

JUL 9 1979

## ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Marshall D. Brown 

Problem: Amendment of Project Authorization and Request for Allotment of Funds (PAF) for the Guyana Small Farm Development - Black Bush Region, Project No. 504-0075.

Background: The subject multi-donor Project is designed to increase the production of rice and other food crops by 6,000 small farm families in the Black Bush Region of Guyana. The global Project includes civil works to improve and increase water supply to small farmers, to rehabilitate irrigation and drainage systems, to improve on-farm development, and to improve agricultural supporting services. The AID-financed component provides a package of services which complement World Bank and other donor-financed civil works. A.I.D. financing is provided for A & E services for the design and supervision of the construction phase of the Project, equipment and production and marketing services. The total cost of the Project is estimated at \$42.8 million, of which external donors are providing \$34.7 million and the Government of Guyana \$8.1 million.

Discussion: This Project was authorized by the Assistant Administrator (LAC) on July 17, 1978. The proposed PAF Amendment would reduce the formal commitment level of external financing for the global Project from \$36.0 million to \$34.7 as a Condition Precedent to Initial Disbursement, Paragraph C (iii) of the subject PAF (see Tab A). The original financial plan for the global Project indicated financing sources as follows: AID, \$7.5 million loan; IBRD, \$10.0 million loan; IFAD, \$10.0 million loan; IDB, \$6.0 million loan; CIDA, \$2.5 million loan; and the Government of Guyana, \$6.8 million. At present, both IBRD and IFAD have committed \$10.0 million each; IDB has committed \$7.2 million, \$1.2 million over the original plan; and AID has committed \$7.5 million, for a total commitment of \$34.7 million from external donors. Canada has signed a \$3.0 million line of credit agreement with the Guyanese Government and appeared to be prepared to give its agreement, subject to a GOG request, to commit \$1.3 million of local currency proceeds to the Project. However, the Minister of Finance of the GOG does not agree to the use of these particular funds for the Project, arguing that since the \$3.0 million line of credit was derived from Canada's contribution to the Caribbean Development Facility (CDF), it would be inappropriate for Canada to use its CDF contribution both as a line of credit to the GOG as well as attribution of the proceeds to the Black Bush Project. Consequently, the Minister of Finance has proposed that the GOG commit an additional \$1.3 million to the Project to ensure financing for total estimated Project costs.

The Condition Precedent in question was established to ensure adequate financing for the global Project prior to any disbursement under the AID Loan. With the GOG's commitment of an additional \$1.3 million, the substance of that condition is effectively satisfied.

Recommendation: That you sign the attached PAF Amendment.

Attachments: TAB A - PAF  
TAB B - Guyana Mission Director's letter  
dated June 19, 1979.

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

ASSISTANT  
ADMINISTRATOR

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS  
(AMENDMENT NO. 2)

Name of Country: Guyana  
Name of Project: Small Farm Development -  
Black Bush Region  
Project Number: 504-0075  
Loan Number: 504-T-014

Pursuant to the authority vested in me as Assistant Administrator, Bureau for Latin America and the Caribbean, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby amend the Project Authorization and Request for Allotment of Funds dated July 17, 1978, and amended August 3, 1978 (hereinafter, as so amended, the "PAF"), which authorized a Loan to the Republic of Guyana in an amount not to exceed \$7,500,000 for the Small Farm Development - Black Bush Region project, as follows:

1. Clause (iii) of Section C of the PAF is hereby amended by deleting "Thirty-Six Million United States Dollars (\$36,000,000)" therefrom and by substituting "Thirty-Four Million Seven Hundred Thousand United States Dollars (\$34,700,000)" therefor.
2. Except as expressly modified hereby, the PAF remains in full force and effect.

*Edward W. Allen*

Assistant Administrator  
Bureau for Latin America  
and the Caribbean

*July 10, 1979*  
Date

Clearances:

GC/LAC, J. Kessler *JKS* date *7/6/79*  
LAC/CAR, M. Withers *W* date *7/6/79*  
LAC/DR, L. Armstrong *LSB* date *7/2/79*  
LAC/DR, M. Brown *S* date *7/9/79*

GC/LAC:GMA/100/er:ec:6/29/79:x29182

PD-AAA-0-44

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A.I.D. Project No. 504-0075

A.I.D. Loan No. 504-T-014

AMENDMENT No. 1

Project Loan and Grant Agreement

SMALL FARM DEVELOPMENT  
BLACK BUSH REGION

Dated: February 14, 1980

Between

The Government of Guyana ("Cooperating Country")

And

The United States of America, acting through the  
Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Amendment No. 1 is to amend the Project Loan Agreement entered into on August 3, 1978, between the parties mentioned above ("Parties") in order to set out the understandings of the Parties with respect to a Grant from A.I.D. to the Cooperating Country for the Project and with respect to the financing of the Project by the Parties.

Article 2. Amendments

The following terms and provisions of the aforementioned Project Loan Agreement are hereby amended as follows:

2.

1. Delete the term "Project Loan Agreement" and substitute "Project Loan and Grant Agreement".
2. Delete the term "Borrower" and substitute "Cooperating Country".
3. Article 2. The Project. Add:  
"SECTION 2.2. Incremental Nature of the A.I.D. Grant.  
(a) A.I.D.'s Grant contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 below. Subsequent increments of Grant funds will be subject to the availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.  
(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Cooperating Country, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance."
4. Article 3. Financing.  
(a) Delete the first paragraph of Section 3.1 and substitute the following:

"SECTION 3.1. The Loan and Grant. To assist the Cooperating Country to meet the costs of carrying out the project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Cooperating Country under the terms of this Agreement not to exceed Seven Million Five Hundred Thousand U.S. Dollars (\$7,500,000) ("Loan"), and to grant the Cooperating Country under the terms of this Agreement not to exceed Three Hundred and Fifteen Thousand United States ("U.S.") Dollars (\$315,000) ("Grant"). The aggregate amount of disbursements under the Loan is referred to as "Principal". The Loan and the Grant together are referred to as the "Assistance"."

(b) After the second paragraph of Section 3.1 add the following paragraph:

"The Grant may be used only to finance foreign exchange costs, as defined in Section 7.1 of goods and services required for the Project."

(c) In Section 3.2(a) and Section 3.3, delete the word "Loan" and substitute the word "Assistance"

5. Article 5. Conditions Precedent to Disbursement  
In Sections 5.2 and 5.6, delete the word "Loan" and substitute the word "Assistance".

Article 7. Procurement Source

Delete Section 7.1, and substitute the following:

"SECTION 7.1. Foreign Exchange Costs  
Disbursements under the Loan pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services, and disbursements under the Grant pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Standard Provisions Annex, Section C.1(b) with respect to marine insurance, and except for motor-cycles which may be procured from Japan (A.I.D. Geographic Code 488)."

7. Article 8. Disbursements

In Section 8.1(a) and (b) and Section 8.3 delete the word "Loan" and substitute "Assistance".

8. Article 9. Miscellaneous

In Section 9.1, delete the last sentence.

9. Delete Paragraph IV, Financial Arrangements Annex 1 (Page 15) and substitute following:"IV. Financial Arrangements

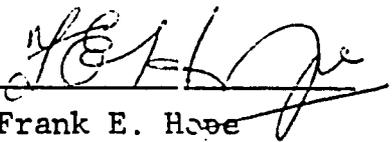
The estimated total costs of the Project are projected as follows:

	(In U.S. \$000)				
	A.I.D.		Guyana	TOTAL	
	Loan	Grant		\$	%
Agricultural Equipment	3,255	-	461	3,716	28.8
Technical Assistance	527	1,220	1,160	2,907	22.5
Training	-	180	-	180	1.4
Construction	823	-	244	1,067	8.3
Engineering Consultant Services	2,895	-	2,135	5,030	39.0
<b>TOTAL</b>	<b>7,500</b>	<b>1,400</b>	<b>4,000</b>	<b>12,900</b>	<b>100.00</b>

Except as expressly modified and amended hereby, the Project Loan and Grant Agreement entered into on August 3, 1978, shall remain in full force and effect.

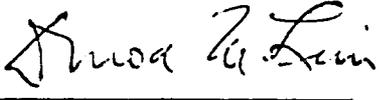
IN WITNESS WHEREOF, the Cooperating Country and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GUYANA

By:   
Frank E. Hope

Title: Minister of Finance

UNITED STATES OF AMERICA

By:   
Donor M. Lion

Title: Director, USAID Mission  
to Guyana