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

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

504-15003

GUYANA: FEASIBILITY STUDIES, PRE-FEASIBILITY INVESTIGATIONS,
AND FINAL ENGINEERING PLANS AND SPECIFICATIONS

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

UNCLASSIFIED

AID-DLC/P-475
October 6, 1966

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Guyana: Feasibility Studies, Pre-Feasibility Investigations,
and Final Engineering Plans and Specifications

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$600,000 to the Government of Guyana ("Borrower") to finance the United States dollar and local currency costs of equipment, material, and services necessary for the conduct of certain feasibility studies, pre-feasibility investigations, and final engineering plans and specifications.

If no request for a meeting of the DLSC is received by close of business on Monday, October 17, 1966, from any member or observer of the DLSC, it will be assumed that there are no objections to authorization of the proposed loan.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:

Summary and Recommendations
Project Analysis
Annexes I-IV

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GUYANA - FEASIBILITY STUDIES, PRE-FEASIBILITY INVESTIGATIONS,
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GUYANA - FEASIBILITY STUDIES, PRE-FEASIBILITY INVESTIGATIONS,
AND FINAL ENGINEERING PLANS AND SPECIFICATIONS

SUMMARY AND RECOMMENDATION

1. BORROWER: The Government of Guyana.
2. AMOUNT OF LOAN: Six Hundred Thousand Dollars (\$600,000)
3. DESCRIPTION OF PROJECT: The proposed loan will help finance costs of certain A.I.D. approved feasibility studies, pre-feasibility investigations, and final engineering plans and specifications. This project is designed to assist in providing a basis for determining the priority of project ideas derived from the 1965 Development Program and transforming some of them into concrete, financable projects. It will complement general studies performed or to be performed by A.I.D. and IBRD technicians. The amount of this loan was arrived at by totalling the cost estimates of studies likely to be assigned high priority by the GOG and A.I.D. These studies include rationalization of the rice industry, road improvement and maintenance, village and rural water supply development, and the feasibility of a youth corps project. The loan funds will primarily finance the U. S. dollar costs of studies, although local currency costs of engineering and other technical contracts will also be eligible for A.I.D. financing.
4. EXIMBANK AND OTHER CLEARANCES: On the Export-Import Bank informed A.I.D. it was not interested in financing this project. This loan complements a general study being conducted by the IBRD and the results of that study will influence the selection of studies to be financed by this loan. Guyana is not presently eligible to borrow from the Inter-American Development Bank.

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5. **STATUTORY CRITERIA:** All statutory criteria have been met. See Annex II.
6. **ISSUES:** None.
7. **RECOMMENDATION:** Authorization of a loan of up to \$600,000 to the Government of Guyana under the following terms and conditions:
 - a. Repayment within 40 years from the date of the first disbursement including a grace period of 10 years.
 - b. Interest of 1% during the grace period and 2½% thereafter.
 - c. Repayment of principal and interest shall be made in U. S. dollars.

Other Terms and Conditions:

- a. Equipment, materials and services (except shipping and marine insurance) financed under the loans 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. United States dollars utilized under the loan to finance local currency costs shall be made available to Borrower or its designee through Special Letters of Credit and shall be used only for procurement in the United States.
- c. All subprojects will be subject to prior A.I.D. approval.
- d. The Government of Guyana will undertake to use its best efforts to finance the local currency costs of sub-projects.

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

PROJECT COMMITTEE:

Chairman	: Philip Glaessner:LA/CD
Engineer	: Karl Kohler:LA/CD
Economic Officer	: Carl Bischoff:LA/CD
Loan Officer	: William F Ludwig:LA/CD
Counsel	: Norton Berman:LA/GC

Drafting Officers	: Philip Glaessner:LA/CD
	: Karl Kohler:LA/ENGR

I. DESCRIPTION AND JUSTIFICATION OF THE PROJECT

A. Borrower and Executing Agencies

The Government of Guyana will be the borrower and the Ministry of Finance will be party to the loan agreement. The Ministry of Finance will sub-delegate the responsibility for the signing and administration of the feasibility and pre-feasibility study contracts to the Ministries or autonomous public entities directly responsible for the programs covered by each pre-feasibility or feasibility study. Various sections of the Ministry of Works and Hydraulics, as well as such autonomous public entities as the Rice Marketing Board, the Rice Development Corporation and the Guyana Development Corporation, have had some experience with the contracting of foreign consulting and management firms. With the active collaboration of the US AID in working out appropriate scopes of work, these entities of the Government of Guyana should have no undue difficulties in making effective use of the proposed loan funds.

B. Background of the Project

During the last 18 months, the Government of Guyana has attempted to lay the basis for sensible long-term development of the country's resources. During 1965, a Seven-Year Development Program was drawn up with the assistance of a small group of foreign experts headed by Sir Arthur Lewis, the noted economist. The program consists of a valuable narrative document describing some of the major features and trends of the economy; it lists desirable aims and project ideas. The plan in its present form is, however, nonoperational, since it does not provide the basis for the selection of individual projects on the basis of relative priority. These shortcomings of the plan are particularly evident in the fields of agriculture and transportation.

In the case of agriculture, the US AID has utilized the services of a special consultant in order to gain a perspective on the critical problems facing the rice industry and to appraise the possibility of cattle development. These and other studies have proved valuable in defining some of the medium term

objectives which Guyana should set for itself. They have helped the Mission greatly in preparing the FY 1967 and 1968 assistance programs and in continuous discussion of development priorities and specific projects with the Guyana authorities. They now have to be followed up by additional sector studies and, above all, feasibility studies to be financed from the proposed loan. The Government of Guyana will thus acquire a shelf of projects in the key sectors of the economy which are adequately studied from the technical, economic, and financial point of view, and which will enable it to make full use of the external assistance offered by the United Kingdom, Canada, the United States, and the IBRD, and which it urgently needs to accelerate the country's development.

At the request of the Government of Guyana, the IBRD has decided to send a full scale survey mission to Guyana, which is scheduled to begin its work on October 1. The Mission will consist of general economists, transport economists, agriculturists, and other technicians. One A.I.D. technician will work directly with the mission and the US AID expects to collaborate very closely with it during its work in Guyana. It is hoped that the IBRD report will appraise not only the over-all growth potential and creditworthiness of Guyana but will contain some of the sector analysis which is still lacking. For example, in the case of transportation, it is hoped that the mission will focus on such questions as to whether and where a deep water harbor should be developed, where the major emphasis in the construction of new roads should be placed, and what the relative merits are of pushing penetration roads into the undeveloped interior or developing a system of frontier air strips and modern air freight service at reduced cost. The selection of projects for feasibility studies will, in many cases, have to await the results of the IBRD study.

There are a number of key projects, however, the priority of which is self-evident and the carrying out of which in the near future depends on the immediate initiation of feasibility studies. The possibility of a loan to Guyana to finance such studies has been discussed informally with representatives of the Government of Guyana since March 1966. Within the last month, Frederick S. Johnson, a special US AID consultant, completed a

study on the rice industry in Guyana and established the basis for two feasibility studies which, in turn, reactivated the Government of Guyana's interest in the possibility of a feasibility study loan. Further discussions with the US AID concerning these and other possible pre-feasibility and feasibility studies resulted in a formal application for the loan. It is anticipated that the studies financed under the loan will be primarily directed to key sectors of the economy that constitute the major goals of the US AID Country Assistance Program in the agricultural, transportation, health, and education sectors of the economy.

The Embassy and the US AID Mission consider the loan request of the highest priority.

C. Project Analysis

1. General Description

The project will include the financing of both pre-feasibility and feasibility studies and, under exceptional circumstances, final engineering plans and specifications. The pre-feasibility and sectoral 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.

In general, the project categories included in the Government of Guyana application are of high priority and contain some projects which are ready for immediate investigation. The studies are included in the following categories:

- a) Rationalization of the Rice Industry, e.g., setting up of a rice research station, modernization of rice processing facilities, improvement and expansion of storage and marketing facilities;
- b) Road Improvement and Maintenance;

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- c) Village and Rural Water Supply Development;
- d) Youth Corps.

Information provided in the Government of Guyana loan application included the specific projects and categories listed in Annex III.

The loan funds will not be used for financing GOG personnel or other budgeted costs of the Government of Guyana, and only under exceptional circumstances can the funds be used for making final engineering plans and specifications.

The estimate of \$600,000 is based upon the costs of making contracts for pre-feasibility or feasibility studies which can be negotiated within the next 18 months. The loan funds can be allocated as found necessary between the projects described in Annex III or any other projects that might be approved within the described categories.

Additional categories or sectors for feasibility and pre-feasibility studies may be included under the loan by the mutual agreement of the Government of Guyana and A.I.D.

2. Plan for Execution of the Project

When loan funds can be made available, the Minister of Finance will present US AID with a specific request for the funding of each individual pre-feasibility or feasibility study 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 Government of Guyana that will sign and administer the study contract;

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- 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) A general economic and/or social justification for the project;
- g) The priority of the project in the country program;
- h) A general estimate of cost of the feasibility study;
- i) An estimate of the time necessary for completing the study.

The Government of Guyana will have each project approved separately by the US AID. 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 Business Daily and the outline for the technical proposals to be obtained from interested firms will be approved by the US AID before being released by the Government of Guyana. The contract scopes of work and the contracts will be reviewed by the US AID and forwarded to AID/W with the US AID's recommendations for final approval. Recommendations for the use of loan funds for final engineering plans and specifications will be allowed only under exceptional conditions and will be forwarded to AID/W with the US AID's recommendations for AID/W final approval. Loan funds will be used for final engineering plans only in instances where the economic feasibility of the project is not in doubt and where a potential financing agency has indicated interest in the project. In such cases, the final plans will be financed under this loan chiefly to arrive at the best possible cost estimate and thus minimize the possibility of a major cost-overrun. Final plans for a coastal road project might be so financed.

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

II. ECONOMIC AND FINANCIAL ANALYSIS

As indicated in an earlier section, the loan application by the Government of Guyana and the detailed conversations between A.I.D. representatives and Government officials indicate that the proposed loan is likely to be used primarily to finance studies of the following: The feasibility of expanding the country's rice storage and milling facilities and setting up adequate research facilities as part of a broad program designed to put the rice industry on a sound basis; the technical, economic, and financial feasibility of upgrading the existing coastal highway system, improving highway maintenance, and expanding the access roads to Georgetown; developing village water supply systems; and devising a plan for the training and rehabilitation of part of the youthful unemployed through a system of youth training camps.

These are all projects of very high economic priority. For example, the rice industry is the economic mainstay of more than 30,000 farmers, which together with their families constitute over 20 percent of the country's population, and rice is one of Guyana's three most important exports. The difficulties which the official Rice Marketing Board has experienced in disposing of the increasing volume of production in the world market in the last few years, and which has involved the Board and Government in heavy losses, have highlighted the need for a thoroughgoing overhaul of the existing storage and marketing methods and facilities, for the lowering of production costs through the achievement of higher yields, which in turn depends on more adequate research, etc. An expanding and prosperous rice industry, in turn, has a greater direct influence on internal trade and transportation as well as general economic activity than any other sector of Guyana's economy. Without the technical studies which have been proposed, it will not be possible to install the needed additional storage facilities that would enable the Rice Marketing Board to switch over to a system of buying rice padi rather than milled rice, and the present heavy crop losses from infestation and inadequate storage will continue. Again, without the proposed studies to re-equip some of the existing mills, the quality of the finished product cannot be improved, and without designing an appropriate research station and a detailed program of research, this vital activity will not be put on a sound long-term basis, which requires the development of better seed selection and appropriate use of fertilizer.

In the field of transportation, there is no higher priority than to improve and properly maintain a coastal highway system which serves 85 percent of the country's population, and over which almost the entire agricultural crop production moves to the consumer markets and to the harbors for export. Without studies of appropriateness and cost of reconditioning these roads, or in some cases building alternative roads, the present system of patching up inadequately designed roads in the face of ever increasing traffic levels will continue at great cost to the economy. Successful implementation of the proposed loan will thus lay the basis for the carrying out of projects and the adoption of suitable policies in the key areas of agriculture and transportation, of which the foregoing are examples likely to be implemented almost immediately. Further details on these and other project studies are contained in Annex III.

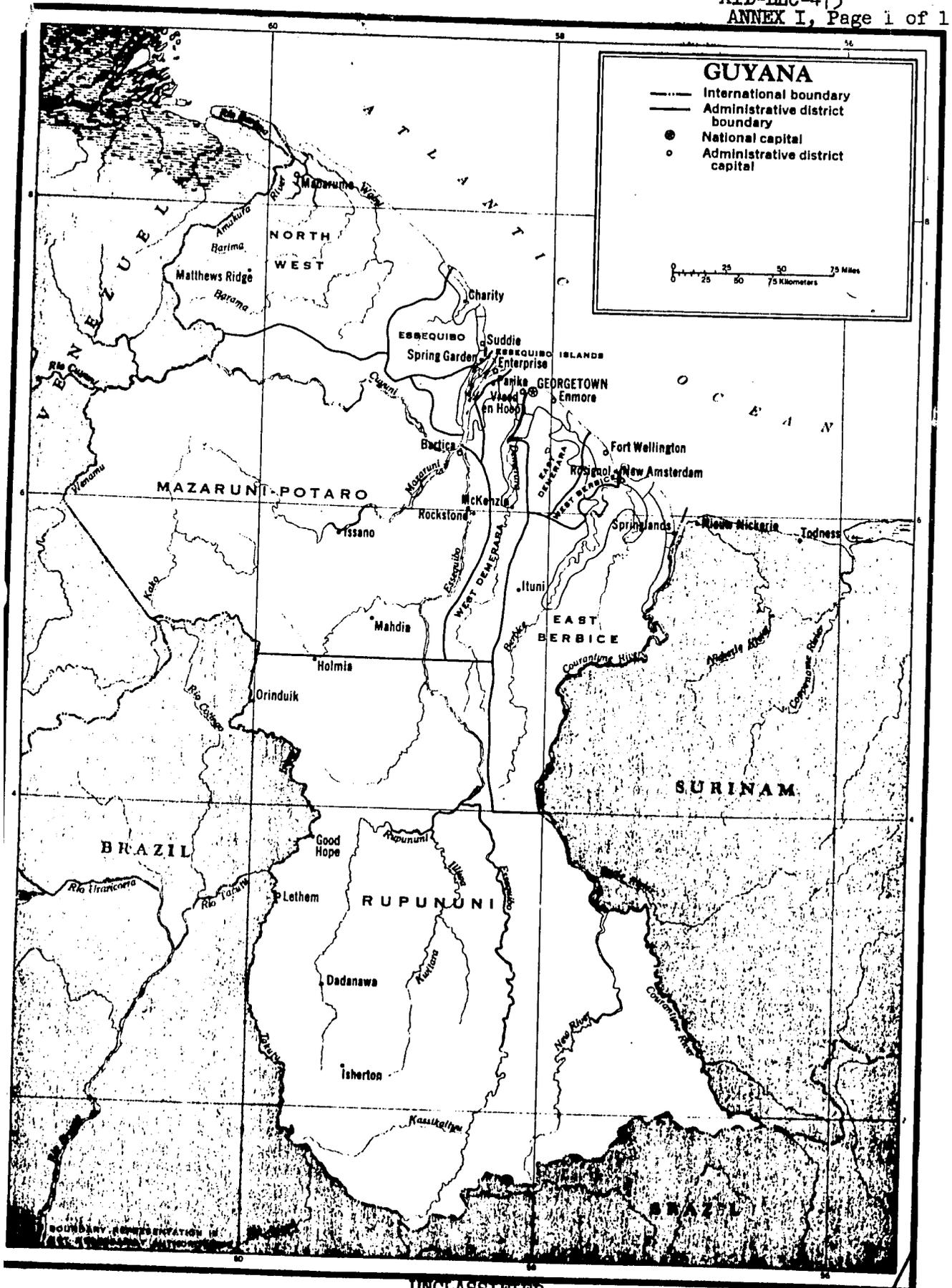
It should be noted that the proposed study loan will not duplicate the activity being conducted with the assistance of other governments or international institutions. The relation of this loan to the general IBRD survey getting under way in the next few weeks has already been outlined. In addition, it should be noted that of the many surveys made over the years by various organizations and foreign governments covering a wide variety of fields, only two currently in progress might qualify as feasibility studies per se. These two, hydroelectric power development and forest industries development, are being conducted under the auspices of the Special Fund of the United Nations. The hydroelectric power survey consists of final site selection and a detailed pre-investment study, hopefully leading to an application for international financing of the project. The forest industries survey is aimed at studying the possibilities for suitable methods of extraction, processing, and marketing forest products. The proposed method of procedure is to first conduct a reconnaissance survey to be followed by an inventory of areas selected for development, and finally conduct feasibility studies to determine the advisability of establishing and/or expanding forest product industries.

Loan funds not to exceed \$600,000 will be used to finance the U.S. dollar and reasonable local currency costs of contracts for the services of consulting engineering and other technical firms. It is anticipated that the studies will be primarily contracted with U. S. economic and engineering consulting firms, and on the basis of previous experience, about 75 percent of the loan funds will be directly for procurement of goods and services in the United States. The Government of Guyana will be expected to make whatever local currency contribution is possible to each project for items such as office space, office help, transportation, etc. In some cases, particularly where autonomous government agencies are concerned, it should prove possible to secure substantial financing of local costs; in most cases, however, this is not likely. The reason is that, in spite of collecting in taxes a high proportion of the national income and having mobilized substantial financial resources through the sale of Government obligations, the Government is hardly able to cover current expenditures. These are steadily increasing because of rapid population growth and the assumption of new responsibilities that come with political independence. The Government will thus not be able to contribute significant amounts to these studies in the immediate future, particularly in view of the rigidity of budget procedures.

It is proposed that the loan be made to the Government of Guyana on the most concessional terms, i.e., a term of 40 years, including a 10-year grace period, with interest at 1% during the grace period and 2½% thereafter. At the present time, government debt service, both external and internal, absorbs approximately 16% of all current revenues; the proportion is expected to decline gradually over the years as some of the high interest Exchequer loans made by the United Kingdom are repaid or renegotiated. The service on the foreign public debt absorbs a relatively low 5% of export earnings at the present time. On the basis of its past performance in honoring its debt obligations, the Government of Guyana should have no difficulty in servicing the proposed loan, which, because of its small size and extended grace and repayment periods, will not constitute a significant debt service burden.

III. EFFECT ON UNITED STATES ECONOMY

The project will have a favorable impact on the United States economy. As already indicated, the studies will be contracted primarily with U. S. consulting engineering and other technical firms and any resulting loans by a U. S. financing agency would lead to the procurement of additional U. S. goods and services.



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GUYANA - FEASIBILITY STUDY LOAN

CHECK LIST OF STATUTORY CRITERIA (ALLIANCE FOR PROGRESS)

(FAA - Foreign Assistance Act of 1961, as amended
by the Foreign Assistance Act of 1965.)
(App.- Foreign Assistance and Related Agencies
Appropriations Act, 1966.)

1. FAA Section 102. Precautions that have been or are being taken to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development.

Adequate control will be exercised to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary balance of payments or military purposes) or any other purpose not essential to the country's long-range economic development.

2. FAA Section 102. Information on measures taken to utilize United States Government excess personal property in lieu of the procurement of new items.

Language will be inserted in the Loan Agreement establishing procedures for the utilization of U. S. Government excess property in all cases possible.

3. FAA Section 102. Information whether the country permits, or fails to take adequate measures to prevent, the damage or destruction by mob action of United States property.

Available information does not indicate that the GOG permits mob destruction of U. S. property.

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4. FAA Section 201(d). Information and conclusion on legality (under laws of country and United States) and reasonableness of lending and relending terms of the loan.

Loan funds are to be loaned at rates of interest which are not unreasonable or illegal for the Borrower and are within the limits established by this Section.

5. FAA Section 251(a). Manner in which loan will promote country's economic development and contribute to the welfare of its people.

This loan-financed project will promote the country's economic development and contribute to the welfare of its people by identifying those capital investment projects which are of greatest priority and therefore most capable of quickly improving the welfare of the people.

6. FAA Section 251(b)(1). Extent to which country is adhering to the principles of the Act of Bogota and Charter of Punta del Este and is showing a responsiveness to the vital economic, political, and social concerns of its people, and extent to which country has demonstrated a clear determination to take effective self-help measures.

Account has been taken of the Borrower's adherence to the principles of the Act of Bogota and the Charter of Punta del Este, and the Borrower's responsiveness to the vital economic, political, and social concerns of its people.

7. FAA Section 251(b)(2). Information and conclusion on activity's economic and technical soundness.

This activity has been found economically and technically sound.

8. FAA Section 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.

This activity has a basic significance for all Borrower's development activities, and will play an essential part in the realization of long-range objectives.

9. FAA Section 251(b)(4). Information and conclusion on possible effects on U. S. economy, with special reference to areas of substantial labor surplus.

This activity will have no significant direct effect on the U. S. economy, and no competition with U. S. enterprise will result directly from it.

10. FAA Section 251(b). Information and conclusion on availability of financing from other Free World sources, including private sources within the United States.

Financing for this activity is not available from other Free World sources, including private sources within the United States, on feasible terms.

11. FAA Section 251(b). Information and conclusion on capacity of the country to repay the loan.

It appears reasonably certain that the Borrower will be capable of repaying the loan.

12. FAA Section 251(b). Information and conclusion on country's efforts to repatriate capital invested in other countries by its own citizens.

It appears that the Borrower is attempting to repatriate capital invested in other countries by its own citizens.

13. FAA Section 251(b). Information and conclusion on reasonable prospects of repayment.

It appears reasonably certain that the Borrower will be willing and able to repay the loan.

14. FAA Section 251(e). Information and conclusion on availability of an application together with sufficient information and assurances to indicate reasonably that funds will be used in an economically and technically sound manner.

The Borrower has made an application for loan-funded assistance in this activity, and A.I.D. has received sufficient information and assurance to indicate reasonably that funds will be used in an economically and technically sound manner.

15. FAA Section 251(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.

This project is not directly related to the promotion of the cooperative movement in Latin America.

16. FAA Section 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 loan funds are being made available to the Host Government; however, substantially all funds will be used by the GOB for study contracts with private consulting firms.

17. FAA Section 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 benefits of this project will encourage efforts of the Borrower to increase the flow of international trade, foster private initiative and competition, and improve the technical efficiency of agriculture, industry and commerce.

18. FAA Section 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 U. S. private trade channels and the services of U. S. private enterprise).

Private sector participation in this project will be substantial as almost all of the loan funds will be used for study contracts with private sector consulting funds.

19. FAA Section 601(d). Conclusion and supporting information on compliance with the Congressional policy that engineering and professional services of U. S. firms and their affiliates are to be used in connection with capital projects to the maximum extent consistent with the national interest.

Procurement of engineering or professional services financed under this loan will be limited to the United States or Guyana.

20. FAA Section 602. Information and conclusions whether loan will permit American small business to participate equitably in the furnishing of goods and services financed by it.

Through the study contracts to be financed by this loan, U.S. private participation in the foreign assistance program will be directly stimulated.

21. FAA Section 604(a), App. Section 108. Compliance with restriction of commodity procurement to United States except as otherwise determined by the President and subject to statutory reporting requirements.

Equipment, materials, and services (except marine insurance) financed under the loan shall have their origin in and be procured from the United States or Guyana. U. S. dollars utilized under the loan to finance local currency costs shall be made available to Borrower or its designee through Special Letter of Credit and shall be used only for procurement in the United States.

22. FAA Section 604(b). Compliance with bulk commodity procurement restriction to prices no higher than the market price prevailing in the United States at time of purchase.
Any commodities financed by the loan and purchased in bulk will be purchased at prices no higher than prevailing U.S. market prices.

23. FAA Section 604(d). Compliance with requirement that marine insurance be purchased on commodities if the host country discriminates, and that such insurance be placed in the United States.
If the Host Country discriminates against any U.S. marine insurance company, any commodities purchased with loan funds shall be insured against marine risk with a U.S. company.

24. FAA Section 611(a)(1). Information and conclusion on availability of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States.
Necessary technical and financial plans have been completed, and a reasonably firm estimate of the cost to the United States of the activity to be financed has been obtained.

25. FAA Section 611(a)(2). Necessary legislative action required within recipient country and basis for reasonable anticipation such action will be completed in time to permit orderly accomplishment of purposes of loan.
Host Government ratification of the loan is expected promptly following execution of Loan Agreement.

26. FAA Section 611(b), App. Section 101. If water or water-related land resource construction project or program, information and conclusion on benefit-cost computation.
Not applicable, as these funds will be used to develop the data on such projects.

27. FAA Section 611(c). Compliance with requirement that contracts for construction be let on competitive basis to maximum extent practicable.

NOT APPLICABLE

28. FAA Sections 612(b) and 636(h). Appropriate steps that have been 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 United States are utilized to meet the cost of contractual and other services.

To the maximum extent possible the Borrower is contributing local currencies to meet the cost of contractual and other services, and the United States owns no local currency that could be used for this purpose.

29. FAA Section 619. Compliance with requirement that assistance to newly independent countries be furnished through multi-lateral organizations or plans to maximum extent appropriate. This project complements an IBRD study.

30. FAA Section 620(a), App. Section 107(a). Compliance with prohibitions against assistance to Cuba and any country (a) which furnishes assistance to Cuba or failed to take appropriate steps by February 14, 1964, to prevent ships or aircraft under its registry from carrying equipment, materials, or supplies from or to Cuba; or (b) which sells, furnishes or permits any ships under its registry from carrying items of primary strategic significance, or items of economic assistance to Cuba. No assistance will be furnished under this loan to the present government of Cuba, nor does the Borrower furnish assistance to the present government of Cuba. The Borrower has taken appropriate steps to prevent ships or aircraft under its registry from engaging in any Cuba trade.

31. FAA Section 620(b). If assistance to the government of a country, existence of determination it is not controlled by the international Communist movement.
The Secretary of State has determined that the Borrower is not controlled by the international communist movement.
32. FAA Section 620(c). If assistance to the government of a country, existence of indebtedness to a U. S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt is not denied or contested by such government or the indebtedness arises under an unconditional guaranty given by such government.
The Borrower is not known to be indebted to any U.S. citizen for goods or services furnished or ordered where such a citizen has exhausted available legal remedies or where the debt is not denied or contested by the Borrower or the indebtedness arises under an unconditional guaranty of payment by the Borrower.
33. FAA Section 620(d). If assistance for any productive enterprise which will compete in the United States with U. S. enterprise, existence of agreement by the recipient country to prevent export to the United States of more than 20% of the enterprise's annual production during the life of the loan.

NOT APPLICABLE

34. FAA Section 620(e)(1). If assistance to the government of a country, extent to which it (including government agencies or sub-divisions) has, after January 1, 1962, taken steps to repudiate or nullify contracts or 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 appropriate steps to discharge its obligations. The Borrower (including Government Agencies or subdivisions) has not taken steps since January 1, 1962 to repudiate or nullify contracts or 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 appropriate steps to discharge its obligations as specified in this Section.
35. FAA Section 620(f); App. Section 109. Compliance with prohibitions against assistance to any Communist country. Assistance provided under this loan will not be furnished to any Communist country.
36. FAA Section 620(g). Compliance with prohibition against use of assistance to compensate owners for expropriated or nationalized property. Assistance provided by this loan will not be used to compensate for expropriated or nationalized property.
37. FAA Section 620(h). Compliance with regulations and procedures adopted to insure against use of assistance in a manner which, contrary to the best interest of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries. Assistance provided by this loan will not be used in a manner which promotes or assists foreign aid projects or activities of the Communist bloc countries.

38. FAA Section 620(1). Existence of determination that the country is engaging in or preparing for aggressive military efforts. The President has not determined that the Borrower is engaging in or preparing for aggressive military efforts.
39. FAA Section 620(k). If construction of productive enterprise where aggregate value of assistance to be furnished by United States will exceed \$100 million, identification of statutory authority.
- NOT APPLICABLE
40. FAA Section 620(1). Compliance with prohibition against assistance after December 31, 1966, for the government of a country which fails to institute investment guaranty program. The Borrower has instituted the investment guaranty program.
41. FAA Section 620(n); App. 107(b). Compliance with prohibition against assistance to countries which traffic or permit trafficking with North Vietnam. Available information reveals no case of trafficking with North Vietnam.
42. FAA Section 620(o). 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, information on the consideration which has been given to excluding the country from assistance. Borrower has not seized, or imposed any penalty or sanction against any U.S. fishing vessel on account of its fishing activities in international waters.

43. FAA Section 621. Information and conclusion on how the loan in providing technical assistance will utilize to the fullest extent practicable 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. Substantially all the loan funds will be disbursed through contracts with private, professional and other consulting firms.

44. App. (Section Unnumbered). Use of funds to carry out FAA Section 205, which pertains to IDA.

NOT APPLICABLE.

45. App. Section 102. Compliance with requirement that payments in excess of \$25,000 for architectural and engineering services on any one project be reported to Congress. Obligations of funds in excess of \$25,000 for architectural and engineering services on this project will be reported to Congress.

46. App. Section 104. Compliance with bar against funds to pay pensions, etc., for military personnel. Funds obligated by the loan and local currency generated thereby will not be used to pay pensions, annuities, etc. as prohibited in this Section.

47. App. Section 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, application which will be made in negotiations of contrary principles as expressed by Congress. No case is known of attempts to create distinctions in the granting of rights to American citizens.

48. App. Section 111. Compliance with existing requirements for security clearance of personnel.
This requirement will be enforced.
49. App. Section 112. Compliance with requirement for approval of contractors and contract terms for capital projects.
A.I.D. will approve any firms providing services for the project and financed under the loan and the terms of any contracts under which such services are provided.
50. App. Section 114. Compliance with bar against use of funds to pay assessments, etc., of U.N. member.
Loan Funds will not be used to make any payment to the U.N.
51. App. Section 115. Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964, (Regulation 7).
Funds made available under this loan will not be used for the construction of any facility.
52. App. Section 401. Compliance with bar against use of funds for publicity or propaganda purposes within United States not heretofore authorized by Congress.
Loan funds will not be used for publicity or propaganda purposes within the United States.

ADDENDUM

1. FAA Section 251(b)(5). Information and conclusion as to the degree to which the recipient country is making progress towards respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise.

This activity will promote the Borrower's progress in recognition of the importance of individual freedom, initiative and private enterprise and will assist in making progress towards respect for the rule of law, freedom of expression and of the press.

2. FAA Section 251(b)(6). Information and conclusion on the degree to which the Borrower is taking steps to improve its climate for private investment.

This activity bears a basic significance for all Borrower's activities relative to improving its climate for private investment.

3. FAA Section 251(b)(7). Information and conclusion on whether activity will contribute to the achievement of self-sustaining growth.

This activity has a basic significance for all Borrower's development activities which are aimed at achieving self-sustaining growth.

4. FAA Section 251(b)(8). Information and conclusion on extent to which activity will contribute to the economic and political integration of Latin America.

This activity has a basic significance for all Borrower's development activities and will play an essential part in Borrower's contribution to the economic and political integration of Latin America.

5. FAA Section 251(h). Information and conclusion on whether activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of the national development activities.

Not applicable because Borrower does not submit development plans to the Inter-American Committee for the Alliance for Progress.

6. FAA Section 281. Information and conclusion on how activity will contribute to assuring the maximum participation in the task of economic development on the part of the developing countries through encouragement of democratic private and local governmental institutions.

This activity has a basic relationship to eventual development and encouragement of democratic private and local governmental institutions.

7. FAA Section 604(e). Compliance with requirement that funds not be used for procurement of any agricultural commodity or product thereof outside the United States when the domestic price of such commodity is less than parity.

No agricultural commodities will be procured with the proceeds of this loan.

8. FAA Section 620(i) (amended). Existence of determination that the country is engaging in or preparing for aggressive military efforts or has been or is officially represented at any international conference which includes the planning of activities involving insurrection or subversion.

The President has not determined that the Borrower is engaging in or preparing for aggressive military efforts or is being officially represented at any international conference which includes the planning of such activities.

9. FAA Section 620(a). Compliance with prohibition against assistance to countries which are in default during a period in excess of six calendar months in payment to the United States of principal or interest on any loan made to such country under the Act.

The Borrower is not in default of any principal or interest on any loan made to it under the Act.

DETAILED DESCRIPTION OF THE PROJECT

The following are specific examples of feasibility and pre-feasibility studies, within the approved categories, which are considered to be of high priority in the Government of Guyana development program:

1. Rice Culture and Marketing Studies

a. Rice Experiment Station:

The planning, establishment, and operation of a rice experiment station at the MARDS Agriculture Operation between Georgetown and New Amsterdam.

b. Rice Storage, Drying, Milling, and Marketing:

The review, evaluation and planning of a nation-wide rice production, processing, storage, and marketing program.

2. Road Improvement Studies

a. The East Coast Road between New Amsterdam and Crabwood Creek, about 51 miles.

b. The West Coast Road between Vreed-en-Hoop and Parika, about 19 miles.

c. Roads into and around Georgetown:

The by-pass between the Mackenzie Road and the East Coast Road and the Georgetown-Airport and Georgetown-Buxton sections.

3. Rural Water Development

The review and updating of plans and specifications for rural water development systems in 49 communities with associated economic and health considerations.

4. Youth Corps

The establishment of a plan for a Youth Corps in Guyana. This would include the organization, administration, and operation of work and training camps for unemployed youths, the planning of the physical camp and work facilities, including buildings, equipment, materials and supplies, and the budgetary requirements. The objective of the program would be to train the boys to take part in the development of the interior of the country.

LOAN AUTHORIZATION (DRAFT)

Provided from: Alliance for Progress
GUYANA: Feasibility Studies, Pre-Feasibility Investigations,
and Final Engineering Plans and Specifications

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 six hundred thousand United States dollars (\$600,000) to finance the United States dollar and local currency costs of equipment, material, and services necessary for the conduct of certain feasibility studies, pre-feasibility investigations, and final engineering plans and specifications, 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 one (1) percent per annum during the grace period and two and one-half ($2\frac{1}{2}$) percent per annum thereafter.
2. Other Terms and Conditions:
 - (a) Equipment, materials and services (except shipping and marine insurance) financed under the loans 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) United States dollars utilized under the loan to finance local currency costs shall be made available to Borrower or its designee through Special Letter of Credit and shall be used only for procurement in the United States.
- (c) All sub-projects will be subject to prior A.I.D. approval.
- (d) The Government of Guyana will undertake to use its best efforts to finance the local currency costs of sub-projects.
- (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