
LOAN NUMBER 3533 GU

Loan Agreement

(Economic Modernization Loan)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *December 8*, 1992

LOAN AGREEMENT

AGREEMENT, dated *December 8*, 1992, between REPUBLIC OF GUATEMALA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Bank has received a letter dated October 16, 1992 from the Borrower describing a program of actions, objectives and policies designed to achieve modernization of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided, in support of the Program to provide such assistance to the Borrower by making the Loan in three tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) 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 of the program referred to in the Preamble to the Loan Agreement, 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.";

(c) The last sentence of Section 3.02 is deleted; and

(d) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "Administration Action Plan" means the Borrower's plan of actions, including targets and timetable therefor, if any, for improving tax and customs administration, as such plan is set forth in the attachment to the letter to the Bank dated October 12, 1992 from the Borrower's representative under Section 6.01 of this Agreement and as it may be modified from time to time by agreement between the Borrower and the Bank;

(b) "All Taxes" means the aggregate of any direct or indirect tax that may be levied by the Borrower's tax authorities (other than municipal authorities) under the Borrower's relevant laws and regulations, and the term includes custom duties, stamp charges, surcharges and any other charge that may be levied on the manufacturing, circulation, distribution or transference of imported or domestic goods, and on the provision of services;

(c) "Fiscal Year" means the Borrower's fiscal year, which begins on January 1 and ends on December 31 of each year;

(d) "GDP" means the Borrower's gross domestic product of a given year, actual or estimated, as the case may be, all calculated in accordance with a methodology satisfactory to the Bank;

(e) "Programa de Modernización Económica" means the document under that name submitted to the Bank by the Borrower's Minister of

Finance and dated October 15, 1992, as said document may be changed from time to time by agreement between the Borrower and the Bank;

(f) "Quetzal" and "Quetzales" mean the currency of the Borrower;

(g) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986);

(h) "Social Sector Targets" means each of the increases of 15% in real terms that are expected to take place during Fiscal Year 1993 over and above the corresponding figures shown, in the Fiscal Year 1992 budget approved by the Borrower's Congress by means of Decreto #83-91, dated November 29, 1991, published in the Borrower's Official Gazette on December 19, 1991, in respect of public expenditures for primary education, and for preventive and primary health care, respectively;

(i) "Table" means the table set forth in paragraph 1 of Schedule 1 to this Agreement; and

(j) "Tranche" means each of the respective amounts of Loan proceeds allocated from time to time to Categories (1), (2) and (3) of the Table and the following terms have the following meanings: "First Tranche" means a Tranche, as so defined, to be disbursed on or after the Effective Date subject to the provisions of this Agreement, particularly those under Section 12.01 of the General Conditions; "Second Tranche" means a Tranche, as so defined, to be disbursed, subject to the provisions of this Agreement, on or after the date on which all conditions stipulated in paragraph 5 of Schedule 1 to this Agreement have been met; and "Third Tranche" means a Tranche, as so defined, to be disbursed, subject to the provisions of this Agreement, on or after the date on which all conditions stipulated in paragraph 6 of Schedule 1 to this Agreement have been met.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred twenty million dollars (\$120,000,000),

being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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.

Section 2.03. The Closing Date shall be September 30, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may

be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

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

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. (a) The Director of the Department mentioned in (b) below is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the External Finance Department of the Borrower's Ministry of Public Finance with responsibility for the

preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$1,000,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedules 4 and 5 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

(c) It is hereby understood that, when analyzing the progress achieved in meeting the Social Sector Targets or the measures, actions and results corresponding to each of the paragraphs in Schedule 4 and 5 to this Agreement, the corresponding Sections of the Programa de Modernización Económica and the Administration Action Plan, the analysis shall, when so required by the measure, action or result in question because of the timing of the review and that of the measure, action or result in question, focus not only on the past action taken, measures set forth or results achieved at the time each of the aforesaid exchanges of views takes place, but also on the likelihood of meeting the future applicable Social Sector Targets, or achieving the future results foreseen for such actions or measures, if any, all in respect of the corresponding Sections of the Programa de Modernización Económica and the Administration Action Plan.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in

accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for the applicable period pursuant to (ii) below within each Fiscal Year, audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than ninety days after the date of which the amount allocated from time to time under each category of the Table has been fully withdrawn, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and

- (iv) ensure that such records and accounts are included in the audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during the period corresponding to the audit in question, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

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 macroeconomic policy framework of the Borrower is consistent with the objectives of the Program;
- (b) that new sets of norms satisfactory to the Bank on: (i) loan classification and provisioning; and (ii) accounting standards, both applicable to institutions under the jurisdiction of the Borrower's Superintendency of Banks (SB), have been put into effect by the Borrower's relevant authorities, including the Borrower's Monetary Board, so as to be binding on said institutions as of January 1, 1993 and thereafter;
- (c) that SB has put into effect guidelines applicable to itself and to the institutions subject to SB's control on disclosure of information about said institutions; and

(d) that SB has adopted a reorganization plan approved by the Borrower's relevant authorities, including the Borrower's Monetary Board, and satisfactory to the Bank.

Section 5.02. The following are specified as additional matters within the meaning of Section 12.02 (c) of the General Conditions to be included in the opinion or opinions furnished to the Bank, namely, that all action to put into effect the sets of norms and reorganization plan referred to in paragraphs (b) and (d) respectively, of Section 5.01 of this Agreement, have been taken by the relevant Borrower's authorities and that the said sets and plan have been put into effect pursuant to the terms thereof.

Section 5.03. The date of *April 7, 1993* is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, the Minister of Finance 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:

Ministry of Public Finance
8^a Avenida and 21^a Calle
Zona 1
Guatemala, Guatemala

Cable address:

MINFIP
Guatemala, Guatemala

Telex:

9207 MINFIP GU

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.

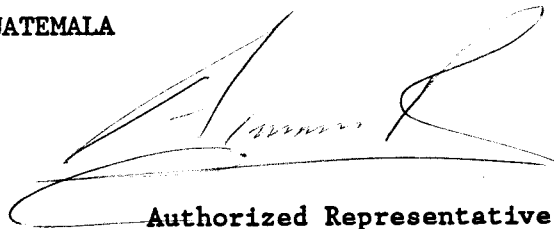
Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the city of Guatemala, Republic of Guatemala, 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) Imported goods to be financed under the First Tranche	48,000,000	100% of expenditures
(2) Imported goods to be financed under the Second Tranche	36,000,000	100% of expenditures
(3) Imported goods to be financed under the Third Tranche	36,000,000	100% of expenditures
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TOTAL	120,000,000 -----	

2. For the purposes of this Schedule, the term "expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<u>Group</u>	<u>Sub-group</u>	<u>Description of Items</u>
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse
122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and associated materials
667	--	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
728.43	--	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	--	Gold, non-monetary (excluding gold ores and concentrates)

(b) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$48,000,000 may be made on account of payments made for such expenditures before that date but after a date eight months earlier than the date of this Agreement;

(c) expenditures for goods procured under contracts costing less than \$10,000 equivalent;

(d) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance; and

(e) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption.

4. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$5,000,000 may be permitted by the Bank upon the basis of statements of expenditure under such terms and conditions as the Bank shall specify.

5. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan under Category (2) of the Table unless the proceeds of the Loan allocated under Category (1) have been fully disbursed for more than one hundred and twenty days, and the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program; (b) that the actions described in Schedule 4 to this Agreement have been taken in form and substance satisfactory to the Bank; and (c) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program.

6. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan under Category (3) of the Table unless the proceeds of the Loan allocated under Category (2) have been fully disbursed for more than one hundred and twenty days, and the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program; (b) that the actions described in Schedules 4 and 5 to this Agreement have been taken in form and substance satisfactory to the Bank; and (c) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program.

7. If, after the exchange of views described in paragraph 5 or 6 above, the Bank shall have given notice to the Borrower that the progress achieved in the carrying out of the Program or the actions described in Schedules 4 or 5 to this Agreement, as the case may be, are not satisfactory, or that the macroeconomic policy framework of

the Borrower is not consistent with the objectives of the Program, and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, or the Borrower's macroeconomic policy framework remains inconsistent with the objectives of the Program, then the Bank may, by notice of the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

SCHEDULE 2

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
May 1, 1998	2,210,000
November 1, 1998	2,295,000
May 1, 1999	2,385,000
November 1, 1999	2,475,000
May 1, 2000	2,570,000
November 1, 2000	2,665,000
May 1, 2001	2,765,000
November 1, 2001	2,870,000
May 1, 2002	2,980,000
November 1, 2002	3,095,000
May 1, 2003	3,210,000
November 1, 2003	3,335,000
May 1, 2004	3,460,000
November 1, 2004	3,590,000
May 1, 2005	3,730,000
November 1, 2005	3,870,000
May 1, 2006	4,020,000
November 1, 2006	4,170,000
May 1, 2007	4,330,000
November 1, 2007	4,495,000
May 1, 2008	4,665,000
November 1, 2008	4,840,000
May 1, 2009	5,025,000
November 1, 2009	5,215,000
May 1, 2010	5,415,000
November 1, 2010	5,620,000
May 1, 2011	5,835,000
November 1, 2011	6,055,000
May 1, 2012	6,285,000
November 1, 2012	6,525,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

<u>Time of Prepayment</u>	<u>Premium</u>
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

SCHEDULE 3

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Business; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Subject to paragraph 3 below, contracts for the procurement of goods estimated to cost the equivalent of less than \$3,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Bank; and

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers, except that direct contracting procedures acceptable to the Bank may be used where considered appropriate under paragraph 3.5 of the Guidelines.

3. Subject to the prior approval of the Bank, commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Bank, in accordance with procedures acceptable to the Bank; provided, however, that: (a) in respect of petroleum imports under existing contracts entered into with oil suppliers, the Bank shall finance out of the Loan an amount not to exceed, per unit, the average between lower and higher FOB (free on board) prices as reflected in the Platt's Oilgram for the US Gulf Coast or the Caribbean, as applicable, for the relevant date of loading (with due adjustment for type and quality of crude or petroleum product) plus the ocean freight rates that would apply to the largest tankers that can be handled at the receiving terminal, insurance and inspection costs, and ocean losses allowances; or (b) in respect of other commodity imports under existing contracts entered into with the corresponding suppliers, the Bank shall finance out of the Loan an amount not to exceed the average FOB (free on board) price posted (for the commodity in question and for the relevant date of shipment) by a commodity exchange acceptable to the Borrower and the Bank, plus the additional costs referred to above, if applicable.

4. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission 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 and recommendations for award, a description of the

advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

5. With respect to each contract referred to in paragraphs 2 and 3 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

6. The provisions of the preceding paragraph 5 of this Schedule shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

SCHEDULE 4

Actions Referred to in Paragraph 5 (b)
of Schedule 1 to this Agreement

Public Finances

1. The aggregate amount of revenues collected in respect of All Taxes applicable during Fiscal Year 1992 is not less than 7.7 percent of GDP for such year.

2. The Borrower and the Bank have agreed on an estimated amount of revenues to be collected in respect of All Taxes during Fiscal Year 1993 which shall be equivalent to, at least, 9% of GDP for such year, and the Borrower has furnished to the Bank evidence that the amount so agreed is reflected in the Borrower's budget for Fiscal Year 1993.

3. The Administration Action Plan is being implemented and the Borrower is likely to fully implement such Plan, all in accordance with the objectives, actions, targets and timetable of such plan.

4. (a) The applicable Social Sector Targets have been or are likely to be met; and (b) the Borrower, and the Bank have agreed on an investment plan for the Borrower's social sectors for Fiscal Years 1994 and 1995, such plan to focus on expansion of: (i) primary education in rural areas; (ii) preventive and primary health care; (iii) nutrition programs; and (iv) health and primary education service coverage in rural areas.

Public Sector Reform

5. The actions and results, described in Section: Public Sector Reform of Programa de Modernización Económica, will have been taken and achieved, respectively, in accordance with said Section.

Trade Reform

6. The import tariff positions have been reduced to not more than 5 within a range of 5% and 20%, both of the C.I.F. (cost, insurance and freight) value of the goods in question, in respect of all goods imported to Guatemala; provided, however, that in respect of textiles, clothing and shoes, the aforesaid range will only apply as of January 1, 1994.

7. The actions, measures and results described in Section: Trade Reform of Programa de Modernización Económica, will have been taken or achieved, as the case may be, in accordance with said Section.

Reform of State Financial Institutions

8. The Borrower and/or, at the Bank's request, the Borrower's Central Bank, have furnished to the Bank evidence that any instrument of indebtedness issued by the Borrower, its Central Bank, any financial institution directly or indirectly owned or controlled by the Borrower, or any agency of any of the aforesaid, has been or will be issued at interest rates not lower than the weighted average deposit rate of the banking system as calculated by the Superintendency of Banks.

9. The actions, measures and results described in Section: State Financial Institutions of Programa de Modernización Económica, will have been taken or achieved, respectively, in accordance with said Section.

Financial Sector Modernization

10. The actions and results, described in Section: Financial Sector Modernization of Programa de Modernización Económica, will have been taken or achieved, as the case may be, in accordance with said Section.

SCHEDULE 5

Actions Referred to in Paragraph 6 (b) of Schedule 1 to this Agreement

Public Finances

1. The amount of revenues collected, or likely to be collected, in respect of All Taxes applicable during Fiscal Year 1993 is not lower than the estimated amount agreed pursuant to paragraph 2 of Schedule 4 to the Loan Agreement.
2. The Administration Action Plan has been implemented all in accordance with its objectives, actions, targets and timetable.
3. (a) The applicable Social Sector Targets have been met or are likely to be met; (b) the investment plan agreed pursuant to paragraph 4 (b) of Schedule 4 to this Agreement is being implemented; and (c) the Borrower is likely to fully implement such plan, all in accordance with the objectives, actions and targets of such plan.

Public Sector Reform

4. The actions and results, described in Section: Public Sector Reform of the Programa de Modernización Económica, will have been taken or achieved, respectively, in accordance with said Section.

Trade Reform

5. The tariff positions in respect of all goods imported into Guatemala are within the range stipulated in paragraph 6 of Schedule 4 to this Agreement; provided, however, that only with respect to textiles, clothing and shoes, the application of the provisions of this paragraph 5 shall be further subject to the proviso to the aforementioned paragraph 6.

Reform of State Financial Institutions

6. The actions and results, described in Section: State Financial Institutions of the Programa de Modernización Económica, will have been taken or achieved, respectively, in accordance with said Section.

Financial Sector Modernization

7. The actions, measures and results described in Section: Financial Sector Modernization of the Programa de Modernización Económica, will have been taken or achieved, as the case may be, in accordance with said Section.