens are able to enjoy human rights, especially social and economic human rights.

At this point, the classification of Guyana’s debt is not influenced by credit rating agencies, given the large extent to which the country still relies on concessional financing from official development partners. However, Guyana’s recent graduation to Upper-Middle Income status, and a resultant reduction in concessional sources of financing, may necessitate increased borrowing from the open financial market or loan from bilateral partners. Although there is the expectation that petroleum revenues and the expected economic growth would increase Guyana’s debt carrying capacity. This in turn could allow Guyana to maintain or even improve its debt distress rating.

However, Guyana will still maintain bilateral and multilateral relationships/partnerships to attract other concessional sources of funding and or grant aid to ensure that there is flexibility in the poverty reduction programmes as well as transformative projects it can rapidly bring into operation.

**Credit rating agencies have in recent COVID times downgraded countries; this is counterproductive to any nation’s economic development, especially in the context of the impact of pandemic on developing resource strapped countries. In short, the role of credit rating agencies must be examined closely before consideration for signing up for country ratings is undertaken with the advantages and disadvantages being carefully weighed since compromising national development trajectories inherently compromises the quality of economic and social rights of the citizens**.

Guyana recently at its Flagship Event as Chair of the G77 plus China referred to the need for countries to adhere to commitments made with regards to the Kyoto Protocol and COP2021 with regard to climate change-adaptation and mitigation (see attached)

It should be recognized that a few countries have pioneered workable, home grown models that have incentivized moving to a low carbon growth trajectory while also addressing emission reduction and removals for example through avoided deforestation. Guyana’s efforts in this regard are recognized through its Low Carbon Development Strategy (LCDS) and payment for forest climate services model between Guyana and Norway which has incentivised sustainable forest management and avoided deforestation. This represents the first national scale model of REDD+ and one of the first national level

strategies on low carbon development. This partnership brought in $250M USD into the Guyanese economy over a 5 year period based on trading in carbon services, a new area of revenue-earning.

The success of the LCDS and Guyana-Norway model helped support the development of Article 6 of the Paris Agreement, which provided the opportunity for the trading of internationally transferable mitigation outcomes. Work is underway to operationalize this, which could realize wider participation by forest countries in REDD+.

Guyana will be realigning its LCDS to take on board payment for ecosystem services while redoubling efforts at building climate resilience and diversifying and growing the economy along a low carbon growth path. A wider range of financing options will be pursued to include bilateral, multilateral and private capital.

As an implicit policy, the Government has been sourcing the most concessional, low cost financing available from its development partners. Guyana’s Official Creditors, such as the Caribbean Development Bank, Inter-American Development Bank and the World Bank International Development Association (IDA), and aid debt sustainability efforts work to ensure that any new loans they provide would not cause a breach of the external debt ceiling (GY$400 billion). In addition, as of the year 2020, Guyana’s Ministry of Finance is on the cusp of preparing in-house[[1]](#footnote-1) Debt Sustainability Analyses to enable better monitoring of risks and vulnerabilities associated with external borrowing.

To further ensure that external borrowing does not undermine the economic, social and cultural rights of its citizens, the Government, in the medium term, has agreed to undertake to develop a public debt policy and modernise its current public debt management legislation.

1. A joint Debt Sustainability Analysis for Guyana is done by the IMF, the World Bank and the Government on an annual basis. [↑](#footnote-ref-1)