



CARIBBEAN DEVELOPMENT BANK

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Ref: 16/51 LGL

October 21, 1999

Minister of Finance
Ministry of Finance
P.O. Box 101009
Georgetown
GUYANA

Dear Sir:

Re: Heavily Indebted Poor Countries Debt Initiative for Guyana

As you are aware, the Board of Directors of the Caribbean Development Bank (CDB) agreed, in principle, to provide debt service relief to Guyana under the terms of the Heavily Indebted Poor Countries Debt Initiative.

We are now pleased to inform you that:

- (a) the Board has approved the appropriation of:
 - (i) an amount of US\$6.6 mn from CDB's Special Development Fund (Unified) (SDF(U)) to be used to meet Guyana's debt service after May 24, 1999 on loans made by CDB to Guyana from CDB's OCR and SDF(U) with the concurrence of the Contributors to the SDF(U); and
 - (ii) an amount of US\$900,000 from available accumulated net income from CDB's Other Special Funds Resources (OSFR) to be used to meet debt service after May 24, 1999 on loans made by CDB to Guyana from CDB's OSFR; and
- (b) the Contributors to the SDF(U) have concurred with the appropriation of the said amount of US\$6.6 mn from the SDF(U) for the purpose set out at (a) (i) above.

The loans affected by the debt service relief are Loans No: 4/OR-GU, 4/SFR-GU, 5/OR-GU, 6/OR-GU, 7/OR-GU and 7/SFR-GU.

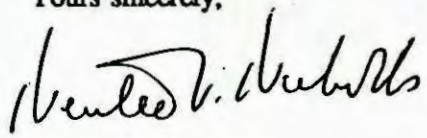
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We should be grateful if the Government of Guyana would confirm that the arrangements contemplated at (a) above are acceptable by signing and returning to me the attached copy of this letter.

Yours sincerely,



Neville V. Nicholls
President

Attachment

The abovementioned arrangements are acceptable.

Signed this 1st day of Dec., 1999.

Government of Guyana



Minister responsible for Finance

(d)

31141

POUL NIELSON
MEMBER OF THE EUROPEAN COMMISSION

Brussels, 18-01-2000
BZ (cc) 5/1246

Dear Mr Jagdeo

Following the Council decision of July 6, 1998, I have the honour to inform you that the European Community will provide a grant allowing for the alleviation of Guyana's debt under the framework of the HIPC I initiative. Thanks to its important achievements over the past years to restructure and stabilise its economy, Guyana is the second country to reach its completion point and, as such, the second one to benefit from this kind of Community support.

The European Commission took a financing decision on the basis of the attached Proposal, and is now prepared to provide your country, through the 7th EDF, with a Community grant for a total sum of up to 6.440.000 Euros from the "HIPC contribution" facility.

As already informally agreed with your government, this grant is to be used for the advance repayment on a net present value basis of *all* Guyana's obligations to the Community related to the special loans 80033, 80037, 80061, 80087, 80118 and 80188, and to the *partial* advance repayment of those related to the loan 80300. This grant will also allow you to retroactively cover the service charges related to all above-mentioned loans since early September 1999, charges which had been suspended on purpose following the letter sent by the Commission to the EIB on September 9, 1999.

This amount of 6.440.000 Euros represents the 25.9 % NPV debt reduction agreed by all other multilateral organisations under the provisions of HIPC I. Of course, as soon as Guyana gets an enhanced debt reduction framework under HIPC II, the Community intends to provide additional support, allowing for a further reduction of Guyana's obligations related to the Special Loan 80300.

The Commission has the honour to inform Guyana that it will make the induced payment on Guyana's behalf to the EIB once the Guyanese government has officially confirmed that it accepts the grant and that it wishes the Commission to proceed on its behalf with advance repayment of the aforementioned loans.

His Excellency Bharrat Jagdeo
President of the Cooperative Republic of Guyana
Georgetown
Guyana

Furthermore, I would like to inform you that the Commission asked the EIB:

- (i) To consider that the amount of the grant represents the capitalised net value of special loans 80033, 80037, 80061, 80087, 80118 and 80188, and 12% of that of special loan 80300;
- (ii) To consider Guyana as having fully met its obligations concerning its special loans 80033, 80037, 80061, 80087, 80118 and 80188 once the payment drawn from the "HIPC contribution facility" has been paid into its account;
- (iii) To consider Guyana as having met 12% of its obligations concerning its special loans 80300, once the payment drawn from the "HIPC contribution facility" has been paid into its account (and accordingly has to service only 88% of its present obligations);
- (iv) To proceed then, as it does with any special loan or risk capital disbursement, with distribution of the sum received among the various Member States, according to the appropriate distribution scale;
- (v) To send to Guyana notification specifying the legal settlement of the aforementioned loans.

I am confident that your country will continue on its adjustment path and that this Community action will contribute to ensuring that this path will remain sustainable.

Yours sincerely,

