
LOAN NUMBER 1846 GU

Loan Agreement

(Highway Maintenance Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *June 24*, 1980

LOAN AGREEMENT

AGREEMENT, dated June 24, 1980, between REPUBLIC OF GUATEMALA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

ARTICLE 1

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "DGC" means Dirección General de Caminos of the Borrower's Ministry of Communications and Public Works;

(b) "Maintenance Zone" means any of the regional administrative units of DGC responsible for carrying out DGC's Maintenance Program;

(c) "Maintenance Program" means the maintenance program for the road system of the Borrower for the years 1981-1985, as described in the report entitled "Staff Appraisal Report - Highway Maintenance Project (Guatemala)", dated April 29, 1980;

(d) "DGC road network" means the roads under the jurisdiction of the Borrower's Ministry of Communication and Public Works, as defined in the "Guía Kilométrica, 1978," of the Borrower; and

(e) "Road Diagnostic Unit" means the unit to be established in accordance with Section 4.05 of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to seventeen million dollars (\$17,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank and the Borrower shall otherwise agree, procurement of the goods and civil works to be financed out of the proceeds of the Loan, shall be governed by the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1985 or such later date as the Bank in consultation with the Borrower shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. 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 withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and twenty-five hundredths per cent (8.25%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semianually on January 1 and July 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering, financial and highway maintenance practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall carry out the Maintenance Program with due diligence and efficiency and in conformity with appropriate administrative, engineering, financial and highway maintenance practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. (a) In order to assist the Borrower in carrying out Part B of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; such consultants to include one road maintenance engineer, one mechanical engineer, one transport economist, one soils and pavement engineer, one stores specialist, one training advisor, one chief instructor for the Center of Mechanics of DGC, one chief for the Training Production Unit of DGC, one chief operator and one chief mechanic.

(b) The Borrower shall assign to each one of the consultants employed pursuant to paragraph (a) above adequate counterpart staff.

Section 3.03. The Borrower shall, for the purpose of carrying out the Project:

(a) not later than December 31, 1980, prepare a detailed list, satisfactory to the Bank, of DGC's equipment and vehicles to be reconditioned under Part A.2 of the Project;

(b) (i) not later than December 31, 1980, prepare a program for a systematic scrapping of DGC's worn-out equipment, vehicles and obsolete parts; and (ii) start the execution of such program not later than March 1, 1982;

(c) (i) in each year, until the completion of the Project, prepare for each of the Maintenance Zones, a detailed work program

to be carried out during the next following calendar year; and (ii) exchange views with the Bank, not later than March 31 of each year, on the scope and content of such work program before its inclusion in DGC's operational budget;

(d) not later than October 31, 1981, furnish to the Bank a plan of action, satisfactory to the Bank, for purposes of carrying out Part B (2) of the Project.

Section 3.04. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) The Borrower shall cause all equipment and vehicles either acquired or reconditioned under the Project and spare parts therefor financed out of the proceeds of the Loan to be used exclusively for the Project until its completion and for minor improvement works, provided that such minor works account for no more than 10% of the annual working hours of such equipment and vehicles, and consist of road works which include improvements to existing drainage systems (pipe and box culverts); excavations of less than 1,000 m³ per km for limited improvement in road geometry; or asphalt paving of short segments (less than 100 m) of existing gravel or each roads.

Section 3.05. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank at

regular intervals all such information as the Bank shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations, resources and expenditures of DGC.

(b) The Borrower shall: (i) differentiate the road maintenance budget of DGC from DGC's budget for other activities; (ii) establish and put into effect, starting in fiscal year 1981 and apply thereafter, accounting procedures in DGC that will differentiate the cost of routine maintenance works from periodic maintenance activities, and maintenance operations from other operations of DGC's Maintenance Division; and (iii) establish by January 31, 1981 a monitoring and control system to evaluate the works carried out by DGC's Maintenance Division and assess expenditures related thereto.

(c) The Borrower shall put into effect, starting in 1981, a system for monitoring the availability and utilization of its equipment fleet.

Section 4.03. The Borrower shall:

(a) adequately maintain DGC's road network in accordance with sound engineering and financial practices;

(b) adequately maintain all of DGC's road maintenance equipment and make all necessary repairs and renewals thereof, all in accordance with sound engineering practices;

(c) establish and maintain suitable workshops and inventories of spare parts as required for the foregoing;

(d) not later than March 1, 1981, establish and maintain a supply and distribution system, satisfactory to the Bank, for the spare parts financed out of the proceeds of the Loan; and

(e) take all action, including adequate budgetary allocations for DGC and the provision of the means and funds, necessary for the foregoing.

Section 4.04. The Borrower shall:

(a) not later than January 1, 1982, carry out a review of DGC's road classification system;

(b) (i) not later than May 31, 1982, review the feasibility of extending DGC's maintenance responsibilities to include roads of economic and social significance for which DGC is not responsible on the date of this Agreement; and (ii) assess the technical, financial and administrative implications of such extension of DGC's responsibilities.

Section 4.05. The Borrower shall: (i) not later than March 1, 1981, establish, and thereafter maintain, a Road Diagnostic Unit to carry out a continuous survey on the condition of roads in the DGC network; and (ii) provide such unit, promptly as needed, with the funds, facilities, services and other resources required for the purpose.

Section 4.06. The Borrower shall ensure that:

(a) DGC efficiently enforces the vehicle dimension and axle-road regulations of the Borrower in force on the date of this Agreement, including night checks at key control stations; and

(b) DGC monitors the data collected in the enforcement of such regulations and exchanges views annually with the Bank on the results of such monitoring.

Section 4.07. The Borrower shall, from time to time, exchange views with the Bank on the transport planning studies undertaken by the Borrower: (i) to provide guidelines for the selection of transportation projects; and (ii) to assess the institutional and

policy changes necessary to strengthen the Borrower's transport sector and to improve transport services, in each case with special attention to the parts of such transport planning studies relating to road rehabilitation and strengthening.

Section 4.08. The Borrower shall:

(a) assign four additional qualified engineers to DGC's Maintenance Division; and

(b) assign, not later than January 1, 1981, four additional qualified technicians to DGC's Maintenance Division.

Section 4.09. The Borrower shall, until the completion of the Project and except as required for emergency situations, maintain the number of unskilled workers of DGC's Maintenance Division at or below the level existing on December 31, 1979.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the Borrower has employed, for purposes of carrying out Part B of the Project, the consultants referred to in Section 3.02 (a) of this Agreement and has assigned to such consultants at least the following counterpart staff: one road maintenance engineer, one mechanical engineer and one training officer;

(b) that the Borrower has assigned the four additional engineers referred to in Section 4.08 (a) of this Agreement to DGC's Maintenance Division.

Section 5.02. The date *October 23, 1980*, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Ministerio de Comunicaciones y Obras Públicas of the Borrower is designated as representative of the

Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Comunicaciones
y Obras Públicas
Palacio Nacional, Zona 1
Guatemala City
Guatemala

Cable address:

MINISCOP
Guatemala

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD.
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

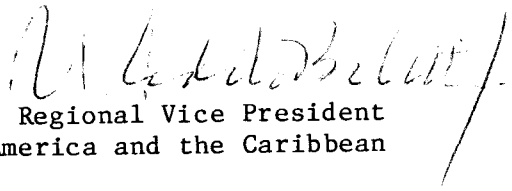
REPUBLIC OF GUATEMALA

By


Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By


Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works for Part B(2)(ii) of the Project	64,000	55%
(2) Equipment:		
(a) Replacement Program	8,240,000	100% of foreign expenditures and 91% of local expenditures
(b) Workshop and laboratory	660,000	100% of foreign expenditures and 91% of local expenditures
(3) Spare parts	4,014,000	100% of foreign expenditures and 91% of local expenditures
(4) Consultant's services and training	1,078,000	84%
(5) Scholarships	60,000	100% of foreign expenditures
(6) Unallocated	2,884,000	
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TOTAL	17,000,000	
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2. For the purposes of this Schedule: (a) the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting

or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project is part of the Maintenance Program. The purpose of the Project is to strengthen DGC's procedures and standards; to upgrade road maintenance manpower at all levels; to enhance the application of labor-intensive techniques to road maintenance operations; and to ensure an adequate supply of equipment and vehicles. The Project includes the following Parts:

Part A: Equipment, Parts and Tools

1. Acquisition and utilization of road maintenance equipment and vehicles, including hand tools; building up of an initial spare parts inventory; and acquisition of equipment for a Road Diagnostic Unit.
2. Reconditioning of existing maintenance equipment and vehicles and related acquisition and utilization of spare parts.
3. Improvement of DGC's maintenance workshops and related acquisition and utilization of workshop tools and equipment.

Part B: Institutional Improvements, Training and Studies

1. Strengthening of DGC's technical and managerial capabilities as necessary to carry out the Maintenance Program.
2. Establishment of a permanent training section in DGC and the development and execution of a training program including the following components:
 - (i) on-the-job training for DGC personnel at all levels and scholarships for courses abroad for DGC's technical and managerial staff;
 - (ii) construction and equipping of training facilities; and
 - (iii) acquisition and utilization of teaching and training equipment.

3. Preparation of a four-year road rehabilitation and strengthening program (1983-1986), including:

- (i) review of the classification of DGC's road network;
- (ii) identification of rehabilitation, strengthening and upgrading needs of DGC's road network, by January 31, 1982;
- (iii) preliminary engineering and economic studies for projects of road rehabilitation and strengthening, by May 31, 1982; and
- (iv) final engineering for the first and second year of such proposed projects by January 31, 1983.

* * *

The Project is expected to be completed by June 30, 1985.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each January 1 and July 1 beginning January 1, 1985 through January 1, 1997	655,000
On July 1, 1997	625,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1.45%
More than three years but not more than six years before maturity	2.90%
More than six years but not more than eleven years before maturity	5.35%
More than eleven years but not more than fifteen years before maturity	7.30%
More than fifteen years before maturity	8.25%

SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part B hereof, goods and civil works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.
2. For goods and works to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Bank as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Bank shall reasonably request; the Bank will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.
3. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for the imported goods, or the ex-factory price or off-the-shelf price of other goods, offered in such bid; and (ii) customs duties and other import taxes levied in connection with the importation, or the sales and similar taxes levied in connection with the sale or delivery, pursuant to the bid, of the goods shall not be taken into account in the evaluation of the bids.
4. Before issuing the invitations to bid, goods to be procured in accordance with the provisions of paragraph 1 above shall, for bidding purposes, be divided into lots, such lots to be satisfactory to the Bank.

B. Other Procurement Procedures

1. Equipment, vehicles, parts and tools estimated to cost less than the equivalent of \$75,000 may be procured under contracts awarded on the basis of competitive bidding advertised locally in accordance with local regulations; provided, however, that the purchase price of all goods so procured shall, in the aggregate, not exceed the equivalent of \$1,000,000.

2. Spare parts for specific makes estimated to cost less than the equivalent of \$75,000 may be procured through negotiated purchases from established and reliable suppliers; provided, however, that the purchase price of all goods so procured shall, in the aggregate, not exceed the equivalent of \$500,000.

3. Civil works financed under Category (1) of Schedule 1 to the Loan Agreement may be procured under contracts awarded on the basis of competitive bidding advertised locally.

C. Review of Procurement Decisions by the Bank

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

With respect to all contracts for equipment, vehicles, spare parts, tools and civil works estimated to cost the equivalent of \$75,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the recommendations for award and such other information as the Bank shall reasonably

request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. With respect to each contract not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

3. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 20% of the original price, the Borrower shall inform the Bank of the proposed modification, waiver, extension or change order and the reasons therefor. The Bank, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.