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LOAN NUMBER 3534 GU

# Loan Agreement

(Social Investment Fund Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated

*September 29*, 1993

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LOAN AGREEMENT

AGREEMENT, dated *September 29*, 1993, between REPUBLIC OF GUATEMALA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which the Borrower intends to carry out in the terms provided for hereunder and within the framework of its Social Sector Strategy as described in the Letter of Social Sector Development Policy signed by the Borrower's Minister of Finance on October 29, 1992, has requested the Bank to assist in the financing of the Project; and

(B) the Borrower intends to contract from Banco Centroamericano de Integración Económica (BCIE) and Kreditanstalt für Wiederaufbau (KfW, respectively) two loans (the BCIE Loan and the KfW Loan, respectively) in amounts equivalent to \$10,000,000 and DM (as hereinafter defined) 30,000,000, respectively, to assist in financing the Project on the terms and conditions set forth in agreements (the BCIE Agreement and the KfW Agreement) to be entered into between the Borrower and each of BCIE and KfW, respectively; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

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 set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (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."

(c) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) if by the date specified in paragraph 2 (c) of Part B of Schedule 5 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests permitted under subparagraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower, terminate the right of the Borrower to submit such applications or approvals or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

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) "Approved Subproject" means a Subproject, as so defined, that has been approved by SIF, as the term is defined below, in accordance with the Operational Manual, as the term is defined below, and in respect of which SIF has entered into the corresponding Subproject Agreement, as the term is defined below;

(b) "Beneficiary" means the individual, informal groups of individuals or groups of individuals associated under legal entities permitted under the legal provisions mentioned in Section 6.01 (a) of this Loan Agreement or other provisions of the Borrower's laws, for the benefit of which an Approved Subproject may be carried out and financed by SIF;

(c) "Cooperation Agreement" means each of the contractual arrangements to be entered into pursuant to the provisions of Sections 3.01 (c) and 6.01 (f) of this Loan Agreement;

(d) "DM" means the currency unit of the Federal Republic of Germany in which the KfW shall be denominated under the KfW Agreement;

(e) "Eligible Approved Subproject" means an Approved Subproject, as so defined, that: (i) either has been approved by the Bank or is a free-limit Approved Subproject for which the Bank has authorized disbursements, both pursuant to the provisions of paragraph 1 of Part B of Schedule 5 to this Loan Agreement; (ii) has been provided for under the corresponding Subproject Agreement; (iii) as the context will require, is intended to be, is being or has been financed out of the proceeds of the Loan; and (iv) is included in the Operational Manual, as the term is defined below, in the areas of basic health care, feeding, nutrition, pre-school, elemental or informal education, construction, rehabilitation or upgrading of health, feeding and nutrition, pre-school or basic education facilities, community training in the use and maintenance of health, feeding and nutrition and sanitation facilities, development of training materials, setting up of temporary premises to be used in training courses for any of the above, economic infrastructure, (which comprises local roads, bridges, drainage facilities for rural roads, maintenance of primary roads including training therefor, protection of the environment, rehabilitation, extension and construction of wells or irrigation systems, agricultural collection or storage facilities, rehabilitation or construction of common slaughterhouses or trade centers, construction, rehabilitation or expansion of agro-industrial processing centers, and protection or conservation of historic and cultural monuments or sites), and such other areas or specific activities as the Bank and SIF may agree upon in writing from time to time;

(f) "Eligible Expenditures" means expenditures for the procurement of goods, civil works or services that, according to the Operational Manual, may be financed by SIF in respect of the execution of any given Eligible Approved Subproject, and the term specifically excludes expenditures the financing of which is not permitted by the Operational Manual or the financing of which under the Loan is not permitted under the provisions of this Loan Agreement or additional notices given by the Bank to SIF or the Borrower from time to time and to that effect;

(g) "Executing Entity" means either the Beneficiary, or an NGO or a Municipality (as the terms are defined below), or an administrative subdivision of the Borrower whose services are

required for the execution of the Approved Subproject in question, to the extent the Beneficiary, NGO, Municipality or administrative subdivision in question is eligible under the Operational Manual to be charged with the overall responsibility for the carrying out of the corresponding Approved Subproject and is ready to undertake or has undertaken such responsibility under the corresponding Subproject Agreement, as the term is defined below;

(h) "Ministries" means the Borrower's Ministries of Education, Health, and Urban and Rural Development, and any other of the Borrower's Ministries (other than the Ministry of Public Finance) whose participation may become necessary during Project execution.

(i) "Municipality" means a political subdivision of the Borrower or a legal entity owned and controlled by such political subdivision;

(j) "NGO" means a non-profit and privately owned and controlled legal entity, legally capable to carry on operations in Guatemala, and which is, or may become, eligible under the Operational Manual to be a Sponsoring Entity (as the term is defined below) or an Executing Entity, as the case may be;

(k) "Operation Manual" means the Operational Manual adopted by SIF pursuant to the provisions of paragraph (b) of Section 6.01 of this Loan Agreement, as such Manual may be changed from time to time by agreement between the Bank and SIF;

(l) "SIF" means the Borrower's Social Investment Fund, a legal entity fully owned by the Borrower, denominated Fondo de Inversión Social, established by the Decree or Decrees enacted by the Borrower's Congress pursuant to the provisions of paragraph (a) of Section 6.01 of this Loan Agreement and governed by such Decree or Decrees and by the regulations thereto issued by the Borrower's Executive Branch pursuant to the provisions of paragraph (a) of Section 6.01 of this Loan Agreement, as such Decrees or regulations may be modified from time to time with the acquiescence of the Bank and SIF;

(m) "Sponsoring Entity" means an NGO, or a private individual or entity, a Municipality or an administrative subdivision of the Borrower, that has prepared or helped a Beneficiary to prepare, a Subproject or has requested its approval

for purposes of SIF's financial assistance, and which is ready to enter, or has entered, into the corresponding Subproject Agreement with SIF to sponsor the carrying out of the Approved Subproject in question by the corresponding Beneficiary;

(n) "Subproject" means each of the types of subprojects listed in the subproject menu included in the Operational Manual, as such Manual may be changed by SIF from time to time by agreement with the Bank;

(o) "Subproject Agreement" means the contractual arrangements to be entered into between SIF and the Executing Entity and, if different than the latter, the Sponsoring Entity, and which will stipulate, in a manner which is consistent with the provisions of the Operational Manual, the terms and conditions, particularly those provided for in Part C of Schedule 5 to this Loan Agreement, under which a given Approved Subproject shall be carried out and be financed by SIF, provided, however, that when the Executing Entity is not the Beneficiary and the Beneficiary is expected to finance any part of the cost of the Approved Subproject in question, the Beneficiary shall also be a party to the Subproject Agreement; and

(p) "Subsidiary Agreement" means the agreement between the Borrower and SIF to be entered into pursuant to the provisions of paragraphs (d) and (c) of Sections 3.01 and 6.01, respectively, of this Loan Agreement, as it may be changed from time to time in accordance with the provisions of this Loan Agreement.

## 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 twenty million dollars (\$20,000,000), 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 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. The Closing Date shall be December 31, 1997 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 3 to this Agreement.

Section 2.08. The Executive President of SIF 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.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through SIF, under the provisions of the Subsidiary Agreement, with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, public health, sanitation, education, nutrition and engineering practices, and shall provide,



promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation or restriction to any of the provisions of paragraph (a) above, the Borrower shall take all such action on its part as shall be required to maintain SIF with an organizational structure, functions and responsibilities satisfactory to the Bank and staffed, at all times, with adequate personnel with experience and qualifications acceptable to the Bank, including those of any candidate to occupy the position of Executive President of SIF, in respect of whom, consultation with the Bank shall be required before any appointment to such position is made.

(c) Without limitation or restriction to any of the provisions of paragraph (a) above, the Borrower shall, through the Minister of Public Finance and each of the Ministries, enter with SIF into contractual arrangements (Cooperation Agreement) which shall ensure, inter alia, that: (i) all Approved Subprojects are consistent with the respective investment plans of such Ministries; (ii) said Ministries' technical norms and standards for service delivery are consistent with those to be provided under or as a result of the carrying out of Approved Subprojects; (iii) incremental recurrent costs caused by said Subprojects would be incorporated into the budgets of the respective Ministries when said costs are not to be financed by the Beneficiaries; and (iv) mechanisms satisfactory to the Bank are kept at all times for purposes of the above.

(d) The Borrower shall make the proceeds of the Loan available to SIF as a grant under a subsidiary agreement to be entered into between the Borrower and SIF, under terms and conditions which shall include the stipulations set forth in Part A of Schedule 5 to this Loan Agreement and other stipulations agreed between the Borrower and the Bank (the Subsidiary Agreement).

(e) The Borrower shall exercise its rights under each Cooperation Agreement and the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement, any Cooperation Agreement or any provisions thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required

for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) The Borrower, through SIF, and the Bank shall, not later than December 31 of each year during the execution of the Project, starting on December 31, 1994, undertake a joint review of the progress made in the execution of the Project and in the achievement of the objectives thereof, such review to cover, inter alia, the agenda set forth in Schedule 6 to this Loan Agreement.

(b) Without limitation or restriction to any of the Bank's remedies under this Agreement, if any of the reviews referred to in paragraph (a) above shows that the objectives of the Project are not being achieved, or that, in the opinion of the Bank, the Project is not being satisfactorily carried out or no satisfactory progress has been made in its execution, the Borrower shall promptly take, or cause through SIF to be taken, all such remedial action, satisfactory to the Bank, as shall be necessary to remedy the situation, as notified to SIF by the Bank. In assessing the progress in the execution of the Project, the Bank shall apply, inter alia, the monitoring indicators and targets set forth or referred to in Schedule 7 to this Loan Agreement.

Section 3.04. The Borrower shall, through SIF, ensure that the aggregate amount of funds committed by SIF under Subproject Agreements in areas other than those referred to in Section 1.02 (d) of this Loan Agreement shall, at all times and except otherwise agreed between the Borrower and the Bank, be 10% or less of the aggregate funds committed by SIF under Subproject Agreements at the moment in question.

Section 3.05. (a) The Borrower shall enter into contractual arrangements satisfactory to the Bank with United Nations Development Programme or other institution or institutions acceptable to the Bank, or both, which shall assist the Borrower and SIF in the carrying out of Part B of the Project.

(b) The Borrower shall exercise, and shall cause SIF to exercise, their respective rights under the contractual arrangements referred to in paragraph (a) of this Section and the additional contractual arrangements referred to in paragraph (e) of Section 6.01 of this Loan Agreement, in such a manner as to protect the interest of the Borrower, SIF and the Bank and to accomplish the purposes of the Loan and, except as the Bank shall otherwise agree,

the Borrower shall not, and shall cause FIS not to, assign, modify, amend, abrogate or waive such arrangements or any of the provisions thereof.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall cause SIF to maintain records and separate accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of SIF and the operations, resources and expenditures in respect of each Approved Subproject.

(b) The Borrower shall cause SIF to:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for 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 six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) 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 such records, accounts and financial statements 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 cause SIF to:

- (i) maintain, 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 annual audit 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 such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Without limitation to the provisions of Section 4.01 of this Agreement, the Borrower shall cause SIF, under the Subsidiary Agreement: (i) to cause an adequate sample of Approved Subprojects, selected in accordance with criteria satisfactory to the Bank, to be audited by independent auditors acceptable to the Bank, every quarter during the execution of the Project, each such audit to be carried out under terms of reference satisfactory to the Bank and to include a financial review of expenditures incurred under the selected Approved Subprojects and a field inspection of the physical activities under the Subprojects in question; and (ii) to furnish to the Borrower and the Bank, as soon as available, but in any case not later than two months after the end of each such quarter, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank and the Borrower shall have reasonably requested.

## ARTICLE V

### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified, provided, however, that in respect of any event referred to in paragraph (e) below, the Bank may, if justifiable in its opinion, restrict the suspension of disbursements of Loan proceeds in respect of the portion or portion thereof, or Approved Subproject or Subprojects, affected by the event in question:

(a) SIF such have failed to comply with any of its obligations under the Subsidiary Agreement or under any of the contractual arrangements referred to in paragraph (f)(iv) of this Section or in paragraph (e) of Section 6.01 of this Loan Agreement.

(b) Any Cooperation Agreement shall have been modified or terminated without the acquiescence of the Bank, or any of the parties thereto shall have failed to comply with their respective obligations thereunder.

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project, including the BCIE Loan or the KfW Loan or the right of SIF to have access to such proceeds shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the BCIE Agreement or the KfW Agreement or any other agreement providing a grant or loan for the Project, as the case may be; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof; and

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or pre-maturing is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(d) That any of the legal provisions mentioned in paragraph (a) of Section 6.01 of this Loan Agreement have been abrogated, or changed so as to materially effect in the opinion of the Borrower or the Bank, the carrying out of the Project by the Borrower acting through SIF.

(e) That any of the parties to a Subproject Agreement has failed to comply with its respective obligations thereunder.

(f) That, by a date twelve and six months, respectively from the Effective Date: (i) the BCIE and the KfW Agreements shall have not been executed and delivered between the parties thereto; or (ii) their respective conditions of effectiveness shall have not been met; or (iii) a legal opinion or opinions on behalf of the Borrower and satisfactory to the Bank, stating that the BCIE Agreement and the KfW Agreements have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and that each of said Agreements is legally binding upon the Borrower in accordance with their respective terms, shall have not been furnished to the Bank; or (iv) any of the contractual arrangements among the Borrower, SIF and, as the case may be, BCIE or KfW, required to make the proceeds of the BCIE Loan and the KfW Loan, respectively, available to SIF, shall have not been entered into, or having been entered into shall have not become effective; or (v) a legal opinion or opinions, on behalf of the Borrower and SIF and satisfactory to the Bank, stating that the contractual arrangements referred to in (iv) above have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and SIF, and are legally binding thereupon in accordance with their respective terms, shall have not been furnished to the Bank.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (a) or (b) or (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower;

(b) any event specified in paragraph (d) or (f) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. 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 one or more Decrees satisfactory to the Bank, establishing SIF have been enacted by the Borrower's Congress, that such Decree or Decrees have been published in the Borrower's Official Gazette, and that the Borrower's Executive Branch have issued regulations to such Decree or Decrees in form and substance satisfactory to the Bank;

(b) that SIF has been adequately staffed and furnished with other resources required to make it operational, that the Executive President of SIF, with qualifications and experience satisfactory to the Borrower and the Bank, has been appointed and that SIF has issued, in form and substance satisfactory to the Borrower and the Bank, an Operational Manual consistent with the legal provisions referred to in paragraph (a) of this Section and with the Cooperation Agreements;

(c) that the Subsidiary Agreement has been executed and delivered between the parties thereto and that all conditions to the effectiveness thereof, other than the effectiveness of this Loan Agreement, have been met;

(d) (i) that the contractual arrangements stipulated in Section 3.05 (a) of this Loan Agreement have been executed and delivered between the Borrower and other parties thereto and that all conditions for their respective effectiveness other than the effectiveness of this Loan Agreement, have been met; and (ii) that the Borrower has made progress satisfactory to the Bank towards entering with BCIE into the BCIE Agreement;

(e) that all additional contractual arrangements among the Borrower, the institution or institutions involved pursuant to Section 3.05 of this Loan Agreement and SIF, required to make available to SIF the services to be provided to the Borrower under the contractual arrangements referred to in paragraph (d) above, have been entered into and have become effective;

(f) that all the Cooperation Agreements with the Ministries specifically listed as such in Section 1.02 (g) of this Loan Agreement have been executed and delivered and have become effective; and

(g) that SIF has put into effect, in form and substance satisfactory to the Bank, an initial management information system that will be later evaluated and completed under Part B.2 (a) of the Project.

Section 6.02. 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 to be furnished to the Bank:

(a) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and SIF and is legally binding upon the Borrower and SIF in accordance with its terms;

(b) that the contractual arrangements stipulated in Section 3.05 of this Loan Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and that such Agreement is legally binding upon the Borrower in accordance with its terms;

(c) that the additional contractual arrangements mentioned in paragraph (e) of Section 6.01 of this Loan Agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and SIF and are legally binding upon the Borrower and SIF in accordance with their terms; and

(d) that SIF has been established in accordance with the Borrower's laws, that its Executive President has been duly appointed, and the Operational Manual has been duly issued, all in accordance with the legal provisions mentioned in paragraph (a) of Section 6.01 of this Loan Agreement, and that SIF is legally empowered, by virtue of said legal provisions, the Borrower's laws and the Operational Manual, to undertake the activities which will enable the Borrower to carry out the Project.

Section 6.03. The date of January 27, 1994 is hereby specified for the purposes of Section 12.04 of the General Conditions.



ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Sections 2.08 and 7.03 of this Loan 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Public Finance  
8<sup>a</sup> Avenida and 21<sup>a</sup> 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)

For SIF:

Fondo de Inversión Social  
13 Calle 7-51  
Zona 9  
Guatemala, Guatemala

Cable address:

Fondo de Inversión  
Social  
MINIP  
Guatemala, Guatemala

Telex:

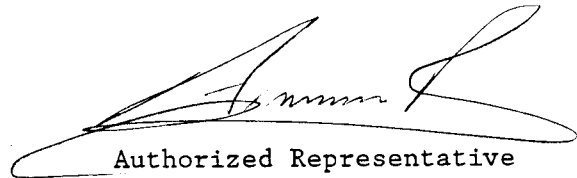
Fondo de  
Inversión  
Social  
9207 MINFIP GU

Section 7.03. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Loan Agreement on behalf of SIF, may be taken or executed by SIF's Executive President, and any action so taken or document so executed shall be deemed taken on behalf of the Borrower. For that purposes, SIF shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

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 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) Eligible Expenditures under Eligible Approved Subprojects	15,800,000	90% of disburse- ments made by SIF in respect thereto
(2) Goods for Parts B and C of the Project	200,000	100% of foreign expenditures and 80% of local expenditures for items pro- cured locally
(3) Short-term specialized ser- vices for SIF, train- ing under Parts B.(1) and C of the Project, auditing services, and monitoring and evaluation services under Part B (2) of the Project	2,000,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) SIF operations (other than Short- term services under Category (3) of this table)	1,000,000	100%, until the aggregate amounts withdrawn under this Category (the Amounts) reach the equivalent of \$500,000, 50% thereafter until the Amounts reached the equi- valent of \$750,000 and 25% thereafter
(5) Unallocated	1,000,000 -----	
TOTAL	20,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments for expenditures to be financed out of Categories (1) or (2) of the table in paragraph 1 above unless SIF shall have adopted standard bidding documents in form and substance satisfactory to the Bank.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to support the SIF as the agency of the Borrower that: (a) will target scarce existing resources of the Borrower more effectively to improve the health, nutrition, basic education, and thus the income-earning potential of the poor; (b) will create a means of responding rapidly and efficiently to socio-economic needs as identified by poor local communities, focusing in indigenous communities; and (c) will help improve the coverage and quality of basic health, nutrition and education services while the relevant Borrower's Ministries are being strengthened so as to better serve the rural population.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A:        Approved Subprojects

The identification, selection and appraisal by SIF of Subprojects which may become Approved Subprojects, the making by the Borrower of grants to finance such Approved Subprojects, the procurement by SIF, directly or indirectly, of the goods, civil works and services required by said Approved Subprojects and the supervision of the execution of said Approved Subprojects, including the monitoring of the progress made during, and the evaluation of results obtained upon completion of, such execution, all in accordance with the Operational Manual.

Part B:        SIF Administration

(1) Strengthening of SIF's capabilities by means of the provision of technical assistance, particularly in the areas of fund raising, social investment fund management, design, selection, appraisal and result evaluation of Subprojects or Approved Subprojects, as the case may be, appropriate technology applicable to Approved Subprojects, and institutional strengthening and logistical support, by means of provision of technical assistance to SIF and acquisition and utilization by SIF of equipment.

(2) Provision of additional assistance to SIF in the following areas: (a) evaluation and completion of the implementation of a SIF management information system; (b) implementation of a geographic

information system for SIF; (c) evaluation of best practices in respect of: (i) water and sanitation; (ii) nutrition, (iii) education and (iv) productive Subprojects; (d) evaluation of SIF's effectiveness in reaching target groups; (e) design and implementation of a mechanism to evaluate welfare impact of Approved Subprojects; and (f) data collection for the evaluation of Approved Subprojects impact.

Part C: Strengthening of Sponsoring and Executing Entities

Strengthening of the operational capabilities of Sponsoring and Executing Entities, particularly through the enhancement of their institutional capacity, including Subproject preparation, by means of provision of technical assistance thereto and of acquisition by SIF and transferring to and utilization by, said Entities of equipment to improve accounting and management practices.

\* \* \*

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each May 1 and November 1	
May 1, 1998	370,000.00
November 1, 1998	385,000.00
May 1, 1999	395,000.00
November 1, 1999	410,000.00
May 1, 2000	430,000.00
November 1, 2000	445,000.00
May 1, 2001	460,000.00
November 1, 2001	480,000.00
May 1, 2002	495,000.00
November 1, 2002	515,000.00
May 1, 2003	535,000.00
November 1, 2003	555,000.00
May 1, 2004	575,000.00
November 1, 2004	600,000.00
May 1, 2005	620,000.00
November 1, 2005	645,000.00
May 1, 2006	670,000.00
November 1, 2006	695,000.00
May 1, 2007	720,000.00
November 1, 2007	750,000.00
May 1, 2008	775,000.00
November 1, 2008	805,000.00
May 1, 2009	840,000.00
November 1, 2009	870,000.00
May 1, 2010	900,000.00
November 1, 2010	935,000.00
May 1, 2011	970,000.00
November 1, 2011	1,010,000.00
May 1, 2012	1,050,000.00
November 1, 2012	1,095,000.00

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\* 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 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded 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).

2. To the extent possible, contracts for civil works shall be grouped so as to form bidding packages of \$500,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Guatemala may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Local competitive bidding

Contracts for civil works and goods, shall be grouped so as to form bidding packages estimated to cost the equivalent of \$55,000 or more and \$30,000 or more, respectively. Contracts so grouped or individual contracts of that estimated cost, may be awarded under local competitive bidding procedures satisfactory to the Bank which shall include the bidding documents adopted by SIF pursuant to paragraph 3 (b) of Schedule 1 to this Loan Agreement.

2. Local or International Shopping

Subject to the provisions of paragraph 3 below, contracts for civil works and goods estimated to cost the equivalent of less than \$55,000 and \$30,000, respectively, shall be awarded, after soliciting not less than two quotations from reputable contractors or suppliers, as the case may be, to one of such contractors or suppliers, provided, however, that the aggregate of contracts so

awarded shall not exceed the equivalent of \$6,000,000 for civil works or \$100,000 for goods.

3. Direct Contracting

Contracts for civil works estimated to cost the equivalent of \$30,000 or less, may be awarded directly in accordance with procedures satisfactory to the Bank on the basis of standard regionalized unit prices agreed from time to time between the Bank and SIF and up to an aggregate limit of \$5,900,000 equivalent. Starting on April 1, 1994, and every six months thereafter, the Borrower shall cause SIF to review the said prices then in effect, and to revise said prices if, in the opinion of the Bank, the review shows that the revision is justified.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract for civil works or goods estimated to cost the equivalent of \$100,000 or more, and to each contract for civil works and for goods awarded under Part A.1 and each of the paragraphs of Part C above, irrespective of the amount thereof, and to one or more subsequent contracts, if the Bank shall so request by notice to SIF, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraph (b) 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.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Part E: Additional Procurement Provisions

1. Without limitation upon the provisions of the Guidelines or of the Guidelines referred to in Section II of this Schedule in respect of procurement of goods, works, and services and pursuant to the

provisions in respect of international agreements of the Guatemalan Law concerning public sector procurement currently in effect:

(a) in respect of bidding procedures under Part A of this Schedule, no registration procedures shall be required, or understood to be required, as preconditions to bidding, except where a prequalification procedures for intended bidders has been agreed with the Bank and only to the extent that the criteria to enable registration are not stricter than those for prequalification. In respect of competitive bidding governed by the provisions of Part C.1 of this Schedule, pre-registration may be used to the extent that it shall not prevent foreign bidders to participate in any bidding process and that it shall be achieved through ad-hoc procedures agreed from time to time between the Borrower and the Bank.

(b) No prior registration shall be required for consultants services, and foreign consultants shall be allowed to participate freely in the selection process even when local consultants shall be available for the concerned services; and any public notice required by legal provisions in effect in Guatemala and related to the acquisition of services to be provided by consultants or experts, shall be deemed applicable only to the extent that the public notice in question is made as a way of soliciting expressions of interest but not as an invitation to participate in the process.

(c) The bidding documents shall make clear that bids shall be submitted during a period the length of which shall require prior acceptance by the Bank, and it shall not be required that bids be submitted personally to any individual or group of individuals; the end of the period in question shall coincide, unless otherwise agreed with the Bank, with the moment stipulated for bid opening in the bidding documents. No bidder shall be disqualified because the price of the corresponding bid falls above or below a predetermined given value, or out of a post-bid-presentation-determined price band.

(d) Bid and performance securities shall, at the bidder's option, be denominated in the currency of the bid or any other currency commonly used in international transactions, and shall be issued by any bank or insurance company located in Guatemala or abroad, acceptable to the Borrower and the Bank.

2. Unless otherwise agreed between the Borrower and the Bank, the Borrower shall invite bids in regard of the procurement of goods,

civil works and services for the Project exclusively on the basis of standard documents agreed with the Bank from time to time and shall inform the Bank on any proposed departure from said documents before any such tender is made public.

Section II. Employment of Consultants

In order to assist the Borrower in the carrying out of Parts B and C of the Project, the Borrower shall cause SIF to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Part A: Terms and Conditions for Subsidiary Agreement

1. The proceeds of the Loan shall be made available to SIF as a grant, pari passu with the withdrawals therefor from the Loan Account, and with the exclusive purpose of being utilized in payment of, or as reimbursements for, payments made for, Eligible Expenditures, Salaries and other items listed in Categories 1 through 4 of the table in paragraph 1 of Schedule 1 to the Loan Agreement.

2. SIF shall expressly accept to act as attorney-in-fact of the Borrower in respect of the carrying out of the Project and of all obligations of the Borrower thereunder which are related to SIF operations and, to that effect, the Loan Agreement and the General Conditions shall be expressly made an integral part of the provisions of the Subsidiary Agreement and of SIF's obligations thereunder, particularly those related to the procurement, audit and, more generally, to the carrying out of the Project.

3. In order to carry out Part A of the Project, SIF shall abide by the procedures specified for its operations under the legal provisions referred to in Section 6.01 (a) of the Loan Agreement, in the Operational Manual and in the provisions of this Loan Agreement. In compliance with such obligation, SIF shall enter, in respect to each Approved Subproject, into the corresponding Subproject Agreement.

4. Each Subproject Agreement shall include the stipulations included in Part C of this Schedule, and each Eligible Approved Subproject shall be processed before the Bank pursuant to the provisions of Part B of this Schedule.

Part B: Procedures for presenting Approved Subprojects to the Bank

1. No expenditures for goods or services required for an Eligible Approved Subproject shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Approved Subproject shall have been approved by the Bank and such expenditures shall have been made not earlier than one hundred and twenty days prior to the date on which the Bank shall have received the application and information required under

paragraph 2 (a) of this Part B of this Schedule in respect of such Subproject; or

(b) the Approved Subproject shall have been a free-limit Subproject for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than one hundred and twenty days prior to the date on which the Bank shall have received the request and information required under paragraph 2 (b) of this Part B of the Schedule in respect of such free-limit Subproject. For the purposes of this Agreement, a free-limit Approved Subproject shall be a Subproject the estimated cost of which shall not exceed the sum of \$100,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed by SIF for such Subproject, provided, however, that in respect of the first Approved Subproject under each subprogram category in the subproject menu of the Operational Manual proposed to be financed under the Project, irrespective of the cost thereof, or such subsequent number of Approved Subprojects in each such category as the Bank shall reasonably request, no such Approved Subproject shall be considered a free-limit Approved Subproject irrespective of the estimated cost thereof.

2. (a) When presenting an Approved Subproject (other than a free-limit Approved Subproject) to the Bank for approval, SIF shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Executing and Sponsoring Entities and the Beneficiary and an appraisal of the Subproject in question, including a description of the expenditures proposed to be financed out of the proceeds of the Loan and the estimated cost thereof; and (ii) such other information as the Bank shall reasonably request.

(b) Each request by SIF for authorization to make withdrawals from the Loan Account in respect of a free-limit Approved Subproject shall contain: (i) a summary description of the aforesaid Entities and Beneficiary and the Approved Subproject, including a summary description of the expenditures proposed to be financed out of the proceeds of the Loan, and the estimated cost of such Approved Subproject.

(c) Applications and requests made pursuant to the provisions of subparagraphs (a) and (b) of this paragraph shall be presented to the Bank on or before December 31, 1996.

Part C: Terms and Conditions for Approved Subprojects

1. SIF financing in respect of each approved Subproject shall not exceed the percentage of Subproject cost required to ensure the mandatory financing thereof by Executing or Sponsoring Entities, or both, as required in respect of different types of Subprojects and different areas of the Borrower's territories under the Operational Manual.

2. Environmental aspects of Subprojects shall be analyzed and taken care for at the time of the appraisal thereof.

3. No expenditures for goods, works or services required for an Approved Subproject shall be eligible for SIF financing unless the corresponding Subproject Agreement shall have been entered into, on terms and conditions satisfactory to the Bank, whereby SIF shall obtain rights adequate to protect the interests of the Bank and SIF, including the right to:

(a) require the Executing Entity to carry out the Approved Subproject with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of SIF funds be procured by SIF in accordance with procedures consistent with the provisions of Schedule 4 to this Loan Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Approved Subproject in question;

(c) inspect, by itself or jointly with representatives of the Bank or financiers such as the Bank, or BCIE or KfW or others, as the case may be, if the financier in question shall so request, such goods and the sites, works, plants and construction included in the Approved Subproject in question, the operation thereof, and any relevant records and documents;

(d) demand from the Executing Entity the compliance with all commitments thereof related to the carrying out of the Approved Subproject including the contribution by such Entity of all such resources as such Entity shall have been required to contribute according to the appraisal report for the Subproject in question, including funds; provided, however, that, if the Executing Entity and the Sponsor Entity in respect of the Approved Subproject in question shall have not been one and the same the aforesaid shall



apply to the corresponding Sponsor Entity; and provided, further, that, if the Executing Entity and the Beneficiary were not one and the same or if the Beneficiary shall have been required by said report to contribute to the recovery of the costs of the investments associated to the Approved Subproject in question during the Execution of the Project or after the completion thereof, the aforesaid shall also apply to the Beneficiary;

(e) obtain all such information as the Bank or SIF shall reasonably request relating to the foregoing and to the administration and operation of the Approved Subproject and to the benefits to be derived therefrom; and

(f) suspend or terminate the right of the Executing Entity to use the proceeds of the SIF financing upon failure by such Entity or the Sponsor Entity or the Beneficiary, or any combination thereof, as the case may be, to comply with their respective obligations under the Subproject Agreement.

4. If in respect of any given Approved Subproject the Beneficiary is not legally responsible for the carrying out of the Subproject, no SIF financing shall be made available for such Subproject unless SIF shall have obtained, by means of the signing of the Subproject Agreement by such Beneficiary all the rights mentioned in 4 above with respect to the Beneficiary to the extent such rights are required to adequately protect the interest of SIF, the Borrower and the financiers referred to in 3 (c) above.

SCHEDULE 6

Part A: Agenda for Annual Reviews under Section 3.03 of this Loan Agreement

Each of the aforesaid reviews will determine the efficiency and effectiveness of SIF on the basis of the key performance indicators set forth in Part B below and on the analysis of the following items:

1. Characteristics of, and performance by, Sponsoring Entities.
2. Best practices applied to different types of Approved Subprojects, including environmental aspects.
3. Distribution of Approved Subprojects and different types thereof among the different municipal jurisdictions, particularly in respect of the mix between county seats and rural villages.
4. Participation of women and indigenous groups in Approved Subprojects and SIF activities in general.
5. Mean response time spent by SIF in reacting to requests from Sponsoring Entities, for each phase of Subproject cycle.
6. Effectiveness of coordination between SIF and the respective Ministries.
7. Institutional development of SIF and adequacy of its staffing both for SIF headquarters and regional offices.
8. Experience in the use by SIF management and personnel of the management information system and the geographical information system.
9. Participation of NGOs in Approved Subprojects and in SIF activities in general.
10. Adequacy of financing made available by NGOs, Municipalities and Beneficiaries.
11. Progress in achieving targets set forth in the Borrower's Letter of Social Sector Development Policy referred to in the Preamble to this Agreement.

12. Compliance with SIF institutional and staff development plans agreed with the Bank and SIF from time to time.
13. Progress in carrying out Part C of the Project.
14. In addition to the above topics the second annual review will analyze the feasibility of decentralizing approval of Subprojects to regional offices of SIF, and the second and the third reviews will analyze the findings and recommendations, and the application thereof, of the studies on best practices and welfare impact of selected Approved Subprojects, studies to be completed one month prior to each such review on the basis of the mechanism to be implemented under Part B.2 (e) of the Project.

Part B: Monitoring Indicators for and targets purposes of the aforesaid reviews

For purposes of this Part the Region shall adapt Annex 11 of the SAR.

KEY PERFORMANCE INDICATORS

The following indicators will be the basis for the annual reviews to be undertaken by December 31 of 1994, 1995, and 1996.

INDICATOR	SOURCE	OBJECTIVE	TARGETS (BASE JUNE 93)		
			DECEMBER 94	DECEMBER 95	DECEMBER 96
PROJECTS - PROMOTION & APPRAISAL					
1. Number of Subproject requests	Subproject database	Determine actual demand for SIF's financing and evaluate SIF's promotion capacity	1,000	1,200	1,400
2. Number of Subprojects appraised	Subproject database	Determine SIF's appraisal capacity	670	1,000	1,200
3. Number of evaluators	Personnel management	Assure that SIF has enough professionals	10	12	14
4. Number of Subprojects appraised by evaluator per month	Subproject database	Determine SIF's marginal evaluation capacity	6.7	6.9	7.1
5. Number of Approved Subprojects	Subproject database	Determine relationship of projects approved to projects appraised	580	720	740
6. Total cost of Approved Subprojects	Subproject database	Determine SIF's project processing capability	\$18 million*	\$40 million*	\$68 million*

INDICATOR	SOURCE	OBJECTIVE	TARGETS (BASE JUNE 93)		
			DECEMBER 94	DECEMBER 95	DECEMBER 96
7. Number of Approved Subprojects with Subproject Agreement/Number of Approved Subprojects	Subproject database and procurement department	Determine possible bottlenecks in procurement procedures	0.6	0.7	0.7
SUPERVISION					
8. Time span between Subproject Agreement signing and first disbursement	Supervision database	Determine possible bottlenecks in the supervision or administration department	10 days	8 days	5 days
9. Number of Approved Subprojects started	Supervision database	Determine SIF's overall processing capacity	360	520	570
10. Total cost of Approved Subprojects started	Supervision database	Determine SIF's overall processing capacity	\$11 million*	\$23 million*	\$35 million*
11. Percentage of Subproject Agreements modified because of cost overruns		Improve appraisal cost estimates	< 10%	< 10%	< 10%
12. Disbursements for the period	Supervision database; administration database	Determine execution levels, balance to be disbursed & general SIF capacity to disburse in a given time period	\$11 million*	\$32 million*	\$68 million*
13. Number of Approved Subprojects in actual execution/Number of supervisors	Personnel management & supervision database	Determine SIF's capacity to handle its current commitments	30	30	30
14. Percent of Approved Subprojects judged of low quality by independent physical audit	Annual review	Assure adequate levels of quality	< 20%	< 10%	< 10%
15. Percent of funds committed to <u>social assistance</u> Approved Subprojects	Subproject database	Ensure adequate emphasis on social assistance subprojects	16%	18%	20%

INDICATOR	SOURCE	OBJECTIVE	TARGETS (BASE JUNE 93)		
			DECEMBER 94	DECEMBER 95	DECEMBER 96
TARGETING					
16. Percent of funds committed to municipalities deviating from targets	Subproject database	Ensure funds reach poorer communities	< 30%	< 30%	< 30%

Beginning and/or completion of the following activities under the corresponding Parts of the Project will be monitored:

Evaluation and Completion of Management Information System Implementation

(Part B.(2) (a) of Project): To be completed by June 30, 1994

Implementation of Geographical Information System

(Part B.(2) (b) of Project): To be completed by June 30, 1994

Design and Implementation of Mechanism to Evaluate Welfare Impact of Subprojects (Part B.(2) (e) of Project)

To be completed by December 31, 1994

Best Practice Studies

(Part B.(2) (c) of Project) Begin 3 mos. and complete 1 mo. before annual reviews

Evaluation of SIF Effectiveness in Reaching Targets

(Part B.(2) (d) of Project) Begin 6 mos. and complete 3 mos. before annual reviews

Analysis of Structured Interviews

Begin 6 mos. and complete 3 mos. before annual reviews

Analysis of Survey

Begin 4 mos. and complete 1  
mo. before annual reviews

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\* Cumulative amounts.