

LOAN NUMBER 9194-GT

Loan Agreement

(Crisis Response and Recovery in Guatemala Development Policy Loan)

between

REPUBLIC OF GUATEMALA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date 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: (i) 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 (ii) the Borrower’s maintenance of an adequate macroeconomic 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) apply to and form 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 the amount of five hundred million dollars (USD500,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, 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 declares its commitment to the Program and its implementation. The Loan, provided in support of the Program, may serve to finance budgeted expenditures of the Borrower, except for Excluded Expenditures, as set forth in this Agreement. To this end, and further to Section 5.05 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 Borrower's macroeconomic policy framework and 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 paragraph (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.
- 4.02. The Additional Event of Acceleration consists of the following: namely, that the event specified in Article 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following: namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is July 29, 2022.
- 5.03. For purposes of Section 9.05 (b) of the General Conditions, the date on which the obligations of the Borrower under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Public Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministerio de Finanzas Públicas
8ª Avenida 20-59
Centro Cívico, Zona 1
Guatemala, Guatemala; and

(b) the Borrower's Electronic Address is:

Facsimile:
(502) 2374-2690

6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex: 248423(MCI) or 64145(MCI) Facsimile: 1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF GUATEMALA

By


Authorized Representative

Name: ALVARO GONZALEZ RICCI

Title: MINISTER OF FINANCE

Date: JUNE 29, 2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By


Authorized Representative

Name: FERNANDO PAREDES

Title: SR. OPERATIONS OFFICER

Date: JUNE 29, 2022

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program.

The actions taken by the Borrower under the Program include the following:

1. The Borrower has taken measures to mitigate the economic impact of COVID-19 on households by: (i) creating a fund (*Bono Familia*) to support families affected by the emergency measures adopted due to the COVID-19 pandemic, prioritizing poor and vulnerable families; and (ii) creating a fund (*Fondo para la Protección del Empleo*) to provide support to private sector workers whose jobs are suspended with the authorization of the Ministry of Labor, due to the COVID-19 pandemic; as evidenced by: (I) Article 2 of Decree of Congress No. 13-2020 published in the Borrower's Official Gazette on April 8, 2020 and Presidential Decree (*Acuerdo Gubernativo*) No. 57-2020 published in the Borrower's Official Gazette on April 17, 2020; and (II) Article 3 of Decree of Congress No. 13-2020 published in the Borrower's Official Gazette on April 8, 2020, and Presidential Decree (*Acuerdo Gubernativo*) No. 58-2020, published in the Borrower's Official Gazette on April 17, 2020.
2. The Borrower has approved regulations to ensure continuity in the provision of school meals to pre-primary and primary students, while schools are closed due to the COVID-19 pandemic; as evidenced by Ministerial Decree (*Acuerdo Ministerial*) No. 825-2020 and No. 2266-2020 issued by the Ministry of Education, and published in the Borrower's Official Gazette on March 23, 2020 and August 12, 2020, respectively.
3. The Borrower has established a health insurance program for students enrolled in pre-primary and primary education in the public schools; as evidenced by Presidential Decree (*Acuerdo Gubernativo*) No. 44-2020, published in the Borrower's Official Gazette on March 20, 2020.
4. The Borrower has: (i) enacted regulations to implement active search units to screen for, and treat as needed, children suffering from acute malnutrition; and (ii) enacted measures to ensure food rations reach food insecure families; as evidenced by (I) Ministerial Decree (*Acuerdo Ministerial*) No. 179-2020 issued by Ministry of Public Health and Social Assistance, published in the Borrower's Official Gazette on July 24, 2020; and (II) Article 15.1b) of Decree of Congress No. 12-2020, published in the Borrower's Official Gazette on April 1, 2020.
5. The Borrower has established the National Livestock Roundtable (*Mesa Nacional de Ganadería Bovina*) to promote the implementation of the National Livestock Policy through the National Strategy for Low Emission Sustainable Livestock; as evidenced by Ministerial Decree (*Acuerdo Ministerial*) No. 193-2020, issued by the Borrower's Ministry of Agriculture, Livestock and Nutrition, published in the Official Gazette on October 16, 2020.

6. The Borrower has established the Working Capital Credit Fund (*Fondo de Crédito para Capital de Trabajo*) to provide soft loans to self-employed entrepreneurs and firms impacted by the COVID-19 pandemic; as evidenced by Article 4 of Decree of Congress No. 13-2020, published in the Borrower's Official Gazette on April 8, 2020.
7. The Borrower has enacted regulations to improve the accessibility, efficiency, and safety of digital financial services by: (i) enabling instant transfers of low-value payments among clients of financial institutions participating in the Automated Clearing House ("ACH"); (ii) enabling the use of digital checks in the ACH; and (iii) strengthening technology risk and cybersecurity management requirements for financial institutions; as evidenced by (I) Monetary Board Resolution No. JM-27-2020, published in the Borrower's Official Gazette on March 9, 2020; (II) Decree of Congress No. 6-2020, published in the Borrower's Official Gazette on March 23, 2020; and (III) Monetary Board Resolution JM-42-2020, published in the Borrower's Official Gazette on April 24, 2020.
8. The Borrower has taken measures to facilitate regional and global trade by: (i) signing the agreement on mutual administrative assistance and information exchange in customs matters with Mexico, and (ii) approving the Borrower's protocol of adherence to the Free Trade Agreement between the Central American States and the European Free Trade Association ("EFTA") States; as evidenced by (I) the agreement for mutual administrative assistance and information exchange in customs matters between the Borrower and Mexico signed on November 7, 2019; and (II) the Borrower's Decree of Congress No. 5-2020 published in the Borrower's Official Gazette on March 23, 2020.
9. The Borrower has defined guidelines for the transparency of the management of public resources to be executed during the COVID-19 pandemic by: (i) creating a COVID-19 budget identifier to facilitate oversight and accountability; and (ii) enforcing compliance with transparency on procurement processes for COVID-19 related expenses; as evidenced by Article 2 of Decree of Congress No. 8-2020 published in the Borrower's Official Gazette on March 21, 2020; and memoranda DIGAE-04-2020 dated March 13, 2020; DTP-DGAE-001-2020 dated March 16, 2020; and DIGAE-06-2020 dated April 17, 2020.
10. The Borrower has improved tax compliance by: (i) further expanding the mandatory use of electronic invoicing to: (a) technical service providers of central and subnational governments; and (b) suppliers of goods, works, and services under the modality of Direct Selection or Procurement of Low Amounts (excluding those lower than 25,000 Guatemalan Quetzales) of public sector entities and other entities that receive funds and/or manage state funds; and (ii) launching the operation of the Electronic Tracking System for cargo (*marchamo electrónico*); as evidenced by (I) the Directives issued by the SAT, No. SAT-DSI-639-2020 published in the Official Gazette on July 30, 2020; and No. SAT-DSI-887-2020 published in the Official Gazette on October 19, 2020; and (II) the Agreement between SAT and a private satellite monitoring provider, dated April 22, 2020, based on SAT Directives No. SAT-IAD-02-2019 published in the Official Gazette on March 1, 2019, and No. SAT-IAD-06-2018 published in the Official Gazette on September 13, 2018.

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 (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in USD)
(1) Single Withdrawal Tranche	498,750,000
(2) Front-end Fee	1,250,000
(3) Amount due pursuant to Section 4.05 (c) of the General Conditions	
TOTAL AMOUNT	500,000,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.

D. Deposit of Loan Amounts.

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Guatemalan Quetzales equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date. The Closing Date is November 3, 2022.

SCHEDULE 2

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”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each February 15 and August 15 Beginning February 15, 2024 through August 15, 2033	5%

APPENDIX

Definitions

1. “Automated Clearing House” or “ACH” means an electronic fund-transfer system that facilitates payments, established pursuant to Monetary Board Resolution No. 140-2007, dated August 1, 2007.
2. “Central American States” means Costa Rica and Panama, as the only two central American states adhered to the Free Trade Agreement by the time the Borrower adhered to the Free Trade Agreement.
3. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
4. “Direct Selection” means a procurement method in which the buyer approaches and negotiates only with one firm.
5. “EFTA” means the European Free Trade Association, a regional trade organization established by a Convention signed in Stockholm on January 4, 1960, which established a free trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland.
6. “Electronic Tracking System” means the use of information and communications technology-enabled devices such as GPS to conduct real-time monitoring of inland movements of containerized cargo.
7. “Free Trade Agreement” means the multinational agreement entered into between the Central American States and EFTA on June 24, 2013, to establish a free-trade area among the cooperating states.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020).
9. “GPS” means global positioning system.
10. “Guatemalan Quetzal” means the Borrower’s national currency.
11. “National Livestock Policy” means the Borrower’s National Livestock Policy approved by Presidential Decree (*Acuerdo Gubernativo*) No. 282-2014, published in the Borrower’s Official Gazette on August 28, 2014.
12. “National Livestock Roundtable” means the Borrower’s national livestock roundtable established pursuant to Ministerial Decree (*Acuerdo Ministerial*) No. 193-2020, published in the Borrower’s Official Gazette on October 16, 2020.

13. “National Strategy for Low Emission Sustainable Livestock” means the Borrower’s National Strategy for Low Emission Sustainable Livestock, approved through Ministerial Decree (*Acuerdo Ministerial*) issued by the Ministry of Agriculture, Livestock and Food, No. 40-2018.
14. “Procurements of Low Amounts” refers to all procurements with a value of up to 25,000 Guatemalan Quetzals, as defined by Article 16 of the Borrower’s Decree of Congress No. 46-2016, published in the Borrower’s Official Gazette on October 27, 2016.
15. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 24, 2020, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
16. “SAT” means *Superintendencia de Administración Tributaria*, the Borrower’s Tax Administration Agency.
17. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
18. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
19. “Working Capital Credit Fund” means the Fund created pursuant to Article 4 of Decree of Congress No. 13-2020, published in the Borrower’s Official Gazette on April 8, 2020, to finance working capital under soft conditions to maintain productive capacity, either directly or through other financial mechanisms.