



LEG/SGO/GY-1358601-08

The Honorable
Minister of Finance
Mr. Ashni Singh
Ministry of Finance
Main and Urquart Streets
Georgetown, Guyana

Ref.: Nonreimbursable Technical Cooperation No.
ATN/JF-10916-GY and ATN/OC-10917-GY.
“Expanding Bioenergy Opportunities in
Guyana.”

Dear Sir,

This Letter of Agreement (the “Agreement”) between the Cooperative Republic of Guyana (the “Beneficiary”) and the Inter-American Development Bank (the “Bank”), acting also in the capacity of Administrator of the Japan Special Fund, that we are submitting for your consideration, is to formalize the terms of a grant for a non-reimbursable technical cooperation (the “Contribution”) to the Beneficiary, of up to the amount of nine hundred and twenty five thousand five hundred dollars of the United States of America (US\$925,500), or its equivalent in other convertible currencies. Of this amount, six hundred and seventy five thousand five hundred dollars (US\$675,500) shall be chargeable to the technical cooperation resources of the Japan Special Fund (“the JSF”) and two hundred and fifty thousand dollars (US\$250,000) shall be charged to the Fund for the Sustainable Energy and Climate Change IDB Special Program (the “SECCI IDB Fund”). The Contribution will finance the contracting of consulting services and procurement of goods necessary for the execution of a technical cooperation for promoting the development of the bioenergy sector in Guyana (the “Project”), which is set forth in the Annex of this Agreement. Unless otherwise stated in this Agreement, the term “dollars” shall hereinafter refer to the currency of legal tender in the United States of America.

This Agreement is entered into pursuant to the Agreement establishing the Japan Special Fund, (“JSF Fund”) dated April 26, 1988 and amended on September 17, 1997, and Agreement establishing the Sustainable Energy and Climate Change IDB Special Program (“SECCI IDB Fund”) dated August 8, 2007.

The Bank and the Beneficiary agree upon the following:

First. **Components of the Agreement.** This Agreement consists of this part one, referred to as the “Special Conditions”; part two, referred to as the “General Conditions”, and the Annex, which are attached hereto. The prevalence between the above-mentioned Sections and the Annex is established in Article 1 of the General Conditions.

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Second. Executing Agency. The Executing Agency of this Project shall be the Beneficiary, through the Ministry of Agriculture (the “Executing Agency”). The Beneficiary undertakes to fulfill all the obligations that result from this Agreement.

Third. Conditions Prior to First Disbursement. The first disbursement of the resources of the Contribution shall be subject to the fulfillment, to the satisfaction of the Bank, of the conditions set forth in Article 2 of the General Conditions as well as the following requirement:

- (a) The Executing Agency shall select the Project Manager pursuant to the terms of reference previously agreed upon with the Bank.

Fourth. Reimbursement of Expenditures Chargeable to the Contribution. With the consent of the Bank, resources of the Contribution may be used to reimburse expenditures incurred, or to finance those that may be incurred in the Project, on or after April 1st 2008, and up to the date of this Agreement, provided that requirements substantially similar to those set forth in this Agreement have been fulfilled.

Fifth. Revolving Fund. The amounts of the revolving funds for this Project shall be the following:

- (a) For resources from the JSF Fund the amount of the revolving fund shall be the equivalent of US\$67,500.
- (b) For resources from the SECCI IDB Fund there will be a separate revolving fund of the equivalent of US\$25,000 that will be managed by the Executing Agency through a separate account from that of the JSF Fund resources.

Sixth. Deadlines. (a) The period for execution of the Project shall be thirty six (36) months, from the effective date of this Agreement.

(b) The period for the last disbursement of the resources of the Contribution shall be forty two (42) months from the effective date of this Agreement, which shall include the period required for the payment of independent auditors referred to in Article 11 of the General Conditions. Any part of the Contribution which has not been utilized within this period shall be canceled.

(c) The aforementioned deadlines and any others that may be stipulated in this Agreement may be extended, when duly justified, with the written consent of the Bank.

Seventh. Total Cost of the Project and Additional Resources. (a) The Beneficiary undertakes to make timely provision of the resources required, in addition to the Contribution, for the complete and uninterrupted execution of the Project (the “Counterpart Resources”). The total Counterpart Resources required is estimated to be the equivalent of three hundred and sixty two thousand five hundred dollars (US\$362,500), to make up a sum equivalent to one million two hundred and eighty eight thousand (US\$1,288,000) which is estimated to be

the total cost of the Project. Of the amount of the Counterpart Resources, the equivalent of one hundred and eighty seven thousand five hundred dollars (US\$187,500) may be provided by private investors. These estimates do not reduce the obligation of the Beneficiary to provide any additional resources required to complete the Project.

(b) The Counterpart Resources provided by the Beneficiary and by private investors shall be used to finance the cost categories which are chargeable to it, as established in the Project's budget set forth in the attached Annex. Thirty percent (30%) of the total counterpart (US\$52,500) will be in cash. The remaining balance of the local counterpart will be mainly in kind.

Eighth. Recognition of Expenses Chargeable to the Counterpart Resources. The Bank may recognize, as part of the local contribution, expenditures incurred or which may be incurred in the Project, on or after April 1st 2008 and up to the date of this Agreement, provided that requirements substantially similar to those set forth in this Agreement have been fulfilled.

Ninth. Currencies for Disbursements. The Bank shall disburse the Contribution in dollars or its equivalent in other convertible currencies. The Bank may convert these convertible currencies into other currencies, including the local currency, by applying the exchange rate indicated in Article 7 of the General Conditions.

Tenth. Procurement of Goods. Goods and related services shall be procured in accordance with the provisions set forth in Document GN-2349-7 "Policies for the Procurement of Works and Goods financed by the Inter-American Development Bank", dated July 2006, the contents of which the Beneficiary hereby declares to be familiar with, and in accordance with the following provision:

- (i) The Beneficiary may utilize the Shopping modality when purchasing goods, the estimated cost of which be under the equivalent of twenty five thousand dollars (US\$25,000) and in accordance with the provisions of paragraph 3.02 of the aforementioned Policies.
- (ii) The Executing Agency agrees that the goods acquired with the resources of the Contribution shall be duly identified with labels or marks, which specify that these goods and equipment have been financed with resources from the Japan Special Fund.

Eleventh. Selection and Contracting of Consulting Services. The selection and contracting of consulting services by the Executing Agency shall be carried out in accordance with the provisions set forth in Document GN-2350-7 "Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank" dated July 2006, the contents of which the Beneficiary hereby declares to be familiar with, and in accordance with the following provisions:

- (i) The Beneficiary may utilize the modalities set forth in Section V of the aforementioned Policies when hiring individual consultants; and
- (ii) For the purposes of the provisions indicated in paragraph 2.7 of the Policies, the consultants' short list for contracts estimated to cost less than the equivalent of one hundred thousand dollars (US\$100,000), may be entirely comprised by nationals from the Cooperative Republic of Guyana.

Twelfth. Procurement Plan. Prior to issuing any invitations to prequalify for bidding or to bid for contracts, or prior to issuing to consultants any request for proposals, the Executing Agency shall present the Bank for review and approval, a Procurement Plan that shall include: the specific contracts that will be required to carry out the execution of the Project, including the estimated cost of each contract, and the applicable selection criteria for the procurement of goods and services, in accordance with paragraph 1 of Appendix 1 of Documents GN-2349-7 and GN-2350-7, respectively. A revised Procurement Plan will be annually submitted to the Bank for review and approval during the execution of the Project. The Beneficiary will implement the Procurement Plan in the manner in which it has been approved by the Bank. Procurement of goods and contracting of consulting services shall be undertaken in accordance with the Procurement Plan as approved by the Bank.

Thirteenth. Progress reports. The monitoring of components 1, 2, 3 and 4 will be done through the review and technical approval of progress reports that will be prepared quarterly or when the disbursement reaches 25 percent, 50 percent and 75 percent, whichever occurs first.

Fourteenth. Financial statements. (a) The Executing Agency undertakes to present to the Bank's satisfaction, the financial statements of the Program duly certified by a firm of independent accountants pursuant to the provision set forth in Article 11(b) of the General Conditions.

(b) The cost associated with the auditing referred to in subparagraph (a) above, will be financed with resources of the Contribution.

Fifteenth. Information Disclosure. The Beneficiary undertakes to notify the Bank, in writing, within a maximum period of ten (10) working days from the date of signature of this Agreement, whether it considers any part of the Agreement to be confidential or sensitive, or whether there be information that may adversely affect relations between the country where the Beneficiary is located and the Bank or between private sector clients in such country and the Bank, in which case the Beneficiary undertakes to identify those provisions. In accordance with the Bank's Disclosure of Information Policy, the Bank will make the text of this Agreement available to the public once it has been signed and has entered into effect, with the sole exception of that information which the Beneficiary has specifically identified as confidential, sensitive or adverse to relations with the Bank in the manner indicated in this paragraph.

Sixteenth. Intellectual Property Rights. Pursuant to Article 9 (d) of the General Conditions, the copyright on any report produced by a Consultant hired for the Project (the

“Reports”) which describes non-patentable products shall be held by the Bank. Nevertheless, the Bank hereby grants the Beneficiary a non-exclusive, royalty-free license in perpetuity, including the right to sub-license.

Any intellectual property contained in the Reports which may be patentable shall be owned by the Bank. The Bank hereby grants the Beneficiary a non-exclusive royalty-free license in perpetuity, with the right to sub-license, on any patent which may be obtained by the Bank from any intellectual property contained in the Reports. Should the Bank not exercise the right to seek a patent or patents within 18 months of the Reports being delivered in their final version, the Beneficiary may choose to seek such patent(s) without any further authorization from the Bank. If such patent(s) is (are) obtained, the Beneficiary hereby grants the Bank a non-exclusive, royalty free, license, in perpetuity, with the right to sub-license on any such patent(s). The Beneficiary shall provide the Bank a copy of the Reports delivered to it in their final version within 15 calendar days of receiving such Reports.

The license mentioned in the previous paragraph shall also be granted by the Bank or the Beneficiary, as the case may be, to the private firm(s) that co-financed the pre-investment studies mentioned in section 2.03 of the Annex of this Agreement, for any patent(s) obtained in connection with such studies.

The scope of any such intellectual property rights does not include any rights on new intellectual products derived from the application of the Reports and any such rights shall reside with the party which has produced, originated or created the new intellectual products.

Seventeenth. Notice. Any notice, request, or communication from one party to another by virtue of this Agreement shall be made in writing and shall be considered to have been made when the relevant documents are delivered to the addressee, unless the parties otherwise agree in writing.

If to the Beneficiary, such notice shall be addressed to:

Ministry of Finance
Main and Urquart Streets
Georgetown, Guyana

Facsimile: (592) 226-1284

If to the Bank, such notice shall be addressed to:

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
U.S.A.

Facsimile: (202) 623-3096

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Please confirm your acceptance of the terms and conditions of this Agreement, in representation of the Beneficiary, by signing and returning one of the originals to the Bank's Country Office in the Cooperative Republic of Guyana.

This Agreement shall be signed in two (2) originals of equal tenor by duly authorized representatives, and will enter into force on the date of its signature by the Beneficiary.

Yours faithfully,

Inter-American Development Bank

/s/ Marco Carlo Nicola

Marco Carlo Nicola
Representative in Guyana

AGREED:

Ministry of Finance

/s/ Ashni Singh

Ashni Singh
Minister

Date: September 23, 2008

THE ANNEX

THE PROGRAM

Expanding Bioenergy Opportunities in Guyana

I. Objective

- 1.01** The general objective of the Program is to provide assistance that will allow the Government of Guyana (GOG) to develop the bioenergy sector.
- 1.02** The specific objectives of the Program are: (i) improving the capacity of the GOG to identify and evaluate viable investment opportunities in the bioenergy production chain; (ii) develop a financial vehicle or instrument to promote investment opportunities and develop a strategy to harness Guyana's potential for bioenergy production; (iii) increase capacity building and the transfer of technology in order to build a critical mass of bioenergy technicians, operators, and demonstration Programs; and (iv) institutional strengthening to support Agro-energy Policy of Guyana; support for small scale bioenergy demonstration Programs and dissemination of results.

II. Description

- 2.01** In order to achieve the above-mentioned objectives, the Program will finance the following components:

Component 1 – Development of a methodology for identifying viable investment opportunities, knowledge transfer, and preliminary identification of potential bioenergy programs

- 2.02** A surge of interest in the development of the biofuel sector in Guyana requires increased capacity for the analysis of project proposals from a technical, environmental, socio-economic, and financial perspective. Therefore the Program will finance: (A) (i) the development of a standard methodology for program screening and evaluation; (ii) training of public officials in the use of such methodology and technical aspects; (iii) identifying the demand for public sector participation in the implementation of such programs; (iv) designing the basic structure of a bioenergy program-evaluation unit within the Agro-energy Board of Guyana and (v) preparing Terms of Reference (TOR) for personnel of said unit; (B) (ii) determining the requirements to upgrade technical, operative, and managerial skills in relation to bioenergy production (biofuels and cogeneration) in Guyana; and (C) preparing a preliminary assessment of program developers interested in investing in bioenergy programs in Guyana.

Component 2 – Design of a financial vehicle or instrument to develop viable investment opportunities and pilot implement a Strategy to promote Guyana's potential for bioenergy production.

- 2.03** This component will finance the following activities: (A) (i) a comparative analysis of proven financial structures to promote budding industries; (ii) the design of a financial investment instrument appropriate for Guyana; (iii), the development of a management/organizational structure to accommodate this financial vehicle; and (iv) quantifying the demand for such investment incentives; (B) the design of a sustainable strategy to promote Guyana's potential to attract private investment in bioenergy production that will include the financial structure, eligible activities, program selection criteria, demand for financing, and assessment of development and commercial outcomes; (C) (i) coordination and logistics to bring delegations of foreign bioenergy investors and Program developers to Guyana; and (D) 5 pre-investment studies (pre-feasibility studies, feasibility studies and/or environmental impact assessments) for Programs previously identified in Component 1. Private firms benefitting from these studies will co-finance 75% of the amount of the Bank's grant contribution for the pre-investment studies.

Component 3 – Capacity building and transfer of technology

- 2.04** This component will finance capacity building and transfer of technology to upgrade technical, operative and managerial skills related to bioenergy production. Therefore, the Project will finance the following activities: (i) the hiring of consultants to design and implement a bioenergy training program at technical, operative and managerial levels, based upon the requirements for technical, operative and managerial skills upgrade, identified in component 1; (ii) lectures, field visits, seminars, theoretical and practical courses related to bioenergy production in Guyana. The beneficiaries of this initiative would include management and staff from the Ministry of Agriculture (MAG), University of Guyana, Institute of Applied Science and Technology (IAST), and National Agricultural Research Institute (NARI). The training envisioned through this component includes: management, an introduction to appropriate technology and standards from both an academic and pragmatic perspective ("hands-on" training), logistics related to the production chain, and financial training related to the assessment of investment opportunities. Training will be coordinated through the IAST.

Component 4 – Institutional strengthening to support the Agro-energy Policy of Guyana, support for small-scale bioenergy demonstration projects and dissemination of results

- 2.05** This Component will finance: (A) institutional strengthening and support for the preparation and execution of the Agro-energy Policy of Guyana (APG). Expertise in topics such as (i) alternatives for land use without promoting deforestation or displacing existing food cultivation land; (ii) efficient use of by-products; (iii) transportation and logistics; (iv) carbon finance, use of low carbon technologies and quantification of carbon emissions; (v) control quality standards and labs; and (vi) social and environmental impacts, will be contracted. Consultants will assist in the preparation of TORs. Issues such as land use studies, legal studies, social and environmental assessments and economical and political assessments that relate to the production chain of biofuels will subsequently be incorporated into the APG; (B) demonstration programs for ethanol. 30% of the Program's local counterpart (in cash) will be utilized to finance a small-scale ethanol demonstration facility. Consultant services

will be hired to design and/or provide technical assistance related to the design, construction and start up of the demonstration plant. Additionally the Program will finance the purchase of goods required by the facility such as fermentation tanks, distillation columns and/or molecular sieves for ethanol dehydration; and (C) two works shops to disseminate the findings of the Program and/or organize events where program developers and private investors can participate.

III. Total Cost of the Program

3.01 The estimated cost of the Program is the equivalent of one million two hundred and eighty eight thousand dollars (US\$1,288,000), in accordance with the following Budget:

Budget
(in US\$)

Component		IDB-JSF	IDB-SECCI	Gov. of Guyana Local Counterpart	Private Companies Local Counterpart	Total
1	Development of methodology for identification of viable investment opportunities, knowledge transfer and preliminary identification of potential bioenergy projects	60,000		2,500		62,500
2	Design of a financial vehicle or instrument to develop viable investment opportunities and pilot implement a strategy to promote Guyana's potential for bioenergy production	135,000	250,000	50,000	187,500	622,500
3	Capacity building and transfer of technology	125,000		50,000		175,000
4	Institutional strengthening for the support of the Agro-energy Policy of Guyana, support for small scale bioenergy demonstration projects and dissemination of results	300,000	0	72,500		372,500
5	Other Costs	55,500				55,500
	Auditing	15,000	0		0	15,000
	Monitoring (National Consultant)	20,000	0		0	20,000
	Contingencies	20,000	0		0	20,000
Grand Total		675,500	250,000	175,000	187,500	1,288,000
		52.45%	19.41%	13.59%	14.55%	100%

IV. Execution

- 4.01** The Executing Agency will be the focal point for coordination between and among the various institutions that will be involved in the Program. For the preparation and execution of the APG, the GoG has appointed a technical committee, the Guyana Agro-energy Board (GAB), consisting of representatives from the Ministry of Agriculture (MAG), the Guyana Office for Investment (Go Invest), the Commission of Land and Survey, the Guyana Sugar Corporation (GUYSUCO), the Guyana Energy Agency (GEA), the IAST and the Ministry of Public Works. The GAB will be chaired by an Executive Director (ED) who will report to the Minister of Agriculture. The GAB will be responsible for approving, with the no-objection of the Bank, the project proposals identified in Component 1 of the Project.
- 4.02** The Program will require a Program Manager, which will be financed by the Contribution, who will report to the ED. The Program Manager will be responsible for the preparation of the Terms of Reference and selection of consulting services, review of products delivered by the consulting firms or individuals, budget administration, logistics, local support and coordination between the government biofuel related entities, the MAG and the consulting firms.
- 4.03** The Energy Division (INE/ENE) and IDB Country Office in Guyana (CCB/CGY) will share the responsibility of supporting the Executing Agency in the preparation of TORs for contracting of services as well as in the selection process and in reviewing the products of such contracts whenever this is required. The technical responsibility for administration of the TC will also be shared between CCB/CGY and INE/ENE.