

June 1, 2010

His Excellency  
José Francisco Villagrán de León  
Ambassador of the Republic of Guatemala  
to the United States of America

Re: Loan No. 7683-GT  
(Disaster Risk Management Development Policy Loan)

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 (the Borrower):

1. One signed copy of the Loan Agreement between the Republic of Guatemala and the Bank.
2. One signed copy of the Supplemental Letter Re: Financial and Economic Data.
3. One copy of the International Bank for Reconstruction and Development General Conditions for Loans dated July 1, 2005 (as amended through February 12, 2008).

The effectiveness deadline is as set forth in Section 5.02 of the Loan Agreement: 5.02. 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 October 14, 2010.

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

Sincerely yours,

  
Jimena Garrote  
Counsel

REPUBLIC OF GUATEMALA

June 1, 2010

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

Re: Loan No. 7683-GT  
(Disaster Risk Management Development Policy Loan)  
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) providing a loan (Loan) 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:

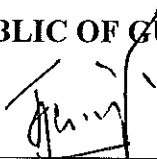
1. We understand and agree that, for purposes of Section 6.01 of the General Conditions, the Member Country is required by the Bank to report "long-term external debt" (as defined in the World Bank's Debtor Reporting System Manual, dated January 2000 (DRSM)), in accordance with the DRSM, and in particular, 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, except as notified to the Bank, 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). Except as notified to the Bank, no defaults exist in respect of any external public debt (as defined in the DRSM). 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

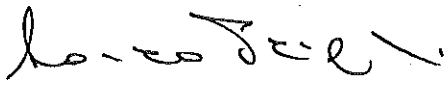


Authorized Representative

**AGREED:**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

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LOAN NUMBER 7683-GT

# Loan Agreement

(Disaster Risk Management Development Policy Loan)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *June 1*, 2010

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**LOAN AGREEMENT**

Agreement dated June 1, 2010, entered into between REPUBLIC OF GUATEMALA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (b) the Borrower's maintenance of an appropriate macro-economic policy framework. The Borrower and the Bank therefore 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 this 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 eighty five million Dollars (\$85,000,000), 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").
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 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 May 15 and November 15 in each year.
- 2.06. (a) Except as otherwise provided in paragraph (b) of this Section, the principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 2 to this Agreement.
- (b) The Borrower may, at the time of requesting a Withdrawal, also request repayment provisions different from those set out in Schedule 2 to this Agreement for such Withdrawal, provided that: (i) the average maturity of such Withdrawal does not exceed 18 years from the Withdrawal Date and the final maturity of such Withdrawal does not exceed 30 years from the Withdrawal Date (or such other average maturity and/or final maturity as may be generally applicable to loans made by the Bank to the Borrower at the time of such agreement); and (ii) such repayment provisions have been agreed between the Borrower and the Bank prior to the Withdrawal Date of such Withdrawal.
- 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 withdrawn and outstanding 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 2.07 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 eight million five hundred thousand Dollars (\$8,500,000) 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.
- 2.09. At any time prior to the Closing Date, the Borrower may, by notice to the Bank, refund any amount of the Withdrawn Balance for the purpose of re-crediting such amount to the Loan Account for further withdrawals. Upon such refund, the repayment schedule shall be adjusted on a *pro rata* basis, on terms and conditions acceptable to the Bank.
- 2.10. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 4 of Section II of the Appendix to this Agreement and relating to *Cooperation and Consultation*), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

### ARTICLE III — PROGRAM

- 3.01. The Borrower, through its Ministry of Public Finance, declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that in the opinion of the Bank, the Borrower has maintained an appropriate macroeconomic policy framework, consistent with the objectives of the Program.
- 5.02. 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 October 14, 2010.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister of Public Finance.
- 6.02. The Borrower's Address is:

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

Telephone:

Facsimile:

(502) 22485002

(502) 22485005

(502) 22485080

(502) 22485084

- 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)

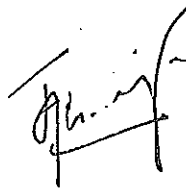
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AGREED at the District of Columbia, United States of America, as of the day and year first above written.

**REPUBLIC OF GUATEMALA**

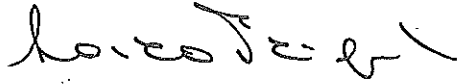
By



**Authorized Representative**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By



**Authorized Representative**

**SCHEDULE 1**

**Program Actions; Availability of Loan Proceeds**

**Section I. Actions under the Program**

- A. The actions taken by the Borrower to enhance its capacity to implement a disaster risk management program for adverse natural events consist of the following: (i) the development and validation in a participatory process of the Program; and (ii) the inclusion of budgetary appropriations in support of the Program in the Borrower's national budget for 2009.

**Section II. Availability of Loan Proceeds**

- A. **General.** 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.
- B. **Allocation of Loan Amounts.** The Loan shall (except for amounts required to pay the Front-end Fee) be withdrawn in a single tranche. The allocation of the amounts of the Loan to this end is set out in the table below:

<u>Allocations</u>	<u>Amount of the Loan Allocated (expressed in Dollars)</u>
Single Tranche	84,787,500
Front-end Fee	212,500
<b>TOTAL AMOUNT</b>	<b>85,000,000</b>

**C. Withdrawal of Loan Proceeds.**

1. No withdrawal shall be made of the Tranche unless the Bank is satisfied, based on evidence satisfactory to it, that a national and/or Regional state of emergency (*estado de calamidad publica*) exists in the Borrower's territory as a result of a natural disaster which has been declared by a Borrower's presidential decree and ratified by the Borrower's Congress in accordance with the Borrower's legislation.
2. Notwithstanding the foregoing, if, at any time prior to the receipt by the Bank of a request for withdrawal of an amount of the Loan, the Bank determines that a review of the Borrower's progress in carrying out the Program is warranted, the Bank shall give notice to the Borrower to that effect. Upon the giving of such

notice, no withdrawals shall be made of the Unwithdrawn Loan Balance unless and until the Bank has notified the Borrower of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of said Section 3.01, with the progress achieved by the Borrower in carrying out the Program.

**D. Deposits of Loan Amounts.** Except as the Bank may otherwise agree:

1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and
2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.

**E. Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

**F. Closing Date.** The Closing Date is August 31, 2012.