

PDBBI 251

OFFICIAL PROJECT  
DOCUMENT

PROGRAM GRANT AGREEMENT  
BETWEEN  
THE UNITED STATES OF AMERICA  
AND  
THE GOVERNMENT OF THE GAMBIA  
FOR  
FINANCIAL POLICY REFORM  
UNDER THE FY 1987  
ECONOMIC SUPPORT FUND PROGRAM GRANT  
(THE GAMBIA'S ECONOMIC POLICY REFORM PROGRAM)

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE A.I.D. REPRESENTATIVE  
(OAR/BANJUL)

PROGRAM NUMBER 0830/28

SEPTEMBER 10, 1987

PROGRAM GRANT AGREEMENT

FOR

THE GAMBIA'S ECONOMIC POLICY REFORM PROGRAM (GEPRP)  
(635-0228)

BETWEEN THE GOVERNMENT OF THE GAMBIA (THE GRANTEE)  
AND  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA

ACTING THROUGH  
THE AGENCY FOR INTERNATIONAL DEVELOPMENT (A.I.D.)

SEPTEMBER 10, 1987

ARTICLE I: PROGRAM GRANT DESCRIPTION

SECTION 1.1: The Grant:

The United States of America, acting through the Agency for International Development (A.I.D.), and pursuant to the Foreign Assistance Act of 1961, as amended, and related authority, agrees to grant to the Government of The Gambia (The Grantee) under the terms of this Agreement an amount not to exceed Six Million United States Dollars (\$6,000,000) (The Grant) to promote and support financial policy reform in The Gambia. The financial policies will be designed to bring stability to the financial sector by implementing equitable practices and by allowing market forces to prevail.

The Grant will be made available in three tranches, each in the amount of Two Million United States Dollars (\$2,000,000). Each tranche will be made available subject to the availability of funds and acceptance by A.I.D. that the provisions of Articles II and III, Sections 3.1, 3.2, and 3.3 herein, have been satisfied.

The total United states financing for the program is Six Million Eight Hundred and Fifty Thousand United States Dollars (\$6,850,000). The amount of Eight Hundred and Fifty Thousand Dollars (\$850,000) will be provided through the execution of a Complementary Program Grant Agreement concurrent with the signing of this Agreement.

The Complementary Program Grant Agreement will finance the costs of technical assistance being provided by A.I.D. under the GEPRP.

## ARTICLE II: STANDARD CONDITIONS

Prior to any disbursement of the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement of the Grant will be made, the Grantee will furnish to A.I.D., except as the Parties may otherwise agree in writing, in a form and substance satisfactory to A.I.D.:

- A. An opinion of counsel that this Agreement has been executed on behalf of and duly authorized and/or ratified by the Grantee, and that it constitutes a valid, legally binding agreement of the Grantee in accordance with all of its terms;
- B. A statement of the name of the person holding or acting in the office of the Grantee as specified in Section 8.7 and of any additional representatives, together with a specimen signature of each authorized person specified in such a statement; and
- C. Written evidence that the Grantee has established the Separate Account (the Account) for the Grant funds as described in Section 4.1 of this Agreement, and a letter describing the requirements that must be met before funds will be disbursed from the Account. The requirements shall include supporting documentation to permit monitoring of disbursements, requirements for maintaining funds in this Account separate from other funds of the Grantee, and requirements for periodic reports to A.I.D. on disbursements from the Account.

## ARTICLE III: CONDITIONS PRECEDENT TO DISBURSEMENT

### SECTION 3.1: Disbursement of the First Tranche:

Prior to any disbursement of the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement for the first tranche will be made, the Grantee will furnish to A.I.D., except as the parties may otherwise agree in writing, in a form and substance satisfactory to A.I.D.:

- A. Written evidence of the Grantee's agreement to develop, in consultation with A.I.D., (1) its policy options for (a) term lending at market interest rates, (b) agricultural credit, and (c) development lending; and (2) its semi-annual work plans which indicate the steps involved in developing these policy options;
- B. Written evidence of the Grantee's agreement that no public or private sector enterprise or individual will be permitted to borrow from official sources at less than market-determined interest rates;

- C. Written evidence of the Grantee's agreement that it will not request, instruct or permit the Gambia Commercial & Development Bank (GCDB) or any other public sector financial institution to grant preferential access to credit;
- D. Written evidence of the Grantee's agreement that in the matter of its agricultural marketing, in particular for produce buying, it shall ensure that the same levels of remuneration are provided to all buyers, public or private;
- E. Written evidence that the Grantee will define and identify all capital guarantees or operating subsidies being provided to public enterprises by the Grantee, will determine their magnitude, and will identify those capital guarantees or operating subsidies which are in the national interest; and
- F. A comprehensive list of all eligible debts, as defined in Section 5.3.A., arranged in order of priority, for which payment will be made from the proceeds of the first tranche.

Section 3.2: Disbursement of the Second Tranche:

Prior to the disbursement of the Second Tranche of the Grant or to the issuance by A.I.D. of documentation pursuant to which the disbursement will be made, the Grantee shall furnish to A.I.D., except as the Parties may otherwise agree in writing, in a form and substance satisfactory to A.I.D., the following:

- A. Written evidence that it has decided upon its proposed policies for (1) term lending at market interest rates, (2) agricultural credit, and (3) development lending, and that it has composed its semi-annual work plans which indicate the steps involved in adopting procedures to implement these policies;
- B. Written evidence of its agreement that any type of capital guarantee or operating subsidy being provided to public enterprises in the national interest will be fully calculated and the costs thereof provided for in a timely manner through budgetary allocations.
- C. A comprehensive list of all eligible debts, as defined in Section 5.3.A., arranged in order of priority, for which payment will be made from the proceeds of the second tranche.

---

Prior to the disbursement of the third tranche of the Grant or to the issuance of documentation pursuant to which disbursement will be made, the Grantee shall agree to furnish to A.I.D., except as the Parties may otherwise agree in writing, in a form and substance satisfactory to A.I.D., the following:

- A. Written evidence that the Grantee's policies for (1) term lending at market interest rates, (2) agricultural credit, and (3) development lending, are being implemented;
- B. Written evidence which indicates that the full costs of capital guarantees or operating subsidies being provided to public enterprises in the national interest are being provided for at the appropriate time through budgetary allocations; and
- C. A comprehensive list of all eligible debts, as defined in Section 5.3.A., arranged in order of priority, for which payment will be made from the proceeds of the third tranche.

Section 3.4: Notification:

When A.I.D. has determined that the Conditions Precedent specified respectively in Sections 3.1, 3.2, and 3.3 herein have been met, it will promptly notify the Grantee.

Section 3.5: Terminal Dates for Conditions Precedent:

- A. If all of the conditions specified in Article II have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee; and
- B. If all of the conditions specified in Article III, Section 3.1, subparagraphs B, C, and D, have not been met within six months from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. at its option may terminate this Agreement by written notice to the Grantee.

Section 3.6. Program Assistance Completion Date:

- A. The Program Assistance Completion Date (PACD), which is December 31, 1990, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the conditions specified in Articles II and III, Sections 3.1, 3.2, and 3.3 shall have been met; and
- B. Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of any of the three tranches for conditions met subsequent to the PACD.

ARTICLE IV: DISBURSEMENT

Section 4.1: Deposit into a Separate Account:

The Grantee will request that the Central Bank of The Gambia, in its function as the financial agent of the Grantee, establish a Separate Account in the Federal Reserve Bank of New York, or in such other bank as A.I.D. may agree in writing, into which A.I.D. will deposit the grant funds after satisfaction of the Conditions Precedent set forth in Article III herein and upon receipt by A.I.D. of a written request for disbursement for each tranche. The Grantee agrees that funds deposited into this account may not be co-mingled with other funds of the Grantee.

Section 4.2: Interest Earned By the Separate Account:

Interest earned and accrued on funds in the separate Account shall be programmed and used for the same purposes as the principal amount.

Section 4.3: Date of Disbursement(s):

Disbursement(s) made by A.I.D. will be deemed to occur on the date(s) on which the proceeds of the Grant are disbursed pursuant to Section 4:1.

Section 4.4: Terminal Dates for Requesting Disbursements:

The terminal dates for requesting disbursement of the three tranches under this Agreement will expire as follows, except as A.I.D. may otherwise agree in writing:

- A. For the first tranche, 9 months from the date of the signing of this Agreement;
- B. For the second tranche, 9 months from the date of notification that the conditions precedent set forth in Article III, Section 3:2 have been met; and
- C. For the third tranche, 9 months from the date of notification that the conditions precedent set forth in Article III, Section 3:3 have been met.

In the event that disbursements of the Grant have not been requested as set forth above, or by such later date as A.I.D. may agree to in writing, at its option A.I.D. may terminate this Agreement by written notice to the Grantee.

**ARTICLE V: REPRESENTATIONS, WARRANTIES AND COVENANTS**

**Section 5.1: Representations and Warranties:**

The Grantee confirms that the facts and circumstances of which it has informed A.I.D. or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on this Agreement, are accurate and complete and include all facts and circumstances that might materially affect this Grant and the discharge of responsibilities under this Agreement.

**Section 5.2: Covenants:**

The Grantee confirms that:

- A. It will inform A.I.D. in a timely manner of any subsequent facts and circumstances which might materially affect or which it is reasonable to believe might so affect the Grant or the discharge of responsibilities under this Agreement;
- B. It shall carry out the Program or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with modifications therein, approved by A.I.D. pursuant to this Agreement or to the Complementary Program Agreement; and
- C. It shall provide qualified and experienced management for and train such staff as may be appropriate for the maintenance and operation of the Program and, as applicable for continuing activities, cause the Program to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Program.

**Section 5.3: Special Covenants:**

- A. Only eligible debts will be serviced with funds made available under this Agreement. Eligible debts shall mean those debts which are: (1) owed to countries in A.I.D. Geographic Code 899 or to registered financial institutions of those countries (see Annex 1 of this Agreement); (2) owed to multilateral institutions; (3) incurred prior to March 15, 1987; and (4) identified by the Ministry of Finance and Trade in official reports as in arrears or due for payment. Consistent with obligations incurred by the United States of America in agreements worked out in the "Paris Club," the use of US dollars under this program shall be subject to the following priorities. Under this Agreement, servicing of all official debts outstanding to the United States shall take precedence over any other eligible debts. Second priority shall be given to multilateral debts of The Gambia which include but are not limited to debts owed to the IMF, the IBRD, the African Development Bank, the Arab Development Bank, the European Economic Community, the West African Clearing House, and

the African Development Fund. Third priority shall be given to other bilateral debt such as debts with the members of the Paris or London Clubs which includes but is not limited to Norway, France, the United Kingdom, the Federal Republic of Germany, the United Arab Emirates, Kuwait and Saudi Arabia, and financial institutions within those and other countries included in A.I.D. Geographic Code 899. Within the preceding categories, preference shall be placed on the payment of those debts incurred for development purposes;

- B. Eligible debts will be serviced within 90 days after each receipt by the Grantee of notification by A.I.D. that the respective disbursements have been made for the first, second, and third tranches. Within 90 days after each tranche has been disbursed by A.I.D., the Grantee will provide A.I.D. with a copy of the confirmation that payment of eligible debts for that particular tranche has been made; and
- C. The Grantee will not reverse, undo, or change any of the actions taken in fulfillment of meeting the conditions precedent set forth in Article III herein, except with the prior written consent of A.I.D.

#### ARTICLE VI: USE OF FUNDS

##### Section 6.1: Non-Military Uses:

The Grantee agrees that the Grant to be furnished under this Agreement will be used for financial policy reform purposes in accordance with the terms of this Agreement and will not be used for financing, military or paramilitary requirements of any kind, including the procurement of commodities or services for military or paramilitary purposes.

#### ARTICLE VII: TERMINATION & REMEDIES

##### Section 7.1: Termination:

This Grant Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Grant Agreement by giving the other Party thirty (30) days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial resources to the Program pursuant to this Agreement.

##### Section 7.2: Alternative Remedy: Suspension:

A.I.D. may suspend or cancel this Agreement if at any time:

- A. The Grantee fails to comply with any provision of this Agreement; or

- B. Any representation or warranty made by or on behalf of the Grantee with respect to obtaining this Grant or made or required to be made under this Agreement is incorrect in any material respect; or
- C. An event occurs which A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of this Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement; or
- D. Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or
- E. A default shall have occurred under any other agreement between the Grantee or any of its agencies and A.I.D. or any of its successors.

Section 7.3: Cancellation by A.I.D.:

If within sixty (60) days from the date of any suspension pursuant to Section 7.2, the cause or causes thereof have not been corrected, then A.I.D. may cancel any part of this Grant that is not then disbursed or irrevocably committed to third parties.

ARTICLE VIII: MISCELLANEOUS

Section 8.1: Information, Records, Reports, & Audits:

The Grantee will:

- A. Furnish to A.I.D. in a form and substance satisfactory to A.I.D. such information and reports relating to this Agreement and its Annexes as A.I.D. may reasonably request; and
- B. Maintain or cause to be maintained in accordance with generally accepted accounting principles and practices consistently applied, books, records, and underlying documentation as necessary and adequate to assure, without limitation, compliance with this Agreement. Such books and records will be audited regularly in accordance with generally accepted auditing standards and will be maintained for three (3) years after the date of the last disbursement by A.I.D.

Section 8.2: Inspections:

The Grantee will afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the books, records, and other documents relating to this Agreement and the Grantee's use of Grant funds provided herein.

Section 8.3: Redeposit of Funds:

If any funds provided under this Agreement are used for purposes not permitted under this Agreement, the Grantee will redeposit such funds into the Separate Account within sixty (60) days after receiving notice by A.I.D. of such a breach. Such redeposited funds will be used in accordance with the terms of this Agreement. The right to require a redeposit will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

Section 8.4: Taxation:

This Agreement and the Grant assistance provided herein, as well as the Complementary Program Grant Agreement and the Grant assistance provided therein, will be free from any taxation or fees imposed under any laws in effect or which may become effective during the term of this Agreement and the Complementary Program Grant Agreement in The Gambia.

Section 8.5: Program Implementation Letters:

To assist the Grantee in the implementation of the Agreement, A.I.D., from time to time, will issue Program Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Program Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Program Implementation Letters will not be used to amend the text of this Agreement, but can be used to record revisions or exceptions which are permitted by this Agreement.

Section 8.6: Communications:

Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable and will be deemed duly given or sent when delivered to such Party at the following address:

To the Grantee:

Ministry of Finance & Trade  
The Quadrangle  
Banjul, The Gambia

To A.I.D.:

A.I.D. Representative  
60 Leman St.  
Banjul, The Gambia

Other addresses may be substituted for the above upon the giving of written notice.

Section 8.7: Representatives:

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Ministry of Finance & Trade, and A.I.D. will be represented by the individual holding or acting in the office of the A.I.D. Representative (OAR/Banjul), each of whom, by written notice, may designate additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementing this Agreement, until receipt of written notice of revocation of their authority.

Section 8.8: Publicity:

The Grantee will give appropriate publicity to this Agreement as a program of assistance to which the Government of the United States of America has contributed.

Section 8.9: Nonwaiver of Remedies:

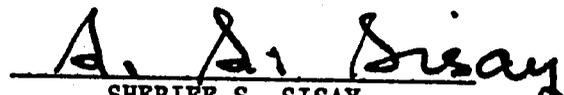
No delay in exercising or omitting to exercise any right, power, or remedy accruing to either Party under this Agreement will be construed as a waiver of such rights, powers, or remedies.

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

THE UNITED STATES OF AMERICA

THE GOVERNMENT OF THE GAMBIA

  
\_\_\_\_\_  
JIMMIE M. STONE  
U.S.A.I.D. Representative

  
\_\_\_\_\_  
SHERIFF S. SISAY  
Minister of Finance & Trade

ANNEX 1

A.I.D. Geographic Code 899 refers to any area or country in the Free World, excluding the participating country itself. The Free World excludes the following areas or countries:

Albania  
Bulgaria  
Cambodia  
China (The People's Republic of China)  
Cuba  
Czechoslovakia  
Estonia  
German Democratic Republic (East Germany)  
Hungary  
Laos  
Latvia  
Lithuania  
Mongolia  
North Korea  
Poland  
Romania  
U.S.S.R.  
Vietnam