

LOAN AGREEMENT

BETWEEN

THE REPUBLIC OF GUATEMALA

AS THE BORROWER

AND

THE INTERNATIONAL COOPERATION AND DEVELOPMENT FUND

AS THE LENDER

RELATING TO THE TECHNICAL EDUCATION PROJECT
IN THE REPUBLIC OF GUATEMALA

DATED ON THE 9th DAY OF AUGUST, 2002

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LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is entered into this 9th day of August, 2002 between the Republic of Guatemala, represented by and through its Ministry of Public Finance ("Borrower") and the International Cooperation and Development Fund ("Lender").

- A. WHEREAS, the Borrower has requested the Lender to finance the cost of a Technical Education Project, also known as the "Instituto Tecnológico Guatemala Sur Project", in the Republic of Guatemala ("Project"), as more particularly described in Annex I attached hereto, by granting a Loan to it in the maximum amount specified hereunder;
- B. WHEREAS, the Borrower shall be directly responsible for the financial liabilities of this Agreement, e.g. repayment of principal, payment of interests and fees, and the likes;
- C. WHEREAS, Fondo Nacional Para La Paz ("FONAPAZ" or "Executing Agency", as defined herebelow) shall be directly responsible for the execution of the Project, to which the Borrower will make the proceeds of the Loan available for the Project;
- D. WHEREAS, the Board of Directors of the ITGS (as defined herebelow) shall be responsible for the operation of the Institute;
- E. WHEREAS, the Borrower has undertaken to complete the Project; and
- F. WHEREAS, the Lender has agreed to grant the said Loan in two tranches 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) The parties to this Agreement accept all the provisions of the General Conditions applicable to Loan and Guarantee Agreements of the Lender ("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) In case of any conflict between the Letter Agreement (as defined below) and this Agreement, the provisions of this Agreement shall govern.

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:

“Consent” shall include any approval authorisation consent exemption licence permission or registration by of or from any governmental or other authority or any other person.

“Executing Agency” or “FONAPAZ” means Fondo Nacional Para La Paz.

“Institute” or “ITGS” means Instituto Tecnológico Guatemala Sur, the technical education institute to be established under the Project.

“Land” means the property on which the Institute is to be established upon.

“Letter Agreement” means the agreement entered into between the Lender and FONAPAZ dated as of March 8, 2001 relating to the financing of the Technical Assistance Project, a copy of which is attached hereto as Annex II.

“Loan” has the definition as set out in the General Conditions and shall include both Tranch A and Tranch B.

“Phase I” means that part of the Project relating to technical assistance.

“Phase II” means that part of the Project relating to the construction, infrastructure work, and the procurement of goods and services for the establishment of the Institute.

“Technical Committee” means the committee under the Project to be represented by the Ministry

of Education of the Republic of Guatemala, the Ministry of Economy of the Republic of Guatemala, the Ministry of Labor and Social Security of the Republic of Guatemala, CONCYT, SEGEPLAN, and FONAPAZ.

“Tranch A” means the part of the Loan in the maximum principal amount not to exceed US\$200,000 for financing Phase I of the Project.

“Tranch B” means the part of the Loan in the maximum principal amount not to exceed US\$7,800,000 for financing Phase II of the Project.

ARTICLE II THE PROJECT AND THE LOAN

Section 2.01. Definition of Project. The Project, which is more particularly described in Annex I hereto, will consist of a term loan in two tranches to the Borrower for the technical assistance and the construction and establishment of a technical education institute in the Republic of Guatemala. Annex I attached hereto amplifies the definition of the Project in this Section 2.01. Within the limits of the definition of the Project in this Section 2.01, the authorised representatives of the Lender and the Borrower may change elements of the amplified description provided in Annex I by written agreement without formal amendment of this Agreement.

Section 2.02. Commitment. The Lender agrees to lend to the Borrower an amount in Dollars not exceeding Eight Million Dollars (US\$8,000,000.00) consisting of Tranch A and Tranch B.

Section 2.03. Basis of Commitment. The two tranches of Loan agreed to be provided by the Lender hereunder are, among other things, made on the basis that, if the total cost of the Project shall exceed \$8,000,000, the Borrower shall cause the Executing Agency to make a contribution for any such excess amount of cost of up to \$2,000,000 or higher if the Executing Agency agrees to increase said amount.

Section 2.04. Commitment Period or Closing Date. The Commitment Period is three (3) years from the date of this Agreement and therefore the Commitment will be closed on 9 August, 2005, unless the Lender agrees to extend the Commitment Period in writing.

Section 2.05. Purpose. The purpose of the Loan is as follows: (a) Tranch A is to finance the cost of Phase I of the Project; and (b) Tranch B is to finance part of the cost of Phase II of the Project.

Section 2.06. Allocation. (a) Tranch A of the Loan shall be allocated to the various categories of expenditures of Phase I of the Project in accordance with Annex III-A attached hereto.

(b) The allocation for Tranch B of the Loan and the allocation for the Borrower's contribution for Phase II of the Project shall be further agreed by the Lender and the Borrower upon the completion of Phase I of the Project which allocation shall, upon the parties' agreement thereto, be incorporated as Annex III-B of this Agreement.

(c) Any reallocation of the Loan of or between Phase I and Phase II shall be made only with the Lender's approval. Any reallocation of the Loan shall not affect the terms and conditions and the effectiveness of this Agreement.

ARTICLE III

REPAYMENT OF THE PRINCIPAL, INTEREST, COMMITMENT FEE, AND DATES OF PAYMENT

Section 3.01. Repayment of the Principal. The Borrower shall repay the principal of the Loan in fifteen (15) years after a grace period of five (5) years, commencing from the date of this Agreement, in thirty (30) consecutive and semi-annual installments. The first such installment shall be payable on 15 August, 2007.

Section 3.02. Interest. The Borrower shall pay interest on the Loan amount disbursed and outstanding from time to time at a rate equal to three and one-half of one per cent (3.5%) per annum for each Interest Period on each date specified in Section 3.04 of the Agreement.

Section 3.03. Commitment Fee. The Borrower shall pay a commitment fee at the rate of three-fourths of one per cent (0.75%) per annum on the undisbursed portion of the Loan, which shall accrue on and from the date of this Agreement.

Section 3.04. Dates of Payment. For the purpose of Section 8.2 of the General Conditions, the principal of the Loan, the interest and the commitment fee referred to above shall be payable

every six (6) months on the 15th of February and 15th of August of each year.

Section 3.05. 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 JPMorgan Chase Bank, New York City, New York State, United States of America (Swift Address: CHASUS33) for further credit to sub-account No. 006-007-072286 in favor of the International Cooperation and Development Fund.

ARTICLE IV ADDITIONAL CONDITIONS PRECEDENT TO DRAWDOWNS

Section 4.01 Additional Conditions Precedent to First Drawdown of Tranch A of the Loan. To request for a first Drawdown under Tranch A of the Loan, the Borrower through the Executing Agency shall furnish to the Lender: (1) a copy of a subsidiary agreement between the Borrower and the Executing Agency for the proper channeling of proceeds of Tranch A and Tranch B of the Loan from the Borrower to the Executing Agency and the execution of the Project by the Executing Agency, and (2) evidence that the subsidiary agreement is legal, valid and enforceable in accordance with its terms.

Section 4.02 Additional Conditions Precedent to First Drawdown of Tranch B of the Loan. To request for a first Drawdown under Tranch B of the Loan, the Borrower through the Executing Agency shall furnish to the Lender sufficient evidence showing that:

- (a) the Lender has received a copy of the final reports and studies produced by the consultants for and in respect of Phase I of the Project;
- (b) the annual budget of the Executing Agency is sufficient to complete Phase II of the Project;
- (c) the detailed design for Phase II of the Project has been approved by the Technical Committee and the Lender;
- (d) the definition of Project in relation to Phase II of the Project has been duly modified pursuant to Section 2.01;
- (e) the Lender and the Technical Committee have agreed on the allocation of Phase II of the Loan pursuant to Section 2.06(b);
- (f) the Lender and the Technical Committee have agreed on the execution plan and schedule for Phase II of the Project;

- (g) the Institute has acquired the status of a legal person;
- (h) the title of the Land has been duly assigned to the Institute;
- (i) a bank statement has been delivered to the Lender showing the amount of the unused proceeds of Tranch A of the Loan;
- (j) a detailed expenditure report for Phase I of the Project has been delivered to the Lender;
- (k) a decision by the government of the Republic of Guatemala has been made and duly authorized or ratified by all necessary governmental actions on the administration and operation of the Institute, which decision shall provide, among others, that the financial resources for the major operation expenses of the Institute shall be adequately provided for;
- (l) a schedule of the Consents as referred to in Section 6.01(c) herebelow has been furnished to the Lender; and
- (m) the procurement schedule for Phase II of the Project has been furnished to the Lender.

ARTICLE V
DRAWDOWN - ACCOUNTS

Section 5.01. Drawdown. The amount of each tranche of the Loan shall be disbursed by the Lender in accordance with the provisions of this Agreement and the General Conditions, and in accordance with the provisions set forth in Annex IV.

Section 5.02. 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. 0210-84076 with the Federal Reserve Bank of New York, New York City, New York State, U.S.A.

Section 5.03. Project Account. The Borrower shall or shall cause the Executing Agency to open and maintain an account with Banco de Guatemala in the Republic of Guatemala in the name of "Instituto Tecnológico Guatemala Sur" ("Project Account") under the trust fund of "FIDEICOMISO DEL FONDO NACIONAL PARA LA PAZ" (account number to be advised by the Borrower in writing prior to the first Drawdown), which Project Account shall be used exclusively for the execution of the Project financed out of the proceeds of this Agreement.

ARTICLE VI
ADDITIONAL POSITIVE COVENANTS

Section 6.01. Additional Positive Covenants. For the purpose of Section 11.1(n) of the General Conditions, the Borrower hereby undertakes with the Lender that:

- (a) the proceeds of the Loan shall be provided to the Executive Agency and shall be used by the Executing Agency exclusively for the Project and in accordance with the terms and conditions of this Agreement;
- (b) the Borrower shall cause the Executing Agency to appoint, prior to the execution of Phase II of the Project, an independent consultant as the project consultant to control, supervise and monitor the progress and development of Phase II of the Project relating to construction and infrastructure work;
- (c) the Borrower shall cause the Executing Agency to furnish to the Lender, prior to a request for a first Drawdown under Tranch B of the Loan, a schedule of all the Consents required for the commencement, execution, and completion of the Project and the corresponding dates for which said Consents shall become necessary; and
- (d) the Borrower shall cause the Executing Agency to obtain the Consents in line with the projected time schedule as set forth in the schedule referred to in paragraph (c) above.

Section 6.02. Procurement. The Borrower shall or shall cause the Executing Agency:

- (a) to procure any goods or services financed out of the Loan hereunder and in excess of US\$500,000 by open and international competitive bidding in accordance with the procurement rules of the government of the Republic of Guatemala;
- (b) to ensure that bidders from the country of the Lender will be eligible for any said bidding and that fair and equal treatment will be provided to them; and
- (c) to furnish to the Lender promptly upon their preparation and, in any event, no later than 30 days prior to the scheduled date of bidding, any plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Lender shall reasonably request.

ARTICLE VII
PROJECT MONITORING AND REPORTING REQUIREMENTS

Section 7.01. Record Keeping. (a) 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 Project.

(b) The Borrower shall cause the Executing Agency to keep proof of payment for any expenditure incurred for the Project and shall furnish to the Lender any such proof of payment from time to time upon the Lender's written request.

Section 7.02. Monitoring. It shall be the responsibility of the Borrower to supervise and monitor the performance of the Executing Agency in its execution of the Project including as part of the monitoring Project, submission of such documents and information by the Executing Agency as may be required by the Lender.

Section 7.03. Reporting. The Borrower shall comply with all such covenants as provided in, among others, Section 11.1 and Section 11.5 of the General Conditions. In addition, 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 Project and, without limiting the generality of this provision, the Borrower shall deliver or shall cause the Executing Agency to deliver the following reports:

- (i) Project progress report certified by the Project consultant in charge of the Project; such report shall be delivered semi-annually and, if the progress of the Project falls behind schedule, shall set forth the reason for the delay and the catch-up action taken or proposed to be taken; said Project progress report shall, subject to its availability, include without limitation a copy of such reports or studies produced by the consultants for and in respect of the Project;
- (ii) on the expiry of the Commitment Period, a report by the Borrower on the total disbursement of the proceeds of the Loan hereunder and the proper use thereof;

- (iii) on the expiry of the Commitment Period, a report by the Project consultant or Executing Agency on the status of the Project; and
- (iv) on the completion of the Project, a Project completion report by the Executing Agency or the Project consultant.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

Section 8.01. Authorized Representatives. The Minister of Public Finance of the Borrower shall be the authorised representative of the Borrower for the execution of this Agreement and the issuing of the promissory note. The person holding the office of Executive Director of the Executing Agency or any other person as he or she may designate in writing shall be the authorized representatives of the Borrower for the execution of the Project.

Section 8.02. Date of the Agreement. This Agreement shall be deemed to have been concluded on the date first above written.

Section 8.03. Addresses. The following addresses are specified for the purposes of Section 14.3 of the General Conditions.

For the Borrower: Republic of Guatemala, acting by and through its Ministry of Public Finance
 Mail Address : 8a. Av. y 21 Calle, Zona 1,
 Guatemala City, Guatemala C.A.
 Fax : (502) 230-0333
 Attn : Licda. Rosa Maria Ortega de Ramazzini

For the Lender: International Cooperation and Development Fund
 Mail Address : 14F, No.9, Lane 62, Tien Mou West Rd.
 Taipei, Taiwan, R.O.C.
 Fax : 886-2-2876-6485
 Attn : Ms. Chyi-Hway Gong

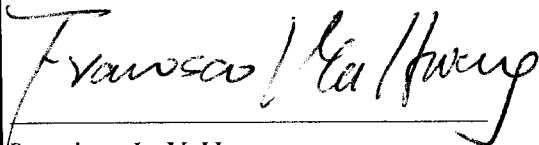
For the

Executing Agency: Fondo Nacional Para La Paz
Mail Address : 5a. Av. 8-50, Zona 9,
Guatemala City, Guatemala C.A.
Fax : (502) 361-3466
Attn : Mr. Haroldo Eric Quej Chen

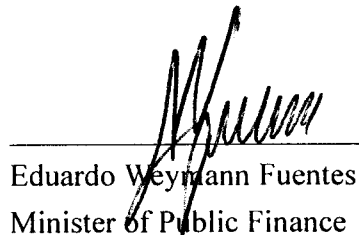
IN WITNESS WHEREOF, the Borrower and the Lender, each acting through its authorized representative, have duly executed this Agreement on the day and year first above written.

FOR AND ON BEHALF OF
INTERNATIONAL COOPERATION
AND DEVELOPMENT FUND

FOR AND ON BEHALF OF
THE REPUBLIC OF GUATEMALA,
ACTING BY AND THROUGH
ITS MINISTRY OF PUBLIC FINANCE



Francisco L. Y. Hwang
Ambassador of the Republic of China
to the Republic of Guatemala, signed
as attorney-in-fact



Eduardo Weymann Fuentes
Minister of Public Finance



ANNEX I
PROJECT DESCRIPTION

I. Project Objectives

The Technical Education Project aims at upgrading the quality of technical education and vocational training in Guatemala by improving professional knowledge and capability so as to meet the needs of industry for technical manpower. A first technical institute, ITGS, located in the southern region of Guatemala, with a capacity of 720 students, will be established. The general objective of the project is to support the needs of industry for skilled workers and technicians.

II. Project component

The Technological Institute Guatemala South ("ITGS") to be established is located in the Farm Jurún Marinalá. The farm has an extension of land of 171,093 square meters, approximately 17 hectares located on the edge of the road to the Pacific at kilometer 45, municipality of Palín, department of Escuintla, in the southern region of the Republic of Guatemala.

The ITGS will enroll 240 youngsters between the ages of 15 to 19 starting the fourth vocational year (tenth year of secondary studies) at the beginning of year 2004; it will continue with 240 students for the fifth vocational year in 2005 and another 240 students for the sixth vocational year in 2006.

The Project is divided into two phases: the detailed design (Phase I) and construction and equipment procurement (Phase II). The two phases should be finished in six months and two years, respectively. Details of the components of Phase I and Phase II are described as follows:

A. Phase I: Detailed Design

Phase I is organized into six major components as follows:

1. Analysis for demand and supply of technical manpower

DHV Consultants have completed this component in June 2001. Based on demand/supply survey results, six careers are selected for the new technical institute ITGS: electronics, electro mechanics, metal mechanics, automobile maintenance, refrigeration and air conditioning, and food processing. The selection of the six careers are discussed and agreed upon by the Technical Committee of the Technical Education Project of Guatemala, which is organized by FONAPAZ and the members come from Ministry of Education, Ministry of Economy, Ministry of Labor and Social Security,

CONCYT, SEGEPLAN, and FONAPAZ. The main consideration of the selected careers is try to select the career that will train youngsters with the technical capability that will have wider employment opportunity in the industry.

2. Curriculum and technical courses content and practice subject design

This component contains the following activities that provide a foundation for the other components:

- ◇ Define the education objectives of the career, which should be clearly defined and achievable;
- ◇ Based on the objectives, analyze the required knowledge and technical skills of the graduates, define the necessary technical courses and practice subjects to be offered in each career.
- ◇ Detailed course contents, lecture and practice subjects and teaching hours per week, and time to teach the course will be defined.
- ◇ In addition, the precedence relation among technical courses, i.e. the course flow, should be defined.

3. Laboratory equipment and floor layout specification

This component encompasses the following activities:

- ◇ Define the functional specification of needed laboratory practice equipment and instruments, which are mainly determined by the corresponding theoretical lecture course;
- ◇ Since there are many didactic equipment supplier that provide similar trainers in the market, a general specification, not geared to specific vendor product, should be defined, and international bidding is a better choice for the purpose of saving cost when procure the practice facilities;
- ◇ After sales service should be considered when buying equipment for maintaining the usability of the equipment;
- ◇ Although the didactic equipment of different vendor may vary in outlook on size, the floor layout of the laboratory is the same, except for the electric power consumption. Therefore, this problem shall be surveyed and a decision shall be made on the total power consumption requirements as the reference for procurement bidding and construction program design.

4. Textbooks selection according to the curriculum and professional courses and definition of subjects.

5. Architecture design and construction program and contour map design

Based on the career selected and planned number of students to enroll in each career,

the number of classrooms, the number of laboratories and the laboratory floor layout, required administration office, sports facilities, cafeteria, utilities, and other building can be determined. (It's subject to be reviewed by the Technical Committee before finalize the campus and architecture design)

6. Teacher's training program

It is recommended to hire teachers with the minimum qualification of university graduates with B.S. degree in related profession. Based on this assumption, the teacher training program will cover the usage of laboratory equipment and instruments to set up practice, the management and maintenance of laboratory facilities, and some pedagogical method training if necessary.

7. Cost estimation for Phase I

Item	Cost	Explanation
Demand and Supply Analysis	\$25,000	
Technical Consultant Group & Career Task Group	\$41,000	3 consultants/coordinators & 12 experts
Room & Board	\$27,000	\$120/day*15days*15persons = \$27,000
Infrastructure Program	\$70,000	
Administrative Expenses	\$10,000	
Contingency	\$27,000	
Total	\$200,000	

8. Timetable for Phase I component execution

Activities	Aug 2002	Sep 2002	Oct 2002	Nov 2002	Dec 2002
Organize technical group and task group	1-31				
Curriculum, course content, practice subject design	1-31	1-30			
Laboratory equipment and floor layout specification		15-30	1-26		
Selection of text books		1-30			
Architecture design and construction program	15-31	1-30	1-31	1-30	
Teacher's training program		13-30	1-26		

* Review meeting with consultants: Sep 5-7

* Review meeting of consultants and task groups: Oct 9-12

B. Phase II: Construction and Equipment Procurement

Phase II of the Project consists of the following components (the detailed design for Phase II of the Project will be subject to the outcome of Phase I studies and it has to be approved

by the Technical Committee and the Lender):

1. Infrastructure program (construction of buildings)
The construction of laboratories, classrooms, administration office, cafeteria, sports facilities, multiple purpose hall, and other facilities
2. Laboratory equipment and instrument bidding, delivery and installations
3. Teachers hiring and training
4. Preliminary cost estimation for Phase II (the detailed allocation for Tranch B of the Loan and the allocation for the Borrower's contribution for Phase II of the Project shall be further agreed by the Lender and the Borrower upon the completion of Phase I of the Project)

Item	Cost
Infrastructure Program	\$4,300,000
Laboratory Equipment	\$3,400,000
Contingency	\$100,000
Total	\$7,800,000

5. All the components shall be completed by the end of December 2004. (the Lender and the Technical Committee have to agree on the execution plan and schedule for Phase II of the Project before the commencement of Phase II)

III. Implementation Arrangement

A. Phase I: Detailed Design

FONAPAZ will organize a Technical Consultant Group to direct, monitor and evaluate the design activities and results of curriculum and course contents, laboratory equipment specification, teacher's training program and textbook selection. The consultants hired should have enough expertise and experience in the related subjects, possible source includes experts from Guatemala and Costa Rica.

For each of the six careers selected, one Career Task Group should be organized to carry out the actual design work, except for the architecture design and construction program design. Each group will comprise of two persons, one from Costa Rica, one from Guatemala.

FONAPAZ will hire a consulting company to do the architecture design and construction program design. FONAPAZ will also utilize its evaluation unit in order to monitor the design work.

B. Phase II: Construction and Equipment Procurement

The Project's Executing Agency will be FONAPAZ. FONAPAZ will be responsible for

overall project management, including administration and supervision of subprojects.

An independent consultant as the project consultant to control, supervise and monitor the progress and development of Phase II of the Project relating to construction and infrastructure work shall be retained, while FONAPAZ will execute construction and infrastructure work.

Task Forces shall be organized to execute the component of laboratory equipment and instrument bidding, delivery and installations and teachers hiring and training.

ANNEX II
LETTER AGREEMENT



FONDO NACIONAL PARA LA PAZ
ADSCRITO A LA PRESIDENCIA DE LA REPUBLICA
5^a AVENIDA 8-50 ZONA 8 GUATEMALA C.A. 01009
TELEFONO PBX (502) 382-6824 FAX (502) 381-3466

Date: Guatemala, March 8th of 2001

Mr. Ping-Cheung Loh
Secretary General
International Cooperation and Development Fund
14F, No.9, Lane 62, Tien Mou West Rd.
Taipei, Taiwan, Republic of China

Reference: Proposed Loan in the amount of USD\$ 8,000,000 between the International Cooperation and Development Fund, Lender, and the Republic of Guatemala, Borrower, relating to the Technical and Vocational Education Project ("Proposed Loan" or "Proposed Loan Agreement").

Dear Mr. Loh:

This Letter of Agreement, regarding the reference, has the purpose:

1. To agree, that with the approval of ICDF, FONAPAZ will use its own funds up to a maximum of US\$200,000 to finance expenditures to undertake the surveys and preparatory job in a project named " Technical Assistance Project " (as more particularly described in Annex I attached hereto).

ICDF and FONAPAZ agree that, if due to any reason the Proposed Loan Agreement is not conclude between the parties, ICDF will reimburse the above expenditures up to a maximum amount of US\$200,000 (two hundred thousand). This reimbursement will be given as a grant.

2. We confirm that once the captioned proposed Loan Agreement is signed by the corresponding Guatemalan Government authorities and ICDF, the funds spent for the above operation shall be reimbursed to the borrower out of the first drawdown under the Loan Agreement and, for the avoidance of doubt, said funds will be considered as part of the main capital disbursed from the referred Loan Agreement.
3. We agree to submit such documents or information as may be requested by you regarding the use of the Technical Assistance Project funds in the amount mentioned before (US\$200,000).



FONDO NACIONAL PARA LA PAZ
ADSCRITO A LA PRESIDENCIA DE LA REPUBLICA
5a AVENIDA 8-50 ZONA 9 GUATEMALA C.A. 01009
TELEFONO PBX (502) 382-6834 FAX (502) 361-3466

The Operation Plan for the Survey's Execution prepared by the Principal Consultant, in which the TOR and the cost involved for each consulting firm (or consultants) are indicated, shall be submitted to ICDF for approval. The ICDF shall give its opinion within 14 days.

4. By this means we represent and guarantee that we have the power and authority to sign and to carry out the actions contemplated under this Letter of Agreement.
5. Any difference regarding the present Letter of Agreement, will be directly discussed and resolved in a conciliatory way between ICDF and FONAPAZ.

If you accept the terms and conditions of this Letter of Agreement, please kindly sign it and return a copy as evidence of your acceptance.

Sincerely yours,

Name: Aristides Crespo Villegas
Director Ejecutivo
Fondo Nacional para la Paz



We accept and agree to this letter agreement:

Ping-Cheung Loh
Secretary General
International Cooperation
and Development Fund
Republic of China

ANNEX I

Technical Assistance Project

The government of Guatemala (hereinafter referred to as "the GOG") requested the International Cooperation and Development Fund of the Republic of China to assist in establishing a technical high school to support the needs of industry for skilled workers and technicians by upgrading the quality of technical education and vocational training. ("Technical Education Project")

The FONAPAZ is appointed by the GOG as the executing agency of the Project to be responsible for progress control, fund flow management, equipment procurement, and coordination with related institutions.

To expedite the process of the project, the ICDF agrees with the FONAPAZ's request for assistance in preparing the project proposal. A Technical Assistance Project (hereinafter referred to TA project) amounted up to USD\$200,000 will be granted or loaned (depending on whether a loan agreement relating to the Technical Education Project is concluded between the Republic of Guatemala and ICDF as set for in the Letter of Agreement) to the GOG for the studies and preparatory work.

The details of the TA project is as follows:

4.1 Objectives

The objective of the TA project is to draw up the terms of reference for consultant services and formulate a project proposal in respect of the technical, economic and financial studies and to appraise the feasibility of the Technical and Vocational Education Project (hereafter referred to Project).

4.2 Scope and contents of studies

The scope and contents of studies are the following:

- Background analysis: general survey on the industrial, development, economic environment of the Republic of Guatemala, and technical education policy of the GOG;
- Selection of the site to build the technical high school;
- Conducting of market survey on the private sector demand and supply for human resources;
- The selected academic fields for the school, and laboratory equipments to be

procured.

- The supply of teachers or instructors in the selected academic fields; their qualification and required training;
- Preliminary design of school infrastructure;
- Preliminary design of the Cooperative Education Factory Practice Program;
- Cost estimate for the project, which should include a preliminary breakdown of the costs of buildings, infrastructure, and other related facilities of the Instituto Técnico Guatemala Sur, as well as software.

4.3 Implementation plan

The FONAPAZ, as the executing agency, will be responsible for working out the studies. To expedite the project, FONAPAZ will hire the consulting firm (or consultants) to conduct different part of studies.

4.4 The cost, financing and disbursement of the TA project

- The estimated total cost of the TA Project is about USD\$200,000 as shown in table 1.

TABLE No.1

Cost of Advisories by Areas in US\$					
Item	Activity	Professional Fees	Other Charges	Total	%
a.1	Proposal Formulation	25,000	2,875	27,875	14
a.2	Research Travels	12,000	1,380	13,380	7
a.3	Translation	5,000	575	5,575	3
Subtotal (2)		42,000	4,830	46,830	24
b	Definition of the professional areas to be covered	5,000	575	5,575	3
c	Building location	5,000	575	5,575	3
d	Human Resources Survey	18,000	2,070	20,070	10
e	Objectives definition of each Studies Area	8,000	920	8,920	4
f	Technical Courses Definition	8,000	920	8,920	4
g	Laboratory Equipment Definition	5,000	575	5,575	3
h	Instructors Training Program	12,000	1,380	13,380	7
i	Establishment of the Documentation Center	10,000	1,150	11,150	6
j	Preliminary Project, Costs, and Preliminary Project of the Construction of the Building	20,000	2,300	22,300	11
k	Institutional Development of Policies and Methods for the Operation and Juridical Instrument	20,000	2,300	22,300	12
Fees Sub-Total		153,000	17,595	170,595	85

Reserve due the fees variation	10,000	1,150	11,150	6
Fees Total	163,000	18,745	181,745	91
Reserve for other expenses			18,255	9
TOTAL			200,000	100

ANNEX III-A
ALLOCATION OF TRANCH A OF THE LOAN

Item	Cost	Explanation
Demand and Supply Analysis	\$25,000	
Technical Consultant Group & Career Task Group	\$41,000	3 consultants/coordinators & 12 experts
Room & Board	\$27,000	\$120/day*15days*15persons = \$27,000
Infrastructure Program	\$70,000	
Administrative Expenses	\$10,000	
Contingency	\$27,000	
Total	\$200,000	

ANNEX IV
DISBURSEMENT PROCEDURE

1. General

- 1.1 The disbursement of any and all parts of the Loan will be made to the Borrower's Account as stipulated in clause 5.02 of Loan Agreement for further credit to the Project Account.
- 1.2 The Borrower shall fulfill the conditions precedent for first Drawdown as set forth in Section 6.1 of the General Conditions prior to requesting a first Drawdown under Tranch A of the Loan.
- 1.3 The non-fulfillment of the conditions precedent to one tranche of the Loan shall not affect the right of the Borrower to draw down the other tranche of the Loan if the conditions precedent to that tranche have been satisfied.

2. Tranch A

- 2.1 Tranch A of the Loan shall be made in one single Drawdown. The proceeds of Tranch A of the Loan may be utilized as a reimbursement for expenditures properly incurred by the Borrower through the Executing Agency pursuant to the Letter Agreement and/or as an Advance for expenditures eligible for financing under the Technical Assistance Project. The Borrower through the Executing Agency shall, upon the Lender's written request, furnish to the Lender evidence showing that any such expenditure was properly incurred pursuant to the Technical Assistance Project.
- 2.2 Expenditure of up to \$200,000 incurred by the Borrower through the Executing Agency pursuant to the Letter Agreement before the date of this Agreement shall be eligible for financing out of Tranch A of the Loan.

3. Tranch B

- 3.1 The first Drawdown shall be in the amount of US\$3,000,000.00 provided that, if there shall be any unused portion of Tranch A of the Loan as evidenced by the statement as referred to in Section 4.01(i), then any such unused portion of Tranch A of the Loan shall be deemed to

have been refunded under Tranch A of the Loan and as an advance of a portion of first Drawdown under Tranch B of the Loan.

3.2 The Borrower shall be entitled to request for replenishment of the Project Account when the credit standing to the account is less than US\$600,000.00. The amount of each subsequent Drawdown shall be in an amount sufficient to replenish the Project Account so that the Executing Agency shall always have, after the disbursement of the respective Drawdown, US\$3,000,000.00 in hand until the Commitment is fully drawn or terminated.

3.3 Except for the first Drawdown, the Borrower through the Executing Agency shall, when applying for a Drawdown, deliver to the Lender:

- (1) bank statements showing the balance of the Project Account;
- (2) a statement of expenditure in an agreed form;
- (3) a copy of any contract or confirmed purchase order if the total amount of the contract or confirmed purchase order is \$300,000 or above (unless furnished earlier);
- (4) proof of payment for any expenditure of \$100,000 or above;
- (5) a summary sheet in an agreed form; and
- (6) such other documents as may be reasonably requested by the Lender.

3.4 The Lender shall be entitled to refuse payment of a Drawdown if it is not satisfied with the use of proceeds other than in compliance with the provisions of this Agreement and the General Conditions.

3.5 Report on the Last Drawdown:

The Borrower through the Executing Agency shall deliver to the Lender the following documents (unless furnished earlier) within one hundred eighty (180) days after the expiry of the commitment period:

- (1) a statement of expenditure, which shall set forth the amount utilized out of the loan proceeds from the last Drawdown.
- (2) a summary sheet in an agreed form.
- (3) a bank statement of the Project Account, which shall tally with the amounts set forth in the statement of expenditure.

(4) photocopies of proof of payment of any expenditure in the amount or in excess of US\$100,000 which were paid out of the proceeds of the last Drawdown.

3.6 The Lender and the Borrower through the Executing Agency shall clear the Project Account within 180 days after the expiry of the Commitment Period to determine if there is any surplus in the Project Account. If there shall be any surplus, the Borrower shall refund such surplus to the Lender.