
LOAN NUMBER 4415-GU

Loan Agreement

(Land Administration Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *April 27*, 2000

LOAN NUMBER 4415-GU

LOAN AGREEMENT

AGREEMENT, dated *April 27*, 2000, between
REPUBLIC OF GUATEMALA (the Borrower) and INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower a letter dated June 25, 1998, which letter describes the Borrower's national land administration program (the Program);

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), and which forms part of the first phase of the Program, has requested the Bank to assist in the financing of the Project; 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), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

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

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) “*Banco de Guatemala*” means the Borrower’s Central Bank;
- (b) “Beneficiaries” means an individual, a rural community or a legal entity (other than the Legal Entity as hereinafter defined) that meet the criteria set forth in the Operations Manual to be adjudicated land rights;
- (c) “CONTIERRA” means the Borrower’s Legal Assistance and Conflict Resolution Office (*Dependencia Presidencial de Asistencia Legal y Resolución de Conflictos sobre la Tierra*) established pursuant to Executive Accord No. 452-97;
- (d) “CTP” means the Land Commission of El Petén (*Comisión de Tierras del Petén*) of the Borrower;
- (e) “Decree No. 38-71” means the Borrower’s *Decreto* No. 38-71 of May 18, 1971 which established the legal framework for, inter alia, the adjudication of national land in the Department of El Petén, as amended;
- (f) “Decree No. 26-97” means the Borrower’s *Decreto* No. 26-97 of April 9, 1997 (with the exception of Article 24) which established the legal framework for the protection of the Borrower’s cultural property;
- (g) “Executive Accord No. 452-97” means the *Borrower’s Acuerdo Gubernativo* No. 452-97 of June 4, 1997 which established CONTIERRA, as such Executive Accord has been amended to the date of this Agreement;

(h) "IDAEH" means the Institute of Anthropology and History (*Instituto de Antropología e Historia*) of the Borrower established pursuant to the Borrower's Executive Accord (*Acuerdo Gubernativo*) No. 22 of February 23, 1946;

(i) "INTA" means the National Institute for Agrarian Transformation (*Instituto Nacional de Transformación Agraria*) of the Borrower;

(j) "Legal Entity" means the entity referred to in Section 3.08 of this Agreement;

(k) "MAGA" means the Ministry of Agriculture, Livestock and Food (*Ministerio de Agricultura, Ganadería y Alimentación*) of the Borrower;

(l) "Municipal Agreement" means any of the agreements referred to in Section 3.01 (b) (i) of this Agreement;

(m) "Operations Manual" means the manual referred to in paragraph 3 (b) (ii) of Schedule 1 to this Agreement;

(n) "Participating Municipality" means any of the Borrower's Municipalities located in the Department of El Petén benefited under the Project;

(o) "PMU" means the project management unit established within MAGA pursuant to the Borrower's Executive Accord No. 307-97 of April 9, 1997;

(p) "Project Area" means the physical area covered by the Department of El Petén, excluding all core and multiple land use zones of Protected Areas located in such Department;

(q) "Project Preparation Advance" means the Project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on August 15, 1996 and on behalf of the Borrower on August 12, 1997;

(r) "Protected Areas" means those areas which have been declared protected pursuant to the Borrower's Decree No. 4-89 of January 7, 1989, as amended;

(s) "RGP" means the Borrower's General Property Registry (*Registro General de la Propiedad*);

(t) "Special Account" means the account referred to in Section 2.02(b) of this Agreement;

(u) "Subsidiary Agreement" means the agreement referred to in Section 3.08 (a) of this Agreement; and

(v) "Supplemental Letter" means the letter of even date herewith from IDAEH to the Bank setting forth IDAEH's policies in the demarcation of cultural property.

1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to the Legal Entity.

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-one million Dollars (\$31,000,000).

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 separate 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.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

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 fee in the 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 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.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end, shall:

(a) carry out: (i) Part A.1 of the Project through MAGA; (ii) Part A.2 of the Project through MAGA with the participation of CTP, CONTIERRA and IDAEH; (iii) Parts A.4 through A.8 of the Project through MAGA; (iv) Part A.9 of the Project through MAGA with the participation of CONTIERRA; (v) Part B of the Project through RGP; (vi) Parts C.1, C.2, C.3, C.4 (b), C.5, C.6 and C.7 of the Project through MAGA; and (vii) Part C.4(a) of the Project through MAGA with the participation of RGP, all with due diligence and efficiency and in conformity with appropriate technical, administrative, financial, environmental, cultural, engineering and land adjudication and registration practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(b) (i) cause each Participating Municipality to carry out, within their jurisdiction, Part A.3 of the Project with the participation of MAGA and CONTIERRA pursuant to an agreement (the Municipal Agreement) to be entered into between the Borrower and each Participating Municipality under terms and conditions satisfactory to the Bank, not later than thirty days after the Borrower has approved the Participating Municipality's request to participate in the carrying out of Part A.3 of the Project; and (ii) take or cause to be taken all action, including the provisions of funds, facilities, services and other resources necessary or appropriate to enable each Participating Municipality to perform its obligations set forth in the corresponding Municipal Agreement, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) Without limitation to the provisions of paragraph (a) (ii) of Section 3.01 of this Agreement, the Borrower shall carry out Part A.2 of the Project in accordance with the provisions of the Operations Manual.

(b) Without limitation to the provisions of paragraph (b) (i) of Section 3.01 of this Agreement, the Borrower shall cause each Participating Municipality to carry out Part A.3 of the Project in accordance with the provisions of the Operations Manual.

(c) The Borrower, through IDAEH, shall participate in the execution of Part A.2 of the Project in accordance with the provisions of the Supplemental Letter.

Section 3.04. The Borrower shall perform all of its obligations under the Municipal Agreements and shall exercise its rights thereunder in such a manner as to protect the interest of the Borrower and the Bank and to accomplish the purposes of the Loan.

Section 3.05. 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 before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan to ensure the continued achievement of the Project's objectives; and

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

Section 3.06. (a) The Borrower shall operate and maintain during the implementation of the Project the PMU 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 shall ensure that the PMU 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 3.07. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with monitoring and evaluation indicators, satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than June 30 of each calendar year of Project implementation, starting in the year 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by December 31, 2001, or such later date as the Bank shall request, the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Bank's views on the matter.

Section 3.08. In the event that during Project implementation the functions and responsibilities of MAGA to carry out Part A.2 of the Project are assigned to an entity with separate legal personality, the Borrower shall:

(a) not later than thirty days after the occurrence of such event transfer, on a grant basis, the proceeds of the Loan (allocated to finance Part A.2 of the Project) withdrawn pursuant to Section 2.02 of this Agreement and remaining with the Borrower to such entity pursuant to an agreement (the Subsidiary Agreement) to be entered into

between the Borrower and such entity under terms and conditions satisfactory to the Bank, including, inter alia, the pertinent obligations set forth in this Agreement;

(b) exercise its rights under the Subsidiary Agreement in such a 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 amend, assign, suspend, terminate, waive, abrogate or fail to enforce the Subsidiary Agreement or any provision thereof; and

(c) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Legal Entity to carry out Part A.2 of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of Part A.2 of the Project by the Legal Entity.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through MAGA, shall establish and thereafter maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower 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 six 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 statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may 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 separate 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) the Legal Entity shall have failed to perform any of its obligations under the Subsidiary Agreement;
- (b) an extraordinary situation shall have arisen which shall make it improbable that the Legal Entity will be able to perform its obligations under the Subsidiary Agreement;

(c) Executive Accord No. 452-97 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Bank, the ability of CONTIERRA to assist the Borrower or the Legal Entity, as the case may be, and the Participating Municipalities in the carrying out of Parts A.2, A.3 and A.9 of the Project;

(d) the legal framework (which established the Legal Entity) or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Bank, the ability of the Legal Entity to carry out Part A.2 of the Project;

(e) any of the actions referred to in paragraph 3 (b) (i) of Schedule 1 to this Agreement shall have been reversed by the Borrower; and

(f) Decree No. 26-97 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Bank, the ability of IDAEH to assist the Borrower or the Legal Entity, as the case may be, in the carrying out of Part A.2 of the Project.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any of the events specified in paragraphs (c) or (d) or (e) or (f) of Section 5.01 of this Agreement shall occur.

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) the functions and responsibilities described in Article 3 of Decree No. 38-71 have been assigned to MAGA or the Legal Entity, in a manner satisfactory to the Bank, to carry out Part A.2 of the Project;

(b) the Borrower has employed consultants to carry out Part C.6 of the Project; and

(c) a financial management system, satisfactory to the Bank, has been established by the Borrower as provided in Section 4.01 (a) of this Agreement.

Section 6.02. The date July 26, 2000 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 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

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 Guatemala city, Guatemala, as of the day and year first above written.

REPUBLIC OF GUATEMALA

By /s/ Manuel Maza Castellanos
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Donna Dowsett-Corcolo
Acting Regional Vice President
Latin America and the Caribbean Region

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	1,500,000	90%
(2) Goods	2,500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services		
(a) under Part A.2 of the Project	5,700,000)))	
(b) under Part A.3 of the Project	3,800,000)))	100%
(c) under other Parts of the Project	8,100,000))	
(4) Training	800,000	100%
(5) Operating Costs	4,300,000	100% until withdrawals under this Category have reached an aggregate amount of \$2,500,000; thereafter

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
		70% until withdrawals under this Category have reached an aggregate amount of \$4,000,000; and 40% thereafter
(6) Fee	303,960	Amount due pursuant to Section 2.04 of this Agreement
(7) Refunding of Project Preparation Advance	2,000,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	<u>1,996,040</u>	
TOTAL	<u><u>31,000,000</u></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 in connection with the carrying out of the training activities under the Project, including the travel cost and per-diem of the trainers and trainees, rental of facilities and training materials; and

(d) the term "Operating Costs" means expenditures incurred by the Borrower for recurrent costs associated with the implementation of the Project,

including: (i) operation, leasing and maintenance of vehicles (which includes fuel, repairs and spare parts); (ii) office supplies, rental of office facilities and office utilities associated with the PMU; (iii) insurance for equipment and vehicles financed with Loan proceeds; (iv) communications expenses; (v) transportation costs as approved by the Bank; and (vi) salaries and travel and per-diem costs for the representatives of CONTIERRA in the Project Area and the MAGA's personnel which will carry out supervisory activities under Part A.7 (b) of the Project.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$3,100,000, 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 before that date but after January 1, 2000;

(b) payments made for expenditures under Category (3) (a) of the table in paragraph 1 of this Schedule unless: (i) Article 21 of Decree 38-71 (which sets forth the limitations on land adjudication) has been amended or abrogated or superseded by subsequent legislation, all in a manner satisfactory to the Bank; and (ii) a manual which includes, inter alia, the guidelines for the implementation of Parts A.2 and A.3 of the Project (the Operations Manual) has been approved by the Bank; and

(c) payments made for expenditures under Category (3) (b) of the table in paragraph 1 of this Schedule unless the condition referred to in paragraph 3 (b) (ii) has been met.

4. 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 \$150,000 equivalent each with the exception of the first two contracts for goods to be procured under Parts C.1 (a) and C.2 of Section I of Schedule 4 to this Agreement; (b) contracts for works estimated to cost less than \$150,000 equivalent; (c) contracts for the employment of consulting firms costing less than \$100,000 equivalent each; (d) contracts for the employment of individual consultants costing less than \$30,000 equivalent each; and (e) Training and Operating Costs as set forth in Categories (4) and (5) 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 objectives of the Project are: (a) to increase legal security of land tenure; and (b) to strengthen the legal and institutional framework for land registry and cadastre services, particularly in the Department of El Petén.

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: Cadastre and Land Regularization

1. Carrying out of cartographic activities in the Department of El Petén.
2. Carrying out of a demand-driven national land adjudication process in the Project Area which consists of: (a) identifying potential land for adjudication; (b) carrying out cadastral activities in each solicitant's plot of land; (c) addressing any land disputes that may arise during such process; (d) granting land rights to Beneficiaries; and (e) thereafter registering such rights in the office referred to in Part B.1 of the Project.
3. Carrying out of a demand-driven municipal land adjudication process in the Project Area which consists of: (a) identifying potential land for adjudication; (b) carrying out cadastral activities in each solicitant's plot of land; (c) addressing any land disputes that may arise during such process; (d) granting land rights to Beneficiaries; and (e) thereafter registering such rights in the office referred to in Part B.1 of the Project.
4. Design and carrying out of social communication campaigns to inform the population of the Project activities.
5. Installation of about 12 offices in the Project Area to provide free multilingual legal assistance to the local population and Participating Municipalities concerning the land adjudication and registration processes referred to in Parts A.2 and A.3 above.
6. Creation of a data base with the information resulting from the land adjudication processes referred to in Parts A.2 and A.3 above for purposes of establishing an integrated parcel-based cadastre and registry system.

7. (a) Improvement of national technical standards and performance criteria for the carrying out of land adjudication and registration activities in Guatemala; and (b) supervision of the activities mentioned in (a) herein for quality control purposes.
8. Strengthening of the capacity of Participating Municipalities and of those entities and agencies to be selected by the Borrower to maintain and update land mapping and cadastral data.
9. (a) Strengthening of the institutional capacity of CONTIERRA to carry out its functions in the Department of El Petén through the establishment of field offices and the provision of training to its personnel in mediation and other conflict resolution mechanisms; and (b) carrying out of: (i) national campaigns to inform the population of CONTIERRA's mandate and current activities; and (ii) social monitoring studies on the carrying out of Parts A.2 and A.3 of the Project.

Part B: Land Registry

1. Establishment of an RGP's branch registry office in the Department of El Petén, including the provision of technical assistance and training and the acquisition and utilization of equipment required to commence its operations.
2. (a) Modernization of the Department of El Peten's land records maintained by RGP and INTA for purposes of managing the land registry information contained in such records; and (b) design of an integrated cadastral and registry system.

Part C: Project Management Unit

1. Strengthening of the PMU to carry out its functions through the provision of technical assistance and training and the acquisition and utilization of goods.
2. Carrying out of a review of foreign and domestic land legislation for purposes of improving Guatemala's land legal framework.
3. Carrying out of studies to improve the system referred to in Part B.2 (b) of the Project.
4. (a) Carrying out of a review of RGP's tariffs; and (b) development of new cadastre and registry services.

5. Carrying out of: (a) socio-economic and land tenure analyses in the Protected Areas within the Department of El Petén; and (b) studies in fields related to land administration and tenure.

6. Provision of technical assistance to carry out the procurement activities under the Project.

7. Carrying out of technical audits of Parts A, B and C.1 through C.6 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>
August 15, 2004	650,000
February 15, 2005	670,000
August 15, 2005	690,000
February 15, 2006	710,000
August 15, 2006	735,000
February 15, 2007	755,000
August 15, 2007	780,000
February 15, 2008	800,000
August 15, 2008	825,000
February 15, 2009	850,000
August 15, 2009	875,000
February 15, 2010	900,000
August 15, 2010	930,000
February 15, 2011	955,000
August 15, 2011	985,000
February 15, 2012	1,015,000
August 15, 2012	1,045,000
February 15, 2013	1,075,000
August 15, 2013	1,110,000
February 15, 2014	1,140,000
August 15, 2014	1,175,000
February 15, 2015	1,210,000
August 15, 2015	1,250,000
February 15, 2016	1,285,000
August 15, 2016	1,325,000
February 15, 2017	1,365,000
August 15, 2017	1,405,000
February 15, 2018	1,445,000
August 15, 2018	1,490,000
February 15, 2019	1,555,000

* 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

Section I. Procurement of Goods 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 provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) 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.

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 \$800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Procurement of goods under this Part shall be carried out using standard bidding documents acceptable to the Bank.

2. Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures, at the option of the Borrower, 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 not to exceed \$200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) 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 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 and works to be procured under Part B.1 of this Section; and (ii) the first two contracts for goods to be procured under Part C.1 (a) 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 two contracts for goods to be procured under Part C.2 of this Section, the following procedures shall apply:

- (i) prior to the selection of any supplier, 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, 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 for Parts C.7 of the Project estimated to cost less than \$200,000 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. Single Source Selection

Services for Part C.6 of the Project may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for Parts A.4 through A.9, B.1, C.1, C.4 and C.5 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 \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (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 \$100,000 or more, but less than the equivalent of \$200,000, 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 consulting firms estimated to cost less than the equivalent of \$100,000, the terms of reference for the particular assignment 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.

(d) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 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.

(e) With respect to each contract for the employment of individual consultants estimated to cost less than the equivalent of \$30,000, the terms of reference for the particular assignment 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.

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 Account pursuant to paragraph 3 (a) of this Schedule.
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) 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

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 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.