

CONFORMED COPY

CREDIT NUMBER 1729 GUA

Project Agreement

(Bauxite Industry Technical Assistance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

Bauxite Industry Development Company Ltd.

and

Guyana Mining Enterprise Ltd.

July 16, 1990

CREDIT NUMBER 1729 GUA

PROJECT AGREEMENT

AGREEMENT, dated July 16, 1990, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and BAUXITE INDUSTRY DEVELOPMENT COMPANY LTD. (BIDCO), and GUYANA MINING ENTERPRISE LTD. (GUYMINE).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Guyana (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to 6,600,000 Special Drawing Rights (SDR 6.6 million), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that BIDCO and GUYMINE agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary agreement to be entered into between the Borrower and BIDCO, the proceeds of the Credit provided for under the Development Credit Agreement will be made available to BIDCO on the terms and conditions set forth in said subsidiary agreement;

(C) by a subsidiary agreement to be entered into between BIDCO and GUYMINE, the proceeds of the Credit provided for under the Development Credit Agreement made available by the Borrower to BIDCO will be made available by BIDCO to GUYMINE on the terms and conditions set forth in said subsidiary agreement; and

WHEREAS BIDCO and GUYMINE, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) BIDCO and GUYMINE declare their respective commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and to this end, BIDCO and GUYMINE shall jointly carry out the Project and the Action Plan, all with due diligence and efficiency and in conformity with appropriate administrative, marketing, financial, and engineering practices, and BIDCO and GUYMINE shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, GUYMINE shall establish and maintain, until the completion report referred to in Section 9.06 (c) of the General Conditions has been furnished to the Association, a Project Implementation Unit, in charge of coordinating and monitoring the implementation of the Project, with staffing, functions and responsibilities satisfactory to the Association.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. BIDCO and GUYMINE shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project.

Section 2.04. BIDCO and GUYMINE shall:

(a) at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of their respective obligations under this Agreement and under the Subsidiary Agreements, and other matters relating to the purposes of the Credit;

(b) promptly inform the Association of any condition which interferes or threatens to interfere, with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by BIDCO and GUYMINE of their respective obligations under this Agreement and the Subsidiary Agreements; and

(c) take all actions necessary, or refrain from taking action if necessary, to assist the Borrower in carrying out the Policy Statement with respect to the bauxite industry.

ARTICLE III

Particular Covenants of GUYMINE

Section 3.01. GUYMINE shall duly perform all its obligations under the GUYMINE Subsidiary Agreement and, except as the Association shall otherwise agree, shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the GUYMINE Subsidiary Agreement or any provision thereof.

Section 3.02. GUYMINE shall carry on its operations and conduct its affairs in

accordance with sound administrative, financial, and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.03. GUYMINE shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

Section 3.04. GUYMINE shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 3.05. (a) GUYMINE shall maintain records and separate accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition and the resources and expenditures of GUYMINE in respect of the Project.

(b) GUYMINE shall:

(i) have its accounts, including reimbursement from the Special Account, and its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year: (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said accounts and financial statements as well as the audit thereof and said records, as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals are requested from the Credit Account on the basis of statements of expenditure, GUYMINE shall:

(i) maintain, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;

(ii) retain, until one year after the completion of the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by the said auditors as to whether the proceeds of the Credit withdrawal in respect of such expenditures have been used for the purpose for which they were provided.

ARTICLE IV

Particular Covenants of BIDCO

Section 4.01. (a) BIDCO shall enter into the GUYMINE Subsidiary Agreement with GUYMINE, under the terms and conditions which shall have been approved by the Association and shall include, inter alia, those set forth in Schedule 4 to the

Development Credit Agreement for: (i) relending to GUYMINE an amount equivalent to SDR 5,000,000 out of the proceeds of the Credit on lent by the Borrower to BIDCO; (ii) making available to GUYMINE, an amount equivalent to SDR 1,600,000 out of the proceeds of the BIDCO Capital Contribution, as equity capital contribution to GUYMINE; and

(b) BIDCO shall exercise its rights under the BIDCO Subsidiary Agreement and the GUYMINE Subsidiary Agreement in such a manner so as to protect the interests of BIDCO, the Borrower and the Association, and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree shall not assign, amend, abrogate or waive the BIDCO Subsidiary Agreement or the GUYMINE Subsidiary Agreement or any provision thereof.

Section 4.02. BIDCO shall carry on its operations and conduct its affairs in accordance with sound administrative, management and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.03. BIDCO shall at all times operate and maintain its offices, buildings and equipment in respect of the bauxite industry, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, management and financial practices.

Section 4.04. BIDCO shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.05. BIDCO as the sole shareholder of GUYMINE undertakes to provide GUYMINE all the financial and other resources required by GUYMINE to carry out the Project and carry out all of the obligations of GUYMINE set forth in this Agreement.

Section 4.06. (a) BIDCO shall maintain records and separate accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition and the resources and expenditures of BIDCO in respect of the Project.

(b) BIDCO shall, in respect of the Project:

(i) have its accounts, including reimbursements from the Special Account, and its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year: (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said accounts and financial statements as well as the audit thereof and said records, as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals are requested from the Credit Account on the basis of statements of expenditure, BIDCO shall:

(i) maintain, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the completion of the audit

for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by the said auditors as to whether the proceeds of the Credit withdrawn in respect of such expenditures have been used for the purpose for which they were provided.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of BIDCO and GUYMINE thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify BIDCO and GUYMINE of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radio gram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For BIDCO:

Bauxite Industry Development Company Ltd.
71 Main Street
Georgetown, Guyana

Cable address:	Telex:
BIDCO Georgetown, Guyana	GY 2244

For GUYMINE:

Guyana Mining Enterprises Ltd.
Mackenzie Linden,
Guyana

Cable address:	Telex:
GUYMINE Mackenzie Linden, Guyana	GY 2245

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of BIDCO may be taken or executed by the Chairman of BIDCO or such other person or persons as the Chairman of BIDCO shall designate in writing, and BIDCO shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. Any action required or permitted to be taken, and any document required or permitted to be executed, under this agreement on behalf of GUYMINE may be taken or executed by the Chief Executive Officer of GUYMINE or such other person or persons as the Chief Executive Officer of GUYMINE shall designate in writing, and GUYMINE shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.04. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the district of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Armeane M. Choksi

Acting Regional Vice President
Latin America and the Caribbean

BAUXITE INDUSTRY DEVELOPMENT COMPANY LTD.

By /s/ Cedric H. Grant

Authorized Representative

GUYANA MINING ENTERPRISE LTD.

By /s/ Cedric H. Grant

Authorized Representative

SCHEDULE

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts shall be grouped in bid packages estimated to cost the equivalent of \$300,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Guyana may be granted a 15% margin of preference in accordance with, and subject to, the provisions of paragraphs 2.59 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. For contracts, or groups of contracts, estimated to cost the equivalent of \$100,000 to \$300,000, goods may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least four qualified suppliers from at least three countries eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of such Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. (a) Goods other than those referred to in (b) below, estimated to cost the equivalent of less than \$100,000 per contract, up to an aggregate amount to be financed out of the proceeds of the Credit not exceeding the equivalent of \$2,300,000, may be procured under contracts awarded on the basis of evaluation and comparison of bids invited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Association.

(b) Proprietary items for the pilot plant included under Part A.2 of the Project, up to an aggregate amount to be financed out of the proceeds of the Credit not exceeding \$100,000, may be acquired through direct contracting.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 (the Special Account Schedule) to the Development Credit Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Sections 3.01 (c) (ii) and 4.06 (c) (ii) of this Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist GUYMINE and BIDCO in carrying out the Project, GUYMINE and BIDCO shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency published by the Bank in August 1981.

