Loan Agreement

(Second Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (CAT DDO))

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF GUATEMALA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower's maintenance of an adequate macroeconomic policy framework.

WHEREAS, the Borrower has informed the Bank that: (i) Decree No. 10-2020 of the Republic of Guatemala's Congress authorized the signing, between the Borrower and the Bank, of the Second Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option, and stated that this instrument will support the State's General Budget of Income and Expenditures as soon as there is evidence of a state of emergency in the Borrower's territory related to a natural disaster or public health emergency; and (ii) the legal framework that regulates the instances where a state of emergency can be declared do not exclude public health emergencies and, in this context, the epidemics or pandemics that lead to said declaration of a state of emergency could also be eligible to meet the requirements of the withdrawal condition set forth in Section II.D.1 of Schedule 1 to this Agreement.

The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of two hundred million United States Dollars ($200,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").

2.02. The Front-end Fee is one half of one percent (0.50%) of the Loan amount.

2.03. If, at the Borrower's request and on such terms and conditions as the Bank may agree, the Closing Date is extended, the fee payable by the Borrower for each extension of the Closing Date shall be one quarter of one percent (0.25%) of the Loan amount available for withdrawal upon such extension. If the Borrower elects to capitalize the fee, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself such amounts required to pay such fee. If the Borrower elects to pay the fee from its own resources, the Borrower shall pay such fee not later than sixty days after the date of the notice given by the Bank to the Borrower confirming the extension of the Closing Date.
2.04. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. (a) Except as otherwise provided in paragraph (b) of this Section, the principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

(b) The Borrower may at the time of requesting a Withdrawal also request repayment provisions different from those set out in Schedule 2 to this Agreement for such Withdrawal, provided that: (i) the average maturity of such Withdrawal does not exceed twenty (20) years from the Withdrawal Date and the final maturity of such Withdrawal does not exceed thirty five (35) years from the Withdrawal Date (or such other average maturity and/or final maturity as may be generally applicable to loans made by the Bank to the Borrower at the time of such agreement); and (ii) such repayment provisions have been agreed between the Borrower and the Bank prior to the Withdrawal Date of such Withdrawal.

2.07. At any time prior to the Closing Date, the Borrower may, by notice to the Bank, refund any amount of the Withdrawn Balance for the purpose of re-crediting such amount to the Loan Account for further withdrawals. Upon such refund, the repayment schedule shall be adjusted on a pro rata basis, on terms and conditions acceptable to the Bank.

2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program; and

(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

3.02. All withdrawals from the Loan Account shall be deposited by the Bank into the account designated by the Borrower and acceptable to the Bank. Without limitation to the provisions of Section 2.03 (b) of the General Conditions after the disbursed amount is accounted in the Borrower’s budget management system the proceeds of the Loan may be used to finance Eligible Expenditures by the Borrower, except for Excluded Expenditures as stipulated in said Section 2.04 of the General Conditions.
ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower’s macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Public Finance.

6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower’s address is:

Ministerio de Finanzas Públicas
8a Avenida 20-59, Zona 1
Guatemala,
República de Guatemala, C.A.

(b) the Borrower’s Electronic Address is:

Facsimile:
(502) 2374-2690

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

Telex: Facsimile:
248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED as of the Signature Date.

REPUBLIC OF GUATEMALA

By

[Signature]

Authorized Representative

Name: ÁLVARO GONZÁLEZ RICCI
Title: MINISTER OF FINANCE
Date: APRIL 14, 2020

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: FERNANDO PARDO
Title: SR. OPERATIONS OFFICER
Date: APRIL 14, 2020
Section I.  Actions under the Program

The actions taken by the Borrower under the Program include the following:

A.  Strengthening the Borrower’s legal and institutional framework for Disaster Risk Management (DRM) and Climate Change Adaptation (CCA).

1.  The Borrower, through its Executive Branch, has submitted to its Congress, for approval thereof, a bill of law to: (a) strengthen the legal DRM framework; (b) establish a national system for DRM; and (c) define procedures and instruments to enhance risk knowledge and reduction, disaster preparedness and response, and resilient recovery, as evidenced by the Bill of Law No. 5543 dated January 18, 2019.

2.  To strengthen risk management and resilience for volcanic hazards, the Borrower has adopted a DRM roadmap including contingency plans and information dissemination activities, as evidenced by: (a) the Resolution CN-14-11-11.2-2018, dated December 12, 2018, of the Borrower’s National Council for Disaster Risk Reduction; and (b) the adopted roadmap dated December 10, 2018.

3.  To strengthen the DRM’s institutional framework in the environmental sector, the Borrower has created the Department of Integral Environmental Risk Management within its Ministry of Environment and Natural Resources (MARN), as evidenced by the Borrower’s Ministerial Accord (Acuerdo Ministerial) No. 339-2018, dated September 21, 2018.

B.  Incorporating Disaster Risk into the Management of Public Finances for Fiscal Resilience.

1.  To promote diversification of disaster-related financial instruments and enhance capacity to respond to disasters, the MINFIN has approved and published a Disaster Risk Financing Strategy dated April 2018, as evidenced by: (a) Ministerial Accord (Acuerdo Ministerial) No. 206-2018, dated April 18, 2018; and (b) publication of said strategy on MINFIN’s website.

2.  To strengthen the management of fiscal risks and enhance transparency of public spending, the Borrower has created the position of Fiscal Transparency and Procurement Vice-Minister within MINFIN and clarified the functions and responsibilities of MINFIN; and approved an integrated analysis of fiscal risks, as evidenced by: (a) Governmental Accord (Acuerdo Gubernativo) No.25-2018, dated February 12, 2018 and published in the Official Gazette on February 14, 2018; (b) Governmental Accord (Acuerdo Gubernativo) No. 112-2018, dated June 27, 2018 and published in the Official Gazette on June 28, 2018; and (c) fiscal risk section (Separata de Riesgos Fiscales) of the Borrower’s Budget Law for the Fiscal Year 2019 and such law dated November 27, 2018 and published in the Official Gazette on December 27, 2018.
3. To enhance the efficiency of public spending, planning and budget allocation processes related to DRM and CCA activities, the Borrower has clarified the responsibilities of the thematic budget classifiers’ governing bodies and updated the scope of said instruments throughout its budget cycle, as evidenced by: (a) Article 18 of the Borrower’s Budget Law for the Fiscal Year 2019 dated November 27, 2018 and published in the Official Gazette on December 27, 2018; and (b) Ministerial Accord (Acuerdo Ministerial) No.379 dated December 29, 2017 and published in the Official Gazette on January 4, 2018.

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>199,000,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>1,000,000</td>
</tr>
<tr>
<td>(3) Fee payable pursuant to Section 2.03 of this Agreement</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>200,000,000</td>
</tr>
</tbody>
</table>

C. Payment of Fee Pursuant to Section 2.03 of Agreement. If the Closing Date is extended pursuant to Section 2.03 of this Agreement and the Borrower elects to finance from its own resources the fee set forth in said Section, no withdrawal shall be made from the Loan Account until the Bank has received payment in full of such fee.

D. Withdrawal of Loan Proceeds.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied, based on evidence satisfactory to it, that a state of emergency (estado de calamidad pública) exists in the Borrower’s territory related to a natural catastrophe, including public-health related events caused by epidemics, pandemics, and emerging diseases, which has been declared by the Borrower in accordance with its legislation.

2. Notwithstanding the foregoing, if, at any time prior to the receipt by the Bank of a request for withdrawal of an amount of the Loan, the Bank determines that a review of the Borrower’s progress in carrying out the Program is warranted, the Bank shall give notice to the Borrower to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Loan Balance unless and until the Bank has notified the Borrower of its satisfaction, after an exchange of views as described in paragraphs (a) and
(b) of Section 3.01 of Article III of this Agreement, with the progress achieved by the Borrower in carrying out the Program.

E. **Closing Date.** The Closing Date is March 31, 2023.
SCHEDULE 2

Disbursement-Linked Amortization Repayment Schedule – Annuity Repayment

1. Subject to the provisions of Section 3.03 of the General Conditions, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each March 15 and September 15, the first installment to be payable on the twenty-first (21st) Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the fiftieth (50th) Payment Date following the Maturity Fixing Date for the Disbursed Amount. The following table sets forth the percentage of the Disbursed Amount payable on each Principal Payment Date.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>1.51%</td>
</tr>
<tr>
<td>Second</td>
<td>1.59%</td>
</tr>
<tr>
<td>Third</td>
<td>1.67%</td>
</tr>
<tr>
<td>Fourth</td>
<td>1.75%</td>
</tr>
<tr>
<td>Fifth</td>
<td>1.84%</td>
</tr>
<tr>
<td>Sixth</td>
<td>1.93%</td>
</tr>
<tr>
<td>Seventh</td>
<td>2.02%</td>
</tr>
<tr>
<td>Eighth</td>
<td>2.13%</td>
</tr>
<tr>
<td>Ninth</td>
<td>2.23%</td>
</tr>
<tr>
<td>Tenth</td>
<td>2.34%</td>
</tr>
<tr>
<td>Eleventh</td>
<td>2.46%</td>
</tr>
<tr>
<td>Twelfth</td>
<td>2.58%</td>
</tr>
<tr>
<td>Thirteenth</td>
<td>2.71%</td>
</tr>
<tr>
<td>Fourteenth</td>
<td>2.85%</td>
</tr>
<tr>
<td>Fifteenth</td>
<td>2.99%</td>
</tr>
<tr>
<td>Sixteenth</td>
<td>3.14%</td>
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<td></td>
<td></td>
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<td>----</td>
<td>------------</td>
</tr>
<tr>
<td>17</td>
<td>Seventeenth</td>
</tr>
<tr>
<td>18</td>
<td>Eighteenth</td>
</tr>
<tr>
<td>19</td>
<td>Nineteenth</td>
</tr>
<tr>
<td>20</td>
<td>Twentieth</td>
</tr>
<tr>
<td>21</td>
<td>Twenty-first</td>
</tr>
<tr>
<td>22</td>
<td>Twenty-second</td>
</tr>
<tr>
<td>23</td>
<td>Twenty-third</td>
</tr>
<tr>
<td>24</td>
<td>Twenty-fourth</td>
</tr>
<tr>
<td>25</td>
<td>Twenty-fifth</td>
</tr>
<tr>
<td>26</td>
<td>Twenty-sixth</td>
</tr>
<tr>
<td>27</td>
<td>Twenty-seventh</td>
</tr>
<tr>
<td>28</td>
<td>Twenty-eighth</td>
</tr>
<tr>
<td>29</td>
<td>Twenty-ninth</td>
</tr>
<tr>
<td>30</td>
<td>Thirtieth</td>
</tr>
</tbody>
</table>

2. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.
APPENDIX

Section I. Definitions

1. "Decree No. 10-2020" means the Borrower’s Congress’ Decree No. 10-2020 Published in the Borrower’s official Gazette on April 1, 2020.

2. "General Conditions" means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018, with the modifications set forth in Section II of this Appendix.

3. "MINFIN" means Ministerio de Finanzas Públicas, the Borrower’s Ministry of Public Finance.

4. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated April 8, 2019 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program’s objectives.

5. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

6. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In paragraph 52 of the Appendix, the term “Fixed Spread” is modified to read as follows:

“52. “Fixed Spread” means, for each Withdrawal, the Bank’s fixed spread for the Loan Currency of the Withdrawal in effect at 12:01 a.m. Washington, D.C. time, on the Withdrawal Date, and expressed as a percentage per annum; provided, that: (a) for purposes of determining the Default Interest Rate, pursuant to Section 3.02 (e), that is applicable to an amount of the Withdrawn Loan Balance on which interest is payable at a Fixed Rate, the “Fixed Spread” means the Bank’s fixed spread in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of the Loan Agreement, for the Currency of denomination of such amount; (b) for purposes of a Conversion of the Variable Rate based on a Variable Spread to a Variable Rate based on the Fixed Spread, and for purposes of fixing the Variable Spread pursuant to Section 4.02, “Fixed Spread” means the Bank’s fixed spread for the Loan Currency as reasonably determined by the Bank on the Conversion Date; and (c) upon a Currency Conversion of all or any amount of the
Unwithdrawn Loan Balance, the Fixed Spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines.”

2. In paragraph 101 of the Appendix, the term “Variable Spread” is modified to read as follows:

“94. “Variable Spread” means, for each Withdrawal and each Interest Period: (a) (1) the Bank’s standard lending spread for Loans in effect at 12:01 a.m. Washington, D.C. time, on the Withdrawal Date; (2) minus (or plus) the weighted average margin, for the Interest Period, below (or above) the Reference Rate, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by it to fund loans that carry interest at a rate based on the Variable Spread; as reasonably determined by the Bank and expressed as a percentage per annum; and (b) in case of Conversions, the variable spread, as applicable, as determined by the Bank in accordance with Conversion Guidelines and notified to the Borrower pursuant to Section 4.01(c). In the case of a Loan denominated in more than one Currency, “Variable Spread” applies separately to each of such Currencies.”

3. The following definitions of the terms “Withdrawal” and “Withdrawal Date” are inserted as new paragraphs 102 and 103, respectively, and the remaining definitions and paragraphs (as the case may be) renumbered accordingly:

102. “Withdrawal” means each amount of the Loan withdrawn by the Borrower from the Loan Account pursuant to Section 2.01.

103. “Withdrawal Date” means, for each Withdrawal, the date on which the Bank pays the Withdrawal.”