

LOAN NUMBER 1623 GUA

LOAN AGREEMENT

(UPPER DEMERARA FORESTRY PROJECT)

between

GUYANA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated December 4, 1978



## LOAN AGREEMENT

AGREEMENT, dated December 4, 1978, between GUYANA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) the Borrower has, by way of Memorandum and Articles of Association dated July 28, 1978 pursuant to the Borrower's Companies Act, Chapter 89.01 of the Laws of Guyana, duly established the Demerara Woods Limited (hereinafter called Demerara) as an autonomous state enterprise fully owned by the Borrower;

(C) the Project will be carried out by Demerara with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Demerara the proceeds of the Loan as hereinafter provided

(D) the Borrower intends to contract from the Inter-American Development Bank (hereinafter called IDB) a loan (hereinafter called the IDB Loan) in the amount of \$5,000,000 to assist in financing Part (B) of the Project on the terms and conditions set forth in a loan agreement to be entered into between IDB and the Borrower (hereinafter called the IDB Loan Agreement);

(E) the Borrower intends to contract from the European Development Fund (hereinafter called EDF) a grant (hereinafter called the EDF Grant) in an amount in European Units of Account equivalent to \$1,000,000 to assist in financing Parts (C) and (G) 1 (a) of the Project on the terms and conditions set forth in a grant agreement to be entered into between EDF and the Borrower (hereinafter called the EDF Grant Agreement);

(F) the Borrower intends to contract from EDF a loan (hereinafter called the EDF Loan) in an amount in European Units of Account equivalent to \$6,000,000 to assist in financing Part (C) of the Project on the terms and conditions set forth in a loan agreement to be entered into between EDF and the Borrower (hereinafter called the EDF Loan Agreement);

(g) by an agreement (hereinafter called the Timber Sales Agreement) dated September 14, 1978 between the Borrower and Demerara, the Borrower has, inter alia, granted to Demerara the exclusive right to cut any and all trees on forest land within the Project Area, as defined in Section 1.02 (e) of this Agreement, for a period of twenty-five years commencing September 14, 1978;

(H) by a memorandum (hereinafter called the Marketing Memorandum of Intent) dated September 14, 1978 executed by Demerara and the Borrower's Guyana Timber Export Board established by the Guyana Timber Export Board Act, Chapter 67.03 of the Laws of Guyana, (hereinafter called the Export Board) Demerara and the Export Board have set forth the terms and conditions under which Demerara would supply, and the Export Board would market, the entire exportable Timber output of Demerara in accordance with a marketing agreement (hereinafter called the Marketing Agreement) to be entered into between the Export Board and Demerara and

WHEREAS the Bank has agreed, on the basis inter alia of the foregoing, to make the Loan available to the Borrower upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith between the Bank and Demerara;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties of this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the the Bank and Demerara of even date herewith, as the same may be amended from time to time, and such terms includes all schedules to the Project Agreement and all agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Demerara pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "MENR" means the Borrower's Ministry of Energy and Natural Resources or any successor thereto;

(d) "Guyana Forest Department" means the Guyana Forest Department of MENR or any successor thereto;

(e) "Project Area" means the area covering about 222,000 hec in the Upper Demerara-Essequibo Basin bound on the north by an east-west line from Great Falls on the Demerara to the Essequibo, on the east by the Demerara and Mauri Rivers, on the south by the Kurupukari cattle trail and on the west by the Essequibo River; and

(f) "Project Unit" means the project unit established in MENR by virtue of the Cabinet decision dated September 12, 1978, for the purpose of overall coordination in the execution of the Project

ARTICLE II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to an amount in various currencies equivalent to ten million dollars (\$10,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule to this Agreement as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of interest and other charges on the Loan.

(b) On each of the semiannual interest payment dates specified in Section 2.07 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw  $\angle$  the Loan Account and pay to  $\angle$  from itself the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on or before the date set forth, and up to the amount allocated, in Schedule (1) to this Agreement, as such Schedule may be amended from time to time by agreement between the borrower and the Bank.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods and civil works to be financed out of the proceeds of the Loan shall be governed by the provision of the Schedule to the Project Agreement.

Section 2.04. The Closing Date shall be December 31, 1983 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven and ninetenths per cent (7.90%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. The Chairman of the Board of Demerara is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project and Other Covenants

Section 3.01. (a) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause Demerara to perform in accordance with the provisions of the Project Agreement and the Subsidiary Loan Agreement all the obligations therein set forth, shall take and cause to be taken all action, including the provision of funds facilities, services and other resources, necessary or appropriate to enable Demerara to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Loan to Demerara under a subsidiary Loan agreement to be entered into between the Borrower and Demerara under terms and conditions which shall have been approved by the Bank, including; (i) an amortization period of 20 years including 5 years' grace period as to principal; (ii) interest at the rate of ten percent (10) per annum on amounts withdrawn and outstanding; and (iii) assumption of the risk of fluctuation in the values of various currencies by Demerara.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall provide Demerara, not later than March 31, 1979, with an amount of not less than the equivalent of two million dollars (\$2,000,000), out of the Borrower's contribution to the equity of Demerara.

Section 3.02. The Borrower shall, not later than December 31, 1980, prepare and furnish to the Bank for its approval, a program for the training of the staff of the Export Board in the field of export marketing, and shall, thereafter, put said program into effect.

Section 3.03. The Borrower shall, not later than July 1, 1979, make available to Demerara all such land and rights in respect of land as shall be required for the construction and operation of the port facilities included in Part (E) of the Project.

Section 3.04. The Borrower shall: (i) maintain the Project Unit for a period of one year after the completion of Part (B) of the Project; and (ii) cause the Project Unit to cooperate closely with Demerara and with the consultants referred to in Sections 2.02 (a) and 3.04 (a) of the Project Agreement in order to ensure the coordination in the carrying out of the Project.

Section 3.05. The Borrower shall establish, not later than January 31, 1979, a steering committee within MENR responsible for the preparation and implementation of a program for the training in logging and sawmilling.

Section 3.06. The Borrower shall cause the Export Board to enter, not later than January 1, 1981, into a marketing agreement with Demerara for the marketing of the entire exportable timber output of Demerara under terms and conditions which shall have been approved by the Bank.

Section 3.07. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined) as security for any external debt, which or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to the effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any, political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower; provided, however, that for the purposes of this Section the term "entity" shall not apply to Guyana State Companies which are organized as business corporations in accordance with laws and regulations applicable to private companies and whose appropriations are not included in the Borrower's budget, except that the provisions of this Section shall apply to any such entity to the extent that it would hold any foreign exchange assets on behalf of the Borrower.

#### ARTICLE IV

#### REMEDIES OF THE BANK

Section 4.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (k) thereof:

(a) Demerara shall have failed to perform any of its obligations under the Project Agreement.

(b) The Borrower or Demerara shall have failed to perform any of its respective obligations under the Subsidiary Loan Agreement.

(c) An extraordinary situation shall have arisen which shall make it improbable that Demerara will be able to perform its obligations under the Project Agreement.

(d) Demerara's Memorandum or Articles of Association or the Borrower's Companies Act shall have been suspended, waived, terminated, or, in any material respect, amended, so as to affect materially and adversely the ability of Demerara to perform its obligations under the Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of Demerara or for the suspension of its operations.

(f) The Timber Sales Agreement shall have been suspended, waived, terminated, or, in any material respect, amended, without the prior consent of the Bank.

(g) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of the IDB Loan, of the EDF Grant or of the EDF Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of IDB Loan Agreement, of the EDF Grant Agreement or the EDF Loan Agreement as the case may be; or

(B) the IDB Loan or the EDF Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if: (A) such suspension, cancellation, or termination

or prenaturing is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower or Demerara from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement, or of Demerara under the Project Agreement.

(h) The Marketing Agreement shall have been suspended, waived, terminated or, in any material respect, amended, without the prior consent of the Bank.

Section 4.02: For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(a) any event specified in paragraph (a) or (b) of Section 4.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower and Demerara; and

(b) any event specified in paragraphs (d), (e), (f) or (g) (i) (B) of Section 4.01 of this Agreement shall occur.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the execution of the Project Agreement on behalf of Demerara has been duly authorized or ratified by all necessary corporate and governmental action;

(b) that the execution of the Subsidiary Loan Agreement on behalf of the Borrower and Demerara, respectively, has been duly authorized or ratified by all necessary governmental and corporate action;

(c) that the contracts for the employment of the consultants referred to in Sections 2.02 (a) and 3.04 (a) of the Project Agreement have been duly signed; and

(d) that the IDB Loan Agreement, the EDF Loan Agreement and the EDF Grant Agreement have been signed.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by Demerara, and is legally binding upon Demerara in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Demerara and is legally binding upon the Borrower and Demerara in accordance with its terms.

Section 5.03. The date March 5, 1979, is hereby specified for the purposes of Section 12.04 of the General Conditions.



ARTICLE VI

REPRESENTATIVES OF THE BORROWER; ADDRESSES

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance  
Ministry of Finance  
Main Street  
Georgetown, Guyana

Cable address:

MINFIN  
Georgetown, Guyana

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBIFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

-GUYANA

BY

F.E. HOPE  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

BY

Regional Vice President  
Latin America and the Caribbean

SCHEDULE I  
WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Equipment, vehicles and spare parts under Parts (A),(D),(E) and (F) of the Project	2,100,000	100% of foreign expenditures
(2) Consultants' services for supervision of construction and for management under Part (G) (1) (b) and (c) of the Project	2,200,000	100% of foreign expenditures
(3) Experts' services under Part (G)(2) of the Project	200,000	100% of foreign expenditures
(4) Materials and civil works under Parts (D) and (E) of the Project	3,200,000	35%
(5) Interest and other charges on the Loan accrued on or before September 14, 1981	1,500,000	Amounts due
(6) Unallocated	800,000	
TOTAL	<u>10,000,000</u>	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required, provided that such percentage be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project consists of the following Parts:

#### Part (A):

1. The provision of logging and transport equipment, including chainsaws, bulldozers, skidders, and a hydraulic boom loader; and the provision of trucks.
2. The provision of road construction equipment and vehicles, including bulldozers, bucket loaders, dump trucks, road grades and chainsaws.
3. The provision of support equipment and vehicles, including fuel trucks, buses, pick-up trucks, a mobile repair truck, a low-bed trailer and two-way radios.

#### Part (B):

The construction of sawmill buildings including a sawshop, a mechanical workshop and an office building; the construction of lumber storage facilities; and the provision of log preparation equipment, sawmill machinery, forklift trucks, a straddle carrier, and equipment for the mechanical workshop and the sawshop.

#### Part (C):

The construction and equipping of a 6,000 KW electric power station and the construction of a power distribution system.

#### Part (D):

The construction of a township for the sawmilling complex staff, including housing facilities, a school, medical facilities, a clubhouse, a security office; and the construction of roads, water supply, sewerage and drainage systems, and a helicopter pad.

Part (E):

The construction of port facilities for river transport of sawmill products from a shipping site near Charters to the port of Georgetown; such facilities to include an access road of about 13 km to the port area, a 110-m wharf, a macadam-surfaced yard with open sheds, an open storage area, a gate house, an office building, staff housing, and a shed for parking and servicing mobile equipment; and the provision of loading equipment.

Part (F):

The carrying out through the Guyana Forest Department in cooperation with Demerara of a research and development program to investigate forest development options, review the future forestry development potential for the Borrower, and examine the institutional capability of said Department; and the carrying out of a sociological study of the population in the Project Area.

Part (G):

1. The provision of consultants' services for (a) engineering design, (b) supervision of construction and (c) management of the sawmill complex provided under the Project for a period of three years.
2. The provision of 12 man-months of experts' services to assist the Guyana Forest Department in the carrying out of Part (F) of the Project.

\* \* \*

The Project, except Part (G) 1. (c) thereof, is expected to be completed by June 1981. Part (G) 1. (c) is expected to be completed by June 1983.

SCHEDULE 3  
AMORTIZATION SCHEDULE

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each March 15 and September 15	
beginning March 15, 1984 through March 15, 1998	335,000
On September 15, 1998	285,000

\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1.20%
More than three years but not more than six years before maturity	2.35%
More than six years but not more than eleven years before maturity	4.35%
More than eleven years but not more than sixteen years before maturity	6.30%
More than sixteen years but not more than eighteen years before maturity	7.10%
More than eighteen years before maturity	7.90%

