

No. 16291

**UNITED STATES OF AMERICA
and
GUATEMALA**

**Loan Agreement—*Rural Primary Education* (with annex).
Signed at Guatemala City on 3 November 1975**

Authentic texts: English and Spanish.

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

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

**Accord de prêt — *Éducation primaire rurale* (avec annexe).
Signé à Guatemala le 3 novembre 1975**

Textes authentiques : anglais et espagnol.

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

LOAN AGREEMENT¹ — *RURAL PRIMARY EDUCATION*

ALLIANCE FOR PROGRESS

THE REPUBLIC OF GUATEMALA

AGENCY FOR INTERNATIONAL
DEVELOPMENT

November 3, 1975

Loan 520-V-025

LOAN AGREEMENT in furtherance of the Alliance for Progress, dated the third day of November, 1975, 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 the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Seven Million United States dollars (\$7,000,000) (“Loan”) to assist Borrower in carrying out the Project referred to in Section 10.2² (“Project”). 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 Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as “Principal.”

Section 1.02. THE PROJECT. The Project is designed to assist the Borrower in carrying out a program for improvement of rural primary education which will include qualitative reforms within the education system and supporting improvements in physical facilities.

The Project is more fully described in Annex I, attached hereto, which annex may be modified in writing within the scope of the Project as set forth in this Section by Implementation Letters issued by the authorized representatives of AID and approved in writing by the authorized representative 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 the date of each respective disbursement as such date is defined in Section 7.04, and shall be computed on the basis of a 365-day year. Interest shall be payable

¹ Came into force on 3 November 1975 by signature, in accordance with Section 9.07.

² Should read “Section 1.02” — Devrait se lire «Section 1.02».

semi-annually. Interest on any due and unpaid interest shall accrue from the date when such interest became due and payable. 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 Controller, 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 Controller.

Section 2.04. PREPAYMENT. Upon payment of all interest 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 Bogotá¹ and the Charter of Punta del Este² 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 Republic of Guatemala, 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;
- (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;

¹ United States of America, *Department of State Bulletin*, 3 October 1960.

² *Ibid.*, 11 September 1961.

- (c) evidence that Borrower has employed a Project Coordinator;
- (d) evidence that the Borrower has appointed a Project Implementation Committee chaired by the Project Coordinator;
- (e) evidence that Borrower has entered into contracts approved by AID for consulting engineering services for the Project;
- (f) evidence that the Borrower has created a unit within the Ministry of Communications and Public Works which will be responsible for administering Project construction activities;
- (g) evidence that the Borrower has made arrangements satisfactory to AID to obtain sufficient technical and management services to assist the Borrower in fulfilling its responsibilities to carry out Project activities including but not limited to teacher training, commodity management and school maintenance.

Section 3.02. CONDITIONS PRECEDENT TO DISBURSEMENT FOR OTHER THAN TECHNICAL AND MANAGEMENT ASSISTANCE. Prior to any disbursement of Loan funds or issuance of any commitment documents for other than technical and management assistance, Borrower shall submit to AID, in form and substance satisfactory to AID:

- (a) a detailed Financial Plan setting forth the annual GOG contributions which will be made to support the Project;
- (b) a detailed time-phased Implementation Plan covering all activities to be completed during the life of the Project, together with a plan for evaluating the Project; and
- (c) a staffing plan for the offices responsible for construction, training, coordination and overall implementation of the Project.

Section 3.03. TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. (a) 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.

(b) If all of the conditions specified in Section 3.02 shall not have been met within 240 days from the date of this Agreement or such later date as AID may agree in writing, AID, at its option, may cancel the then undisbursed balance of the amount of the Loan or may terminate this Agreement by giving written notice to the Borrower. In the event of a termination, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

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

Article IV. GENERAL COVENANTS AND WARRANTIES

Section 4.01. EXECUTION OF THE PROJECT. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound

financial, administrative and technical practices. In this connection the Borrower shall employ a suitably qualified independent engineering consulting firm or individuals satisfactory to AID for: (i) approving final engineering designs and specifications and recommended construction contract awards; (ii) technical inspection of facilities during construction; and, (iii) certification of construction disbursement requests before submission to AID. In addition Borrower will employ suitably qualified and competent contractors, satisfactory to AID, to carry out construction work under the Project.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other agreements, and with all modifications therein, approved by AID pursuant to this Agreement.

Section 4.02. FUNDS AND OTHER RESOURCES TO BE PROVIDED BY BORROWER. In addition to funds provided under the Loan, pursuant to Section 1.01, the Borrower shall provide promptly as needed and apply to the Project: (a) a minimum of Four Million U.S. Dollars equivalent (\$4,000,000) in new budgetary resources (Quetzales), and, in addition, (b) all other funds and resources (organizational, physical, or other type or class), required for the punctual and effective carrying out of the Project according to the Project Financial and Implementation Plans submitted in accordance with Sections 3.02 (a) and (b) of this Agreement.

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 Project, the performance of the parties of their obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged on the Project, and other matters relating to the Project. The effect of the Project upon the natural environment shall be taken into consideration prior to and during the implementation of the Project, 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 Project acceptable to AID, and it shall train such staff as may be appropriate for the execution of the Project.

Section 4.05. OPERATION AND MAINTENANCE. The Borrower shall operate, maintain and repair the Project 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 Project.

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 Project by Borrower.

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

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 Project as AID may request.

Section 4.12. INSPECTIONS. The authorized representatives of AID shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and Borrower's books, records, and other documents relating to the Project 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, during the implementation period of the Project, such technical assistance as may be necessary to ensure the satisfactory implementation of Project activities, including but not limited to, those set forth in Section 3.01(f).

Article V. SPECIAL COVENANTS

Section 5.01. MAINTENANCE OF SCHOOLS. Borrower covenants, unless AID shall otherwise agree in writing, to strengthen its school maintenance capability through adoption and implementation of an integrated school maintenance program beginning no later than 1977. The scope of this maintenance program shall include, but not be limited to, all schools constructed under this Loan and with prior AID assistance, along with all equipment located at or within such schools, and shall be sufficient to adequately maintain all schools so constructed.

Section 5.02. EXPENDITURES BY BORROWER FOR SCHOOL MAINTENANCE. Borrower covenants, unless AID shall otherwise agree in writing, to budget and expend from funds other than those defined in Sections 1.01 and 4.02 (a), a minimum of the equivalent of \$200,000 in 1976; \$225,000 in 1977; \$250,000 in 1978; and \$275,000 in 1979 for maintenance of the schools and equipment referred to in Section 5.01.

Section 5.03. PLAN FOR PROVISION AND UTILIZATION OF RESOURCES. Borrower covenants to provide and utilize for the Project, financial and other resources compatible with the project implementation plan presented under Section 3.02 (b) of this Agreement.

Section 5.04. REVIEW AND EVALUATION OF THE PROJECT. Borrower covenants that, unless AID shall otherwise agree in writing, within one year from the date of first disbursement under the Loan and annually thereafter during the life of the Project, it will conduct jointly with AID an intensive review and an evaluation of the progress of the Project.

Section 5.05. REPORT ON BILINGUAL EDUCATION PROGRAM. Borrower covenants, unless AID shall otherwise agree in writing, within two years from the date of first disbursement, to submit a report reviewing the effectiveness of the Borrower's bilingual education program (Castellanization Program), including an assessment of possible alternatives for achievement of the objectives of the program.

Section 5.06. PLAN FOR EXPANSION OF THE INTEGRATED TEACHING METHODOLOGY. Borrower covenants, unless AID shall otherwise agree in writing, at the time of the third annual review and evaluation of the Project, to provide AID with its plan for continuing the expansion of the new integrated teaching methodology throughout the rural primary education system after the disbursement period of the Loan.

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 Project 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, not including 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 Project 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 project, 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 REQUIREMENT. 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 Project, 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 and documents related to the solicitation of proposals concerning goods and services financed under the Loan shall be approved by AID in writing prior to their issuance. All plans, specifications, and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements, 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 construction services;
- (iii) contracts for such other services as AID may specify; and
- (iv) contracts for equipment and other commodities.

In the case of any of the above contracts for services, the contractor and designated contractor personnel shall be subject to the written approval of AID and Borrower. Material modifications in any of such contracts and changes in any of such personnel shall also be subject to approval by AID and Borrower in writing prior to their becoming effective.

(e) To insure proper integration of Project plans and operations, employment of: (i) consultants and/or consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as AID may specify, and (ii) construction contractors used by the Borrower for the Project but not financed under the Loan, shall be subject to prior consultation and mutual approval between AID and the Borrower.

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 NATIONALS 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 will be set forth 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 Central America 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 a 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 Project. 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 replacements 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 Project 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 Project.

Section 6.12. INFORMATION AND MARKING. Borrower shall give publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress, identify the Project 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 or banks 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 Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier 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 Project 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 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 DISBURSEMENTS. 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 June 30, 1979 and no disbursement shall be made against documentation received by AID or any bank described in Section 7.01 after December 31, 1979. AID, at its option, may at any time or times after June 30, 1979 reduce the Loan by all or any part thereof for which commitment 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 Project 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 then 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 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 Project 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's 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 Project 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 Project hereunder, to the extent justified. The remainder of any such refunds 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.

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: USAID/Mission to Guatemala
c/o U.S. Embassy
Guatemala City, Guatemala, C.A.

Cable Address: USAID
AMEMBASSY
Guatemala, C.A.

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: 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 representative's 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 AGREEMENTS. 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, 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 Finanzas¹

[Signed — Signé]

Lic. GUILLERMO PUTZEYS ALVAREZ

Ministro de Educación²

[Signed — Signé]

Ing. JAIME CÁCERES KNOX

Vice-Ministro de Comunicaciones
y Obras Públicas³

The United States of America

[Signed — Signé]

FRANCIS E. MELOY, Jr.

Ambassador

[Signed — Signé]

EDWARD W. COY

Director
USAID Mission to Guatemala

¹ Minister of Finance.

² Minister of Education.

³ Deputy Minister of Communications and Public Works.

ANNEX I

THE PROJECT

The Project consists of a coordinated program to introduce basic reforms in the rural primary education system which will provide rural Guatemalans with a more relevant and efficient primary education. This program will stress the use of the new integrated, problem-solving approach to learning which is designed to equip students with the basic knowledge, skills and attitudes necessary to improve their lives. As such the program represents an expansion within the rural primary education system of an innovative teaching methodology developed by the Ministry of Education through the office of the Programa de Extensión y Mejoramiento de la Educación Primaria (PEMEP).

The objective of this Project is to implement the expansion of this new teaching methodology in primary schools located in two priority development regions:

- (1) the Western Highland Region — which includes the Departments of Huehuetenango, El Quiché, Totonicapán, Sololá, Chimaltenango, Sacatepequez and the mountainous portions of San Marcos and Quezaltenango; and
- (2) the Eastern Region — which includes the Departments of Jutiapa, Jalapa, Santa Rosa, Chiquimula and Zacapa.

The coordinated program to introduce the new teaching methodology in the above priority regions will include the following activities:

- (1) large scale in-service training program for supervisors, directors, teachers and other technicians;
- (2) expansion of school facilities and the construction of new schools where considered essential;
- (3) procurement of teaching equipment, materials and textbooks necessary to support the new teaching methodology; and
- (4) development of a Research and Evaluation Unit responsible for on-going curriculum reform and various studies to improve the quality and relevance of the primary education process.

Of the total Project cost, \$7,000,000 will be financed with funds from the Loan. The Government of Guatemala will contribute a minimum of Q4,000,000 in new budgetary resources for the Project. In addition, it is estimated that Q1,700,000 in costs normally appearing within the Government's budget (principally the salaries of teachers and promotores who will receive in-service training) can be attributed to the Project. The following table is a summary of the estimated Project financing contribution:

*Summary of Project Financing Requirements
(in thousands)*

	<i>AID</i>	<i>Government of Guatemala</i>	
		<i>New Budgetary Allocations</i>	<i>Recurring Costs*</i>
<i>I. Qualitative Components</i>			
Training of Personnel	\$ 640	Q1,450	Q 195
Salaries new teachers/promotores	—	—	1,100
Textbooks	560	760	—
School Equipment	900	—	—
Teaching Materials and Supplies	330	20	—
Vehicles	50	315	—
Research/Development/Evaluation	290	55	55
SUB-TOTAL	<u>\$2,770</u>	<u>Q2,600</u>	<u>Q1,350</u>
<i>II. Quantitative Components</i>			
Expansion and Construction of Regional Schools . . .	2,810	700	—
Expansion and Construction of Satellite Schools . . .	900	300	—
Expansion of Rural Normal Schools	200	50	—
Project Administration	—	—	350
Construction Contingency	320	100	—
School Maintenance	—	250	—
SUB-TOTAL	<u>4,230</u>	<u>1,400</u>	<u>350</u>
TOTAL PROJECT COST:	<u>\$7,000</u>	<u>Q4,000</u>	<u>Q1,700</u>

* These figures represent the value of services furnished to the Project by the employees of the Government of Guatemala. [This footnote appears only in the authentic Spanish text and has been added here by the Secretariat — Cette note de bas de page ne figure que dans le texte authentique espagnol et a été ajouté ici par le Secrétariat.]