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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON THE PROPOSED IFAD CONTRIBUTION TO

THE CO-OPERATIVE REPUBLIC OF GUYANA

UNDER THE

HEAVILY-INDEBTED POOR COUNTRIES DEBT INITIATIVE

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CURRENCY EQUIVALENTS

Currency Unit	=	Guyanese Dollar (GYD)
USD 1.00	=	GYD 142.0 (June 1998)
GYD 1.00	=	USD 0.00718

ABBREVIATIONS AND ACRONYMS

CARICOM	Caribbean Community and Common Market
CDB	Caribbean Development Bank
CMCF	CARICOM Multilateral Clearing Facility
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
GUYSUCO	Guyana Sugar Cane Corporation
HIPC DI	Heavily-Indebted Poor Countries Debt Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IFI	International financial institution
IMF	International Monetary Fund
NPV	Net Present Value

GOVERNMENT OF THE CO-OPERATIVE REPUBLIC OF GUYANA

Fiscal Year

1 January - 31 December

MAP OF GUYANA

Source: Internet

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

CO-OPERATIVE REPUBLIC OF GUYANA

HEAVILY-INDEBTED POOR COUNTRIES DEBT INITIATIVE

FINANCING SUMMARY

INITIATING INSTITUTIONS:	International Development Association (IDA) and International Monetary Fund (IMF)
RECIPIENT:	Co-operative Republic of Guyana
TOTAL INTERNATIONAL FINANCIAL INSTITUTION (IFI) CONTRIBUTION:	USD 161.4 million (in net present value (NPV) terms)
AMOUNT OF IFAD CONTRIBUTION:	SDR 630 000 NPV (equivalent to approximately USD 910 000 NPV)
TERMS OF IFAD CONTRIBUTION:	Grant
HIPC DI COMPLETION POINT:	December 1998
COFINANCIERS:	Caribbean Development Bank (CDB) CARICOM Multilateral Clearing Facility (CMCF) Inter-American Development Bank (IDB) International Development Association (IDA) International Monetary Fund (IMF) Other international financial institutions (IFIs)
AMOUNT OF COFINANCING: (in NPV terms)	CDB: USD 7.4 million CMCF: USD 29.1 million IDB: USD 48.1 million IDA: USD 27.1 million IMF: USD 34.5 million Other IFIs: USD 15.2 million

REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD TO THE EXECUTIVE BOARD ON A PROPOSED IFAD CONTRIBUTION TO THE CO-OPERATIVE REPUBLIC OF GUYANA UNDER THE HEAVILY-INDEBTED POOR COUNTRIES DEBT INITIATIVE

I submit the following Report and Recommendation on proposed financial assistance to the Co-operative Republic of Guyana for SDR 630 000 in net present value terms (NPV) (equivalent to approximately USD 910 000 NPV) to reduce Guyana's debt to IFAD under the Heavily-Indebted Poor Countries Debt Initiative (HIPC DI). This contribution represents approximately 25.9% of the debt to the Fund, allocated under equally proportional debt-burden sharing with multilateral creditors.

PART I – HEAVILY-INDEBTED POOR COUNTRIES DEBT INITIATIVE

1. **Background of IFAD involvement.** In December 1996 the Executive Board proposed IFAD's participation in the International Monetary Fund (IMF)/World Bank-led HIPC DI as an element of IFAD's broader policy framework for managing operational partnerships with countries that have arrears with IFAD or that face the risk of having arrears in the future because of their debt-service burden[1]. The Executive Board endorsed the principle of IFAD's participation in the HIPC DI and forwarded the proposal to the Governing Council[2]. During its Twentieth Session, the Governing Council approved IFAD's participation in the HIPC DI (Resolution 101/XX, adopted on 21 February 1997) and delegated further approval authority to the Executive Board. In December 1997 the Executive Board considered an operational framework for IFAD's participation, including a proposal to establish an IFAD Trust Fund for the HIPC DI[3]. The Executive Board endorsed the proposed operational framework and the IFAD trust fund, forwarded the proposal to the Governing Council, and recommended the adoption of the proposed resolution. The Twenty-First Session of the Governing Council adopted Resolution 105/XXI on the establishment of the IFAD Trust Fund for the Heavily-Indebted Poor Countries Debt Initiative (11 February 1998).

2. IFAD has approved debt-reduction assistance to two countries under the HIPC DI: Uganda (September 1997) and Burkina Faso (December 1997). This assistance, respectively, amounts to: (a) SDR 4.16 million NPV, equivalent to approximately USD 5.67 million and representing 21% of the accumulated debt owed by Uganda to IFAD; and (b) SDR 1.78 million NPV, equivalent to approximately USD 2.56 million and representing 1.98% of the accumulated debt owed by Burkina Faso to the Fund.

3. **Objective and principles of the HIPC DI.** The overall objective is to develop and implement a comprehensive and consistent framework for reducing the accumulated external debt of about

1 IFAD's Policy Framework for Managing Partnerships with Countries in Arrears (document EB 96/59/R.73).
2 IFAD's Participation in the Debt Initiative for Heavily-Indebted Countries (document GC 20/L.6).
3 Proposed Involvement of the Fund in the Debt Initiative for Heavily-Indebted Poor Countries (HIPC DI): IFAD's Operational Policy Framework (document EB 97/62/R.7).

22 heavily-indebted and poor countries with **unsustainable** or possibly **stressed** levels of debt. The initiative entails coordinated action by the international financial community to reduce the debt of these countries, which are pursuing IMF and World Bank-supported structural adjustment and economic reform programmes, but for whom even the full application of traditional debt-relief mechanisms is insufficient. The target is to reduce the individual debt of these countries to a level that will no longer compromise their ongoing economic reform programmes and social-development and poverty-eradication efforts. Among the guiding principles of the HIPC DI are the directives to: (a) address a country's total debt sustainability with a reliable exit strategy and involve all creditors in order to be effective and equitable; (b) assist only countries that have a track record of economic policy and structural reform and are making efforts towards poverty eradication; (c) build on the existing mechanisms of debt relief; (d) preserve the financial integrity of the international financial institutions (IFIs) involved; and (e) secure a continued flow of new external financing on appropriately concessional terms from IFIs and from the private sector.

4. **Overall rationale.** The Governing Council resolution established the link between the sustainability of debt and the sustainability of poverty-eradication efforts as the main rationale for IFAD's involvement in the initiative. This rationale includes the following considerations: (a) debt is a key problem that has to be addressed if poverty alleviation is to occur, and the HIPC DI offers a comprehensive policy framework for accomplishing this; (b) participation will enable IFAD to be part of a system having the potential to address the arrears issue; and (c) it will also enable IFAD to be part of a policy dialogue process for monitoring poverty-related parameters of structural adjustment performance. In practical terms, and for an individually eligible country, the overall debt-relief package to be provided by the international financial community, under the leadership of the IMF and the World Bank, is expected to: (a) effectively reduce the country's external-debt burden, i.e., to sustainable levels; and (b) free national budgetary resources in order to broaden the scope of the country's development efforts, while explicitly facilitating an increase in public investment in social sectors and poverty eradication.

5. **Country eligibility.** Eligibility for country participation in the HIPC DI is based on: (a) the country's poverty status, estimated on a per capita income making the country eligible to borrow on International Development Association (IDA) terms, participate in IMF's Enhanced Structural Adjustment Facility (ESAF), and borrow from IFAD on highly concessional terms; (b) a satisfactory record of structural adjustment, economic management and social-development actions over the past three years; and (c) the unsustainability of the country's debt burden as established by high debt-to-export and debt-service-to-export ratios.

6. **IFAD participation.** IFAD has committed itself to participate in the HIPC DI on a country-by-country basis for eligible Member States that meet country-eligibility criteria. Moreover, the main issues IFAD will address during the preparation of each specific proposal are: the country's policy focus on poverty eradication; the strength of the country's poverty eradication and rural development programme; and the sensitivity of the ongoing structural adjustment efforts to poverty eradication. The purpose of this document is to propose IFAD's participation in the HIPC DI for Guyana, the first Caribbean country to qualify for the debt-reduction programme (and the second HIPC DI country in Latin America, after Bolivia).

PART II – THE HIPC DI FOR GUYANA

A. Preparations for the Guyana Debt-Reduction Programme

7. **Creditors consultations.** In September 1997, the staff of IDA and IMF initiated consultations with Guyana's multilateral creditors and with the Paris Club regarding the actions these creditors would take under the HIPC DI. On 15-16 September, IDA organized the fourth meeting of multilateral development banks and financial institutions, at which IFAD was present, to update participants on the debt-sustainability analysis (DSA) methodology, its data requirements, and recommendations in the debt-sustainability analysis for the early cases of HIPC countries, including Guyana. All of Guyana's multilateral creditors were present – including the Caribbean Community and Common Market (CARICOM) Multilateral Clearing Facility (CMCF), represented by the Central Bank of Trinidad and Tobago. Trinidad and Tobago holds Guyana's largest bilateral debt. IMF and IDA staffs worked in close consultation with that of the Inter-American Development Bank (IDB), inclusive of the preparation of the debt-sustainability analysis.

8. **Preliminary documentation.** Discussions were held in IDA and IMF Executive Board meetings on the preliminary documents (September 1997). The Executive Directors agreed that Guyana should be eligible for assistance under the HIPC DI in view of the country's: (a) strong adjustment record over an extended period of time; (b) receipt of Paris Club relief in a stock-of-debt operation on Naples terms (May 1996); (c) highly open economy (with an exports-to-GDP ratio of more than 40%), and still-heavy fiscal burden of debt despite strong revenue efforts (indicated by a revenue-to-GDP ratio of more than 20%); and (d) status as an ESAF eligible and IDA-only borrower.

9. **Agreements.** In November 1997, the Executive Board of IDB, the principal multilateral creditor for Guyana: (a) agreed to provide assistance to Guyana under the HIPC DI; (b) supported an interim period (performance observation) of one year (i.e., from decision to completion point); and (c) established a target ratio of 280% for the NPV of debt-to-government revenues. In December 1997, the Executive Boards of IMF and the World Bank agreed to support a debt-reduction package for Guyana. At the same time, they approved: (a) a decision point of December 1997, in conjunction with the completion of the third-year annual ESAF arrangement; (b) a shortening of the second performance-observation period to one year after the decision point, for a completion point in December 1998, conditional on the successful implementation of the reform programme; and (c) a target of debt-to-exports ratio of 107% (in NPV terms), consistent with a target of 280% of debt-to-government revenue (in NPV terms) at the completion point of December 1998, which will suffice to ensure debt sustainability[4].

B. Rationale for the Guyana HIPC DI

10. **National income.** The HIPC DI for Guyana – and IFAD's participation in this programme – are justified on all primary accounts of eligibility. First, the country's per capita income is the lowest in the Caribbean region: the GNP per capita reached USD 710 in 1996, as compared with the average for ten Caribbean countries of approximately USD 3 300. Guyana is an IDA-only borrower, it benefits from IMF's ESAF support and is eligible for IFAD lending on highly concessional terms.

4 Guyana - Final Document on the Initiative for Heavily-Indebted Poor Countries (HIPC), prepared by the staffs of IMF and IDA, in collaboration with the staff of the IDB (5 December 1997).

11. **External debt.** Second, the country is faced by a large external debt that has been assessed as unsustainable. Guyana's overall external debt as of the end of 1996 reached USD 1 150 million (in NPV terms). Consequently, the country faces dramatic debt-servicing conditions: a debt-to-exports ratio of 180% NPV and a debt-to-government revenue ratio of 469%. At the present time, about 42% of total fiscal revenues are used to service debt. Because of the severity of the situation, Guyana is the first country to qualify under the 'fiscal/openness' criteria for debt unsustainability, which were established for highly open economies with a heavy fiscal burden of external debt despite consistent efforts to mobilize revenue.

12. **Structural and economic policy reform.** Third, the Government of Guyana is committed to a disciplined programme of economic policy reform. In fact, since 1988, Guyana has established a good track record in implementing macroeconomic stabilization and structural reform programmes, supported by IDA, IMF, IDB, the Caribbean Development Bank (CDB) and other external agencies. Before Guyana embarked on this reform programme, it faced declining investment, high unemployment and negative growth, while poverty increased and economic infrastructure deteriorated rapidly. Today, substantial reduction in the overall fiscal deficit has been complemented by a reduction in the size of the public sector, tax reform, expenditure controls and the privatization of public enterprises. The foreign exchange and trade system has been liberalized significantly and the incentive framework for the private sector has been considerably improved. Equally important, Guyana has accomplished key political goals during the 1990s. It has moved towards establishing a democracy, improving governance by ensuring greater participation of the domestic private sector, including the non-governmental organization (NGO) community, and encouraging greater transparency in its conduct of public policy. A general election was held in December 1997. In recognition of Guyana's achievements in implementing structural reform over recent years, it was agreed by the lead HIPC DI multilateral agencies that the completion point for delivery of the debt-reduction package will be only one year from the decision point of December 1997. This is an acceleration of the normal three-year interim period.

13. **Social development and poverty-reduction programmes.** Fourth, the Government – cognisant of the consequences of the adjustment process – has made efforts to provide transitional support to the most vulnerable groups affected by the reform process (for example, through an explicit Social Impact Amelioration Programme, financed by multiple donors); and has demonstrated a strong commitment to deepening and extending its poverty-alleviation programmes. In developing the HIPC debt-reduction programme, the Government committed itself to ensuring that the funds released as a result of the proposed debt relief will be used to strengthen its poverty-reduction and social-development programmes and reform the civil service. Under the HIPC programme, the country is to develop innovative approaches and new ways to deliver social services, including functional decentralization and increased reliance on local communities. In this process and over time, secondary towns and rural areas will become the focal point of public services delivery. These elements of the Government's expected structural measures and social-development actions have been translated into monitoring indicators for the HIPC programme.

14. **Debt management.** Fifth, while the Government has regularly been servicing its debt obligations with IFAD, it is the risk of future arrears – because of the overall heavy debt-service burden – that may jeopardize the completion of key structural reforms and the expansion of rural poverty actions. This is a primary concern of IFAD at the present time.

15. **Support for and reliance on IFAD.** Finally, Guyana has consistently supported IFAD's resource replenishment programmes, as evidenced by the country's contribution to the Third Replenishment. Reciprocally, the country has recently borrowed from IFAD in order to execute the second IFAD-financed project in the country, the innovative Poor Rural Communities Support Services Project (approved in December 1996), which the Government is cofinancing with CDB. In

sum, the debt-relief package that will be provided is expected to reduce the country's external debt burden, while effectively freeing national budgetary resources to broaden the scope of the country's development efforts.

C. Economic Context, Agricultural/Rural Sector and Poverty Situation

16. **Economic context.** Guyana is among the Caribbean region's poorest countries. It has a population of 800 000 (1997 estimate) and a GNP per capita of USD 710 (1996). National income is rather concentrated: according to the World Bank's Development Indicators for 1996, the percentage of income or expenditure share in the highest quintile is 55%; while the percentage of income or expenditure share in the lowest quintile is estimated at 4%. The country's debt burden is large (over USD 1 500 million in nominal terms), and its servicing demands put a serious strain on government revenues, of which over 40% are used to service the external debt. Economic activity is concentrated in agriculture, which benefits from European Union (EU) preferential arrangements. Agricultural production accounts for over 30% of GDP and about half the country's export earnings, as well as providing employment to a third of the country's labour force. Mining and quarrying accounts for approximately 25% of GDP. Despite increased public-sector spending, the economic and social infrastructure of the country remains inadequate, and skilled labour continues to be critically short. The country relies on an export economy, mainly of primary-sector exports: its three main export products are sugar, rice and gold, which together account for approximately 50% of exports. Bauxite is also important, and timber extraction is being expanded with the establishment of a large plywood facility. Thus the economy of Guyana is highly sensitive to changes in the conditions of international markets, such as access to traditional preferential markets offered by the EU for sugar, the main export product, which alone accounts for over 20% of exports. The overall level of exports is also sensitive to the adverse effects of weather on rice and sugar production.

17. **Economic policy reform.** Guyana's economy faced severe difficulties in the late 1970s. Among these, there were a crippling shortage of foreign exchange, inability to service large external public debt, falling production in the main export sectors, major public-financing difficulties, shortages of consumer goods, rising inflation, and collapsing infrastructure and public services. This situation has been changed through economic reform programmes that were initiated in the late 1980s. These programmes were designed with the broad strategy of reorienting economic management away from the centralized administrative controls that impeded economic development in past decades. Guyana has successfully implemented these reforms and has made significant progress towards the achievement of the macroeconomic and economic restructuring objectives. This has taken place under six successive, annual IMF-supported ESAF programmes, initiated in 1990, and under IDA and IDB structural adjustment credits that led to three Paris Club rescheduling operations (1991-95) and a stock-of-debt operation on Naples terms in May 1996. In addition, satisfactory progress has been made in implementing IDA's Private Sector Development Adjustment Credit (PSDAC), with the final tranche having been released in November 1997. Macroeconomic performance in 1997 was broadly in line with the programme. All the quantitative and structural performance criteria and benchmarks for the first half of the year were observed, except for the completion of the regulatory framework for the state-owned Guyana Sugar Cane Corporation (GUYSUCO) and the sale of the National Bank for Industry and Commerce. The Government was also on track with the execution of its social investment programmes.

18. **Agricultural/rural sector and natural resources.** The agricultural/rural sector faces both important opportunities and severe developmental constraints. Guyana has great agricultural potential, with a long-established irrigation system on the coastal plain, an inland savannah suitable for cattle ranching and large forest resources. The abundant rainfall, with two rainy seasons per year, allows for two annual sugar crops, while the coastal strip also produces rice and other food crops. However financial and organizational inadequacies have meant that the potential remains unrealized,

and the country is in the paradoxical position of suffering shortages of important food items such as sugar and meat. The main factors that constrain agricultural development are: the land-tenure system, which is biased towards plantation agriculture and fosters inefficiency; poor access to credit for small-scale farmers; inadequate research and extension services, which do not address the needs of small-scale agriculture; and the poor drainage and irrigation services that result principally from the neglect of maintenance and reductions in government infrastructural investments.

19. The country’s environmental constraints are related to the relatively small area of its coastal zone, where most of the country’s population and physical assets are concentrated. Over 90% of Guyana’s 25 000 farm households are concentrated along these narrow coastal plains. At present, with the exception of Amerindian communities and a few farmers living along the inland river banks, most of the rural population lives in villages along the main roads of the coastal lands. It is estimated that only 36% of the population is urbanized, while 73% of the country’s population has access to safe water. In addition to increased investments in rural infrastructure and agricultural services, coastal zone management, the protection of Amerindian peoples from forestry and mining development, and the establishment of national, regional and local institutions to improve environmental management are contemplated in the Government’s rural development activities, some of which benefit from IFAD financing.

20. **Rural poverty situation.** Although Guyana compares favourably with other HIPC countries in many social and economic respects (Appendix I), the situation remains one of concern, with more than 43% of the population living under conditions below the poverty line. (This poverty threshold is officially defined as the equivalent of an annual income of USD 110.) Poverty affects rural households in which agricultural production is the main source of income in the same way as it does landless rural households in which the main source of income is salaries. While most of the poor live in rural areas, the heaviest incidence of poverty is among the Amerindian populations that engage in subsistence farming and sustainable forest extraction activities. According to an IFAD-Inter-American Institute for Cooperation on Agriculture (IICA) survey (1994), approximately 20% of rural households are headed by women. A large proportion of these households engage in farming and have a significantly higher incidence of poverty. Rural poverty in Guyana is associated with insufficient coverage and low quality of health, educational and other social services.

21. **Development strategy.** Guyana’s current economic development strategy is based on the continuation of sound macroeconomic policies, the deepening of public-sector and other structural reforms, and the pursuit of an ambitious social-development agenda, especially in education, health and urban and rural community-based poverty alleviation. The strategy also contemplates environmentally sustainable development that provides for the prudent use of Guyana’s natural resources.

D. External Debt Status

22. **Total external debt.** At the end of 1996, Guyana had a total external (public and publicly guaranteed) debt of USD 1 568 million (nominal terms), equivalent to USD 1 150 million in NPV terms. Debt owed to multilateral institutions amounted to USD 976 million (nominal terms), equivalent to USD 624 million NPV, or 54% of the NPV total; debt to official bilateral creditors amounted to USD 468 million (nominal terms), equivalent to USD 407 million NPV, or 36% of the total; and debt to commercial creditors amounted to USD 124 million (nominal terms), equivalent to USD 118 million NPV, or 10% of the total.

23. **Multilateral debt.** IDB is the largest creditor among the international financial institutions, with USD 186 million NPV or approximately 30% of multilateral debt at the end of 1996. Similarly, debt owed to IDA/International Bank for Reconstruction and Development (IBRD) totalled USD 105 million NPV (17% of multilateral debt); while debt to IMF amounted to USD 133 million NPV (21% of multilateral debt). Another major multilateral creditor is CMCF, originally a scheme for settling short-term trade payments among a group of member central banks of the Caribbean Community. At the end of 1996, the total stock of this debt amounted to USD 113 million (in NPV terms), or 18% of multilateral debt. The total outstanding debt to IFAD at the end of 1996 stood at USD 3.5 million NPV.

24. **Bilateral debt.** Guyana’s debt to official bilateral institutions amounted to USD 407 million NPV, of which the debt to Paris Club creditors was estimated at USD 291 million NPV at the end of 1996, representing close to a quarter of the total external debt and approximately 72% of bilateral debt. The debt to non-Paris Club creditors amounted to USD 116 million NPV (28% of bilateral debt). Trinidad and Tobago is Guyana’s largest Paris Club creditor, with USD 164 million NPV in accumulated credit. The largest creditors among non-Paris Club bilateral creditors are Kuwait, USD 32 million NPV, and the Libyan Arab Jamahiriya, USD 32 million NPV.

25. **Debt sustainability analysis.** At the end of 1996, Guyana’s debt-to-exports ratio (in NPV terms) was estimated at 180%, while the debt-to-government revenue ratio NPV was 469%, and the debt-service-to-government ratio NPV was estimated at 42%. In view of the severity of these ratios, the country’s debt burden was considered unsustainable, and the country qualified for HIPC debt relief under the fiscal/openness criteria. Guyana’s outstanding debt to IFAD is of a medium-term nature (1999-2006), and was awarded on intermediate lending terms (one closed loan).

E. The IFAD Programme in Guyana

26. **IFAD’s involvement and strategy in the country.** IFAD has so far approved two loans for Guyana totalling USD 16.5 million. The first loan of USD 6.0 million (awarded on intermediate lending terms), which helped finance the East Bank Essequibo Development Project (Loan 190-GY), was closed in June 1997. The project – cofinanced with the OPEC Fund – focused initially on drainage and irrigation infrastructure, and then shifted emphasis towards pilot activities for the promotion of community-based management schemes (water users associations, women producers groups, etc.). The second loan of USD 10.5 million (awarded on highly concessional terms), which helped finance the Poor Rural Communities Support Services Project (Loan 436-GY), was approved in December 1996. This second project – cofinanced with CDB – was designed drawing on selected lessons from implementation experience, and represents the Fund’s strategy in the country and the Caribbean region as to, *inter alia*: (a) delivery and utilization of key agricultural support services under an innovative demand-driven approach; and (b) strengthening of local community initiatives through the financing of a community investment fund and the fostering of participatory approaches to resource allocation and project implementation. The conditions for loan effectiveness are expected to be fulfilled soon, after the fielding of an implementation support mission in May 1998 (Appendix II).

27. IFAD’s strategy for community-based development is complemented by support to key elements of rural civil society. To this effect, a grant of USD 75 000 was provided to the Guyanese Organization of Indigenous Peoples (GOIP) – under the IFAD/NGO Extended Cooperation Programme – to finance the Amerindian Communities Development Support Programme (Grant 038-GOIP). This initiative will be linked to the Regional Programme in Support of Amazon Indigenous Peoples (TAG 234-AIP).

PART III – THE GUYANA HIPC DI PROGRAMME

28. **Objective of the proposed assistance.** With the proposed debt reduction, IFAD will support the implementation of the Government's economic and social programme for poverty reduction, as spelled out in the Policy Framework Paper for the period 1997-1999 and outlined in the final HIPC DI document and in this report. IFAD's debt relief – to be provided under equitable burden-sharing arrangements in conjunction with IDB, CMCF, IDA, IMF and other creditors – will allow Guyana to reach a sustainable debt position at the completion point. Consequently, overall debt relief will free up fiscal resources that will help accelerate the process of structural economic reform/management, and support – with explicitly incremental budgetary resources – the strengthening of social expenditure in the critical areas of education, health and poverty alleviation. Specifically, debt relief and the agreed-upon structural reforms will: (a) improve the composition of government expenditures in order to permit larger outlays in social sectors and essential infrastructure; and (b) strengthen the delivery and targeting of urban-rural poverty eradication programmes. Without such relief, the Government would need to generate more domestic debt, raise taxes, slow social programmes and structural reforms, and loosen monetary policy. This would have a negative impact on growth. From an IFAD perspective, the proposed financial contribution to debt reduction should also guarantee the timely provision of counterpart funding in the context of the ongoing project.

A. Policy Reform Commitments and Conditions

29. **Structural reform requirements.** Key structural reforms are crucial to achieving sustainable economic growth and increased provision of social services: (a) continued improvement in economic efficiency and encouragement of economic diversification, in particular in the sugar and services sectors, by strengthening the role of the private sector; (b) accelerated modernization of the public sector through civil-service reform and upgrading of information systems; (c) the ensuring of social development through increased and better-targeted allocations of public resources to health, education and rural development programmes, especially among Amerindian and other rural poor communities; and (d) sustainable management of the country's vast natural wealth, in particular the forest and water resources. These reform requirements have been translated by the Government, IMF and the World Bank into clear HIPC DI commitments and conditions.

30. **Structural-Reform and Social-Development Performance Monitoring Criteria.** The delivery of debt relief at the completion point will be contingent on the monitorable actions specified in: (a) the final HIPC DI document; (b) the Government's Memorandum on Structural and Social Sector Policies (December 1997, attached to the final document); and (c) the report and recommendations of the IDA assistance. Before reaching the completion point, the Government is expected to make satisfactory progress in the areas of structural reform, social-sector development and poverty reduction.

31. **Structural reform/economic management.** The Government will implement the measures detailed in Appendix III of this report (taken from the final HIPC DI document). Execution of these reforms will be monitored under ongoing IDA and IMF-supported programmes. Beyond 1998, it is expected that the Government will implement additional measures with the support of a proposed public-sector adjustment credit: reforming the financial sector; restructuring and bringing to the point of sale all remaining public entities, including GUYSUCO; and reforming the civil service.

32. **Social development and rural poverty-eradication programmes.** The Government will implement measures that will be monitored in parallel with IDA ongoing and new projects. Specific

actions to be undertaken by the end of 1998 – and over the medium term – are detailed in Appendix IV, Tables 1-3 (taken from the final HIPC DI document). These actions will include:

33. **In education:** (a) strengthening the institutional capacity of the Ministry of Education by restructuring the Ministry and upgrading human resources; (b) increasing the budgetary allocation to the sector, in particular for non-salary items, such as materials and school maintenance; and (c) increasing the number of trained teachers, enhancing the skills of youth and improving the information systems. Measures will be adopted to raise pre-primary enrolment, increase secondary education coverage, expand teacher training, and improve the access and quality of basic education for the population, especially Amerindians and rural poor communities. Consistent with these objectives, budgetary allocations to the education sector will increase from 4% of GDP in 1996 to about 5% in 1998, and about 5.5% by 2000 (Appendix IV, Table 1).

34. **In the health area:** the objectives will be to improve both access to and the quality of basic care, including primary health services in the hinterland. This will be accomplished through: (a) strengthening the institutional capacity of the Ministry of Health by restructuring the Ministry and training health personnel; and (b) improving health services by increasing the budgetary allocation, in particular on primary and preventive services, prescription drugs, medical supplies and maintenance. Budgetary allocations will be increased from 3% of GDP in 1996 to about 3.25% in 1998 and about 4% by 2000 (Appendix IV, Table 2).

35. **In poverty alleviation:** Overall, the Government's strategy is to achieve high-quality economic growth through prudent macroeconomic policies and structural reforms. The Government will also implement specific policies and investment programmes as part of its commitments under HIPC, starting with the improvement of statistical information on the poor, which will facilitate the targeting of social programmes to Amerindian and other rural poor communities. To this effect, the Government will conduct a household survey, as a follow-up to the 1993 Living Standards Measurement Study (LSMS), designed to strengthen the capability of monitoring income distribution, the impact of adjustment and economic growth on the poor and the incidence of government taxes and expenditures. This survey will permit any necessary updating of the existing poverty map of the country, and the targeting of investments to support community-driven programmes in education, health, water supply and sanitation, and other local social and economic infrastructure in Amerindian and low-income communities. A number of specific community-level projects will be initiated with funding from the Social Impact Amelioration Programme prior to completion point (Appendix IV, Table 3).

36. **Progress monitoring**. To ensure satisfactory and timely implementation of reform measures, the Government has established mechanisms to monitor progress in the areas of structural and social-sector reforms, including the appointment of a coordinator funded by IDB.

B. Debt-Reduction Package and Proposed IFAD Contribution

Debt Sustainability Requirements

37. **Debt sustainability targets.** Guyana is the first country to qualify under the HIPC DI fiscal/openness criteria, which were established in April 1997 for highly open economies with a heavy fiscal burden of external debt despite consistent efforts in mobilizing revenue. Under this fiscal/openness criteria, Guyana's target for the NPV of its external debt was set at 107% of exports, compared to a projected ratio of 143% before assistance (i.e., below the reference mark of 200%, when the debt/export criterion is applied alone). Similarly, the targeted debt-to-government revenue ratio was set at 280% by completion point. Guyana's action dates were defined by the leading multilateral agencies as follows: decision point of December 1997, and accelerated completion point

of December 1998. The expected contribution from multilateral creditors was set at 25.9%, based on the equally proportional approach to debt-burden sharing.

38. **Debt-reduction package.** The total debt relief required to achieve debt sustainability has been estimated at USD 253 million (in NPV terms). This amount of total assistance – to be provided to Guyana by all of its participating creditors – will reduce the country's external debt burden by a quarter. This is estimated to translate into debt-service relief over time of close to USD 500 million (nominal value terms).

39. **Multilateral debt relief.** Multilateral creditors will provide 64% of the total assistance (USD 161 million), reflecting their projected share of Guyana's external (public and publicly guaranteed) debt. Based on equally proportional debt-burden sharing, each multilateral creditor will be expected to provide assistance to Guyana according to their share of Guyana's debt at the end of 1996 (in NPV terms), amounting to an NPV reduction of about 25.9% of their claims. Expressed in NPV terms, individual contributions by principal multilateral creditors will be expected as follows: IDA, USD 27 million; IMF, USD 35 million; IDB, USD 48 million; and CMCF, USD 29 million. IFAD's expected contribution amounts to USD 910 000 NPV.

40. **Bilateral contribution.** Similarly, bilateral creditors (official bilateral and commercial) will provide the remaining 36%, or USD 91 million. This will be achieved through debt relief on eligible debt from Paris Club creditors by topping up the Naples-terms debt reduction (granted in May 1996) to 77%, with comparable treatment from non-Paris Club creditors.

IFAD Contribution

41. **Proposed IFAD contribution.** The IFAD Trust Fund for the HIPC DI will be used to provide the required relief on debt owed to IFAD – for an amount of SDR 630 000 (in NPV terms) at the completion point, equivalent to USD 910 000 NPV. This cost represents approximately 25.9% of the USD 3.5 million outstanding debt to the Fund (NPV), allocated under fully proportional debt-relief sharing among multilateral creditors. The table on page 10 presents the share of IFAD-to-multilateral debt relief.

42. **Calculation of IFAD's share of debt relief.** IFAD has approved two loans to Guyana (September 1986 and December 1996). As of the end of 1996, the first loan was closed and the second not yet effective (Appendix II). Expected loan-servicing amounts vary between the two loans, due to the fact that one loan has been awarded on intermediate (4.0%) and the other on highly concessional terms (0.75%). However, since the second loan is not yet effective and no disbursements have been made, the calculation of IFAD's debt relief is based on the loan that has been disbursed and closed.

43. As of the end of 1996, loan commitments totalled SDR 12.3 million, of which SDR 4.4 million (or 35.8%) had been disbursed. Repaid principal amounted to SDR 1.67 million, leaving about SDR 2.73 million outstanding (equivalent to USD 3.93 million, nominal terms). The calculation of IFAD's share of debt relief (in NPV terms) is based on the outstanding principal and estimated service charges and interest, and on the following parameters, which were furnished by IMF/World Bank for the case of Guyana: a USD/SDR exchange rate of 1.43796; and an SDR-based semi-annual discount factor of 3.25% (at 31 December 1996) (Appendix V).

44. The NPV of Guyana's outstanding debt to IFAD has been calculated at SDR 2.44 million, equivalent to USD 3.52 million. Based on the fully burden-sharing percentage of 25.9%, IFAD's proposed contribution to Guyana's debt relief has been established at SDR 630 000 NPV, equivalent to approximately USD 910 000 NPV (Appendix V).

DEBT-SITUATION AND EXPECTED MULTILATERAL DEBT-RELIEF
(USD million)

Debt Value	Total Amount of Debt [a]	Multilateral Debt	IFAD Debt [b]	IFAD's Share of Multilateral Debt
Nominal terms:	1 568.0	976.0	3.93	0.40%
Net present value: (NPV)	1 150.0	624.0	3.52	0.56%
Share of debt relief: (25.9%) (NPV)	–	161.4	0.91	0.56%

[a] Total Amount of Debt refers to total public and publicly guaranteed debt as of the end of 1996. Shares of debt relief apply to multilateral creditors only, are based on equally proportional debt-burden sharing, and are estimated as of the completion point of December 1998.

[b] IFAD total outstanding debt (principal of one loan) at the end of 1996.

C. Debt-Reduction Instruments

45. **Conditionality.** The reduction of Guyana's debt to IFAD will be triggered – at the completion point of December 1998 – by Guyana's satisfactory fulfilment of the conditions and performance criteria established for the start-up of IDA and IMF debt relief under the Guyana HIPC DI. Compliance with the agreed-upon performance indicators has been and will continue to be monitored by IDA and IMF during the interim period, and they will report to the participating IFIs by December 1998.

46. **Legal instruments**. Debt reduction by IFAD will be accomplished through a grant by the IFAD Trust Fund for the HIPC DI. An agreement between the Co-operative Republic of Guyana and IFAD, as administrator of the trust fund, constitutes the legal instrument for extending the grant.

D. Implementation of IFAD's Debt-Reduction Programme for Guyana

47. The nominal stream of semi-annual repayments due from the Government of Guyana during the 1999-2006 period of the proposed debt-relief (i.e., initiating one semester after completion point) average approximately SDR 160 000 per payment (without debt relief). A proportional allocation among the 16 payments involved in the total nominal amount of debt relief to be provided by IFAD will reduce these semi-annual payments by approximately SDR 52 000 (on average), to a ceiling of approximately SDR 108 000 per payment. This approach to debt relief will ensure the Government of Guyana's continued capacity to manage the debt to IFAD.

PART IV – RECOMMENDATION

48. I recommend that the Executive Board approve the proposed contribution to the reduction of Guyana's debt to IFAD within the framework of the Guyana HIPC DI, in terms of the following resolution:

> RESOLVED: that the Fund, upon declaration at the completion point (December 1998) by the International Monetary Fund and the World Bank that the Co-operative Republic of Guyana has satisfied the conditions for debt relief under the Guyana HIPC DI, shall:
>
> reduce the value of Guyana's debt to IFAD by extending the grant from the IFAD Trust Fund for the HIPC DI, which will meet certain debt-service obligations of Guyana to IFAD as they fall due after the completion point up to the aggregate value of SDR 630 000 NPV, equivalent to approximately USD 910 000 NPV. This amount represents approximately 25.9% of the accumulated debt to the Fund, allocated under proportional burden-sharing with other multilateral creditors.

Fawzi H. Al-Sultan
President

COUNTRY DATA

GUYANA

Land area (km^2 thousand) 1994 4/	**196.9**	**GNP per capita (USD) 1995 2/**	**590**
Population (million) 1995 4/	**0.84**	**Average annual real rate of growth of GNP per capita, 1985-95 2/**	**0.8**
Population density (population per km^2) 1995 1/	**4**	**Average annual rate of inflation, 1985-95 2/**	**51.1**
Local currency	**Guyana Dollar (GYD)**	**Exchange rate: USD 1 =**	**GYD 142.0 (June 1998)**
Social Indicators		**Economic Indicators**	
Population (average annual rate of growth) 1980-95 4/	0.6	GDP (USD million) 1995 4/	595
Crude birth rate (per thousand people) 1995 4/	23	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people) 1995 4/	8	1980-90	n.a.
Infant mortality rate (per thousand live births) 1995 1/	60	1990-95	n.a.
Life expectancy at birth (years) 1994 3/	63.2		
		Sectoral distribution of GDP, 1995 4/	
Number of rural poor (million) 1/	n.a.	% agriculture	*36*
Poor as% of total rural population 1/	n.a.	% industry	*37*
Total labour force (million) 1995 4/	0.35	% manufacturing	*11*
Female labour force as% of total, 1995 1/	33	% services	*27*
Education		Consumption, 1995 4/	
Primary school enrolment (% of age group total) 1993 4/	98	Government consumption (as% of GDP)	*12*
Adult literacy rate (% of total population) 1994 3/	97.9	Private consumption (as% of GDP)	*73*
		Gross domestic savings (as% of GDP)	*14*
Nutrition			
Daily calorie supply per capita, 1992 3/	2 385	**Balance of Payments (USD million)**	
Index of daily calorie supply per capita (industrial countries=100) 1992 3/	n.a.	Merchandise exports, 1995 4/	467
Prevalence of child malnutrition (% of children under 5) 1989-95 4/	3	Merchandise imports, 1995 4/	*484*
		Balance of trade	n.a.
Health			
People per physician, 1993 4/	8 948	Current account balances (USD million)	
People per nurse, 1993 4/	893	before official transfers, 1995 4/	-197
Access to safe water (% of population) 1990-96 3/	n.a.	after official transfers, 1995 4/	-135
Access to health service (% of population) 1990-95 3/	n.a.	Foreign direct investment, 1995 4/	3
Access to sanitation (% of population) 1990-96 3/	n.a.	Net workers' remittances, 1995 4/	n.a.
		Income terms of trade (1987=100) 1995 4/	*154*
Agriculture and Food			
Cereal imports (thousands of metric tonnes) 1994 4/	50	**Government Finance**	
Food imports as percentage of total merchandise imports 1993 4/	n.a.	Overall budget surplus/deficit (as % of GDP) 1994 4/	-0.0
Fertilizer consumption (hundred grams of plant nutrient per arable ha) 1994/95 4/	302	Total expenditure (% of GDP) 1994 4/	n.a.
Food production index (1989-91=100) 1995 4/	149	Total external debt (USD million) 1995 4/	2105
Food aid in cereals (thousands of metric tonnes) 1994-95 4/	30.20	Total external debt (as% of GNP) 1995 1/	n.a.
		Total debt service (% of exports of goods and services) 1995 4/	n.a.
Land Use			
Agricultural land as% of total land area, 1994 4/	9	Nominal lending rate of banks, 1995 4/	19.2
Forest and woodland area (km^2 thousand) 1993 3/	151.18	Nominal deposit rate of banks, 1995 4/	12.9
Forest and woodland area as% of total land area, 1993 3/	77		
Irrigated land as% of arable land, 1994 4/	26.2		

n.a. not available.
Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1997
2/ World Bank, *Atlas*, 1997
3/ UNDP, *Human Development Report*, 1997
4/ World Bank, *the World Development Indicators CD-Rom*, 1997

BASIC FINANCIAL DATA FOR THE IFAD PORTFOLIO IN GUYANA

(As of 31 March 1998)

Loan 190-GY – East Bank Essequibo Development Project

Initiating institution:	IFAD and cofinanced
Cooperating institution:	Caribbean Development Bank (CDB)
Cofinancing institution:	Organization of the Petroleum Exporting Countries (OPEC)
Date of EB approval:	17 September 1986
Date of loan effectiveness:	8 July 1987
Extended loan closing date:	31 December 1996
Lending terms:	Intermediate
Loan amount:	SDR 5.0 million (equivalent to approximately USD 6.0 million)
Disbursement:	SDR 4.4 million (88%) (at closing)

Loan 436-GY – Poor Rural Communities Support Services Project

Initiating institution:	IFAD and cofinanced
Cooperating institution:	Caribbean Development Bank (CDB)
Cofinancing institution:	CDB
Date of EB approval:	4 December 1996
Date of loan effectiveness:	Not yet effective
Original loan closing date:	31 December 2003
Lending terms:	Highly concessional
Loan amount:	SDR 7.3 million (equivalent to approximately USD 10.5 million)
Disbursement:	–

Total Country Assistance: SDR 12.4 million, of which loans SDR 12.3 million and grants SDR. 52 100.
Equivalent approximately to: USD 16.6 million, of which loans USD 16.5 million and grants USD 75 000

TIMETABLE FOR SELECTED STRUCTURAL REFORMS[1]

Policy Measures			Timing
1.	**Financial reforms**		
	a.	Complete financial and operational plan of the new Guyana National Cooperative Bank	June 1998
	b.	Complete reorganization and recapitalization of the World Bank of Guyana	June 1998
	c.	Revise 1996 circulars on reserve requirement and liquid assets ratios	March 1998
	d.	Comply fully (all licensed financial institutions) with the required minimum paid-up capital under the Financial Institutions Act	June 1999
2.	**Business environment**		
	a.	Establish a securities trading regulatory framework	October 1998
	b.	Introduce a regulatory framework for the insurance industry	October 1998
	c.	Undertake institutional strengthening and modernization of deeds registry	September 1998
	d.	Start land reform	June 1998
3.	**Public-sector reform**		
	a.	Energy sector	
	(i)	Put into effect and start implementation of the Electricity Sector Reform Act, the Public Utilities Amendment Act, and the Energy Sector Act	February 1998
	b	Privatization	
	(i)	Readvertise and bring to the point of sale Guyana Stores Ltd, Guyana National Printers, Guyana Pharmaceutical Company, Wanna Estate, LINMINE and BERMINE	September 1998
	c.	GUYSUCO	
	(i)	Complete legislative and administrative measures to establish regulatory framework	February 1998
	(ii)	Revise sugar levy to make it more transparent	January 1998
	(iii)	Subject GUYSUCO to corporation tax at the normal rate	January 1998
	(iv)	Bring import regime for inputs to GUYSUCO in line with other enterprises	January 1998
	(v)	Introduce semi-annual performance benchmarks, related to reducing unit costs of production, into the management contract for GUYSUCO	March 1998
	(vi)	Maintain management contract for GUYSUCO until restructuring is completed	Continuous
	(vii)	Complete revision of medium-term strategic plan for GUYSUCO to reduce costs to competitive levels	1998
	(viii)	Begin to implement strategic plan	March 1998
4.	**Civil Service reform**		
	a.	Carry out a survey of private-sector remuneration to establish benchmarks to be used in improving remuneration of comparable positions in public service Establish mechanisms to carry out such surveys regularly	June 1998
	b.	Develop a new remuneration structure for managerial, professional and technical positions in the civil service to bring the remuneration to such levels, relative to the private sector, as will enable the civil service to attract and retain skilled persons for these positions	September 1998
	c.	Develop norms and mechanisms for periodic adjustment of the remuneration structure *vis-à-vis* the private sector	September 1998
	d.	Review and streamline the public service rules (including the pension scheme) in order to facilitate public service management, enhance transparency in key personnel decisions, improve incentives for performance and strengthen accountability	September 1998
	e.	Complete the restructuring of the Ministry of Finance and use that as a prototype to restructure the Ministries of Health and Education	December 1998
	f.	Implement the remuneration structure for managerial, professional and technical positions in the public service	January 1999
5.	**Improvements in tax administration**		
	a.	Make the Revenue Authority fully operational	September 1998
6.	**Statistics**		
	a.	Complete compilation of historical balance of payments statistics based on survey returns on private-sector investment	March 1998

[1] The timing, in most cases, represents an acceleration of structural reforms envisaged in the current Policy Framework Paper (PFP) that covers 1997-99.

SOCIAL DEVELOPMENT POLICY MATRIX

Table 1: Education[1]

Objectives	Actions Required	Verifiable Indicators
Strengthen institutional capacity of Ministry of Education (MOE)	Implement restructuring/reorganization of MOE and upgrade human resources	• Plan completion in collaboration with the Public Service Commission by Sept. 1998 • Plan approval by Cabinet by Sept. 1998 • Implementation begins Oct. 1998 and is to be completed by December 1998
	Develop and implement training plan for MOE personnel	• Plan completion by Oct. 1998 • Allocation of resources in 1999 budget
Increase resources and improve allocation in the education sector	Review sector needs and prepare action plan	• Completion date for action plan: June 1998
	Increase budgetary allocation on education	• Total expenditure (current and capital) to reach 4.9% of GDP in 1998 • Total expenditure (current and capital) to reach 5.6% of GDP by 2000 (of which primary and secondary: 5.3% of GDP)
	Increase proportion of budget spent on the supply of educational materials	• Expenditure on educational materials to reach 7% of current education spending in 1998 • Expenditure on educational materials to reach 12.3% of current education spending by 2000
	Increase proportion of budget spent on school maintenance	• Expenditure on school maintenance to reach 10% of current education spending in 1998 • Expenditure on school maintenance to reach 12% of current education spending by 2000
	Increase number of trained nursery, primary and secondary school teachers	• Training of 375 teachers by Oct. 1998 • Training of 1 400 teachers by 2000
Improve management information system and educational statistics	Develop a plan to strengthen the management information system and database of educational statistics (coverage should include generally accepted education and expenditure statistics following internationally standardized definitions)	• Plan completion date: Sept. 1998 • Implementation begins Oct. 1998
Enhance technical skills of youth	Develop a training placement programme in association with potential employers	• Completion date for plan: March 1998 • Training of 1 000 youths begins by mid-1998 and is to be completed by December 1998

[1] This table was prepared by the Guyanese authorities in collaboration with the staffs of IMF, the World Bank and IDB.

Table 2: Health[2]

Objectives	Actions Required	Verifiable Indicators
Strengthen institutional capacity of Ministry of Health (MOH) and upgrade human resources	Implement restructuring/reorganization of MOH	• Plan completion in collaboration with the Public Service Commission by September 1998 • Plan approval by Cabinet by September 1998 • Implementation begins Oct 1998 and is to be completed by December 1998
	Develop and implement training plan for MOH personnel	• Plan completion by Oct. 1998 • Allocation of resources in 1999 budget
Improve health services	Increase budgetary allocation on health	• Total expenditure (current and capital) to reach 3.2% of GDP in 1998 • Total expenditure (current and capital) to reach 3.8% of GDP by 2000
	Increase proportion of budget spent on drugs and medical supplies	• Expenditure on drugs and medical supplies to reach 27.3% of current health spending in 1998
	Increase proportion of budget spent on maintenance	• Expenditure on maintenance to reach 10% of current health spending in 1998 • Expenditure on maintenance to reach 12% of current health spending by 2000
	Increase spending on primary and preventive services to increase health impact, improve access to basic services, and increase targeting to the poor	• 80% of the increase in expenditures will be devoted to high-priority preventive services and primary care, especially at health centres, clinics and aide posts
	Evaluate the role of selective user charges and public/private collaboration to improve targeting of public heath spending	• Preparation of evaluation report by August 1998

Table 3: Poverty Alleviation[3]

Objectives	Actions Required	Verifiable Indicators
Strengthen statistics system to monitor poverty impact of economic growth and public expenditure policies	Plan as follow-up to the 1993 Living Standards Measurement Study household survey as part of development of a poverty-monitoring capacity	• Specification by August 1998 of the date of next survey
Improve the targeting of public subsidies	Develop a poverty map of Guyana to better target subsidies	• Completed
	Target Amerindian population (85% of whom fall below the poverty line) with community development projects	• Identification of at least 25 Amerindian community projects for appraisal by Social Impact Ameliorated Programme (SIMAP) by Oct. 1998
	Target community development projects to other poor communities as determined by the poverty map	• Identification of at least 20 projects in other poor communities for appraisal by SIMAP by October 1998

2 This table was prepared by the Guyanese authorities in collaboration with the staffs of IMF, the World Bank and IDB.
3 This table was prepared by the Guyanese authorities in collaboration with the staffs of IMF, the World Bank and IDB.

APPENDIX V

AMOUNT OF IFAD DEBT REDUCTION AND PROJECTED DEBT-SERVICE OBLIGATIONS

PROJECTED IFAD DEBT SERVICE FOR GUYANA
(On Disbursements as of 31 December 1996)

		190-GY		436-GY		TOTAL (SDR)	TOTAL (USD)
Loan amount			5 000 000		7 300 000	12 300 000	17 686 908
Disbursed			4 401 393		-	4 401 393	6 329 027
% Disbursed			88.03%		0.00%	35.78%	35.78%
Repaid principal			1 670 000		-	1 670 000	2 401 393
Outstanding			2 731 393		-	2 731 393	**3 927 634**
Six-month installment			136 570		-		
Interest rate		4.00%		0.75%			
Year	**Sem**	**Interest**	**Principal**	**Interest**	**Principal**	**Total (SDR)**	**Total (USD)**
1997	1	54 628	136 570	-	-	191 198	274 934
1997	2	51 896	136 570	-	-	188 466	271 007
1998	1	49 165	136 570	-	-	185 735	267 079
1998	2	46 434	136 570	-	-	183 003	263 151
1999	1	43 702	136 570	-	-	180 272	259 224
1999	2	40 971	136 570	-	-	177 541	255 296
2000	1	38 240	136 570	-	-	174 809	251 369
2000	2	35 508	136 570	-	-	172 078	247 441
2001	1	32 777	136 570	-	-	169 346	243 513
2001	2	30 045	136 570	-	-	166 615	239 586
2002	1	27 314	136 570	-	-	163 884	235 658
2002	2	24 583	136 570	-	-	161 152	231 730
2003	1	21 851	136 570	-	-	158 421	227 803
2003	2	19 120	136 570	-	-	155 689	223 875
2004	1	16 388	136 570	-	-	152 958	219 947
2004	2	13 657	136 570	-	-	150 227	216 020
2005	1	10 926	136 570	-	-	147 495	212 092
2005	2	8 194	136 570	-	-	144 764	208 165
2006	1	5 463	136 570	-	-	142 032	204 237
2006	2	2 731	136 570	-	-	139 301	200 309
TOTAL 1/		573 593	2 731 393	-	-	3 304 986	4 752 437
					Of which interest =	573 593	
		Count =	20		20		

1/ Totals subject to rounding error

2/ Source: World Bank

Discount Factor Semi-Annual (SDR) 2/ =	3.25%
Net Present Value (SDR) =	**2 444 562**
Exchange Rate (USD/SDR) 2/ =	1.43796
USD Equivalent (USD) =	**3 515 183**
25.9 Percent (SDR) =	**633 142**
25.9 Percent (USD) =	**910 432**