

No. 16292

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**UNITED STATES OF AMERICA  
and  
GUATEMALA**

**Loan Agreement—*Small farmer development* (with annex).  
Signed at Guatemala City on 8 April 1976**

*Authentic texts: English and Spanish.*

*Registered by the United States of America on 27 January 1978.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
GUATEMALA**

**Accord de prêt — *Développement des petites entreprises  
agricoles* (avec annexe). Signé à Guatemala le 8 avril  
1976**

*Textes authentiques : anglais et espagnol.*

*Enregistré par les États-Unis d'Amérique le 27 janvier 1978.*

## LOAN AGREEMENT<sup>1</sup> — *SMALL FARMER DEVELOPMENT*

### ALLIANCE FOR PROGRESS

THE REPUBLIC OF GUATEMALA

AGENCY FOR INTERNATIONAL  
DEVELOPMENT

April 8, 1976

Loan 520-T-026

LOAN AGREEMENT, in furtherance of the Alliance for Progress, dated the 8th day of April, 1976 between the GOVERNMENT OF THE REPUBLIC OF GUATEMALA ("Borrower"), and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("AID").

### *Article I. THE LOAN*

*Section 1.01. THE LOAN.* AID agrees to lend to Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Thirteen Million United States dollars (\$13,000,000) ("Loan") to assist Borrower in carrying out the Program referred to in Section 1.02 ("Program"). Loan funds shall be allocated among the Program Activities as follows: Land Settlement Activity, \$5,600,000; Access Roads Activity, \$4,900,000; Land Resources Improvement Activity, \$880,000; and Human Resources Activity, \$1,620,000. The Loan shall be used exclusively to finance the United States dollar costs ("Dollar Costs") and Central American Common Market local currency costs ("Local Currency Costs") of goods and services required for the Program. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

*Section 1.02. THE PROGRAM.* The Program is designed to assist the Borrower in carrying out a program for small farmer development which will include small scale irrigation and soil conservation, opening new lands for settlement, constructing access roads and strengthening public agricultural sector organizations within the Republic of Guatemala.

The Program is more fully described in Annex I, attached hereto, which annex may be modified in writing within the scope of the Program as set forth in this Section by Implementation Letters issued by the authorized representatives of AID and approved in writing by the authorized representatives of Borrower.

### *Article II. TERMS OF REPAYMENT, INTEREST AND PAYMENT PROCEDURES*

*Section 2.01. INTEREST.* Borrower shall pay to AID interest which shall accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance of Principal shall accrue from

<sup>1</sup> Came into force on 8 April 1976 by signature, in accordance with Section 9.07.

the date of each respective disbursement as such date is defined in Section 7.04, and shall be payable semi-annually. Interest on any due and unpaid interest shall accrue from the date when such interest becomes due and payable. Interest shall be computed on the basis of a 365-day year. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by AID.

*Section 2.02. REPAYMENT.* Borrower shall repay to AID the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 2.01. AID shall provide Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

*Section 2.03. APPLICATION, CURRENCY AND PLACE OF PAYMENT.* All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as AID may otherwise specify in writing, all such payments shall be made to the Agency for International Development, Washington, D.C., 20523, U.S.A., Attention: Cashier, and shall be deemed made when received by the Office of the Cashier.

*Section 2.04. PREPAYMENT.* Upon payment of all interests and refunds then due, Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

*Section 2.05. RENEGOTIATION OF THE TERMS OF THE LOAN.* In light of the undertakings of the United States of America and the other signatories of the Act of Bogotá<sup>1</sup> and the Charter of Punta del Este<sup>2</sup> to forge an Alliance for Progress, Borrower agrees to negotiate with AID, at such time or times as AID may request, an acceleration of repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower, taking into consideration the relative capital requirements of the Republic of Guatemala and of the other signatories of the Act of Bogotá and the Charter of Punta del Este.

### *Article III. CONDITIONS PRECEDENT TO DISBURSEMENT*

*Section 3.01. CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT.* Prior to the first disbursement under the Loan, or to the issuance of the first Commitment Document under the Loan, Borrower shall submit to AID in form and substance satisfactory to AID:

- (a) an opinion of the Attorney General of Guatemala or of other counsel acceptable to AID, that this Agreement has been duly authorized and/or ratified by and executed on behalf of Borrower, and that it constitutes a valid and legally binding obligation of Borrower in accordance with all of its terms;

<sup>1</sup> United States of America, *Department of State Bulletin*, 3 October 1960.

<sup>2</sup> *Ibid.*, 11 September 1961.

- (b) a statement of the names of the persons holding or acting in the offices of Borrower specified in Section 9.02 and a specimen signature of each person specified in such statement;
- (c) evidence that Borrower has designated an overall Program Coordinator;
- (d) evidence that the Borrower has appointed a Program Implementation Committee chaired by the Program Coordinator;
- (e) a time-phased Financial Plan setting forth Borrower's counterpart contribution; and
- (f) evidence that the Borrower has made arrangements satisfactory to AID to obtain all technical services included as part of the Program.

*Section 3.02. CONDITIONS PRECEDENT TO DISBURSEMENT FOR THE LAND SETTLEMENT ACTIVITY.* Prior to any disbursement or to the issuance of any commitment document under the Loan for the purpose of financing the Land Settlement Activity, other than for technical services, Borrower shall submit to AID, in form and substance satisfactory to AID:

- (a) the procedures and conditions established by the Borrower to govern the transfer of blocks of land to cooperative federations or cooperative groups;
- (b) a detailed time-phased implementation plan for this Activity;
- (c) an Agreement of the Borrower's participating agencies setting forth the resources each such agency will contribute to this Activity;
- (d) evidence that the Ministry of Agriculture has designated an implementation unit within the Public Agricultural Sector to carry out this Activity.

*Section 3.03. CONDITIONS PRECEDENT TO DISBURSEMENTS FOR THE ACCESS ROADS ACTIVITY.* Prior to any disbursement or to the issuance of any commitment document under the Loan for the purpose of financing the Access Roads Activity, other than for technical services, the Borrower shall submit to AID, in form and substance satisfactory to AID:

- (a) evidence that the Ministry of Communications and Public Works has established an implementation unit ("MCPW unit") for carrying out this activity in accordance with priorities determined by the Ministry of Agriculture;
- (b) an organization and staffing plan for the MCPW unit;
- (c) a time-phased implementation plan for this Activity; and
- (d) evidence that the Borrower has entered into a contract or contracts for consulting engineering services.

*Section 3.04. CONDITIONS PRECEDENT TO DISBURSEMENTS FOR THE LAND RESOURCES ACTIVITY.* Prior to any disbursement or to the issuance of any commitment document under the Loan for the purpose of financing the Land Resources Development Activity, other than for technical services, the Borrower shall submit to AID, in form and substance satisfactory to AID:

- (a) evidence that the Ministry of Agriculture has established within the Agricultural Public Sector an implementation unit for carrying out this Activity;
- (b) an organization and staffing plan for the MA unit; and
- (c) a detailed time-phased implementation plan for this Activity.

*Section 3.05. CONDITIONS PRECEDENT TO DISBURSEMENTS FOR THE HUMAN RESOURCES ACTIVITY.* Prior to any disbursement or to the issuance of any commitment document under the Loan for the purpose of financing the Human Resources Activity, other than for technical services, the Borrower shall submit to AID, in form and substance satisfactory to AID:

- (a) an organizational and staffing plan for the Sector Planning and Coordination Office of the Ministry of Agriculture; and
- (b) a detailed time-phased implementation plan for this Activity.

*Section 3.06. TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT.* If all of the conditions specified in Section 3.01 shall not have been met within 120 days from the date of this Agreement or such later date as AID may agree to in writing, AID at its option may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice this Agreement and all obligations of the parties hereunder shall terminate.

*Section 3.07. NOTIFICATION OF MEETING OF CONDITIONS PRECEDENT TO DISBURSEMENT.* AID shall notify the Borrower upon determination by AID that the conditions specified in Sections 3.01, 3.02, 3.03, 3.04 and 3.05 have been met.

#### *Article IV. GENERAL COVENANTS AND WARRANTIES*

*Section 4.01. EXECUTION OF THE PROGRAM.* (a) Borrower shall carry out the Program with due diligence and efficiency, and in conformity with sound financial administrative and technical practices. In this connection, Borrower shall employ with counterpart funds the necessary and qualified personnel to assist the Borrower in planning and executing the Program and suitably qualified and competent engineering and constructing services to carry out the Program using loan funds. Furthermore, the Borrower shall contract for and effectively utilize the technical assistance services provided under the companion AID grant financed project agreement to assist the Borrower with implementation of this Program.

(b) Borrower shall cause the Program to be carried out in conformity with all of the plans, contracts, schedules, and other program documents and modifications thereto, approved by AID pursuant to this Agreement.

*Section 4.02. FUNDS AND OTHER RESOURCES TO BE PROVIDED BY BORROWER.* Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Program.

*Section 4.03. CONTINUING CONSULTATION.* Borrower and AID shall cooperate fully to assure the purposes of the Loan will be accomplished. To this end, Borrower and AID shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Program, the performance of the parties of their obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged on the Program, and other matters relating to the Program. The effect of the Program upon the natural environment shall be taken into consideration prior to and during the implementation of the Program, and AID and Borrower shall cooperate to minimize any harmful effects upon the natural environment.

*Section 4.04. MANAGEMENT.* Borrower shall provide qualified and experienced management for the Program acceptable to AID, and it shall train such staff as may be appropriate for the execution of the Program.

*Section 4.05. OPERATION AND MAINTENANCE.* The Borrower shall operate, maintain and repair facilities relating to the Program in conformity with sound engineering, financial, and administrative practices and in such manner as to insure the continuing and successful achievement of the purposes of the Program.

*Section 4.06. TAXATION.* This Agreement, the Loan and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within Guatemala. To the extent that (a) any contractor, including any personal services contractor or consulting firm, or any personnel of such a contractor financed hereunder, and any property or transactions relating to such contracts, and (b) any commodity procurement transaction financed hereunder, are not otherwise exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in Guatemala, Borrower shall to the extent prescribed in and pursuant to implementation letters, pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan, and from funds other than those already committed to the Program by Borrower.

*Section 4.07. UTILIZATION OF GOODS AND SERVICES.* (a) Goods and services financed under the Loan shall be used exclusively for the Program, except as AID may otherwise agree in writing. Upon completion of the Program, or at such other time as goods financed under the Loan can no longer usefully be employed for the Program, the Borrower may use or dispose of such goods in such manner as AID may agree to in writing prior to such use or disposition.

(b) Except as AID may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the *AID Geographic Code Book* as in effect at the time of such use.

*Section 4.08. DISCLOSURE OF MATERIAL FACTS AND CIRCUMSTANCES.* Borrower represents and warrants that all facts and circumstances which it has disclosed to AID or caused to be disclosed to AID in the course of obtaining the Loan are accurate and complete and that it has disclosed to AID accurately and completely, all facts and circumstances that might materially affect the Program and the discharge of its obligations under this Agreement. The Borrower shall promptly inform AID of any facts and circumstances that may hereafter arise which might materially affect, or which it is reasonable to believe might materially affect the Program or the discharge of the Borrower's obligations under this Agreement.

*Section 4.09. COMMISSIONS, FEES, AND OTHER PAYMENTS.* (a) Borrower and Lender warrant and covenant that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, they have not paid, and will not pay or agree to pay, nor to the best of their knowledge has there been paid nor will there be paid or agree to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to Borrower's and Lender's full time officers and employees or as compensation for bona fide professional, technical or comparable services. Borrower and Lender shall promptly

report to the other any payment or agreement to pay for such bona fide professional, technical, or comparable services to which they are parties or of which they have knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by either party, the same shall be adjusted in a manner satisfactory to both parties.

(b) Borrower and Lender warrant and covenant that no payments have been or will be received by Borrower or Lender or any official of Borrower or Lender in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in Guatemala.

*Section 4.10. MAINTENANCE AND AUDIT OF RECORDS.* Borrower shall maintain or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Program and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;
- (c) the basis of the award of contracts and orders to successful bidders; and
- (d) the progress of the Program.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as AID may require, and shall be maintained for five years after the date of the last disbursement by AID or until all sums due AID under this Agreement have been paid, whichever date shall first occur.

*Section 4.11. REPORTS.* Borrower shall furnish to AID such information and reports relating to the Loan and to the Program as AID may request.

*Section 4.12. INSPECTIONS.* The authorized representatives of AID shall have the right at all reasonable times to inspect the Program, the utilization of all goods and services financed under the Loan, and Borrower's books, records, and other documents relating to the Program and the Loan. Borrower shall cooperate with AID to facilitate such inspections and shall permit representatives of AID to visit any part of Guatemala for any purpose relating to the Loan.

*Section 4.13. TECHNICAL ASSISTANCE.* Borrower shall retain or otherwise provide, in form and substance satisfactory to AID, for the duration of the Program, such technical assistance as may be necessary to ensure satisfactory implementation of the Program.

#### *Article V. SPECIAL COVENANTS*

*Section 5.01. BORROWER CONTRIBUTION TO THE PROGRAM.* Except as AID may otherwise agree in writing, Borrower covenants to contribute to the Program over the entire life thereof *a*) not less than the equivalent in quetzales of Six Million United States dollars (\$6,000,000) in new budgetary resources, and *b*) all other funds and resources required for the punctual and effective carrying out of the Program according to the Financial Plan submitted in accordance with Section 3.01(e) and as agreed to in Annex I attached hereto.

*Section 5.02. MAINTENANCE OF ROADS.* Except as AID may otherwise agree in writing, Borrower covenants to maintain adequately all roads constructed under the Program and to budget and expend for this purpose during the life of the Program an amount satisfactory to AID.

*Section 5.03. PLAN FOR EXPANSION OF SETTLEMENT PROGRAM.* Except as AID may otherwise agree in writing, Borrower covenants to submit to AID, in form and substance satisfactory to AID, a plan for continuing the expansion of the Northern Transversal Strip land settlement program beyond the disbursement period of the Loan, which plan shall provide for appropriate support for settlers already located in the area.

*Section 5.04. JOINT PROGRESS REVIEWS.* Except as AID may otherwise agree in writing, Borrower covenants that it will participate in joint AID/Borrower reviews of Program implementation progress prior to the disbursement of the equivalent of Six Million United States dollars (\$6,000,000) and prior to the disbursement of the equivalent of Ten Million United States dollars (\$10,000,000) of Loan funds.

#### *Article VI. PROCUREMENT*

*Section 6.01. PROCUREMENT FROM SELECTED FREE WORLD COUNTRIES.* Except as AID may otherwise agree in writing, and except as provided in subsection 6.09(c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Program of goods and services having their source and origin in countries included in Code 941 of the *AID Geographic Code Book* as in effect at the time orders are placed or contracts are entered into for such goods and services except for the countries of Central America. Goods and services procured pursuant to this Section shall be referred to as "Selected Free World Goods" and "Selected Free World Services", respectively. All ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the *AID Geographic Code Book* as in effect at the time of shipment, except for the countries of Central America.

*Section 6.02. PROCUREMENT FROM CENTRAL AMERICA.* Disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Program of goods and services having both their source and origin in the countries of Central America.

*Section 6.03. ELIGIBILITY DATE.* Except as AID may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

*Section 6.04. GOODS AND SERVICES NOT FINANCED UNDER THE LOAN.* Goods and services procured for the Program, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the *AID Geographic Code Book* as in effect at the time orders are placed for such goods and services.

*Section 6.05. IMPLEMENTATION OF PROCUREMENT REQUIREMENTS.* The definitions applicable to the eligibility requirements of Sections 6.01, 6.02 and 6.04 will be set forth in detail in Implementation Letters.



**Section 6.06. PLANS, SPECIFICATIONS AND CONTRACTS.** (a) Except as AID may otherwise agree in writing, Borrower shall furnish to AID promptly upon preparation, all plans, specifications, schedules, bid documents and contracts or other arrangements relating to the Program, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as AID may otherwise agree in writing, all of the plans and specifications furnished pursuant to subsection (a) above shall be approved by AID in writing.

(c) All bid documents including plans, technical specifications and other documents related to the solicitation of proposals concerning goods and services financed under the Loan shall, in terms and measurements, be approved by AID in writing prior to their issuance, except as AID may otherwise agree in writing.

(d) The following contracts financed under the Loan shall be approved by AID in writing prior to their execution:

- (i) contracts for engineering, consultant and other professional services;
- (ii) contracts for such other services as AID may specify; and
- (iii) contracts for equipment and other commodities.

In the case of any of the above contracts for services, AID shall also approve in writing the contractor and such contractor personnel as AID may specify. Material modifications in any of such contracts and changes in any of such personnel shall also be approved by AID in writing prior to their becoming effective.

(e) Consulting firms used by the Borrower for the Program but not financed under the Loan, the scope of their services and such of their personnel assigned to the Program as AID may specify, and construction contractors used by the Borrower for the Program but not financed under the Loan shall be acceptable to AID.

**Section 6.07. REASONABLE PRICE.** No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures prescribed in Implementation Letters.

**Section 6.08. EMPLOYMENT OF NON-SELECTED FREE WORLD NATIONS UNDER CONSTRUCTION CONTRACTS.** The employment of personnel to perform services under any construction contract financed under the Loan shall be subject to certain requirements with respect to nationals of countries other than the Republic of Guatemala and countries included in Code 941 of the *AID Geographic Code Book* as in effect at the time the construction contract is entered into. These requirements are prescribed in Implementation Letters.

**Section 6.09. SHIPPING AND INSURANCE.** (a) Selected Free World Goods financed under the Loan shall be transported to Central America only on flag carriers of a country included in Code 935 of the *AID Geographic Code Book* as in effect at the time of shipment. No such goods may be transported on any ocean vessel (or aircraft) (i) which AID, in a notice to the Borrower, has designated as ineligible to carry AID-financed goods, or (ii) which has been chartered for the carriage of AID-financed goods unless such charter has been approved by AID.

(b) Unless AID shall determine that privately owned United States-flag commercial vessels are not available at fair and reasonable rates for such vessels, (i) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed under the Loan which may be transported on ocean vessels shall be transported on privately owned United States-flag commercial vessels, and (ii) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed under the Loan and transported to Central America on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (i) and (ii) above must be achieved with respect to both cargo transported from U.S. ports and cargo transported from non-U.S. ports, computed separately.

(c) Marine insurance on Selected Free World Goods may be financed under the Loan with disbursements made pursuant to Section 7.01, provided (i) such insurance is placed at the lowest available competitive rate in the Republic of Guatemala or in a country included in Code 941 of the *AID Geographic Code Book* as in effect at the time of placement, and (ii) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Borrower, by statute, decree, rule, regulation, or practice discriminates with respect to AID-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the Republic of Guatemala financed under the Loan shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(d) The Borrower shall insure, or cause to be insured, all Selected Free World Goods financed under the Loan against risks incident to their transit to the point of their use in the Program. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice and shall insure the full value of the goods. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacement shall have their source and origin in countries of Central America and countries included in Code 941 of the *AID Geographic Code Book* as in effect at the time orders are placed or contracts are entered into for such replacements, and shall be otherwise subject to the provisions of this Agreement.

**Section 6.10. NOTIFICATION TO POTENTIAL SUPPLIERS.** In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, Borrower shall furnish to AID such information with regard thereto, and at such times, as AID may request in Implementation Letters.

**Section 6.11. UNITED STATES GOVERNMENT-OWNED EXCESS PROPERTY.** Borrower shall utilize, with respect to goods financed under the Loan to which Borrower takes title at the time of procurement, such reconditioned United States Government-Owned Excess Property as may be consistent with the requirements of the Program and as may be available within a reasonable period of time. Borrower shall seek assistance from AID and AID will assist Borrower in ascertaining the availability of and in obtaining such Excess Property. AID will make arrangements

for any necessary inspection of such property by the Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such excess property may be financed under the Loan. Prior to the procurement of any goods, other than Excess Property, financed under the Loan, and after having sought such AID assistance, Borrower shall indicate to AID in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-Owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Program.

*Section 6.12. INFORMATION AND MARKING.* Borrower shall give publicity to the Loan and the Program as a program of United States aid in furtherance of the Alliance for Progress, identify the Program site, and mark goods financed under the Loan, as prescribed in Implementation Letters.

#### *Article VII. DISBURSEMENTS*

*Section 7.01. DISBURSEMENTS FOR UNITED STATES DOLLAR COSTS — LETTERS OF COMMITMENT TO UNITED STATES BANKS.* Upon satisfaction of conditions precedent, Borrower may, from time to time, request AID to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to AID, committing AID to reimburse such bank for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Program in accordance with the terms and conditions of this Agreement. Payment by a Bank to a contractor or suppliers will be made by the Bank upon presentation of such supporting documentation as AID may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of Borrower and may be financed under the Loan.

*Section 7.02. DISBURSEMENT FOR LOCAL CURRENCY COSTS.* Upon satisfaction of conditions precedent, Borrower may, from time to time, request disbursement by AID of local currency for Local Currency Costs of goods and services procured for the Program in accordance with the terms and conditions of this Agreement by submitting to AID such supporting documentation as AID may prescribe in Implementation Letters. AID shall make such disbursements from local currency owned by the United States Government and that obtained by AID with United States dollars. The United States dollar equivalent of the local currency made available hereunder will be the amount of United States dollars required by AID to obtain the local currency.

*Section 7.03. OTHER FORMS OF DISBURSEMENT.* Disbursements of the Loan may also be made through such other means as Borrower and AID may agree to in writing.

*Section 7.04. DATE OF DISBURSEMENT.* Disbursements by AID shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01, on the date on which AID makes a disbursement to Borrower, its designee, or a banking institution pursuant to a Letter of Commitment, and (b) in the case of disbursement pursuant to Section 7.02, on the date on which AID disburses the local currency to the Borrower or its designee.

*Section 7.05. TERMINAL DATE FOR DISBURSEMENT.* Except as AID may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by another form of disbursement under Section 7.03, or amendment thereto shall be issued in response to requests received by AID after four (4) years and six (6) months from the date of signature of this Agreement by the parties, and no disbursement shall be made against documentation received by AID or any bank described in Section 7.01 after five (5) years from the date of signature of this Agreement by the parties. AID, at its option, may at any time after four (4) years and six (6) months from the date of signature hereof by the parties, reduce the Loan by all or any part thereof for which documentation was not received by such date.

### *Article VIII. CANCELLATION AND SUSPENSION*

*Section 8.01. CANCELLATION BY BORROWER.* Borrower may, with the prior written consent of AID, by written notice to AID, cancel any part of the Loan (i) which, prior to the giving of such notice, AID has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit.

*Section 8.02. EVENTS OF DEFAULT; ACCELERATION.* If any one or more of the following events ("Events of Default") shall occur:

- (a) Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Program with due diligence and efficiency; or
- (c) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between Borrower or any of its agencies and AID or any of its predecessor agencies,

then AID may, at its option, give to Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and
- (ii) the amount of any further disbursements made under the outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

*Section 8.03. SUSPENSION OF DISBURSEMENT.* In the event that at any time:

- (a) an Event of Default has occurred; or
- (b) an event occurs that AID determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that Borrower will be able to perform its obligations under this Agreement; or
- (c) any disbursement by AID would be in violation of the legislation governing AID; or

- (d) Borrower or any of its agencies shall have failed to pay when due any interest or any installment of Principal or any other payment required under any loan agreement, any guaranty agreement or any other agreement between Borrower or any of its agencies and the Government of the United States or any of its agencies; or
- (e) satisfactory progress is not being made in carrying out all or part of the Program according to the terms of this Agreement;

then AID may at its option:

- (i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event, AID shall give notice to Borrower promptly thereafter;
- (ii) decline to make disbursements other than under outstanding commitment documents;
- (iii) decline to issue additional commitment documents;
- (iv) at AID expense, direct that title to goods financed under the Loan shall be transferred to AID if the goods are from a source outside Guatemala, are in a deliverable state and have not been offloaded in ports of entry of Guatemala. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

*Section 8.04. CANCELLATION BY AID.* Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursement shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, AID, may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

*Section 8.05. CONTINUED EFFECTIVENESS OF AGREEMENT.* Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

*Section 8.06. REFUNDS.* (a) In case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, AID, notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require Borrower to refund such amount in United States dollars to AID within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Program hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, AID's right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that AID receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with

respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, AID shall first make such refund available for the cost of goods and services procured for the Program hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

*Section 8.07. EXPENSES OF COLLECTION.* All reasonable costs incurred by AID, other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due AID by reason of the occurrence of any of the events specified in Section 8.02, may be charged to Borrower and reimbursed to AID in such manner as AID may specify.

*Section 8.08. NONWAIVER OF REMEDIES.* No delay in exercising or omission to exercise any right, power, or remedy accruing to AID under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

#### *Article IX. MISCELLANEOUS*

*Section 9.01. COMMUNICATIONS.* Any notice, request, document or other communications given, made or sent by Borrower or AID pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable, or radiogram at the following addresses:

**To Borrower:**

Mail Address: Ministerio de Finanzas Públicas  
Palacio Nacional  
Guatemala, C.A.  
Cable Address: MINFINANZAS  
Guatemala, C.A.

**To AID:**

Mail Address: Office of the Director  
USAID/Mission to Guatemala  
c/o U.S. Embassy  
Guatemala City, Guatemala  
Cable Address: USAID, American Embassy  
Guatemala City, Guatemala

Other addresses may be substituted for the above upon giving of notice. All notices, requests, communications, and documents submitted to AID hereunder shall be in English except as AID may otherwise agree in writing.

*Section 9.02. REPRESENTATIVES.* For all purposes relative to this Agreement, Borrower will be represented by the individuals holding or acting in the office of the Minister of Finance.

AID shall be represented by the individual holding or acting in the office of the Director, USAID Mission to Guatemala.

Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representatives' name and specimen signature in form and substance satisfactory to AID. Until receipt by AID of written notice of revocation of the authority of any of the duly authorized representatives of Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

*Section 9.03. IMPLEMENTATION LETTERS.* AID shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

*Section 9.04. PROMISSORY NOTES.* At such time or times as AID may request, Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as AID may reasonably request.

*Section 9.05. TERMINATION UPON FULL PAYMENT.* Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of Borrower and AID under this Loan Agreement shall terminate.

*Section 9.06. LANGUAGE OF AGREEMENT.* This Agreement is signed in both Spanish and English in two versions; however, for purposes of resolution of differences in interpretation, the English version shall prevail.

*Section 9.07. EFFECTIVE DATE.* This Agreement shall enter into effect on the date and year indicated at the beginning of this Agreement.

EN FE DE LO CUAL, los Gobiernos de Guatemala y de los Estados Unidos de América, y actuando por medio de sus respectivos representantes autorizados, celebran este Convenio, lo firman y autorizan en la fecha arriba indicada.

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

República de Guatemala

[Signed — Signé]

Lic. JORGE LAMPORT RODIL  
Ministro de Finanzas<sup>1</sup>

[Signed — Signé]

Gral. de Brigada DEM  
FAUSTO DAVID RUBIO CORONADO  
Ministro de Agricultura<sup>2</sup>

[Signed — Signé]

Ing. RICARDO ARGUEDAS MARTÍNEZ  
Ministro de Comunicaciones  
y Obras Públicas<sup>3</sup>

The United States of América

[Signed — Signé]

FRANCIS E. MELOY, Jr.  
Ambassador

[Signed — Signé]

EDWARD W. COY  
Director  
USAID Mission to Guatemala

<sup>1</sup> Minister of Finance.

<sup>2</sup> Minister of Agriculture.

<sup>3</sup> Minister of Communications and Public Works.



## [SPANISH TEXT — TEXTE ESPAGNOL]

## ANNEX I

## THE PROGRAM

The goals of the Program are to improve the quality of life and increase the incomes of rural Guatemalans. Specifically, the Program will increase agricultural production and generate employment in rural areas by: 1) increasing the productive capacity of small farmer land resources; 2) opening new lands for settlement by small farmers and landless poor; 3) expanding the farm-to-market transportation infrastructure; and 4) strengthening the capacity of public agricultural sector organizations to carry out planning, programming and delivery of improved services and technical assistance to small farmers.

1) *Land Resources Improvement*

This activity will be carried out by the Ministry of Agriculture and will consist of a pilot small scale irrigation and soil conservation program in the Highlands. The objective of this activity is to construct, utilizing labor intensive methods, small scale irrigation projects on up to 5,000 hectares, and contour furrows, ditches and other conservation improvements on up to 5,000 hectares.

2) *New Lands Settlement*

To provide more land for cultivation by small scale farmers and the landless rural poor, settlement of the Northern Transversal Strip of Guatemala will be promoted and facilitated. During the life of the Program it is projected that up to 5,000 families will be settled in the project area. Settlers will be selected and organized under the auspices of existing cooperative federations, composed principally of small farmers and with recognized management capacity. Land located in the Northern Transversal Strip belonging to, or to be acquired by the Government of Guatemala, will be transferred through the

## ANEXO I

## EL PROGRAMA

Los objetivos del Programa estarán encausados a mejorar el nivel de vida y aumentar los ingresos de la población rural de Guatemala. Específicamente, este Programa aumentará la producción agrícola del país y generará mayores fuentes de trabajo en las áreas rurales, lo cual se logrará a través del 1) aumento del potencial de producción de las tierras del pequeño agricultor; 2) habilitación de nuevas tierras para ser colonizadas por pequeños agricultores y campesinos de escasos recursos que no poseen tierras; 3) ampliación del sistema de comunicación por medio de caminos de acceso; y 4) fortalecimiento de la capacidad técnica de las organizaciones del sector público agrícola para llevar a cabo la planificación, programación y la suministración de los servicios mejorados y asistencia técnica a los pequeños agricultores.

1) *Mejoramiento de los Recursos Naturales de la Tierra*

El Ministerio de Agricultura estará a cargo de esta actividad la cual consistirá de un programa piloto de mini-riego y conservación del suelo en el Altiplano. El objetivo de esta actividad es construir proyectos de irrigación en pequeña escala, utilizando métodos de mano de obra intensiva, los cuales abarcarán hasta 5 000 hectáreas, y surcos y zanjas y otras mejoras para la conservación del suelo en hasta 5 000 hectáreas.

2) *Colonización de Nuevas Tierras*

Para proporcionar más tierra a ser cultivada por los pequeños agricultores y los campesinos de escasos recursos que no poseen tierras, se fomentará y facilitará la colonización de la Franja Transversal Norte de Guatemala. Durante la vigencia del Programa se proyecta que hasta 5 000 familias sean ubicadas en el área proyectada. Los beneficiarios serán seleccionados y organizados bajo los auspicios de las federaciones de cooperativas existentes que están integradas principalmente por pequeños agricultores y con reconocida capacidad administrativa. La tierra localizada en la Fran-

cooperative federations to participating cooperatives. Funds from the Loan will be used to finance production credit, basic cooperative infrastructure and necessary penetration roads. Loan funds will also be available to finance cadaster studies and natural resource surveys which will provide the basis for orderly settlement of additional areas in the Northern Transversal Strip after the disbursement period of the Loan.

### 3) *Access Roads*

This activity will be carried out by the Ministry of Communications and Public Works under an interministerial agreement with the Ministry of Agriculture and consists of expanding and improving the system of farm-to-market and penetration roads. The two objectives of this activity are to provide access to isolated rural areas and to generate employment for landless farm laborers through the use of labor intensive roadbuilding techniques. Approximately 280 kilometers of access roads will be built or upgraded in three areas: the Highlands, the Northern Lowlands, and the Eastern Region.

### 4) *Human Resources Development*

In order to enhance the effectiveness of the institutions which comprise the public agricultural sector, a sector planning and coordination office within the Ministry of Agriculture will be strengthened as part of the Program. The office will be responsible for setting planning objectives, reviewing budgets and programs, collection and analysis of data, and disseminating the results of an improved information and evaluation system to the sector institutions. An expanded in-service training program will be implemented for sector personnel as well as a scholarship program for graduate training abroad. The implementing agency for the training and scholarship program will be designated by the Ministry of Agriculture.

ja Transversal Norte perteneciente a, o que será adquirida, por el Gobierno de Guatemala, será transferida por medio de las federaciones de cooperativas a las cooperativas beneficiarias. Los fondos del Préstamo se utilizarán para financiar créditos para la producción, la infraestructura básica para cooperativas y los caminos de acceso necesarios. Los fondos del Préstamo también estarán disponibles para financiar los estudios de catastro y de recursos naturales que se utilizarán como base para la colonización ordenada de zonas adicionales en la Franja Transversal Norte después del período de desembolsos del Préstamo.

### 3) *Caminos de Acceso*

El Ministerio de Comunicaciones y Obras Públicas llevará cabo esta actividad bajo un Convenio interministerial con el Ministerio de Agricultura, la cual consistirá en la ampliación y mejoramiento del sistema de caminos de acceso. Los objetivos de esta actividad tienen como meta proporcionar el acceso a zonas rurales aisladas y generar fuentes de trabajo para los campesinos que carecen de tierra, por medio del uso de técnicas de mano de obra intensiva para construcción de caminos. Aproximadamente 280 kilómetros de caminos de acceso se construirán o mejorarán en tres regiones: el Altiplano, la Franja Transversal, y la Región Oriental.

### 4) *Desarrollo de Recursos Humanos*

Con el objeto de aumentar la efectividad de las instituciones que comprenden el sector público agrícola, se fortalecerá la Unidad de Planificación y Coordinación Sectorial. La Unidad Sectorial de Planificación, como el organismo matriz del sistema de planificación y coordinación del sector, será responsable de establecer las metas de planificación, revisar los presupuestos y programas, recolectar, analizar y diseminar los resultados de un sistema mejorado de información y evaluación a las instituciones que comprenden el Sector. Se ejecutará un extenso programa de adiestramiento en servicio para el personal del sector; asimismo un programa de becas en el exterior a nivel de post-grado. La unidad ejecutora para los dos programas anteriores será nombrada por el Ministerio de Agricultura.

It is planned that the objectives of the Program will be accomplished over a period of five years. The planned allocation of loan funds and counterpart funds to be provided by the Government of Guatemala is as follows:

Se ha planificado que los objetivos del Programa se lograrán durante un período de cinco años. La asignación programada para los fondos del Préstamo y los fondos que proporcionará el Gobierno de Guatemala como contrapartida se destinará de la siguiente forma:

*Assignment of funds/Asignación de fondos  
(In Thousand U.S. Dollars/Miles de Dólares de los EE.UU.)*

	GOG	AID	Total
Land Resources Improvement ..... (Mejoramiento de los Recursos de la Tierra)	\$ 450	\$ 880	\$ 1,330
New Lands Settlement ..... (Colonización de Nuevas Tierras)	1,260	5,600	6,860
Access Roads ..... (Caminos de Acceso)	2,500	4,900	7,400
Human Resources ..... (Recursos Humanos)	1,790	1,620	3,410
TOTAL	<u>\$6,000</u>	<u>\$13,000</u>	<u>\$19,000</u>

La contribución del Gobierno de Guatemala por la cantidad de \$6.000.000 indicada anteriormente representa nuevas asignaciones presupuestarias hechas por el Gobierno de Guatemala. Además de los gastos directos del Programa indicados anteriormente, se proyectan las siguientes contribuciones en apoyo a las Actividades del Programa:

The \$6 million counterpart contribution indicated above represents new budgetary allocations by the Government of Guatemala. In addition to the direct Program expenditures shown above, the following contributions to support Program activities are projected:

1) AID Grant Funded Activities ..... (Actividades financiadas por la AID con fondos de donación)	\$1,875,000
2) GOG Recurring Budgetary Expenditures ..... (Asignaciones correspondientes en forma de bienes y servicios proporcionados por el Gobierno de Guatemala por medio de cantidades normalmente presupuestadas anualmente)	\$1,900,000
3) In-kind labor contributions by settlers ..... (Contribuciones de mano de obra [en especie] de los colonizadores de la Franja Transversal Norte)	\$2,500,000
TOTAL	<u>\$6,275,000</u>