Financing Agreement

(Poverty Reduction and Public Management Development Policy Financing)

between

REPUBLIC OF GUYANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 8, 2006
FINANCING AGREEMENT

Agreement dated June 8, 2006, entered into between REPUBLIC OF GUYANA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II—FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000) (“Grant”).

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are June 15 and December 15 in each year.

2.05. The Payment Currency is Dollars.

ARTICLE III—PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment, a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV—REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

   (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

   (b) The Recipient’s macroeconomic policy framework has become inconsistent with the objectives of the Program.

   (c) An action has been taken or a policy has been adopted to reverse any action or policy under the Program in a manner that would, in the opinion of the Association, adversely affect the achievement of the objectives of the Program.

   (d) An action has been taken or a policy has been adopted to reverse any action listed in Section I of Schedule 1 to this Agreement.

ARTICLE V—EFFECTIVENESS

5.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association’s approval of the Credit which expire on October 26, 2007.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Recipient’s Minister of Finance.

6.02. The Recipient’s Address is:

Ministry of Finance
Main and Urquhart Streets
Georgetown
Cooperative Republic of Guyana
6.03. The Association’s Address is:

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

Cable address: Telex: Facsimile:
INDEVAS 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)
AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUYANA

By /s/ Bayney Karran

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox

Authorized Representative
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. The Recipient has:

   (a) prepared and published a five-year Public Sector Investment Program (PSIP) consistent with PRSP objectives and debt sustainability, including: (i) a methodology for selecting and ranking future projects; and (ii) the Recipient’s commitment to subject all public investment projects, estimated to each cost above ten million Dollars (net of grants) and appraised after June 1, 2005, excluding those financed by multilateral financial institutions, to a detailed feasibility study reviewed by the Association or the Inter-American Development Bank for economic, environmental and financial viability; and

   (b) integrated the PSIP into the Recipient’s budget for 2006.

2. The Recipient has made progress in the improvement of public financial management by:

   (a) the enactment of the Audit Act;

   (b) the adoption of the audit regulations under the Audit Act in the Recipient’s Official Gazette dated July 23, 2005;

   (c) implementation of the Auditor General’s key recommendations contained in the Auditor General’s report dated September, 2004 for fiscal year ending December 31, 2003; and

   (d) the launching of the first phase of the fiduciary oversight strengthening program contained in the Fiduciary Oversight Implementation Action Plan, through, inter alia: (i) stakeholder consultations which agreed on and endorsed thirty recommendations related to strengthening fiduciary oversight, limiting use of discretionary powers and disclosure of public officials’ assets and implementation process; (ii) the issuance of a press release specifying reforms agreed to with stakeholders during the consultations process; (iii) publication of the Fiduciary Oversight Implementation Action Plan agreed with the Association, including a timeline, technical assistance requirements and funding sources for the implementation of the agreed recommendations; (iv) endorsement through policy statements by the Recipient’s Prime Minister, the Recipient’s Minister of Finance and Recipient’s Minister of Parliamentary Affairs, in the Recipient’s Parliament specifying reforms agreed to with stakeholders; and (v) submission to Parliament of the revised standing orders.

3. The Recipient has continued the satisfactory reform of its regulatory and institutional public procurement framework consistent with established international standards, through: (a) the adoption of the amended National Procurement Act and its regulations,
and their dissemination; (b) the appointment of staff for the Recipient’s National and Regional Tender Boards and Secretariat; (c) the adoption of standard bidding documents and evaluation criteria; and (d) the completion of the first annual audit of procurement operations.

4. The Recipient has: (a) issued the first semi-annual publication of executed current and capital public expenditures by sector and priority poverty related programs; (b) published a summary of its 2002 census; (c) launched a household income and expenditure survey; and (d) completed the mapping of access to basic services.

5. The Recipient has adopted and made satisfactory progress in the implementation of an Environmental Management Plan (EMP) for the Skeldon sugar factory and associated cane field expansion.

6. The Recipient has submitted to its Parliament a revised bill for improving the legal basis for sustainable and environmentally sound management of the Recipient’s forests.

Section II. Availability of Financing Proceeds

A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. **Allocation of Financing Amounts.** The Financing (except for amounts required to repay the Project Preparation Advance) shall be withdrawn in a single tranche (in order to take into account differences caused by exchange rate fluctuations between the SDR and the USD in which the Project Preparation Advance is denominated, as well as by the timing of withdrawal of the Single Tranche, the amounts reflected below to the Project Preparation Advance and the Single Tranche may be subject to reallocation by the Association pursuant to Section 2.08 of the General Conditions). The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Tranche</td>
<td>6,270,000</td>
</tr>
<tr>
<td>Refund of Project Preparation Advance</td>
<td>430,000</td>
</tr>
<tr>
<td>(amount due under Section 2.07 of the General Conditions)</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>6,700,000</strong></td>
</tr>
</tbody>
</table>
C. **Deposits of Financing Amounts.** Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account for the Single Tranche Category shall be deposited by the Association into an account designated by the Recipient in its Central Bank, and acceptable to the Association; and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

D. **Audit.** The Recipient shall:

1. have the Designated Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than six months after the date of the last disbursement from the Designated Account has been made, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

3. furnish to the Association such other information concerning the Designated Account and their audit as the Association shall reasonably request.

E. **Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

F. **Closing Date.** The Closing Date is March 31, 2007.
APPENDIX

Section I. Definitions

1. “Audit Act” means the Audit Act of the Recipient, dated April 27, 2005, as said Act has been amended to the date of this Agreement.

2. “Auditor General” means the Recipient’s Auditor General.

3. “Designated Account” means the account referred to in Section II, Part C.1 of Schedule 1 to this Agreement.

4. “Excluded Expenditure” means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another Financing, credit, grant or loan;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient;

   (c) for goods intended for a military or paramilitary purpose or for luxury consumption;

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>112.1</td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td>121.1</td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td>122.1</td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td>525.1</td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td>667.1</td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>
for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) under a contract with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds during the procurement or execution of such contract, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to remedy the situation.


6. “General Conditions” means the “International Development Association General Conditions for Financings”, dated July 1, 2005 with the modifications set forth in Section II of this Appendix.

7. “National Procurement Act” means the National Procurement Act of the Recipient, dated July 28, 2003 as said Act has been amended to the date of this Agreement.

8. “Parliament” means the Recipient’s legislative branch as defined in Title 2 of the Recipient’s Constitution.

9. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated March 9, 2006 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

10. “Project Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient for the preparation of the Secondary Towns Infrastructure Development Project, pursuant to the letter agreement signed on October 28, 1996 and declared effective on November 8, 1996.


12. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Section 2.07 is hereby replaced to read in its entirety as follows:

   “Section 2.07. Refinancing Project Preparation Advance
   If the Association or the Bank has made an advance to the Recipient for the preparation of a Project (“Project Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all unpaid charges on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.

4. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

5. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

6. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   “Section 4.06. Plans; Documents; Records
   … (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

7. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   Section 4.07. Program Monitoring and Evaluation
   … (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association
of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.