

No. 5991

**INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT
and
UNITED KINGDOM OF GREAT BRITAIN AND
NORTHERN IRELAND**

Guarantee Agreement—*British Guiana Credit Corporation Project* (with related letter, annexed Loan Regulations No. 4 and Loan Agreement between the Bank and British Guiana). Signed at Washington, on 23 June 1961

Official text: English.

Registered by the International Bank for Reconstruction and Development on 8 December 1961.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ROYAUME-UNI DE GRANDE-BRETAGNE ET
D'IRLANDE DU NORD**

Contrat de garantie — *Projet relatif à la British Guiana Credit Corporation* (avec lettre y relative et, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Guyane britannique). Signé à Washington, le 23 juin 1961

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 8 décembre 1961.

No. 5991. GUARANTEE AGREEMENT¹ (*BRITISH GUIANA CREDIT CORPORATION PROJECT*) BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 23 JUNE 1961

AGREEMENT, dated June 23, 1961, between UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between British Guiana (hereinafter called the Borrower) and the Bank, which agreement (including the Schedules therein referred to) is hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies in an aggregate principal amount equivalent to one million two hundred fifty thousand dollars (\$1,250,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee such loan as hereinafter provided ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15,³ 1961, subject, however, to the modifications thereof set forth in Schedule 3⁴ to the Loan Agreement (such Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 22 August 1961, upon notification by the Bank to the Government of the United Kingdom of Great Britain and Northern Ireland.

² See p. 368 of this volume.

³ See p. 366 of this volume.

⁴ See p. 380 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as security merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as provided in the Loan Agreement and the Bonds.

Section 2.02. Whenever there is reasonable cause to believe that the Borrower will not have sufficient funds to carry out or cause to be carried out the Project in accordance with the Loan Agreement, the Guarantor will, in consultation with the Bank and the Borrower, take appropriate measures to assist the Borrower to obtain the additional funds necessary therefor.

Article III

Section 3.01. It is the mutual understanding of the Guarantor and the Bank that, except as otherwise herein provided, the Guarantor will not grant in favor of any external debt any preference or priority over the Loan. To that end, the Guarantor undertakes that, except as otherwise herein provided or as shall be otherwise agreed between the Guarantor and the Bank, if any lien shall be created on any assets or revenues of the Guarantor as security for any external debt, such lien shall equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect. This Section shall not apply to the following :

(a) the creation of any lien on any property purchased at the time of the purchase, solely as security for the payment of the purchase price of such property ;

(b) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or

(c) any pledge by or on behalf of the Guarantor of any of its assets in the ordinary course of banking business to secure any indebtedness maturing not more than one year after its date.

For the purposes of this Section, the expression "assets or revenues of the Guarantor" shall include assets or revenues of any territorial subdivision of the Guarantor which has power to raise revenues by taxation and to charge such revenues or any of its assets as security for external debt.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully towards achievement of the purposes of the Loan. To that end, each of them shall furnish to

the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) Within the limits of its constitutional powers, the Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor (including those of the Borrower) for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions now or at any time hereafter imposed under the laws of the Guarantor.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary of the Treasury of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

H. M. Treasury
Treasury Chambers
Great George Street
London, S.W. 1, United Kingdom

Alternative address for cablegrams and radiograms :

Proflist
London

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 5.02. The Ambassador of the Guarantor to the United States is designated for the purposes of Section 8.03 of the Loan Regulations.

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

United Kingdom of Great Britain and Northern Ireland :

By HOOD
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice-President

LETTER RELATING TO THE GUARANTEE AGREEMENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D. C.

August 16, 1961

Re : *Loan 285 BG*
(*British Guiana Credit Corporation Project*)

Your Excellency :

We hereby request your agreement that Section 2.01 of the Guarantee Agreement, dated June 23, 1961,¹ between us be corrected by the deletion in the fourth line thereof of the word "security" and the insertion in substitution thereof of the word "surety".

Please indicate your agreement by signing below, retaining two counterparts and returning the other counterpart to us.

Very truly yours,

International Bank for Reconstruction and Development :

By S. R. COPE
Authorized Representative

His Excellency Sir Harold Caccia
Ambassador of Great Britain
British Embassy
Washington, D. C.

United Kingdom of Great Britain
and Northern Ireland :

By Harold CACCIA
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212*]

¹ See p. 358 of this volume.

LOAN AGREEMENT

(BRITISH GUIANA CREDIT CORPORATION PROJECT)

AGREEMENT, dated June 23, 1961, between BRITISH GUIANA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) :

WHEREAS the Borrower has hitherto provided the financial resources of the British Guiana Credit Corporation (hereinafter called the Corporation) established for the purpose of providing development credit in British Guiana ;

WHEREAS the Borrower has requested a loan from the Bank to provide a portion of the additional resources needed by the Corporation for lending for purposes agreed by the Bank, the Borrower and the Corporation ; and

WHEREAS the said loan by the Bank is to be guaranteed as to payment of principal interest and other charges by the United Kingdom of Great Britain and Northern Ireland upon the terms of the Guarantee Agreement¹.

NOW THEREFORE, the parties hereto agree as follows :

Article I

LOAN REGULATIONS ; DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 3³ to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, wherever used in this Loan Agreement or in the Guarantee Agreement, the following terms shall have the following meanings :

The term "British Guiana" means the Government of British Guiana.

The term "British West Indies dollars" and the sign "BWI \$" means dollars issued by the Currency Board of the Eastern Group of British Caribbean Territories.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to one million two hundred fifty thousand dollars (\$1,250,000).

¹ See p. 358 of this volume.

² See p. 366 of this volume.

³ See p. 380 of this volume.

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the Corporation to apply the proceeds of the Loan exclusively to financing the cost of goods required for the purposes set out in Schedule 2¹ to this Agreement.

Section 3.02. The Borrower shall take reasonable measures to cause all goods financed out of the proceeds of the Loan to be used in the territory of the Borrower for the purposes set out in Schedule 2 to this Agreement.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Financial Secretary of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

¹ See p. 378 of this volume.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Corporation to carry out the Project with due diligence and efficiency and to conduct its operations and affairs in accordance with sound financial practices under the supervision of competent management.

(b) The Borrower undertakes that the Corporation shall be managed in such a manner and shall be permitted to charge such interest rates as to enable the Corporation to meet all its operating expenditures and charges, including, *inter alia*, administrative costs, rents, interest payable, depreciation, and bad or doubtful debts, and to accumulate adequate reserves.

(c) The Borrower undertakes that the legal status of the Corporation shall not be changed without the consent of the Bank.

(d) The Borrower shall, under arrangements satisfactory to the Bank, provide the Corporation or cause the Corporation to be provided with such funds as are needed to carry out the Project. Such funds shall include amounts in the currency of the Borrower equivalent to moneys withdrawn from the Loan Account.

(e) The Borrower undertakes that advances made by it to the Corporation prior to the date of this Agreement, or pursuant to Section 5.01 (d) of this Agreement, shall not be repaid by the Corporation to the Borrower without the consent of the Bank.

(f) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof for the purposes of the Project, to record the progress of the Project (including disbursements therefor) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Corporation; shall enable the Bank's representatives to inspect works undertaken under the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Corporation.

Section 5.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territory of the Borrower and the international balance of payments position of the Borrower.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territory of the Borrower for purposes related to the Loan.

Section 5.03. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any statutory authority established by the Borrower or of any agency of the foregoing, including the assets of any central bank or other institution which the Borrower may at any time establish to perform the functions of a central bank or any currency authority established by the Borrower solely for the purpose of the Borrower.

Section 5.04. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Borrower or laws in effect in its territory; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.05. This Agreement, the Guarantee Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territory on or in connection with the execution, issue, delivery or registration thereof.

Section 5.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territory.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal

of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. For the purposes of Section 5.03 of the Loan Regulations, the Closing Date shall be September 30, 1963.

Section 7.02. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Financial Secretary
Public Buildings
Georgetown, British Guiana

Alternative address for cablegrams and radiograms :

Financial Secretary
Georgetown, British Guiana

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 7.04. The Financial Secretary of the Borrower is designated for the purposes of Section 8.03 (A) of the Loan Regulations.

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

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice-President

British Guiana :

By Cheddi JAGAN
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
November 1, 1963	\$ 81,000	May 1, 1967	\$ 98,000
May 1, 1964	83,000	November 1, 1967	101,000
November 1, 1964	86,000	May 1, 1968	104,000
May 1, 1965	88,000	November 1, 1968	107,000
November 1, 1965	90,000	May 1, 1969	110,000
May 1, 1966	93,000	November 1, 1969	113,000
November 1, 1966	96,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 1 year before maturity	½ of 1 %
More than 1 year but not more than 3 years before maturity	2 %
More than 3 years but not more than 5 years before maturity	3 ½ %
More than 5 years but not more than 7 years before maturity	4 ¾ %
More than 7 years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Corporation intends to make loans during the period January 1, 1961–June 30, 1963, to a total of approximately BWI \$5.9 million for the following purposes :

1. Mechanization of agriculture.
2. Land improvement.
3. Improvement of poultry raising and animal husbandry.
4. Processing of and storage facilities for rice and other agricultural products.
5. Logging and sawmills.
6. Water transport for agricultural and forestry products.
7. Improvement of marine and river fishing.

The Project consists of the augmentation of the funds available to the Corporation and the use by the Corporation of such additional funds, together with funds already available to the Corporation, to make loans for the purposes listed above.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS NO. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(a) By the deletion of the second sentence of Section 4.01 and the substitution thereof of the following sentence :

“Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of expenditures prior to January 1, 1961, or on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.”

(b) By the deletion of the second sentence of Section 4.03 and the substitution thereof the following sentence :

“Applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to the making of loans by the Corporation for the purposes of the Project.”

(c) By the deletion of subparagraphs (d), (e) and (f) of Section 5.02 and the substitution thereof of the following subparagraphs :

“(d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower or the Guarantor will be able to perform its obligations under the Loan Agreement or the Guarantee Agreement or the Bonds or there shall occur any such change in the nature and constitution of the Borrower as shall make it improbable that the Borrower will be able to carry out its obligations under the Loan Agreement.

“(e) The Borrower shall have taken or permitted to be taken any action or proceeding whereby the undertaking of the Corporation, or any substantial part of such undertaking, shall or may be assigned or in any manner transferred or delivered to any other person, or whereby any property of the Corporation shall or may be distributed among the creditors of the Corporation.

“(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Corporation or for the suspension of its operations.”

(d) By the deletion of the last sentence of Section 7.04 (k) and the substitution thereof of the following sentence :

“Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Borrower or the Guarantor

(as the case may be) except as such procedure may be available against the Borrower or the Guarantor (as the case may be) otherwise than by reason of the provisions of this Section."

(e) By the deletion of the first sentence of Section 7.04 (l) and the substitution thereof of the following sentence :

"(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made upon the Bank and (to the extent that such proceeding is available against the Borrower or the Guarantor) upon the Borrower or the Guarantor in the manner provided in Section 8.01."

(f) By the insertion, after Section 8.03, of the following new Section :

"SECTION 8.03 (A). *Action on Behalf of Borrower.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Loan Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Loan Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him ; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Loan Agreement. The Bank may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of the Loan Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder."

(g) By the deletion of the second sentence in paragraph 7 of Section 10.01 and the substitution thereof of the following sentences :

"Whenever reference is made to the currency of the Guarantor, the term 'currency' means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the United Kingdom. Whenever reference is made to the currency of the Borrower, the term 'currency' means coin or currency issued by the Currency Board of the Eastern Group of British Caribbean Territories, or such other coin or currency as may hereafter become legal tender for the payment of public and private debts in the territory of the Borrower."

(h) By the deletion of paragraph 12 of Section 10.01 and the substitution of the following paragraph :

"12. The term 'goods' means imported machinery, tools, materials, equipment and breeding stock required for the purposes of the Project. Wherever reference

is made to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Borrower.”

(i) By the deletion of paragraph 13 of Section 10.01 and the substitution thereof of the following paragraph :

“13. Where used in Section 3.01 of the Guarantee Agreement, the term ‘external debt’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is payable absolutely or at the option of the creditor in such other medium ; and, where used in Section 5.03 of the Loan Agreement, the term ‘external debt’ means any debt payable in any medium other than in currency of the Borrower, whether such debt is payable absolutely or at the option of the creditor in such other medium.”

(j) By the deletion of the eighth paragraph of the Form of Bond set forth in Schedule 1 and the seventh paragraph of the Form of Bond set forth in Schedule 2 and the substitution thereof, in each such Schedule, of the following paragraph :

“The principal of the Bonds, the interest accruing thereon and the premium if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of (name of Guarantor), or of (name of Borrower) or laws in effect in its territories ; *provided, however, that the provisions of this paragraph shall not apply to taxation imposed (a) under the laws of (name of Guarantor) on or in connection with payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of (name of Guarantor) or (b) under the laws of (name of Borrower) or laws in effect in its territories on or in connection with payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of (name of Borrower).*”

LETTERS RELATING TO THE LOAN AGREEMENT

THE GOVERNMENT OF BRITISH GUIANA
GEORGETOWN, BRITISH GUIANA

June 23, 1961

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D. C.

Re : *Loan No. 285 BG*
(British Guiana Credit Corporation Project)

Gentlemen :

1. I am writing to record certain matters relating to the British Guiana Credit Corporation (the “Corporation”) which have been discussed between us in connection with

the Loan which International Bank for Reconstruction and Development (the "Bank") is making to British Guiana on the terms set out in the Loan Agreement of even date.¹

2. It is our mutual understanding that one of the bases of the Loan has been the representation that British Guiana possesses, by virtue of Section 54 of the British Guiana Credit Corporation Ordinance, 1954, the power to cause, if necessary, the Corporation to conduct its affairs so as to meet obligations laid down in the Loan Agreement.

3. With reference to Section 3.01 of the Loan Agreement, British Guiana undertakes that the Corporation will supervise the way in which its borrowers use the proceeds of their loans to ensure that the agreed purposes of its lending are achieved. Consequently, in granting loans, steps will be taken to ensure that adequate provision is made for the maintenance of machinery and equipment financed by such loans, its servicing and the supply of spare parts.

4. With reference to Section 5.01 (a) of the Loan Agreement, we have discussed, and are mutually agreed upon, the need to improve the Corporation's accounting procedures and records in order to speed the making and collections of loans and to facilitate day-to-day management of the Corporation's operations.

5. We confirm that at present the Treasury makes advances to the Corporation without fixed repayment date, charging interest thereon at the rate of 3 ½ % per annum on the net amount owed by the Corporation. In view of the Corporation's operating results to date, British Guiana agrees that it will not, without the consent of the Bank, raise the interest rate charged by British Guiana on advances to the Corporation. We understand that under present conditions these arrangements for making advances to the Corporation are satisfactory to the Bank as required by Section 5.01 (d) of the Loan Agreement.

6. With reference to Section 5.01 (b) of the Loan Agreement, British Guiana will cause the Corporation to operate so as to have a surplus of revenues over operating expenditures and charges as defined in that Section and to set aside such surpluses annually to form a continuing reserve for bad and doubtful debts until the reserve is adequate. British Guiana agrees that as soon as practicable such reserve shall be built up to and be maintained at a level equivalent to not less than five percent of the Corporation's loans outstanding

7. British Guiana agrees to reduce, as of the end of the Corporation's current fiscal year, the amount of advances outstanding and payable to the Treasury by the amount of the Corporation's deficit existing at the end of its current fiscal year as shown on its audited balance sheet for June 30, 1961, provided, however, that said reduction shall not exceed BWI \$300,000.

British Guiana :
By Cheddi JAGAN
Authorized Representative

Confirmed:
International Bank for
Reconstruction and Development :
By J. Burke KNAPP
Vice-President

¹ See p. 368 of this volume.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

WASHINGTON 25, D. C.

June 23, 1961

Economic Minister
British Embassy
Washington, D. C.

Dear Sir :

1. In connection with the Bank's proposed loan to the Colony of British Guiana, consideration has been given to the form of negative pledge undertaking to be included in the loan agreement.
2. The Bank wishes to be sure that the negative pledge undertaking will cover the assets of the Government of the Colony of British Guiana and of its agencies, including those assets which form the backing for the currency circulating in British Guiana and which might broadly be termed British Guiana's currency reserves. The purpose of this memorandum is to record the Bank's understanding as regards those assets.
3. The Bank's understanding is as follows :
 - (a) that the currency presently circulating in British Guiana is that issued by the Currency Board of the Eastern Group of British Caribbean Territories under regulations of the Secretary of State for the Colonies ; and that this currency is backed by assets which are held in the name of the Currency Board ;
 - (b) that the Colony has no power of disposal in respect of such assets in the hands of the Board ;
 - (c) that HMG regards the assets of the Currency Board of the Eastern Group of British Caribbean Territories ("Board") as segregated for use only for the purposes of the Board and that such assets would not be used by HMG for its own purposes or encumbered by HMG either for its own account or for the account (whether joint or several) of any of the territories which participate in the Board.
4. In sum, the Bank understands that the position regarding that part of the assets which may from time to time be deemed to be the currency reserves of British Guiana (as a member of the Board) is that so long as they are in the hands of the Board a "lien" (as that term is defined in the Loan Agreement) cannot be placed against them. In the event of the replacement of the Board by a currency authority established in and solely for the purposes of British Guiana (and not by an authority serving a number of constituent territories including British Guiana in which case the position would remain similar to that in 3 (c) to the extent that any share in the Board's assets was established and assumed by such a successor authority, the assets representing this share would fall to be treated as the currency reserve solely of British Guiana in which case they would be covered specifically by the language of the negative pledge clause.

5. Since the Bank would proceed with the loan on this basis, it would welcome confirmation that this understanding is correct and that there is no other course that might be open.

Yours sincerely,

J. Burke KNAPP
Vice President

BRITISH EMBASSY
WASHINGTON

June 23rd, 1961

Gentlemen,

Thank you for your letter of today's date regarding British Guiana's currency reserves. I confirm that your understanding as set forth in your letter is correct, and that there are no other courses that might be open other than those set out in your letter.

Yours sincerely,

D. B. PITBLADO

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D. C.
