



OFID The OPEC Fund for International Development

LOAN NO. 1414P

SUSTAINABLE RURAL DEVELOPMENT PROGRAM
FOR THE NORTHERN REGION

LOAN AGREEMENT

BETWEEN

THE REPUBLIC OF GUATEMALA

AND

THE OPEC FUND FOR
INTERNATIONAL DEVELOPMENT

DATED

December 19, 2011

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AGREEMENT dated December 19, 2011, between the Republic of Guatemala (“the Borrower”) and OFID.

Whereas the Borrower has requested assistance from OFID in the financing of the Project described in Schedule 1;

Whereas OFID has approved a loan to the Borrower in the amount of fifteen million Dollars (\$15,000,000) upon the terms and conditions set forth hereinafter;

And whereas the International Fund for Agricultural Development (the “Loan Administrator”) will co-finance the Project by providing a loan to the Borrower;

Now, therefore, the parties to this Loan Agreement (the “Agreement”) hereby agree as follows:

Article 1

GENERAL CONDITIONS; DEFINITIONS

1.01 The General Conditions attached hereto shall constitute an integral part of this Agreement.

1.02 In addition to the terms defined in the preamble, the following terms and expressions shall have the following meanings or, where they duplicate terms and conditions in the General Conditions, the following specific meanings:

- (a) “Authorized Representative of the Borrower” means the Minister of Public Finance of the Borrower;
- (b) “Closing Date” means December 31, 2013;

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- (c) “Dollar and the sign \$” mean and refer to the lawful currency of the United States of America;
- (d) “Eligible Expenditure Commencement Date” means December 16, 2008;
- (e) “Executing Agency” means the National Peace Fund of the Borrower;
- (f) “General Conditions” means OFID General Conditions Applicable to Public Sector Loan Agreements, December 2007;
- (g) “Grace Period” means the period beginning on December 19, 2011 and ending five (5) years from that Date.

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Article 2 THE LOAN

2.01 OFID agrees to lend to the Borrower and the Borrower agrees to borrow from OFID the Loan in the amount of fifteen million Dollars (\$15,000,000) on the terms and conditions set forth in this Agreement.

2.02 The Borrower shall pay interest at the rate of three and two-fifth of one percent (3.4%) per annum on the principal amount of the Loan withdrawn and outstanding.

2.03 The Borrower shall pay a Service Charge at the rate of one per cent (1%) per annum on the principal amount of the Loan withdrawn and outstanding.

2.04 Interest and Service Charges shall be paid semi-annually on January 15 and June 15 in each year into OFID Account.

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2.05 Upon the expiry of the Grace Period, the Borrower shall repay the principal of the Loan in Dollars, or in any other freely convertible currency acceptable to OFID Management, in an amount equivalent to the Dollar amount due according to the market exchange rate prevailing at the time and place of repayment. Repayment shall be effected in thirty (30) semi-annual instalments in the amounts, and on the dates, all as specified in Schedule 3 (AMORTIZATION).

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Article 3 EFFECTIVENESS

3.01 This Agreement shall enter into force and effect in accordance with Section 3.02 upon receipt by OFID of:

- (a) satisfactory evidence that the execution and delivery of this Agreement on behalf of the Borrower have been duly authorized and ratified according to the constitutional requirements of the Borrower;
- (b) a certificate issued by the Minister of Justice or the Attorney General or any other competent legal authority of the Borrower confirming that this Agreement has been duly authorized and ratified by the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms; and
- (c) evidence that the loan agreement between the Loan Administrator and the Borrower has been declared effective or will be declared effective concurrently with this Agreement.

3.02 As soon as possible after the conditions specified in Section 3.01 shall have been satisfactorily fulfilled, this Agreement shall enter into full force and effect on the Date of Effectiveness.

3.03 If this Agreement shall not have become effective within ninety (90) days after the Date of the Agreement, the Agreement and all obligations of the parties hereunder shall terminate, unless OFID Management, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section.

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Article 4 ADDRESSES

4.01 The parties' addresses are as specified below:

For the Borrower:

Ministry of Public Finance
8^a Avenida y 21 Calle Zona 1
Guatemala City
REPUBLIC OF GUATEMALA
Facsimile: (++502) 248 5084

For OFID:

The OPEC Fund for International Development
Parkring 8
A-1010 Vienna
AUSTRIA
Facsimile: (++43-1) 513 92 38

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Article 5 AMENDMENT OF THE GENERAL CONDITIONS

5.01 The General Conditions are hereby amended as follows:

(a) Section 2.01 (z) is herewith revised as follows:

“Project” means the Sustainable Rural Development Program for the Northern Region for which the Loan is made as described in Schedule 1, or, as the context may require, any part of the program.

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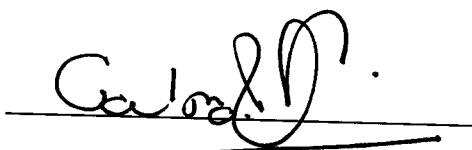
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IN WITNESS whereof the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed and delivered at Vienna in two copies in the English language, each considered an original and both to the same and one effect as of the day and year first above written.

FOR THE BORROWER:

Signature:

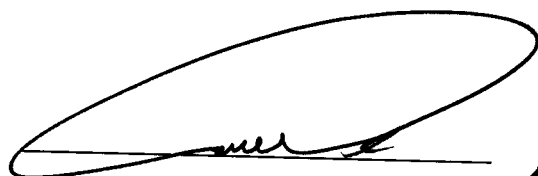


Name: H.E. Carla Maria Rodriguez Mancia

Title: Ambassador of Guatemala to Austria

FOR THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT:

Signature:



Name: Mr. Suleiman Al-Herbish

Title: Director-General



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REPUBLIC OF GUATEMALA
SUSTAINABLE RURAL DEVELOPMENT PROGRAM
FOR THE NORTHERN REGION

SCHEDULE 1
DESCRIPTION OF THE PROJECT

The Project aims at supporting the government's poverty reduction and agricultural development strategy and, as a result, the improvement of living conditions of targeted rural and indigenous communities in 19 municipalities of the Northern Region of Guatemala: Cahabón; Chahal; Fray Bartolomé de las Casas; La Tinta; Lanquín; Panzós; Senahú; Tamahú; Tukurú; Chisec; Raxuhá; the northern strip of Cobán, including the region of Nimlajacoc, Salacuim, Santa Lucía and Balbatzul; the northern strip of Carchá, including Chicatal, Sesajal, Campur and Chisón; the northern region of San Juan Chamelco, including Chajaneb of Alta Verapaz; Cubulco; Purulhá; Rabinal; San Miguel Chicaj of Baja Verapaz; and the Region V of Ixcán, Quiché.

The objectives of the Project will be accomplished through the implementation of the following components:

1. Human and Social Capital Development:

Strengthening the management and decision-making capacities of the rural communities as well as their overall integral planning at municipal and departmental levels. This comprises the provision of: **(1.1)** Rural Development Training, including scholarships and other educational support to the local communities, which have been identified in poverty and/or extreme poverty; and **(1.2)** Social Infrastructure Rehabilitation Works, including but not limited to, the improvement of water sanitation systems, schools and household cooking facilities.

2. Food Security and Natural Resources Management:

Increasing the productive capacity of rural farmers and micro entrepreneurs and eradicating inappropriate natural resource-extraction practices, through the provision of training, technical assistance and co-investment funds for sustainable production and natural resources rehabilitation.

3. Access to Markets and Rural Business Development:

Fostering the creation and modernization of competitive and financially-sustainable rural businesses and micro-enterprises:

3.1 Market Access Investments: fostering the insertion of organized producers, commercial agents and exporters into local, national and external markets, through the provision of technical support and competitive co-investment schemes;

3.2 Promotion of Micro-enterprises and Rural Businesses: supporting the development of new micro-enterprises and rural businesses, through the formulation of business plans and the build-up of entrepreneurial capacities among indigenous leaders, commercial agents, and rural women and youth, while fostering business association among indigenous economic organizations;

3.3 Rural Financial Services: expanding the coverage of rural financial services; funding three co-investment funds and strengthening the existing micro-financing facilities and service supply.

4. Rural Roads Construction and Rehabilitation: opening about 120 km of new segments of rural roads and rehabilitating approximately 100 km of existing rural roads.

5. Project Management and Institutional Strengthening: financing the establishment and operation of a Project Management Unit to manage the implementation of the Project. In addition, this component will finance the institutional strengthening for rural development at municipal and departmental levels and the procurement of vehicles, equipment, auditing services, especial studies and technical assistance.

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SUSTAINABLE RURAL DEVELOPMENT PROGRAM
FOR THE NORTHERN REGION

SCHEDULE 2
LOAN ALLOCATION

1. Unless otherwise agreed between the Borrower and OFID Management, the table below sets forth the components to be financed out of the proceeds of the Loan, the allocation of amounts of the Loan to each component and the percentage of total expenditures for items so to be financed in respect of each component:

Component	Amount of the Loan Allocated (Expressed in Dollars)	Percentage of Total Expenditures to be Financed
(1) Human and Social Capital Development		
(1.1) Rural Development Training	--	--
(1.2) Social Infrastructure Rehabilitation Works	1,700,000	60.16
(2) Food Security and Natural Resources Management	--	--
(3) Access to Markets and Rural Business Development		
(3.1) Market Access Investments	3,450,000	37.95
(3.2) Promotion of Micro- enterprises and Rural Businesses	--	--
(3.3) Rural Financial Services	--	--

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(4)	Rural Roads Construction and Rehabilitation Project	9,850,000	87.79
(5)	Management and Institutional Strengthening	--	--
	Total:	<u>15,000,000</u>	

2. Notwithstanding the allocation of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if OFID Management has reasonably estimated that the amount of the Loan then allocated to any component will be insufficient to finance the agreed percentage of all expenditures in that component, OFID Management may, by notice to the Borrower: (i) reallocate to such component, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another component and which in the opinion of OFID Management are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals in respect of such component may continue until all expenditures thereunder shall have been made.

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SUSTAINABLE RURAL DEVELOPMENT PROGRAM
FOR THE NORTHERN REGION

SCHEDULE 3
AMORTIZATION

	<u>Date of Repayment</u>	<u>Amount Due</u> (Expressed in Dollars)
1	January 15, 2016	500,000
2	June 15, 2016	500,000
3	January 15, 2017	500,000
4	June 15, 2017	500,000
5	January 15, 2018	500,000
6	June 15, 2018	500,000
7	January 15, 2019	500,000
8	June 15, 2019	500,000
9	January 15, 2020	500,000
10	June 15, 2020	500,000
11	January 15, 2021	500,000
12	June 15, 2021	500,000
13	January 15, 2022	500,000
14	June 15, 2022	500,000
15	January 15, 2023	500,000
16	June 15, 2023	500,000
17	January 15, 2024	500,000
18	June 15, 2024	500,000
19	January 15, 2025	500,000
20	June 15, 2025	500,000
21	January 15, 2026	500,000
22	June 15, 2026	500,000
23	January 15, 2027	500,000
24	June 15, 2027	500,000
25	January 15, 2028	500,000
26	June 15, 2028	500,000
27	January 15, 2029	500,000
28	June 15, 2029	500,000
29	January 15, 2030	500,000
30	June 15, 2030	<u>500,000</u>
	Total:	<u>15,000,000</u>
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