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HIPC DEBT RELIEF AGREEMENT NO: TF022456

**HIPC DEBT INITIATIVE
DEBT RELIEF AGREEMENT**

AGREEMENT, dated *July 02*, 1999, between CO-OPERATIVE REPUBLIC OF GUYANA (the Beneficiary) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) in its own capacity and as administrator of the HIPC Debt Initiative Trust Fund.

WHEREAS (A) pursuant to an initiative of the international community to reduce the debt burden of heavily indebted poor countries (HIPC) to sustainable levels (HIPC Debt Initiative), the Executive Directors of the International Bank for Reconstruction and Development (the Bank) and the Association have, on November 7, 1996, adopted Resolutions Nos. 96-9 and IDA 96-5 (the HIPC Trust Fund Resolutions), establishing the HIPC Debt Initiative Trust Fund (the HIPC Trust Fund), constituted of funds contributed by the Bank and other donors, and administered by the Association, to provide relief on debt owed by eligible HIPC to the Association and other multilateral creditors, in accordance with the provisions of the HIPC Trust Fund Resolutions;

(B) the Beneficiary has, with the support of the donor community, undertaken a broad-based program of macro-economic, structural and social development policy reforms (the Macro-economic Reform Program), and requested debt relief under the HIPC Debt Initiative;

(C) the Association has determined, on the basis of a DSA (as defined herein), that the Beneficiary is eligible for debt relief under the HIPC Debt Initiative, and that such request for assistance is consistent with the provisions of the HIPC Trust Fund Resolutions;

(D) the Beneficiary's other major creditors have provided assurances satisfactory to the Association that they will take action to reduce the Beneficiary's debt obligations to sustainable levels;

(E) the Executive Directors of the Association have on May 13, 1999, approved the Beneficiary's fulfillment of the agreed conditions for the provision of debt relief under the HIPC Debt Initiative; and

(F) the Association has agreed to provide debt relief under the HIPC Debt Initiative on debt owed by the Beneficiary to the Association through the transfer of the Beneficiary's Identified Debt to the HIPC Trust Fund at the time and for the transfer price specified herein and for the cancellation of such debt by the HIPC Trust Fund;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

- (a) "Completion Date" means May 13, 1999;
- (b) "Debt Relief Program" means the debt relief program for the Beneficiary described in the DSA;
- (c) "Decision Point" means December 23, 1997;
- (d) "Dollars" and the sign "\$" mean dollars in the currency of the United States of America;
- (e) "DSA" means the debt sustainability analysis carried out by the Association and the International Monetary Fund together with the Beneficiary, prior to the Decision Point, in order to assess whether assistance is needed under the HIPC Debt Initiative to ensure debt sustainability and, if so, the projected amount of debt relief required to attain debt sustainability at the Completion Date;
- (f) "Grant" means the amount specified in Section 2.01 of this Agreement;
- (g) "Identified Debt" means the debt listed in Schedule 2 to this Agreement that is owed by the Beneficiary to the Association and in respect of which debt relief is to be provided pursuant to this Agreement; and
- (h) "Transfer Price" means twenty-seven million one hundred and eight thousand Dollars (\$27,108,000).

ARTICLE II

Provision of Debt Relief

Section 2.01. The Association, as administrator of the HIPC Trust Fund, agrees to set aside in the HIPC Trust Fund, on a grant basis and on the terms and conditions set forth or referred to in this Agreement, an amount of twenty-seven million one hundred and eight thousand Dollars (\$27,108,000) (the Grant) to be used to finance the debt relief

referred to in Section 2.02 of this Agreement on Identified Debt in accordance with the terms of this Agreement.

Section 2.02. Subject to and in accordance with the terms and conditions set forth or referred to in this Agreement, including, without limitation, Schedule 1 to this Agreement: (i) the Association, in its own capacity, agrees to transfer to the Association, as administrator of the HIPC Trust Fund, the Identified Debt in return for the payment to the Association of the Transfer Price; and (ii) the Association, as administrator of the HIPC Trust Fund, agrees to pay the Transfer Price to the Association in return for the transfer to it of the Identified Debt and then to cancel the Identified Debt and discharge the Beneficiary from its obligations in respect of the Identified Debt.

Section 2.03. The Beneficiary shall not have any rights with respect to the Grant, and the Association shall not have any obligations with respect thereto, except as stated in this Agreement. The Association does not assume any fiduciary obligation to, or relationship of agency or trust for or with, the Beneficiary, or assume any liability to the Beneficiary or any other person for any action taken or omitted to be taken by it, except for the performance of its express obligations set forth in this Agreement. Nothing in this Section is intended, nor shall be construed, as a waiver of any privileges or immunities of the Association.

Section 2.04. The Association shall be under no obligation to provide debt relief under this Agreement, except to the extent that grant funds are available under the HIPC Trust Fund for this purpose and the conditions precedent to the release thereof have been fulfilled.

Section 2.05. The Association shall, following the date on which the Identified Debt is transferred to the Association, as administrator of the HIPC Trust Fund, promptly refund to the Recipient any payment of principal and service charges made by the Recipient to the Association with respect to the Identified Debt falling due between the last day of the month in which the Completion Date occurs and the date on which the Identified Debt is transferred to the Association, as administrator of the HIPC Trust Fund.

ARTICLE III

Conditions Precedent to Provision of Debt Relief and Release of Grant

Section 3.01. The obligations of the Association under this Agreement are subject to the fulfillment of each of the following conditions to the satisfaction of the Association:

- (a) the Beneficiary's other creditors shall have agreed to provide debt relief to the Beneficiary under the HIPC Debt Initiative;

(b) the Association shall have received evidence satisfactory to it that this Agreement has been duly authorized or ratified by the Beneficiary, has been duly executed and delivered by the Beneficiary, and is legally binding upon the Beneficiary in accordance with its terms; and

(c) the Association shall have received evidence satisfactory to it that the execution and delivery by the Beneficiary of this Agreement, and the performance by the Beneficiary of its obligations hereunder, do not and will not conflict with or result in a breach of: (i) the terms or provisions of, or constitute a default under, any agreement or instrument to which the Beneficiary is a party; or (ii) any law or statute, or any order or regulation applicable to the Beneficiary of any court, government agency, authority or body or arbitrator having jurisdiction over the Beneficiary.

Section 3.02. As part of the evidence to be furnished pursuant to Section 3.01, the Beneficiary shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Beneficiary, on the matters described in Sections 3.01(b) and 3.01(c) of this Agreement.

ARTICLE IV

Cooperation and Information; Undertakings; Annual Review

Section 4.01. (a) The Beneficiary and the Association shall cooperate fully to ensure that the purposes of this Agreement will be accomplished. To that end, the Beneficiary and the Association shall:

- (i) from time to time, at the request of any one of them, exchange views with regard to the progress of the Macro-economic Reform Program and the Debt Relief Program and the performance of their respective obligations under this Agreement, and furnish to the other party all such information related thereto as that other party shall reasonably request; and
- (ii) promptly inform one another of any condition which interferes with, or threatens to interfere with, the matters referred to in subparagraph (i) of this paragraph.

(b) The Beneficiary shall afford all reasonable opportunity for representatives of the Association to visit any part of its territories for purposes related to this Agreement and the HIPC Debt Initiative.

Section 4.02. The Beneficiary shall furnish to the Association all such information as the Association shall reasonably request with respect to financial and economic conditions in its territory including its balance of payments and its external debt as well as that of its political or administrative subdivisions and any entity owned or controlled by, or operating for the account or benefit of, the Beneficiary or any such subdivision and any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Beneficiary.

ARTICLE V

Suspension; Cancellation

Section 5.01. If any of the following events shall have occurred and be continuing, the Association may, by notice to the Beneficiary, suspend in whole or in part the rights of the Beneficiary and the obligations of the Association under this Agreement:

(a) the Beneficiary shall have failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association or the Bank: (i) under any development credit agreement between the Beneficiary and the Association; or (ii) under any loan or guarantee agreement between the Beneficiary and the Bank; or (iii) in consequence of any guarantee or other financial obligation of any kind extended by the Bank to any third person with the agreement of the Beneficiary;

(b) the Beneficiary shall have failed to perform any of its obligations under this Agreement;

(c) (i) the Association or the Bank shall have suspended in whole or in part the right of the Beneficiary to make withdrawals under any development credit agreement with the Association or any loan agreement with the Bank because of a failure by the Beneficiary to perform any of its obligations under such agreement; or (ii) the Bank shall have suspended in whole or in part the right of any borrower to make withdrawals under a loan agreement with the Bank guaranteed by the Beneficiary because of a failure by such borrower to perform any of its obligations under such agreement;

(d) any representation made by the Beneficiary, in or pursuant to this Agreement, or in connection therewith, and intended to be relied upon by the Association in performing its obligations under this Agreement, shall have been incorrect in any material respect;

(e) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable

that the Beneficiary will be able to fulfill the conditions for the provision of debt relief to it under the HIPC Debt Initiative or that the Debt Relief Program can be carried out; or

(f) the Beneficiary: (i) shall have been suspended from membership in or ceased to be a member of the Association; or (ii) shall have ceased to be a member of the International Monetary Fund.

The rights of the Beneficiary and the obligations of the Association under this Agreement shall continue to be suspended until the event or events which gave rise to suspension shall have ceased to exist, unless the Association shall have notified the Beneficiary that such rights and obligations have been restored.

Section 5.02. If the rights of the Beneficiary and the obligations of the Association shall have been suspended for a continuous period of thirty days, the Association may, by notice to the Beneficiary, terminate the rights of the Beneficiary and the obligations of the Association under this Agreement. Upon the giving of such notice, the Grant shall be canceled and all rights of the Beneficiary and obligations of the Association under this Agreement shall cease to exist.

ARTICLE VI

Enforceability of Agreement; Failure to Exercise Rights; Arbitration

Section 6.01. The rights and obligations of the Beneficiary and the Association under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State or political subdivision thereof to the contrary. Neither the Beneficiary nor the Association shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Association.

Section 6.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 6.03. (a) Any controversy between the parties to this Agreement, and any claim by either such party against the other arising under this Agreement which has not been settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Association and the Beneficiary.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Association, a second arbitrator shall be appointed by the Beneficiary, and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by said President, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator, and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty days after such notice, the other party shall notify to the party instituting such proceeding the name of the arbitrator appointed by such other party.

(e) If within sixty days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to this Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings.

If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal .

(j) The provisions of arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to this Agreement or of any claim by either party against the other party arising hereunder.

(k) The Association shall not be entitled to enter judgment against the Beneficiary upon the award, to enforce the award against the Beneficiary by execution or to pursue any other remedy against the Beneficiary for the enforcement of the award, except as such procedure may be available against the Beneficiary otherwise than by reason of the provisions of this Section. If, within thirty days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with by the Association, the Beneficiary may take any such action for the enforcement of the award against the Association.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section shall be made in the manner provided in Section 8.01 of the Agreement. The parties to this Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE VII

Effective Date; Duration and Termination

Section 7.01. This Agreement shall become effective upon its execution by the parties.

Section 7.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations thereunder.

ARTICLE VIII

Notices and Addresses

Section 8.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement among the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or

radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Beneficiary:

Ministry of Finance
Main and Urquart Streets
Georgetown
Guyana

Cable address:

Telex:

MINFIN

3038

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the *District of Columbia, United States of America* as of the day and year first above written.

CO-OPERATIVE REPUBLIC OF GUYANA

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
in its own capacity and as administrator of the HIPC
Debt Initiative Trust Fund

By

acting Regional Vice President
Latin America and the Caribbean

