PD-AAA-029-B1

Proj. 5040054-
PN-
(2)

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

UNCLASSIFIED

AID-DLC/P-855
June 23, 1969

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Guyana: Feasibility Studies and Pre-Feasibility Investigations

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed $2,500,000 to the Government of Guyana to finance the United States dollar costs of equipment, material, and services necessary for the conduct of certain feasibility studies and pre-feasibility investigations.

Please advise us as early as possible but in no event later than close of business on Friday, June 27, 1969, if you have a basic policy issue arising out of this proposal.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
ANNEXES I and II

UNCLASSIFIED

UNCLASSIFIED
AID-DLC/P-855
June 23, 1969

GUYANA -- Feasibility Studies, Pre-Feasibilities Investigations

TABLE OF CONTENTS

		Page
SUMMARY AND RECOMMENDATIONS		i
SECTION I	History and Background	1
	A. Prior A.I.D. Involvement	1
	B. Prior Project Identification Studies	3
	C. Background of this Proposal	4
SECTION II	Place of Loan in Country Program	6
SECTION III	Project Description	14
SECTION IV	Project Implementation	27
SECTION V	Economic Analysis	29
SECTION VI	Problems and Issues	47

ANNEX I Checklist of Statutory Criteria
ANNEX II EXHIBIT A - CAEC
EXHIBIT B - Project Budgets
EXHIBIT C - Map of Guyana
EXHIBIT D - Loan Authorization - Draft

UNCLASSIFIED
AID-DLC/P-855
June 23, 1969

FEASIBILITY STUDIES, PRE-FEASIBILITY INVESTIGATIONS

SUMMARY AND RECOMMENDATIONS

1. Borrower: The Borrower will be the Government of Guyana (GOG), acting through the Ministry of Finance which in turn will sub-delegate the responsibility for the signing and administration of projects to the Ministries directly responsible for implementation of the projects.

2. AMOUNT: The Agency for International Development (AID) loan will be for $2,500,000.

3. LOAN TERMS: The AID loan will have a term of forty (40) years commencing from the date of the first disbursement. The grace period for the AID loan will not exceed ten (10) years. The Borrower shall pay interest to AID in United States dollars on the disbursed balance of the loan funds made available under the loan at two (2) percent per annum during the grace period and at three (3) percent per annum thereafter.

4. TOTAL COST OF THE PROJECT: The estimated cost of the project will be $3.0 million comprised of the $2.5 million provided under the AID loan and $.5 million equivalent to be provided by the Borrower.

5. PURPOSE: Activities which receive financial assistance under this loan will enable the GOG to identify and determine the feasibility and priority of selected development projects. The studies financed under the loan hopefully will result in development of potential projects for which AID or other donors may provide the requisite foreign exchange financing.

6. LOAN DESCRIPTION: The proposed loan will help to finance the costs of specified AID approved feasibility studies, pre-feasibility investigations. The following types of studies are proposed, to be accomplished under this loan:

a) area surveys for the purpose of evaluating the potential for development in the selected areas;

b) feasibility studies of specific projects;

c) pre-feasibility investigations to determine which of various alternative courses of action should be followed or selected for feasibility studies; and

The proceeds of the loan will be used primarily to finance the U.S. dollar costs of personal services. Very little if any commodity procurement will be effected. The $2.5 million requested will be used only for U.S. source and origin procurement.

7. BACKGROUND: In October, 1966, AID signed a $600,000 Agreement (DL 504-L-003) with the GOG to finance certain feasibility studies, pre-feasibility studies and final engineering work. This loan was fully utilized at an early date and an amendatory Loan Agreement was executed in mid 1967 providing an additional $1,000,000 under the same terms set for the original agreement. These funds have now been fully committed. To date eight studies and/or final design contracts costing $944,891 have been completed. Six projects, valued at $590,000, will be under contract by the end of July 1969.

The GOG has requested AID assistance for the projects described herein as being of high priority and in conformity with the GOG's development goals, as necessary to permit maturation of projects to the level required by other lending institutions prior to funding, and to provide a range of projects for grant donors to examine in closer detail.

A proposed second amendatory authorization was approved for intensive review by the Capital Assistance Executive Committee on September 16, 1968, subject to acceptable resolution of certain issues (See Section VI). However, as the requirements for studies greatly exceeded the level of funding proposed in the second amendatory proposal it was decided to make application for a separate loan.

12. RECOMMENDATIONS: Authorization of a loan to the Government of Guyana by an amount not to exceed $2,500,000, subject to the following terms and conditions;

A. Interest and Terms of Payment

Borrower shall repay the loan to the Agency for International Development (A.I.D.) in United States dollars within forty (40) years from the date of the first disbursement under the loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D. in United States dollars, on the disbursed balance of the loan interest of two (2) percent per annum during the grace period and three (3) percent per annum thereafter.

13. Exchange Rate: The rate of exchange used in this paper is US $1.00 = G $2.00.

Loan Officer: James M. Shea

Engineer : Charles E. Shirley

Attorney : David Tillotson

8. EXIM AND OTHER CLEARANCE: On the Export-Import Bank informed AID that it was not interested in financing this project. The IBRD also indicated the same view on Guyana is not presently eligible to borrow from the Inter-American Development Bank. These clearances will be obtained prior to signing the loan authorization.

9. VIEWS OF THE COUNTRY TEAM: The Country Team considers this loan to be a priority project , compatible with the P.M. strategy, and recommends prompt approval.

10. STATUTORY CRITERIA: All statutory criteria have been met (See Annex I).

11. PROBLEMS AND ISSUES: The following problems and issues were identified at the time of the intensive review of the proposed second amendment to the original loan:

    A. A.I.D. should make it clear to the GOG that an increase in this loan would not imply a willingness on our part to finance any of the projects studied, nor would it imply a commitment to continue a high level of assistance to Guyana. The GOG should be urged to secure an increasing share of assistance from other sources.

    B. It should be emphasized that studies to be financed under the loan should be for reconnaissance and pre-feasibility studies with emphasis on economic aspects before feasibility studies are undertaken unless such information is currently available for the specified projects.

    C. In the feasibility studies loan used to date, A.I.D. permitted financing of final design because of special circumstances which do not seem applicable at this time. We would prefer not to finance final design with these funds unless there are compelling reasons.

    D. The GOG should finance local costs of the studies if possible. The intensive reivew should determine if GOG resources from its budget, PL-480 proceeds or other source could be made available for this purpose.

    These issues are discussed and recommendations made in Sections VI of the Paper.

SECTION I - HISTORY AND BACKGROUND

A. Prior A.I.D. Involvement

A.I.D. Loan 504-L-003, in the amount of $600,000 was authorized on October 19, 1966, and signed on November 3, 1966. All Conditions Precedent to disbursement were satisfied by May 8, 1967. An Amendatory Loan Agreement increasing the amount of funds by $1,000,000 to a new total of $1,600,000 was authorized on July 17, 1967 and signed on August 28, 1967. All conditions precedent to disbursement of amounts in excess of the original $600,000 were satisfied by September 19, 1967. Disbursements as of January 31, 1969 totaled $755,360.00. However, $1,534,891 of the $1,600,000 authorized has been committed by contract and/or is in the process of contracting for the following studies:

Completed Studies	
Review of Rice Stations	$ 7,500
Insurance Industry	6,890
Rice Storage and Processing	270,800
Coastal Water Supply	72,225
Corentyne-West Demerara Roads	48,777
Final Design - Corentyne, Black Bush Polder	228,351
Tropical Agricultural Research Station	65,000
Final Design - Rice Milling/Storage	245,348
In Process of Contracting	
Economic Feasibility Study of Berbice Bar (Estimated)*	35,000
Feasibility Study of Georgetown By-pass Road (Estimated)*	120,000
Feasibility Study of New Amsterdam By-Pass Road and Canje River Bridge Road (Estimated)*	105,000
Feasibility Study of West Bank Demerara and Essequibo Coastal Roads (Estimated)*	140,000
Feasibility Study of Wismar-Rockstone-Bartica Road Junction (Estimated)*	110,000
Final Design - Rice Research Station (Estimated)*	80,000
TOTAL	$1,534,891

*Contractors selected, contract negotiations almost complete.

The principal thrust of the above studies has been the upgrading of the highway network and the rationalization of the rice industry, e.g. the preparatory work necessary to establish a rice research station, modernization of rice processing facilities and improvement and expansion of storage and marketing facilities. In addition, an examination of the Insurance Industry and a prefeasibility study of the coastal area potable water supplies were completed. Study of the feasibility of dredging and maintaining the Berbice Bar channel began in May 1969.

1. Transportation Network

On the basis of the feasibility study of selected priority coastal roads, final engineering plans and specifications were developed and a $7.5 million A.I.D. road construction loan was made. The project includes reconstruction of the principal roads running between New Amsterdam and Crabwood Creek, the Black Bush Polder Intersettlement loop road and the Parika-Uitvlugt road. Construction of these roads is underway and completion is expected between March and June 1970, approximately one year ahead of the project's original schedule.

2. Rationalization of the Rice Industry

On the basis of the four rice industry studies completed, a fifth study -- final design of the rice research station -- will be implemented and a $12.9 million rice industry modernization loan was executed between A.I.D. and the GOG. This rice modernization loan will help to finance the facilities required for efficient storage, drying and milling of rice, provide the research facilities needed to supply growers with the varieties of rice and agricultural techniques compatible with the padi required to adequately utilize the modern processing facilities, furnish pure line seed to produce padi and provide the means for the private milling sector to participate in this rationalization process.

3. Other Projects

The remainder of the feasibility studies planned with present funds include the feasibility of the development of approaches to Georgetown and New Amsterdam, study of an interior road between Wismar (a town near the terminus of the newly completed Atkinson-Mackenzie Highway) and Rockstone on the Essequibo River, and a coastal road west of the Demerara toward the Essequibo River.

The question of whether to dredge the Berbice Bar and Channel has been under consideration for some time. In 1962 A.I.D. financed a test cut of the bar and channel which was performed under the direction of the U.S. Army Engineers. The type of dredge used (suction dredge) was not able to remove an underlying hard clay

layer. Consequently, the results of the test cut were not conclusive as to the estimated cost of dredging an operational cut for ocean going ships. Consequently there have been many controversial estimates of the proposed dredging costs. The test cut however, provided invaluable information on the rate of resilting which has been periodically measured during the past 6 years. Recently, Reynolds Metals completed test borings and seamic studies required to determine the amount of hard clay that would have to be removed. The feasibility study which is underway will evaluate all the data that is now available and will make an economic study on the feasibility of dredging the bar and channel plus subsequent maintenance dredging.

A prefeasibility study was made of the potable water supply situation along the heavily populated coastal belt, with special emphasis on the Georgetown area south along the Demerara River and on the coast toward the East Bank of the Demerara. No specific actions have resulted from this study.

As a result of the insurance industry survey, one private Guyanese party currently is investigating the insurance business potential in Guyana. This party is in contact with U.S. insurance companies.

B. Prior Project Identification Studies

Guyana has been the subject of a succession of developmental studies dating to the IBRD's 1954-58 investment and financial program. A second program was drawn for the period 1960-64. These plans were characterized by the recent (1966) World Bank Mission as shopping lists of inadequately-thought-out projects. Needless to say, the two earlier plans were not successful. In 1965, the GOG formulated a public investment program for the 1966-72 period which is known as the British Guiana (Guyana) Development Programme 1966-1972. This latter plan also was reviewed by the IBRD and recommendations for changes in the Plan were set forth in "An Appraisal of the Development Program of Guyana (in five volumes)" dated April 21, 1967. In addition to these more comprehensive planning schemes, the UN has assisted in the financing of general studies of Guyana's forests and soils and a detailed examination of potential for hydro-electric generation.

The sum total of these planning and evaluation efforts has been to set aggregate development trends and, in specific instances, to point out the most promising and least promising areas of development.

C. Background of the Loan

The Burnham Government is acutely aware of, and politically committed to altering, Guyana's high rate of unemployment and widening Guyana's narrow economic base. The GOG also is cognizant of both the benefits received from, and the requirements for, feasibility type studies in terms of securing external donor assistance. It is in this context that this loan is essential to the GOG.

The latest available statistical study on employment in Guyana was conducted in 1965. This study indicated that since 1946 the growth of employment opportunity had not kept pace with the increase in the labor force. In 1965 the rate of unemployment was approximately 20 percent with the highest rates found in the younger age brackets.

The importance of sugar, bauxite and rice is evident from the export and employment statistics. In 1968 sugar production accounted for 28 percent of the value total exports and approximately 10 percent of employment. Exports of bauxite and calcined bauxite made up 42 percent of exports by value. Although employment in the industry is minimal, secondary benefits are very high. The rice industry however is the single largest employer of labor in Guyana. At present some 45,000 families, representing about 37 percent of the population, are dependent upon rice cultivation. Rice exports in 1968 made up about 11 percent by value of total exports. By 1972 these three products are expected to comprise 88 percent of the value of all exports.

The results from the projects previously studied have been beneficial to Guyana. A.I.D. has agreed to two loans totaling $20.4 million for the Rice Modernization Project and the Corentyne Roads. The Guyanese financed a potable water feasibility study, utilizing a firm also under contract to A.I.D. for a similar study under Loan 003 in order to justify an A.I.D. loan of $2.6 million for a water supply improvement project.

The GOG is also aware of the necessity to develop a backlog of acceptable projects. Such a menu should permit the GOG to take better advantage of the previous and expected assistance commitments by other donors. To date, one reason for the low level of actual inputs by other donors has been the lack of acceptable project proposals. For example, the Canadians and West Germans have been stymied in their efforts to effectively utilize available appropriations due to a lack of acceptable, feasible projects. Canada, in particular, is a significant case in point. The Canadians have agreed to provide $4 million dollars in assistance for 4 years beginning in 1968. To date very little of these funds has been utilized simply due to a lack of developed projects. Proper and flexible utilization of the funds available under this loan could permit the GOG to utilize effectively current and future aid.

Recognizing the value previously received, future requirements and the fact that the existing feasibility study loan funds are firmly committed, the GOG has requested this loan.

On September 16, 1968, the Capital Assistance Executive Committee considered and approved the IRR for an additional $600,000 to the original loan (003). However, the GOG requirements for funds exceed the original request of $600,000 and therefore a new loan in the amount of $2,500,000 is now requested to accommodate the GOG's requirements.

SECTION II - PLACE OF LOAN IN COUNTRY PROGRAM

A. The Government's Plan

The GOG's developmental policies, contained in the previously noted 7-year plan, were set against a backdrop of limited and narrowly based resources, a slow rate of development and high unemployment. Since the initial formulation of the plan, its project content has been revised several times. Such revision was anticipated as the preface to the plan took cognizance of the need for future expert review and change. The basic targets however have not been altered. These major targets are the opening of promising new areas for development through the construction of roads, rebuilding of the sea-wall defenses and development of drainage and irrigation facilities. Accomplishment of these targets is closely related to the creation of new employment opportunities as well as overall growth of the economy.

The estimated overall cost of the 7-year plan has risen to G$439 million, a 50 percent increase over the original cost estimate. This increase represents a cost estimate escalation and new project additions. Very few of the original projects have been completely deleted but many of the original schemes are now dormant. Actual expenditure is running below the initial estimates and considerably behind the revised plan estimates.

A comparison by total value and major segments of the original plan, the IBRD's alternate plan and the current plan is presented below in Table I.

Table I. Comparison of original 7-Year Plan with IBRD Recommendation and Current Plan

	Development Plan 1966-72					
	Government - official plan		IBRD's alternative recommendation		Current Plan 1969 Budget	
	(million G$	(per cent of total)	(million G$	(per cent of total)	(million G$	(per cent of total)
Agriculture, forestry and fishing	64.7	22	36.0	12	47.8	10
Transportation and public works	64.7	22	93.0	31	123.5	28
Seawall defenses	14.7	5	30.0	10	28.0	6
Communications	8.8	3	21.0	7	49.7	11
Electric power	14.7	5	27.0	9	8.8	2
Education	11.8	4	15.0	5	32.8	8
Industry (direct investment)	17.7	6	3.0	1		
All other social services	85.3	29	60.0	20	148.9	35
Public credit to various sectors	11.8	4	15.0	5		
Total	294.2		300.0		439.5	

Sources: IMF SM/68/14 Part II dated 3/18/68; 1969 Estimate of Current and Capital of Guyana.

In viewing the plan's changes evident in Table I, one is struck by two principal factors. The first is obviously the increased cost and the second the shifting emphasis toward certain sectors. In value terms, greater emphasis is being placed on transportation, sea-wall defenses, communication and education with lesser emphasis on agriculture and power. A detailed examination and explanation of these changes, by project, is being prepared by the GOG for presentation to the next Aid Donors Conference.

The stated objective of the development program is to raise the rate of growth of national income, so that living standards will increase rapidly and public services (health, education, water, etc.) be extended and improved. The plan stresses five areas of development: diversification of output, private enterprise, land development, technical training and increased employment opportunities.

Under diversification, the plan analyzes the dependence of the country on rice and sugar, their rather uncertain future, and the unreliability of these products to provide the required increments to national income. Private enterprise was to develop import substitution industries; however, it also was recognized that the country must rely on the success of exports to provide expanded employment opportunities as the local market was too small to justify heavy concentration on import substitution industries. The core of the development plan was the opening of new lands for cultivation and settlement. Some 2.25 million acres of land in the interior were shown by a UN Survey ("Report on the Soil Survey Project, British Guiana", June 1966) to have generally favorable soils for mixed farming purposes. An additional 1.8 million acres also were believed available in the Ituni-Orealla brown sands region. The lack of access routes and the need for a study of the areas to ascertain their economic potential were noted as deterrents to the development of these interior areas and the Rupununi.

The Seven Year Plan did not specify any given level of expenditure by year to accomplish the objectives. Because of this fact the accepted measure for implementation progress has been to divide the estimated original cost of the plan (294 million) by the number of years the plan was scheduled to run (7). Using this procedure, the level of expenditures should have approximated G$42 million/annum. Between 1966 and 1968 approximately G$113 million was expended which is approximately 10 percent below the required level. If the 1969 budget estimates hold true, expenditures will be about 5 percent ahead of schedule. However as the cost of the plan has been sharply raised to G$439 million, the level of expenditure by year should be about G$62 million. On this basis, including CY 1969 estimates, the plan will have run for 4 years, or 57 percent of the life of the plan, and expenditures will be 17 percentage points behind schedule. Table II presents the 1966-68 expenditure, 1969 estimates and the allocation of funds by Ministries in the Development Plan.

A glance at Table II shows that few ministries will have met their targets by the end of 1969 and that the overall progress stands at 40 percent. In Section V, the financing of this plan is discussed and an estimate made as to the probability for accomplishment of the plan within the current time frame.

B. The U.S. Strategy

We have developed six specific objectives in support of the GOG's developmental plan. Three of these objectives are served by this loan, namely: assistance to

1) modernize the agricultural sector;

2) provide priority capital infrastructure; and

3) development and settlement of the interior.

1. Modernization of Agriculture

A principal sub-objective under this title is to provide by 1970 a rice research and improved seed production station, modern bulk-handling, storage and processing facilities and to establish institutional arrangements for marketing of rice, capable of effectively utilizing the to be provided facilities.

To date, under loan 003 we have assisted in the financing of the basic analysis of the rice industry, fixed geographically and established the physical and technical inputs necessary to provide the facilities and, as a result of this work, provided a $12.9 million Rice Modernization loan to permit the accomplishment of the A.I.D. objective in the rice area.

Our analysis of the rice situation has shown the GOG a bright and promising course directly opposite to the bleak future projections for the industry which had been made by the GOG in the development of their 7-year investment program. Based on the entirely new approach -- of a fully integrated attack on the rice industry problems -- generated by the feasibility analysis, rice is now projected as offering the greatest potential of agricultural products. Therefore, we have elected to make a heavy commitment to modernization of the rice industry because agriculture, and particularly rice, must provide a major portion of the national economic growth desired.

2. Capital Infrastructure

One-half of the funds previously made available for feasibility studies has been directed toward improvement and additions to the coastal highway system. Emphasis has been placed on coastal roads as we, the GOG, and others, notably the IBRD Mission of 1966, have concluded that roads must play the major transportation role for the coastal area. This conclusion was based on the known inadequacies and inefficiencies of the present transportation network which are a drain on the country's economic and financial resources. The GOG's 1966-72 original investment plan allotted highways 58 percent (37.8 million Guyanese) of the G$64.8 million planned for public investments in the transport sector over the plan's life. The IBRD Mission, significantly suggested a higher total investment program (85.3 million) of which 67.5 million would be allocated to highways. An even greater amount is projected under the revised plan.

The illustrative list of projects proposed for financing under this loan includes projects for high priority highways and approaches. One of these projects, the Georgetown Approaches, is proposed for A.I.D. financial assistance in FY 1970. The project at this early time, prior to feasibility analysis, presents a good prima facie case for financing. It is required to permit orderly movement of rice and sugar through Georgetown, the approaches will link up three previously supported A.I.D. road projects and the project is expected to demonstrate a high economic return.

In addition a prefeasibility study is proposed for an interior road connecting the coastal area with the Rupununi area. In addition to providing ground access to the Rupununi, such a road, if proved feasible, would open up new settlement areas, vast timber reserves and would provide ground access to mining areas in the southwest central area of Guyana.

A feasibility study, contingent on the results of the prefeasibility study, is also proposed for the first segment of the interior road. This section would begin at the western end of Wismar-Rockstone-Bartica road terminus and extend southward through vast timber areas and into the mining areas.

3. Development and Settlement of the Interior

Although our past and current A.I.D. program has focused on the developed coastal plain, it is obvious from the standpoint of Guyana's need to develop its resource base that increased emphasis must be given to the planning for the development of the interior. Projects must be generated to permit utilization of interior, or near interior areas, where soils, water, transportation and other requirements for development are satisfactory. Studies proposed under this loan are designed to assist the GOG to assess some of the possibilities for interior development.

For purposes of this paper, the interior and near interior are considered to be those areas of the country outside the densely settled, narrow coastal belt stretching from New Amsterdam to the Essequibo.

Within the assistance strategy, less emphasis is placed on heavy A.I.D. involvement in these interior areas until the 1970's because of economic considerations. The studies proposed, however, for financing are consistent with our stated objectives to assist the GOG in planning the national development of the most promising projects for settlement and to make a detailed evaluation of the most promising of the projects coming out of the interior development plan. We plan to assist in the initiation and participate in the financing of whatever project emerges as most suitable for A.I.D. assistance.

It is recognized that studies will be required for other than those projects proposed for funding under this loan. We believe such international organizations as the UN, which has already made preliminary studies of the hydroelectric potential, soil and forestry of the interior, will be willing to participate in further studies of the feasibility of Guyana's interior development.

SECTION III - PROJECT DESCRIPTION

This loan will include the financing of both prefeasibility and feasibility studies.

The prefeasibility and area feasibility studies, will identify and determine the advisability of making specific feasibility studies, and the feasibility studies will determine the economic and technical feasibility of various projects. If selected projects are determined feasible, and the conditions noted in Section IV Implementation met, then consideration will be given to the financing of final design and engineering plans.

The projects included in the GOG's application are of high priority to the GOG. Some of these projects are ready for immediate investigation.

As noted in Section II, the projects for which funds have previously been made available and the projects proposed for funding by this loan are directly related to the A.I.D. program in Guyana.

While the list of projects is, of course, subject to change the GOG has made specific requests for these projects. Changes to the "illustrative" list can be expected in response to circumstances. An example of such a responsive change was the inclusion of the Matthews Ridge study on the proposed list due to the recent shutdown of the manganese mines in the Matthews Ridge area. As noted earlier in Section I, modification of the list could also occur in order to develop a wider menu of projects for consideration by other donors, particularly Canada and West Germany, who have been stymied in their efforts to effectively utilize available appropriations due to a lack of acceptable, feasible projects. USAID and the GOG have estimated the cost to accomplish the priority list at $2,303,000.

1. Projects to be Financed

Following are the GOG's priority project requests for the additional feasibility loan funds. A map of Guyana is contained in Annex II, Exhibit C for reference purposes. The proposed budgets for the projects are contained in Annex II, Exhibit B.

1/ The resources studies of the interior areas along the general line of direction of the proposed road can be characterized generally as prefeasibility studies. Much of the work was of a reconnaisance nature with some actual on-site examinations. Thus, the scope of work for this prefeasibility study will include a review of these studies and a closer look, if and as required, made of the resource potential in the area which will be influenced by the prefeasibility determined route of the interior road. The level of benefits expected to be derived from exploitation of these resources will be incorporated in the cost benefit analysis of this project.

a) Prefeasibility Study - Interior Road $220,000

This interior road as indicated previously would open up vast areas of the interior and would also provide ground access to the Rupununi area which presently is only accessible by air. Also this road would connect with the Pan American Highway which is partially under construction from Venezuela down through Brazil to Manaos and eventually connecting to the other Pan American Highways.

This road which was considered in the 7-year plan was previously thought to be a possibility some 15 to 20 years hence. However, recent developments in the studies of the mining and timber potentials of middle interior areas have stressed the need for ground access into these areas if these resources are to be exploited. In addition, recent explorations into this previously relatively unexplored middle interior has indicated the potential of vast resettlement areas. This proposed prefeasibility study is considered by the GOG to be of great importance in terms of the future economic development of Guyana. The study will develop the most economical and feasible route that should be followed in order to exploit the vast resources of the area. 1/ (See p. 15a)

b) Feasibility Study - First Segment of the Interior Road - $320,000

This feasibility study of the Interior Road would cover approximately 80 miles, extending southward from the junction of the Wismar-Rockstone-Bartica Road junction along the route determined by the prefeasibility study outlined in the paragraph above.

c) Review of Tiboku Hydro-electric Development Plan - $50,000

We have been approached informally by the GOG as to the possibility of utilizing loan funds for the review of studies previously accomplished and currently underway on the Tiboku project. The purpose of an A.I.D. financed review would be to examine in detail the work then accomplished, indicate what gaps remained and where questions were not resolved. This study would not itself be a feasibility study per se but would be slanted toward ensuring assembly of a complete package of all facets of the proposed project.

The GOG has been advised that such a study was considered eligible, but that prior to any action on the matter we would clear the specific proposal with AID/W. Therefore we intend to secure AID/W concurrence to any request for our involvement in the Tiboku scheme prior to making a specific commitment.

d) Channel Connecting the Moruka and Baramani Rivers - $10,000

At the present time, the area up river from the mouth of the Waini river is not served by the steamer plying between Georgetown and the North-West District. The proposed project would examine the feasibility of linking the Moruka and Baramani rivers thereby permitting the steamer to service not only the oceanside towns but to make a complete inland circuit up the Moruka to the Baramani, a tributary of the Waini, and down the Waini. If this project proves feasible, services of the steamer will be made available to a greatly expanded area. While the total area to be traveled by the steamer is not developed, the possibility of regular steamer service and technical assistance could be of great benefit to the growth of the area.

e) Development of Matthews Ridge/Arakaka/Kaituma - $50,000

The closure of the Manganese Mines, leaving 640 families without work, has made it essential that an assessment of the potential for agricultural and other economic activities be made as quickly as possible. This assessment or feasibility study should cover the following activities:

1. The areas suitable for cultivation must be identified. The entire area covers approximately 200,000 acres, including the mountains, valleys, streams, etc., and the areas suitable for cultivation must be identified.

2. A cropping pattern for the area must be recommended taking into consideration soil, climate and especially markets. It appears that the production of corn, soybeans, citrus, tropical fruits, including avocados, should offer good possibilities. In determining this cropping pattern, recommendations as to the most feasible method of land clearing should be outlined. Currently, land is being cleared both by machines and by hand and it appears that, at the moment, there is little difference in

total costs between the various clearing methods. Crops produced on hand cleared land, however, have been superior to those produced on machine cleared land and erosion has been far less. Land clearing methods including aerial spraying and poisoning of unwanted trees should be considered and recommendations made.

3. Livestock. Recommendations should be made as to the feasibility of livestock production, including beef cattle, dairy cattle, poultry and swine. As an adjunct to these recommendations, need for processing facilities should be outlined. Successful livestock production will require adequate pasture and forage production. Consequently, the recommendations should include pasture and forage production.

4. Forestry. Using information available from the United Nations Forest Survey, recommendations should be made as to the utilization of forest resources in the area. These recommendations should include the feasibility of establishing saw mills, the possibility of utilizing pulp wood and other wood using industries and of reforestation by planting fast growing species.

5. Recommendations as to the feasibility of developing tourism on a small scale should be made. This study should include both foreign and local tourism.

6. Capital input requirements, to put into effect the various recommendations, should be calculated. These inputs should be broken down between the public and private sector, which probably will require substantial amounts of agriculture credit on reasonable terms. Amounts, terms and the institutional framework of the credit should be outlined.

f) Development of the North West District - $150,000

The North West District is, as its name implies, located in the north-western portion of Guyana. The whole region is about 7,000 square miles in extent and commences immediately west of the Essequibo District. The area is largely undeveloped although from time to time there have been extensive gold and diamond workings and some agricultural development.

The North West District has the following advantages:

i. It is easily accessible to the heavily populated coastland since its frontland also forms part of the Guyana coast.

ii. It is well watered with deep, wide, unobstructed rivers which can supply irrigation and also provide water transport for steamers and large boats.

iii. The riverain soils are particularly fertile and the soils inland are also known to be very productive. Heavy dew promote luxuriant growths of grass for cattle.

iv. There are forests with valuable economic timbers.

v. It is a known mining area for gold and diamonds.

vi. The region will allow construction of roads with good gradients as there are no mountain ranges or precipitous hills. There is an abundance of road building material.

Many studies and surveys have been done in the North West District. Geological reports are available for several parts of the region as well as detailed forestry surveys, and cadastral and topographic plans. The area is one of potential value and warrants the immediate preparation of a master plan for its regional development on a mining, agricultural and allied industrial basis. There is a network of good navigable waterways and there are many missions and settlements which can form the nuclei of new regional centers. The most attractive advantages are that the development of this region will not require massive engineering works on a grand scale, but rather the use of existing natural facilities, with reasonable expenditures.

The area development plan should cover the following activities:

1. The areas suitable for cultivation must be identified.

2. A cropping pattern for the various area must be recommended taking into consideration soil, climate and especially markets. It appears that the production of corn, soybeans, citrus, tropical fruits, including avodacos, should offer good possibilities. Land clearing methods including aerial spraying and poisoning of unwanted trees should be considered and recommendations made.

3. Livestock. Recommendations should be made as to the feasibility of livestock production, including beef cattle, dairy cattle, poultry and swine. As an adjunct to these recommendations, need for processing facilities should be outlined. Successful livestock production will require adequate pasture and forage production. Consequently, the recommendations should include pasture and forage production.

4. Forestry. Using information available from the United Nations Forest Surveys, recommendations should be made as to the utilization of forest resources in the area. These recommendations should include the feasibility of establishing saw mills and other wood using industries and of reforestation by planting fast growing species. It appears that pulp wood production should be given special attention.

5. After evaluating available information on minerals in the area, further studies should be made to complete the picture. These additional studies can only be as detailed as funds and time permit.

6. In a general way transportation requirements should be outlined. This should include roads, airports and waterways.

7. Capital input requirements, to put into effect the various recommendations, should be calculated. These inputs should be broken down between the public and private sector, which probably will require substantial amounts Of agriculture credit on reasonable terms. Amounts, terms and the institutional framework of the credit should be outlined.

8. Timing of the feasibility study is essential if efficiency is to be attained. It is suggested that, as a first step, a project director with broad experience in making area development plans, be selected. It would save time and money if this project director could serve in the same capacity on the feasibility study entitled "Development of Matthews Ridge/Arakaka/Kaituma" which is an area almost in the center of the North West District. This smaller study should be undertaken first and the study of the larger region should begin as the first study is ending, as much of the data compiled in the first study will have direct application in the second. Existing data on minerals, forests, soils, climate, topography, and transportation should be compiled and utilized in making the regional development plan. Costs are estimated according to the attached table.

g) In 1953 a World Bank General Economic Survey Mission to the then British Guiana found that "a greatly improved road transportation system is imperative for further economic development of British Guiana". The 1966 Bank Mission concluded that the 1953 statement appears to be at least equally true of Guyana in 1966. A.I.D. and the GOG also recognize the importance of the transportation of new work and the bottleneck it now is to development. Consequently feasibility studies are proposed for the projects which are considered to be particularly critical elements of the highway network. As noted earlier, we have programmed loan financing of the Georgetown approaches as this section of the network is considered to be particularly suited to U.S. construction practice, Georgetown is the major commercial transport center, and the approaches will link three completed A.I.D.-financed roads.

No detailed cost estimates have been made for the New Amsterdam, Essequibo-West Bank and Wismar-Rockstone roads as this information will be developed under the studies previously planned. For estimating purposes, a percentage factor of the estimated dollar costs has been used, based on experience factors, to reach the probably local costs.

The estimated costs for the three projects are: the New Amsterdam Approaches ($250,000); Wismar-Rockstone Road ($200,000); and Essequibo-West Bank Demerara Roads ($250,000).

As AID at this point does not anticipate funding the construction of the above three projects, it will be necessary for the GOG to tentatively identify the potential financing source for the construction phase. Once the potential financier is identified, the scope of work for these projects will be coordinated with the potential financier to ensure that the financial economic and technical criteria of the financier are met by the study. This will ensure the financier has all the required information on which to base its financing decision.

The New Amsterdam Approaches project is of high priority because of the economic importance of New Amsterdam. At the present time almost half of Guyana's sugar and rice is grown in the area influenced by the New Amsterdam-Crabwood Creek-Crabwood Creek South Road. These products are shipped through New Amsterdam, resulting in a severe strain and congestion of the cities' road net work. In addition, A.I.D. has assisted in the construction of roads leading to New Amsterdam. The completion of these roads leading to New Amsterdam will place further pressure on the limited carrying capacity of New Amsterdam road net. Thus, this project will serve to coordinate traffic patterns and ease the strain on the cities' road net work.

The Wismar-Rockstone road is scheduled to be a low cost penetration road linking the upper reaches of the Demerara and Essequibo Rivers. The road will provide access to some agricultural land and would serve mineral prospecting and mining interests in the area. It also would connect the Mazaruni-Potaro region with the Georgetown-Mackenzie Road.

The Essequibo-West Bank Demerara Roads will serve an area of extensive agricultural activity. The existing roads are in poor condition, requiring reconstruction to greater widths, realignment ans surfacing. Completion of these roads should reduce transportation costs, open new lands, and cause reactivation of abandoned plantations.

h) Mackenzie-Ituni-Kwakwani Road - $252,300

This road will provide land transportation access to an area of proven agricultural potential as well as to an important bauxite mining area (Kwakwani). The road would open-up for settlement approximately 500,000 acres of sandy loam soil in the area between Ituni and Kwakwani. Prefeasibility reports as to the agricultural potential of the area prepared by Mr. Carl Hazenburg, a USAID-financed agricultural consultant to the Ministry of Agriculture, and corroborated by Mr. John H. Herbert, Jr. Conservationist University of Florida, indicates that this sandy loam area contains some of the best agricultural land in Guyana. Specific crops which have been test grown include corn, citrus, soybeans, peanuts, sorghum, pineapple, and cashews. Of these crops Guyana does not now produce corn, soybeans, sorghum, or pineapple. No real efforts can be initiated to introduce these crops on a commercial basis until there are sufficient transportation facilities to move the crops out of the area as well as to transport to the area necessary fertilizers, farm equipment, etc.

In addition to broadening the range of crops grown in Guyana it is anticipated that there could be a positive future influence on Guyana's balance of payments through import substitution and the export of these products. Further, development of this area would be in direct support of our joint efforts to open the interior.

i) Agricultural Development - $250,000

Previous studies of Guyana's agricultural sector have properly concentrated on analyzing the rice industry. Rice modernization has been identified as a priority need and a $12.9 million AID loan with $4.5 GOG contribution have been allocated in support of this effort. However, the totality of agriculture has never been analyzed and the bottlenecks to

increased production in general have not been isolated. On July 7, Mr. Milo Cox of LA/DR/AG is scheduled to visit Guyana to explore with the Government and the USAID the systems analysis approach as a tool in defining critical problem areas. Assuming that the Government and USAID are amenable to the systems approach, a team of experts from AID/W and U.S. universities will be formed, and a systems analysis made of Guyana's agricultural sector sometime in August 1969. This study is expected to require 2 to 3 months with a final report due in October 1969. Undoubtedly this study will develop a program of additional priority areas for attention.

In anticipation of the needs, whether in the areas of agricultural credit, realignment of institutions and their functions, establishment of central equipment maintenance depots, soil nutrition requirements, cultivation practices, CARIFTA market potential or agriculture manpower requirements, it is desired that $250,000 be earmarked to support whatever further detailed analysis is required of the bottleneck areas identified by the systems group.

Implementation of a program designed to attack the identified problem areas is not expected until CY 1970. As the GOG budget is formulated during the last quarter of the year, we would have sufficient time to ensure that the local currency required to support this effort is contained in the CY 1970 budget.

j) Miscellaneous - $50,000

There are a number of small activities which have been proposed for inclusion under this loan. Illustrative of these activities are a proposal to test the feasibility of using piling similar to those to be used for foundation piling at three of the rice storage and drying centers for the sea defense project and a proposal to make a survey of the status of greenhart resources.

We feel confident that as this loan is implemented additional study or design requirements will be identified. This situation developed as we implemented the first feasibility loan and we fully expect this situation to be repeated, particularly in response to the activities proposed to open the interior. We anticipate these additional studies will fall primarily in the agriculture area, for example livestock development.

2. Projects Completed or Under Contract Under 504-L-003

a) Insurance Industry - Freeman, Cole and Associates

(i) Purpose - To assess the insurance industry, its growth pattern and trends, the legislative and administrative aspects of its relation to the GOG, and the potential for the industry for contributing to the economic development of Guyana.

(ii) Cost - $6,890

(iii) Use - The purposes of the study were met. The information generated does not lend itself to the development of specific projects although as a result of this study a Guyanese businessman is investigating the industry to determine the practicality of entering the insurance field.

b) Modernization of Rice Storage and Processing - Rhodes Corporation and Checchi Company:

(i) Purpose - To find the ways and means of placing the rice industry on a profitable basis, including all facets of the pertinent economic, technical and marketing factors.

(ii) Cost - $270,800

(iii) Results - On the basis of the results of this study and additional studies, a $12.9 million Development Loan was executed with the GOG to modernize Guyana's rice industry.

c) Prefeasibility study of the Coastal Potable Water Supply - James M. Montgomery:

(i) Purpose - To conduct a prefeasibility study of the requirements for improvement and extension of the coastal potable water supply, excepting the greater Georgetown area, including New Amsterdam and its environs.

(ii) Cost - $72,225

(iii) Results - No actions have been taken as a result of this survey.

d) Corentyne and West Demerara Roads - Miller-Warden-Western:

(i) Purpose - To examine the feasibility of relocation, rehabilitation and paving of 102 miles of roads between New Amsterdam and Little Moleson Creek (59 miles), the Black Bush Polder Inter-Settlement Road (22 miles) and between Vreed-en-Hoop and Parika (21 miles).

(ii) Cost - $48,777

(iii) Results - On the basis of this study a second contract was executed with Miller-Warden-Western for the final design of selected sections of the roads studied. These latter roads are now being improved under both force account and an A.I.D. loan funded contract with EMKAY.

e) Corentyne, Black Bush Polder and West Demerara Roads - Miller-Warden-Western:

(i) Purpose - To provide consulting services for the review and revision where necessary of existing drawings and for preliminary surveys, geometric design, structural design, soils and materials studies, laboratory investigation, pavement design, complete working drawings, specifications, and contract documents for 80.6 miles of highways located between Parika and Uitvlugt (8.2 miles), New Amsterdam and Crabwood Creek (50.9 miles), and the Black Bush Polder Inter-Settlement Road (21.5 miles).

(ii) Cost - $228,351

(iii) Results - On the basis of the work performed the GOG utilizing both force account and private contractors is upgrading the above specified highways.

f) Tropical Coastal Agricultural Research Facility - Louisiana State University:

(i) Purpose - To study and report on the feasibility of establishing an adequate tropical coastal agricultural research facility in Guyana.

(ii) Cost - US $65,000

(iii) Results - The study indicated it was feasible to construct the facility. The facility will be built with the initial detailed work scheduled to commence during the summer of 1969.

g) Final Designs for Rice Milling and Storage - Rhodes Corporation:

(i) Purpose - To prepare the final design, construction plans, specifications and contract documents and cost estimates, for six rice storage sites, and 50 paddy-wagon bin units.

(ii) Cost - $245,348

(iii) Results - The contract is almost completed.

h) Review of Rice Storage/Milling Station - Fred Nance:

(i) Purpose - To review the work accomplished in connection with rice storage and processing facilities.

(ii) Cost - $7,500

(iii) Results - The review was completed and the specific actions required were effected.

3. Studies Not Yet Under Contract

a) New Amsterdam Approaches - Parsons, Brinckenhoff, Quade and Douglas:

(i) Purpose - To determine the economic feasibility of reconstructing the Canje bridge and access roads to New Amsterdam.

(ii) Cost - Estimated to cost $105,000

(iii) Status - Contractor selected, contract negotiations not completed.

b) Charity - Supenaam, Essequibo Road; Vreed-en-Hoop - Free and Easy, West Bank Demerara and Canals Polder Roads - Miller-Warden-Western:

(i) Purpose - To develop the necessary preliminary information to determine the feasibility of reconstruction of 38 miles of coastal road between Charity and Supenaam and reconstruction of some 13 miles of road between Vreed-en-Hoop and Free and Easy and two branch roads of the Canal Polder. Each of the latter roads is 7 miles in length.

(ii) Cost - Estimated to cost $140,000

(iii) Status - Contractor selected, contract negotiations not yet completed.

c) Greater Georgetown Approaches - Parsons, Brinckenhoff, Quade and Douglas:

(i) Purpose - To appraise the adequacy of access into Georgetown and the current traffic routing and on the basis of this appraisal recommend, if the feasibility is proven, improvements, changes, etc., to the existing network.

(ii) Cost - Estimated at $120,000

(iii) Status - Contractor selected, contract negotiations completed.

d) Wismar-Rockstone-Tiboku Road - Schroenfeld-Hedricks:

(i) Purpose - To determine the feasibility of construction of a 17-mile road from Wismar to Rockstone and a connecting road to the road to Tiboku.

(ii) Cost - Estimated to cost $110,000

(iii) Status - Contractor selected, contract negotiations not completed.

e) Rice Research Station - Ralph M. Parsons Co.:

(i) Purpose - To obtain the services of a consulting firm for the preparation of construction plans, specifications, bid documents and detailed cost estimates for the construction of a Rice Research Center. This Center will be used to carry out research and training programs in support of the Guyana's rice modernization program which is being assisted by a $12.9 million A.I.D. loan for drying storage and milling facilities.

(ii) Cost - Estimated to cost $80,000

(iii) Status - Contractor selected, negotiations not yet completed.

f). The Berbice Bar - Frederick R. Harris:

(i) Purpose - To determine the technical and economic feasibility to excavate and maintain a channel 300 feet wide and 23 feet deep from the mouth of the Berbice River to Everton in order to provide service by deep draft ships to rice, sugar and bauxite producers in the Berbice area.

(ii) Cost - Estimated to cost $35,000

(iii) Status - Contractor selected, neogitations not yet completed.

SECTION IV - PROJECT IMPLEMENTATION

A. Procedures

Authorization of this loan is scheduled for June with execution of the Loan Agreement during June. No difficulty is anticipated in preparation and signing of the Agreement within the scheduled time fram.

There will be no unusual or lengthy conditions precedent to disbursement.

Prior to disbursements under the loan, the Minister of Finance will present USAID with a specific request for the funding of each individual project under a sub-loan. The request should include the following information:

a) Name and location of the project;

b) A short description of the project;

c) The Agency within the GOG that will sign and administer the study contract;

d) A description of previous studies about the project and their availability;

e) The scope of work for the contract. (A.I.D. can assist in the development of the scope of work.)

f) Where a potential lender has been identified for financing a project to be studied under this loan, the scope of the feasibility study so to be financed will be designed to provide the information required by the potential lender in making its determination as to whether it will finance the studied project.

g) A general economic and/or social justification for the project;

h) The priority of the project in the country program;

i) A general estimate of cost of the feasibility study;

j) An estimate of the time necessary for completing the study.

The Government of Guyana will have each project approved separately by the USAID. After the application for a project study under the loan has been approved, the Government of Guyana will advertise the need for the specific technical services in the Commerce Business Daily. When the technical firm has been chosen by the Government of Guyana and approved by A.I.D., a contract will be negotiated between the Government of Guyana and the firm. Upon approval of the contract by A.I.D., the contract can be signed and the work initiated.

The notice in the Commerce Daily and the outline for the technical proposals to be obtained from interested firms will be prepared by the Ministry concerned, approved by and transmitted to CBD by the USAID. The contract scope of work and the contracts will be reviewed by the USAID and forwarded to AID/W with the USAID's recommendations for final approval.

The responsibility for implementing these additional projects will be assigned to the Ministry of Finance which in turn will sub-delegate the responsibility for the signing and administration of studies or final design plans to the Ministries or autonomous public entities directly responsible for the programs covered.

When a prefeasibility or feasibility study has been completed, the Government of Guyana will request A.I.D. to review the draft report before the study is released for production.

SECTION V - ECONOMIC ANALYSIS

A. General Background

Guyana is situated on the North East Coast of South America, approximately 5° North of the equator, bordered on the North by the Atlantic Ocean, the Northwest by Venezuela and Brazil, and on the South and Southwest by Brazil and on the East by Surinam. The country lies completely within the torrid zone and rainfall varies between 80 and 102 inches per year in different parts of the country.

The country is divided into three areas: a grass covered savannah covering some 8,000 square miles near the south-eastern coast and south-west hinterland; an inland forest covering 85% of the country; and a coastal plain which varies from 10 to 40 miles depth. The land mass is traversed by three major north-south rivers: The Essequibo, Demerara and Berbice.

The population was estimated at 657,800 in 1967 ethnically comprised of East Indians (50%), African (40%), Amerindian (6%) and European and others (4%). The natural increase in population has averaged 3.2% but net emigration has kept the rate at about 2.7%. The total area is 83,000 square miles, but 95% of the population is concentrated on 4% of the land area comprising the narrow coastal strip running from the Courantyne to the Essequibo.

Guyana is essentially an export-import oriented agricultural country. About 70 percent of the population lives in rural areas and over 35 percent of the labor force is engaged in agricultural production, namely sugar and rice. (Agriculture contributes about 25% of the GDP). Sugar production is dominated by two large foreign companies. Rice is cultivated primarily by East Indian farmers.

Guyana's principal export products are sugar, bauxite, calcined bauxite and rice. These products weigh heavily in Guyana's exports accounting for over 80% of the value of the country's exports. Capital goods, food, P.O.L. and chemicals comprise the major import items. Guyana's principal trading partners are the UK, US and Canada. Foreign trade represents an unusually high percentage of the country's economic activity. In 1968, merchandise exports represented 53% of gross domestic product and imports 51%.

Guyana is served by a single deep water port at Georgetown, the capital city, and one international airport located some 30 miles distance from Georgetown. International telephone, telegraph and mail services are available.

In general, the country is highly deficient in internal transportation facilities with less than 600 miles of public roads, of which less than half are paved. There is a rail line operating in the coastal belt but it is highly inefficient and of questionable economic value.

Guyana is a member of the British Commonwealth, the Caribbean Free Trade Association, the IMF and IBRD. Guyana is not a member of the IDB.

The rate of unemployment exceeds 20% of the labor force, representing a serious economic and political problem to the government. Unemployment has been described by Prime Minister Burnham as "our most malignant social problem".

B. Economic Review and Outlook

It is estimated that the growth rate of GDP for the 1954-60 period was only 1 percent over the population growth rate. The chief factors in the growth of GDP were sugar, bauxite, and rice. Although 1960 and the beginning of 1961 set records in the business sector, there was a sharp decline between 1961 and 1965 because of the uncertain political situation, which included two general strikes and considerable physical destruction. Between 1965 and 1967 GDP growth was approximately 8% per year. A slightly less than 5% growth was experienced in 1968. The IMF concluded that in real terms 1968 was a year of stagnation. Again, the controlling ingredients of the economy's movement are identical: the performance of the rice, sugar and bauxite industries. Heavy rains caused a 25 percent drop in the 1968 rice crop over 1967 and restricted the expected high rise in bauxite activities to a 10 percent jump over 1967. Labor problems figured significantly in the 8 percent fall in sugar production over the record 1967 crop year.

There is considerable reason to doubt the statistics used to compute growth, inflation, population etc. as the statistical reporting service is recognized to be inadequate. In addition, the GOG is currently revising the indices to more accurately reflect economic activity. The opinion of senior economists in the Bank of Guyana and the Ministry of Economic Development is that 1968 was not a year of stagnation, but one of growth albeit perhaps at a slightly lower pace than previously experienced.

The outlook for 1969 is unclear and at best only somewhat optimistic. The completion and bringing on stream of investments for bauxite excavation and calcination are a plus factor, but it is known that a lower spring rice crop will be harvested as a result of severe autumn rains. Sugar could be the swing factor. However only a slight improvement is foreseen due to the already near record production levels.

For the near future there is reason for optimism. By 1972, a significant (60%) upward thrust over 1967 is projected for rice. Bauxite is also expected to respond favorably to the recently completed investment program by a 30 percent rise over 1967 levels; and for the same period sugar production is expected to rise by 23 percent.

The dominance of Guyana's economy by these three products is matched only in importance by the pernicious unemployment problem afflicting Guyana. Between 1946 and 1960 the population increased 49.1%. During that period the labor force rose only 18.7% and actual employment about 10%. "A Survey of Manpower Requirements and the Labor Force" made in 1965 is the latest detailed study of the labor force. The findings of that study indicate a high rate of unemployment which according to observers has not been lessened. The 1965 study found an overall unemployment rate of 18.4% for males and 27.7% for females out of a total labor force of 174,772. The rates of unemployment were found to be highest for males in the 14-21 age group (42.7%). Former agricultural workers were found to be the single largest group of unemployed (40%) and the Berbice West area was the locale with the highest rate (33%).

The Ministry of Economic Development estimates that by 1972 the labor force will have risen to 231,000. It is obvious that improvement must be made in the employment rate if Guyana is to maintain its internal stability. Again, reliable statistical evidence is lacking as to the actual level of employment. The Ministry of Economic Development is cognizant of the dearth of information and the non compatibility of the previously employed interview techniques and questionnaires with the local situation. Data gathering systems have been refined in other countries similarly situated and the Ministry is aware of developments in this field.

The outlook is for contination of the current relatively low level of employment by the bauxite industry. As for the sugar industry, its employment policies are designed to stabilize the total labor force and to provide steady year round employment for this stabilized work force. However, the actual level of employment in sugar could be reduced if the two foreign companies which control 98% of production introduced mechanized harvestry. It should be noted that over the years the sugar estates have been realigning their fields to patterns which among other things would permit mechanized harvesting. The constraining factor in this situation is the social consequence of mechanization on the population. Clearly an explosive issue, it is doubtful that any complete and rapid mechanization is possible unless alternate employment opportunities are presented. The employment absorption capacity of rice is questionable since generally speaking rice is cultivated on an individual family basis. It is also possible to speculate a slight drop in the number of rice farmers if the current GOG efforts are successful in raising the quality level of rice produced and increasing the profitability of rice growing. Rice harvesting has already been partially mechanized and it is highly conceivable that the size of farms will be increased permitting greater mechanization and consequently a leveling off, if not decrease, in the number of employed.

In addition to the high level of unemployment, there is an equally serious problem of underemployment. Rice farmers are employed about 75 days per year with the cultivation of two crops and with the exception of some additional agricultural and odd job type employment probably are unemployed one half of each year. Sugar employment likewise is seasonal. During the harvest the labor force requirements can almost double. However, the slack seasons for sugar and rice coincide which adds considerably to the seriousness of the situation.

C. The Economic Development Plan

The narrow economic base and unemployment situations are of direct concern to the Government. The Government has attempted to alleviate these conditions by a series of measures which culminated in and now are predicated on the previously described 1966-72 development plan. It can be seen below that the development needs are large in relation to the nation's resources, requiring considerable external assistance.

The original Plan suggested an average G$42 million yearly investment over the period without detailing the expenditures by year for each project. As noted earlier the estimated cost of the plan has been raised by approximately 50 percent. The IBRD concluded the GOG could finance 1/3 of the projected outlays in the early phases of the Plan by the continuation of the then current public finance policies and, if total savings targets were achieved as projected, the Bank further believed Guyana could meet 50% of the Plan's needs for 1970-72, i.e. G$26 million/year.

Table III shows that Guyana has actually made expenditures of within 10 percent of the suggested average yearly expenditures for the first three years of the original plan, but the distribution by funding sources has been lower (61%) for external sources and higher (39%) for internal sources. For 1969, the budget forecasts a 66-33 split between foreign and domestic sources. It is suspected however there will be slippages in the capital expenditures for 1969. This reasoning is based on historical precedent (averaging 10%) and the known lack of firm projects for financing by foreign sources. Table IV is our current projection of inputs for 1969 which at best shows a G$33.8 million ($16.9) level of inputs. We would thus project at least G$12 million shortfall from foreign sources and small (G$2-3 million) overestimation of domestic expenditure levels. Overall then in 1969 it is projected the GOG will expend about 45 million which is above the average projected yearly rate for the Plan but well below the required G$62million/year of the current revised Plan.

TABLE III

Financing of Seven Year Development Plan 1966-69
(G$)

	1966	1967	1968	1969
Surplus on Current Operations	+1,475,088	+4,960,238	+4,671,524	-1,005,806 *
Current Revenue	85,629,377	92,864,322	102,082,220	104,274,300
Current Expenditure	84,154,289	87,904,084	97,410,696	105,280,106
Deficit on Capital Account	-31,111,338	-35,149,060	-37,884,500	-61,020,800
Capital Revenue	739,118	6,167,513	1,475,000	965,000
Capital Expenditure	-31,850,456	-41,316,573	-39,359,500	-61,985,800
Financing Deficit (Capital)	31,111,338	35,149,060	37,884,500	61,020,800
External Borrowing	4,737,518	13,704,727	15,097,119	40,294,000
Internal Borrowing	8,088,464	8,926,831	4,500,000	4,000,000
Foreign Grants	10,654,780	8,045,463	7,196,901	5,474,000
Consolidated Fund	7,630,576	4,472,039	11,090,480	11,252,800

Source: 1969 Budget Estimates

*The GOG has introduced new revenue legislation which, if successful, would increase 1969 revenues to G$119,414,530 thereby creating a current operations surplus and a corresponding decrease in the Consolidated Fund Account.

TABLE IV

Estimated Inputs By Foreign Sources 1969-72
(US $ million)

	1969	1970	1971	1972
Rice	.3	5.0	5.0	2.6
P.I.F.	.5	.5	.5	.5
Corentyne	4.7	.7		
Canada	4.0	4.0	4.0	4.0
UK	4.8	4.8	4.8	4.8
Sea Defense	1.0	2.0	1.0	1.0
Education	1.0	3.8	1.0	
Roads (A.I.D., I.B.R.D.)		2.0	5.0	6.0
Water Supply	.6	1.0	1.0	
	16.9	23.8	22.3	18.9

Note: Shaded areas represent inputs which may not materialize unless projects are developed under this loan, loan 003 or by other international agencies and donor governments.

Table IV contains some very questionable inputs and does not provide for any assistance from West Germany. West Germany has not made any commitment to a specific level of assistance but will consider individual projects. If these shortfalls materialize on the external input side during the future years of the Plan, the Plan will slip to a considerably greater degree than now considered likely. The major corrective action to be taken to soften as much as possible the slow-down in the Plan is to develop a shelf of matured projects for consideration by external financiers. This is so because before a project can be considered for financing it must be identified, fixed in a program and matured to the level required for funding consideration by the external financing institutions. It is clear, and appreciated by the Ministry of Economic Development, that Guyana has been unable to develop projects to make effective use of funds already pledged by external institutions nor has Guyana been able to develop projects for future consideration by potential lenders. As noted this problem is understood by the GOG and other lenders/donors and actions are underway now to have others participate in the project development process.

Following the general mix of sources proposed by the Bank study, Guyana should make local currency inputs of about G$26 million/year in the 1970-72 period. External funds are available in the aggregate to permit attainment and even greatly exceed the financial targets for the original Plan, but this level of Guyana dollar inputs is quite insufficient to finish the revised plan within the planning period. However to utilize the funds available is and probably will continue to be another matter. For example, of the US $16.9 expected to be available in 1969, US $9.3 or slightly over half are not firmly planned and probably will only be partially utilized in support of the Plan. In 1970, we can only assume that this situation will have improved somewhat as a result of the feasibility studies expected to be completed under this project and by other foreign governments and institutions. Consequently there should be a high percentage of the shaded (see Table IV) funds expended.

Presented below is Table V indicating on a gross and net resource basis the extremes of the current projections. In case I, it is assumed that all external funds are used but in case II, it is assumed that no further feasibility studies are completed after loan 003 has been expended. Obviously from the comparison presented in Table V, there is a need for the GOG, other donors/institutions/lenders and A.I.D. to develop projects subsequent to the financial completion of loan 003 for implementation and, as noted previously, others, particularly the Canadians, are taking preliminary steps in this direction. It is likewise obvious there will be some expenditure from the shaded columns of Table IV. But the essential point is that there will not be even an approximation of 100% expenditure, simply due to the lack of projects.

Table V has been presented with a net position for two reasons. One is that although foreign loans are classified as capital revenue when received, the repayment of all foreign loans is carried as a current expenditure in the budget. The second point is that the development process requires a net input of resources to sustain growth and it is noteworthy to view the extremely low and minus position of net inputs possible under adverse condition II.

TABLE V

NET EXTERNAL RESOURCES AVAILABILITIES

US $ Millions

		1969	1970	1971	1972
I.	Resources available	$16.9	23.8	22.3	18.9
	Debt Servicing	4.5	5.3	4.5	4.4
	Net available	12.4	18.5	17.8	14.5
II.	Resources Available	16.9	23.8	22.3	18.9
	Assumed Shortfalls, maximum	9.3	10.3	14.3	16.3
	Project Low Level	7.6	13.5	8.0	3.6
	Less Debt Servicing	4.5	5.3	4.5	4.4
	Net Resources	3.1	8.2	3.5	.8

Netting availabilities to projected debt servicing we find that Guyana should have no trouble in matching the original Plan's 1969-72 overall funding requirement if available resources can be utilized. This assumes modest internal borrowings in 1969 above the G$26 million projected by the IBRD plus a continuation of the current surplus on current budget operations for the entire period. (Table VI).

If however, Guyana is unable to utilize the funds represented in the shaded area of Table IV Guyana's net external borrowing position would be quite different as shown below in a series of assumptions relating to the extremes of fund availabilities, the original and revised Plan. (Table VI).

TABLE VI

Effect on Original Development Plan

(Million G Dollars)

		1969	1970	1971	1972
I.	Capital Expenditure	G$61.9	52.0	52.0	52.0
	Net External Resources	24.8	37.0	35.6	29.0
	Resource Deficit	G$37.1	15.0	16.4	23.0
	Domestic Savings-Borrowings	26.0	26.0	26.0	26.0
	Requirements	11.1			
II.	Capital Expenditure	61.9	52.0	52.0	52.0
	Net External Resources	6.2	16.4	7.0	-1.6
	Deficit	55.7	35.6	45.0	53.6
	Domestic Savings-Borrowings	26.0	26.0	26.0	26.0
	Requirements	29.7	9.6	19.0	27.6

Effect on Revised Plan

If Implemented within Plan Period

(Million G Dollars)

		1969	1970	1971	1972
I.	Capital Expenditure	61.9	88.0	88.0	88.0
	Net External Resources	24.8	37.0	35.6	29.0
	Resources Deficit	37.1	51.0	53.4	59.0
	Domestic Borrowings-Savings	26.0	26.0	26.0	26.0
	Requirements	11.1	25.0	27.4	33.0

		1969	1970	1971	1972
II.	Capital Expenditure	61.9	88.0	88.0	88.0
	Net External Resources	6.2	16.4	7.0	-1.6
	Resource Deficit	55.7	71.6	81.0	89.6
	Domestic Borrowings-Savings	26.0	26.0	26.0	26.0
	Requirements	29.7	45.6	55.0	63.6

Effect on Revised Plan

If Carried Out At Current (Planned) Level
and Plan's Life Extended
(Million G$)

		1969	1970	1971	1972	1973	1974
I.	Capital Expenditure	61.9	62.0	62.0	62.0	62.0	16.0
	Net External Resources	24.8	37.0	35.6	29.0	-	-
	Resource Deficit	37.1	25.0	26.4	33.0		
	Domestic Borrowings-Savings	26.0	26.0	26.0	26.0		
	Requirements	11.1	-	0.4	7.0		
II.	Capital Expenditure	61.9	62.0	62.0	62.0	62.0	16.0
	Net External Resources	6.2	16.4	7.0	-1.6	-	-
	Resource Deficit	55.7	45.6	55.0	63.6		
	Domestic Borrowings-Savings	26.0	26.0	26.0	26.0		
	Requirements	29.7	19.6	29.0	37.6		

It is quite apparent that the Plan as it now stands is unrealistic and not obtainable within the original time period unless there is a severe culling of projects on a priority basis or greater external assistance can be generated. As has been noted repeatedly greater external assistance depends on the existence of projects and projects have just not been matured to the extent required to warrant foreign financing. Additional local borrowings and greater revenue generations is a possibility, but for only a portion of the required increase. The danger to heavy local borrowing, aside from the usual economic implications, is that there is almost 1:1 relationship between additions to the income stream and increased imports. Guyana already operates on a rather slim foreign exchange base compared to normal standards and it would not be prudent to upset this rather tenuous situation. (See Table VII).

TABLE VII

International Reserve Position (End of Year)

US $ Millions)

	1966	1967	1968
Monetary Authorities (Gross and Net)	16.9	18.8	23.5
Rest of Banking System (Net)	8.0	9.3	3.0
Government	11.8	8.3	6.2

Source: IMF 69/SM Part II Page 40.

It is therefore not difficult to conclude that any and all assistance to the maturization of projects is the critical element to realization of the Development Plan.

C. Balance of Payments

Guyana has experienced balance of payments deficits in 1965, 1966 and 1968. The deficit trend is downward, and was actually in surplus in 1967, going from a US $10.3 million deficit in 1965 to US $7.2 million in 1966 and US $3.8 million in 1968. (It is noted that the 1967 surplus did not augment reserves as the GOG's reserves are held in sterling and of course were reduced by the pound devaluation. Debts were reduced about $8 million by the pound devaluation. (Neither the gain or the loss is shown in the Balance of Payments). The surplus in 1967 came about basically from an increase in net capital inflow and improvements in the net errors and omissions. In 1968, despite sharp fall in imports, another deficit was experienced

as exports were down slightly, as were transfer receipts and capital inflow. The halving of capital inflow was directly related to the completion of the bauxite expansion programs.

The 1969 outlook depends on GOG actions regarding import priorities, which are controlled, and the performance of the rice, sugar and bauxite. The export rice crop is anticipated to be at its lowest level in recent years ($11.5 million) while the export values of bauxite and sugar are projected to increase slightly in 1969 to $33.5 million and $19.3 million respectively. The net for these three major items in 1969 is a 3.0 million increase in export level over 1968.

It should be anticipated that the outflow of direct investment remittances will continue to rise to reflect the investments completed particularly by Demba and Reynolds. Whether the flow to sugar parents will rise is not known, but certainly with the exception of 1967 this has been the case. (In 1967 Guyana received $2.45 million of the excess cover of the British Caribbean Currency Board which interrupted the upward movement). If the trend line is followed the outflow will be between $18 and $19 million.

Establishment of the Caribbean Free Trade Area (CARIFTA) on May 1, 1968 may not prove to be of any great advantage to the level of Guyana's exports. The products exported to the CARIFTA countries by Guyana prior to the execution of the CARIFTA Agreement were not generally subject to high tariffs. Thus the principle of price elasticity is not expected to operate to cause any significant increase in the level of Guyana's export trade.

The basic question for 1969 is whether private direct investment will fall further now that expansion of the calcined bauxite facilities have been completed. The level of official grants and loans hopefully will be up somewhat in support of the government's budget expectations; however the level is subject to a rather wide variation.

Loans which have been made in support of the 1966-72 Plan are of growing importance in Guyana's debt service picture. The principal and interest payments on these plans have risen from US $338,572 in 1966 to US $864,354 in 1969 (Table VIII). Projections of the debt service for these loans are not available at this time, although the Ministry of Finance is preparing this data.

TABLE VIII

Unfunded Public Debt in Support of Development Plan
(Million G $)

		1969	1968	1967	1966
	INTEREST				
	IBRD	20,750	30,530	41,509	54,936
	Electricity	84,000	84,000	84,000	84,000
	Commonwealth Dev.	10,500	12,250	14,039	16,038
	Rice Loan	142,365	159,599	170,655	-
	Bank of Guyana	68,740	68,740	66,914	46,604
	USAID Loan	250,000	96,000	45,000	598
A.	Total	576,355	450,919	422,117	202,176
	PRINCIPAL				
	IBRD	178,200	269,700	251,358	239,475
	Commonwealth Dev.	44,000	50,000	51,630	57,440
	Rice Loan	529,045	529,045	1,310,024	-
	Bank of Guyana	356,108	356,108	356,107	178,054
	UK Dev. Loans	45,000	-	-	-
B.	Total	1,152,353	1,204,853	1,969,119	474,969
	A + B Total	1,728,708	1,655,772	2,391,236	677,145

Source: 1969 Estimates of Principal and Interest.

Based on the current low level of know foreign debt there does not appear to be any significant problem to the assumption of an additional US$2,500,000debt by the Government. As shown in Table IX the current amount of external debt is US $55.5 and repayments are approximately $4.5 million/year. This represented 4 percent of goods and services earnings during 1968 which is well within accepted limits. (See Table X for Balance of Payments). It was observed previously the GOG is working on an external debt schedule through 1980 but these figures are not yet available and no independent estimate has been made of the debt burden. It can be assumed the GOG will have no difficulty under the current conditions in meeting the repayments required under this loan.

Table IX

Guyana: Servicing of the Medium- and Long-Term External Government Debt, 1965-68 and Projected, 1969-75

(million U.S. dollars)

	Debt Outstanding End of Year	Debt Service During Year		
		Amortization	Interest	Total
1964	52.1	...	...	...
1965	51.9	2.8	3.2	6.0
1966	52.1	2.5	3.4	5.9
1967	51.2	3.6	3.1	6.7
1968*	55.5	2.8	2.9	5.7
1969	....	2.5	2.8	5.3
1970	....	2.5	2.8	5.3
1971	....	1.8	2.7	4.5
1972	....	1.9	2.5	4.4
1973	....	2.0	2.4	4.4
1974	....	2.1	2.4	4.4
1975	....	2.1	2.4	4.5

*In 1968 net drawings also totaled $4.3 million and the debt outstanding at the end of the year amounted to $55.5 million. On the basis of this level of debt, average annual amortization and interest payments are estimated to decline from nearly $6 million in 1964-68 to $5.3 million in 1969 70 and $4.4 million in 1971-75--the latter being equal to 3.7 percent of Guyana's exports in 1968.

Source: IMF SM/69/34 Part II page 46

Table X

Guyana: Summary Balance of Payments

(million US dollars)

	1965	1966	1967	1968
Goods and services	-19.3	-27.9	-27.8	-18.2
Merchandise	-2.3	-5.6	-6.4	4.2
Exports f.o.b.	(103.3)	(112.2)	(123.0)	(118.8)
Imports c.i.f.	(-105.6)	(-117.8)	(-129.4)	(-114.6)
Travel (net)	-2.3	-2.2	-3.3	-3.0
Investment income (net)	-13.1	-17.2	-14.7	-17.7
Other services (net)	-1.6	-2.9	-3.4	-1.8
Unrequited transfers (net)	7.0	5.9	5.5	3.9
Private	0.2	0.2	0.3	0.3
Official	6.8	5.7	5.2	3.6
Balance on goods, services, and unrequired transfers	-12.3	-22.0	-22.3	-14.3
Capital accounts	10.1	19.4	24.8	12.3
Private	10.9	18.6	19.8	8.0
Official	-0.8	0.8	5.0	4.3
Errors and omissions (net)	-8.1	-4.6	2.3	-1.8
Net monetary movements (increase -)	10.3	7.2	-4.8	3.8
Government	1.8	0.1	2.4	2.1
Monetary authorities	-3.4	3.2	-3.9	-4.7
Commercial banks	11.0	3.8	-3.3	5.7
Post Office Savings Bank	0.9	0.2	--	0.7

Source: SM/69/34 Part II page 39

D. Financial Analysis

The total estimated cost of this project is as shown below:

TABLE XI

Estimated Cost of Projects Proposed

	US $	G$ (US Equiv.)
Interior Road	220,000	48,000
1st Segment Interior Road	320,000	70,000
Moruka-Baramani Channel	10,000	2,500
Matthews Ridge	50,000*	10,000
North West District	150,000	30,000
Georgetown Approaches	256,500	43,500
Wismar-Rockstone	200,000	35,000
New Amsterdam Approaches	250,000	45,000
Essequibo-West Bank Demerara	250,000	45,000
Agriculture Development	250,000	65,000
Tiboku	50,000	5,000
Mackenzie-Ituni-Kwakwani	252,300	52,000
Miscellaneous	50,000	-
Totals	$2,308,800	$451,000

* The GOG has allocated G$1 million in the 7-Year Plan to develop the Matthews Ridge area.

Sufficient funds have been programmed under the Development Plan to permit full implementation of the above projects. Budget expenditures and projections for funds in support of feasibility studies are shown below in Table XII.

TABLE XII

Budget Expenditures 1966-69 and Allocations under 7-Year Plan for Feasibility Studies

(G $)

	1966	1967	1968	1969	1966-72
Min. of Economic Development		647,446	900,000	1,570,000	5,265,000
Min. of Works & Hydraulics New Road Surveys	25,307	66,277	-	50,000	4,900,000
Staff Services, Development Plan Projects	502,102	562,636	450,000	500,000	9,000,000

Source: 1969 Budget Estimates

The Ministry of Economic Development has programmed G$3,117,446 through 1969 of its G$5,265,000 allocation under the Development Scheme. The local currency requirements for the two projects will be carried out under this loan and attributable to the Ministry are well within availabilities. In addition G$400,000 is specifically allocated outside the figures contained in Table XII above to the Matthews Ridge study and development in 1969. It is therefore believed there will be no local currency problem for the Matthews Ridge or North West District.

The Ministry of Works and Hydraulics has expended or projected through 1969 G$2,156,322 of its G$13,900,000 planned for the investment period. As can be seen readily the local currency requirements if all the projects in Table XI were carried out there will be sufficient funds available in the aggregate to meet the requirements of these projects.

E. Effect on US Economy

The proceeds of this loan will be expended only for the cost of US services.

F. Level of the loan versus Guyana's capacity to finance projects.

Favorable recommendations from the studies proposed would result in a series of proposals whose aggregate cost could approach US $100 million. Obviously, over the short run, this level is greater than is warranted for Guyana in relation to Guyana's capacity to implement projects in view of the limited skilled manpower and the obtaining local currency shortages. In addition, and depending on the financial terms, most likely, Guyana could not reasonably expect to service an immediate 180 percent increase in its external debt.

However, it is not the purpose of this loan to develop such a package. Rather this loan is only one step in the ordering of priorities leading to the selection of those projects which will maximize the contribution of financial inputs to Guyana's economic development. For example, prior to the submission of the list of projects proposed for financing under this loan an initial culling was made of the projects which were believed might contribute to Guyana's development. The projects proposed herein therefore in themselves have been selected as showing prima facie greater potential than other projects. We expect as a result of the pre-feasibility and feasibility studies

which will be made under this loan that a clearer ordering of a project priorities will be developed. On the basis of these studies, and their ranking in relationship to their contribution to economic progress, it is planned that only those projects of highest priority will be implemented in the near future.

This ordering of priorities is also essential, as noted earlier, to make maximum use of the funds pledged by other donors or available from other donors if projects were available. To date Guyana has been quite successful, as noted previously, in generating commitments from donors, but Guyana has been inversely successful in generating projects. As a result several inputs of resources have not gone to the highest priority areas and a considerable amount of funds have not been utilized.

In summary, it is planned that this loan will permit the development of investment priorities, permit the Government of Guyana to make use of the funds previously pledged but not utilized, minimize the use of external funds for marginal projects, and allow the Government to make maximum effective use of funds which will become available.

SECTION VII. - PROBLEMS AND ISSUES

The following issues and problems have been raised for consideration during the IRR for this loan. The CAEC requested these matters be considered in the loan proper.

Item 1 - " AID should make clear to the GOG that an increase in this loan would not imply a willingness on our part to finance any of the projects studied, nor would it imply a commitment to continue a high level of assistance to Guyana. The GOG should be urged to secure an increasing share of assistance from other sources."

The GOG was informed of AID's position in a letter dated January 22, 1969 from Director Hamer to the Permanent Secretary, Ministry of Economic Development.

Item 2 - "It should be emphasized that studies to be financed under the loan should be for reconnaissance and prefeasibility studies with emphasis on economic aspects before feasibility studies are undertaken unless such information is currently available for the specific projects."

Implementation Letter No. 1/ for Loan 003 dated November 20, 1966, emphasizes that "only those prefeasibility and feasibility study projects of high national priority are likely to be considered for financing under this loan ..... that are both important to the economic development of Guyana and within the capacity of the Government to execute." Under the loan's implementation procedure A.I.D. agreement to the study must be obtained prior to advertisement. As our actions are governed by the requirement of item 2 above ., adherence to the requirement is assured. Similar language will be incorporated in Implementation Letter N. 1 of this loan.

Item 3 - "In the feasibility studies loan used to date, A.I.D. permitted financing of final design because of special circumstances which do not seem applicable at this time. We would prefer not to finance final design with these funds unless there are compelling reasons.

The CAEC considered the question of financing final design. Its decision was that final works would remain as an eligible item subject to certain conditions. These conditions are contained in Annex II, Annex A. As a result of the CAEC meeting of June 19, 1969, the final design issue was resolved. In essence final design per se will not be financed under this loan. Instead the scope of work for studies to be financed by international lending agencies or other governments will be developed in consultation with the identified potential lendor or grantor to ensure that the requirements of the identified financier will be met by the consultant preparing the feasibility study.

Item 4 - The GOG should finance local costs of the studies if possible. The intensive review should determine if GOG resources from its budget, PL 480 proceeds and other sources could be made available for this purpose.

The original Feasibility Studies Loan Agreement (Loan 003) (Section 4.02) provided "The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project, including but not limited to office space, materials, equipment and supplies for logistical support for the contractors who will carry out the studies, and salaries of personnel hired directly by Borrower to administer the project." To date the GOG has met all local currency costs incurred under the first Feasibility Loan and has not requested reimbursement for any local expenditures. As noted under Section V, it is believed the GOG has programmed sufficient funds to meet all the local currency requirements for projects scheduled under this loan. Local financing will not be an eligible item under this loan.

AID 1240-2 (1-69)

CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item write answer, or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1968.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1969.

COUNTRY PERFORMANCE

Progress Towards Country Goals

1. *FAA §.208; §.251(b).*

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.	Guyana is currently making a major effort to modernize its food industry The $12.9 million A.I.D. loan-funded Rice Modernization project, which is primarily a food storage and distribution program for Guyana's principal grain product, is an example of the efforts that the country is making.
(2) Creating a favorable climate for foreign and domestic private enterprise and investment.	The country has taken measures to promote private investment; there has been substantial new private investment in recent years.

AID 1240-2 (1-69)

(3) Increasing the public's role in the developmental process.	The Government makes diligent efforts to keep the public informed on the development program. Self-help projects directly involving the public are a key element in that program.
(4) (a) Allocating available budgetary resources to development.	Guyana's combined expenditure for development projects between 1966 and 1968 and the 1969 estimates represent 68.2% of all budgetary expenditures for those years.
(b) Diverting such resources for unnecessary military expenditure (See also Item No. 18.) and intervention in affairs of other free and independent nations. (See also Item No. 17.	Guyana's defense budget is minimal and she does not intervene in other countries' affairs.
(5) Willing to contribute funds to the project or program.	Guyana will pay all local costs associated with this project.

AID 1240-2 (1-69)

(6) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.	Guyana has requested U.S. technical assistance to improve tax collections procedures. The country recognizes freedom of expression and of the press and the importance of individual freedom, initiative and private enterprise. The democratically elected government has respected the rule of law.
(7) Adhering to the principles of the Act of Bogota and Charter of Punta del Este.	Although the Act of Bogota and the Charter of Punta del Este are not applicable to Guyana, the country is following policies which are in accord with the Act and the Charter.
(8) Attempting to repatriate capital invested in other countries by its own citizens.	No. The level of direct investment by Guyanese in other countries is minimal at best.
(9) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.	Guyana is showing a responsiveness to the legitimate concern of her people and is taking effective self-help measures.
B. Are above factors taken into account in the furnishing of the subject assistance?	Yes.

AID 1240-2 (1-69)

Treatment of U.S. Citizens

2. *FAA §.620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?*	Not applicable.
3. *FAA §.620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing-ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?*	Guyana has taken no such action.
4. *App. §.106. If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U.S. citizens generally, what steps (will be) (have been) taken during loan negotiations to influence elimination of such distinctions?*	Guyana has taken no such action.

AID 1240-2 (1-69)

5. *FAA §.620(o); Fishermen's Protective Act. §.5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,*	Not applicable.
a. has any deduction required by Fishermen's Protective Act been made?	Not applicable.
b. has complete denial of assistance been considered by A.I.D. Administrator?	No denial of assistance has been considered.

Relations with U.S. Government and Other Nations

6. *FAA §.620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?*	Not applicable.
7. *FAA §.620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action, of U.S. property?*	Guyana provides adequate protection for U.S. property.

AID 1240-2 (1-69)

8. *FAA §.620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?*	Guaranty agreement is in effect.
9. *FAA §.620(q). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?*	Guyana is not in default on any loans.
10. *FAA §.620(t). Has the country severed diplomatic relations with U.S.? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?*	Not applicable.
11. *FAA §.620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearage taken into account by the A.I.D. Administrator in determining the current A.I.D. Operating Year Budget?*	Guyana is not delinquent on its U.N. obligations
12. *FAA §.620(a); App. §.107(a) and (b). Does recipient country furnish assistance to Cuba, sell strategic material to Cuba, or permit ships or aircraft under its flag to carry cargoes to or from Cuba.*	Guyana furnishes no assistance to Cuba.

AID 1240-2 (1-69)

13. *FAA §.620(b). If assistance is to a government, has Secretary of State determined that it is not controlled by the international Communist movement.*	Guyana is not controlled by the international communist movement.
14. *FAA §.620(f), App.§.109. Does recipient country have a communist government*	Guyana does not have a communist government.
15. *FAA §.620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the U.S. or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression.*	No determination has been made that Guyana has been so involved.
16. *FAA §.620(n); App. 107(b) and 116. Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?*	Guyana neither furnishes goods to North Viet-Nam nor permits ships or aircraft under its flag to carry cargoes to or from North Viet-Nam.

Military Expenditures

17. *FAA §.620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? Is U.S. P.L. 480 or development assistance used for military purposes? Are country's resources devoted to unnecessary military expenditures to a degree which materially interferes with*	According to GOG budget figures, actual and projected expenditures by the Guyana Defence Force for the 1966-69 period represent less than 2% of total budgetary expenditures or slightly over US $1 million per year. Expenditures on ammunition, arms and equipment are projected at US $87,500 in

AID 1240-2 (1-69)

its development? (Consideration of these points to be coordinated with PPC/MAS.)	1969 which is the highest level obtained to date. It is assumed that the full (Cont'd on page 8a).
18. *FAA S.620(v). App. S.119. How much spent by country during current U.S. fiscal year for sophisticated military equipment purchased since January 1, 1968? Has corresponding amount been deducted from current OYB, or is the weapons purchase determined by the President to be important to U.S. national security? (Responses to these questions to be coordinated with PPC/MAS.)*	Guyana has not purchased any sophisticated military equipment since January 1, 1968.

CONDITIONS OF THE LOAN

General Soundness

19. *FAA S.201(d). Information and conclusion on reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.*	The proposed terms are considered legal and reasonable by both Guyana and the United States.
20. *FAA S.251(b)(2); S.251(e). Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds $100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner.*	The project is economically and technically sound. An application for the loan has been made to the USAID. Procedures have been established for implementing the loan which will insure funds are used in an economical and technically sound manner.

17. (Cont'd)

amount of the above expenditures for ammunition, arms and equipment represent foreign exchange costs. As Guyana does not produce cloth a high percentage of the uniform cost (US $48,000) in 1969 is presumed to represent foreign exchange expenditure. A small percentage of the 1969 cost for fuel, light and sanitation (US $25,000 total for the three items) is also a foreign exchange cost. In addition maintenance of vehicles, aircraft and water transport represents the use of foreign exchange. For 1969, the total budgeted for for these three items is US $125,000.

No US PL 480 or development assistance are used for military purposes.

The level of military expenditure is insignificant and does not materially interfere with the nation's development.

AID 1240-2 (1-69)

21. *FAA §.251(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.*	The terms of the loan are such to permit Guyana to repay, and repayment prospects are favorable.
22. *FAA §.611(a)(1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?*	Not applicable.
23. *FAA §.611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purposes of loan?*	Not applicable
24. *FAA §.611(c). If loan is for capital assistance, and all U.S. assistance to project now exceeds $1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?*	Not Applicable
25. *FAA §.251(b). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.*	Other Free-World financial sources are not interested in financing this project.

AID 1240-2 (1-69)

Loan's Relationship to Achievement of Country and Regional Goals

26. *FAA §.207; § 251(a). Extent to which assistance reflects appropriate emphasis on; (a) encouraging development of democratic economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs, or (e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and voluntary agencies; transportation and communication; planning and public administration; urban development; and modernization of existing laws.*

(a) A.I.D. assistance will result in the strengthening of democratic, economic, political and social institutions in Guyana.

This loan is in direct support of the nation's Development Plan which is described in this loan paper. As this loan's purpose is to establish the feasibility, or lack thereof, of various projects proposed in support of the Plan, this loan can only be considered as indirectly encouraging economic and social development. This project will not materially add to the improvement of Guyana's trained manpower or meet the country's health needs.

27. *FAA §.209. Is project susceptible of execution as part of regional project? If so why is project not so executed?*

This project is not susceptible to execution as part of a regional project.

28. *FAA §.251(b)(3). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.*

The project is consistent with other development activities and will contribute to realizable long-range objectives.

AID 1240-3 (1-69)

29. *FAA §.251(b)(7). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.*	The activity should make a significant contribution towards the achievement of self-sustaining growth in Guyana.
30. *FAA §.281(a). Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.*	This loan will not contribute to the purposes of this section of the FAA. The projects proved feasible and if carried out as a result of the studies made under this loan will be in support of this section of the FAA.
31. *FAA §.281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.*	As noted previously, this loan indirectly supports the Guyana Development Plan. This Plan reflects the needs and desires of the Guyanese nation and successful implementation of this Plan hopefully will serve to meet the intent of this section of the FAA.

AID 1240-2 (1-69)

32. *FAA §.601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.*	The loan will not directly contribute to this section of the FAA. Projects actually completed as a result of study performed under this loan could contribute to the achievement of the purposes of this section of the FAA.
33. *FAA §.619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?*	Other lenders have expressed no interest in the project. The project is consistent with the UN and IBRD approaches toward assistance to Guyana.
34. *FAA §.251(h). Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.*	Guyana is not a member of CIAP.
35. *FAA §.251(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.*	The loan will have little if any effect on the cooperative movement in Latin America.

AID 1240-2 (1-69)

36. *FAA §.209; §.251(b)(8). Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America.*

The activity will not directly encourage regional development programs but will not contribute directly to the economic and political integration of Latin America.

Loan's Effect on U.S. and A.I.D Program

37. *FAA §.251(b)(6); §.102. Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.*

Only U.S. goods and services will be financed under the amendatory loan, agreement, thereby improving the US balance of payments situation.

As only highly technically skilled persons will be employed under this project and equipment purchase minimal, there will be no significant beneficial impact on labor surplus areas in the US.

38. *FAA §.601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).*

Only US goods and services will be financed under the amendatory loan agreement.

The loan will not contribute to US private investment. However, implementation of projects proved feasible under this loan may directly stimulate both US private trade and direct investment.

AID 1240-2 (1-69)

39. *FAA §.601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?*	Engineering and professional services will be obtained from U.S. firms.
40. *FAA §.602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services finance by the loan.*	U.S. small business will have an opportunity to participate equitably in furnishing goods and services to the project to the extent possible.
41. *FAA §.620(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?*	This loan will not promote or assist any projects of the Communist Bloc countries; there are no Bloc country projects in Guyana.
42. *FAA §.621. If technical assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.*	Goods and professional services financed under the loan will be obtained from private U.S. enterprise.

AID 1240-2 (1-69)

43. *FAA §.252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.*	All of the A.I.D. loan funds will be used to procure goods and services from private U.S. sources.
Loan's Compliance with Specific Requirements	
44. *FAA §.201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter?*	Yes
45. *FAA §.608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.*	Will be complied with.
46. *FAA §.604(a); App. §.108. Will all commodity procurement financed under the loan be from U.S. except as otherwise determined by the President?*	All commodity procurement financed under the loan will be from U.S.

AID 1240-2 (1-69)

47. *FAA §.604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price?*	Procurement of goods under the loan will be by competitive bidding.
48. *FAA §.604(d). If the host country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the U.S. on commodities financed by the loan?*	Will be complied with.
49. *FAA §.604(e). If off-shore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?*	Not applicable.
50. *FAA §.611(b); App. §.101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?*	Not applicable.
51. *FAA §.611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable?*	Not applicable.

AID 1240-2 (1-69)

52. *FAA §.620(q). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?*	Only goods and services of US source and origin procured under the applicable procedures are eligible for financing under this loan.
53. *FAA §.612(b); §.636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.*	The GOG is providing all the local currency required by the contractors financed under this loan.
54. *App. §.104. Will any loan funds be used to pay pensions, etc., for military personnel?*	No loan funds will be used for purposes other than as stated in the body of this loan paper.
55. *App. §.111. Compliance with requirements for security clearance of U.S. citizen contract personnel.*	Will be complied with.

AID 1240-2 (1-69)

56. App. §.112. *If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms?*	The loan will be implemented as provided for in the A.I.D. Capital Project Guidelines which require A.I.D. approval of all contractors and contract terms.
57. App. §.114. *Will any loan funds be used to pay U.N. assessments?*	No. Loan funds will be used only for the purposes stated in the body of this loan paper.
58. App. §.115. *Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964 (Regulation 7).*	Will be complied with.
59. FAA §.636(i). *Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?*	No. Loan funds will be used only for the purposes stated in the body of this loan paper.
60. App. §.401. *Will any loan funds be used for publicity or propaganda purposes within U.S. not authorized by the Congress?*	No. Loan funds will be used only for the purposes stated in the body of this loan paper.

AID 1240-2 (1-69)

61. *FAA §.620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by U.S. exceed $100 million?*	Not applicable.

June 23, 1969

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
ALLIANCE FOR PROGRESS
WASHINGTON, D.C. 20523

Minutes of Meeting of the
CAPITAL ASSISTANCE EXECUTIVE COMMITTEE
Monday, September 16, 1968

Sidney Schmukler, Chairman

SUBJECT: GUYANA - Feasibility Studies, Pre-feasibility Investigations and Final Engineering Plans and Specifications (Increase to 504-L-003) - IRR (LA-CAEC/P-69/9)

CAEC approved for intensive review the above proposal. During the intensive review the issues raised in the attached Memo should be considered and, as appropriate, reflected in the loan paper.

CAEC also made the following decisions:

1. Because of the legal difficulties encountered in financing studies for final design the illustrative list of studies to be financed should be limited to feasibility and pre-feasibility. The legal difficulties are caused by Section 611 which requires financial and technical planning to be completed before funds are obligated. This means that money cannot be obligated for final design of a project until the equivalent of a feasibility study of the project has been completed. Also, final design is generally not an end in itself but, to be justified, must be followed by the construction of the project. If at the time of obligating funds for final design studies there are no firm assurances of financing for the construction work, the obligation of funds would generally be in violation of Section 611.

Since it is not proposed to finance final design for a project in which a feasibility study has not been completed, and since no such firm assurances of construction financing are apparent in this case at the present time, the illustrative list which is used to determine the amount of the loan should not include final design studies. If at a subsequent time, however, (1) a feasibility study for a capital project has been completed, (2) there is a strong indication that a capital project will be financed, (3) it requires final engineering plans and specifications, (4) there are funds available in the loan not firmly committed to feasibility and pre-feasibility studies and (5) the primary reason to undertake the final design would be to arrive at the best possible cost estimate for the project to prevent overruns, then final

engineering studies may be considered for A.I.D. financing under the loan. Approval for such use of these funds must, however, be made in AID/W. AID/W at that time will review the technical and financial planning of the project and determine the adequacy of the source of financing of the project itself. To permit the possible eventual use of the loan for final design studies, the Loan Agreement may contain a clause reflecting the possibility of financing final engineering designs upon AID/W approval.

2. If during the intensive review it is determined that local costs cannot be financed as spelled out in item 4 of the attached Memo, the loan paper should fully justify financing local costs out of loan proceeds.

Attachment
Memo to CAEC dated 8/28/68

LA-CAEC/P-69/9
August 28, 1968

MEMORANDUM TO THE CAPITAL ASSISTANCE EXECUTIVE COMMITTEE

FROM : LA/CD, Philip Glaessner

SUBJECT : GUYANA - Feasibility Studies Increase IRR - $600,000

We recommend approval of the IRR. In its review, the CAEC should consider:

(1) A.I.D. should make it clear to the GOG that an increase in this loan would not imply a willingness on our part to finance any of the projects studied, nor would it imply a commitment to continue a high level of assistance to Guyana. The GOG should be urged to secure an increasing share of assistance from other sources;

(2) It should be emphasized that studies to be financed under the loan should be for reconnaissance and prefeasibility studies with emphasis on economic aspects before feasibility studies are undertaken unless such information is currently available for the specific projects;

(3) In the feasibility studies loan used to date, A.I.D. permitted financing of final design because of special circumstances which do not seem applicable at this time. We would prefer not to finance final design with these funds unless there are compelling reasons;

(4) The GOG should finance local costs of the studies if possible. The intensive review should determine if GOG resources from its budget, PL-480 proceeds or other source could be made available for this purpose.

Clearance: LA/NC/G, CAnderson
LA/CD/ENG, KKohler

PROJECT BUDGETS

Pre-Feasibility Study - Interior Road		US $	G $ (US Equiv.)
Project Manager	9 man months @ 1500/month	13,500	
Economist	6 " " " "	9,000	
Engineers & Technicians	60 " " " 1300/month	78,000	
		100,500	
Overhead 80%		80,400	
		180,900	
Fee 10%		18,100	
		199,000	
International Travel & Per Diem		15,000	
Local Travel & Per Diem			30,000
Equipment Rental			10,000
Insurance & Miscellaneous Expenses		6,000	8,000
		220,000	48,000
		48,000	
		$268,000	

Feasibility Study - First Segment of Interior Road			
Salaries:			
Project Manager	12 man months @ 1500/month	18,000	
Economist	8 " " " "	12,000	
Engineers & Technicians	90 " " " 1300/month	117,000	
	Sub-Total	147,000	
Overhead 80%		117,600	
	Sub-Total	264,600	
Fee 10%		26,400	
	Sub-Total	291,000	
US $ International Travel & Per Diem		25,000	
Local Travel & Per Diem			50,500
Equipment Rental			14,000
Insurance, Expenses, Miscellaneous		4,000	6,500
	Sub-Total	320,000	70,000
	Total G$ (US Equiv.)	70,000	
	Total Project	390,000	

(1) In addition to the above costs, it is estimated that the GOG will spend the equivalent of US $30,000 in local currency to provide services such as office space, office supplies, brush cutters, tents, secretaries, etc. These costs are funded as part of the Ministry's regular operating budget.

Channel Connecting the Moruka and Baramani Rivers

Salaries:

			US $
Project Manager/Engineer	2½ man months @ 1500/month		3,750
Economist	½ man month @ 1500/month		750
		Sub-Total	4,500
Overhead 80%			3,600
		Sub-Total	8,100
Fee 10%			800
		Sub-Total	8,900
US $ International Travel, Per Diem, etc.			1,100
		Total	10,000
	Estimated Local Costs (US Equiv.)		2,500
		Grand Total	$12,500

Note: (1) Work to be accomplished using AID/W std. contract with consultant by Task Order using loan funds.

Development of Matthews Ridge/Arakaka/Kaituma

Technician	Speciality	Duration of Assignment	Estimated Cost
1	Soils Specialist	Three Weeks	$ 2,950
1	Agronomist	Three Weeks	2,950
1	Horticulturist	Three Weeks	2,950
1	Agri. Engineer	Three Weeks	2,950
1	Livestock Spec. - (Beef and Dairy)	Three Weeks	2,950
1	Livestock Spec. - (Poultry & Swine)	Three Weeks	2,950
1	Forestry Spec. - (Wood Utilization)	Five Weeks	5,500
1	Tourism Specialist	Two Weeks	2,100
1	Agri. Economist	Six Weeks	5,500
1	Project Coordinator	Ten Weeks	8,610
	On Campus Work and Miscellaneous		9,390
	Instruments and Equipment - (Rod - Level - Water Gauges, etc.)		1,200
		Total	$50,000
	Local Costs are estimated at US $10,000		10,000
		Grand Total	$60,000

The above assumes that this feasibility study is done by a land grant University, such as the University of Florida. Salaries are calculated at $75.00 per day with a 43% overhead. Round trip tickets are estimated at $350.00. Local transportation, local technicians and local expenses are to be borne by the Government of Guyana.

Technician	Speciality	Duration of Assignment	Estimated Cost
1	Project Coordinator	Twenty Weeks	$ 21,150
1	Agronomist	Six Weeks	5,550
1	Soils Specialist	Six Weeks	5,550
1	Horticulturist	Six Weeks	5,550
1	Transportation Spec.	Nine Weeks	8,150
1	Livestock Spec. - (Beef and Dairy)	Three Weeks	2,950
1	Livestock Spec. - (Poultry & Swine)	Three Weeks	2,950
1	Forestry Spec. - (Wood Utilization)	Ten Weeks	10,750
2	Geologists	Twenty-one Weeks	50,000
1	Agri. Economist	Ten Weeks	10,750
	On Campus Work and Miscellaneous		20,650
	Instruments and Equipment - (Rod - Level - Water Gauges, etc.) Camping equipment, Lab. Equipment		6,000
		Total	$150,000
	Local Costs are Estimated at US $30,000		30,000
		Grand Total	$180 000

The above assumes that this feasibility study is done by a land grant University, such as the University of Florida. Salaries are calculated at $75.00 per day with a 43% overhead. Round trip tickets are estimated at $350.00 . Local transportation, local technicians and local expenses are to be borne by the Government of Guyana.

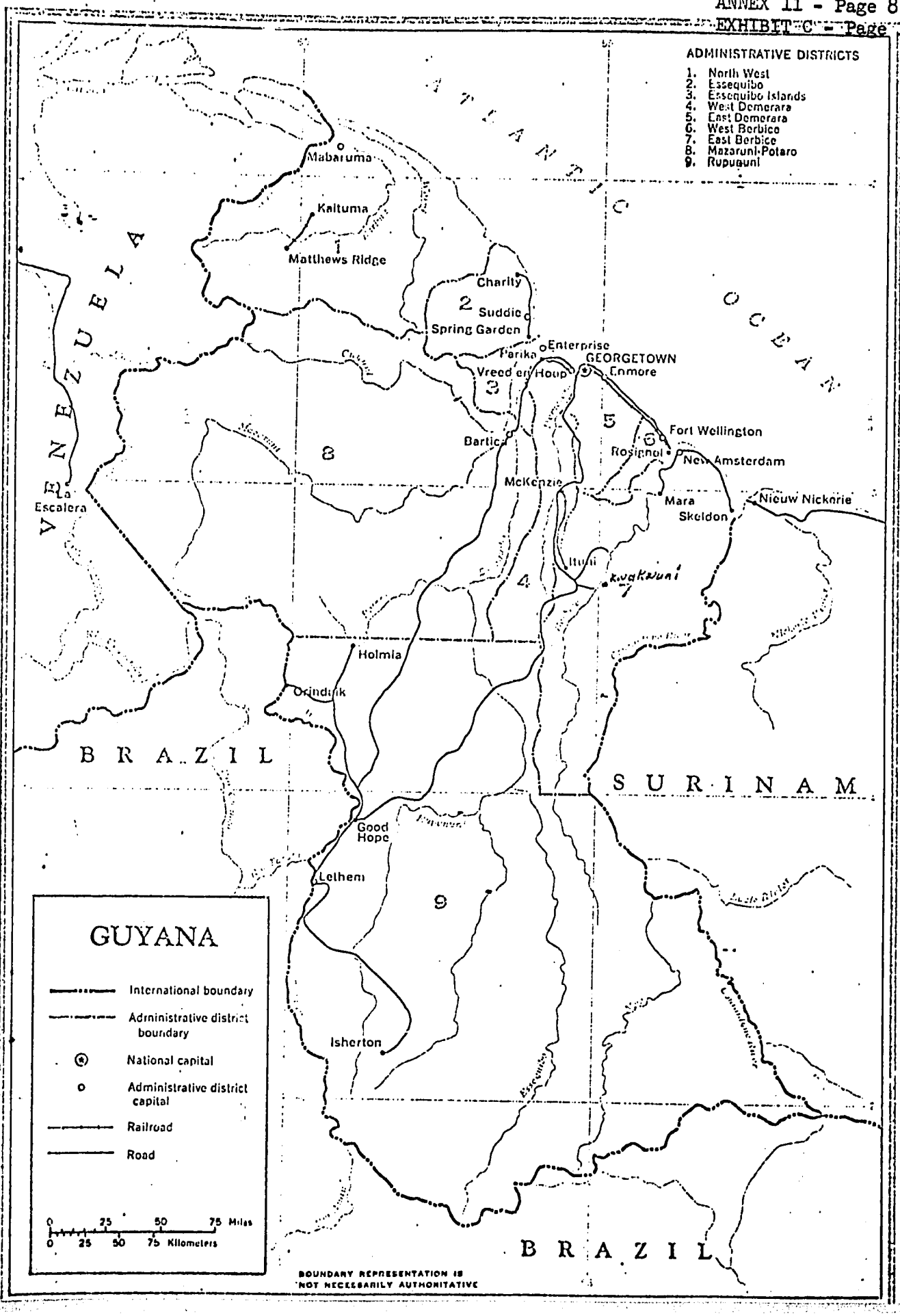
Georgetown Approaches

Salaries		US $	G$ (Equiv.)
Project Manager	9 man months @ 1500/month	13,500	
Engineers/Technicians	80 " " " 1300/month	104,000	
	Sub-Total	$117,500	
Overhead 80%		94,000	
		$211,500	
Fee 10%		21,200	
		$232,700	
US $ International Travel & Per Diem		19,000	
Local Travel & Per Diem			23,000
Equipment Rental			14,000
Insurance, Expenses, Miscellaneous		4,800	6,500
	Sub-Total	$256,500	43,500
	Total G$ (Equiv.)	43,500	
	Total Project	$300,000	

(1) In addition to the above costs, it is estimated that the GOG will spend the equivalent of US $25,000 in local currency to provide services such as office space, office supplies, brush cutters, tents, secretaries, etc. These costs are funded as part of the Ministry's regular operating budget.

Mackenzie-Ituni-Kwakwani Road

Salaries:			
Project Manager	8 man months @ 1500/mo.	$12,000	
Economist	6 " " " "	9,000	
Agronomist	6 " " " 1300/mo.	9,000	
Engineers/Technicians	66 " " " 1300/mo.	85,800	
	Sub-total	115,800	
Overhead 80%		92,600	
	Sub-total	208,400	
Fee 10%		20,900	
		$229,300	
US $ International Travel & Per Diem		20,000	
Local Travel & Per Diem			35,000
Equipment Rental			11,000
Insurance, Expenses & Misc.		3,000	6,000
	Sub-total	$252,300	52,000
	Total G$(US Equiv)	52,000	
		$304,300	


ADMINISTRATIVE DISTRICTS
1. North West
2. Essequibo
3. Essequibo Islands
4. West Demerara
5. East Demerara
6. West Berbice
7. East Berbice
8. Mazaruni-Potaro
9. Rupununi
ATLANTIC OCEAN
VENEZUELA
BRAZIL
SURINAM
BRAZIL
Mabaruma
Kaituma
Matthews Ridge
Charity
Suddie
Spring Garden
Parika
Enterprise
GEORGETOWN
Enmore
Vreed en Hoop
Bartica
Fort Wellington
Rosignol
New Amsterdam
McKenzie
Mara
Skeldon
Nieuw Nickerie
La Escalera
Ituni
Kwakwani
Holmia
Orindik
Good Hope
Lethem
Isherton
GUYANA
International boundary
Administrative district boundary
National capital
Administrative district capital
Railroad
Road
0 25 50 75 Miles
0 25 50 75 Kilometers
BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE

LOAN AUTHORIZATION

Provided from: Alliance for Progress Loan Funds
GUYANA: Feasibility Studies and Pre-Feasibility Investigations

Pursuant to the authority vested in the Deputy U.S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, of said Act, to the Government of Guyana ("Borrower") of not to exceed two million five hundred thousand United States dollars ($2,500,000) to finance the United States dollar costs of equipment, material, and services necessary for the conduct of certain feasibility studies and pre-feasibility investigations (hereinafter referred to as "studies"), this loan to be subject to the following terms and conditions:

1. Interest and Terms of Repayment. Borrower shall repay the loan to the Agency for International Development ("A.I.D.") in United States dollars within forty (40) years from the first disbursement under the loan, including a grace period not to exceed ten (10) years. The Borrower shall pay interest to A.I.D. in United States dollars on the disbursed balance of the loan of two (2) percent per annum during the grace period and three (3) percent per annum thereafter.

2. Other Terms and Conditions:

   (a) Equipment, materials and services (except shipping and marine insurance) financed under the loan shall have their origin in and be procured from the United States or Guyana. Shipping financed hereunder shall be procured from the United States, and marine

Insurance financed hereunder shall be placed in the United States with a company authorized to do marine insurance business in any state of the United States.

(b) None of the funds made available under this loan shall be used to finance local costs.

(c) All studies will be subject to prior A.I.D. approval.

(d) Where a potential lender has been identified for financing a project to be studied under this loan, the scope of the feasibility study so to be financed will be designed to provide the information required by the potential lender in making its determination as to whether it will finance the studied project.

(e) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

_____
Deputy U. S. Coordinator
Alliance for Progress

_____
Date