
LOAN NUMBER 4260-GU

Loan Agreement

(Rural and Main Roads Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *September 11*, 1998

LOAN NUMBER 4260-GU

LOAN AGREEMENT

AGREEMENT, dated *September 11*, 1998, 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, has requested the Bank to assist in the financing of the Project;

(B) Parts A.1, A.7 and A.8 of the Project will be carried out by INFOM (as such term is defined in paragraph (g) of Section 1.02 of this Agreement) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to INFOM the proceeds of the Loan allocated to such Parts of the Project as provided in Section 3.01 (c) of this Agreement;

(C) Part A.6 of the Project will be carried out by the Association (as such term is defined in paragraph (a) of Section 1.02 of this Agreement);

(D) the Borrower intends to contract from the Overseas Economic Cooperation Fund-Japan (OECF) a loan (the OECF Loan) in an amount of \$49,800,000 equivalent to assist in the financing of Parts B.2 and B.4 of the Project on the terms and conditions set forth in an agreement (the OECF Loan Agreement) to be entered into between the Borrower and OECF; 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 and in the Project Agreement of even date herewith between the Bank and INFOM;

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 for Single Currency Loans" of the Bank, dated May 30, 1995 with the modification set forth below (the General Conditions), constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. **Cancellation by the Bank.** If: (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days; or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan; or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan; or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan; or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account; or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, 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."

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) "Association" means the association of municipalities of the Department of San Marcos' Highlands (*Asociación de Municipalidades del Altiplano Marquense*) to be established as an entity with legal personality as provided in paragraph 2 (c) (i) of Schedule 1 to this Agreement;

(b) "Association Agreement" means the agreement referred to in paragraph (b) (xv) of Schedule 6 to this Agreement;

- (c) "BOG" means the Borrower's Central Bank (*Banco de Guatemala*);
- (d) "Decree No. 1132" means Decree No. 1132 (*Decreto No. 1132*) of the Borrower dated February 4, 1957 duly published in the official gazette on February 15, 1957 which established INFOM, as such Decree has been amended to the date of this Agreement;
- (e) "DGC" means MCTOPV's Directorate of Roads (*Dirección General de Caminos*);
- (f) "Implementation Letter" means the letter of even date herewith from the Borrower and INFOM to the Bank setting the forth: (i) the Project's performance indicators referred to in Section 3.05 of this Agreement; (ii) the principles and guidelines to be followed by the Borrower in the preparation of resettlement plans as referred to in Section 3.08 of this Agreement; (iii) the scope of the mid-term review referred to in Section 3.07 (b) of this Agreement; and (iv) the list of positions of the key staff to be employed by the PCU as referred to in Section 6.01 (b) of this Agreement, as such letter may be amended from time to time with the agreement of the Bank;
- (g) "INFOM" means the Municipal Development Institute (*Instituto de Fomento Municipal*) of the Borrower established pursuant to the Borrower's Decree No. 1132;
- (h) "INFOM Operational Manual" means INFOM's manual satisfactory to the Bank, which sets forth, inter alia: (i) the criteria for selecting and approving Pilot Municipal Rural Roads Subprojects; (ii) the procurement procedures to be followed by INFOM in the carrying out of Parts A.1, A.7 and A.8 of the Project; and (iii) the procurement procedures to be followed by the Association in the carrying out of Part A.6 of the Project, as such manual may be amended from time to time with the agreement of the Bank;
- (i) "MCTOPV" means the Ministry of Communications, Transport, Public Works and Housing (*Ministerio de Comunicaciones, Transportes, Obras Públicas y Vivienda*) of the Borrower;
- (j) "MCTOPV Operational Manual" means the Borrower's manual satisfactory to the Bank, which sets forth, inter alia: (i) the criteria for selecting and approving Pilot Departmental Rural Roads Subprojects; and (ii) the procurement procedures to be followed by MCTOPV in the carrying out of Parts A.2 through A.5, B.1, B.3, B.5 and B.6 of the Project, as such manual may be amended from time to time with the agreement of the Bank;
- (k) "PCU" means the Program Coordination Unit established within DGC;

(l) "Peace Accords" means the accords signed by the Borrower dated December 29, 1996;

(m) "Pilot Departmental Rural Roads Subproject" means a project which consists of the rehabilitation and/or improvement of departmental rural roads to be selected (within the Department of San Marcos) and approved in accordance with the criteria set forth in the MCTOPV Operational Manual;

(n) "Pilot Municipal Rural Roads Subprojects" means a project which consists of the rehabilitation, improvement and/or maintenance of municipal rural roads to be selected (within the Department of San Marcos) and approved in accordance with the criteria set forth in the INFOM Operational Manual;

(o) "Road Maintenance Fund" means the Borrower's fund (*Fondo de Mantenimiento Vial*) established pursuant to Decree No. 134-96 of the Borrower dated November 27, 1996;

(p) "Special Accounts" means collectively the Special Account "A" and the Special Account "B";

(q) "Special Account 'A'" means the account referred to in Section 2.02 (b) (i) of this Agreement;

(r) "Special Account 'B'" means the account referred to in Section 2.02 (b) (ii) of this Agreement;

(s) "Subproject" means a Pilot Departmental Rural Roads Subprojects or a Pilot Municipal Rural Roads Subprojects or both; and

(t) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and INFOM pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary 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, an amount equal to sixty six million seven hundred thousand Dollars (\$66,700,000).

Section 2.02. (a) 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, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of: (i) Parts A.2, A.3, A.4, A.5, B.1, B.3, B.5 and B.6 of the Project, open and maintain in Dollars a separate special deposit account (the Special Account "A"); and (ii) Parts A.1, A.6, A.7 and A.8 of the Project, open and maintain in Dollars a separate special deposit account (the Special Account "B"), both in BOG on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2003 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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as

reasonably determined by the Bank and expressed as a percentage per annum.

- (iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable January 15 and July 15 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 General Manager of INFOM (or such other person or persons as such General Manager shall appoint in writing) 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 with respect to Parts A.1, A.6, A.7 and A.8 of the Project.

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:

- (i) through MCTOPV carry out Parts A.2, A.3, A.4, A.5 and B of the Project; with due diligence and efficiency and in conformity with appropriate technical, engineering, administrative, financial and environmental practices and the provisions of the MCTOPV Operational Manual and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) cause INFOM pursuant to the provisions of the Subsidiary Agreement to: (A) carry out Parts A.1, A.7 and A.8 of the Project; and (B) cause the Association pursuant to the provisions of the Association Agreement to carry out Part A.6 of the Project, all with due diligence and efficiency and in conformity with appropriate technical, engineering, administrative, financial and environmental practices and the provisions of the INFOM Operational Manual and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable INFOM to carry out Parts A.1, A.7 and A.8 of the Project and the Association to carry out Part A.6 of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of such Parts of the Project by INFOM and the Association.

(b) The Borrower shall transfer, on a grant basis, the proceeds of the Loan allocated to Parts A.1, A.6, A.7 and A.8 of the Project (as such amounts are set forth in Categories (1) (c), (2) (a), (3) (a) and (4) of the table in paragraph 1 of Schedule 1 to this Agreement) to INFOM under a subsidiary agreement (the Subsidiary Agreement) to be entered into between the Borrower and INFOM, under terms and conditions acceptable to the Bank, which shall include those set forth in Schedule 6 to this Agreement.

(c) The Borrower shall exercise its rights under 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, waive or fail to enforce the Subsidiary Agreement or any provision 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. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank 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, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower and INFOM on said plan.

Section 3.04. (a) The Borrower shall during the implementation of the Project maintain and continue to operate the PCU with functions and responsibilities satisfactory to the Bank, including, inter alia, the responsibility to coordinate the implementation of the Project.

(b) The Borrower shall ensure that the PCU is at all times headed by a coordinator and assisted by key staff in adequate numbers, all with qualifications and experience acceptable to the Bank.

Section 3.05. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators set forth in the Implementation Letter, the carrying out of Parts A.2, A.3, A.4, A.5 and B of the Project and the achievement of the objectives thereof.

Section 3.06. Without limitation to the provisions of Section 9.07 of the General Conditions, the Borrower shall not later than thirty days after the conclusion of each semester (the first semester of each year starting on April 1 and ending on September 30 and the second semester of each year starting October 1 and ending on March 31) during the implementation of the Project, starting in the semester which begins on April 1 and ends on September 30, 1998, prepare and furnish to the Bank a report of such scope and in such detail as the Bank shall reasonably request with respect to the progress made in the carrying out of Parts A.2, A.3, A.4, A.5 and B of the Project during the calendar semester preceding the date of presentation of such report.

Section 3.07. (a) Without limitation to the provisions of Section 9.01 of the General Conditions, the Borrower shall not later than May 31 of each year of Project

implementation, starting in 1999, review jointly with the Bank and INFOM the progress made by the Borrower, INFOM and the Association in: (i) carrying out their respective Parts of the Project; and (ii) achieving the objectives of the Project, based on the indicators and the corresponding reports referred to in paragraph (b)(viii) of Schedule 6 to, and Sections 3.05 and 3.06 of, this Agreement. As part of each such review the Bank may require the Borrower to prepare an action plan, satisfactory to the Bank, to make adjustments in Project implementation. In such event, the Borrower shall not later than forty five days after the conclusion of each such review furnish such action plan to the Bank and shall thereafter carry out, or cause to be carried out, such action plan in accordance with its terms.

(b) As part of the annual review to be held not later than May 31, 2001, the Borrower shall carry out with the Bank and INFOM a Project implementation mid-term review of such scope as set forth in the Implementation Letter.

Section 3.08. (a) In the event that the findings of the environmental assessment to be carried out as part of the identification of each Subproject indicate that resettlement of population is required in the area in which a particular Subproject will be carried out and/or that individuals living in such area will become Affected Persons as a result of the carrying out of such Subproject, the Borrower shall prior to the carrying out of such Subproject by the Borrower or the Association, as the case may be: (i) prepare (in accordance with the principles and guidelines set forth in the Implementation Letter) and furnish to the Bank a resettlement plan for such Affected Persons, satisfactory to the Bank; and (ii) promptly thereafter, carry out or cause to be carried out the corresponding resettlement plan referred to in (i) herein in accordance with its terms.

(b) For purposes of this Section, the term "Affected Persons" means persons who on account of the execution of a particular Subproject had or would have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed (temporarily or permanently); or (iii) business, occupation, work or place of residence or habitat adversely affected, and such term also means individually all who qualify as Affected Persons.

Section 3.09. The Borrower shall, if applicable, include in the bidding documents for the carrying out of each Pilot Departmental Rural Roads Subproject the obligation of the bidder to take prior to the initiation of any works under such subproject the necessary actions to address any potential negative environmental impact identified in the respective environmental assessment to be carried out as part of the identification of each such subproject.

Section 3.10. The Borrower shall, with the proceeds deposited in the Road Maintenance Fund by the Borrower, maintain at all times in accordance with appropriate

practices the roads to be rehabilitated and improved under Parts A.3, A.4 and B.1 through B.5 of the Project.

Section 3.11. Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Borrower shall take all actions necessary to carry out Part A.2 of the Project in accordance with the action plan referred to in paragraph (b)(x) of Schedule 6 to this Agreement.

Section 3.12. The Borrower shall, prior to the carrying out of a Subproject by the Borrower or the Association, as the case may be, carry out consultations in accordance with the Peace Accords, in a manner acceptable to the Bank, with the population living in the area in which such Subproject will be carried out.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A.2, A.3, A.4, A.5 and B of the Project of the departments or agencies of the Borrower responsible for carrying out such Parts of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts 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 five months after the end of each such year, 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 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (I) of the General Conditions, the following additional events are specified:

(a) That the OECF Loan Agreement shall have failed to become effective by December 31, 1998, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for Parts B.2 and B.4 of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (b) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of the Borrower to withdraw the proceeds of the OECF Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the OECF Loan Agreement; or

- (B) the OECF Loan shall have become due and payable prior to the agreed maturity thereof.
- (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 prematuring is not caused by the failure of the Borrower to perform any of its obligations under the OECF Loan 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.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (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 the MCTOPV Operational Manual and the INFOM Operational Manual have been approved by the Borrower and INFOM, respectively.
- (b) That the PCU has filled the key staff listed in the Implementation Letter.
- (c) That the Subsidiary Agreement has been executed by the parties thereto.

Section 6.02. The following is specified as an additional matter, 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, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and INFOM, and is legally binding upon the Borrower and INFOM in accordance with its terms.

Section 6.03. The date December 10, 1998 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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:

Ministerio de Finanzas Públicas
8a Avenida y 21 Calle
Zona 1,
Guatemala, Guatemala

Cable address:

Telex:

MINFIP
Guatemala, Guatemala

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:

Telex:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

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

Attorney 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 Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works		
(a) under Parts A.3, B.1, B.3 and B.5 of the Project	35,820,000	83%
(b) under Part A.4 of the Project	4,590,000	83%
(c) under Part A.6 of the Project	4,770,000	85%
(2) Goods		
(a) under Part A.7 of the Project	370,000	85%
(b) under Part A.8 (i) of the Project	120,000	85%
(c) under Part A.5 of the Project	430,000	85%
(d) under Part B.6 of the Project	850,000	85%
(3) Consultants' services		
(a) under Parts A.1 and A.8 (i) of the Project	720,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(b) under Part A.7 of the Project	1,650,000	100%
(c) under Parts A.2 and A.5 of the Project	1,500,000	100%
(d) under Part B.6 of the Project	7,390,000	100%
(4) INFOM's Fee under Part A.8 (ii) of the Project	480,000	100%
(5) Unallocated	8,010,000	
TOTAL	<u><u>66,700,000</u></u>	

2. 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, except that withdrawals, in an aggregate amount not exceeding the amount of \$6,500,000, may be made in respect of Categories (1) through (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but not before twelve months from the date of this Agreement;

(b) payments made for expenditures under Category (1) (b) of the table in paragraph 1 of this Schedule, unless the corresponding Subproject has met the criteria set forth in the MCTOPV Operational Manual;

(c) payments made for expenditures under Category (1) (c) of the table in paragraph 1 of this Schedule unless: (i) the Association has been established with functions and responsibilities satisfactory to the Bank; (ii) the Association Agreement has been executed by the parties thereto; (iii) a framework, acceptable to the Bank, to carry out Pilot Municipal Rural Roads Subprojects has been established by the Association;

(iv) the Association has created its technical service unit in a manner and with functions acceptable to the Bank; and (v) the corresponding Subproject has met the criteria set forth in the INFOM Operational Manual; and

(d) payments made for expenditures under Categories (2) (a) and (3) (b) of the table in paragraph 1 of this Schedule unless the condition referred to in (c) (i) above has been met.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for goods estimated to cost less than \$25,000 equivalent each with the exception of the first contract for goods to be awarded under Part C.2 of Section I of Schedule 4 to this Agreement; (b) contracts for works estimated to cost less than \$100,000 equivalent each with the exception of the first two contracts for works to be awarded under Part C.3 of Section I of Schedule 4 to this Agreement; (c) contracts for the employment of consulting firms costing less than \$100,000 equivalent each; and (d) contracts for the employment of individual consultants costing less than \$50,000 equivalent each, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to strengthen the institutional capacity of MCTOPV to administer and maintain rural roads; (b) to improve the rural road system in the Department of San Marcos; and (c) to continue the improvement of the efficiency of the main and secondary road networks in the Borrower's territory.

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: National Rural Roads and Transport Strategy

1. Design of a strategy in order to: (a) improve the legal and institutional frameworks concerning the ownership and maintenance of the municipal rural roads; (b) establish funding and cost-sharing mechanisms to finance the construction, rehabilitation and maintenance of such roads; and (c) define the role and functions of the entity, at the national level, which sets forth the standards for such roads and coordinates the rural roads subsector.
2. Implementation of the strategy mentioned in Part A.1 above.
3. Rehabilitation of about 90 kilometers of the *Ruta Nacional* 12, including the branch off to the town of Tejutla.
4. Carrying out of Pilot Departmental Rural Roads Subprojects.
5. Provision of technical assistance to MCTOPV, including the acquisition and utilization of goods for: (a) the preparation of the final engineering designs of Pilot Departmental Rural Roads Subprojects; (b) the supervision of the works to be carried out under Part A.3 above; (c) the identification of technologies for cost-effective strengthening of rural roads; and (d) the definition of the future functions of DGC's regional offices.
6. Carrying out of Pilot Municipal Rural Roads Subprojects.
7. Strengthening of the institutional and administrative capacity of the Association through the provision of technical assistance and the acquisition and utilization of goods.
8. (i) Strengthening of the institutional, administrative and financial capacity of INFOM (at the national and local level), through the provision of technical assistance and

the acquisition and utilization of goods; and (ii) financing of INFOM's management fee, in respect of the carrying out of the Project.

Part B: Road Rehabilitation on Main and Secondary Roads Networks

1. Rehabilitation and improvement of about 158 kilometers of the Cuatro Caminos - La Mesilla section of the Interamerican Highway.
2. Rehabilitation and improvement of about 36 kilometers of the Chimaltenango - Tecpan section of the Interamerican Highway.
3. Rehabilitation and improvement of about 8.2 kilometers of the Don Justo - Branch Off to Santa Elena Barillas section of the Interamerican Highway.
4. Rehabilitation and improvement of about 162 kilometers of the San Cristóbal Verapaz - Sacapulas - Chiantla section of *Ruta Nacional 7W*.
5. Rehabilitation and improvement of about 7.5 kilometers of the earth road from *Ruta CA-9S* to San Vicente de Pacaya.
6. Provision of technical assistance to MCTOPV for: (a) the supervision of the works to be carried out under Parts B.1 through B.5 above; (b) the preparation of the final engineering designs for about 150 kilometers of main, secondary and tertiary roads in the Borrower's territory; (c) the modernization of DGC's central office, including the acquisition and utilization of goods; (d) the assessment of modern highway technologies for main and secondary roads networks; (e) the strengthening of the Road Maintenance Fund; (f) the carrying out of a national road freight transport study; (g) the design of a national road safety program; and (h) the coordination of the Project and the carrying out of Parts A.2 through A.5 and B of the Project.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars) *</u>
July 15, 2003	1,395,000
January 15, 2004	1,435,000
July 15, 2004	1,480,000
January 15, 2005	1,525,000
July 15, 2005	1,570,000
January 15, 2006	1,620,000
July 15, 2006	1,670,000
January 15, 2007	1,720,000
July 15, 2007	1,770,000
January 15, 2008	1,825,000
July 15, 2008	1,880,000
January 15, 2009	1,935,000
July 15, 2009	1,995,000
January 15, 2010	2,055,000
July 15, 2010	2,120,000
January 15, 2011	2,185,000
July 15, 2011	2,250,000
January 15, 2012	2,315,000
July 15, 2012	2,390,000
January 15, 2013	2,460,000
July 15, 2013	2,535,000
January 15, 2014	2,610,000
July 15, 2014	2,690,000
January 15, 2015	2,770,000
July 15, 2015	2,855,000
January 15, 2016	2,945,000
July 15, 2016	3,030,000
January 15, 2017	3,125,000
July 15, 2017	3,220,000
January 15, 2018	3,325,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for works estimated to cost more than \$10,000,000 equivalent each shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost \$25,000 equivalent or more but less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$1,230,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost \$100,000 equivalent or more but less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed \$7,260,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) Procurement of all goods and works under paragraphs (a) and (b) herein shall be carried out using standard bidding documents acceptable to the Bank.

2. International or National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$530,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures, at the option of the Borrower or INFOM or the Association in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,480,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4. Community Participation

Maintenance works required under Part A.6 of the Project estimated to cost less than the equivalent of \$30,000 per contract may be procured in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for goods to be awarded under Parts B and C.1 (a) of this Section; and (ii) each contract for works to be awarded under Parts B and C.1 (b) of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract for goods to be awarded under Part C.2 of this Section; and to the first two contracts for works to be awarded in each calendar year under Part C.3 of this Section, the following procedures shall apply:

- (i) prior to the selection of any supplier or contractor, as the case may be, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services for the activities under Parts A.1, A.2 and A.5 (c) of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget

Services for the activities under Parts A.7 and A.8 of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Individual Consultants

Services for the activities under Part A.8 of the Project may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for

its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of less than \$100,000, the short list, terms of reference and the terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a) and (b), (2) (c) and (d) and (3) (c) and (d) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Parts A.2, A.3, A.4, A.5, B.1, B.3, B.5 and B.6 of the Project and Categories (1) (c), (2) (a) and (b), (3) (a) and (b) and (4) set forth in said table in respect of Parts A.1, A.6, A.7 and A.8 of the Project;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A, B.1, B.3, B.5 and B.6 of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,500,000 in respect of the Special Account for Parts A.2, A.3, A.4, A.5, B.1, B.3, B.5 and B.6 of the Project and an amount equivalent to \$750,000 in respect of the Special Account for Parts A.1, A.6, A.7 and A.8 of the Project, to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposits into the respective Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into any Special Account:

- (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower and INFOM shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Sections in respect of the audit of the records and accounts for the Special Accounts;

- (c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Parts A, B.1, B.3, B.5 and B.6 of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal

from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for Parts A, B.1, B.3, B.5 and B.6 of the Project shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Terms and Conditions of the Subsidiary Agreement

The terms and conditions of the Subsidiary Agreement shall include, inter alia:

(a) the obligation of the Borrower to suspend or terminate the right of INFOM to the use of the proceeds of the Loan allocated to Parts A.1, A.6, A.7 and A.8 of the Project to be transferred to INFOM pursuant to the provisions of the Subsidiary Agreement upon failure by INFOM to comply with any of its obligations under the Subsidiary Agreement or, if applicable, in the event that the Bank shall have exercised its remedies pursuant to Article V of the Loan Agreement or Sections 6.02 and 6.03 of the General Conditions; and

(b) the obligations of INFOM:

- (i) to carry out Parts A.1, A.7 and A.8 of the Project with due diligence and efficiency and in conformity with appropriate technical, administrative, financial and environmental practices and the provisions of the INFOM Operational Manual, and to provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project;
- (ii) to procure the goods and consultants' services required for the carrying out of Parts A.1, A.7 and A.8 of the Project in accordance with the provisions of Schedule 4 to the Loan Agreement;
- (iii) to carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A.1, A.7 and A.8 of the Project;
- (iv) to take all actions necessary to enable the Borrower to comply with its obligation under Section 3.03 of the Loan Agreement;
- (v) at the request of the Bank, to exchange views with the Bank and the Borrower with regard to progress of Parts A.1, A.6, A.7 and A.8 of the Project, the performance of its obligations under the Subsidiary Agreement, and other matters relating to the purposes of the Loan;

- (vi) to promptly inform the Bank and the Borrower of any condition which interferes or threatens to interfere with the progress of Parts A.1, A.6, A.7 and A.8 of the Project, the accomplishment of the purposes of the Loan, or the performance by INFOM of its obligations under the Subsidiary Agreement;
- (vii) to maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators set forth in the Implementation Letter, the carrying out of Parts A.1, A.6, A.7 and A.8 of the Project and the achievement of the objectives thereof;
- (viii) not later than thirty days after the conclusion of each semester (the first semester of each year starting on April 1 and ending on September 30 and the second semester of each year starting October 1 and ending on March 31) during the implementation of the Project, starting in the semester which begins on April 1 and ends on September 30, 1998, to prepare and furnish to the Bank a report of such scope and in such detail as the Bank shall reasonably request with respect to the progress made by INFOM in the carrying out of Parts A.1, A.7 and A.8 of the Project and by the Association in the carrying out of Part A.6 of the Project during the semester preceding the date of presentation of such report;
- (ix) to participate in the reviews referred to in Section 3.07 of the Loan Agreement;
- (x) not later than December 31, 1999 to complete the carrying out of Part A.1 of the Project and immediately thereafter to prepare and furnish to the Bank an action plan, satisfactory to the Bank, to enable the Borrower to carry out Part A.2 of the Project;
- (xi) to maintain records and accounts to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to Parts A.1, A.6, A.7 and A.8 of the Project;
- (xii) to 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;

- (xiii) to furnish to the Bank as soon as available, but in any case not later than five months after the end of each such year:
 - (A) certified copies of the financial statements referred to in (xii) herein 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;
- (xiv) to furnish to the Bank such other information concerning the records, accounts and financial statements referred to in (xii) herein as well as the audit thereof, as the Bank shall from time to time reasonably request;
- (xv) to transfer, on a grant basis, the proceeds of the Loan allocated to Part A.6 of the Project to the Association under an agreement to be entered into between INFOM and the Association (the Association Agreement) under terms and conditions satisfactory to the Bank, including, inter alia, the obligation of the Association to:
 - (A) select and approve the Pilot Municipal Rural Roads Subprojects in accordance with the criteria set forth in the INFOM Operational Manual;
 - (B) carry out the subprojects mentioned in (A) herein with due diligence and efficiency and in conformity with appropriate technical, engineering, financial, administrative and environmental practices;
 - (C) provide the minimum counterpart funds for the Subprojects mentioned in (A) herein as set forth in the INFOM Operational Manual;
 - (D) include, if applicable, in the bidding documents for the carrying out of the Subprojects mentioned in (A) herein the obligation of the bidder to take (prior to the initiation of any works under each such Subproject) the necessary actions to address any potential negative environmental

impact identified in the respective assessment to be carried out as part of the identification of each such Subproject;

- (E) take all actions necessary to enable the Borrower to comply with its obligations under Section 3.08 of the Loan Agreement;
 - (F) take all actions necessary to enable the Borrower to comply with its obligations under Section 3.12 of the Loan Agreement;
 - (G) operate and maintain, at least during Project implementation, the technical service unit mentioned in paragraph 2 (c) (iv) of Schedule 1 to the Loan Agreement;
 - (H) take all actions necessary to enable INFOM to comply with its obligations mentioned in (b) (viii), (xi), (xii), (xiii) and (xiv) herein;
 - (I) procure the goods and works required for the carrying out of the Subprojects mentioned in (A) herein in accordance with the provisions set forth in Schedule 4 to the Loan Agreement;
 - (J) carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively); and
 - (K) except as the Bank shall otherwise agree, exercise its rights under the Association Agreement in such manner as to protect the interests of the Borrower, the Bank and INFOM and not to amend, assign, abrogate, terminate, waive or fail to enforce the Association Agreement or any provision thereof; and
- (xvi) suspend or terminate the right of the Association to the use of the proceeds of the Loan allocated to Part A.6 of the Project to be transferred to the Association pursuant to the provisions of the Association Agreement upon failure of the Association to

comply with any of its obligations under the Association Agreement or, if applicable, in the event that the Bank shall have exercised its remedies pursuant to Article V of the Loan Agreement or Sections 6.02 and 6.03 of the General Conditions.