
LOAN NUMBER 4432-GU

Loan Agreement

(Land Fund Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *April 27*, 2000

LOAN NUMBER 4432-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 December 1, 1998, which letter describes the Borrower's program to facilitate access to land consistent with the Identity and Rights of the Indigenous People Accord (*Acuerdo Sobre Identidad y Derechos de los Pueblos Indigenas*) of March 31, 1995 and the Socioeconomic Aspects and the Agrarian Situation Accord (*Acuerdo Sobre Aspectos Socioeconómicos y Situación Agraria*) of May 6, 1996 (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) “Beneficiary” means an individual or an organized group of individuals which meets the criteria set forth in the Operations Manual to obtain financing to lease or acquire land through the Land Fund (as hereinafter defined);
- (c) “Community Subproject” means any of the activities referred to in Part C of the Project;
- (d) “Community Subproject Agreement” means any of the agreements referred to in Section 3.03 (c) of this Agreement;
- (e) “Eligible Categories” means Categories (1) through (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;
- (f) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement;
- (g) “Executive Accord No. 392-97” means the Borrower’s *Acuerdo Gubernativo* No. 392-97 of May 14, 1997;
- (h) “Grant” means a grant made or proposed to be made by the Borrower to a Beneficiary out of the proceeds of the Loan for purposes of financing a Community Subproject;
- (i) “Land Fund” means the Borrower’s *Fondo de Tierras* established pursuant to Executive Accord No. 392-97;

(j) "Land Fund 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) "Operations Manual" means the manual for the operation of the Project referred to in Section 3.03 (a) of this Agreement;

(m) "PCU" means the unit referred to in Section 3.06 (a) of this Agreement;

(n) "Potential Beneficiary" means an individual or an organized group of individuals which meets the criteria set forth in the Operations Manual to benefit from the assistance to be provided under Part B.1 of the Project;

(o) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(p) "Regulations" means the regulations to administer the Trust Fund (as hereinafter defined) approved by Board Resolution No. JD-076-97 of August 11, 1997 of the Trustee, as such regulations may be amended or superseded by subsequent regulations;

(q) "Special Account" means the account referred to in Part B.1 of Schedule 1 to this Agreement;

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

(s) "Technical Assistance Agreement" means any of the agreements referred to in Section 3.03 (d) of this Agreement;

(t) "Technical Assistance Grant" means a grant made or proposed to be made by the Borrower to a Beneficiary out of the proceeds of the Loan under Part B.2 of the Project;

(u) "Trustee" means BANRURAL (*Banco de Desarrollo Rural*) or any other private banking institution selected by the Borrower to act as trustee for the Trust Fund;

(v) "Trust Fund" means the bank account opened by the Borrower pursuant to the terms of the Trust Fund Agreement; and

(w) "Trust Fund Agreement" means the agreement entered into between the Borrower and the Trustee dated July 8, 1997 for the purpose of administering the funds of the Land Fund, as amended pursuant to Section 6.01 (c) of this Agreement, or any other agreement, satisfactory to the Bank, to be entered into between the Borrower and the Trustee for the same purpose in the event that the Land Fund Entity is created.

1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to the Land Fund 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 twenty-three million Dollars (\$23,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (a) amounts paid (or if the Bank shall so agree to be paid) by the Borrower under: (i) a Grant to meet the reasonable costs of goods, works and services required for the carrying out of a Community Subproject; and (ii) a Technical Assistance Grant to meet the reasonable cost of services under Part B.2 of the Project; and (b) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A and B.1 of the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement. In no event shall any amount of the Loan be withdrawn from the Loan Account for the financing, in whole or in part, of any leasing or acquisition of land.

Section 2.03. The Closing Date shall be December 31, 2002 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 April 15 and October 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 carry out the Project through the Land Fund with due diligence and efficiency and in conformity with appropriate technical, administrative, financial, environmental and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for 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. (a) The Borrower shall carry out the Project in accordance with an operations manual satisfactory to the Bank, said manual to include, inter alia: (i) the criteria and procedures for approving Community Subprojects; (ii) the guidelines and procedures to be followed by the Borrower in carrying out the environmental evaluation of Community Subprojects; (iii) the criteria for providing Technical Assistance Grants; and (iv) the type of investments not financed with Loan proceeds.

(b) In case of any conflict between the terms of the Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

(c) Without limitation to the provisions of Section 3.01 of this Agreement, and for the purpose of financing Community Subprojects, the Borrower shall, upon approval of a Community Subproject, enter into an agreement (the Community Subproject Agreement) with the corresponding Beneficiary, under terms and conditions satisfactory to the Bank, including those set forth in Section I of Schedule 5 to this Agreement.

(d) Without limitation to the provisions of Section 3.01 of this Agreement, and for the purpose of providing Technical Assistance Grants, the Borrower shall, upon approval of a Technical Assistance Grant, enter into an agreement (the Technical Assistance Agreement) with the corresponding Beneficiary, under terms and conditions satisfactory to the Bank, including those set forth in Section II of Schedule 5 to this Agreement.

(e) The Borrower shall perform all its obligations under the Community Subproject Agreements and Technical Assistance Agreements and shall exercise its rights thereunder in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

Section 3.04. The Borrower shall operate and maintain during the implementation of the Project the Trust Fund in accordance with the provisions of the Trust Fund Agreement and the Regulations for purposes of administering and disbursing the counterpart funds for Part D of the Project.

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 establish within MAGA, and thereafter operate and maintain during the implementation of the Project a Project coordination unit 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 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 3.07. 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 forty-five days after the conclusion of each calendar semester of Project implementation, starting in the second semester of 2000, a semi-annual 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, not later than March 31 of each year of Project implementation, starting in the year 2001, the corresponding report 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 report and the Bank's views on the matter.

Section 3.08. In the event that during Project implementation the legal status of the Land Fund is altered so as to bestow it with separate legal personality, the Borrower shall:

(a) not later than sixty days after the occurrence of such event transfer, on a grant basis, the proceeds of the Loan withdrawn pursuant to Section 2.02 of this Agreement and remaining in the Land Fund to such entity pursuant to an agreement (the Subsidiary Agreement) to be entered into between the Borrower and such new 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 Land Fund Entity to carry out the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by the Land Fund Entity.

Section 3.09. In the event that the environmental evaluation of a particular Community Subproject recommends actions to be taken by the Borrower or the Beneficiary to address any negative environmental impact, the Borrower shall take, or cause the Beneficiary to take, all such actions as required by the Operations Manual.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower 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 Project Management Reports or 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 Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation to the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than June 30, 2000, or such later date as the Bank shall agree, to prepare quarterly reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
 - (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.
- (b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

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 Land Fund 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 Land Fund Entity will be able to perform its obligations under the Subsidiary Agreement;
- (c) prior to the adoption of a new legal framework for the establishment and operation of the Land Fund Entity, the Executive Accord No. 392-97 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 the Borrower to carry out the Project;
- (d) any legal framework for the establishment and operation of the Land Fund Entity satisfactory to the Bank 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 Land Fund Entity to carry out the Project;

(e) the Regulations 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 Borrower to carry out Part D of the Project; and

(f) that the Trustee shall have failed to comply with any of its obligations under the Trust Fund Agreement.

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

(a) any of the events specified in paragraphs (a) or (f) 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) 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 Operations Manual is satisfactory in form and substance to the Bank;

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

(c) the authorized capital of the Trust Fund has been increased, under terms acceptable to the Bank, in an amount equal to the amount of the counterpart funds required to carry out Part D of the Project; and

(d) the PCU has been established and staffed as provided in Section 3.06 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:

MINFIP
Guatemala, Guatemala

Telex:

9207 MINFIP GU

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

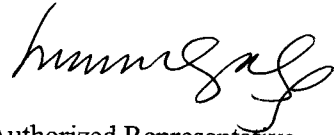
Telex:

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

REPUBLIC OF GUATEMALA

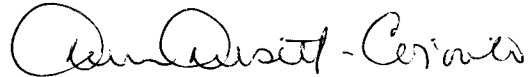
By



Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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) Goods under Parts A and B.1 of the Project	200,000	90%
(2) Grants	17,100,000	100% of the amount disbursed as referred to in paragraph 1 (a) of Section I of Schedule 5 to this Agreement
(3) Technical Assistance Grants	2,700,000	100% of the amount disbursed as referred to in paragraph 1 (a) of Section II of Schedule 5 to this Agreement
(4) Consultants' services under Parts A and B.1 of the Project	1,600,000	100%
(5) Training under Parts A and B.1 of the Project	100,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(6) Operating Costs and Salaries	900,000	70 % until withdrawals under this Category have reached an aggregate amount of \$800,000; and 30% thereafter
(7) Fee	226,000	Amount due pursuant to Section 2.04 of this Agreement
(8) Unallocated	<u>174,000</u>	
TOTAL	<u>23,000,000</u>	

2. For the purposes of this Schedule:

(a) 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

(b) the term "Operating Costs and Salaries" means expenditures incurred by the Borrower for recurrent costs associated with the implementation of Parts A and B.1 of the Project, including: (i) the incremental cost of the operation and maintenance of vehicles (which includes fuel, repairs and spare parts); and (ii) the incremental cost of salaries of the personnel of the PCU.

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 equal to \$2,000,000, may be made in respect of Categories (1) through (6) set forth in the table in Part A.1 of this Schedule on account of payments made for expenditures before that date but after January 1, 2000.

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 (other than those contracts for goods to be procured under Community Subprojects as mentioned in subparagraph (b) herein) with the exception of: (i) the first contract for goods to be procured under Part B.1 (b) of Section I of Schedule 4 to this Agreement; and (ii) the first two contracts for goods to be procured under Part B.2 of Section I of Schedule 4 to this Agreement; (b) contracts for goods to be procured under Community Subprojects with the exception of the first contract for goods to be procured under Community Subprojects in accordance with the procedures set forth in Part B.1 (a) of Section I of Schedule 4 to this Agreement; (c) contracts for works to be procured under Community Subprojects with the exception of the first contract for works to be procured under Community Subprojects in accordance with the procedures set forth in Part B.1 (c) of Section I of Schedule 4 to this Agreement; (d) contracts for the employment of consulting firms costing less than \$100,000 equivalent each; (e) contracts for the employment of individual consultants costing less than \$30,000 equivalent each; and (f) Training and Operating Costs and Salaries set forth in Categories (5) and (6) of the table in Part A.1 of this Schedule, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in Dollars a separate special deposit account in *Banco de Guatemala*, on terms and conditions satisfactory to the Bank.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not Made
On the Basis of Project Management Reports**

1. For the purposes of this Annex:
 - (a) the term "Authorized Allocation" means an amount equal to \$2,200,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$800,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed an amount equal to \$3,500,000.
2. Withdrawals of the Special Account's Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Special Account's 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 in the aggregate do not exceed the Authorized Allocation. 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.
 - (b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Special Account's Eligible Categories.
3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan allocated to said Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General

Conditions in respect of expenditures to be financed out of the proceeds of the Loan allocated to said Categories, shall equal the equivalent of twice the amount of the Special Account's Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to said Categories 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.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Made
On the Basis of Project Management Reports**

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Special Account's Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed an amount equal to \$3,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to facilitate access to land to Beneficiaries; (b) to provide support to Potential Beneficiaries and Beneficiaries in the preparation and implementation of Community Subprojects; and (c) to initiate improvements to the efficiency of the land markets in Guatemala.

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: Institutional Strengthening

1. Strengthening of the institutional capacity of the Land Fund to carry out and supervise Project activities (including the carrying out of environmental evaluations of Community Subprojects and lands to be leased or acquired under Part D of the Project), through the provision of technical assistance and training and the acquisition and utilization of goods required therefor.
2. Carrying out of a social communications program in Guatemala to inform the population with respect to the Project activities.
3. Provision of training to those entities selected by the Borrower for purposes of providing the assistance referred to in Part B.2 of the Project.
4. Carrying out of analyses of land tenure and local land prices for purposes of providing land financing to Beneficiaries.
5. Establishment of a land market information system.

Part B: Community Strengthening

1. Provision of technical assistance and training to Potential Beneficiaries with respect to, inter alia: (a) adoption of an appropriate legal status; (b) design of Community Subprojects; (c) identification of land to be leased or acquired under Part D of the Project; and (d) carrying out of studies related to land investments for productive purposes.

2. Provision of technical assistance to Beneficiaries, financed by Technical Assistance Grants, to assist them in the management of Community Subprojects.

Part C: Community Subprojects

Financing of demand-driven Community Subprojects (through the provision of Grants) in the areas of: (a) social or economic infrastructure; and (b) any other investments for productive purposes, all of which meet the criteria set forth in the Operations Manual.

Part D: Access to Land

Provision of loans to Beneficiaries for purposes of leasing or acquiring land.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
April 15, 2004	490,000
October 15, 2004	500,000
April 15, 2005	515,000
October 15, 2005	530,000
April 15, 2006	550,000
October 15, 2006	565,000
April 15, 2007	580,000
October 15, 2007	600,000
April 15, 2008	615,000
October 15, 2008	635,000
April 15, 2009	650,000
October 15, 2009	670,000
April 15, 2010	690,000
October 15, 2010	710,000
April 15, 2011	730,000
October 15, 2011	755,000
April 15, 2012	775,000
October 15, 2012	800,000
April 15, 2013	820,000
October 15, 2013	845,000
April 15, 2014	870,000
October 15, 2014	895,000
April 15, 2015	925,000
October 15, 2015	950,000
April 15, 2016	980,000
October 15, 2016	1,010,000
April 15, 2017	1,035,000
October 15, 2017	1,070,000
April 15, 2018	1,100,000
October 15, 2018	1,140,000

* 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: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods to be procured under Community Subprojects estimated to cost \$25,000 equivalent or more per contract, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods (other than goods to be procured under Community Subprojects) estimated to cost \$25,000 equivalent or more per contract, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) Works under Community Subprojects estimated to cost \$150,000 equivalent or more per contract, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

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

2. Shopping

Goods (other than goods to be procured under Community Subprojects) estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures, acceptable to the Bank, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

Except as provided in subparagraph (c) below:

(a) goods to be procured under Community Subprojects estimated to cost less than \$25,000 equivalent per contract 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;

(b) works to be procured under Community Subprojects estimated to cost less than \$150,000 equivalent per contract 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; and

(c) goods and works under Community Subprojects located in remote rural areas in which the procurement procedures described in subparagraphs (a) and (b) above are not practicable as set out in the Operations Manual, may be procured through direct contracting available in the area.

Part C: 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 Part A of 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 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) the first contract for goods and works to be procured under Community Subprojects in accordance with the procedures referred to in Part B.1 (a) and (c) above; and (ii) the first contract for goods to be procured in accordance with the procedures referred to in Part B.1 (b) above, 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 in accordance with the procedures referred to in Part B.2 above, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, 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. Individual Consultants

Services for Parts A, B and C of the Project, up to an aggregate amount not to exceed \$200,000 equivalent, 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 Part A of 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 for 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 for 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 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

Section I

Each Community Subproject Agreement shall contain terms and conditions whereby:

1. The Borrower agrees:
 - (a) to finance up to 91% of the cost of each Community Subproject;
 - (b) to inspect, by itself or through the Land Fund or jointly with representatives of the Bank, if the Bank shall so request, the goods and works included in the respective Community Subproject, and any relevant records and documents;
 - (c) to take or cause to be taken all actions as provided in Section 3.09 of this Agreement;
 - (d) to procure, on behalf of the Beneficiary, the works, goods or services to be financed out of the proceeds of the Grant as provided in Section 3.02 of this Agreement upon request of the Beneficiary; and
 - (e) to suspend or terminate the right of the Beneficiary to benefit from the proceeds of the Loan upon failure by such Beneficiary to comply with any of its obligations under the corresponding Community Subproject Agreement.
2. The Beneficiary agrees:
 - (a) (i) to carry out and operate the respective Community Subproject with due diligence and efficiency and in conformity with sound administrative, technical, engineering, financial and environmental standards and in accordance with the provisions of the Operations Manual; and (ii) to provide the necessary information to the Land Fund to enable the Borrower to comply with its obligation as provided in Sections 4.01 and 4.02 of this Agreement;
 - (b) (i) to procure the works, goods and services to be financed out of the proceeds of the Grant as provided in Section 3.02 of this Agreement in cases other than that referred to in paragraph 1 (d) above; and (ii) to use exclusively the works and goods in the carrying out of the respective Community Subproject;
 - (c) to finance at least 9% of the total cost of the corresponding Community Subproject, such financing to be made either: (i) in cash; (ii) in kind; (iii) through the provision of labor; or (iv) by means of any combination thereof;

(d) to take all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Community Subproject and shall furnish to the Bank, promptly upon its request, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Community Subproject;

(e) to obtain when needed, prior to the carrying out of the corresponding Community Subproject, all permits, licenses and or rights (other than those referred to in paragraph (d) above) necessary to carry out, operate and maintain the Community Subproject;

(f) to take all actions on its part required to address any potential negative environmental impact identified in the environmental evaluation for the corresponding Community Subproject, or cause the contractors carrying out the works (through inclusion of appropriate mandatory provisions, acceptable to the Bank, in the bidding documents for such works) to take all necessary actions to address such impact, all in a manner satisfactory to the Bank; and

(g) not to: (i) assign or transfer, in whole or in part, any of its obligations under the Community Subproject Agreement; or (ii) sell, lease, transfer, assign, or otherwise dispose of any property or assets financed wholly or in part with the proceeds of the Loan.

Section II

Each Technical Assistance Agreement shall contain terms and conditions whereby:

1. The Borrower agrees:

(a) to finance the cost of the assistance referred to in Part B.2 of the Project as follows: (i) 100% during the first year after the Approval Date; (ii) 65% during the second year after the Approval Date; and (iii) 30% during the third year after the Approval Date.

(b) to procure, on behalf of the Beneficiary, the services to be financed out of the proceeds of the Technical Assistance Grant as provided in Section 3.02 of this Agreement upon request of the Beneficiary; and

(c) to suspend or terminate the right of the Beneficiary to benefit from the proceeds of the Loan upon failure by such Beneficiary to comply with any of its obligations under the corresponding Technical Assistance Agreement.

2. The Beneficiary agrees:

(a) to provide the necessary information to the Land Fund to enable the Borrower to comply with its obligation as provided in Sections 4.01 and 4.02 of this Agreement;

(b) to procure the services to be financed out of the proceeds of the Technical Assistance Grant as provided in Section 3.02 of this Agreement in cases other than that referred to in paragraph 1 (b) of this Section; and

(c) to finance the cost of the assistance referred to in Part B.2 of the Project as follows: (i) 35% during the second year after the Approval Date; (ii) 70% during the third year after the Approval Date; and (iii) 100% thereafter, such financing to be made in cash.

3. For purposes of this Schedule, the term "Approval Date" means the date on which the Borrower approved the corresponding Technical Assistance Grant.