

LOAN AGREEMENT

BETWEEN

REPUBLIC OF GUATEMALA

AND

INTERNATIONAL COOPERATION AND DEVELOPMENT FUND

OF

THE REPUBLIC OF CHINA

Relating to
Guatemala Rio Polochic Region Recovery Program

This Loan Agreement (hereinafter called "this Agreement") is entered into this 22 day of JUNE, 1999 between the REPUBLIC OF GUATEMALA (hereinafter called "the Borrower") and the INTERNATIONAL COOPERATION AND DEVELOPMENT FUND OF THE REPUBLIC OF CHINA (hereinafter called "the Lender").

A. WHEREAS, the Borrower has requested the Lender to finance the cost of the Guatemala Rio Polochic Region Recovery Program ("Polochic Program"), as more particularly described in Annex I to this Agreement, by granting a Loan to it in the maximum amount specified hereunder;

B. WHEREAS, the Polochic Program is technically feasible, economically viable and socially essential; and

C. WHEREAS, the Lender has agreed to grant the said Loan to the Borrower upon the terms and conditions hereinafter set forth.

NOW THEREFORE, the parties to this Agreement hereto hereby agree as follows:

ARTICLE I

GENERAL CONDITIONS - DEFINITIONS

Section 1.01. General Conditions. a) Save as otherwise provided in Paragraph (b) of this Section, the parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Lender ("the General Conditions") dated January 1, 1998, a copy of which has been separately delivered to and the receipt whereof is hereby acknowledged by the Borrower, which General Conditions is incorporated herein as part of this Agreement.

(b) No commitment fee shall be payable by the Borrower under this Agreement and, accordingly, Section 9.1 of the General Conditions is deemed to be deleted and all provisions relating to commitment fee in the General Conditions shall not be

applicable under this Agreement.

Section 1.02. Definitions. (a) Whenever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions shall have the respective meanings therein set forth.

(b) The following words and expressions used in this Agreement have the following meanings, unless they are inconsistent with the context:

"Executing Agency" or "FIS" means the Fondo de Inversion Social of the Republic of Guatemala.

ARTICLE II

THE LOAN

Section 2.01. Amount. The Lender agrees to lend to the Borrower an amount in Dollars not exceeding Four Million Dollars (US\$4,000,000).

Section 2.02. Purpose. The purpose of the Loan is to finance the cost of the Polochic Program, the particulars of which are set forth in Annex I of this Agreement.

Section 2.03. Allocation. The Loan shall be allocated to various categories of expenditures of the Polochic Program, in accordance with Annex II of this Agreement.

ARTICLE III

REPAYMENT OF THE PRINCIPAL, INTEREST,

DATES OF PAYMENT AND PREPAYMENT

Section 3.01. Repayment of the Principal. The Borrower shall repay the principal of the Loan in twenty-five (25) years including a grace period of five (5) years, commencing from the date of this Agreement, in forty (40) consecutive and

semi-annual equal installments. The first such installment shall be payable on the Interest Payment Date falling on the 15th of July, 2004.

Section 3.02. Interest Rate. At each Interest Payment Date as specified in Section 3.03 of this Agreement, the Borrower shall pay interest due on the Loan amount disbursed and outstanding during the preceding Interest Period, computed at a rate per annum equal to two per cent (2.0%) for the said Interest Period.

Section 3.03. Dates of Payment. The principal of the Loan and the interest referred to above shall be payable every six (6) months on the 15th of July and 15th of January of each year.

Section 3.04. Refunds. (a) Within ninety (90) days after the expiry of the Commitment Period, the Borrower shall deliver to the Lender a bank statement showing the balance of the Program Account on the date it was delivered. The Borrower shall refund any and all remaining balance of the Program Account as shown on such bank statement, to be received by the Lender within fifteen (15) Banking Days after the Lender shall have delivered a notice to the Borrower for the making of such refund.

(b) In the case of any expenditure by the Borrower or the Executing Agency which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not eligible to be financed in accordance with this Agreement, the Lender, notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may from time to time require the Borrower to refund the amount of such expenditure within fifteen (15) Banking Days after the Lender shall have delivered a notice to the

Borrower for the making of such refund.

(c) The Lender's right under paragraph (b) to require such a refund of expenditure will continue, notwithstanding any other provision of this Agreement, for up to three years from the date of the last disbursement under this Agreement.

Section 3.05. Prepayment. Notwithstanding the requirements under Section 7.3 of the General Conditions, any refunds made in accordance with Section 3.04 in this Article III shall be deemed as prepayments and shall be applied against the installments of principal in the inverse order. No amount prepaid by the Borrower may be reborrowed.

Section 3.06. Lender's Account. For the purpose of Section 7.4 of the General Conditions, the Lender hereby designates the following account as the Lender's Account: Bank of Taiwan's Account No. 001-1-861275 with the Chase Manhattan Bank N.A., New York City, New York State, United States of America (Swift Address: CHASU33) for further credit to sub-account No. 006-007-072286 in favor of the International Cooperation and Development Fund.

ARTICLE IV

DRAWDOWNS - COMMITMENT PERIOD

Section 4.01. Drawdowns. The amount of the Loan shall be drawn down by the Borrower in accordance with the provisions of this Agreement and the General Conditions, and in accordance with the provisions set forth in Annex III.

Section 4.02. Borrower's Account. For the purpose of Section 5.2 (1) of the General Conditions, the Borrower hereby designates and constitutes the following bank account as the Borrower's Account: Banco de Guatemala's account No. 021-8407-6 with the Federal Reserve Bank of New York, N.Y., in New York City, New York State, the United States of America.

Section 4.03. Commitment Period. The Commitment Period is three years from the date of this Agreement unless the Lender agrees to extend the Commitment Period in writing.

ARTICLE V

TERMS AND CONDITIONS OF SUBLOANS

Section 5.01. Use of Funds. The Borrower shall ensure that the proceeds of the Loan shall be provided to the Executing Agency and shall be used by the Executing Agency exclusively for the Polochic Program.

Section 5.02. Program Account. The Borrower shall cause the Executing Agency to open and maintain an account ("Program Account") with the Banco de Guatemala. All proceeds of Loan made available by the Borrower to the Executing Agency shall be deposited in such Program Account. The Borrower shall ensure that the Executing Agency shall, for the purpose of the Polochic Program, operate only the relevant Program Account and that all payments received by the Executing Agency from the Borrower out of the proceeds of the Loan shall be credited to or debited from the Program Account as may be appropriate.

ARTICLE VI

PROGRAM MONITORING AND REPORTING REQUIREMENTS

Section 6.01. Record Keeping. The Borrower shall keep accurate, full and complete books and accounts with respect to the Loan, and shall cause the Executing Agency to maintain records and account adequate to record and monitor the progress of the Polochic Program.

Section 6.02. Monitoring. It shall be the responsibility of the Borrower to supervise and monitor the performance of the Executing Agency in its execution of the Polochic Program including, as part of the monitoring program, submission of such documents and information by the Executing Agency as may

be required by the Lender.

Section 6.03. Reporting. The Borrower shall furnish to the Lender from time to time all such reports and information as the Lender shall reasonably require in connection with the Polochic Program and without limiting the generality of this Paragraph:

(a) the Borrower shall deliver or shall cause the Executing Agency to deliver the following reports:

- (i) Program progress report certified by the program manager or engineer in charge of the Polochic Program; such report shall be delivered quarterly and, if the progress of the Polochic Program falls behind schedule, shall set forth the reason for the delay and the catch-up action taken or proposed to be taken;
- (ii) on the expiry of the Commitment Period, a report by the Borrower on the total disbursement of the proceeds of the Loan to the Executing Agency and the use thereof;
- (iii) on the expiry of the Commitment Period, a report by the program manager, engineer or Executing Agency on the status of the Program; and
- (iv) on the completion of the Program, a completion report by the Executing Agency, the program manager or the engineer.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.01. Authorized Representatives. The authorized representative of the Borrower will be the Minister of Finance or any other duly authorized representative.

Section 7.02. Date of the Agreement. This Agreement shall be deemed to have been concluded on the date first above written.

Section 7.03. Notice. The following information, or such information as each party may notify the others from time to time, are specified for the purposes of Section 14.3 of the General Conditions.

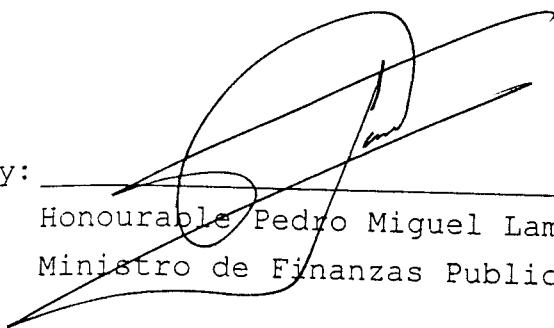
For the Borrower : Ministerio de Finanzas Publicas
Mail Address : 8a.Av. y 21 Calle Zona 1, Guatemala
Telephone : (502)230-0323
Fax : (502)230-0333
Attn : Honourable Pedro Miguel Lamport

For the Lender : International Cooperation and
Development Fund
Mail Address : 30F, No.185, Sec.2, Hsin-Hai Rd.
Taipei, Taiwan 106, Republic Of China
Telephone : (886)-2-27369430
(886)-2-27375885 ext. 304
Fax : (886)-2-27350736, 27355382
Attn : Ms. Chyi-Hway Gong

For the Executing Agency: Fondo de Inversion Social
Mail Address : 2Av. 20-13 Zona 10 Edificio los Arcos
Guatemala, C.A.
Telephone : (502)367-2891
Fax : (502)367-2880
Attn : Mr. Alvaro Hugo Rodas Martini

IN WITNESS WHEREOF, the Borrower and the Lender, each acting through its authorized representative, have signed this Agreement in two equally valid originals in English.

FOR AND ON BEHALF OF THE REPUBLIC OF GUATEMALA

By: 
Honourable Pedro Miguel Lamport
Ministro de Finanzas Publicas

FOR AND ON BEHALF OF INTERNATIONAL COOPERATION AND DEVELOPMENT FUND

By: Andrew J.S. Wu
Honourable Andrew J.S. Wu
Ambassador of the Republic of China to
the Republic of Guatemala, signed as
attorney-in-fact

ANNEX I: PROGRAM DESCRIPTION

1. Background

In Guatemala, as a result of Hurricane Mitch, a total of 749,533 people were affected, of which 110,752 were most seriously afflicted. Though the number of dead and injured remained low by virtue of the rapid and effective evacuation of 106,400 people, as many as 170,013 remain at risk, from plaques for example, due to deteriorated conditions brought on by Mitch. Mitch had a direct impact on the health conditions of 27 municipalities in 14 provinces, moreover, the loss or damage of 233 potable water systems, 150 latrine systems, and 45 sewage systems only exacerbates the threat on health conditions. Infrastructure damages were substantial as many communities were isolated from communication and aid. Much agricultural activity has been interrupted with an estimated loss of US\$ 263 million. Total estimated damages in social and economic infrastructure approximate US\$ 500 million, much of which represents damages to the most greatly affected provinces of Izabal, Peten, Alta Verapaz and Baja Verapaz.

2. Program Objectives

The primary objective of the Rio Polochic Program is to support the Government's post-Mitch rehabilitation and reconstruction program along with its poverty alleviation programs, by targeting its investments to poor rural areas and communities in place greatly affected by Hurricane Mitch. It aims to provide social and economic infrastructure by increasing access to schools, health posts, water supply and sanitation, and bridges. Access roads and flood prevention infrastructures will be separately financed by BCIE in a different program. Long-term economic benefits may be derived from the Rio Polochic region's close proximity to centers of tourism and agricultural production, increasing the area's self-sustainability. Additionally, FIS' participatory methodology by which the community, its organizations, and local governments are asked to define the problems, prioritize their needs, and plan and implement

small-scale community-based subprojects, making the nature of the projects community-based and demand-driven, will help strengthen the capacity of the communities benefiting from these.

3. Program Description

3.1 The Program

The Rio Polochic Program is to rehabilitate, reconstruct, and reactivate communities along the river washed away by tropical storms and floods brought along by Hurricane Mitch. The Program will accomplish this by combining major sector areas into an integrated project covering education, health, water systems and sanitation, and bridges. ICDF shall provide funds to finance the totality of the Program comprised of 144 subprojects, already identified, and ready to commence pre-investment studies if applicable, in the above mentioned areas. 126,298 people will benefit directly from this Program, equivalent to approximately 17% of all persons affected by Mitch, while the number of people in neighboring provinces and municipals indirectly affected is as high as 35% of all persons affected.

3.2 Program Area

The Program aims to cover four municipals in the Rio Polochic region in the province of Alta Verapaz which were greatly affected by Hurricane Mitch. They include:

- ✧ Municipality of Tamahu
- ✧ Municipality of Tucuru
- ✧ Municipality of Senahu
- ✧ Municipality of Panzos

3.3 Target Beneficiaries

Target beneficiaries of the Program will be the inhabitants of the above mentioned municipals in the above mentioned province who have been affected by Hurricane Mitch.

3.4 Subproject Eligibility Criteria

Project eligibility criteria include poverty level and

residence within project area.

3.5 Program Activities

Education Component

- ◇ The construction of 31 schools with an average of two classrooms, approximately 158 square meters with fiber cement roofs, cement floors, walls made of cement blocks, and three latrines.
- ◇ The provision of necessary school equipment including desks, blackboards, bookshelves, etc.
- ◇ The coordination with the Ministry of Education to ensure that teachers are or will be assigned and provided for each school.
- ◇ The provision of land by the local community or municipality.

The unit cost for the average two-classroom school including latrines is of approximately US\$ 157 per square meter, including transportation costs². The cost of school equipment per school is approximately US\$ 910. The education component of the project totals US\$931,071, approximately 21% of total project cost.

Health Component

- ◇ The construction of 5 health posts, approximately 150.48 square meters with fiber cement roofs, granite floors, and walls made of cement blocks, finished off with painting.
- ◇ The provision of necessary medical equipment including stretchers, diagnosing tools, medicine cabinet, etc.
- ◇ The coordination with the Ministry of Health to ensure that health professionals are or will be assigned and provided for each health post or center.
- ◇ The provision of land by the local community of government.
- ◇ The provision of medicine by the Ministry of Health.

² FIS has provided an estimated range of 10-25% for transportation costs.

The unit cost for the average health post is of approximately US\$ 228 per square meter, including transportation costs. The cost of health equipment per health post is approximately US\$ 7286. The health component of the project totals approximately US\$249,857, making up 6% of total project cost.

Water Systems and Sanitation Component

- ✧ The construction of 26 water collection, distribution, and purification systems and networks, disbursing potable water to homes or community faucets.
- ✧ The construction of either dry or ventilated latrines for approximately 1254 families³, made of cement with cement floors, walls, and fiber cement roofs.
- ✧ The coordination with INFOM to ensure proper understanding and avoid the duplication of efforts.

The unit cost per latrine is of approximately US\$ 411, including transportation costs. The water systems and sanitation component of the project totals US\$1,629,571, approximately 37% of total project cost.

Bridges Component

- ✧ The construction of 23 suspension bridges for pedestrians and livestock of approximately 1.8 meters wide with wire fence protection, steel cables, concrete support bases, and wooden deck.
- ✧ The construction of 4 vehicle bridges made of concrete ranging from 5 to 10 meters wide.
- ✧ The construction of 4 pedestrian bridges made of concrete approximately 2 meters
- ✧ The coordination with the Ministry of Communications to ensure approval and mutual understanding

The unit cost per meter is approximately US\$ 1184 for suspension bridges, US\$ 3552 for pedestrian bridges, and US\$

³ Approximately 5.7 persons per family, figure provided by FIS.

5920 for vehicle bridges, including transportation costs. The bridges component of the project totals US\$1,589,500, approximately 36% of total project cost.

3.6 Estimated Costs for the Program

Government contribution	
Local community, municipality contribution ³⁾	US\$ 400,000
ICDF contribution	US\$ 400,000
Total Program	US\$ 4,000,000
	US\$ 4,800,000

Cost breakdown for ICDF and Government contribution please see Annex II.

The program will be expanded to cover more feasible infrastructure within the constraint of the loan proceeds. FIS may also reallocate funds from unrealizable subprojects to cover other feasible infrastructure projects within the same component.

4. Program Timing

Given that here is additional donor's financing from other international organization in the Rio Polochic region, namely IDB and BCIE, FIS will be segment and assure that there is no duplication of effort in any given time or region.

5. Program Implementation and Monitoring

5.1 The Institutional Arrangement for Program Implementation
The Program's executing agency will be Fondo de Inversion Social (FIS), an autonomous government institution under the Presidency, as was designated by the Secretary of Planning and Programming of the Presidency (SEGEPLAN) and granted full authority for execution and implementation of this Program. FIS will be responsible for overall project management, including the promotion, appraisal, pre-investment studies, administration, and supervision of subprojects.

5.2 Program Coordination

... strengthening and work contribution, not actual dollar amount.

FIS will sign interagency agreements with all the supporting Ministries, namely the Ministry of Education, Health, Communication, and INFOM to assure proper coordination and efficiency. Additionally, various resource providers at program area will be utilized in coordination with FIS, to facilitate program implementation.

5.3 Program Monitoring

FIS will hire a construction company or NGO to carry out the constructions for the Program. Additionally, FIS will hire a firm to supervise project progress and implementation. FIS departmental delegates/resident professionals assigned to the Project will be in charge of monitoring both its construction and supervision.

However, the same principles and rules will be applied by all the parties involved, which may include but not limited to"

- a. The cost of the Program, which includes project supervision costs paid to the consultant.
- b. The procurement procedure
- c. Eligibility criteria for the beneficiary

5.4 Implementation Period

The implementation of the Program will last approximately eleven months, of which construction may take approximately eight months.

6. Special Conditions of ICDF Loan

Conditions precedent to the Use of ICDF Fund should include:

- a. A detailed information about the financing of the Program, which should specify the cost of each Program component as well as the allocation of donor's fund to each of the component.
- b. Procurement procedures to be applied for each of Program component financed by ICDF Fund.
- c. For Program component financed by ICDF Fund, unit cost for each of the component/sub-component, and where the component involves different major items, the cost

breakdown of each of the sub-component.

- d. The signing of a subsidiary loan agreement between FIS and the Ministry of Finance.

7. Procurement Procedure

In addition to paragraph b. of section 6. mentioned above, procurement of goods and services under the Rio Polochic program, as well as program management and monitoring, regulated by FIS' Operations Manual, as has already been ratified by the Congress of Guatemala.

Annex II: Loan Allocation
Cost Breakdown for ICDF and the Government of Guatemala's Contribution
US\$4.4 million

Subproject		Total ICDF Contribution		Total Government Contribution	Units
<i>Education</i>	Construction of Schools	Q 4,875,000		Q 487,500	
		S 696,429		S 69,643	31
	Educational Equipment	Q 1,050,000		Q 105,000	
		S 150,000		S 15,000	181
	Subtotal	Q 5,925,000		Q 592,500	
	Subtotal	S 846,429		S 84,643	
<i>Health</i>	Construction of Health Posts	Q 1,050,000		Q 105,000	
		S 150,000		S 15,000	5
	Health Equipment	Q 540,000		Q 54,000	
		S 77,143		S 7,714	12
	Subtotal	Q 1,590,000		Q 159,000	
	Subtotal	S 227,143		S 22,714	
<i>Water System and Sanitation</i>	Latrinization	Q 3,275,000		Q 327,500	
		S 467,857		S 46,786	1254
	Potable Water System	Q 6,975,000		Q 709,500	
		S 1,013,571		S 101,357	26
	Subtotal	Q 10,250,000		Q 1,037,000	
	Subtotal	S 1,481,429		S 148,143	
<i>Bridges</i>	Suspension Bridge	Q 6,240,000		Q 624,000	
		S 891,429		S 89,143	23
	Pedestrian Bridge	Q 2,025,000		Q 202,500	
		S 289,286		S 28,929	4
	Vehicle Bridge	Q 1,850,000		Q 185,000	
		S 264,286		S 26,429	4
Subtotal	Q 10,115,000		Q 1,011,500		
Subtotal	S 1,445,000		S 144,500		
Total	Q 27,880,000		Q 2,800,000		
Total	S 4,000,000		S 400,000		

Note: Exchange rate US\$1:Q7

ANNEX III: DISBURSEMENT PROCEDURE

1. The disbursement of any and all parts of the Loan will be made to the account of Banco de Guatemala maintained with a bank in New York City, New York State, the United States of America (that is the "Borrower's Account" as stipulated in clause 4.02 of this Agreement) for further credit to the Program Account in US dollars, as authorized by the Government of the Republic of Guatemala, maintained at Banco de Guatemala.
2. It is a special condition precedent to the first Drawdown under this Agreement that the subsidiary agreement between the FIS and the Borrower for the provision of, among other things, technical assistance to the Borrower in respect of the Polochic Program shall be executed and be in full force and effect. A copy of such agreement shall be delivered to the Lender together with all other documents required to be given under Clause 6.1 of the General Conditions.
3. A disbursement by the Lender will be made within fifteen (15) Banking Days after the Lender shall have received to its satisfaction a request for Drawdown from the Borrower, along with all documents showing that the Borrower has fulfilled the conditions specified in this Agreement and Clause 6.1 "Conditions for first Drawdown" of the General Conditions. Without limiting the generality of the foregoing, the Borrower shall have duly delivered to the Lender all such applicable documents in form and in substance attached hereto as Appendix A before a first Drawdown may be made.
4. The first Drawdown shall be in the sum of US\$1.0 million. The Borrower may apply for such first Drawdown when all conditions precedent set forth in Clause 6.1 and 6.2 of the General Conditions are fully satisfied. In addition, the Borrower shall deliver to the Lender a certificate

signed by the duly authorized representative of the Borrower, as an additional condition precedent, that the Executing Agency is able and ready to implement the Polochic Program.

5. After receiving the payment of the first Drawdown, the Borrower may from time to time apply for a Drawdown when the Borrower has incurred expenditure for the Polochic Program in an aggregate amount of not less than \$750,000, as evidenced by the statement of expenditure submitted by the Borrower for the respective reporting period, and the Drawdown amount shall be the amount of the expenditure incurred for that reporting period subject to the availability of the Commitment, but in any event shall not exceed \$1,000,000.
6. Except for the first Drawdown, the Borrower shall, when applying for a Drawdown, deliver to the Lender: i) summary of expenditure in form and substance of Appendix B-1, as may be modified by the Lender from time to time; ii) statement of expenditure in form and substance of Appendix B-2, as may be modified by the Lender from time to time; (iii) bank statements showing the balance of the Program Account; and (iv) receipt or other evidence of payment satisfactory to the Lender for any expenditure reaching or exceeding US\$100,000 for the respective reporting period. Notwithstanding anything provided to the contrary in this Agreement, the Lender shall be entitled to refuse: (i) payment of any item of expenditure or (ii) payment of the entire amount of a Drawdown, if it is not satisfied: i) that any item of expenditure has been properly incurred or ii) that the use of funds by the Executing Agency has been in compliance with the provisions of this Agreement and/or the General Conditions.

Expenditure incurred by the Borrower for the Polochic Program within sixty (60) days prior to the date of this

Agreement shall be eligible for financing out of the proceeds of the Loan, and if such expenditure has been paid by the Borrower prior to the receipt of the payment for the first Drawdown under this Agreement, the Borrower shall be entitled to reimburse itself out of the proceeds of the first Drawdown. The Borrower shall include such expenditure in the summary of expenditure and statement of expenditure for the second Drawdown request with evidence, including without limitation receipts or other evidence of payment satisfactory to the Lender for any expenditure reaching or exceeding US\$100,000, to support that such pre-agreement expenditure was properly incurred for the Polochic Program.

Appendix A: Drawdown document samples

Note: Attached to this Appendix A are sampled documents for a request for Drawdown under this Agreement, including:

- (a) Promissory Note;
- (b) Request for Drawdown (for first Drawdown under the Loan Agreement);
- (c) Request for Drawdown (for each subsequent Drawdown under the Loan Agreement);
- (d) Certificate of Specimen Signature;
- (e) Legal Opinion;
- (f) Appointment of Process Agent; and
- (g) Acceptance of Appointment.

The documents should be used as samples only, and they may be modified by the Lender from time to time. The Republic of Guatemala is requested to prepare and execute these documents on its own stationary.

PROMISSORY NOTE

Amount: US\$4,000,000.00

Date: _____, 1999

FOR VALUE RECEIVED, the Republic of Guatemala (the "Borrower") hereby unconditionally promises to pay to the International Cooperation and Development Fund (the "Fund"), to Bank of Taiwan's Account No. 001-1-861275, at the Chase Manhattan Bank, N.A., New York City, N.Y., U.S.A., for further credit to sub-account No. 006-007-072286 in favor of the International Cooperation and Development Fund, or to the Fund's order, the principal sum of Four Million United States Dollars (US\$4,000,000.00) or such lesser amount as may be advanced by the Fund pursuant to the Loan Agreement dated as of the ____ day of _____, 1999 by and between the Fund and the Borrower relating to the Guatemala Rio Polochic Region Recovery Program (the "Loan Agreement"), to which reference is hereby made, in forty (40) consecutive equal semi-annual installment payments, each of which shall be in the amount of One Hundred Thousand Dollars (\$100,000.00) each. The Borrower shall repay the principal of the Loan in twenty-five (25) years including a grace period of five (5) years commencing from the date of the Loan Agreement. The first such installment payment shall be payable on the Interest Payment Date falling on the 15th of July, 2004. On each Interest Payment Date, as defined in the Loan Agreement, the Borrower shall pay interest due on the Loan amount disbursed and outstanding during the preceding Interest Period, computed at a rate per annum equal to two per cent (2.0%) for the said Interest Period. If the aggregate of the amounts from time to time advanced by the Lender to the Borrower pursuant to the Loan Agreement is less than the amount of this Note, the amount of each installment payment shall be adjusted so that it bears the same relationship to the amount of each installment set forth in the foregoing sentences of this paragraph as the aggregate amount actually advanced to the Borrower bears to the principal amount of this Note. Default

interest at a rate equal to four percent (4%) above the applicable LIBOR, as defined in the "General Conditions Applicable to Loan and Guarantee Agreements" dated 1st January, 1998 which was duly incorporated as part of said Loan Agreement, shall accrue on the principal amount of the Loan, interest thereon, and other sums not paid on its respective due dates under said Loan Agreement from and including its due date (as scheduled or by acceleration under the Loan Agreement) to the date of its full payment. Interest shall accrue on the basis of the number of days actually elapsed and a year of 360 days.

The principal of this Note and all interest accrued thereon shall be payable in lawful money of the United States of America in freely transferable same day funds in New York City, the State of New York, U.S.A., without set-offs or counterclaims and free and clear of and without deductions for the Taxes. If the Borrower is required to make deductions for any of the Taxes from any such payment, the Borrower shall pay such additional amounts as are provided in the Loan Agreement.

This Note shall be entitled to the benefits of the Loan Agreement and governed by the laws of New York State, United States of America, to the exclusion of its conflict of law rules.

In case an Event of Default shall occur, the principal amount of this Note may be declared to become immediately due and payable in the manner and with the effect provided in the Loan Agreement, presentment, demand, protest and notice of non-payment being hereby expressly waived by the Borrower.

All terms used herein shall have the meanings set out in the Loan Agreement, unless the context otherwise requires.

The Fund is hereby authorized to endorse on the grid below the amount of each payment.

Republic of Guatemala

By:

(Name)

(Title)

Date of
Drawdown

Amount of
Drawdown

Outstanding
Principal of
Note to Date

Name of
Person Making
Notation

REQUEST FOR DRAWDOWN

(For First Drawdown under the Loan Agreement)

The International Cooperation and Development Fund
30F, No. 185, Sec. 2, Hsin-Hai Rd.
Taipei, Taiwan
Republic of China

Attention: Ms. Chien-Tzu Chen

Re: Loan Agreement dated as of the ___ day of _____,
1999 by and between the Republic of Guatemala and
the International Cooperation and Development Fund
relating to the Guatemala Rio Polochic Region
Recovery Program.

Dear Sir or Madam:

1. Pursuant to the captioned Loan Agreement, we hereby
request for a Drawdown in the amount of One Million United
States Dollars (US\$1,000,000.00) to be made as follows:

To: Correspondent Bank
in New York : The Federal
Reserve Bank of
New York, New York
Address : 33 Liberty Street
New York, NY 10045, USA
For credit to
Account Number : 021-8407-6
Account Holder : Banco de Guatemala
Sub-Account No. : [Program Account No.] _____

Such drawdown shall be made by you within fifteen
Banking Days from the date that this Request for Drawdown,
Notes, opinions and all other documents to be given
under the Loan Agreement, in the form and substance
required by you, shall have reached you.

3. We hereby certify that on the date hereof and the date on which the amount of the drawdown requested herein shall be made, all representations, warranties, covenants and statements made in the Loan Agreement and in all certificates, opinions and other documents given under the Loan Agreement remain true and correct, and no Event of Default or Default has occurred and is continuing, or will occur, by the making of said drawdown.

Yours faithfully,

For Republic of
Guatemala

By:

_____ (Name)
_____ (Title)

REQUEST FOR DRAWDOWN

(For Each Subsequent Drawdown under the Loan Agreement)

The International Cooperation and Development Fund
30F, No. 185, Sec. 2, Hsin-Hai Rd.
Taipei, Taiwan
Republic of China

Attention: Ms. Chien-Tzu Chen

Re: Loan Agreement dated as of the ___ day of _____,
1999 by and between the Republic of Guatemala and
the International Cooperation and Development Fund
relating to the Guatemala Rio Polochic Region
Recovery Program.

Dear Sir or Madam:

1. Pursuant to the captioned Loan Agreement, we hereby
request for a Drawdown in the amount of _____
(US\$ _____) to be made as follows:

To: Correspondent Bank
in New York : The Federal Reserve Bank of
New York, New York
Address : 33 Liberty Street
New York, NY 10045, USA
For credit to
Account Number : 021-8407-6
Account Holder : Banco de Guatemala
Sub-Account No. : [Program Account No.] _____

In support of this request, we enclose herewith:

Summary of Expenditure;

Statement of Expenditure;

c. Bank Statements;

d. [Reconciliation between Summary of Expenditure and Bank Statements]; and

e. [Supporting evidence and other documents.]

3. Such drawdown shall be made by you within fifteen (15) Banking Days from the date that this Request for Drawdown and all other documents required to be given under the Loan Agreement, in the form and substance satisfactory to you, shall have reached you.

4.. We hereby certify that on the date hereof and the date on which the amount of the drawdown requested herein shall be made, all representations, warranties, covenants and statements made in the Loan Agreement and in all certificates, opinions and other documents given under the Loan Agreement remain true and correct, and no Event of Default or Default has occurred and is continuing, or will occur, by the making of said drawdown.

Yours faithfully,

For Republic of
Guatemala

By:

(Name)

(Title)

form all bodies of government, ministries, agencies, exchange control authorities and other authorities required by the laws of the Republic of Guatemala for all respect herein contemplated have been duly obtained by the Borrower and are in full force and effect; and all statutes, public decrees and the laws of the Republic of Guatemala relating to the foregoing have been complied with by the Borrower.

4. Ranking

The Borrower's obligations under the Agreement constitute and will at all times constitute, and its obligations under the Note once duly executed and delivered by the Borrower will, and will at all times, constitute unconditional general obligations of the Borrower, and rank and will at all times rank in right of payment and collateral security and otherwise at least pari passu with all other External Indebtedness and similar external obligations of the Borrower (whether direct or contingent) outstanding from time to time.

5. Commercial Obligations

The Borrower is subject to civil and commercial law with respect to its obligations under the Agreement and the Note; and the making and performance by the Borrower of the Agreement and the Note constitute private and commercial acts rather than governmental or public acts. The Borrower has no right of immunity, on the ground of sovereignty or otherwise, from suit, jurisdiction of any court, attachment prior to judgments, attachment in aid of execution of a judgment, set-off, execution of a judgment or from any other legal process in respect of its obligations under the Agreement or the Note, and the waiver by the Borrower set forth in Section 10.1(g) of the General Conditions is irrevocable and binding.

6. Taxes

There are no income or other taxes or charges of the Republic of Guatemala or of any political subdivision or taxing authority thereof, imposed by withholding or otherwise

(d) Incumbency and specimen signature certificate of the authorized officer of the Borrower certifying the authority and specimen signatures of the representatives authorized by the Borrower to execute and deliver, on behalf of the Borrower, the Agreement, the Note and such other related documents or instruments thereof;

I have also reviewed such matters of law and examined the original, certified, confirmed or photographic copies of such other documents, records, agreements and certificates as I considered relevant thereto.

Based upon the foregoing, and having regard to such legal considerations as I deem relevant, I am of the opinions that:

1. Binding Obligations of the Borrower

The Borrower has full power, authority and legal right to make and perform the Agreement and the Note; and the Agreement does, and the Note when duly executed and delivered by the Borrower will, constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms.

2. Due Authorization; Absence of Conflicts

The making and performance by the Borrower of the Agreement and the Note have been duly authorized by all necessary legal actions under the laws of the Republic of Guatemala and the Borrower's organic law, and do not and will not violate any provision of any applicable constitutional provision, treaty, law, decree, or regulation, and do not and will not result in the breach of, or constitute a default under, or require any consent under, any agreement or instrument to which the Borrower is a party or by which the borrower or its assets are bound.

Government Authorization

All authorizations, approval, consents and licenses

LEGAL OPINION

The International Cooperation and Development Fund
30F, No. 185, Sec. 2, Hsin-Hai Rd.
Taipei, Taiwan
Republic of China

Re: US\$4,000,000.00 Loan Agreement dated as of the ____
day of _____, 1999 by and between the Republic of
Guatemala and the International Cooperation and
Development Fund relating to the Guatemala Rio Polochic
Region Recovery Program.

Dear Sir or Madam:

I, the Attorney-General of the Republic of Guatemala,
am requested to provide the legal opinion in connection with
the Loan Agreement dated as of the ____ day of _____,
1999 between the Republic of Guatemala (the "Borrower") and
the International Cooperation and Development Fund (the
"Lender"), providing for the making of a Loan to the Borrower
of not exceeding US\$4,000,000.00 (the "Agreement").

All terms used herein have the meanings set forth in
the Agreement except as otherwise defined herein. In
connection herewith, I have examined the following documents:

(a) An executed copy of the Agreement with the form of
the Note attached thereto;

(b) All laws governing the raising of loans by the
Borrower;

(c) Evidence of authorization, approving the entry into
the Agreement by the Borrower and authorizing the Borrower
to perform the transactions contemplated under the Agreement
under the Note; and

2. You will without delay confirm this in writing to us by registered airmail, enclosing the documents which you have received in connection with service of such process, and other than as stated herein, you shall have no other duties whatsoever under the terms of this letter.

Since we are also required to furnish the Lender a document showing that you have accepted the appointment as our Process Agent, please send us your written consent at your earliest convenience so that we can forward a copy of your written consent to the Lender for their approval.

Sincerely yours,
Republic of Guatemala

By: _____
Name: _____
Title: _____

APPOINTMENT OF PROCESS AGENT

Date: _____, 1999

(Address of the process agent in New York)

Re: Loan Agreement between the Republic of Guatemala as Borrower and the International Cooperation and Development Fund as Lender dated as of the ____ day of _____, 1999 relating to the Guatemala Rio Polochic Region Recovery Program.

Dear Sir or Madam:

Under a Loan Agreement in an amount of US\$4,000,000.00 dated as of the ____ day of _____, 1999 entered into by and between the Republic of Guatemala as the Borrower and the International Cooperation and Development Fund at 30F, No. 185, Sec. 2, Hsin-Hai Rd., Taipei, Taiwan, Republic of China as the Lender, we, the Borrower, are required to appoint a process agent in New York City to receive and accept on our behalf service of process in any legal action or proceeding brought in the State of New York in connection with said Loan Agreement and/or the Note given by the Borrower to the Lender thereunder.

We hereby irrevocably appoint you to receive and accept on our behalf service of process in any legal action or proceeding brought in any court situated in the state of New York, arising or purporting to arise under said Loan Agreement and/or said Note.

Your duties hereunder will solely be as follows:

1. Upon receipt of any such process addressed to us, you will on our behalf accept service thereof and will without delay notify us by telex or cable to the effect that you have accepted service of process on our behalf; and

applicable to any payment to be made by the Borrower pursuant to the terms of the Agreement or the Note, or to be imposed on or by virtue of the execution and delivery of the Agreement or the Note.

Name: _____
Attorney General

CERTIFICATE OF SPECIMEN SIGNATURE

I, _____, the Attorney General of the Republic of Guatemala, in connection with the execution, delivery and performance by the Republic of Guatemala (the "Borrower") of the Loan Agreement entered into between the Borrower and the International Cooperation and Development Fund as of the ____ day of _____, 1999 relating to the Guatemala Rio Polochic Region Recovery Program (the "Loan Agreement"), do hereby certify that each person(s) named below holds the office set opposite his name, is duly authorized to execute the Loan Agreement, the Note and all documents to be delivered under the Loan Agreement on behalf of the Borrower and has signed this Certificate in the space below opposite his/her name with his/her true signature:

Name	Title	Signature
_____	_____	_____

Name	Title	Signature
_____	_____	_____

IN WITNESS WHEREOF, I have hereunto set my hand this
_____ day of _____, 1999.

(Name)
Attorney General

ACCEPTANCE OF APPOINTMENT

[The Republic of Guatemala]

Attention:

Re: Acceptance of Appointment as New York Process Agent under Loan Agreement dated as of the _____ day of _____, 1999 between the Republic of Guatemala, as the Borrower, and the International Cooperation and Development Fund, as the Lender, relating to the Guatemala Rio Polochic Region Recovery Program.

Dear Sir or Madam:

Reference is hereby made to your letter dated _____, 1999.

We do by this letter confirm our acceptance of your appointment as the process agent of the Republic of Guatemala in New York City, the State of New York, U.S.A., to receive and accept on behalf and in the name of the Republic of Guatemala the service of any and all legal processes in any suit, action or proceeding brought in the State of New York, U.S.A. in connection with the captioned Loan Agreement and/or the promissory note issued thereunder by the Republic of Guatemala to the Lender.

We acknowledge the receipt of US\$ _____ as payment of our services as your such agent for a period of _____ years, commencing on _____, 1999 and terminating on _____, 20____.

Very truly yours,

Name: _____

Title: _____

cc: The International Cooperation and Development Fund

Appendix B-1 SUMMARY OF EXPENDITURE

Requested Contents:

Dates: Month/Year to Month/Year

Nature of the Expenditure (By Component)	Amount of the Expenditure in US Dollars For the Current Period (Local Currency (LC)) (1)	Accumulated Amount of Expenditure in previous Period (Local Currency (LC)) (2)	Total Accumulated Amount of Expenditure (1)+(2)	Accumulated Number of Subprojects Completed
Education				
Construction of schools	US\$ _____ (LC\$ _____)			
Equipment	US\$ _____ (LC\$ _____)			
Health				
Construction of health posts	US\$ _____ (LC\$ _____)			
Equipment	US\$ _____ (LC\$ _____)			
Sanitation				
Sanitization	US\$ _____ (LC\$ _____)			
Water				
Drinking Water	US\$ _____ (LC\$ _____)			
Roads				
Pavement	US\$ _____ (LC\$ _____)			
Pedestrian	US\$ _____ (LC\$ _____)			
Cycle Bridge	US\$ _____ (LC\$ _____)			
Amount of Expenditure For Request for Drawdown	US\$ _____ (LC\$ _____)	Total Accumulated Amount of Expenditure for the Program	US\$ _____ (LC\$ _____)	Total Accumulated Number of Subprojects Completed: _____

Exchange Rate: 1US\$=Q_____ (Exchange rate used is the day before Request for Drawdown)

Appendix B-2 STATEMENT OF EXPENDITURE¹

Requested Contents:

Component²: _____

Period: Month/Year to Month/Year

Project No.	Receipt / Invoice No.	Request for Drawdown for sub-contract in US Dollars (Local Currency (LC) equivalent)	Remark ³ (un-cashed amount)
		US\$ _____ (LC\$ _____)	US\$ _____ (LC\$ _____)
		US\$ _____ (LC\$ _____)	US\$ _____ (LC\$ _____)
		US\$ _____ (LC\$ _____)	US\$ _____ (LC\$ _____)
		US\$ _____ (LC\$ _____)	US\$ _____ (LC\$ _____)
	Total Amount	US\$ _____ (LC\$ _____)	US\$ _____ (LC\$ _____)

Exchange Rate: 1US\$=Q_____ (Exchange rate used is the day before Request for Drawdown)

Purpose: The main purpose of SOE is to provide appropriate records from each expenditure to improve, monitor and control the quality of ICDF operation and reinforce self-evaluation and FIS, the Executing Agency.

One of the following four components: Education, health, water system and sanitation.

Write down the un-cashed amount, if Request for Drawdown for sub-contract is not cashed in Program Account.

If contractor requests for drawdown for several times, but issues only one receipt in FIS, it would be necessary for FIS to explicate the different exchange rates.