

LOAN NUMBER 8000-GT

Loan Agreement

(Enhancing Micro, Small and Medium Enterprise Productivity Project)

between

REPUBLIC OF GUATEMALA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated *November 29*, 2012



LOAN AGREEMENT

Agreement dated November 29, 2012, 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 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 thirty two million Dollars (\$32,000,000), 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 the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (e) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 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 withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; 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 or exceed \$3,200,000 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. To this end, the Borrower, through its Ministry of Economy (MINECO), shall carry out the Project 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; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Operational Manual has been issued by the Borrower.
- 4.02. The Effectiveness Deadline is January 3, 2013.

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:	Facsimile:
(502) 23228888	(502) 23228888 Ext. 11845

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

REPUBLIC OF GUATEMALA

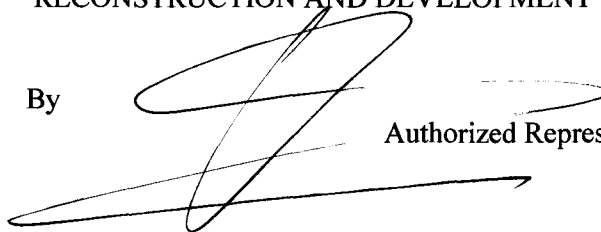
By



Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to stimulate growth of MSMEs in Selected Value Chains.

The Project consists of the following components:

Component 1: Improving and Promoting Business Development Services

Strengthening MINECO's capacity to lead and coordinate the development efforts of public and private sectors in support of MSMEs based on existing national policies, including improving existing BDS and quality services and conducting pilots to develop new products to increase access to BDS and financial services, including:

1.1. Improving and Promoting Quality Services

Improving quality services, through the strengthening of the supply and demand of quality services that are relevant to MSMEs needs, including, *inter alia*:

- (a) the design and implementation of a communication strategy that targets MSMEs and promotes the importance of quality in processes and products;
- (b) (i) the carrying out of training activities and the employment of additional technical personnel for, *inter alia*, MINECO's metrology lab and MINECO's accreditation agency; and (ii) purchase and maintenance of equipment;
- (c) the strengthening of MINECO's capacity to increase the coverage of the national quality system; and
- (d) the development of a sustainability plan for the Borrower's national quality system with the aim of improving its institutional capacity and promoting the generation of income from fee-based services and other sources to cover the costs of technical personnel.

1.2. Strengthening Business Development Services

Strengthening BDS, through: (i) the expansion of the information available in MINECO's current directory of BDS providers; (ii) the carrying out of an evaluation of existing BDS providers and an assessment of the services provided by said BDS providers; (iii) the provision of technical assistance to BDS providers to address identified weaknesses, including, *inter alia*, expansion of certification services,

promotion of alternative dispute resolution mechanisms and the provision of Training to trainers.

1.3. Supporting Pilots for the Development and Implementation of New Products

Supporting pilots for the development and implementation of new products, through the carrying out of: (i) pilot research activities; and (ii) feasibility studies to identify the most useful solutions to overcoming barriers to growth and productivity faced by Selected Value Chains and MSMEs.

1.4. Strengthening MINECO's Vice-Ministry for MSMEs

Strengthening the institutional capacity of MINECO's Vice-Ministry for MSMEs through the improvement of the quality of its processes and services, including, *inter alia*, the certification of its processes from the International Organization for Standardization.

Component 2: Creating Productive Value Chains

Improving the competitiveness of MSMEs through the provision of: (a) technical assistance and Training to Beneficiaries to facilitate the design of Sub-project proposals; and (b) Sub-grants to Beneficiaries operating in the Selected Value Chains for the carrying out of Sub-projects.

Component 3: Project Management and Monitoring

3.1. Provision of technical assistance, equipment, Training and operational costs to the PIU, including the hiring of technical staff to manage the fiduciary, technical and safeguards aspects of the Project, monitor the physical progress of the Project and the impact of Project activities.

3.2. Provision of technical assistance for the carrying out of the financial audit of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MINECO, shall maintain at all times during Project implementation, a PIU with a structure, functions and responsibilities acceptable to the Bank and reflected in the Operational Manual. The Borrower shall ensure that the PIU is, at all times during Project implementation, led by a Project coordinator and assisted by adequate professional, technical and administrative staff (including procurement and financial management specialists), all operating under terms of reference satisfactory to the Bank.
2. No later than three months after the Effective Date, the Borrower, through MINECO, shall establish a committee (the Steering Committee), led by the Vice Minister of Micro, Small and Medium Enterprises of the Ministry of Economy, and comprised of representatives of academic institutions, civil society and specialized technicians, with functions and responsibilities satisfactory to the Bank and detailed in the Operational Manual.
3. The Borrower, through MINECO, shall submit to the Bank for its approval, the proposed Selected Value Chains, before providing any Sub-grant to the Beneficiaries.

B. Anti-Corruption

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

C. Sub-grants

1. The Borrower, through MINECO, shall make Sub-grants to Beneficiaries to partially finance Sub-projects under Component 2 (b) of the Project, in accordance with eligibility criteria and procedures satisfactory to the Bank, which shall include the following:
 - (a) a pre-screening by the PIU of the eligibility of the Beneficiaries submitting Sub-project proposals, with regard to eligibility criteria and procedures satisfactory to the Bank, as specified in the Operational Manual and shall include the following:

- (i) each applicant Beneficiary shall be a Selected Value Chain working group, comprised of, *inter alia*, MSMEs, cooperatives, foundations, non-government organizations, professional associations, public entities and private companies; and
 - (ii) each applicant Beneficiary must provide evidence, acceptable to the Bank, of its capacity to provide the required counter-part financing of the proposed Sub-project, as set forth in the Operational Manual.
 - (b) a review and approval by the Steering Committee of the Sub-grant proposal, on the basis of a detailed evaluation of the PIU, pursuant to eligibility criteria and procedures acceptable to the Bank as further specified in the Operational Manual, which shall include the following:
 - (i) the Beneficiary shall be a legally established entity;
 - (ii) unless otherwise agreed by the Bank, the amount of the proposed Sub-grant shall be no more than two million Dollars (\$2,000,000) equivalent;
 - (iii) the Sub-grant shall only finance the purchase of equipment, works, goods, consultants' services, Non-Consultant Services and/or Training;
 - (iv) no Sub-grants shall finance any activity included in the Negative List; and
 - (v) the proposed Sub-project shall comply with the provisions of the Environmental and Social Management Framework.
2. Upon approval of a Sub-project proposal, the Borrower, through MINECO, shall make each Sub-grant available to the pertinent Beneficiary, under a Sub-grant Agreement to be entered into between the Borrower, through MINECO, and said Beneficiary, on terms and conditions satisfactory to the Bank, which shall include the following:
- (a) the Borrower, through MINECO, shall obtain rights adequate to protect its interests and those of the Bank, including the right to:
 - (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant, or to obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement; and

- (ii) require each Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank; including in accordance with the provisions of the ESMF, IPPF, RF and the Anti-Corruption Guidelines applicable to recipient of loan proceeds other than the Borrower; (B) ensure that the Sub-project does not include any activities mentioned in the Negative List; (C) procure the goods, works, consultants' services and Non-Consultant Services to be financed out of the Sub-grant in accordance with the provisions of Section III of Schedule 2 to this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (F) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. The Borrower, through, MINECO, shall exercise its rights and carry out its obligations under each Sub-grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the objective of the Project. Except as the Bank shall otherwise agree, the Borrower, through MINECO, shall not assign, amend, abrogate, terminate, waive or fail to enforce any Sub-grant Agreement or any of its provisions.

D. Implementation Review

1. Twenty-four (24) months after the Effective Date, or such later dates as may be agreed upon by the Borrower, through MINECO, and the Bank, the Borrower, through MINECO, shall, in conjunction with the Bank, carry out a progress

review of the Project (“Implementation Review”), covering the progress achieved in the implementation of the Project.

2. Without limitation to the provisions of Section II.A.1 of this Schedule, the Borrower, through MINECO, shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank two months prior to the beginning of the Implementation Review, or on such other date agreed upon with the Bank in writing, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date.
3. Following such Implementation Review, and without limitation to the provisions of Section 5.08 (b) of the General Conditions, the Borrower, through MINECO, shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the Bank to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

E. Operational Manual

1. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, the Borrower, through MINECO, shall carry out the Project in accordance with an operational manual acceptable to the Bank (the “Operational Manual”). Except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of the Operational Manual without the Bank’s prior written approval. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.
2. The Operational Manual shall consist of different sections setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project including, *inter alia*, the following:
 - (i) the Project administrative, accounting, auditing, monitoring, reporting, financial, disbursement and procurement procedures including all pertinent standard documents and model contracts in relation thereto, including standard bidding documents in respect of each procurement method set forth in the Procurement Plan (as applicable);
 - (ii) the eligibility criteria and the procedures governing the approval of Sub-grants/Sub-projects, including the Negative List;

- (iii) the eligibility criteria for the participation of MSMEs within the Selected Value Chain working groups;
- (iv) the ESMF, the RF and the IPPF; and
- (v) the performance indicators, monitoring and evaluation strategy for the Project.

F. Safeguards

1. Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower, through MINECO, shall cause the Project to be carried out in accordance with the provisions and recommendations of the Environmental and Social Management Framework, the Indigenous Peoples Planning Framework, the Resettlement Framework and the procedures outlined in the Operational Manual (including provisions regarding protection of cultural property and pest management, as detailed in the ESMF), when applicable.
2. Wherever required in terms of said frameworks, the Borrower, through MINECO shall, for the purposes of any activity, and prior to implementation thereof, proceed to have an Environmental Management Plan, an Indigenous Peoples Plan and/or Resettlement Plan, as the case may be:
 - (a) prepared in form and substance satisfactory to the Bank;
 - (b) except as otherwise agreed with the Bank, submitted to the Bank for review and approval; and
 - (c) thereafter, adopted/locally disclosed and implemented in accordance with the terms of the relevant safeguard instrument and in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through MINECO, 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 indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five 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.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MINECO, 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. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five 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 MINECO, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Unless otherwise agreed by the Bank, 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 six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-Consultant Services.** All goods, works and Non-Consultant 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 Section I of the Procurement Guidelines, and with the provisions of this Section.
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 Section.
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, Works and Non-Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-Consultant Services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non-Consultant Services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) National Competitive Bidding.
(b) Shopping.
(c) 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.
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 Method
(a) Quality Based Selection.
(b) Selection under Fixed Budget.
(c) Least-Cost Selection.
(d) Selection Based on Consultants Qualifications.
(e) Single Source Selection.
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultants Guidelines for the Selection of Individual Consultants.
(g) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.4 of the Consultant Guidelines 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 Article II of the General Conditions, this Section, and such additional instructions as the Bank shall 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 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.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(1) Goods, works, consultants' services, Non-Consultant Services, Training and/or Operating Costs under Component 1 of the Project	9,700,000	100%
(2) (a) Goods, consultants' services, Non-Consultant Services and/or Training under Component 2 (a) of the Project; (b) Sub-projects under Component 2 (b) of the Project	3,000,000 16,000,000	100% 100% of amounts disbursed under the corresponding Sub-grants

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(3) Goods, works, consultants' services, Non-Consultant Services, Training and/or Operating Costs under Component 3 of the Project	2,520,000	100%
(4) Unallocated	700,000	
(5) Front-end Fee	80,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	32,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to this Agreement; and
 - (b) under Category 2(b) above, until the Borrower, through MINECO, has established the Steering Committee in a manner satisfactory to the Bank.
2. The Closing Date is December 31, 2017.

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 April 15 and October 15 Beginning April 15, 2021 through April 15, 2035	3.33%
On October 15, 2035	3.43%

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. “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 with the modifications set forth in Section II of this Appendix.
2. “BDS” means business development services, which consist of non-financial services designed to assist micro, small and medium enterprises on, *inter alia*: (i) business management; (ii) product design and engineering; (iii) packaging; and (iv) certification.
3. “Beneficiary” means a value chain working group within a Selected Value Chain which meets the criteria set forth in the Operational Manual and in Section C.1 (a) of Schedule 2 to this Agreement, to receive a Sub-grant under Component 2(b) of the Project.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “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 and May 2010.
6. “Environmental and Social Management Framework” or “ESMF” means the Borrower’s environmental and social management framework (included in the Operational Manual), disclosed in the Borrower’s territory on November 29, 2010, and at the Bank’s *Infoshop* on November 23, 2010, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions, including pest management procedures and the guidelines for protection of physical and cultural resources, as said framework may be amended from time to time with the prior consent of the Bank.
7. “Environmental Management Plan” or “EMP” means a Sub-project-specific environmental management plan, acceptable to the Bank, giving details of measures appropriate or required to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, together with budget and costs estimates, sources of funding, adequate institutional, monitoring and reporting arrangements capable

of ensuring proper implementation of, and regular feedback on compliance with, such environmental management plan.

8. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 31, 2010.
9. "Indigenous Peoples Plan" means the Borrower's plan, to be agreed with the Bank, which sets out the measures to ensure that: (a) the indigenous peoples affected by the Project receive culturally appropriate social and economic benefits; and (b) when potential adverse effects on indigenous peoples are identified, those adverse effects are avoided, minimized, mitigated, or compensated for.
10. "Indigenous People's Planning Framework" or "IPPF" means the Borrower's framework dated November 23, 2010 (included in the Operational Manual), and disclosed in the Borrower's territory on November 29, 2010, and at the Bank's *Infoshop* on November 23, 2010, setting forth the indigenous peoples policy framework applicable to all the activities to be carried out under the Project.
11. "MINECO" means the Borrower's Ministry of Economy.
12. "MSMEs" means micro, small and medium enterprises.
13. "Negative List" means the list, approved by the Bank, and included in the Operational Manual specifying the activities which are not eligible for financing under Sub-grants, including:
 - (a) Flood protection, waste water treatment plants, drainage systems or other works that have adverse affects in environmentally sensitive zones or natural marine waterways, due to changes in pollution levels or hydrological changes (using the national classification system for such zones).
 - (b) Activities that include large scale industrial plants or industrial parks.
 - (c) The use of pesticides that are included in the list of Dangerous Pesticides by the World Health Organization (WHO).
 - (d) Aquaculture which uses non-native species in natural bodies of water.
 - (e) Works that could have negative impacts on cultural properties, including historic sites and archaeological sites (using the criteria developed by national authorities responsible for the protection of such sites).

- (f) Activities that have negative effects on protected natural zones that are recognized by the government (whether it be federal, departmental or municipal), including zones that are near protected zones (“buffer zones”).
 - (g) Leveling of land clearing (when it affects land areas or waters where there are native species of animals or plants).
 - (h) Elimination or control of hazardous waste and toxic materials, including the production, transport, or use of such materials (with the lone exception of small amounts of solvents, materials used to eliminate grease, paints, and similar materials used during the construction phase).
 - (i) The purchase or sale of animal or plant products that are protected under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.
 - (j) The release of genetically altered organisms into the environment.
 - (k) Production, distribution or sale of prohibited pesticides or herbicides.
 - (l) Radioactive products.
 - (m) Production of equipment or goods that contain CFS, halon gas, or other regulated ingredients under the Montreal Protocol.
14. “Non-Consultant Services” means services which will be bid and contracted on the basis of performance, such as: (i) the carrying out of surveys for impact of Project activities, baseline and monitoring activities; (ii) publishing costs; and (iii) Insurance Premiums, as applicable (which term means reasonable recurrent expenditures, as determined by the Bank, to finance insurance premiums to cover the loss or damage of works and goods financed under Sub-projects).
15. “Operating Costs” means reasonable recurrent expenditures incurred by MINECO in connection with incremental recurrent costs associated with the implementation of the Project including, *inter alia*: (a) salaries of incremental staff for the PIU, including drivers; and (b) (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 PIU, (iv) communications expenses required for the implementation of the Project; and (v) office materials.
16. “Operational Manual” means the manual referred to in Section I.E of Schedule 2 of this Agreement, and as the same may be amended from time to time with the

- prior written consent of the Bank, and such term includes any schedules to such manual.
17. "PIU" means project implementation unit, referred to in Section I.A.1 of Schedule 2 of this Agreement.
 18. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006 and May 2010.
 19. "Procurement Plan" means the Borrower's procurement plan for the Project, dated January 19, 2011 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.
 20. "Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
 21. "Resettlement Framework" means the Borrower's framework (included in the Operational Manual) and disclosed in the Borrower's territory on November 29, 2010, and at the Bank's Infoshop on November 23, 2010, specifying the population resettlement policies, planning principles, institutional arrangements, procurement arrangements and design criteria that shall apply to the preparation and carrying out of Sub-projects for the potential Resettlement of population.
 22. "Resettlement Plan" means the Borrower's plan, to be agreed with the Bank and setting out the arrangements, including related compensation measures, to be applied in the event of Resettlement, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any schedules or annexes to said plan.
 23. "Selected Value Chains" means the value chains to be identified as strategic by the PIU and to be selected by the Steering Committee, within the Borrower's tourism and agribusiness sectors, and/or any other sector selected by said committee and satisfactory to the Bank.
 24. "Steering Committee" means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

25. "Sub-grant" means a grant made, or to be made, to a Beneficiary out of the proceeds of the Loan to partially finance works, goods, consultants' services, Non-Consultant Services and/or Training under any given Sub-project.
26. "Sub-grant Agreement" means any of the agreements referred to in Section I.C.2 of Schedule 2 to this Agreement.
27. "Sub-project" means any investment under Component 2 (b) of the Project which addresses physical, marketing, regulatory and other constraints along a Selected Value Chain.
28. "Training" means reasonable expenditures (other than those expenditures for consultants' services) incurred by MINECO and/or the Beneficiaries 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) travel costs and per diems for trainers and trainees; (iii) scholarships and fellowships for training courses to be provided in the Borrower's territory or abroad; and (iv) study tours and internships in the Borrower's territory or abroad.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

"... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."
2. Section 11(a) is modified to read as follows:

"... (a) sanction in accordance with prevailing Bank's sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the

Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”