
LOAN NUMBER 4401-GU

Loan Agreement

(Judicial Reform Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *January 22*, 1999

LOAN NUMBER 4401-GU

LOAN AGREEMENT

AGREEMENT, dated January 22, 1999, 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, and, for the purposes of assisting in the implementation of certain activities set forth in Article III of the Accord on the Strengthening of the Civil Power and Function of the Army in a Democratic Society (*Acuerdo sobre Fortalecimiento del Poder Civil y Función del Ejército en Una Sociedad Democrática*) dated September 19, 1996, has requested the Bank to assist in the financing of the Project;

WHEREAS (B) the Borrower has received from the Government of Sweden and the United Nations Development Program (UNDP) additional funds in the amount of US\$2,400,000 for the purposes of financing Part A.1 (a) of the Project (the Swedish-UNDP Contribution), on the terms and conditions set forth in the agreements entered into between the Government of Sweden, the UNDP and the Borrower on March 31, 1998 and on May 14, 1998 (*Proyecto GUA/98/023 Programa de Fortalecimiento del Estado de Derecho - Organismo Judicial*), such agreements collectively called the Swedish-UNDP Contribution Agreements; 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 for Single Currency Loans" of the Bank, dated May 30, 1995, as amended through December 2, 1997 (the General Conditions), constitute an integral part of this Agreement.

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

- (a) “*Banco de Guatemala*” means the Borrower’s central bank;
- (b) “Central Office” means the central administrative office of the Judiciary Branch (as hereinafter defined) located in Guatemala City;
- (c) “Implementation Letter” means the letter dated September 18, 1998 from the President of the Judiciary Branch (as hereinafter defined) to the Bank setting forth the Project’s performance indicators and targets;
- (d) “Judiciary Branch” means *Organismo Judicial*, the Borrower’s branch responsible for administering and dispensing judicial services in the Borrower’s territory pursuant to Article 203 of the Borrower’s 1985 Constitution and Article 51 of Congressional Decree 2-89 of January 10, 1989;
- (e) “Judicial School” means *Escuela de Estudios Judiciales*, the school established pursuant to *Acuerdo No.40-92* by the *Corte Suprema de Justicia*, dated November 25, 1992;
- (f) “Modernization Commission” means *Comisión de Modernización del Organismo Judicial*, the Judiciary Branch’s commission established pursuant to *Acta No. 40-96* by the *Corte Suprema de Justicia*, dated August 21, 1996;
- (g) “Master Plan” means *Plan Maestro de Infraestructura del Organismo Judicial*, the Judiciary Branch’s Infrastructure Plan dated August 1998;
- (h) “Operational Manual” means the manual and its respective technical annexes for the operation of the Project referred to in Section 3.01 (d) of this Agreement;
- (i) “PCU” means the unit referred to in Section 3.04 (a) of this Agreement;
- (j) “*Programa RAC*” means *Programa de Resolución Alternativa de Conflictos* the alternative conflict resolution program described in Part C.1 (b) of the Project;
- (k) “Special Account ” means the account referred to in Section 2.02 (b) of this Agreement;

(l) "Subsidiary Agreement" means the arrangement referred to in Section 3.01 (b) of this Agreement; and

(m) "*Unidad RAC*" means the alternative conflict resolution unit referred to in Section 3.09 of this 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 thirty three million Dollars (\$33,000,000).

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 and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars a special deposit account in *Banco de Guatemala* on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2004 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 fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. 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 2.06. (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 2.07 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) three-fourths of one percent ($3/4$ 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 2.06, 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 (6) months' notice to the Borrower of the new basis. The new 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 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

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

Section 2.09. The President of the Judiciary Branch and any person or persons whom he or she shall designate 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.

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 its Judiciary Branch with due diligence and efficiency and in conformity with appropriate technical, administrative, financial and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon paragraph (a) of this Section, the Borrower through its Ministry of Public Finance shall enter into a subsidiary agreement satisfactory to the Bank (the Subsidiary Agreement) with its Judiciary Branch for the purposes of providing the necessary resources required for the carrying out of the Project.

(c) The Borrower, through its Judiciary Branch, shall maintain during the implementation of the Project, the Modernization Commission for the purposes of, inter alia, providing policy guidance on, and monitoring and supervising the implementation of the Project.

(d) The Borrower, through its Judiciary Branch, shall carry out the Project in accordance with an operational manual satisfactory to the Bank (the Operational Manual), said manual to include, inter alia, the detailed procedures and criteria (regarding the procurement of goods, works and consultants' services, disbursements; financial management, auditing and organization of the PCU) related to the implementation of the Project.

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. The Borrower, through its Judiciary Branch, shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators and targets set forth in the Implementation Letter, the carrying out of the Project and the achievement of the objectives thereof.

Section 3.04. (a) The Borrower, through its Judiciary Branch, shall establish and thereafter operate and maintain during the implementation of the Project, a Project coordination unit (the PCU) with functions and responsibilities satisfactory to the Bank, including, inter alia, the responsibility to coordinate, monitor and supervise the implementation of the Project.

(b) The Borrower, through its Judiciary Branch, shall ensure that the PCU is at all times headed by a Project coordinator and assisted by staff in adequate numbers, all with qualifications and experience satisfactory to the Bank.

Section 3.05. Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower, through its Judiciary Branch, shall, not later than forty five days after the conclusion of each calendar semester during the implementation of the Project, starting in 1999, 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 the Borrower in the carrying out of the Project during the calendar semester preceding the date of presentation of such report.

Section 3.06. The Borrower, through its Judiciary Branch, shall:

(a) Not later than September 30 of each year during Project implementation, starting in the year 1999, prepare and furnish to the Bank a plan, satisfactory to the Bank, with respect to the activities to be carried out under the Project during the calendar year following the date of presentation of such plan, and, thereafter carry out such plan in accordance with its terms.

(b) In the preparation of the annual plans referred to in paragraph (a) above, the Borrower shall take into account the contents set forth in the corresponding progress reports referred to in Sections 3.05 of this Agreement.

Section 3.07. Without limitation to the provisions of Section 9.01 of the General Conditions, the Borrower, through its Judiciary Branch, shall, not later than August 31 of each year of Project implementation, starting in 1999, review jointly with the Bank the progress made by the Borrower, through its Judiciary Branch, in: (i) carrying out the

Project; and (ii) achieving the objectives of the Project, all based on the indicators and targets set forth in the Implementation Letter, and in the corresponding reports referred to in Section 3.05 of this Agreement, and, thereafter, take or cause to be taken all such action which shall have been agreed upon by the Borrower, through its Judiciary Branch, and the Bank, during the review referred to in this paragraph, as necessary for the efficient execution of the Project or the achievement of its objectives, such action to be taken in the manner and within the timetable agreed upon during such review.

Section 3.08. Prior to the carrying out of Part A.3 (f) of the Project, including the relevant procurement of goods and selection of consultants, the Borrower, through its Judiciary Branch, shall furnish to the Bank for approval, the two pilot locations where it intends to develop the judicial information systems referred to in such Part of the Project.

Section 3.09. For the purposes of carrying out of Part C.1 (b) of the Project, including the relevant procurement of goods and selection of consultants, the Borrower, through its Judiciary Branch, shall: (a) furnish to the Bank for approval, the two pilot locations where it intends to carry out the *Programa RAC*; and (b) by not later than March 31, 1999, establish a coordination unit (the *Unidad RAC*) with basic structure, functions and responsibilities satisfactory to the Bank.

Section 3.10. The Borrower, through its Judiciary Branch, shall, by not later than July 1, 1999, furnish evidence, satisfactory to the Bank, that its justice-of-the-peace courts are in the process of being reorganized in a manner satisfactory to the Bank pursuant to Part C.1 (c) of the Project.

Section 3.11. 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 or waive the Subsidiary Agreement or any provision thereof.

Section 3.12. 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 on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through its Judiciary Branch, shall establish and thereafter maintain a financial management system in the PCU satisfactory to the Bank, including records and separate accounts and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures for and in connection with the carrying out of the Project.

(b) The Borrower, through its Judiciary Branch, shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank 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 four months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such financial statements, records and accounts and a 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, and concerning said auditors, 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, through its Judiciary Branch, 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 (p) of the General Conditions, the following additional events are specified:

(a) that the right of the Borrower to withdraw the proceeds of the Swedish-UNDP Contribution shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Swedish-UNDP Contribution Agreements. This Section shall not apply if the Borrower establishes to the satisfaction of the Bank that: (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) 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.

(b) that the Congressional Decree 2-89 of January 10, 1989 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Judiciary Branch to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Bank to the Borrower.

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 Operational Manual has been furnished to the Bank.
- (b) That a plan, as provided in Section 3.06 (a) of this Agreement, for the activities to be carried out under the Project during 1999 has been furnished to the Bank.
- (c) That the Subsidiary Agreement has become effective.
- (d) That the PCU has been established and staffed as provided in Section 3.04 (a) and (b) of this Agreement.
- (e) (i) that the financial management system referred to in Section 4.01 (a) of this Agreement has been established; and (ii) that the Borrower, through its Judiciary Branch, shall have adopted a format, acceptable to the Bank, to prepare the financial statements referred to Section 4.01(a) of this Agreement.

Section 6.02. The date *April 22, 1999* 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 Section 2.09 of this Agreement, the Minister of Public 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
Centro Cívico
Zona 1, Guatemala

For the Bank:

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

Cable address:

Telex:

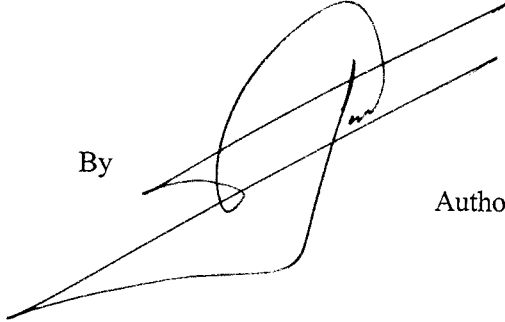
INTBAFRAD
Washington, D.C.

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

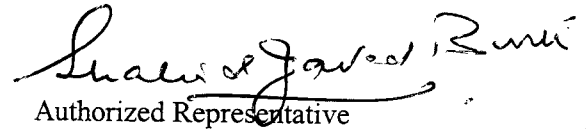
By



Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

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>	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods	2,400,000	100% of foreign expenditures; 100% of local expenditures (ex- factory cost); and 90% of local expenditures for other items procured locally
(2) Works	11,000,000	90%
(3) Consultants' Services (including technical assistance)	14,000,000	100%
(4) Training	2,700,000	100%
(5) Administrative Expenses	600,000	100% until April 1, 2001; 75% until April 1, 2003; and 50% thereafter
(6) Fee	330,000	Amount due under Section 2.04 of this Agreement
(7) Unallocated	<u>1,970,000</u>	
Total	<u>33,000,000</u>	

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;

(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;

(c) the term "Training" means expenditures (other than those for Consultants' services) incurred by the Borrower to carry out training activities under the Project, including the per-diem and travel cost of trainers and trainees; and

(d) the term "Administrative Expenses" means the operating cost of the PCU that would not have been incurred absent the Project such as office supplies, materials and communications costs, travel costs, and salaries of support staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$3,300,000, may be made in respect of Categories (1) through (5) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures within the twelve months immediately prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures: (a) under contracts for goods or works costing less than \$150,000 equivalent; (b) under contracts for the employment of consulting firms costing less than \$100,000 equivalent; (c) under contracts for the employment of individual consultants costing less than \$50,000 equivalent; and (d) for training and administrative expenses of the table in paragraph 1 of this Schedule; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the Borrower's judicial system by promoting measures aiming at enhancing the effectiveness, accessibility and credibility of its Judiciary Branch, through a participatory process involving judges and users of the Borrower's judicial system.

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: Strengthening Institutional Capacity of the Judiciary Branch

1. Development of a new managerial and organizational model:
 - (a) Design and commence the implementation of a new managerial and organizational model for the Judiciary Branch at the central and regional levels, such model to include, inter alia, the following characteristics: (i) strategies for an optimum resource utilization and management change; (ii) proposals for decentralizing administrative functions of the Judiciary Branch; (iii) development of performance standards for the organization of the Judiciary Branch; and (iv) proposals to improve the organizational arrangements of courts at all levels, including their supervision.
 - (b) Carrying out the implementation and evaluation of the new model referred to in Part A.1 (a) above through, inter alia, the provision of training for staff of the Judiciary Branch.
2. Improvement of the administrative capacity and human resources of the Judiciary Branch and strengthening of the judicial career:
 - (a) Administrative modernization through: (i) strengthening the planning and institutional development function; (ii) strengthening the office for information technology development; (iii) developing and implementing a master plan for information technology, including design and training with regard to an integrated judicial and management information system; and (iv) establishing of at least two regional centers of the Judiciary Branch, in *Quetzaltenango* covering the Departments of *San Marcos*, *Huehuetenango*, *Suchitepequez*, *Retalhuleu* and *Quetzaltenango* and in *Escuintla* covering the Departments of *Santa Rosa* and *Escuintla* and the municipalities of *San Pedro Yepocapa* y *San Miguel Pochuta* in the Department of *Chimaltenango* with automated administrative functions, electronic mail links to the Central Office, and training, logistical and infrastructure support.

(b) Development of a human resource policy and judicial career initiatives through: (i) applying and evaluating norms and standards for recruitment, selection, training, performance and evaluation of judges, administrative and judicial support staff and for the incentive system applicable to them; (ii) implementing and evaluating the automated integrated human resource management system developed under the integrated judicial information and management system referred to in Part A.2 (a) (iii) above; (iv) providing support to the Judicial School in carrying out comprehensive and integrated regional training programs for civil, tax, labor and family court judges to upgrade their professional skills, strengthen their service culture and knowledge in selected areas such as law, multicultural and linguistic matters and ethical standard; (v) carrying out of comprehensive and integrated training programs for administrative and judicial support staff; and (vi) carrying out of a salary review study of the Judiciary Branch.

3. Improvement of the operation of courts:

(a) Carrying out of a national inventory of court cases to develop delay reduction programs (including in such areas as labor, tax, family, civil, and commercial disputes), preparing an integrated statistical judicial information system, and developing performance indicators and assessing results.

(b) Revision and simplification of administrative procedures in justice-of-the-peace, first instance and appeal courts in Guatemala City, to reduce backlogs and improve transparency.

(c) Revision of the judicial process, including support for preparation and implementation of administrative and legislative reform proposals and their evaluation through a series of workshops, internal and external consultations and provision of training.

(d) Increasing the number of judicial support service centers, that provide services such as notification processes and case distribution.

(e) Carrying out of related studies for strengthening and evaluating the operation of courts.

(f) Developing of judicial information systems for Guatemala City and for two other pilot locations.

Part B: Anti-Corruption Support

1. Preventive measures: (a) preparation and implementation of an ethics code for the judiciary; (b) carrying out of a study on the applicability of relevant international treaties to the Judiciary Branch such as the Inter-American Convention Against

Corruption dated March 29, 1996; (c) development of other normative, procedural, and organizational deterrents, including rules and sanctions, an incentive system (e.g. compensation) for judges and other personnel, and a judicial statistics and court decisions publication system; (d) carrying out quarterly meetings on corruption with citizen groups; (e) carrying out of studies on the introduction of oral procedures in the judicial system including preparation of draft laws and their follow-up; and (f) carrying out training of staff on anti-corruption measures.

2. Control measures: (a) establishment of a judicial sector anti-corruption commission with broad public access and participation of different sectors of the society to facilitate management of complaints and provision of assistance to the complainants; (b) reorganization of the Department of Supervision of Courts (*Supervisión General de Tribunales*) and streamlining of the administrative disciplinary procedures including the establishment of an office to receive complaints; (c) monitoring of pending cases; (d) development of a system to register lawyers' assistants (*procuradores*) to address the problems of unauthorized litigants accessing the courts; (e) development of internal systems for disclosure of personal assets by judges and other personnel; and (f) carrying out the studies on corruption and improvement of systems to receive complaints.

Part C: Strengthening Access to Justice

1. Diversification of judicial services and reorganization of justice-of-the-peace courts:

(a) Carrying out of studies of rural and urban communities with emphasis on those receiving less judicial services, including communities of high geographic mobility (in particular indigenous, refugees and displaced populations) to assist in the preparation of policies to improve access and quality of justice, such studies to determine the socio-economic, geographic and cultural characteristics (including the customary practices and traditional dispute resolution mechanisms) and needs for judicial services of such communities.

(b) Design, creation and operation of an alternative dispute resolution mechanisms coordination unit (*Unidad RAC*), including the strengthening and evaluation of a pilot program (*Programa RAC*) for mediation (civil, commercial, family and labor matters) for first instance courts in Guatemala City and in carrying out of similar programs in two other pilot locations, such programs to include the development of training materials, the training of mediators, conciliators and the public and the development of a dissemination campaign.

(c) Reorganization of the Borrower's justice-of-the-peace courts for addressing rural communities' needs (by streamlining the coverage, providing of conciliation and other skills, training, and logistical support) and preparation of regulations to better define the role and profile of the justices-of-the-peace.

2. Expansion of judicial infrastructure through the construction and rehabilitation of courthouses in the interior of the country (including the two regional centers (*Centros Regionales*) referred to in Part A.2 (a) (iv) above, two departmental centers (*Complejos Judiciales Departamentales*) in *Huehuetenango* and *Sacatepéquez* and six justice-of-the-peace courts in the municipalities of *Dolores*, *La Libertad*, *San Andrés*, *San José*, *San Luis* and *Santa Ana*, within the Department of *Petén*), and development of the second phase of the Master Plan at the national level as a follow-up to ongoing works being carried out by the Judiciary Branch.

3. Public participation program for access to justice:

Carrying out of projects, through the promotion of partnerships with donors, non-governmental organizations and other participants, for developing broader public participation in access to justice programs such as free legal assistance for the poor, access to justice for young people and women, analysis of costs of litigation and other related activities that will promote social reconstruction and trust in post war conflict areas.

Part D: Social Communication, Strengthening of the Modernization Commission and Project Coordination Unit

1. Social communication program: (a) strengthening of the social communication unit in the Judiciary Branch; (b) development and implementation of a long term social communication strategy; (c) development of internal (*vertical* and *horizontal*) and inter-institutional communication mechanisms; (d) establishment of multilingual communication capabilities in the Judiciary Branch including publication of documents and reports; (e) development of a program for the gathering and publication of data on court performance, public opinion surveys, and civic education efforts; (f) establishment of a public information center; and (g) carrying out of assessments to determine the impact on the users of the judicial system of the modernization and communication programs undertaken by the Judiciary Branch.

2. Provide support to the Modernization Commission through the provision of continuing training and development support, including the preparation of an annual report on modernization of the Judiciary Branch, exchange on international best practices in judicial reform, and training in change management.

3. Strengthening of the PCU through the provision, as required for Project implementation, of long term technical assistance in specialized areas such as institutional development, human resources, finance, procurement, monitoring and evaluation and public affairs, and,

other short-term technical support would be provided in specialized areas that could include administrative reform, indigenous matters, anti-corruption, and judicial statistics.

* * *

The Project is expected to be completed by December 31, 2003.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars) *
February 15, 2004	700,000
August 15, 2004	720,000
February 15, 2005	740,000
August 15, 2005	765,000
February 15, 2006	785,000
August 15, 2006	810,000
February 15, 2007	835,000
August 15, 2007	860,000
February 15, 2008	885,000
August 15, 2008	910,000
February 15, 2009	935,000
August 15, 2009	965,000
February 15, 2010	990,000
August 15, 2010	1,020,000
February 15, 2011	1,050,000
August 15, 2011	1,080,000
February 15, 2012	1,115,000
August 15, 2012	1,145,000
February 15, 2013	1,180,000
August 15, 2013	1,215,000
February 15, 2014	1,250,000
August 15, 2014	1,285,000
February 15, 2015	1,325,000
August 15, 2015	1,365,000
February 15, 2016	1,405,000
August 15, 2016	1,445,000
February 15, 2017	1,490,000
August 15, 2017	1,530,000
February 15, 2018	1,575,000
August 15, 2018	1,625,000

* 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 and September 1997 (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:

Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

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 or per bid package, up to an aggregate amount not to exceed \$200,000 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 \$150,000 equivalent or more but less than \$1,500,000 equivalent per contract or per bid package up to an aggregate amount not to exceed \$3,800,000 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 goods and works under this Part shall be carried out using standard bidding documents acceptable to the Bank.

2. National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract or per bid package, up to an aggregate amount of \$100,000 equivalent may be procured under contracts awarded on the basis of national shopping procedures, 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 \$150,000 equivalent per contract, up to an aggregate amount of \$1,000,000 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.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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 (including technical services, when appropriate) 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) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to each contract procured under Part B of this Section.

(b) With respect to the first two contracts to be awarded in each year of Project implementation under each Part C.1 (a), C.1 (b), C.2 and C.3 of this Section, the following procedures shall apply:

- (i) prior to the selection of any contractor, 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 procured under shopping procedures, 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 and revised in September 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. Least-cost Selection

Services related to the organization of workshops and seminars and training in informatics, estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount of \$2,000,000 shall 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 procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(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 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, provided, however, that the terms of reference for such contracts shall be subject to the Bank's prior approval.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of the Project;
 - (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for 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 equal to \$2,000,000 in respect of the Special Account for the Project to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$1,000,000 until the aggregate amount of withdrawals from the Loan plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed an amount equal to \$6,000,000.
2. Payments out of the 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 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 Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the 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 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 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 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 the 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 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 Section in respect of the audit of the records and accounts for the Special Account;

- (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 Special Account for the Project, 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 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

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 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 the 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 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 the 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 the 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 Account.

(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.