
LOAN NUMBER 7374-GU

Loan Agreement

(Rural Economic Development Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *October 22*, 2007

LOAN AGREEMENT

Agreement dated *October 22*, 2007, between REPUBLIC OF GUATEMALA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II—LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of thirty million Dollars (\$30,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- 2.08. Without limitation upon the provisions of paragraph (a) of Section 2.08 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal to thirty million Dollars (\$30,000,000) shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of the General Conditions and of the Conversion Guidelines.

ARTICLE III—PROJECT

- 3.01. The Borrower, through SEGEPLAN, declares its commitment to the objectives of the Project and the Program and, to this end, shall carry out the Project jointly with CIV/FONDETEL, MINECO and FONAPAZ and, shall coordinate, through SEGEPLAN, the implementation of the Project, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV—EFFECTIVENESS

- 4.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is November 28, 2007.

ARTICLE V—REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is its Minister of Public Finance.

5.02. The Borrower's Address is:

Ministerio de Finanzas Públicas
8a Avenida y 21 Calle
Centro Cívico, Zona 1
Guatemala, Guatemala, C.A.

Telephone:	Fax:
(502) 22485002	(502) 22485005
(502) 22485003	(502) 22485084
(502) 22485080	

5.03. The Bank's Address is:

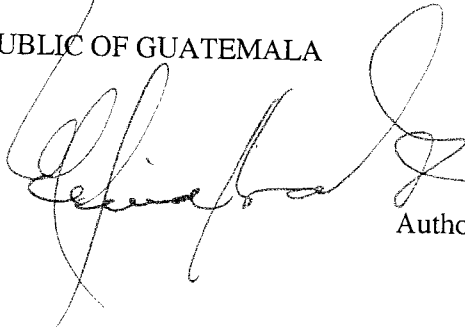
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUATEMALA

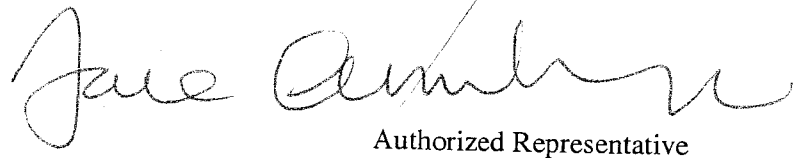
By



Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to assist the Borrower in: (i) improving the competitiveness of rural productive supply chains with strong indigenous participation; and (ii) strengthening the institutional capacity of the public entities participating in the Program for the adoption of a participatory territorial management model with indigenous involvement.

Part 1: Investment in Productive Supply Chains

Increasing the competitiveness of productive supply chains that have a rural base and strong indigenous participation in the Selected Departments through:

- 1.1. (a) the establishment by MINECO, in cooperation with private professional associations and relevant service providers, including NGOs, of entrepreneur development services allowing rural productive organizations to access markets and link up with productive supply chains; and (b) the carrying out of Investment Subprojects by or for Beneficiaries;
- 1.2. (a) the strengthening of MINECO's capacity to assist rural enterprises in accessing financial services; (b) the provision of technical advisory services to, and support for, tailoring the services of financial institutions to the needs of rural productive organizations, and, in relation thereto; (c) the building of the required capacity in the rural productive organizations for accessing the services of the financial institutions; and (d) the provision of credit facilities to be extended to selected financial institutions in furtherance thereof;
- 1.3. the carrying out by FONAPAZ of public rural infrastructure and collective investments in economic infrastructure to support the development of new supply chain partnerships and the improvement of existing ones, through the provision of financing for the implementation of Investment Subprojects; and
- 1.4. the provision of support, including technical advisory services and capacity building, by CIV through FONDETEL, for the development of the productive use of ICT infrastructure, networks and services, including the roll-out and the installation of public pay phones, mobile phone networks and services and a network of internet points of presence and telecenters, to be carried out in priority in the Selected Departments and, as needed, in other areas of the Borrower's territory.

Part 2: Strengthening of the Territorial Public Management Capacities for Competitiveness

Enhancing overall institutional capacity for public management with the introduction of territorial development-based public management models best able to facilitate better informed public policy, public and/or private sector decision making processes and investments programs, including, in respect of SEGEPLAN:

- 2.1. the development of the new territorial management model for rural development based on participatory principles and the fostering of public/private partnerships;

- 2.2. the implementation of the model in the Selected Departments;
- 2.3. the access to territorial strategic information through an integrated and decentralized territorial strategic information system; and
- 2.4. the disclosure, awareness and training in relation thereto.

Part 3: Management, Monitoring and Evaluation

Ensuring optimal implementation of the Project by strengthening management capacity of SEGEPLAN and the other Co-Executing Agencies participating in the Investment Coordination Committee with the Borrower's commission against discrimination and racism, through the establishment and operation of a general management system that would include an efficient monitoring and evaluation system of the Program.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. (a) The Borrower, through SEGEPLAN, shall furnish to the Bank a Project operational manual, satisfactory in form and substance to the Bank, setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:
 - (i) the detailed description of: (A) Project activities; and (B) institutional arrangements in respect thereof;
 - (ii) the detailed membership required of all entities to be set up for purposes of the Project, including *inter alia*, the Management Board and the Investment Coordination Committee;
 - (iii) the administrative, financial, accounting, auditing, procurement and disbursement procedures for the implementation of the Project by all Executing Entities, including the relevant standard documents in relation thereto;
 - (iv) the selection criteria for: (i) the NGOs and other service providers, including the standard service agreements for the contracting of their services, (ii) the Beneficiaries and (iii) the Investment Subprojects under Part 1.1 and 1.3 of the Project;
 - (v) the Environmental Management Framework disclosed to the general public on January 12, 2006, therein setting forth the guidelines and the framework for mitigating potential harmful effects of Project implementation and including an IPDF prepared for the Project; and
 - (vi) the plan for the monitoring, evaluation and supervision of the Project, including the Performance Indicators.
- (b) The Borrower, through SEGEPLAN, shall: (i) maintain the OM throughout Project implementation; (ii) take all measures necessary to ensure that the Project is carried out in conformity with the OM; and (iii) only amend the OM, from time to time, with the Bank's prior written consent.
- (c) In the event of any conflict between the provisions of the OM and any one under this Agreement, the provisions of this Agreement will prevail.

2. The Borrower shall ensure that SEGEPLAN:
 - (a) is maintained in structure and with personnel, including procurement and financial management specialists, adequate in number and having terms of reference, functions and resources satisfactory to the Bank at all times during Project implementation;
 - (b) remains responsible for the effective coordination of the overall Project, including the coordination of procurement, financial management, auditing, monitoring and evaluation aspects in relation thereto; and
 - (c) submits annual work plans and budget for review and comments to the Bank and, for approval, to the Management Board.

3. The Borrower shall:
 - (a) establish, for purposes of the Project, an investment coordination committee and a management board with membership as set forth in the OM; and thereafter
 - (b) maintain, through SEGEPLAN, during Project implementation, the said investment coordination committee and the management board in conformity with the specifications set forth in the Operational Manual.

4. The Borrower shall ensure that:
 - (a) SEGEPLAN:
 - (i) enters into an agreement (the Framework Agreement) with each of the other Co-Executing Agencies of the Project, therein setting forth the respective obligations of the parties thereunder, notably with respect to the implementation and the financing of the relevant parts of the Project, including the provision of technical advisory services, the acquisition of goods and the carrying out of works in relation thereto, and the appraisal of Investment Subprojects, all in accordance with the guidelines set forth in the OM;
 - (ii) exercise its rights and carry out its obligations under each such 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 assign, amend, abrogate, waive or fail to enforce any such agreement or any provision thereof;

- (b) MINECO and FONAPAZ respectively enter into agreements with the Beneficiaries wherein the modalities for the implementation of the Investment Subprojects shall be specified, all in accordance with the provisions set forth in the OM; and
 - (c) Each other Co-Executing Agency to appoint and maintain, throughout Project implementation, key staff, including procurement and financial management specialists with qualifications, experience, terms of reference, resources and functions satisfactory at all times to the Bank.
5. The Borrower, through SEGEPLAN, shall:
- (a) ensure that the Investment Subprojects carried out under MINECO and FONAPAZ, respectively, are identified, appraised, approved, implemented, managed and evaluated in accordance with the procedures set forth or referred to in the OM;
 - (b) carry out, on an annual basis, under terms of reference satisfactory to the Bank an independent technical audit of physical activities and procurement review of the implementation of the Investment Subprojects by the Beneficiaries, focusing on the adherence to the guidelines and procedures set forth in the OM; and
 - (c) ensure that:
 - (i) a review of the Project's performance and outcome is carried out no later than 2 years after the Effective Date;
 - (ii) no later than 3 months thereafter, the ensuing report is furnished to the Bank for its review; and
 - (iii) thereafter, all measures required to ensure the efficient completion of the Program and the achievement of the objectives of the Project, based on the conclusions and recommendations of the said report and the Bank's views on the matter, are taken.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports

1. The Borrower, through SEGEPLAN, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the Performance Indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits.

1. The Borrower, through SEGEPLAN, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower, through SEGEPLAN, shall prepare and furnish to the Bank as part of the Project Report not later than 45 days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower, through SEGEPLAN, shall have its consolidated Financial Statements in respect of the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than four months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding.

- (a) Except as otherwise provided in paragraph 2 below, goods, works and related non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
- (b) Notwithstanding the foregoing, concerning the implementation of Part 1.4 of the Project, goods and works shall be procured under contracts awarded on the basis of Performance-Based Procurement.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to using: (i) Standard Bidding Documents agreed with the Bank; and (ii) Performance-Based Procurement with respect to Part (1.4) of the Project
(b) Shopping, subject to using Standard Bidding Documents agreed with the Bank
(c) Community Participation
(d) Direct Contracting, subject to the Bank's prior consent

C. **Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) Least Cost Selection
(b) Selection under a Fixed Budget
(c) Quality-Based Selection
(d) Selection based on Consultant's Qualifications
(e) Single Source Selection, subject to the Bank's prior consent
(f) Services rendered by Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower to: (a) finance the Front-end Fee in accordance with Section 2.07 (b) of the General Conditions; and (b) finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Goods, works and consultants' services (including for Investment Subprojects) in respect of Part 1.1 of the Project	5,200,000	100%
(2) Goods, works and consultants' services (including for Investment Subprojects) in respect of Part 1.3 of the Project	6,000,000	100%
(3) Goods, works and consultants' services in respect of Part 1.4 of the Project	15,400,000	100%
(4) Goods and consultants' services in respect of Part 2 of the Project	1,200,000	100%
(5) Goods and consultants' services in respect of Part 3 of the Project	900,000	100%

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(6) Front-end Fee	75,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(7) Unallocated	1,225,000	
TOTAL AMOUNT	30,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made from the Loan Account for payments made:
 - (a) prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding two million Dollars (\$2,000,000) may be made on account of payments made for expenditures within 12 months before that date but in no case before February 06, 2006; or
 - (b) under Category 1, until and unless a Framework Agreement satisfactory in form and substance to the Bank has been entered into between SEGEPLAN and MINECO, and has become effective; or
 - (c) under Category 3, until and unless a Framework Agreement satisfactory in form and substance to the Bank has been entered into between SEGEPLAN and CIV, and has become effective.
2. The Closing Date is January 31, 2013.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each May 15 and November 15: Beginning May 15, 2012 through May 15, 2023	4.17 %
On November 15, 2023	4.09 %

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

Section I. Definitions

1. "Beneficiary" means either: (i) a municipality, for Investment Subprojects under Part 1.3 of the project exclusively; or (ii) a cooperative, producer organization, trade intermediary, association or private firm, which all meet the selection criteria, set forth in the OM.
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "CIV" means *Ministerio de Comunicaciones, Infraestructura y Vivienda*, the Borrower's Ministry of Communications, Infrastructure and Housing.
4. "Co-Executing Agencies" means collectively SEGEPLAN, CIV, FONDETEL, MINECO and FONAPAZ, responsible for the implementation of the Project.
5. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004.
6. "Environmental Management Framework" means the Borrower's framework for the management of environmental aspects of the Project referred to in Section I.1 (a) (v) of Schedule 2 to this Agreement.
7. "FONAPAZ" means *Fondo Nacional para la Paz*, the Borrower's National Fund for Peace established pursuant to the Borrower's *Acuerdo Gubernativo No. 408-91* dated June 28, 1991, and *Acuerdo Gubernativo No. 244-92* dated April 13, 1992, as such accords have been amended and are in effect as of the date of this Agreement.
8. "FONDETEL" means *Fondo para el Desarrollo de la Telefonía*, the Borrower's Telecom Fund.
9. "Framework Agreement" means an agreement referred to in Section I.4 (a) (i) of Schedule 2 to this Agreement.
10. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through October 17, 2007).
11. "ICT" means all Information and Communication Technologies.
12. "Investment Coordination Committee" means the committee referred to in Section I.3 of Schedule 2 to this Agreement.
13. "Investment Subproject" means:
 - (a) (i) either a specific investment in collective or local public productive infrastructure; or

- (ii) any technical assistance in relation to a Subproject, including the costs associated with legal incorporation of the Beneficiary, and prepared pursuant to Part 1.1 or Part 1.3 of the Project;
 - (b) determined to be eligible under the OM; and
 - (c) to be carried out through the provision of grants therefor, by, or for the benefit of, such Beneficiary, utilizing the proceeds of the Loan.
- 14. "IPDF" means the Borrower's Indigenous Peoples' Development Framework for the Project referred to in Section I.1(a)(v) of Schedule 2 to this Agreement.
- 15. "Management Board" means the Borrower's management board for the Program referred to in Section I.3 of Schedule 2 to this Agreement, as further specified in the OM.
- 16. "MINECO" means *Ministerio de Economía*, the Borrower's Ministry of the Economy.
- 17. "NGO" means a non-governmental organization operating under the laws of the Borrower.
- 18. "Operational Manual" and "OM" mean the manual referred to in Section I.1 (a) of Schedule 2 to this Agreement.
- 19. "Performance Indicators" means the indicators for Project monitoring and evaluation set forth in the OM and referred to in Section II.A.1 of Schedule 2 to this Agreement.
- 20. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004.
- 21. "Procurement Plan" means the Borrower's procurement plan for the Project, signed and dated February 23, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
- 22. "Program" means "*Programa Desarrollo Economico desde lo Rural*", the Borrower's program adopted in March 2005, designed to support income generation for the poorest through, *inter alia*, employment generation in productive activities by prioritizing the use of public/private partnerships and strengthening territorial planning and implementation mechanisms.
- 23. "SEGEPLAN" means *Secretaría de Planificación y Programación de la Presidencia*, the Borrower's Presidential Secretariat for Planning and Programming responsible for the coordination of the Project.
- 24. "Selected Departments" means the departments of *San Marcos, Huehuetenango, Sololá, Quetzaltenango, Totonicapán, Chimaltenango, Sacatepequez* and *Alta Verapaz* in the Borrower's territory where Project implementation is intended to take place.

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION


1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

October 22, 2007

His Excellency
Mefi Rodríguez García
Minister of Public Finance
Republic of Guatemala
Washington, D.C.
(on behalf of the Republic of Guatemala)

Re: Loan No. 7374-GU
(Rural Economic Development Project)

29 OCT 2007


Excellency,

Enclosed are the following documents regarding the above-mentioned Loan, which are delivered to you as the authorized representative of the Republic of Guatemala:

1. One signed copy of the Loan Agreement between the Republic of Guatemala and the Bank.
2. One signed copy of each of the Supplemental Letters Re:
 - a. Financial and Economic Data; and
 - b. Additional Instructions: Disbursement.
3. One copy of the International Bank for Reconstruction and Development General Conditions for Loans, dated July 1, 2005 (as amended through October 17, 2007).
4. One copy each of the Guidelines for Procurement under World Bank Loans and IDA Credits, dated May 2004 and of the Guidelines for the Selection and Employment of Consultants by World Bank Borrowers, dated May 2004.

The effectiveness deadline is as set forth in Section 4.01 of the Loan Agreement which states the following: "Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than November 28, 2007".

Please confirm on behalf of the Republic of Guatemala receipt of the documents listed above by signing the enclosed copy of this letter.

Sincerely yours,



Alejandro Alcalá Gerez
Counsel

REPUBLIC OF GUATEMALA

October 22, 2007

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

Re: Loan No. 7374-GU
(Rural Economic Development Project)
Article VI of the General Conditions
Financial and Economic Data

Dear Sirs and Mesdames:


In connection with the Loan Agreement of this date between the Republic of Guatemala (Member Country) and International Bank for Reconstruction and Development (Bank) for the above-captioned Project, and the General Conditions (General Conditions) made applicable to the Loan Agreement, I am writing on behalf of the Member Country to set forth the following:

1. We understand and agree that, for purposes of Section 6.01 of the General Conditions, the Member Country is required by the Bank to report "long-term external debt" (as defined in the World Bank's Debtor Reporting System Manual, dated January 2000 (DRSM)), in accordance with the DRSM, and in particular, to notify the Bank of new "loan commitments" (as defined in the DRSM) not later than 30 days after the end of the quarter during which the debt is incurred, and to notify the Bank of "transactions under loans" (as defined in the DRSM) once a year, not later than March 31 of the year following the year covered by the report.
2. We represent that no Liens (as defined in the General Conditions), other than those excluded pursuant to paragraph (c) of Section 6.02 of the General Conditions, exist on any Public Assets (as defined in the General Conditions), as security for any External Debt (as defined in the General Conditions). No defaults exist in respect of any external public debt (as defined in the DSRM). It is our understanding that, in making the Loan, the Bank may rely on the representations set forth or referred to in this letter.

3. Please confirm your agreement to the foregoing by having a duly authorized representative of the Bank sign in the space provided below.

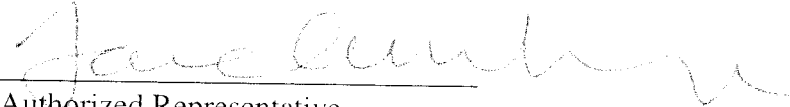
Very truly yours,

REPUBLIC OF GUATEMALA

By 
Authorized Representative

AGREED:

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 
Authorized Representative

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 473-1000
Cable Address: INTBAFRAD
Cable Address: INDEVAS

October 22, 2007

Mr. Mefi Rodríguez García
Minister of Public Finance
Ministry of Public Finance
8 Av. 21 Calle, Zona 1
Edificio de Finanzas Públicas, Centro Cívico
Ciudad de Guatemala, Guatemala

Excellency:

**Re: IBRD Loan 7374-GU (Rural Economic Development Project)
Additional Instructions: Disbursement**

I refer to the Loan Agreement (“Agreement”) between the International Bank for Reconstruction and Development (the “Bank”) and the Republic of Guatemala (the “Addressee”) for the above-referenced project, dated October 22, 2007. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 7374-GU (“Funding”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated September 30, 2005, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Funding is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Funding:

- Reimbursement
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.6). The Disbursement Deadline Date is the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.

II. Withdrawal of Loan Proceeds

(i) *Authorized Signatures (subsection 3.1)*. A letter in the Form attached (Attachment 2) should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: Jane Armitage, Country Director

(ii) *Applications (subsections 3.2 - 3.3)*. Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank
1818 H St. NW
Washington, DC 20433
Attention: Loan Department

(iii) *Minimum Value of Applications (subsection 3.4)*. The Minimum Value of Applications for reimbursement and direct payment is USD 25,000 equivalent.

III. Reporting on Use of Loan Proceeds

(i) *Supporting Documentation (section 4)*. Supporting documentation should be provided with each Application for Withdrawal as set out below:

- *For requests for reimbursement:*
 - Statement of Expenditure in the form attached (Attachment 3) and/or records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices for payments against contracts for works valued at USD250, 000 or more; contracts for goods valued at USD150, 000 or more; contracts for consulting firms valued at USD200, 000 or more; contracts for individual consultants valued at USD50, 000 or more.
 - List of payments against contracts that are subject to the Bank's prior review, in the form attached (Attachment 4).
- *For requests for direct payment, including all OBA contracts:* records evidencing eligible expenditures, (e.g., copies of receipts, supplier invoices, contracts/certifications of build-out requirements).

IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Bank's public website at <http://www.worldbank.org> and its secure website "Client Connection" at <http://clientconnection.worldbank.org>. Print copies are available upon request.

If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (<http://clientconnection.worldbank.org>). From this website you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact us at loa-lcr@worldbank.org using the above reference.

Sincerely,

By 

Jane Armitage

Director

Central America Country Management Unit
Latin America and the Caribbean Region

Attachments

1. *World Bank Disbursement Guidelines for Projects*, dated September 30, 2005
2. Form for Authorized Signatures
3. "Statement of Expenditure"
4. Form of Payments Against Contracts Subject to the Bank's Prior Review

Cc with copies: SEGEPLAN
9 Calle 10-44 Zona 1
Guatemala, Guatemala
Tel.: 22326212
Fax.: 22513922
segeplan@segeplan.gob.gt

FIS
2a. AV. 20-13, Zona 10, Edificio Los Arcos
Guatemala, Guatemala
Tel. 23672891-3
Fax: 23672880
comunicacion@fis.gob.gt

FONDETEL
4a Calle 2-89 Zona 15 Colonia valles de Vista Hermosa
Guatemala, Guatemala
Tel.: 23697824-7
Fax.: 23693218
info@fondetel.gob.gt

MINECO
8. Av. 10-43, Zona 1
Guatemala, Guatemala
Tel.: 22383330-9
Fax.: 22382413
info@mail.mineco.gob.gt

Cleared with and cc: Solange Alliali, Sr. Counsel, Pierre Werbrouck, Stephen J. Brushett, TTLs.

WORLD BANK
DISBURSEMENT GUIDELINES
FOR PROJECTS

LOAN DEPARTMENT
September 30, 2005

World Bank Disbursement Guidelines For Projects September 30, 2005

1. Purpose

1.1 The purpose of these Guidelines is to set out the Bank's¹ procedures for disbursement of loan proceeds for projects. Specifically, the Guidelines explain: (a) the different methods used by the Bank to disburse loan proceeds, (b) the requirements for withdrawal from the Loan Account, (c) the types of supporting documentation that the borrower may be required to provide to demonstrate the use of loan proceeds for eligible expenditures, (d) the terms and conditions applicable to advances, (e) the types of actions that the Bank may take if it determines that loan proceeds are not needed or have been used for ineligible purposes, and (f) the consequence of refunds.

2. Disbursement Methods

2.1 The Bank establishes disbursement arrangements for an operation in consultation with the borrower, on the basis of an assessment of the borrower's financial management arrangements and the cash flow needs of the operation.

2.2 The Bank disburses proceeds from the Loan Account established for each loan, to or on the order of the borrower, using one or more of the disbursement methods set forth in paragraphs (a) through (d) below, as determined by the Bank.

- (a) **Reimbursement:** the Bank may reimburse the borrower for expenditures eligible for financing pursuant to the Loan Agreement ("eligible expenditures") that the borrower has pre-financed from its own resources;
- (b) **Advance:** the Bank may advance loan proceeds into a designated account of the borrower to finance eligible expenditures as they are incurred (see Section 5, "Designated Accounts");

¹ "Bank" includes IBRD and IDA; "loan" includes credit and grant; "borrower" includes the borrower of an IBRD loan, IDA credit or Project Preparation Facility (PPF) advance and the recipient of a grant; and "Loan Agreement" includes the agreement with the Bank providing for a credit, grant, or advance. These Disbursement Guidelines apply to all loans, credits, advances under the PPF, grants financed under the Institutional Development Fund (IDF), and Global Environment Facility (GEF) unless otherwise provided in OP 10.20, *Global Environment Facility Operations* (forthcoming). These Guidelines also apply to other recipient-executed grants financed from trust funds unless, exceptionally, the terms of the agreement with the donor make provision for different requirements. They do not apply to Development Policy loans.

- (b) ***incurred*** on or before the closing date specified or referred to in the Loan Agreement (“Closing Date”), except as otherwise specifically agreed with the Bank.

3.6 ***Disbursement Deadline Date.*** The loan disbursing period ends on the final date established by the Bank for receipt by the Bank of applications for withdrawal and supporting documentation (the “Disbursement Deadline Date”). The Disbursement Deadline Date may be the same as the Closing Date, or up to four months after the Closing Date. Normally, to support orderly project completion and closure of the Loan Account, the Bank does not accept applications for withdrawal or supporting documentation received after the Disbursement Deadline Date. The borrower should promptly inform the Bank of any expected implementation delays or exceptional administrative issues before these dates. The Bank notifies the borrower of any exception to the Disbursement Deadline Date.

3.7 ***Disbursement Conditions.*** If the Loan Agreement contains a disbursement condition for a specific withdrawal category, the Bank will disburse loan proceeds for that category only after the disbursement condition has been fulfilled and the Bank has notified the borrower.

4. Supporting Documentation Requirements

4.1 The borrower provides supporting documentation showing that the loan proceeds previously withdrawn (for advances) or being withdrawn (for reimbursements or direct payments) from the Loan Account have been or will be used to finance eligible expenditures. For special commitments, the commercial bank provides its confirmation directly to the Bank that conditions for release of payments committed for withdrawal have been met.

4.2 The Bank requires either copies of records evidencing the payment of eligible expenditures (e.g., receipts, invoices) (“Records”), or summary reports of expenditure (i.e., interim un-audited financial reports required under the Loan Agreement or statements of expenditure) (“Summary Reports”), in such form as the Bank may specify. In all cases, the borrower is responsible for retaining and making available for audit or inspection the original Records.

4.3 The Bank determines the types of supporting documentation that the borrower should furnish, as follows:

- (a) ***for requests for reimbursement:*** Summary Reports, and/or Records;
- (b) ***for reporting eligible expenditures paid from the Designated Account:*** Summary Reports, and/or Records; and
- (c) ***for requests for direct payments:*** Records.

Bank. In order to be acceptable to the Bank, the financial institution proposed by the borrower generally should meet all of the following requirements:

- (a) be financially sound;
- (b) be authorized to maintain the Designated Account in the currency agreed between the Bank and the borrower;
- (c) be audited regularly, and receive satisfactory audit reports;
- (d) be able to execute promptly a large number of transactions;
- (e) be able to perform a wide range of banking services satisfactorily;
- (f) be able to provide a detailed statement of the Designated Account;
- (g) be part of a satisfactory correspondent banking network; and
- (h) charge reasonable fees for its services.

5.6 The Bank reserves the right not to accept a financial institution for the opening and/or maintenance of a Designated Account if such institution has asserted or asserts a claim to set off, seize or attach proceeds of any Bank loan on deposit in a Designated Account maintained by it.

6. Terms and Conditions Applicable to Advances

6.1 ***Authorized Allocation.*** The Bank determines the maximum amount that may be advanced pending provision of supporting documentation to the Bank (“Authorized Allocation”) based on the planned project expenditures and notifies the borrower accordingly. The Bank may either establish a fixed amount for the life of the operation or adjust the amount from time to time to reflect planned project expenditures during project implementation.

6.2 ***Requests for Advances.*** The borrower may apply for withdrawals from the Loan Account for deposit of advance amounts into the Designated Account, as needed for project implementation, as long as the total amount of undocumented advances does not exceed the Authorized Allocation. Normally, to support orderly closure of the Loan Account, the Bank does not advance loan proceeds into the Designated Account after the Closing Date.

6.3 ***Frequency of Reporting Eligible Expenditures Paid from the Designated Account.*** The borrower presents a signed confirmation on the use of loan proceeds advanced to the Designated Account, together with one copy of supporting documents (see Section 4, Supporting Documentation Requirements), at intervals specified by the Bank by notice to the borrower (“Reporting Period”). The borrower should ensure that all amounts deposited in the Designated Account are accounted for and their use reported prior to the Disbursement Deadline Date. After this date, the borrower must refund to the Bank any advances still unaccounted for or remaining in the Designated Account.

6.4 ***Withholding Advances.*** The Bank is not required to make any deposit into the Designated Account if:

- (a) Provide the additional evidence requested by the Bank;
- (b) Deposit an equivalent amount into the Designated Account;
- (c) Refund an equivalent amount to the Bank; or
- (d) Exceptionally, provide substitute documentation evidencing other eligible expenditures.

8. Refunds

8.1 ***Borrower Decision to Refund.*** The borrower may, upon notice to the Bank, refund to the Bank all or any amount of the loan on deposit in the Designated Account.

8.2 ***Consequence of Refunds.*** The Bank shall determine whether refunds made to the Bank in accordance with Sections 6 and 7 and subsection 8.1 of these Disbursement Guidelines will be credited to the Loan Account for subsequent withdrawal or cancelled. Borrowers should be aware that refunds of IBRD loan proceeds may result in swap termination fees and/or unwinding costs for amounts for which the interest rate basis or currency has been converted or hedged.

8.3 ***Other Obligations Unaffected by Refunds.*** Refunds of amounts of the loan do not affect any remedies of the Bank under the Loan Agreement.

[Letterhead]
Ministry of Finance
[Street address]
[City] [Country]

[DATE]

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: Ms. Jane Armitage, Director, Central America Country Management Unit

Dear Ms. Armitage:

Re: Loan No. 7374-GU (Rural Economic Development Project)

I refer to the Loan Agreement (“Agreement”) between the International Bank for Reconstruction and Development (the “Bank”) and [name of borrower] (the “Borrower”), dated October 22, 2007, providing the above Loan. For the purposes of Section 2.03 of the General Conditions, as defined in the Agreement, any [one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Borrower to sign applications for withdrawal [and applications for a special commitment] under this Loan:

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

Yours truly,

/ signed /

[Position]

¹ Instruction to the borrower when sending this letter to the Bank: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply.

BANCO INTERNACIONAL DE RECONSTRUCCION Y FOMENTO
CERTIFICADO DE GASTOS - SOE (sin documentos justificativos)

PRESTAMO NO.:
 FECHA:
 NO. SOLICITUD:
 NO. HOJA:
 NO. CATEGORIA:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Nombre del Proveedor	Identif. del Contrato	Código País del Proveedor	Código Descripción del Bien	Código Moneda del Contrato	Monto Original del Contrato (y su equiv. en US\$)	Gastos Acumulados del Contrato (sin Reajuste)	Número de la Factura	100% Monto Pagado en esta Solicitud 1. Precio Básico 2. Precio Reajuste	Fecha del Pago	% Financ. por BIRF	Monto Solicitado (Col 9 X 11)	Tasa de Cambio Designada	Fecha Débito Cuenta Designada	Cantidad Debitada Cuenta Designada
16-Total														0.00

Payments Made during Reporting Period
Against Contracts Subject to the Bank's Prior Review

Contract Number	Supplier	Contract Date	Contract Amount	Date of WB's Non Objection to Contract	Amount Paid to Supplier during Period	WB's Share of Amt Paid to Supplier during Period