

CONFORMED COPY

LOAN NUMBER 2972 GU

(Municipal Development Project)

between

REPUBLICA DE GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated November 15, 1989

LOAN NUMBER 2972 GU

LOAN AGREEMENT

AGREEMENT, dated November 15, 1989, between REPUBLIC OF GUATEMALA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) Parts A and C of the Project will be carried out by the Municipalidad de Guatemala (the Municipalidad) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Municipalidad part of the proceeds of the Loan as provided in this Agreement;

(C) Part B of the Project will be carried out by the Borrower, acting through the Comité de Reconstrucción Nacional de la Presidencia de la República (the Comité); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and the Municipalidad;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement, including all schedules and agreements supplemental thereto, between the Bank and the Municipalidad of even date herewith, as the same may be amended from time to time;

(b) "Subsidiary Loan Agreement" means the agreement, including all schedules thereto and agreements supplemental thereto, to be entered into between the Borrower and the Municipalidad pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(c) "Subsidiary Loan" means the loan to be extended by the Borrower to the Municipalidad pursuant to Section 3.01 (b) of this Agreement;

(d) "BANVI" means Banco Nacional de la Vivienda, a decentralized public institution established by Congressional Decree No. 2-73, dated January 2, 1973, as amended to date;

(e) "DAHVI" means the Division de Asentamientos Humanos y Vivienda of the Comité;

(f) "Inter-Institutional Agreement" means the agreement to be entered into pursuant to Section 3.07 of this Agreement;

(g) "NGO" means any non-governmental organization active in the provision of low-income housing and community infrastructure;

(h) "Conjuntos BANVI-FEER" means, collectively, the 32 communities referred to in Part B.2 of the Project;

(i) "Squatter Communities" means, collectively, the five communities referred to in Part B.1 of the Project;

(j) "Community Agreements" means, collectively, the agreements to be entered into pursuant to Section 3.06 of this Agreement between the Borrower, acting through the Comité, and each of the Conjuntos BANVI-FEER and each of the Squatter Communities;

(k) "BANVI Agreement" means the agreement or arrangements to be entered into pursuant to Section 3.09 of this Agreement between the Borrower, acting through the Comité, and BANVI;

(l) "Small-business Credit" means the agreement to be entered into pursuant to Section 3.11 of this Agreement, between the Borrower, acting through the Comité, and an organization or organizations;

(m) "Asociacion de Vecinos" means: (i) in respect of any Squatter Community, an association of land holders established as an entity with juridical personality and with capacity to enter into contracts; and (ii) in respect of any Conjunto BANVI-FEER, a community betterment committee (Comite Pro-Mejoramiento) recognized as such by official act of either the Comite or a political subdivision of the Borrower, and possessing limited capacity to enter into contracts;

(n) "NGO Agreements" means, collectively, the agreements to be entered into pursuant to Section 3.08 of this Agreement between the Borrower, acting through the Comite, and each of the NGOs;

(o) "Quetzal" or "Quetzales" or "Q" means the currency of the Borrower;

(p) "BANVI-FEER Program" means the program of housing finance provided for in BANVI's Reglamento para la concesion de creditos con Recursos del Fondo Extraordinario Especifico de Reconstruccion, dated May 14, 1976 and approved under Resolucion No. 278, Acta No. 106, by BANVI's Junta Directiva; and

(q) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated February 16, 1987 and April 30, 1987 between the Borrower and the Bank as amended to the date of this Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to twenty-nine million dollars (\$29,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this agreement and to be financed out of the proceeds of the Loan and in respect of interest and other charges on the Loan.

(b) On each of the semiannual interest payment dates specified in Section 2.06 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on or before the date set forth, and up to the amount allocated, in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed;
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank; and
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. The Municipalidad and the Comite, respectively, are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement: (i) shall cause the Municipalidad to perform, in accordance with the provisions of the Project Agreement, all the obligations of the Municipalidad therein set forth with respect to Parts A and C of the Project; (ii) shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Municipalidad to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and (iii) shall carry out Part B of the Project, acting through the Comite, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and urban development practices, and provide, promptly as needed, the funds, facilities, services and other resources required for the carrying out of Part B of the Project.

(b) The Borrower shall relend \$14,110,000 of the proceeds of the Loan to the Municipalidad for the carrying out of Parts A and C of the Project, under a subsidiary loan agreement to be entered into between the Borrower and the Municipalidad, for the purpose of having the Municipalidad carry out Parts A and C of the Project and under terms and conditions which shall have been approved by the Bank, which terms and conditions shall provide, inter alia: (i) an amortization schedule coinciding with the amortization schedule set forth in Schedule 3 to this Agreement; (ii) that the

Subsidiary Loan be denominated, disbursed and repaid in Quetzales; and (iii) a mechanism whereby the Municipalidad shall be required to repay the Subsidiary Loan and to pay interest and other charges to the Borrower in amounts sufficient to enable the Borrower to repay that portion of the Loan corresponding to the Subsidiary Loan, together with interest and other charges, at the exchange rate prevailing at the time of payment.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall, under arrangements satisfactory to the Bank, make available to the Comité an amount in Quetzales equivalent to that portion of the proceeds of the Loan allocated for the carrying out of Part B of the Project.

(e) The Borrower shall exercise its rights under the arrangements referred to in paragraph (d) of this Section in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive such arrangements or any provision thereof.

(f) The Borrower shall, until completion of the Project; (i) include in its annual budget for each fiscal year an allocation, as a separate line item, of the funds necessary to cover the Borrower's local currency contribution to the financing of Part B of the Project during such fiscal year; and (ii) no later than January 30 of each year, furnish to the Bank a certified copy of its official annual budget for the then current fiscal year, showing such allocation.

Section 3.02. Except as the Bank shall otherwise agree, (i) procurement of the goods, works and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement; and (ii) procurement of the goods, works and consultants' services required for Parts A and C of the Project shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by the Municipalidad pursuant to Section 2.03 of the Project Agreement, in respect of Parts A and C of the Project, and shall be carried out by the Borrower, acting through the Comité, in respect of Part B of the Project.

Section 3.04. The Borrower, acting either directly or through the Comité, shall, as promptly as practicable after the date of this Agreement and in any event according to a timetable satisfactory to the Bank and consistent with the implementation of the Project: (i) cause the Municipalidad to transfer to the Borrower, in exchange for compensation, title to all land (other than privately owned land) which is the situs of any part of the Squatter Communities, for administration by the Comité (or, if title to such land is held by the Borrower or a political subdivision of the Borrower, make available such land to the Comité); (ii) acquire, in exchange for compensation, title to all privately owned land which is the situs of any part of the Squatter Communities, for administration by the Comité; (iii) develop and carry out a program, satisfactory to the Bank, for subdividing such land and transferring title thereto to persons living in the Squatter Communities in accordance with operating regulations and procedures which shall have been

approved by the Bank; and (iv) effect the establishment as Asociaciones de Vecinos of each of the Squatter Communities, on terms and conditions satisfactory to the Bank.

Section 3.05. The Borrower, acting through the Comité, shall effect the establishment as Asociaciones de Vecinos of each of the Conjuntos BANVI-FEER, on terms and conditions satisfactory to the Bank.

Section 3.06. The Borrower, acting through the Comité, shall enter into agreements, satisfactory to the Bank, with each of the Asociaciones de Vecinos established in the respective Squatter Communities and the Comité Pro-Mejoramiento of the Conjuntos BANVI-FEER for the purpose of having such communities cooperate and coordinate with the Comité in the carrying out of Part B of the Project in such respective communities.

Section 3.07. The Borrower, acting through the Comité, shall enter into an agreement, satisfactory to the Bank, with the Municipalidad, for the purpose of having the Municipalidad cooperate and coordinate with the Comité in the carrying out of Part B of the Project.

Section 3.08. The Borrower, acting through the Comité, shall enter into agreements, satisfactory to the Bank, with one or more NGOs, acceptable to the Bank, for the purpose of having such NGOs assist the Comité in the carrying out of part B of the Project in the Squatter Communities and the Conjuntos BANVI-FEER.

Section 3.09. The Borrower, acting either directly or through the Comité, shall enter into arrangements satisfactory to the Bank, with BANVI, whereby BANVI shall undertake to cooperate and coordinate with the Comité in the carrying out of Part B of the Project in the Conjuntos BANVI-FEER, including, inter alia, the obligations to: (i) provide clear title to the real property occupied by the persons or families residing in the Conjuntos BANVI-FEER to such respective persons or families; (ii) transfer to the Municipalidad responsibility for the maintenance of infrastructure systems, including roads, drains and water distribution systems, in the Conjuntos BANVI-FEER; and (iii) improve the collection by BANVI of mortgage payments and arrears from its debtors residing to the Conjuntos BANVI-FEER.

Section 3.10. Without limitation of the provisions of Section 9.07 of the General Conditions, no later than January 30 and July 30 in each year commencing in 1990 until completion of the Project, the Borrower, acting through the Comité, shall prepare and furnish to the Bank: (i) a report, of such scope and in such detail as the Bank shall reasonably request, on the progress of the implementation of Part B of the Project, and the achievement of the physical performance targets set forth in Schedule 5 to this Agreement during the semester ended the immediately preceding December 31 or June 30, as the case may be; and (ii) an action plan, satisfactory to the Bank, for the semester commencing the immediately preceding January 1 or July 1, as the case may be, containing proposals and performance targets for the implementation of Part B of the Project during such Semester.

Section 3.11. The Borrower, acting through the Comité, shall enter into an agreement, satisfactory to the Bank, with an organization or organizations satisfactory to the Comité and to the Bank, whereby organization or organizations shall undertake to administer and extend credit under the small-business credit program to be financed in part under Part B of the Project, in accordance with operating policies and procedures satisfactory to the Bank.

Section 3.12. The Borrower, acting through the Comité, shall, at all times until completion of the Project, staff the position of the chief of DAHVI with a person possessing the necessary qualifications and experience for such position, and in the event of a new appointment being made to such position, shall inform the

Bank of the candidates for the position.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower, acting through the Comite, shall maintain separate records and accounts adequate to reflect, in accordance with sound accounting practices, the resources and expenditures related to Part B of the Project.

(b) For all expenditures under Part B of the Project with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower, acting through the basis of statements of expenditure, the Borrower, acting through the Comite, shall:

- (i) maintain or cause to be maintained in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank's representatives to examine such records.

(c) The Borrower, acting through the Comite, shall:

- (i) have the records and accounts referred to in paragraph (a) and in paragraph (b) (i) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure referred to in paragraph (b) (i) of this Section and submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) The Municipalidad shall have failed to perform any of its obligations under the Project Agreement.

(b) Acuerdo Gubernativo, dated March 18, 1976, of the Borrower, establishing the Comite, as previously amended, shall have been further amended, or suspended, abrogated, repealed or waived in such a manner that, in the opinion of the Bank, the

carrying out of Part B of the Project shall be materially and adversely affected.

(c) Any of the parties to any of the Community Agreements, the NGO Agreements, the Inter-Institutional Agreement, the BANVI Agreement or the Small-business Credit Agreement shall have failed to perform any of their respective obligations thereunder.

(d) A change shall have been made in any of the Community Agreements, the NGO Agreements, the Inter-Institutional Agreement, the BANVI Agreement or the Small-business Credit Agreement which, in the opinion of the Bank, shall materially and adversely affect the carrying out of Part B of the Project.

(e) Decreto 62-87, dated September 17, 1987, of the Borrower, on real estate taxes, shall have been amended, suspended, abrogated, repealed or waived in such a manner that, in the opinion of the Bank, the carrying out of Part A of the Project shall be materially and adversely affected.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any of the events specified in paragraphs (a) or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any of the events specified in paragraphs (b), (d) or (e) Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and the Municipalidad;

(b) The Inter-Institutional Agreement shall have been executed on behalf of the Borrower, acting through the Comite, and the Municipalidad; and

(c) the Borrower shall have acquired title to, or otherwise the use of, such land located in each of the Squatter Communities, in accordance with Section 3.04 (i) and (ii) of this Agreement, as shall be the situs of Project implementation until the first anniversary of the Effective Date.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by the Municipalidad, and is legally binding upon the Municipalidad in accordance with its terms;

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and the Municipalidad and is legally binding upon the Borrower and the Municipalidad in accordance with its terms; and

(c) that the Inter-Institutional Agreement has been duly authorized or ratified, respectively, by the Borrower and the Municipalidad, and is legally binding upon each of them in accordance with its terms.

Section 6.03. The date of February 15, 1990 is hereby

specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, the Ministro de Finanzas of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Finanzas  
Centro Civico  
8a Avenida, Calle 21, Zona 1  
Guatemala, Guatemala

Cable address:	Telex:
MINFIP Guatemala	9207 MINFIP GU

For the Bank:

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

Cable address:	Telex:
INTBAFRAD Washington, D.C.	440098 (ITT) 248423 (RCA) or 64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUATEMALA

By /s/ Rodolfo Rohmoser Valdeavellano  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain  
Regional Vice President  
Latin America and the Caribbean

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of

expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works:		
(i) under Part C of the Project	4,990,000	72%
(ii) under Part B of the Project	7,980,000	62%
(2) Goods and equipment:	)	100% of foreign expenditures, and
(i) under Parts A and C of the Project	1,000,000)	100% of the ex- factory cost of expenditures for locally manufact- ured goods
(ii) under Part B of the Project	1,510,000) ) ) )	

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Consultants' services (in- cluding regis- tration teams for the property cadastre):		100%
(i) under Parts A and C of the Project	2,350,000	
(ii) under Part B of the Project	300,000	
(4) Home improvement and small business loans	960,000	50% of amounts disbursed
(5) Interest and other charges on the Loan accrued on or before February 14, 1994	3,890,000	Amounts due pur- suant to Section 2.02 (b) of this Agreement
(6) Refunding of Project Prepara- tion Advance	1,500,000	

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(7) Unallocated		

(i) under Parts A and C of the Project	2,170,000
(ii) under Part B of the Project	2,350,000
	<hr/>
TOTAL	29,000,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures:

- (i) prior to the date of this Agreement, except that (A) withdrawals, in an aggregate amount not exceeding the equivalent of \$1,000,000 may be made in respect of Categories (1) (i) and (3) (i) on account of payments made for expenditures prior to that date but after July 1, 1986, and (B) withdrawals, in an aggregate amount not exceeding the equivalent of \$500,000 may be made in respect of Category (1) (ii) on account of payments made for expenditures prior to the date of this Agreement but after July 1, 1987;
- (ii) under Categories (1) (ii), (2) (ii) and (3) (ii), in respect of any individual Squatter Community or any individual Conjunto BANVI-FEER until (A) the Bank has received evidence satisfactory to the Bank that such Squatter Community or such Conjunto BANVI-FEER to be upgraded with the proceeds of such withdrawal, has established legal personality as an Asociacion de Vecinos and that the Community Agreement between the Asociacion de Vecinos of such Squatter Community and the Borrower, acting through the Comite, has been duly executed; and (B) the Bank has received a legal opinion, satisfactory to the Bank, to the effect that such Asociacion de Vecinos or Comites Pro-mejoramiento of the Conjuntos BANVI-FEER have been duly established with legal personality in accordance with applicable law and that such Community Agreement has been duly authorized or ratified by, and is binding upon, the respective parties thereto;
- (iii) under Categories (1) (ii), (2) (ii) and (3) (ii), in respect of any Conjuntos BANVI-FEER until (A) the Bank has received evidence satisfactory to the Bank that the BANVI Agreement between BANVI and the Borrower, acting through the Comite, has been duly executed, and (B) the Bank has received a legal opinion, satisfactory to the Bank, to the effect that the BANVI Agreement has been duly authorized or ratified by, and is binding upon, BANVI and the Borrower, acting through the Comite; and
- (iv) under Category (4) until (A) the Bank has received evidence satisfactory to the Bank that: (i) the

Small-business Credit Agreement between the Borrower, acting through the Comite, and an organization or organizations has been duly executed; and (ii) an appropriate agreement or agreements, satisfactory to the Bank, between the Borrower, acting through the Comite, and any one or more NGOs in accordance with Section 3.08 of this Agreement has been duly executed; and (B) the Bank has received a legal opinion, satisfactory to the Bank, to the effect that each Small-business Credit Agreement and each agreement entered into between the Borrower, acting through the Comite, and an NGO has been duly authorized or ratified by, and is binding upon, the respective parties thereto in accordance with its terms.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to revitalize municipal administration and finance in the Municipalidad by improving management and revenue generation, and to provide and rehabilitate basic urban infrastructure and community services to selected low-income and Squatter Communities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Institutional Development in the Municipalidad

1. Updating the cadastre of the Municipalidad in order to increase revenues to the Municipalidad and to the Borrower from property taxes and improve development planning and management of urban public services, through actions which will include training of staff, aerial photography of the metropolitan area, purchase and utilization of equipment and vehicles for the generation and maintenance of digitized cadastral data for the production of base maps, and a physical survey of properties to update their registration and valuation.

2. Implementing systems to improve: (i) functional organization in the municipal government; (ii) personnel management, training and career development; (iii) revenue administration; and (iv) budgetary management and financial and investment planning, including, with respect to all of the foregoing items, purchasing and utilizing data management and other office equipment.

#### Part B: Urban Services

1. Implementing a pilot program to upgrade five low-income communities affecting in total approximately 6500 families and providing secure land tenure, improved water supply and drainage, road paving, community facilities, home improvement and small business credit, and design and supervision in connection with all of the foregoing.

2. Rehabilitating and reconstructing water supply, drainage and other essential infrastructure, purchasing and utilizing equipment and vehicles, and providing community facilities in 32 residential communities developed by BANVI through the BANVI-FEER Program, affecting between 140,000 and 160,000 persons, and design and supervision in connection with all of the foregoing.

3. Providing technical assistance to assess shelter deficiencies nationwide and to formulate an operational program addressing such deficiencies.

#### Part C: Road Maintenance and Improvement and Urban Development Planning

1. Installing a road maintenance management system, including: (i) organizational measures and program planning procedures to upgrade and expand the road maintenance capacity of the Municipalidad; (ii) a program of maintenance and improvement works covering approximately 186 kilometers in the principal transportation corridors and central business district of the Municipalidad to maximize the economic efficiency of the existing road network by improving traffic flows and reducing vehicle operating costs; (iii) the purchase and utilization of maintenance equipment and vehicles; and (iv) design and supervision in connection with all of the foregoing.

2. Carrying out a Study of urban development in the metropolitan area of Guatemala City.

\* \* \*

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each February 15 and August 15	
beginning February 15, 1994 through February 15, 2005	1,210,000
On August 15, 2005	1,170,000

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

## Procurement and Consultants' Services

### Section I: Procurement of Goods and Works

#### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

#### Part B: Preference for Domestic and Regional Manufacturers

In the procurement of goods in accordance with the procedures described in part A hereof, a margin of preference will be granted to bids offering goods, described in the accompanying specification, which are manufactured to a substantial extent in any country including Guatemala, which is a party to the Mercado Comun Centroamericano, the common market created by the General Treaty for Central American Economic Integration signed at Managua, Nicaragua on December 13, 1960 by Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica (hereinafter called the CACM), in accordance with, and subject to, the following provisions:

1. For the purposes of Part B of this Schedule, the following definitions shall apply:

- (a) (i) the term "Qualified CACM Bid" means a bid submitted by a manufacturer established in territories of member countries, including Guatemala, of the CACM for goods manufactured or processed in such territories and for which the bidder shall have established to the satisfaction of the entity or agency inviting bids, that the manufacturing or processing cost of such goods includes a value added, in such territories, equal to at least 20% of the ex-factory bid price of such goods;
- (ii) the term "Non-Qualified CACM Bid" means a bid submitted by a manufacturer established in territories of member countries, including Guatemala, of the CACM, for goods manufactured or processed in such territories, other than any such bid classified as a Qualified CACM Bid; and
- (iii) the term "Foreign Bid" means any bid which is neither a Qualified CACM Bid nor a Non-Qualified CACM Bid.

2. All bidding documents for the procurement of goods shall clearly indicate any preference which would be granted and shall set forth the information required to establish the eligibility of a bid for such preference.

3. Bidders are required to state in their bid the c.i.f. (port of entry) price of imported goods and the ex-factory price of locally manufactured goods.

4. Except to the extent hereinafter provided, bids will be compared on the basis of their ex-factory or c.i.f. (port of entry) price adjusted in accordance with paragraphs 2.49 through 2.54 of the Guidelines.

5. After evaluation, responsive bids will be classified in one of the following groups: Qualified CACM Bids, Non-Qualified CACM Bids or Foreign Bids.

6. All bids in each group will be first compared among themselves, to determine the lowest evaluated bid in each such group. The lowest evaluated bids of each group will then be compared with each other and if, as a result of this comparison, an evaluated Qualified CACM Bid or Non-Qualified CACM Bid is the

lowest, it will be selected for the purpose of award.

7. If the lowest bid in the comparison under paragraph 6 above is a Foreign Bid, such bid will be further compared with the lowest evaluated Qualified CACM Bid as determined under paragraph 6 above. For the purposes of this comparison only, each Foreign Bid will be compared on the basis of the sum of its c.i.f. (port of entry) price, adjusted in accordance with the provisions of paragraph 4 above, plus an amount equal to the smaller of (i) one-half the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of goods offered in such Foreign Bid, or (ii) 15% of the c.i.f. bid price of such goods. If the Qualified CACM Bid is the lowest evaluated bid in such comparison, it shall be selected for the purpose of award; otherwise, the lowest evaluated Foreign Bid as determined under paragraph 6 above shall be so selected.

#### Part C: Other Procurement Procedures

1. Equipment and vehicles estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$2,900,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Civil works under Part B of the Project costing less than US\$500,000 per contract may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Bank, except that such civil works estimated to cost up to an aggregate amount not to exceed US\$4,000,000 may be procured by force account under the direct supervision of the Comite, in accordance with procedures satisfactory to the Bank.

#### Part D:

Without limitation upon the provision of the Guidelines, in respect of procurement of goods, works, and services:

##### 1. Goods and Works:

(a) No prior registration of bidders shall be required.

(b) No bidder shall be disqualified because his bid price is above or below a predetermined value.

(c) Bid and performance securities shall be denominated in the currency of the bid or any freely convertible currency, and shall be issued by any bank, located in Guatemala or abroad, acceptable to the Borrower and the Bank.

(d) Price adjustments formula acceptable to the Bank may be incorporated in contracts of more than one year term.

##### 2. Services:

(a) Foreign consultants shall be allowed to participate freely in the selection process even if local consultants shall be available for the concerned services.

(b) No prequalification shall be required.

#### Part E: Review by the Bank of Procurement Decisions

1. (a) With respect to each contract for equipment estimated to cost the equivalent of \$250,000 or more and each contract for civil works estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and

4 of Appendix 1 of the Guidelines shall apply.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (b) of this Agreement.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II: Employment of Consultants

In order to assist the Borrower, acting through the Comite, in carrying out Part B of the Project, the Borrower, acting through the Comite, shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

#### SCHEDULE 5

##### Physical Performance Targets for Part B of the Project

	Year				
	1990	1991	1992	1993	1994
Implementation					
Lots improved in Squatter Communities (cumulatively)	-	1	2	3	5
Conjuntos	1,300	2,900	4,200	5,350	6,500
BANVI-FEER upgraded and transferred out of BANVI (cumulatively)	2	13	28	32	