

CONFORMED COPY

CREDIT NUMBER 1729 GUA

AGREEMENT AMENDING  
DEVELOPMENT CREDIT AGREEMENT AND  
TERMINATING PROJECT AGREEMENT

(Bauxite Industry Technical Assistance Project)

between

GUYANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

TERMINATING  
THE PROJECT AGREEMENT

(Bauxite Industry Technical Assistance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BAUXITE INDUSTRY DEVELOPMENT COMPANY LTD.

and

GUYANA MINING ENTERPRISE LTD.,

both dated July 16, 1990

CREDIT NUMBER 1729 GUA

AGREEMENT AMENDING  
DEVELOPMENT CREDIT AGREEMENT AND  
TERMINATING PROJECT AGREEMENT

AGREEMENT, dated March 12, 1992, between GUYANA (the Borrower) and 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 dated July 16, 1990 between the Borrower and the Association (hereinafter called the Development Credit Agreement), the Association has made a credit (hereinafter called the Credit), in an amount in various currencies equivalent to six million and six hundred thousand Special Drawing Rights (SDR 6,600,000) for the purposes of assisting in the financing of the Project described in Schedule 2 to the Development Credit Agreement (hereinafter called the Project);

(B) by the Project Agreement dated July 16, 1990, between the Association and

BIDCO and GUYMINE (hereinafter called the Project Agreement), BIDCO and GUYMINE agreed to undertake the obligations set forth in said Agreement with respect to the Project;

(C) the Borrower, BIDCO and GUYMINE have requested the Association a substantial modification of the Project in order to enable the Borrower to carry out the initial phase of the privatization process of its bauxite industry;

(D) the Borrower has delivered to the Association a statement, dated December 3, 1992, (the Policy Statement) describing the policies it intends to follow in the privatization of its bauxite industry; and

(E) the Association agrees with the proposed modifications;

NOW, THEREFORE, the parties hereto hereby agree as follows:

#### ARTICLE I

##### Amendments to the Development Credit Agreement

Section 1.01. The Preamble of the Development Credit Agreement is hereby amended by:

(a) deleting the Whereas clauses (A) and (C) and redesignating the Whereas clause (B) as Whereas clause (A);

(b) adding the following new Whereas clauses (B), (C), (D) and (E) to read as follows:

"(B) the Borrower has delivered to the Association a statement, dated December 3, 1991 (the Policy Statement), describing the policies and actions to be followed in the privatization of its bauxite industry;"

"(C) the Borrower has requested from the European Investment Bank (the EIB) a loan in an amount equivalent to at least six million dollars to assist in financing the Project on terms and conditions to be set forth in the agreement to be entered between the Borrower and the EIB (hereinafter called the EIB Loan);"

"(D) the Borrower has obtained from the European Economic Community (the EEC) a credit in an amount equivalent to ECU 3,500,000, to assist the Borrower in the rehabilitation of the bauxite industry in Guyana (the EEC Loan) on the terms and conditions set forth in the financing contract dated March 21, 1990 between the Borrower and the EEC (hereinafter the EEC Financing Agreement);"

"(E) it has been agreed between the Borrower and the EEC that an amount equivalent to at least \$5,000,000 from the EEC Loan shall be allocated to finance the execution of the Project;" and

(c) by adding a full stop after the word "Agreement", and deleting the following sentence from the second Whereas clause: ", and in the Project Agreement of even date herewith between the Association and BIDCO and GUYMINE;

Section 1.02. Section 1.02 of the Development Credit Agreement is hereby amended by:

(a) rewording paragraphs (c), (d), (e) and (f) as follows:

"(c) 'Linden Operation' means the bauxite mining and processing operation located in Linden, Guyana, which includes open pit mines, a processing plant and power facilities;

(d) 'Linden Operation Accounts' means the banking accounts referred to

as Linden Operations Account I and Linden Operation Account II in Section 3.01 (d) of this Agreement;

(e) 'Management Service Contract' means the agreement, referred to in Section 3.01 (c) (i) of this Agreement, to be entered into between BIDCO and the Management Firm; and

(f) 'Management Firm' means the engineering, mining or management firm party to the Management Service Contract."; and

(b) deleting paragraphs (g), (h), (i) and (j).

Section 1.03. Section 2.02 (b) of the Development Credit Agreement is hereby deleted and Section 2.02 (a) is redesignated as Section 2.02.

Section 1.04. In Section 2.03 of the Development Credit Agreement, the date "June 30, 1993" is replaced by "December 31, 1993".

Section 1.05. Section 3.01 of the Development Credit Agreement is hereby deleted and substituted by the following:

"Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall: (i) carry out or cause BIDCO to carry out the Project in accordance with the Policy Statement and with due diligence and efficiency and in conformity with appropriate financial, industrial, managerial and administrative practices; and (ii) take, or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BIDCO to carry out the Project.

(b) The Borrower shall make the proceeds of the Credit available to BIDCO, on a grant basis.

(c) Without limitation or restriction to the provisions of paragraph (a) above, the Borrower shall, for purposes of the carrying out of Part A of the Project, cause BIDCO: (i) to enter into a contract, under terms and conditions satisfactory to the Association (the Management Service Contract), with a mining, engineering or management firm (the Management Firm), selected in accordance with the provisions of Section II of Schedule 3 to this Agreements, such Contract to provide, inter alia, for: (A) the delegation of all management responsibilities for the Linden Operation to the Management Firm; (B) the obligation of the Management Firm to assist BIDCO in the carrying out of Part A of the Project and to perform all the obligations in respect of the Linden Operation required in this Agreement to be performed by the Management Firm; and (C) specific monitorable targets to be attained by the Management Firm in performing the basic restructuring tasks included in its terms of reference; and (ii) to exercise its rights under such Contract in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, cause BIDCO not to assign, amend, abrogate or waive, or fail to enforce, the Management Service Contract.

(d) Without limitation or restriction to the provisions of paragraph (a) above, the Borrower shall open and maintain, or cause to be opened and maintained, in a bank or banks acceptable to the Association, two accounts: (i) one in dollars (the Linden Operation Account I); and (ii) one in Guyana dollars (the Linden Operation Account II) to be operated by the Management Firm for the purposes of: (A) depositing into such accounts all operational and non-operational revenues related to the Linden Operation and all proceeds from financing obtained by the Borrower for purposes of Part A of the Project; and (B) paying out of such accounts all operational and capital expenditures related to the Linden Operation's day-to-day operations and the investments included in Part A of the Project, as well as the liabilities referred to in Section 4.02 of this Agreement."

Section 1.06. Section 3.03 of the Development Credit Agreement is hereby deleted

and substituted by the following:

"Section 3.03. The Borrower shall, and shall cause BIDCO and GUYMINE to, relinquish all management responsibilities in respect of the Linden Operation and to assign to the Management Firm full responsibility and autonomy for the management of the Linden Operation, including taking and causing to be taken all actions to ensure that the Linden Operation is administered as an independent business totally separate from BIDCO's and GUYMINE's operations."

Section 1.07. Section 3.04 of the Development Credit Agreement is hereby deleted and substituted by the following:

"Section 3.04. The Borrower shall, not later than May 1, 1992, establish, and thereafter maintain throughout the execution of the Project, a committee comprising representatives from the Borrower, BIDCO and GUYMINE, to be responsible for: (a) monitoring progress in the carrying out of the activities under Part A of the Project; (b) reviewing and approving all plans and operating and capital expenditure budgets for the execution of Part A of the Project; and (c) facilitating communications between the Borrower and the Management Firm on any matters relating to the execution of Part A of the Project and the management of the Linden Operation.

Section 1.08. The following new Section 3.06 is added to the Development Credit Agreement:

"Section 3.06. (a) Without limitation to the provisions of Section 9.01 of the General Conditions, not later than November 1, 1992, the Borrower shall exchange views with the Association on the status of execution of the Project, and the operational and financial performance and condition of the Linden Operation.

(b) Not later than 15 days prior to such exchange of views, the Borrower shall prepare and furnish to the Association a report, of such scope and detail as the Association shall reasonably request, on the execution of the Project and the operational and financial performance and conditions of the Linden Operation."

Section 1.09. Section 4.01 of the Development Credit Agreement is hereby deleted and substituted by the following:

"Section 4.01. (a) The Borrower shall cause BIDCO: (i) to maintain records and separate accounts adequate to reflect in accordance with sound accounting practices the resources and expenditures of BIDCO in respect of the Project; and (ii) to cause the Management Firm, pursuant to the Management Service Contract: (A) to maintain records and separate accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of the Linden Operation as a separate and independent entity; (B) to send to the Association every quarter during the execution of the Project, starting on June 30, 1992, quarterly income statements for the Linden Operation and quarterly statements of the Linden Operation Accounts; and (C) to issue financial statements (balance sheet, statement of income and expenses and related statements) reflecting the Linden Operation's financial position and progress in the implementation of the financial objectives of Part A of the Project: (1) not later than February 28, 1993, with respect to Fiscal Year 1992; and (2) not later than two months after the end of the Management Service Contract, with respect to the period from January 1, 1993 to the end of such Contract.

(b) The Borrower shall cause BIDCO:

(i) to have the records and accounts referred to in paragraphs (a) (i) and (a) (ii) (A) above for each fiscal year and the financial statements referred to in paragraph (a) (ii) (C) above audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) to 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 such accounts 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;

(iii) to furnish to the Association as soon as available, but in any case not later than April 30, 1993, in the case of the financial statements referred to in paragraph (a) (ii) (C) (1) above, and not later than two months after the issuance of the financial statements referred to in paragraph (a) (ii) (C) (2) above: (A) certified copies of such financial statements as to 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

(iv) to furnish to the Association such other information concerning said accounts and financial statements and 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 from the Credit Account were made on the basis of statements of expenditure, the Borrower shall cause BIDCO:

(i) to maintain, and cause the Management Firm to maintain in respect of the Linden Operation, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;

(ii) to retain, and cause the Management Firm to retain in respect of the Linden Operation, 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) to enable the Association's representatives to examine such records; and

(iv) to ensure that such separate accounts are included in the annual audits referred to in paragraph (b) of this Section and that the reports thereof contain, 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."

Section 1.10. The following new Section 4.02 is inserted in Article IV of the Development Credit Agreement:

"Section 4.02. (a) The Borrower shall assume and set the Linden Operation free from, or shall indemnify and hold harmless the Linden Operation from, all liabilities incurred and liens created by BIDCO and GUYMINE in respect of the Linden Operation, except: (i) those liabilities and liens resulting from indebtedness incurred to finance clearly identifiable assets which are part of the Linden Operation; and (ii) current liabilities corresponding to items essential for the future carrying out of the Linden Operation and which can be borne by the Linden Operation without endangering the overall objective of attaining the Linden Operation's viability in the medium term.

(b) The Borrower shall take all action necessary to assist the Linden Operation to cover its operational costs and, as part of the foregoing, shall make available, promptly as needed and on terms and amounts satisfactory to the Association, the funds required to meet such operational costs if the ratio of current assets to current liabilities of the Linden Operation in any three consecutive months is below one; provided, however, that the funds made

available to the Linden Operation pursuant to this Section may be limited by the Borrower to an aggregate equivalent to \$2,700,000.

(c) For the purposes of this Section:

(i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next fiscal year.

(ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(iii) The term "debt service requirements" means the aggregate amount of repayments of, and interests and other charges on, debt.

(iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association."

Section 1.11. Section 5.01 of the Development Credit Agreement is hereby amended to read as follows in its entirety:

"Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BIDCO or for the suspension of its operations;

(b) the Management Firm shall have failed to perform any of its obligations under the Management Service Contract;

(c) the Agreement providing for the EIB Loan shall have failed to become effective by February 28, 1993, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

(d) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project (including the EIB Loan and the EEC Loan) shall have been terminated in whole or in part, pursuant to the terms of the agreement providing therefor (including the Financing Agreement); or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the

Borrower establishes to the satisfaction of the Association that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and

(B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement."

Section 1.12. Section 5.02 of the Development Credit Agreement is hereby amended by:

(a) substituting paragraph (b) by the following:

"(b) The event specified in paragraph (a) of Section 5.01 of this Agreement shall occur."

(b) adding a new paragraph (c) to read as follows:

"(c) the event specified in paragraph (d) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section."

Section 1.13. Sections 6.01, 6.02 and 6.03 of the Development Credit Agreement are hereby deleted and Section 6.04 is renumbered as Section 6.01.

Section 1.14. The table in paragraph 1 of Schedule 1 to the Development Credit Agreement is hereby deleted and substituted by the following:

Category	"Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods (other than petroleum products)	800,000	100% of foreign expenditures
(2) Consultants' services	2,200,000	100% of foreign expenditures
(3) Petroleum products	3,600,000	100% of foreign expenditures
Total	SDR 6,600,000 =====	

Section 1.15. Schedule 2 to the Development Credit Agreement is hereby deleted and substituted by the following:

"Schedule 2

Description of the Project

The objective of the Project is to assist the Borrower in the privatization of its bauxite industry by seeking the rehabilitation of the industry and ensuring its economic and financial viability. Such privatization process shall be carried out in two phases: (a) an initial restructuring phase aimed at restoring the commercial viability of the Linden Operation; and (b) a rehabilitation and privatization phase aimed at divesting the control of the Linden Operation and carrying out a comprehensive investment program to ensure its long-term viability.

The Project consists of the following parts, subject to such modifications

thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Initial Restructuring Phase

Initial steps required to put the Linden Operation in a viable commercial position, including, inter alia:

(a) operation and restoration of the Linden Operation to an annual production capacity level of at least 400,000 tons of calcined bauxite within a reasonable specified production cost per unit;

(b) rehabilitation of the stripping, mining, railways, bauxite plant and miscellaneous equipment of the Linden Operation;

(c) financial restructuring through renegotiation of the existing debt with suppliers and financing of permanent working capital required to ensure the medium term financial viability of the Linden Operation;

(d) labor rationalization including: (i) reduction and reallocation of personnel working in the Linden Operation so as to ensure a more efficient operation; and (ii) development of an appropriate compensation policy; and

(e) preparation of the legal and administrative work required to establish a new corporation in charge of the Linden Operation, including the establishment of adequate inventories of assets and liabilities and the establishment and updating of adequate records and accounts.

Part B: Technical Assistance

Provision of technical assistance in the processes of initial restructuring and privatization of the Linden Operation, including, inter alia: (a) preparation of terms of reference and performance incentive schedule for management consultants; (b) the initial management of the Linden Operation; (c) the establishment of a new corporation for the management and operation of the Linden Operation; (d) the carrying out of studies to define the long-term strategy of the Linden Operation, including an analysis of its corporate and management strategy, an assessment of its productive and operational efficiency and an assessment of the environmental impact of the bauxite mining operations of the Linden Operation; (e) the formulation of a five-year business plan for the Linden Operation; (f) the development of a long-term investment rehabilitation program for the Linden Operation; and (g) the design and implementation of the divestiture process.

\* \* \*

The Project is expected to be completed by June 30, 1993."

Section 1.16. Schedule 3 of the Development Credit Agreement is hereby deleted and substituted by the following:

"SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

Except as provided in Part B 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).

Part B: Other Procurement Procedures



Subject to the prior approval of the Association, petroleum products may be procured through organized international commodity markets, or other channels of competitive procurement acceptable to the Association, in accordance with procedures acceptable to the Association.

Part C: 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 \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(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.

(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 Section 4.01 (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 the Borrower and BIDCO in carrying out the Project, the Borrower shall cause BIDCO to 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."

Section 1.17. Schedules 4 and 5 of the Development Credit Agreement are hereby deleted.

## ARTICLE II

### Termination of the Project Agreement

Section 2.01. The Project Agreement is hereby terminated and the rights and obligations of the parties thereto shall cease and determine on the date of effectiveness of this Agreement.

## ARTICLE III

### Effective Date; Termination

Section 3.01. This Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that: (a) the execution and delivery of this Agreement on behalf of the Borrower, BIDCO and GUYMINE have been duly authorized or ratified by all necessary governmental and corporate action, respectively; (b) the Management Service Contract is in full force and effect; (c) a financing plan, satisfactory to the Association, for the carrying out of Part A of the Project has been furnished to the Association and progress, satisfactory to the Association, has been made in the arrangements to implement such plan; and (d) the Linden Operation Accounts have been opened and an initial deposit in the amount of \$2,300,000 shall have been made into the Linden Operation Account I.

Section 3.02. As part of the evidence to be furnished pursuant to Section 3.01 of this Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing, on behalf of the Borrower, BIDCO and GUYMINE: (a) that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, BIDCO and GUYMINE and is legally binding upon the Borrower, BIDCO and GUYMINE in

accordance with its terms; and (b) that the Management Service Contract is in full force and effect.

Section 3.03. This Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower, BIDCO and GUYMINE notice of its acceptance of the evidence required by Section 3.01 of this Agreement.

Section 3.04. If this Agreement shall not have come into force and effect by June , 1992, this Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Agreement shall terminate under the provisions of this Section, the Development Credit Agreement and the Project Agreement shall continue in full force and effect, as if this Agreement had not been executed.

#### ARTICLE IV

##### Addresses

Section 4.01. The following addresses are specified for purposes of any notice required or permitted to be given pursuant to this Agreement:

For the Borrower:

Ministry of Finance  
Main Street  
Georgetown, Guyana

Cable address:	Telex:
MINFIN Georgetown, Guyana	GY 3038

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	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,	GY 2245

Guyana

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.

GUYANA

By /s/ Carl B. Greenidge

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yoshiaki Abe

Acting Regional Vice President  
Latin America and the Caribbean

BAUXITE INDUSTRY DEVELOPMENT COMPANY, LTD.

By /s/ Bernard Crawford

Authorized Representative

GUYANA MINING ENTERPRISE LTD.

By /s/ Dunsten Burrow

Authorized Representative

