

LOAN NUMBER 7417-GU

Loan Agreement

**(Land Administration II Project
in support of the Second Phase of the Land Administration Program)**

between

REPUBLIC OF GUATEMALA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated February 26, 2008

LOAN NUMBER 7417-GU

LOAN AGREEMENT

AGREEMENT dated February 26, 2008, between the REPUBLIC OF GUATEMALA (the "Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "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 sixty-two million three hundred thousand Dollars (\$62,300,000), 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 (the "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; 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 March 15 and September 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.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
- 2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 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 sixty-two million three hundred thousand Dollars (\$62,300,000) 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 declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall cause the Project to be carried out by

the RIC 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—REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The RIC shall have failed, in the opinion of the Bank, to perform any of its obligations under the Subsidiary Agreement.
 - (b) The RIC Law has been amended, suspended, abrogated, repealed or waived, in whole in part (including, *inter alia*, as a result of any legislative or judicial process based on a claim of unconstitutionality (*recurso de inconstitucionalidad*) or other legal claim), so as to affect materially and adversely the ability of the Borrower or the RIC to perform any of the obligations under this Agreement or the Subsidiary Agreement, respectively.
 - (c) The Procurement Law has been amended, suspended, abrogated, repealed or waived so as to render its Article 1 ineffective, in the opinion of the Bank, and no provision analogous to such Article 1 has been adopted to replace said provision.
 - (d) The Subsidiary Agreement or any of its provisions have been amended, suspended, abrogated, terminated or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the RIC to perform its obligations as contemplated under the provisions of this Agreement.
- 4.02. The Additional Events of Acceleration consist of the following:
- (a) Any event specified in paragraphs (a) through (c) of Section 4.01 of this Agreement occurs.
 - (b) The event in paragraph (d) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V—EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Subsidiary Agreement has been executed on behalf of the Borrower and the RIC.
 - (b) The Operational Manual has been adopted by the RIC.
- 5.02. The Additional Legal Matters consist of the following.
- (a) The Subsidiary Agreement has been duly authorized or ratified by the Borrower and the RIC and is legally binding upon the Borrower and the RIC in accordance with its terms.
 - (b) The Operational Manual has been duly adopted by the RIC in accordance with the applicable laws and regulations of the Borrower, including, *inter alia*, the RIC Law.
- 5.03. 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 the eighteen (18) months after the Bank's approval of the Loan which expire on June 16, 2008.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Minister of Public Finance. In addition to the Borrower's Representative, either of the Vice-Ministers of Finance may sign the letter providing the Bank with the names and specimen signatures of the officials authorized to sign the applications for withdrawals of proceeds of this Loan described in Section 2.03 of the General Conditions.

6.02. The Borrower's Address is:

Ministerio de Finanzas Públicas
8 Av. 20-87, Zona 1
Ciudad de Guatemala, Guatemala

Facsimile:
+011 (502) 2248-5084

6.03. 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 City of Guatemala, Guatemala 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 objective of the Project is to foster the process of achieving land tenure security in the Project Area through the provision of efficient and accessible cadastral and land administration services.

The Project constitutes the second phase of the Program, and consists of the following parts:

Part 1: Cadastral and Land Regularization Processes

1. Carrying out of diagnostics and other similar preparatory activities prior to commencing the cadastral fieldwork described in Part 1.3 of the Project, including, *inter alia*, the following: (a) registral diagnostics in the RGP; (b) participatory socioeconomic diagnostics; (c) consultations and workshops with persons located in the Project Area; (d) preparation of a tract index that includes information on real property rights and conveyances; and (e) consolidation of the geodesic network.
2. Design and carrying out of a social communication strategy for the Project that informs stakeholders of the cadastral process that will be implemented in the Project Area, including, *inter alia*, the following: (a) preparation and carrying out of a communication campaign; and (b) training of local institutions and organizations.
3. Carrying out of cadastral fieldwork in the Project Area consisting of the following: (a) parcel-based field surveys in each of the Cadastral Zones, including, *inter alia*, the delimitation of administrative boundaries, Protected Areas and Proposed Protected Areas, public areas and territorial reserves, and cultural and archaeological areas requiring special protection; (b) training of cadastral brigades; (c) assistance during the cadastral field survey to persons located in the Project Area; (d) provision of operational support to SAA in providing technical and legal assistance for alternative conflict resolution to Beneficiaries in the Project Area during the survey process; (e) provision of cadastral technical services and operational support to the IGN, CONAP, IDAEH and OCRET in connection with the delimitation of administrative boundaries, Protected Areas and Proposed Protected Areas, cultural and archeological sites, and territorial reserves; and (f) the physical demarcation of Protected Areas and Proposed Protected Areas and cultural and archaeological sites delimited in the cadastral survey.
4. Carrying out technical and legal analyses of the data collected during the cadastral surveys consisting of the following: (a) comparisons of the existing

sources of land registry information to the data collected during the cadastral field surveys; and (b) legal analysis and investigation of the nature and status of the data collected during the cadastral field surveys in order to determine whether the parcels are regular or irregular.

5. Carrying out: (a) annotations in the property registry maintained by the RGP of the regular or irregular status of parcels surveyed and analyzed under Parts 1.3 and 1.4 of the Project; and (b) any corresponding notifications to affected stakeholders.
6. Carrying out the regularization of those irregular parcels satisfying the requirements for “special titling” (*titulación especial*) under Chapter II of Title VII of the RIC Law.
7. Carrying out: (a) the declaration and certification of communal lands (*tierras comunales*) identified in the Project Areas during the cadastral survey; and (b) where applicable, the inscription of such certified communal lands in the property registry maintained by the RGP in accordance with Article 65 of the RIC Law.
8. Provision of technical assistance, equipment and training by the RIC to FONTIERRAS to support its regularization of national lands identified as part of the cadastral survey in the Project Areas.

Part 2: Maintenance of Cadastral Information and Municipal Services

1. Establishment of approximately eight Municipal Cluster Offices in the Cadastral Zones for the purpose of supporting: (a) the institutional tasks of the RIC; and (b) the supervision of the processes of establishing and maintaining the cadastre.
2. Provision of technical assistance to the RIC for the following purposes: (a) the development of norms and procedures for cadastral maintenance; (b) the creation of a technological-operational platform for cadastral maintenance that includes, *inter alia*, the ability to exchange cadastral and property information with municipalities, private surveyors, and notaries; (c) the implementation of the platform described in the foregoing clause (b); and (d) the provision of training on cadastral maintenance by the RIC to municipalities, private surveyors, and notaries.
3. Provision of technical assistance and training by the RIC to certain Municipalities identified in the Operational Manual for the following purposes: (a) the formulation by such Municipality of land use plans; and (b) the management of cadastral information at the municipal level by such Municipality.

Part 3: Legal Reforms and Institutional Strengthening for Land Administration

1. Provision of technical assistance and training to the RIC for the following purposes: (a) the preparation of the Specific Regulation on Communal Lands; and (b) the preparation of the Draft Land Regularization Law, including, *inter alia*, the development and piloting of methodologies to regularize parcels that have been designated as irregular under the cadastral process, the appropriate participatory procedures in such regularizations, and conflict resolution mechanisms.
2. Provision of technical assistance and training to the RIC for the training of the staff and employees of the RIC, Participating Agencies, Municipalities, local, communal and municipal organizations, and private companies that participate in the cadastral process.
3. Strengthening the coordination mechanisms between the RGP and RIC for purposes of the Project and to improve the functioning of the property registry and cadastre systems through the following activities: (a) the provision of technical assistance to the RGP and the RIC for the development of a technological platform to facilitate communication and information exchange between the RGP and the RIC; (b) provision of equipment for the installation of the platform described in the foregoing clause (a) in the central and regional offices of the RGP and the RIC; (c) carrying out the large-scale collection of property registry data in the RGP; and (d) provision of training to staff of the RGP and the RIC on the use of the platform described in foregoing clause (a).
4. Provision of technical assistance and equipment to the RGP to support the modernization of the RGP through the development of the following: (a) a mechanism that allows the RGP and the RIC to establish, analyze, and rectify inconsistencies detected during registry investigation and analysis; (b) a virtual library of the RGP's databases; and (c) a technical data sheet that will aid the current understanding of the status of each registered parcel.
5. Provision of technical assistance to the RIC for the development of its long-term business plan with a focus on self-financing all or a portion of its operations and that includes, *inter alia*, the following: (a) a customer-service plan; (b) specific products and services for the financial sector; and (c) a marketing strategy for cadastral products.

Part 4: Project Management and Monitoring and Evaluation

1. Provision of technical assistance, equipment, training, and operating costs to the PCU for use in implementing, managing and supervising the Project, including, *inter alia*, the monitoring and evaluation systems, independent evaluations, audits and workshops for staff of the PCU.

2. Provision of technical assistance, equipment and operating costs, as needed, to the RIC and the Participating Agencies for use in developing and implementing a parcel-level, spatial data infrastructure system, including, *inter alia*, workshops for the RIC and the Participating Agencies.

SCHEDULE 2

Project Execution

Section I. Subsidiary Agreement; Institutional and Other Arrangements

A. Subsidiary Agreement.

1. To facilitate the carrying out of the Project, the Borrower shall:
 - (a) transfer, on a grant basis, the proceeds of the Loan to the RIC pursuant to a subsidiary agreement (the "Subsidiary Agreement") to be entered into between the Borrower and the RIC, under terms and conditions acceptable to the Bank, that shall include, *inter alia*, the RIC's obligation to enable the Borrower to comply with its obligations under this Agreement with respect to the Project;
 - (b) pursuant to the Subsidiary Agreement, promptly transfer, or cause the transfer of, any proceeds of the Loan to the RIC that may be deposited by the Bank in the Designated Account from time to time during the implementation of the Project as specified in this Agreement;
 - (c) take or cause to be taken all actions, including, *inter alia*, the provision of funds, facilities, services and other resources, necessary or appropriate to enable the RIC to carry out the Project; and
 - (d) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by the RIC.
2. The Borrower shall 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. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.
3. In the case of a conflict between the provisions of the Subsidiary Agreement and the provisions of this Agreement, the Borrower will ensure that the provisions of this Agreement will prevail.

B. Institutional and Other Arrangements; Operational Manual.

1. The Borrower shall cause the RIC to carry out the Project in accordance with the provisions of:
 - (a) this Agreement, including, *inter alia*, the provisions in this Schedule 2 to this Agreement;

- (b) the Subsidiary Agreement;
 - (c) the Operational Manual, including *inter alia*, the IPDP, the EMP, the recommendations of the EA, and the Procurement Plan;
 - (d) the Participation Agreements; and
 - (e) the Municipality Agreements.
2. The Borrower shall cause the RIC, through the Subsidiary Agreement:
- (a) to maintain the PCU at all times during the implementation of the Project with terms of reference, staff and resources satisfactory to the Bank;
 - (b) by no later than the Effective Date, to appoint an individual or a firm to conduct an external audit of the RIC with terms of reference satisfactory to the Bank and in accordance with the provisions of Section III of Schedule 2 to this Agreement; and
 - (c) by no later than the Effective Date, to contract a project coordinator, a financial expert and a procurement expert for the PCU, with terms of reference satisfactory to the Bank and in accordance with the provisions of Section III of Schedule 2 to this Agreement.
3. The Borrower shall cause the RIC, through the Subsidiary Agreement:
- (a) in coordination with the SAA, RGP, and FONTIERRAS, to prepare a draft of the land regularization law that provides, *inter alia*, for the regularization of the types of land described in Articles 36, 38 and 39 of the RIC Law (including, *inter alia*, communal lands (*tierras comunales*) and other lands subject to special protection (*protección especial*) pursuant to Article 67 of the Constitution as may be identified as irregular during the implementation of the Project) (the “Draft Land Regularization Law”); and
 - (b) by no later than the third anniversary of the Effective Date, to furnish the Draft Land Regularization Law to the Bank for its comments and to consider such comments in preparing the Draft Land Regularization Law.
4. The Borrower shall, by no later than six months after the date of this Agreement:
- (a) through the Executive Branch: (i) issue a general regulation of the RIC Law as contemplated in Article 13(f) of the RIC Law, in coordination with the RIC, that provides the rules and procedures for, *inter alia* (the “General Regulation”); (A) the special titling (*titulación especial*) of

the Specific Regulation on Communal Lands addresses the procedures described in clause (a) above.

7. The Borrower shall cause the RIC, through the Subsidiary Agreement, by no later than the first anniversary of the date of this Agreement, to adopt a consultative system that includes participation by indigenous peoples and other members of civil society for the purpose of monitoring and evaluating the implementation of the Project in accordance with the terms of reference specified for such system in the Operational Manual, including, *inter alia*, the IPDP.
8. Without limitation to the provisions of Section 5.01 of the General Conditions, the Borrower shall cause the RIC, through the Subsidiary Agreement, to carry out of the Project in accordance with the provisions of a manual, in form and substance satisfactory to the Bank (the "Operational Manual"), that shall include the policies and procedures for the carrying out, monitoring and evaluation of all parts of the Project, including, *inter alia*:
 - (a) the detailed procedures for carrying out all aspects of the cadastral process, including, *inter alia*, the diagnostics and other preparatory activities prior to beginning the cadastral process, the social communication strategy, the cadastral fieldwork, and the legal and technical analysis of the data collected from the cadastral field survey;
 - (b) a methodological guide (*Guía Metodológico*) for documenting and systematizing the experiences of the cadastre, regularization and management of communal lands (*tierras comunales*) as specified in the IPDP;
 - (c) the IPDP and the participatory procedures for consultation and monitoring of the Project at the national, regional and local level that will be carried out with the indigenous peoples in the Project Area;
 - (d) the EMP and the recommendations of the EA;
 - (e) the procurement and financial management requirements and procedures for the Project, including, *inter alia*, the structure and procedures for the flow of all proceeds of the Loan including the transfer of proceeds from the Borrower to the RIC and the Procurement Plan;
 - (f) the standard bidding documents for procurement of Non-Consulting Services and Technical Services;
 - (g) the model of Municipality Agreement acceptable to the Bank;
 - (h) the model for each of the Participation Agreements acceptable to the Bank; and

- (i) the powers, functions, responsibilities, structure and key staff of the PCU and the RIC (including, *inter alia*, the terms of reference for such staff) that will be responsible for the coordination, implementation, monitoring and evaluation of the Project.
- 9. The Borrower shall cause the RIC, through the Subsidiary Agreement, to (a) ensure that all bidding documents and contracts under the Project incorporate the provisions of the Operational Manual, including, *inter alia*, the IPDP, the EMP and the recommendations of the EA; (b) require that all contractors carrying out works, Non-Consulting Services or Technical Services under the Project comply with the Operational Manual, including, *inter alia*, the IPDP, the EMP and the recommendations of the EA; and (c) monitor such compliance by contractors as described in the foregoing clause (b).
 - 10. Except as the Bank shall otherwise agree, the Borrower shall not cause or allow the RIC to amend, abrogate, waive or fail to enforce the Operational Manual, the IPDP, the EMP, any Participation Agreement, any Municipality Agreement, or any provisions thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, any Participation Agreement, or any Municipality Agreement, the terms of this Agreement shall prevail.
 - 11. While the demarcation of Protected Areas and Proposed Protected Areas under the Project is not expected to result in the loss of access to resources by people living in or near such Protected Areas and Proposed Protected Areas, in the event that any activity under the Project involving a Protected Area could lead to such a loss of access, the Borrower shall cause the RIC, through the Subsidiary Agreement, prior to initiation of such activity, to develop a process framework, acceptable to the Bank, and thereafter carry out such activity in accordance with the terms of such process framework.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provision of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting, Evaluation.

A. Project Reports.

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

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months prior to the Closing Date.

B. Financial Management, Financial Reports and Audits.

1. The Borrower shall cause the RIC, through the Subsidiary Agreement, to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall cause the RIC, through the Subsidiary Agreement, to prepare and furnish to the Bank not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the immediately preceding quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall cause the RIC, through the Subsidiary Agreement, to have the Financial Statements 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 calendar year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General.

1. **Goods, Works, Non-Consulting Services and Technical Services.** All goods, works, Non-Consulting Services and Technical Services required for the Project 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 (including, *inter alia*, Section I of Annex A to this Schedule) and, where applicable, the Approved Bidding Documents.
2. **Consultants' Services.** All consultants' services required for the Project 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 (including, *inter alia*, Section II of Annex A to 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.

4. **Stipulation of Procedures under the Procurement Law.** For purposes of Article 1 of the Procurement Law, the Procurement Guidelines, the Consultant Guidelines, and the provisions of this Schedule and the Approved Bidding Documents collectively constitute the stipulated procedures for the procurement of goods, works, Non-Consulting Services, Technical Services and consulting services financed under this Agreement.

B. Particular Methods of Procurement of Goods, Works, Non-Consulting Services and Technical Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works, Non-Consulting Services and Technical Services shall be procured under contracts awarded on the basis of International Competitive Bidding.

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

<u>Procurement Method</u>
(a) Limited International Bidding
(b) National Competitive Bidding, subject to the additional provisions set forth in Section I of Annex A to this Schedule 2.
(c) Shopping
(d) Direct Contracting

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 in accordance with the provisions set forth in Section II of Annex A to this Schedule 2. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultant firms for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants

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. Procurement of consultants' services under any such method shall be in accordance with the provisions set forth in Section II of Annex A to this Schedule 2.

<u>Procurement Method</u>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on Consultant's Qualifications
(e) Single Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) With the Bank's prior approval, Sole Source Procedures for the Selection of 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: (a) Article II of the General Conditions; (b) this Section; and (c) such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), 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, consultants' services, Non-Consulting Services, Registration Costs, and Training under Part 1 of the Project	14,150,000	100%
(2) Technical Services under Parts 1.3 through 1.7 of the Project	17,800,000	100%
(3) Goods, works, consultants' services, Non-Consulting Services, Operating Costs, and Training under Part 2 of the Project	13,320,000	100%
(4) Goods, works, consultants' services, Non-Consulting Services, Operating Costs, and Training under Part 3 of the Project	7,760,000	100%
(5) Goods, works, consultants' services, Non-Consulting Services, Operating Costs, and Training under Part 4 of the Project	8,620,000	100%
(6) Front-end Fee	155,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(7) Unallocated	494,250	
TOTAL AMOUNT	62,300,000	

3. Capitalized terms used in the table in paragraph 2 above are defined in the Appendix to this Agreement.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee, if the Borrower selects not to capitalize the Front-end Fee; or
 - (b) for payments made for any expenditures under Category (2) unless and until the RIC has issued the Specific Regulation on Communal Lands in accordance with paragraph 6 (a) of Section I.B of Schedule 2 to this Agreement.
2. The Closing Date is December 1, 2013.

**Annex A
to
SCHEDULE 2**

**Additional Provisions Relating to
Particular Methods of Procurement**

Section I. Goods, Works, Non-Consulting Services and Technical Services

Without limitation upon the provisions of Schedule 2 to this Agreement or the Procurement Guidelines, the following additional provisions shall apply to all goods, works, Non-Consulting Services, and Technical Services procured for the Project (pursuant to Section III.A.1 of Schedule 2 to this Agreement) under contracts awarded on the basis of National Competitive Bidding ("NCB Contracts"):

1. The Borrower shall cause the RIC, through the Subsidiary Agreement, to submit all forms and models of requests for quotations and bidding documents that the RIC proposes to use for the procurement of goods, works, Non-Consulting Services, and Technical Services under NCB Contracts (the "Model Bidding Documents") to the Bank for its approval before the RIC issues its first invitation for bids for any of the NCB Contracts for the Project. Except as the Bank shall otherwise agree, neither the Borrower nor the RIC shall revise or otherwise modify or change the Model Bidding Documents that have been approved by the Bank in accordance with the foregoing sentence (the "Approved Bidding Documents").
2. Each bid shall be evaluated and the corresponding contract awarded to the responsive bidder: (a) who meets the appropriate technical and financial standards or capabilities; and (b) whose bid has been determined to be the lowest evaluated bid. Such determination shall be made exclusively on the basis of the specifications, conditions and evaluation criteria stipulated in the Approved Bidding Documents. If the bid evaluation will consider any factor other than the amount or amounts of each bid, the Approved Bidding Documents will precisely stipulate and describe each such factor, including, *inter alia*, the manner in which such factor will be quantified and given a relative weight for purposes of determining the lowest evaluated bid. The award of contracts for goods, works, Non-Consulting Services, and Technical Services shall be based exclusively on price and, whenever appropriate, shall also take into account factors similar to those referred to in paragraph 2.52 of the Procurement Guidelines; provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid. For purposes of bid evaluation and comparison, the only bid amount or amounts to be used as a factor shall be the bid amount or amounts as quoted in the corresponding bid, as such bid may be corrected by the Borrower for arithmetic errors.

3. Foreign bidders shall be allowed to participate and shall not, as a condition for participating in the bidding process, be required to:
 - (a) be registered in the Borrower's territory;
 - (b) have a representative in the Borrower's territory;
 - (c) enter into a joint venture agreement with local bidders; or
 - (d) legalize their bids or any documentation related to such bids with an embassy or consulate of the Borrower, the Borrower's Ministry of Foreign Affairs, or any other governmental authority or representative of the Borrower, as a pre-condition to participating in the bidding process.
4. No reference value shall be required for publication in the bidding documents and call for bids.
5. Any standards and technical specifications (quoted in the bidding documents) which are at least substantially equivalent to the standards and technical specifications of the Borrower or the RIC shall be acceptable.
6. No minimum number of responsive proposals shall be required prior to awarding a contract for goods or works.
7. No margin of preference shall be granted for any particular category of bidders.
8. The Borrower shall open, or cause the opening of, all bids at the stipulated time and place in accordance with a procedure satisfactory to the Bank.
9. No other procurement rules or regulations of the Borrower or the RIC shall apply without the prior review and approval of the Bank.

Section II. Selection of Consultant Services

Without limitation upon the provisions of Schedule 2 to this Agreement or the Consultant Guidelines, the following additional provisions shall apply to all consultants' services procured for the Project (pursuant to Section III.A.2 of Schedule 2 to this Agreement):

1. Foreign consultants will be allowed to participate and will not, as a condition for participating in the selection process, be required to:
 - (a) be registered in the Borrower's territory;
 - (b) have a representative in the Borrower's territory;

- (c) enter into a joint venture agreement with local consultants, unless the conditions stated in paragraph 1.12 of the Consultant Guidelines are met; or
 - (d) legalize their proposals or any documentation related to such proposals with an embassy or consulate of the Borrower, the Borrower's Ministry of Foreign Affairs, or any other governmental authority or representative of the Borrower, as a pre-condition to participating in the selection process.
2. No minimum number of responsive proposals shall be required prior to awarding a contract for consulting services.

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 March 15 and September 15 Beginning March 15, 2013 through March 15, 2022	5.0%
On September 15, 2022	5.0%

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.
 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. “Approved Bidding Documents” has the meaning given to it in paragraph 1 of Section I of Annex A to Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA credits and Grants”, dated October 15, 2006.
3. “Beneficiaries” means any of the following: (a) any Participating Agency; (b) any Municipality; and (c) any person (whether an individual or a legal entity) that has ownership, possession, or tenancy of a parcel within the Project Area.
4. “Cadastral Zones” means those zones within the Project Area that the RIC has declared to be undergoing the cadastral process pursuant to the RIC Law.
5. “Category” has the meaning given to it in paragraph 2 of Section IV.A of Schedule 2 to this Agreement.
6. “CONAP” means the *Consejo Nacional de Áreas Protegidas*, the Borrower’s National Council for Protected Areas.
7. “Constitution” means the *Constitución Política de la República de Guatemala*, Borrower’s political constitution.
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
9. “Draft Land Regularization Law” has the meaning given to it in paragraph 3 (a) of Section I.B of Schedule 2 to this Agreement.
10. “Executive Branch” means the *Organismo Ejecutivo*, the Borrower executive branch as defined for purposes of the RIC Law.
11. “EA” means the Environmental Analysis (*Análisis Ambiental*) dated November 1, 2006, that was prepared by the RIC and approved by the Bank, as the same may be amended, supplemented or otherwise modified from time to time with the consent of the Bank (including, *inter alia*, as may be necessary to address the addition of departments to the definition of “Project Area” as contemplated in clause (c) of paragraph 37 of Section I of this Appendix).

12. "EMP" means the Environmental Management Plan (*Plan de Manejo Ambiental*) dated November 1, 2006, that was prepared by the RIC and approved by the Bank, as the same may be amended, supplemented or otherwise modified from time to time with the consent of the Bank (including, *inter alia*, as may be necessary to address the addition of departments to the definition of "Project Area" as contemplated in clause (c) of paragraph 37 of Section I of this Appendix).
13. "FONTIERRAS" means the *Fondo de Tierras*, the Borrower's Land Fund created pursuant to the Borrower's Decree No. 24-99, as supplemented by the Borrower's Regulation No. 199-2000, for the purpose, *inter alia*, of regularizing previously national lands that were granted to persons pursuant to previous agrarian reforms.
14. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through October 17, 2007), with the modifications set forth in Section II of this Appendix.
15. "General Regulation" has the meaning given to it in paragraph 4 (a) of Section I.B of Schedule 2 to this Agreement.
16. "IDAEH" means the *Instituto de Antropología e Historia*, the Borrower's Institute of Anthropology and History.
17. "IGN" means the *Instituto Geográfico Nacional*, the Borrower's National Geographic Institute.
18. "ILO 169" means the Indigenous and Tribal Peoples Convention (Convention No. 169), as adopted on June 27, 1989, by the General Conference of the International Labour Organization and ratified by the Borrower.
19. "Indicators" means the impact, performance and implementation indicators set forth in a supplemental letter of even date herewith.
20. "IPDP" means the Indigenous Participation Plan (*Plan de Participación Indígena*) dated October 2006, that was prepared by the RIC and approved by the Bank, as the same may be amended, supplemented or otherwise modified from time to time with the consent of the Bank (including, *inter alia*, as may be necessary to address the addition of departments to the definition of "Project Area" as contemplated in clause (c) of paragraph 37 of Section I of this Appendix).
21. "Minister of Public Finance" means the *Ministro de Finanzas Públicas*, Borrower's minister of public finance .

22. "Model Bidding Documents" has the meaning given to it in paragraph 1 of Section I of Annex A to Schedule 2 to this Agreement.
23. "Municipal Cluster Offices" means, collectively, the representative offices of the RIC established in the Cadastral Zones to serve "clusters" of five to eight municipalities with the basic purpose of ensuring that the objectives and results of the Project are achieved effectively and efficiently at the local level and composed of social, technical and legal specialists.
24. "Municipality" means any of the Borrower's municipalities located in the Project Area that is a legally autonomous entity and is expected to participate in the Project. "Municipalities" means, collectively, all such municipalities.
25. "Municipality Agreement" has the meaning given to it in paragraph 5 of Section I.B of Schedule 2 to this Agreement. "Municipality Agreements" means, collectively, all of such agreements.
26. "Non-Consulting Services" means expenditures covered by the Procurement Guidelines (other than those expenditures for Operating Costs, Registration Costs, Technical Services, or Training) incurred by the RIC for the purposes of the Project and directly related to the activities of the Project that consist of costs related to the following: (i) publication of diagnostics; and (ii) alternative dispute resolution panels.
27. "OCRET" means the *Oficina de Control de Áreas de Reserva del Estado*, the Borrower's Office of Territorial Reserves.
28. "Official Gazette" means the *Diario de Centroamérica*, the official gazette of the Recipient's government.
29. "Operational Manual" has the meaning given to it in paragraph 8 of Section I.B of Schedule 2 to this Agreement, as the same may be amended, supplemented or otherwise modified from time to time with the consent of the Bank.
30. "Operating Costs" means expenditures (other than those expenditures for consultants' services, Non-Consulting Services, Registration Costs, Technical Services and Training) that the Bank agrees have been reasonably incurred by the RIC in connection with incremental recurrent costs associated with the implementation of the Project by the RIC, including, *inter alia*: (a) salaries of incremental staff for the PCU; and (b) recurrent costs associated with the implementation of the Project, including: (i) operation, leasing and maintenance of: (A) office equipment, vehicles (including fuel, repairs and spare parts); and (B) office facilities under the Project; (ii) insurance for equipment and vehicles procured under the Project; (iii) office utilities associated with the functioning of

the PCU, (iv) communications expenses required for the implementation of the Project, including, *inter alia*, advertising in general (notifications, edicts, and so forth), design of radio campaigns, radio advertisements, national campaigns, and communication services in general; and (v) office materials.

31. “Participating Agency” means any of the following: CONAP, FONTIERRAS, IDAEH, IGN, OCRET, RGP or SAA. “Participating Agencies” means collectively, all of such agencies and entities.
32. “Participation Agreement” has the meaning given to it in paragraph 4 (b) of Section I.B of Schedule 2 to this Agreement. “Participation Agreements” means collectively, all of such agreement.
33. “PCU” means the project coordination unit integrated to the functional and organizational structure of the RIC that was approved by the Executive Board (*Consejo Directivo*) of the RIC on October 4, 2006, with terms of reference satisfactory to the Bank, to coordinate and manage the Project.
34. “Procurement Law” means the Recipient’s Decree No. 57-92 (*Ley de Contrataciones del Estado*) of October 5, 1992, as amended and as in effect on the date of this Agreement.
35. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
36. “Procurement Plan” means the procurement plan prepared by the RIC for the Project, dated November 10, 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.
37. “Program” means the program designed to support the Borrower’s national land administration program and set forth or referred to in the letter dated June 25, 1998, from the Borrower to the Bank.
38. “Project Area” means the physical areas in the following: (a) the Borrower’s Departments of Alta Verapaz, Baja Verapaz, Chiquimula, Escuintla, Izabal, Quiche, Sacatepequez, and Zacapa where the activities of the Project will be carried out; (b) the Borrower’s Department of El Petén, where only activities of the Project constituting technical assistance and Training will be carried out; and (c) such other of the Borrower’s departments, which subject to the Bank’s prior consent, the Borrower may from time to time choose to include among those departments where the activities of the Project may be carried out.

39. “Protected Areas and Proposed Protected Areas” means, collectively, those areas which have been declared as protected (*áreas protegidas*) and those areas of special protection (*áreas de protección especial*), which are both described in the Borrower’s Decree No. 4-89 of January 7, 1989, as amended.
40. “Registration Costs” means reasonable expenditures (other than those expenditures for consultants’ services, Non-Consulting Services, Operating Costs, Technical Services, or Training) incurred by the RIC in connection with the fees assessed by the RGP for the annotation, inscription or registration of cadastral or other property information in the records maintained by the RGP, provided that the Bank has agreed that such fees and expenses are reasonable and consistent with the amounts that would be assessed by the RGP for the same or comparable activities carried out by third parties outside of the scope of the Project.
41. “RGP” means the *Registro General de la Propiedad*, the Borrower’s General Property Registry.
42. “RIC” means the *Registro de Información Catastral*, the Borrower’s Registry of Cadastral Information, which was created pursuant to the RIC Law.
43. “RIC Law” means the Borrower’s Decree Number 41-2005 (*Ley del Registro de Información Catastral*) of June 15, 2005, as in effect on the date of this Agreement, together with the General Regulation and the Specific Regulation of Communal Lands, once the foregoing regulations have been formally issued by the Executive Branch and the RIC, respectively.
44. “SAA” means the *Secretaría de Asuntos Agrarios*, the Borrower’s Secretariat of Agrarian Matters.
45. “Specific Regulation on Communal Lands” has the meaning given to it in paragraph 6 (a) of Section I.B of Schedule 2 to this Agreement.
46. “Subsidiary Agreement” has the meaning given to it in paragraph 1(a) of Section I.A of Schedule 2 to this Agreement.
47. “Technical Services” means expenditures covered by the Procurement Guidelines (other than those expenditures for works, Non-Consulting Services, Operating Costs, Registration Costs and Training) incurred by the RIC for the purposes of the Project and directly related to the activities of the Project that consist of costs related to the cadastral survey and land regularization activities, including, *inter alia*, costs for geodesy and mapping, field data acquisition, and quality control activities.

48. “Training” means reasonable expenditures (other than those expenditures for consultants’ services, Non-Consulting Services, Operating Costs, Registration Costs and Technical Services) incurred by the RIC for the purposes of the Project and directly related to the activities of the Project, including, *inter alia*, costs related to: (i) training materials; (ii) local and foreign travel costs and *per diems* for trainees; (iii) scholarships and fellowships for training courses to be provided in the Borrower's territory or in foreign countries; and (iv) study tours and internships in the Borrower's territory or in foreign countries.
49. “Vice Ministers of Public Finance” means, collectively, the *Viceministro del Area de Administración Financiera*, the Borrower’s Vice Minister of the Area of Financial Administration, and the *Viceministro del Area de Patrimonio del Estado*, the Borrower’s Vice Minister of the Area of Patrimony of the State.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

The definition of “Project Implementing Entity” in the Appendix to the General Conditions shall be amended and replaced in its entirety with the following text:

“Project Implementing Entity” means a legal entity (other than the Borrower or the Guarantor) which is responsible for implementing all or a part of the Project and which: (a) is a party to the Project Agreement; or (b) is not a party to the Project Agreement but is a party to an agreement (referred to in a Legal Agreement as a “Subsidiary Agreement”) whereby such party's role in implementing the Project or any part thereof is set forth. If there is more than one such entity, “Project Implementing Entity” refers separately to each such entity. For cases where clause (b) of this definition applies: the last sentence of Section 1.01 of these General Conditions shall be disregarded; the Bank's obligation in Section 7.07(b)(ii) of these General Conditions to notify the Project Implementing Entity shall be disregarded; references to the Project Implementing Entity in Articles IX and X of these General Conditions shall be disregarded with the exception of the reference in Section 10.03; and, in those other Sections of these General Conditions where reference is made to a Project Implementing Entity’s obligations under the Project Agreement or under a Legal Agreement, such obligations shall be deemed to be those set forth in the respective “Subsidiary Agreement” referred to herein.