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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

130p.

UNCLASSIFIED

AID-DLC/P-1060

January 29, 1973

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Guatemala - Property Tax Development II

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$1,250,000 to the Government of Guatemala to assist in financing United States dollar and Central American Common Market local currency costs of up to \$700,000 to carry out the second phase of a program for solidifying the institutional process of cadastral surveying, tax assessment, tax notification and tax collection and extension of the system into the Department of Guatemala.

Please advise us as early as possible but in no event later than close of business on Thursday, February 8, 1973, if you have a basic policy issue arising out of this proposal.

Rachel R. Agee
Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
ANNEXES A-E

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GUATEMALA - PROPERTY TAX DEVELOPMENT II

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GUATEMALA - PROPERTY TAX DEVELOPMENT II

PART ONE - SUMMARY AND RECOMMENDATIONS

1. BORROWER: The Republic of Guatemala
Executing Agency: Ministry of Finance,
Fiscal Cadastral Office
2. LOAN: a. Amount: Not to exceed one million two
hundred fifty thousand U. S.
dollars (\$1,250,000).
b. Terms: The loan will be repayable in 40
years, including a grace period
of 10 years, at an interest rate
of two percent (2%) per annum
during the grace period and three
percent (3%) per annum thereafter.
3. BACKGROUND: AID loan 520-L-014 for property
tax development was authorized
on June 9, 1967 and the loan agree-
ment was signed on July 10, 1967.
The amount of the loan was \$2,200,000.
The terminal date for requests for
disbursements under the loan is
December 31, 1972. The project
consisted of (1) tax mapping and
appraisal for approximately 12,000
square kilometers in southern Gua-
temala and certain urban centers
and (2) improvement of real property
tax assessment and collection pro-
cedures. The project has been
successfully implemented to date
within its limited scope.

4. DESCRIPTION OF
THE PROJECT:

The proposed project is a necessary follow-up of the project undertaken pursuant to Loan 520-L-014 (Phase I) and consists of:

- (1) Solidifying the institutional process of cadastral surveying, tax assessment, tax notification and tax collection.
- (2) Extension of the system into the Department of Guatemala and certain areas of South coast Departments not covered by Phase I.

5. PURPOSE:

The first phase of the project under Loan 520-L-014 has obtained excellent results within its limited scope, but the progress made would be largely lost in the absence of the second phase to be covered by this loan. The first phase provided for cadastral records of taxable properties based upon cartographic feasibility and not according to fiscal requirements. It covered a swath of the more prosperous southern section of the country without regard to political divisions. Thus, it did not provide cadastral records for all properties in any one Department (the political subdivision for taxing units). The new loan would correct this deficiency by photo-mapping an additional 8,000 square kilometers and completing the records of each Department in the project area, which would thereby permit institution of the needed reforms. The new project will also extend the system into the Department of Guatemala, the area of the country with the potentially highest property tax returns. With the

completion of both phases, the new record system will cover up to 90% of the property tax base of the country as compared to the 20% covered by the first phase.

The project will also carry forward the process of replacing the previous inefficient property listing procedure and thus fill the void that exists for lack of control over property tax administration. Additionally, the new loan will provide for the design and computer programming of tax bills to be used by the tax office. Presently, bills are prepared by hand and only at the request of the property owner.

The replacement of the antiquated property tax administration is essential for Guatemala to obtain the revenues necessary for its development. Property tax collections over the last five years have been approximately \$5 million annually. With the reform of the system as contemplated by this project, the collections should more than double by the end of this decade.

The loan will therefore serve the purpose of increasing the efficiency of tax administration and the Government will realize needed increased tax revenues for the implementation of the National Development Plan.

6. PRIORITY:

The Government of Guatemala has given high priority to this project and is committed to its fulfillment. It has already instituted legislative and administrative reforms for its implementation and has indicated its willingness to take any further measures necessary. A substantial contribution to the project has been made by the Government under Phase I and funds have been budgeted for its completion under Phase II.

7. FINANCIAL PLAN:

The proposed financial plan is as follows:

	<u>GOG</u>	<u>AID</u>		<u>TOTAL</u>
	<u>LC</u>	<u>LC</u>	<u>US\$</u>	
1. Administration	873,504	447,882	---	1,321,386
2. Consultant Cont.	---	40,000	192,496	232,496
3. Mapping Contract	---	40,000	117,722	157,722
4. Supplies	94,785	39,400	---	134,185
5. Equipment	15,000	52,500	20,000	87,500
6. Data Processing Equipment/Services	120,000	---	300,000	420,000
7. Building Addition	72,500	---	---	72,500
8. Guatemala City Cadaster				
a. City Funds	312,678	---	---	312,678
b. Govt. Funds	459,100	---	---	459,100
TOTALS	<u>1,947,567</u>	<u>619,782</u>	<u>630,218</u>	<u>3,197,567</u>

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Amount of Loan: \$1,250,000

Dollar Total: \$630,218

Quetzal Total: Q.2,567,349

Local currency percentage requested of AID: 24%

Total project cost percentage requested of AID: 39%

8. OTHER SOURCES OF FUNDS: The IBRD, IDB and Eximbank have been advised of this proposed loan and have indicated no interest in providing financing for this project.
9. STATUTORY CRITERIA: All statutory criteria, as set forth in Annex B of this paper, have been met.
10. VIEWS OF THE COUNTRY TEAM: The country Team has given high priority to this project and has recommended approval of the loan.
11. LOAN ADMINISTRATION: Usual disbursement and procurement procedures will be followed for this loan. Joint periodic progress reviews will be held covering both the prior loan and this loan to determine if there has been adequate progress in achieving the project goals.
12. CONCLUSION AND RECOMMENDATIONS: The project is technically, economically and financially sound; enjoys a high priority in the AID program in Guatemala; and is appropriate for AID financing. Consequently,

it is recommended that a loan to the Republic of Guatemala for an amount not to exceed one million two hundred fifty thousand dollars (\$1,250,000) be authorized, subject to the following terms and conditions:

- a. The applicable standard conditions precedent and covenants shall be incorporated.
- b. Prior to the first commitment document or any disbursement under the loan, the Borrower shall in form and substance satisfactory to AID:
 - (1) Contract with a U.S. consulting firm to assist and advise the Project Director in coordinating all project activities, including mapping, appraisal and assessment and to certify AID disbursement requests.
 - (2) Issue a Presidential Decree authorizing the Project Director to design and implement necessary technical and administrative reforms and modernization procedures required for the success of the new property tax administration system.
 - (3) Submit a time-phased implementation plan to include each component of the project.
- c. The continuation of the project will be subject to a semi-annual joint review by Borrower and AID to determine if there has been adequate progress in achieving the project goals.

- d. The Borrower will covenant to introduce and to make best efforts to effect such administrative and legislative measures as may be recommended by the joint progress reviews.
- e. The Borrower will covenant to implement the plans and actions proposed and agreed to by Borrower and AID for improved real property tax appraisal, assessment and collection for all regions of the Republic of Guatemala.
- f. The Borrower will covenant to budget funds and provide adequate staff to maintain a systematic property revaluation program, as well as to extend the system to areas of the country not covered by the cadastral project.
- g. The loan shall be subject to such other terms and conditions as AID may deem advisable.

PROJECT COMMITTEE:

Loan Officer: John Shannon
Tax Advisor: John Ramos
Economic Advisor: Gerald Wein

APPROVED BY:

USAID Director: Robert E. Culbertson
USAID Deputy Director: Harlan Harrison

Capital Assistance Paper prepared by: John Shannon
IRR prepared by: Catherine A. Balsis

PART II - PROJECT

SECTION A - NATURE OF THE PROJECT

1. Background

a. Developments

Guatemala has inherited an antiquated land registration system from colonial rule which has not permitted an equitable and efficient method of taxation. As a consequence, the Government has been able to collect only a limited portion of its tax revenue potential. The country has thus been deprived of income needed for its development. In addition, otherwise productive land has remained idle or produced marginal crops because it has not been taxed according to its real value. This situation has also added to the country's lack of achieving a proper degree of development.

Hampered by an inadequate property identification, inventory, appraisal, land registration and tax collection system, the Government in 1967 requested AID to assist it in a major property tax reform.

AID complied with Loan No. 520-L-014, Property Tax Development, which was authorized on June 9, 1967 with the Loan signing taking place on July 10, 1967. The amount of the loan was \$2,200,000 as part of a \$4,200,000 project designed to provide the basis and stimulus for an improved and continuing real property tax system for Guatemala.

The primary objective of the loan was an increase in property tax revenue of the GOG through modernization of the tax base (property identification and appraisal) and improvement of tax collections through increased public acceptance and more efficient enforcement.

The next most important objective of the project was the development within the Internal Revenue Service of the capability to continue the program after completion of the project. It was contemplated that the property inventory and appraisal portion of the program would be completed in approximately 15 years, with the re-evaluation and re-assessment portion would increase steadily during the 15 years to level off once establishment of re-evaluation cycles covering the entire country was accomplished.

Another objective was the establishment of a modern property identification system to replace the obsolete land registry system and to serve as the basis for a formal legal cadastre.

The Loan Agreement provided for: (1) the mapping and appraisal for property tax collection of a project area which covered approximately 12,000 square kilometers on the south coast and twenty-seven urban centers and (2) improvement of property tax assessment and collection procedures. More specifically, the project was to provide the following: (1) property identification maps; (2) overlays for the maps showing boundaries, property registry, land use and capability, highways and hydrographic characteristics; (3) survey comments for subsequent legal cadastre work in the Government; (4) adequate appraisals; (5) established assessment procedures and standards; and (6) improved collection procedures.

Project funds were apportioned between two GOG agencies: The National Geographic Institute (IGN) of the Ministry of Communications and Public Works, and the Internal Revenue Service, a department of the Ministry of Finance. The activities of these two agencies were to be coordinated and supervised by a Project Administrator and assisted by a consulting group. For this purpose a technical services contract was signed with the J. L. Jacobs Co., Inc.* An organization chart illustrating the relationships of these different offices within the Project follows in Annex D, Exhibit 1.

At the original Project termination date (March 16, 1972) an estimated 140,000 properties had been mapped and recorded for use in the valuation and implementation stages. This work represented approximately 95% of the Project's goal utilizing all but \$370,000 of Loan funds. In order to complete the planned work the GOG requested and AID approved an extension of the terminal date for requests for disbursements and of the J. L. Jacobs' consultant contract through December 1972.

The project area covered the more prosperous Pacific coastal plain and lower mountainous region. The 12,000 square kilometers of land selected were based upon cartographic considerations with regard given to the relative ease involved with photorectification of aerial maps in lowland areas as opposed to the difficulties in mountainous terrain. Little or no consideration was given to the fact that property tax records and assessment records are maintained by taxing units which included an entire Department, the highest political subdivision of the country.

The name of the firm has since been changed to the Jacobs Co., Inc.

A major problem was created because without the cadastral records for an entire Department, the records must be tax implemented on a property by property substitution basis in order to register them into the obsolete tax list called the "Matricula". The tax office, using manual methods, has encountered serious difficulties in registering the vast amount of new records that have been furnished to it by the cadastral project. Because of this situation, it has not been possible for any one of the Departments to institute an over-all reform.

b. Evaluation of Prior Assistance

The first property tax development loan has been successfully implemented within its limited scope. Accomplishments as of November 30, 1972 include:

- (1) The mapping of over 12,202 square kilometers in the project area (excluding urban centers mapped outside of the project area);
- (2) The completion of property identification and appraisals in 69 urban centers (42 more than originally planned);
- (3) The mapping and recording of 145,719 cadastral properties;
- (4) The completion of mapping and valuation of 137,944 cadastral property records for commencement of the implementation process, of which an estimated 21,003 new valuation notifications have been mailed to property owners;
- (5) Inscription of 9,428 cadastral records into the matricula, broken down as follows: 4,036 from Fiscal Cadastral Office and 5,392 from the City of Guatemala.

- (6) Publication of an appraisal manual which is for country-wide use.
- (7) Tax collections based upon the new cadastral records are being processed; meaningful data will not be available until June 30, 1973.

In addition to the above, the project included: the preparation of systems and procedures (principally computer methods) for the immediate tax use and future maintenance of the property tax administration records; the installation of a microfilm system to preserve the alphabetical index of the existing tax list (matricula); the design of a property record card; the establishment of a property identification coding system; the design of a system for reconciling the cadastral property records to the matricula; and the preparation of a Project Organizational Manual and a Manual of Instructions for cadastral employees in the Internal Revenue Office.

Effective implementation for property tax collection purposes of the appraisals made to date are constrained by inefficient administrative processes used in records inscription and tax collection procedures. Property taxes are presently assessed on the total value of a matricula. Under actual procedures, and legal requirements, a revaluation of a property in the field must be attributable to a specific property on the tax roll; unfortunately, property identification characteristics in the tax rolls are not sufficient to readily identify the parcel revalued in the field from other parcels in the same Department which were not revalued, but which appear under a given taxpayer's matricula. The result of this basic programming error under the first project was and is a time-consuming reconciliation process between field (project)-generated data and existing property tax rolls and a corresponding delay in converting appraisal results into property tax revenues.

As of November 30, 1972, of the 145,719 properties appraised under the first project, only 21,003, or 14.4 per cent have been able to be reconciled with the existing property tax rolls.

Statistically, as of November 30, 1972 illustrative project results can be broken down as follows:

(1) <u>Disbursements</u>	TOTAL	AID	GOG
Budgeted	4,635,157	2,199,998	2,435,159
Disbursed	<u>4,338,027</u>	<u>2,097,726</u>	<u>2,240,301</u>
Balance	297,130	102,272	194,858
(2) <u>Photomaps</u>			
Programmed	644		
Completed	<u>642</u>		
Under:	2	0.32%	
(3) <u>Appraisals</u> (Number of Properties)			
<u>Urban</u>			
Programmed	96,000		
Completed	<u>99,676</u>		
Over	<u>3,676</u>	3.83%	
<u>Rural</u>			
Programmed	32,000		
Completed	<u>46,043</u>		
Over	<u>14,043</u>	43.90%	
Total appraisals:		145,719	

The appraisal manual was completed during the first year of operations after beginning of the project and is the basic tool for determining and assigning realistic values to rural and urban properties in the project area. One of the most significant means for evaluating the effectiveness of the factors contained in an appraisal manual is in the number of taxpayers who contest the re-appraisals of their properties.

Of the 21,003 landowners notified, only 650 taxpayers, or 3.1% have requested reviews. It could be argued that a low indicator of taxpayer request for review, or appeal, is due to minimal increases to original values. However, in the case of this project, the average increase to property is approximately 85%.

The Government has adopted a number of administrative reform measures specifically to facilitate the project progress. These include:

- (1) Presidential Decree of December 28, 1968, authorized the notification of project generated appraisals by:
 - a. Certified mail
 - b. Publication in the official newspaper.

Note: Before, only personal notification was considered legal.

- (2) Congressional Decree No. 84-70 of November 11, 1970, changed the existing law
 - From: Only owners and users were subject to the real property tax and only on the land area inscribed in the public registry.
 - To: Owners, users and possessors are liable for the tax and on the land area as physically encountered in the field by the cadastral survey.

- (3) Presidential Decree of July 25, 1972, indicated that the cadastral records generated by the city, under agreement between the Government and the municipality dated August 6, 1971, can be used by the Internal Revenue Service and inscribed in the matricula without going through an additional notification or appeal process.
- (4) Presidential Decree of October 8, 1972, stated that the valuations, maps and cadastral records of the project will be the legal base for:
 - a) Assessment of real property taxes;
 - b) Collection of property taxes;
 - c) Records control.
- (5) Administrative change based on existing laws: Design of system to inscribe the project generated records into the tax rolls and the tax control cards and to control and process the appeals generated by the use of the new cadastral values.

c. Required Follow-Up

It is estimated that between September and December 1972, up to 90,000 cadastral property records could be prepared for the mailing of notifications to property owners. However only approximately 30,000 notifications will be mailed (500 per day) in addition to the 6,600 sent before September 1. The reason for the slower pace at which notifications are sent and collections are made, as compared to the technical preparation of records, is twofold. First, after

the computerization of notifications a decision must be made by the Ministry of Finance as to how quickly new valuation notifications should be mailed to property owners. The decision to date has been to stretch this mailing procedure over a period of time to avoid provoking massive taxpayer resistance.

Secondly, the usefulness of notifications, once issued, is still constrained by the old inefficient administrative process used in record inscription and tax collection. As outlined previously the mapping and valuation portion of the cadastral project has prepared approximately 140,000 new property records; however, no group of these records covers the total properties in any one Department. Without the cadastral records for an entire Department, the records must be inscribed and administered for tax collection purposes on a property by property substitution basis in order to enter them in the obsolete tax list, a time consuming and inefficient process. The best solution to this problem is to complete the mapping of the missing areas in the South Coast Departments, and then substitute the new cadaster listing in its entirety for the Department's obsolete matricula record. This substitution is contemplated in the second phase of the project. Additionally, billing and collection can then be administered on a Department basis, again a time-saving and more efficient process.

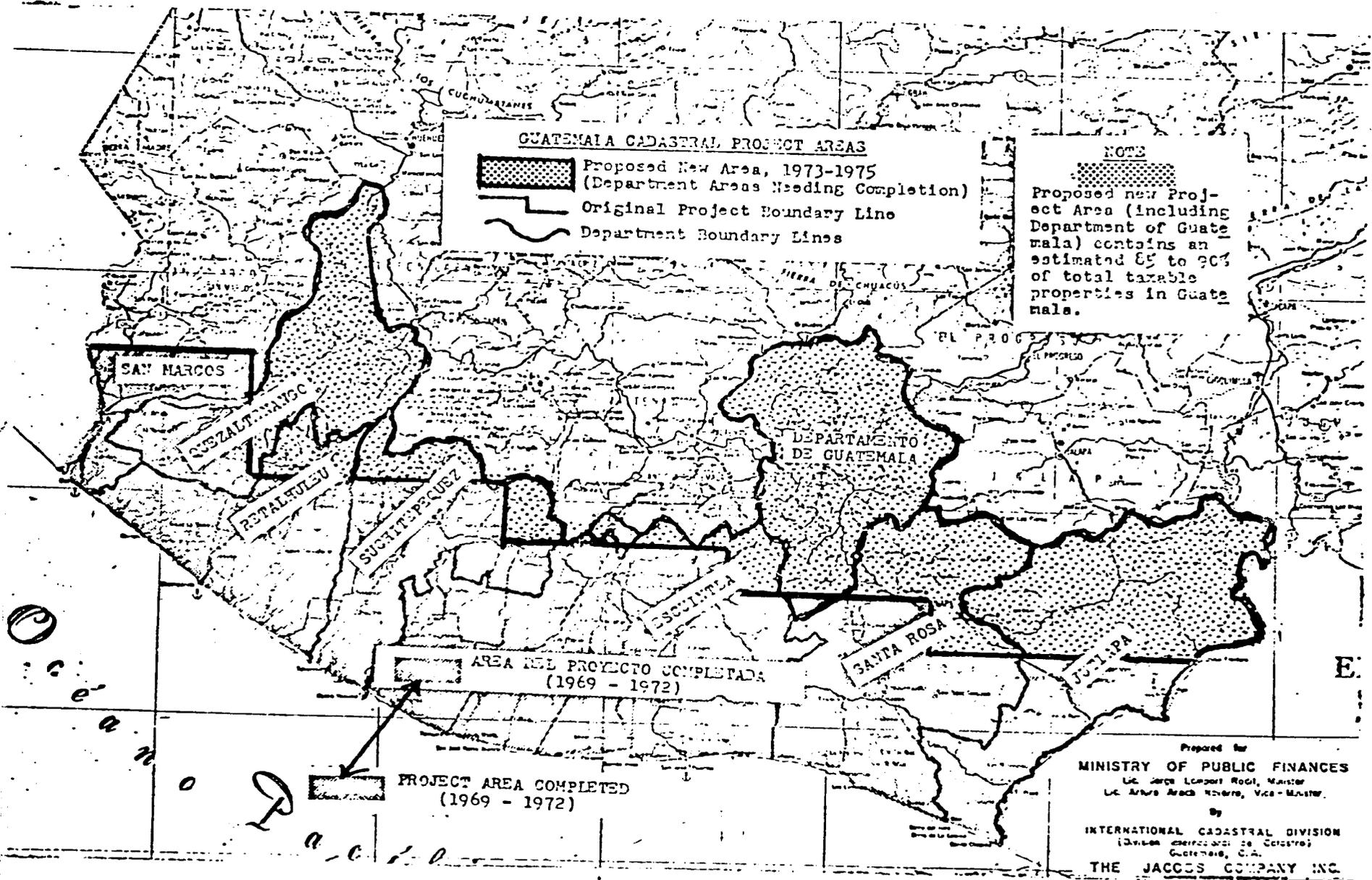
Recognizing the importance of the administrative problem described above, additional funds will be needed to complete the valuation and mapping activities in the South Coast Departments. On August 17, 1972, the Ministry of Finance officially requested a second 3-year Property Tax Development Loan to complete the original project Departments as well as to map and assess the taxable properties of the Department of Guatemala. This Department represents an estimated 63% of the taxable real estate value of the entire country.

2. Project Description

The proposed loan, an adjunct to AID Loan 520-L-014, will assist in financing for three additional years a tax mapping, appraisal, assessment and improved property tax collections procedures which will encompass those areas of a political taxing unit (Department) which were omitted under the first loan, as well as the Department of Guatemala totally excluded under the first project.

Major project activities will include:

- a. Completion of property mapping and evaluation of the South Coast Departmental areas not included in the original project plan (see accompanying map, page 18);
- b. Initiation and completion of property mapping and valuation of all properties within the Department of Guatemala (see accompanying map);
- c. Completion of the implementation and administrative stages for the cadaster records that were developed under the original project through notifications and inscriptions, and as political units are completed, through billing. It is expected that the billing procedure will be initiated in Escuintla, the wealthiest south coast Department, by mid-year 1973.
- d. As Departmental areas are completed, substitution of a total cadaster records system in place of the outdated matricula presently in use by the Internal Revenue Service;



GUATEMALA CADASTRAL PROJECT AREAS

-  Proposed New Area, 1973-1975
(Department Areas Needing Completion)
-  Original Project Boundary Line
-  Department Boundary Lines

NOTE

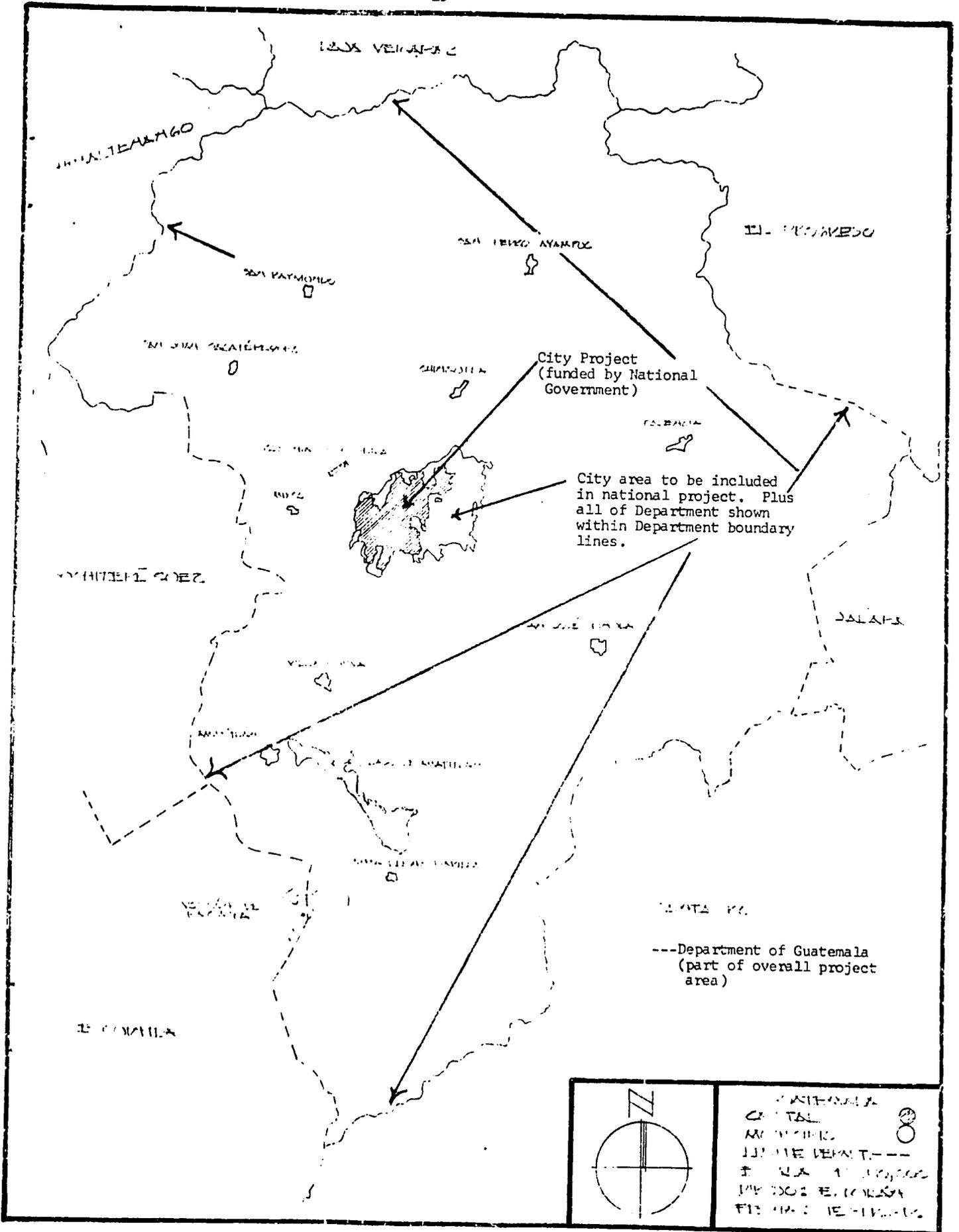
Proposed new Project Area (including Department of Guatemala) contains an estimated 85 to 90% of total taxable properties in Guatemala.

**RECOMMENDED NEW AREAS FOR PROJECT EXTENSION
(1973 - 1975)**

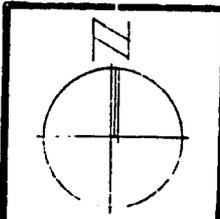
Prepared for
MINISTRY OF PUBLIC FINANCES
 Lic. Jorge Longart Rogel, Minister
 Lic. Arturo Arach Rivera, Vice-Minister

By
INTERNATIONAL CADASTRAL DIVISION
 (Division de Catastro de Guatemala)
 Guatemala, G.A.

THE JACOBS COMPANY INC.



---Department of Guatemala
(part of overall project
area)



CAPITAL
 MUNICIPAL
 DEPARTMENT
 NATIONAL PROJECT
 PROJECT AREA
 PROJECT AREA

- e. Installation of a computerized property tax system in the Data Processing Department of the Ministry of Finance, including the functions of calculating property assessments, filing records on tape, preparing tax bills and recording collections and delinquency accounts;
- f. Through its consultant contract, provision of a supervisory training course and personnel study to be conducted in the Internal Revenue Service;
- g. A special study to determine the need, if any, for legislative reform as the new cadastral record system is applied to the Departments; and
- h. The furnishing of cadastral record listings and property maps to various local municipal governments having the authority to levy local property taxes, as well as advice and assistance to local municipal governments in property tax administration. This advice and assistance shall be furnished through coordination with the National Institute of Municipal Development (INFOM).

The new project will encompass approximately 8,000 additional square kilometers containing an estimated 230,000 properties. As a result, Phase I and Phase II together will account for 90 percent of the property tax base of the country as shown in the following table:

<u>Area</u>	<u>Sq.Kms.</u>	<u>Est.No.of Properties</u>	<u>Est.% of Tax Value</u>
Coastal Plain and Urban Centers, Phase I	12,000	150,000	20
New Project Area Phase II	8,000	230,000*	70
Balance of Republic	88,000	---	10

*Includes an estimated 80,000 properties being appraised by the City of Guatemala.

The accompanying map identifies the project area of Phase I and shows the new area included in Phase II, comprised of the remainder of the Department areas not covered by Phase I and the Department of Guatemala.

On August 6, 1971 the national Government made an agreement with the City of Guatemala to assist it in financing a cadastral project for the city. Property mapping and appraisal work within the City is being undertaken jointly by the Municipality and the Ministry of Finance.* As of November 30, 1972, the Department of Guatemala was valued at \$856.3 million (taxable value only) as compared with \$1,356.8 million for the entire country or 63.1 percent. (See Annex D, Exhibit 2). The national Government is contributing \$459,300 to the Municipality of Guatemala for its work in the City and will utilize the appraisal information gathered by the Municipality for governmental property tax purposes. The national Government contribution represents 59.5 percent of the total Municipality project costs (\$771,972). This sharing of costs and information will eliminate the necessity of two appraisals of the same properties and accelerate the completion of the fiscal cadaster work and the receipts of future property taxes from the metropolitan area. As of November 30, 1972, 5,392 properties appraised by the Municipal government have been inscribed in the national Government's property tax rolls and have produced an increase in the tax base of \$34.2 million with a corresponding tax increase of \$173,529. (See Annex D, Exhibit 3).

* See accord between the national Government and the Municipality of Guatemala, Annex D, Exhibit 4.

The Fiscal Cadastral Office has been designated as coordinator between the Municipality and the Ministry of Finance regarding the suitability of the Municipality's appraisal information for the national Government's property tax purposes; this includes the identification of taxpayers under the tax office's numbering system as well as quality controls of the product and the appeal procedures.

The Fiscal Cadastral Office, employing aerial photography material to be produced by the National Geographic Institute (IGN), or by contract with an experienced aerial photomapping company, and utilizing the appraisal standards and techniques developed under the first loan with assistance of the U.S. consulting firm, will appraise the properties in the new project area, will notify taxpayers of the new appraisal values, undertake the initial appeal considerations and will furnish the appraisal information to the Internal Revenue Office for the purposes of inscribing the new values on the tax rolls and assessing and collecting taxes thereon. The Fiscal Cadastral Office and the Internal Revenue Office will develop, with the assistance of the U.S. consulting firm, a total property tax records system, including administrative measures related to appraisal notifications, appeals, tax roll inscription, billings and collections procedures, as well as a complete property tax records updating and maintenance program.

To the extent feasible, the property tax records, billings, collections and notice of delinquencies will be computerized, utilizing the Ministry of Finance's Automatic Data Processing Department.

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In carrying out the work, a detailed inventory will be made in the field of all property located within each of the Departments within the project area. All land will be appraised for within each of the political subdivisions and individual parcels will be measured and recorded whether presently taxable or not. By these methods a complete roster that will include all properties within a political subdivision, i.e. cities, towns, etc., can then be installed in the tax office. The entire field area is covered, boundary lines will be recorded on aerial photos and plan map sheets. All structures are then measured, sketched and described on property record cards.

In addition to the property's boundaries and improvements, details as to crops and soil classifications will also be noted on agricultural properties. The property record tape with the information will then be used as the basis for the revaluation of the property. Under the new techniques of the project, no taxable property within the project area can escape recording, valuation and tax billing.

When all information as to ownership, physical details of the property and the property value has been established, such information will be transferred to a tape record and will serve as the basic record system for the installation of a modern property tax administration system to replace the present obsolete and unworkable system now in use. The property record tape's first use will be to notify the property owner of the change in value (a legal requirement) of his property. The tape record will then be used to calculate the amount of the owner's tax bill and print the tax bill on a project designed form.

A further use of the property tape record will be designed to establish an efficient control of tax payments, delinquent accounts, fines, and tax payment enforcement procedures. In order to accomplish the described project work, systems (both manual and computer) will be designed for installation in the tax office.

With the inclusion of the City of Guatemala in the Phase II project area, the present Property Tax Appraisal Manual, will be augmented to include the specific types of properties found in the new area. This will demand a market value analysis to be made both of land sales and construction costs.

For reasons previously mentioned, this project will emphasize the total substitution of a Department's property tax roll as opposed to the uneconomic and time consuming process of a property by property substitution method that has had to be implemented in an effort to utilize Phase I cadastral property records. In order to carry out this new program, specialized systems will be developed to make the transition orderly. Microfilming systems will be installed for the duplication of the only available existing property records and the present tax control records. The microfilm system is an efficient and rapid system for future reference purposes as opposed to the present inability to retrieve and handle the old records. In addition to new systems and administrative procedures, new forms will be designed for use in property tax administration.

Highest priority will be given to starting and completing the Department of Guatemala in all taxing functions under the new loan.

A work plan and schedule further detailing the various project operations will be prepared and submitted to both USAID and the Government of Guatemala for approval. Attached as Annex D, Exhibit 5 is a preliminary work plan. Exhibit 6 of Annex D contains a pictorial presentation of the operations being performed.

3. Strategy

a. Goal and Purpose

goal

The sector goal is for the central Government to play a more dynamic role in the development process through implementing the National Development Plan. In order to achieve this goal the Government must obtain increased income from the various revenue sources. Among these, this project is aimed primarily at increased revenue from property taxes.

The reviews of Guatemala's development effort which have taken place over the past few years within AID, other lending agencies, and CIAP, have generally concluded that the two fundamental constraints -- notwithstanding the merits of the National Development Plan or recent national budget trends -- have been the lack of projects ready for implementation, and the lack of sufficient national funds to provide a satisfactory counterpart effort throughout the implementation term and for continued utilization thereafter.

purpose

In response to the first, project preparation, AID has provided two loans totalling \$4 million to finance feasibility studies and surveys. In response to the second need, internal funds, AID has supported for several years a technical assistance (IRS) program in tax administration; provided loan financing in 1965 for a modernization of the customs service; and provided in 1967 the first Property Tax Development Loan, intended to establish the bases for the application and enforcement of the property tax. This second loan will build on the work begun under the first, with a target area to be expanded from about 20% of the property tax base of the country to about 90%.

The replacement of the antiquated property tax records system is essential for Guatemala to obtain the revenues necessary for its development. Property tax collections over the last five years have been between \$4.6 and \$5.2 million, or an average of approximately \$5 million annually. (See Section II-B-3, Economic Justification, Table I). Collections have been low due to the inefficient tax system. With the reform of the system as contemplated by this project, the collections should more than double within the next seven years, even without a change in rates, based solely upon the cadastral project.

Although not of principal concern, there are collateral gains to be derived from the project. One of these is a contribution to improved land utilization. Because taxes on property are often not levied or are extremely low, much land remains idle or under-utilized that could otherwise be profitably productive. Many absentee landlords do not have either the interest or means to properly exploit their land holdings and have no incentive to take action for utilizing the land as long as the taxes are inconsequential. A reasonable land tax will help to reduce speculation in idle land and make greater quantities available to producers. It will also encourage shifting production from marginal crops to high-yield crops and the introduction of improved agricultural practices. Greater technical efficiency should result. Ultimately, increased production would be a factor in national development.

Another possible benefit is in the field of public administration. Instituting a modern,

efficient and business-like operation should be a major stimulus to improvement in other government operations. The loan project could serve as an example for other offices throughout the country in instituting improved management techniques and administrative procedures utilizing both manual and automatic data processing methods.

Cadastral surveys have multi-purpose uses in addition to their application to property appraisals for use in tax administration. In the instant case, the extended uses of the photomaps produced by IGN for Phase I of this project are known to include the following:

KNOWN USES OF PHOTOMAPS PRODUCED BY IGN
FOR PHASE I

1. Ministry of Agriculture: Rural development and planning
2. Ministry of Communications and Public Works: New highways planning
Proposed new airport at Escuintla
Pacific Coast Seaport Studies
3. Municipal Uses: Urban and rural planning
4. Private Industry: Industry Planning Subdivisions
5. Other GOG Uses: IDB Financed Xayá-Pixcayá Water Supply Project: Expropriation valuations, Water Supply routes; Maps used in Guatemalan Geographic Atlas recently produced in conjunction with SIECA and AID.

It is certain that the cadastral survey will continue to be utilized for the above and other purposes, thus multiplying the effect of the cost-benefit ratio of the project.

b. Requisites to Achieve Objectives

1. Tax Administration Reform

As part of the overall effort of the GOG to increase its resources from internal revenues, Decree 106-71 enacted in December 1971 by the Congress of Guatemala, authorized a complete administrative reorganization of the Ministry of Finance. Effective April 15, 1972, three separate tax collecting agencies were consolidated into a single Internal Revenue Service. This Service, unlike the previous agencies, is organized by functional activity rather than by type of tax, thus eliminating many of the traditional administrative practices which caused duplication of effort and costs and created inherent barriers in their systems for taxpayer compliance. An administrative reform measure of the Internal Revenue Service which will directly influence this project was the installation of a centralized cashiering function which has permitted much greater efficiency in tax payment operations. The accounting of receipts are now computer controlled and posting operations have been substantially speeded. Sustained efforts have been made to enforce the collection of delinquent property taxes. Operational manuals have been developed, and for the first time in Guatemala collectors have been hired on a fixed salary basis. Prior to their employment, tax collectors were remunerated on a commission basis. This

practice caused many administrative problems, including the fact that the delinquent account problem was never fundamentally resolved due to the inability to require the commission agents to collect accounts. The property roll section and the property tax current account division have been completely revamped in order to more efficiently carry out their functions.

All of the above represent initial reforms of the government in tax administration. In order to consolidate the work commenced, it will be necessary to continue the project and institute additional reform measures. These are outlined in the project description.

To continue the implementation of project-generated measures until the new system is operational, the Project Director, by Presidential Decree, will be authorized to design and implement technical and administrative reforms and modernization procedures required. The property roll and current account divisions of the Internal Revenue Service will be responsible for carrying out the measures indicated by the Project Director.

2. Institutionalization of the Project

The institution of a modern property tax administration system will be accomplished over an extended period of time. This project is so devised that at its completion the technical base, administrative procedures and organizational structure

will have been developed to the extent that they will be self-sustaining. The project description sets forth in detail the measures to be undertaken to achieve this objective. The Government is aware of the implications of the on-going nature of the project and will take appropriate actions, including the re-incorporation of the Fiscal Cadastral Office into the Internal Revenue Service upon completion of loan financing.

3. Governmental Commitment

The will of the GOG to carry out the objectives of this project is evidenced by its substantial contribution to date and the administrative and legislative measures already adopted. These include:

- a. Legal and administrative reforms approved, as set forth in Section A-1-b, page 14.
- b. 20,000 notifications of new appraisals; inscription of a total of 9,428 cadastral records, including 5,392 within the City of Guatemala.
- c. Improved delinquent property tax collection efforts; \$1.6 million as of August 31, 1972 vs. \$600,000 as of August 31, 1971.
- d. Expenditure of \$2.2 million of its own funds during the life of the project (through November 30, 1972), plus \$282,900 reimbursement during 1971 and

1972 to the Municipality of Guatemala for its cadastral project.

Continued GOG commitment to the project and firm intention to collect taxes to be so generated is evidenced by:

- a. Request to AID for another loan plus counterpart budgeting. See the financial analysis contained herein.
- b. Contracting fourteen collectors on a fixed salary basis (permanent civil-service employees), and acceptance of recommendations for administrative collection efforts made by the U.S. Internal Revenue Service grant-funded tax assistance program.
- c. Need of GOG for revenue to be generated by implementation of project to assist in financing the National Development Plan.

In order to test the Government's intention to carry forward the project objectives, particularly property tax collection, consideration was given to concentrating initial efforts of Phase II on a single Department as a pilot program before commencing work in other Departments. By this means a determination could be made on the basis of an evaluation of the pilot whether the new system will be operational and satisfactory with respect to tax collections. This proposal was deemed to have merit, but found to be not politically nor operationally feasible. It

would be difficult for the Government to segregate one Department for this purpose. Rather, it would have to proceed across the board to avoid massive tax-payer resistance from the segregated Department. Moreover, it would require a major portion of the project time of three years in order to complete the pilot program and gain experience for evaluation before proceeding with the other Departments.

A more feasible means of testing the GOG commitment at a much earlier date would be to review the experience with tax collections under the existing loan. By June 1973 sufficient collections will have been made to make a determination. Thereafter, periodic progress reviews can be held which would permit suspension of loan disbursements in the event the performance requirements or remedial actions have not been taken. Section II-C-4 outlines the review procedures and Section C-3 contains a suggested covenant.

4. Execution of the Project

Administrative functioning and operational procedures have been established under Phase I which have made possible the successful implementation of the project. It is intended that Phase II will continue under the same arrangement with the same personnel. The Borrower's implementing agencies are discussed in Section II-B-1 as well as the technical assistance rendered by the consulting firm. It is

35 } proposed to extend the contract of the consultant, the Jacobs Co., Inc., a subsidiary of Planning Research Association of America. The work to be performed is set forth in the project description and a proposed work plan is included in Annex D, Exhibit 5. The project is technically feasible as described in Section II-B-2.

PART II - PROJECT

SECTION B - PROJECT ANALYSIS

1. Borrower:

The Republic of Guatemala will be the Borrower with responsibility, for execution of the project vested in the Fiscal Cadastral Office of the Ministry of Finance. The Internal Revenue Service will administer the tax administration system.

The Fiscal Cadastral Office was created in 1968 as a condition precedent of the first loan. It is responsible for field investigation of the properties, preparing land value maps, identifying property owners, assigning appraisal values to the land and improvements, notifying taxpayers of the new values, attending initial appeal procedures, and preparing a listing of those properties which can be inscribed in the property rolls to the Internal Revenue Service of Guatemala. The Fiscal Cadastral Office, headed by the Director of the Cadastral Project (Director del Proyecto Catastral), reports directly to the Vice-Minister and Minister of Finance. He is responsible for liaison and collaboration with the Internal Revenue Service for the tax use of the cadastral records by Internal Revenue.

The Government of Guatemala will retain as Project Director the incumbent, Engineer Porfirio García Gallont, who is a Civil Engineer with a Bachelor and Masters Degree in Photogrammetry and who was a deputy-director of the Guatemalan Geographic Institute for 18 years. He is directly responsible for administration and performance of the Fiscal Cadastral Project. Engineer García Gallont is held in high esteem by the Minister of Finance for his technical and administrative capabilities.

The Internal Revenue Service of Guatemala was created in April 1972 as a part of the complete reorganization of the Ministry of Finance, which unified into one

central service three separate tax collecting agencies. It is responsible for inscribing into the tax rolls the results of property appraisals carried out by the Fiscal Cadastral Office and the Municipality of Guatemala with the approval of the Fiscal Cadastral Office and the collection of taxes.

This new Revenue service in Guatemala, organized by functional activity rather than by type of tax, is one of the most significant efforts made by the GOG to reform the administration of its tax statutes in recent years.

The Director General of the Internal Revenue Service is Hilda de Alvarez, a graduate accountant of the University of San Carlos, who has had managerial and operational experience in tax administration. She has worked closely with Project Director of the Fiscal Cadastral Office and has been cooperative in the execution of the project.

37 { The Government of Guatemala will also continue the services of the consultant contractor (The Jacobs Co., Inc.) from Phase I and retain the Chief Consultant, Mr. Edward J. McCampbell, and present experienced staff members. Mr. McCampbell, in addition to his four years experience with Guatemala's property tax systems, has served as Chief Consultant or Special Consultant on a majority of Latin American cadastral projects during the past ten years.

2. Technical Feasibility

The project is considered technically and administratively feasible. The Government has the capability to implement the project and has demonstrated that it has the will to enforce the results. The execution of the project is comprised of the following major technical and administrative components:

a. Photomapping

The Guatemalan National Geographic Institute (IGN), an agency of the Ministry of Communications and Public Works, under the first loan was responsible for, among other things, the photomapping of the entire Phase I project area. It is capable of undertaking the photomapping and related laboratory work for the proposed Phase II area. Alternatively, the required photomapping work also be undertaken by contract with an experienced aerial photomapping firm.

b. Appraisals

Utilizing the appraisal valuation manual standards developed under the first project, the unimproved portions of Department under the first loan can be reappraised. The Appraisal Valuation Manual can also be used for the municipalities within the Department of Guatemala. However, some modifications may need to be made to the Appraisal Valuation Manual with respect to the highly urbanized properties contained within the Municipality of Guatemala. These modifications include such factors as replacement costs, sales and depreciation on high-value urban properties that were not encountered under the first project. The consultants will direct the required modifications to the Appraisal Valuation Manual. Unlike at the beginning of the first project, there now exist crews of trained and experienced enumerators and supervisors able to perform the appraisals.

c. Taxpayer Notifications and Appeals

Computer-generated listings for the purposes of notifying taxpayers and updating information as well as informing them of appeal procedures are in the process of being completed, by e-mail to mail. The number of daily mailings is being

phased so as to not overload the postal capabilities. Administrative reconciliation procedures have been established in an attempt to settle differences prior to initiating formal legal appeals.

d. Property Roll Inscriptions and Billing Process:

With the completion of the photomapping, appraisal and notification/appeals procedures within a total Department, project-generated records will be substituted for existing tax rolls and property tax bills prepared on the basis of the new values. Legal and administrative requirements to enable these actions have been approved. Parallel systems will be operated until such time as the old records have been purged, whereupon the inscription and billing processes will be totally computer-generated and controlled. The Ministry of Finance's Automatic Data Processing Department will acquire new fourth generation computer hardware and software during 1973 and will have the capacity and capability to handle the proposed system.

e. Collections:

Taxpayer services have been substantially improved with the creation of a unified cashiering system which eliminates previous time-consuming delays for payment of property taxes and allows for faster posting of payments on taxpayer's account cards. Improved procedures have also been instituted for the identification of delinquent accounts and for administrative efforts to collect delinquent accounts. Delinquent property tax collections through August 31, 1972 totalled \$1.6 million as compared with \$603,000 collected as of September 30, 1971.

3. Economic Justification

a. Guatemala's Tax Situation

Guatemala's tax system contains many of the problems generally found in the tax systems of other developing countries, except that in Guatemala they are perhaps more severe. National government tax revenues in 1971 totaled \$153.6 million which represents less than 8% of GDP, one of the lowest rates in Latin America. Moreover, because Guatemala relies heavily (82%) on indirect taxes, most of which are income inelastic, the tax system has less than unitary elasticity. According to an analysis prepared by the World Bank, between 1961-68 the rate of growth in taxes (not attributable to changes in the tax system) was only a third of the rate of growth in national income.

The tax system contains little progressiveness. One of the few progressive elements in the system is the income tax, a graduated tax with rates running from 5% to a maximum rate of 48% (on income over \$500,000). This tax generates only about 13% of total tax revenues.

Various international lending agencies have directly and indirectly through the CIAP encouraged the GOG to take measures to increase national government tax revenues. The recommended actions can be broken down into two types: (1) introduce new taxes and higher tax rates, and (2) take appropriate measures to increase the collections from existing taxes and tax rates. International agencies have generally placed emphasis on the latter in view of the political difficulties inherent in efforts to introduce new or higher taxes and because of the considerable increases in revenue which could result from improving the inefficient and

ineffective manner with which some taxes have been administered. However, most experts now believe new taxes and/or higher rates will also be needed by 1975. At the CIAP Review of Guatemala held in October 1972, the international assistance agencies expressed their doubt that administrative reforms would be sufficient to generate enough funds to implement the Government's ambitious investment plans.

The GOG, equally cognizant of the need for increased funds for public sector investment projects, has undertaken steps to increase government savings by increasing tax revenues and by minimizing the growth of operating expenditures. National government operating expenditures were held to increases of only 2.5% and 5.1% respectively in 1971 and 1972 and are expected to rise by only 5.7% annually from 1973-75.

The Government's efforts to increase tax revenues have been limited to administrative reforms since 1967-68 when the stamp tax rate was increased to 1.5% from 1%, the property tax rate was increased to 6 mills from 3 mills on property valued over \$20,000, and surcharges were added to import duties (the San José Protocol) and income taxes. For obvious political reasons, the current GOG administration would prefer to increase collections from existing taxes than to introduce additional taxes or raise tax rates. Despite its desire to avoid this political peril, the Government did concede at the recent CIAP Review that it would raise taxes if its efforts to increase revenues by administrative reform proved insufficient.

The principal administrative reforms which the GOG has undertaken or is undertaking include: (1) increased audits, (2) improved administrative collections of delinquent accounts, (3) increased automatic data processing applications for taxpayer controls, (4) creation of a single tax administration office organized by function rather than by type of tax, (5) increased property valuations resulting from the cadastral project, and (6) introduction of various steps to develop complete and manageable property tax records. (The latter two items which are supported by this program are discussed in detail in Section II-A-1 a/b. AID has encouraged and assisted the GOG to carry out these reforms. AID grant funds have been used to support an IRS advisory team which has assisted the GOG on all of the above-mentioned efforts, and Loan funds have been used with regard to the property tax.

These measures have contributed importantly to the modest growth in tax revenues in recent years. Revenues performance over the last several years is summarized in the following table:

T A B L E I
ITEMIZED REVENUE COLLECTION

	<u>1968-1971</u>			
	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Property	5,148.8	4,672.2	5,058.8	4,840.9
Income	16,008.5	16,637.8	18,653.7	20,502.1
Transfer	980.2	841.4	950.1	921.4
Sales	11,085.3	15,854.6	17,413.4	18,337.9
Stamps & Legal Paper	7,990.2	9,272.5	8,982.5	9,260.1
Franking Machines	2,219.4	2,454.0	3,307.4	3,298.5
Beer	4,624.9	5,097.6	5,501.3	6,244.6
Petroleum	9,802.9	10,865.7	11,540.0	11,963.4
Consigned Tax	5,907.3	6,502.7	7,110.9	7,298.9
Import/ Export	30,888.8	34,797.5	40,501.3	41,765.6
Other tax	<u>28,241.1</u>	<u>26,427.6</u>	<u>28,036.1</u>	<u>29,124.3</u>
TOTAL TAX	122,897.4	133,423.6	147,055.5	153,577.7
Total Non-Tax Revenue	13,452.0	16,293.4	18,192.4	19,839.0
Total Revenue	<u><u>136,349.4</u></u>	<u><u>149,717.0</u></u>	<u><u>165,247.9</u></u>	<u><u>173,416.7</u></u>

Source: National Accounting Office, GOG: Year-end
Revenue Summary 1968-1971

b. Role of the Property Tax

The World Bank report entitled "Current Economic Position and Prospects of Guatemala" (December 17, 1970) made the following observation:

"The property tax is by far the most underutilized tax instrument in Guatemala. As a result of underassessment, evasion and abnormally low tax rates up to now, the surface of this potentially rich tax source has been hardly scratched. At the end of 1968 the assessed property tax base amounted to Q1,200 million. However, the average ratio of assessed value to market value has been estimated at only about one-third. This, plus the fact that property values have been growing at close to 12 percent in recent years suggests that the real property tax base in 1970 is closer to Q4,000 million. The resulting effective tax rate of 0.1 percent is extremely low by international standards."

Table I clearly shows the relatively minor scale that property taxes have played to date. Between 1968-71, property tax revenues averaged \$4.9 million annually, only 3.7% of total current revenue. The table also reveals the relatively minor effect which the cadastral project has had to date on revenues. This lack of revenue growth reflects (i) the fact that although about 146,000 properties have been mapped and valued, only some 20,000 new valuation notices have gone out, and almost all of those in the last six months of 1972, and (2) the unsatisfactory state of the administrative systems used to record and collect property taxes.

As noted above (page 16), property tax revenues will grow substantially only as improved systems are introduced permitting the tax authorities to quickly and efficiently incorporate changes in property

value and ownership into the tax registry, to notify tax payers of new tax levies, to maintain up to date records on payments, and to identify and take action against delinquent taxpayers. These systems will be introduced and made operational during the proposed second phase of the project.

c. Analysis of Project Benefits

Cost/benefit analysis, as it is normally used, is inappropriate to this analysis as the project is designed to transfer rather than generate income. Of particular interest in this project is the amount of income transferred relative to cost and from whom (i.e. the incidence of the tax).

As was noted above, the success of the program in generating additional revenue depends at least as much on introducing new control systems and the concomitant administrative changes as it does on raising property valuations. The speed with which the Government can effect these changes is difficult to accurately predict, and thus accurately projecting increased property tax revenue is particularly difficult. Nevertheless, the project consultant feels confident that the revenue increases realized as a result of the six year project (including both phases) should total at least \$20 million by the end of 1980. The following table shows projected annual revenue with and without the project:

T A B L E I I
Projections of
Current* Property Tax Revenues, 1972-80

	<u>Without Project</u>	<u>With Complete Project</u>	<u>Attributed to Project</u>
1972	3,907,394	3,973,944	66,550
1973	4,024,614	4,306,850	300,236
1974	4,145,430	4,807,059	661,629
1975	4,269,623	5,276,617	1,006,994
1976	4,396,208	6,008,957	1,612,749
1977	4,527,886	7,156,951	2,629,065
1978	4,663,865	8,504,733	3,840,868
1979	4,806,092	9,658,477	4,852,385
1980	<u>4,950,277</u>	<u>10,150,888</u>	<u>5,200,611</u>
TOTAL	<u>39,691,389</u>	<u>59,862,476</u>	<u>20,171,087</u>

Source: E. J. McCampbell, Project Chief Consultant,
The Jacobs Co., Inc.; September 1972

*: Excludes payment of delinquent taxes from previous years. The dollar amount of property taxes delinquent in any year should decline as the new record and taxpayer notification systems are introduced despite the considerably increased amount of taxes due. The reduction in the amount of delinquencies will be offset by the new system's greater efficiency in identifying and collecting delinquent taxes. As these effects offset one another, it is assumed that the amount of delinquent taxes paid in any year will be the same with or without the project.

The project consultant believes the revenue projection shown in Table II are conservative. The revenue increases are a result of several factors: increased valuations, more properties falling under the higher 6 mill rate (raising average tax rate from .410% to .425% by 1980), new properties being above the \$100.00 minimum taxable value, inclusion of properties which had previously escaped taxation, a decline in delinquencies (from 29% to about 10%), and improved maintenance of the tax base as property values rise.

The proposed second phase of this project includes both the continuation of activities initiated during the first phase and the initiation of new activities to implement and collect taxes on the basis of the new valuations determined in both phases. It is difficult, therefore, to attribute revenue increases specifically to one or the other phase of the project. In order to reach an estimate of these amounts, it is assumed that even in the absence of a second phase the GOG would gradually be able to incorporate all of the 146,000 new valuations determined during the first phase into the tax rolls (matricula). (Carrying out this work manually would be costly, and these costs should hypothetically be added to phase one while a smaller amount should be subtracted from phase two. This refinement would have only a small marginal effect on the calculations and has thus been omitted.)

The value of the land included in the first phase of this project represents about 20% and that included in the second phase about 70% of the total assessed land value in Guatemala. This suggests that about 22% (2/9) of the expected revenue benefits resulting from the project will

be generated from land valued during the first phase and 78% (7/9) from the second phase. Applying these ratios to the total revenue projections in Table II suggests that the returns by 1980 will be about \$4.4 million and \$15.7 million respectively for phases one and two. It should be noted that the benefits will continue to accrue after 1980 at the rate of at least \$5 million per year. These calculations attribute to both phases the benefits resulting from the administrative reforms to be undertaken in phase two. Thus, the benefits attributed to the first phase are overstated and those to the second stage are understated. Comparing these benefits with the total project cost of \$7.8 million or with the second phase cost of \$3.2 million suggests an undiscounted return of 2½ times costs for the entire project and 5 times costs for the second phase. This return is very satisfactory and is believed to compare favorably with possible alternative expenditures to increase tax revenues.

The increased revenues resulting from this project will permit the property tax to maintain its current relative importance within the tax system, a position which otherwise would deteriorate to less than 2% of total tax revenues by 1980. Higher rates would be required to increase the role of the property tax relative to total tax revenues. If the Government decides to increase property tax rates, the new records and control systems will permit their rapid and efficient implementation.

With regard to the question of who will pay the tax increases, the incidence of the projected tax increases is favorable from an equity viewpoint because of the progressive elements of the property tax (i.e. the exemption of properties valued under \$100 and the doubling of the rate of taxation on properties valued over \$20,000) and, because the burden of the increased taxes will fall largely on the upper-middle and wealthy

classes which own most of the taxable land within the project areas. The coastal area is typified by large scale commercial agriculture. Production is centered on Guatemala's principal export crops -- coffee, cotton, and sugar. The 1964 agricultural census showed that 75% of the land in the coastal area was held in farms of more than 112 acres (1 caballería). The Department of Guatemala is the principal commercial and industrial center and is by far the wealthiest department of the country. Campesino ownership of land in these areas is minimal.

In conclusion, USAID/Guatemala believes the COG must institute measures to increase tax revenues if the Government is to guide and give impetus to the country's development. For this reason the Mission has encouraged and supported the tax reform programs with both grant and loan funds. The U.S. Country Team also strongly supports AID's involvement in the property tax project and other worthwhile projects designed to increase tax revenues.

d. Effect on U.S. Economy

Approximately \$630,018 of the proposed AID loan for \$1.25 million will be used to procure goods and services in the United States. The remaining \$619,082 will be used for local procurement and will result in a negative capital flow of that amount in the U.S. balance of payments. This effect will be partially offset by the generation of increased imports from the United States. Guatemala has a high marginal propensity to import and approximately one-third of its imports come from the U.S. Guatemala has a traditional trade deficit with the U.S. which averaged about \$14 million between 1969-71. This project will indirectly generate further imports as a result of multiplier effects, the need for replacement parts and supplies for U.S. equipment, etc. In the longer-run, of course, all of the loan funds will flow back to the U.S. in the form of amortization and interest payments.

4. Financial Analysis

a. Project Plan

As explained elsewhere in this paper, the proposed loan is an extension and amplification of activities initiated by the GOG with financial support from AID Loan 520-L-014. That project was implemented on schedule and the financial forecasts turned out to be unusually accurate. (See Annex C, Exhibit 1.) The three years of experience gained from the operation of these prior activities have facilitated the financial planning of the proposed project. The financial plans were prepared by the Guatemalan Project Director, the U. S. project consultant and the Chief, U.S. IRS Advisor, who also acts as the USAID project manager. All of these technicians worked on the initial project from its inception. The plans which they prepared have been reviewed and endorsed by the USAID project committee and by the GOG Ministry of Finance.

The project implementation contemplates financing from the GOG (51%), from the Municipality of Guatemala (10%), and from the A.I.D. loan (39%). A.I.D. is thus financing a relatively small part of the entire project. The actual sums of money to be budgeted from each source are as follows:

<u>Summary Source of Funds</u>			
<u>(\$1=Q1)</u>			
	\$	Q	Total
GOG	-	1,634,089	1,634,889
City	-	312,678	312,678
AID	<u>630,218</u>	<u>619,782</u>	<u>1,250,000</u>
Total	630,218	2,567,349	3,197,567

A.I.D. financing of local costs (\$619,782) represents 47% of the loan and 19% of the total project costs. It represents only 24% of the total local cost financing required as compared with 50% A.I.D. financing of local costs in the first property tax development plan.

The contribution of the national government to the part of the project carried out by the Municipality of Guatemala will be approximately \$459,100. The Municipality itself is expected to budget more than \$312,000. Part of these funds were actually budgeted in 1972 but are included in the calculations because they are an integral part of the project's activities.

The national government's contribution to the Fiscal Cadastral Office between 1973-1975 is estimated at about \$1,634,889, or about \$545,000 annually. Annual GOC financing should decrease beginning in 1976 since the 1973-75 level of financing will be more than adequate to carry out the required maintenance of the new tax administration system.

The project annual flow of funds, including both sources and uses, is shown in the table on the following page. Dollar expenditures are shown primarily for consultant services, mapping services (particularly aerial photography), computer facilities and microfilm. While it was initially expected that computer services would be purchased on a rental basis, the intensive review has determined that the additional computer services which the Ministry of Finance will require as a result of this project make it economically advantageous to purchase a computer main frame valued at approximately \$300,000. The new computer facilities will provide services to various departments of the Ministry, but the heaviest use will be for property tax administration. The use of the other above-mentioned dollar cost items is explained in Section II-A-2.

A.I.D. local cost financing will be used for general project administration, consultant services and mapping services. During the intensive review the A.I.D. contribution for project administration was reduced from 49% to 34% of the total administrative costs.

Summary Financial Plan: REVENUES AND USES OF FUNDS (See Annex D, Exhibit 7 for Details)

	1973		1974		1975		1976		1977		TOTAL
	AID	GRS									
1. Administration (Personnel, Travel, etc.)	50,000	211,000	54,761	281,200	117,018	111,500	147,882	111,500	147,882	111,500	1,321,300
2. Construction	13,500	11,000	13,500	11,000	13,500	11,000	13,500	11,000	13,500	11,000	212,496
3. Equipment	40,000	20,000	40,000	20,000	40,000	20,000	40,000	20,000	40,000	20,000	134,185
4. Materials	60,000	2,500	60,000	2,500	60,000	2,500	60,000	2,500	60,000	2,500	187,722
5. Operating Administration	500,000	10,000	500,000	10,000	500,000	10,000	500,000	10,000	500,000	10,000	1,577,800
6. Other Services											100,000
7. Total	1,213,500	345,500	1,213,500	345,500	1,213,500	345,500	1,213,500	345,500	1,213,500	345,500	722,510
8. Total Available	1,213,500	345,500	1,213,500	345,500	1,213,500	345,500	1,213,500	345,500	1,213,500	345,500	1,489,950

Source: Data provided by the project team.

In consideration of the above, the project committee believes that A.I.D.'s financial participation is at a very reasonable level.

b. Repayment Capacity

The GOG spends about \$15 million annually to pay interest and amortization on its external debt. Inclusion of the rest of the public sector raises this figure to \$22 million. As a percentage of Guatemala's annual foreign exchange earnings, these payments represent about 3.7% and 5.5% respectively. Projections have been made of the changes in the quantity and structure of the debt through 1979 and of the implied interest and amortization payments which will fall due each year. These projections suggest that by 1979 the obligations of the national government will reach \$20 million and those of the entire public sector \$34.8 million. These obligations represent only 3.3% and 5.8% respectively of the projected level of foreign exchange earnings.

Servicing of its external debt requires 7.4% of the GOG's current income. This percentage should decline very slightly (to about 6.8%) during the rest of the decade. Servicing of the entire national government debt in 1972 required about \$30 million, or 16% of current income. This percentage is expected to rise to 19% in 1973 and then remain constant through 1979. Payments on the external debt will require about half of these total debt payments.

Guatemala's increasing international reserves and highly unusual record of monetary stability are other favorable influences on repayment capacity. In view of these factors, it would appear that the prospects for repayment are satisfactory.

c. Alternative Sources of Financing

The IBRD, IDB and Eximbank have been advised of this proposed loan and have indicated no interest in providing financing for it. The conclusion of the Mission is that suitable financing from other lending agencies is not available for this project.

5. Environmental Impact

The project has been carefully reviewed for its environmental aspects. The nature of the project is such that it will have no effect upon the environment. However, the maps produced by the cadastral survey may be used for various purposes, none of which alone should have a detrimental impact on the environment.

C. Loan Administration

1. Project Execution

a. Components

To achieve the objectives of the project, the following activities will be undertaken:

35
(1) Technical Assistance - The Jacobs Co., Inc., which is presently employed by the Borrower under Load 014, will continue its services under this loan in assisting the Project Director in the implementation of the project. The contract extension will provide for the development of a computer program system which will compute taxes, prepare bills and record collections, fines and delinquent taxes. The contract team is composed of a project manager and one full time technician and will be augmented with specialists when required on short-term assignments.

(2) Training - The technical assistance consulting firm will provide a supervisory training course and make a personnel study indicating additional needed training in the Internal Revenue Service.

(3) Cartography - The required cartographic products including aerial maps, photomosaics and a limited amount of laboratory work will be provided by the National Geographic Institute of the Ministry of Communications and Public Works or through a contract with an aerial photomapping firm.

(4) Tax Mapping and Valuations - Using the cartographic products, the Fiscal Cadastral Office will conduct tax mapping and valuation activities in the project areas, prepare the property-owner notifications for mailing and transmit complete property records to the Internal Revenue Service for assessment and tax collection.

(5) Evaluation and Review - The project will be evaluated semi-annually by the Borrower and USAID to measure progress and determine future courses of action to achieve the objectives of the project. In addition, quarterly progress reports will be submitted by the Borrower for AID approval.

b. Execution Plan

(1) Project Activities

Prior to initiation of activities of the project, the Borrower will meet the standard conditions precedent to initial disbursement along with the extension of the technical assistance contract under phase I and the authorization of the Project Director to design and implement necessary technical and administrative reforms and modernization procedures required for the success of the new property tax administration system. The cartographic services by the National Geographic Institute or aerial photomapping firm should be commenced at the outset of project activities and completed within eighteen months. The tax mapping and valuation activities will continue from phase I and utilizing the technical assistance continue throughout the life of the project. Training will be conducted at such times during project execution that it can best be utilized, depending on the degree of project progress.

(2) Target Dates for Implementation

- a) The Loan Authorization is to be made by February 15, 1973.
- b) Notification to the Borrower will take place by February 28, 1973
- c) Preparation of the loan agreement and loan negotiations will be completed by March 31, 1973.

- d) The loan agreement will be signed by April 30, 1973.
- e) Implementation Letter No. 1 will be issued by May 7, 1973.
- f) The time required for Guatemalan Congressional ratification cannot be reasonably predicted based upon past experience.
- g) The conditions precedent to disbursement should be satisfied within one month after Congressional ratification.
- h) The disbursement period is expected to cover three years from the date of the loan authorization.

2. Administrative Provisions and Responsibilities

a. Project Management. Overall responsibility for the execution of the project will be with the Fiscal Cadastral Office of the Ministry of Finance. The Director of the Fiscal Cadastral Office will be the Director of the Project for direction and coordination of the various activities of the project.

b. Technical Assistance. The contract with the Jacobs Co., Inc. will be extended to continue the services being provided under Phase I. The monitoring of the implementation of recommendations made through technical assistance will be the responsibility of the Fiscal Cadastral Office.

c. Loan Disbursements. Letters of commitment will be issued for the off-shore costs and the local costs will be reimbursed directly or through the establishment of a revolving fund.

d. Fiscal Control. The Fiscal Cadastral Office will be responsible for fiscal control of loan funds. Audit and review activities will be made by both the USAID Controller and by the Ministry of Finance of the Government of Guatemala.

e. Administrative Cost Restriction. Loan funds will not be used to pay for the services of any GOG employees directly or through GOG inter-agency arrangements. This restriction does not apply to temporary, contract personnel hired specifically for the project.

f. USAID Monitoring Responsibilities. The USAID Tax Advisor will have primary monitoring responsibility. Assistance in monitoring will be provided by the Capital Resources Development Officer, Engineer and Program Officers. There is sufficient expertise in USAID to adequately provide the necessary services.

3. Conditions and Covenants

a. Conditions:

In addition to the applicable standard conditions precedent to disbursement, it is proposed that the following requirements be satisfied prior to the first commitment document or any disbursement under the loan:

- (1) Contract with a U.S. consulting firm to assist and advise the Project Director in coordinating all project activities, including mapping, appraisal and assessment and to certify AID disbursement requests.
- (2) Issue a presidential decree authorizing the Project Director to design and implement necessary technical and administrative reforms and modernization procedures required for the success of the new property tax administration system.

- (3) Submit a time-phased implementation plan to include each component of the project.

b. Covenants:

The Borrower shall agree to:

- (1) introduce and to make best efforts to effect such administrative and legislative measures as may be recommended by the joint progress reviews.
- (2) implement the plans and actions which may be proposed and agreed to by Borrower and AID for improved real property tax appraisals, assessment and collection for all regions of the Republic of Guatemala.
- (3) budget funds and provide adequate staff to maintain a systematic property revaluation program, as well as to extend the system to areas of the country not covered by the cadastral project.

c. Other Terms and Conditions:

The loan shall be subject to such other terms and conditions as AID may deem advisable.

4. Progress Review:

A joint review by AID and the Borrower to determine the adequacy of progress in achieving the project goals will be held semi-annually commencing July 15, 1973. The progress review committee should consist of the following members:

Representing USAID: Project Manager
 Capital Development Officer
 Economist

Representing GOG: Minister or Vice Minister of
 Finance
 Director, Fiscal Cadastral
 Office
 Supervisor of Loan, Ministry
 of Finance
 Coordinator of Project, Internal
 Revenue Service

At least two weeks before each review, the USAID and Ministry project managers will develop an agenda listing the activities to be reviewed, establish guidelines for assembling data and supporting documentation and make a checklist to assist the review committee in quantifying progress during the period under review. As a general guide for the first review, there should be covered the experience under Loan 014 in tax mapping, inscription of records in the matricula, implementation of tax records, and tax collections.

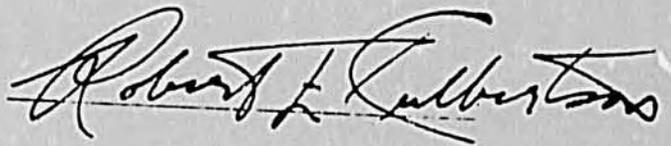
The major purpose of such periodic review is to determine if sufficient and satisfactory progress has transpired during the preceding period so that activities scheduled for implementation subsequent to such review may be authorized. Recommendations by the review committee may include the following alternatives: proceed with all activities as scheduled; delay initiation of certain activities subject to corrective action by a specified date; revision of implementation schedule to conform more closely with actual experience; postponement of all activities until corrective action has been taken and a re-review scheduled.

At the penultimate semi-annual review a plan will be submitted by the Borrower outlining the method of maintaining the property revaluation program and the further extension of the system to new areas.

CERTIFICATION PURSUANT TO SECTION 611 (e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Robert E. Culbertson, the principal officer of the Agency for International Development in Guatemala, having taken into account, among other things, the maintenance and utilization of projects in Guatemala previously financed or assisted by the United States, do hereby certify that in my judgment Guatemala has both the financial capability and the human resources capability to effectively maintain and utilize the capital assistance project, Property Tax Development II.

This judgment is based upon the improving implementation record of A.I.D.-financed projects in Guatemala and the quality of the planning which has gone into this new project.



January 17, 1973

DATE

BEST AVAILABLE COPY

AID 1240-2 (4-72)

CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item, write answer or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1972.

MMA - Merchant Marine Act of 1936, as amended.

COUNTRY PERFORMANCE

Progress Towards Country Goals

1. FAA § 208; §.251(b).

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

(1) Guatemala has underway a major national program to improve food production, storage and distribution, begun with a reorganization of the Ministry of Agriculture, the founding of a grain market institute, and the combining of the government-owned Ag. banks into one new entity with over \$20 million available for production credits for small and medium farmers.

(2) The climate for foreign and domestic private enterprise and investment has been favorable as evidenced by the rate of private investment.

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(3) Increasing the public's role in the developmental process.

(4) (a) Allocating available budgetary resources to development.

(b) Diverting such resources for unnecessary military expenditure (See also Item No. 16 and intervention in affairs of other free and independent nations.) (See also Item No. 14.)

(5) Willing to contribute funds to the project or program.

(6) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.

(3) The GOG presently has several active projects involved with increasing the public's role in the development process: Rural Health, bringing medical services to approximately 3 million rural people; Agricultural Development: approaching small and medium farmers with modern ag. practices and the promotion of cooperatives; INFOM: financing small public works projects in small municipalities; and Rural Electrification.

(4) (a) The GOG allocated approximately 27.1% of its FY 72 budget for development activities.

(b) Guatemala does not appear to be making unnecessary military expenditures nor preparing to intervene in the affairs of any other free and independent nation.

(5) The GOG contribution to this project is \$1,947,569 or 61% of the cost of the project.

(6) The purpose of this loan is real property tax improvement, which is a continuation of a project commenced under AID Loan 520-L-014, which has already generated new revenues; is improving the land fitting system as part of the Rural Development Program (AID Loan 520-L-018); and has a free press.

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(7) Adhering to the principles of the Act of Bogota and Charter of Punta del Este.

(7) Guatemala adheres to these principles.

(8) Attempting to repatriate capital invested in other countries by its own citizens.

(8) By continuing a course of political stability and promoting economic development, Guatemala is attempting to induce its citizens to repatriate their capital held overseas.

(9) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

(9) The GOG's responsiveness to the needs of the Guatemalan people is exemplified by its active involvement in primary education, rural development, rural health services, small municipality development and rural electrification.

B. Are above factors taken into account in the furnishing of the subject assistance?

Yes

Treatment of U.S. Citizens

2. FAA § 620(c). If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?

No.

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3. FAA § 620(e)(1). If ~~any~~ ~~is~~ to a Government, has to (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

... the ... commitment to a ...
... for any ... property ...
... by the ...
of the U.S. ... power ...
... de Guatemala ...
... were ...
... in ...

4. FAA § 620(e); Fishermen's Protective Act, § 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,

(4) Guatemala has not seized nor imposed any penalty or sanction against any U.S. fishing vessel on account of its fishing activities in international waters.

a. has any deduction required by Fishermen's Protective Act been made?

N/A

b. has complete denial of assistance been considered by A.I.D. Administrator?

N/A

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Relations with U.S. Government and
Other Nations

5. FAA § 620(d). If assistance is for any productive enterprise which will compete in the United States with United States enterprise, is there an agreement by the recipient country to prevent export to the United States of more than 20% of the enterprise's annual production during the life of the loan? N/A
6. FAA § 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? (6) Guatemala has not permitted nor failed to take adequate measures to prevent such damage or destruction.
7. FAA § 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason? (7) Guatemala has instituted the investment guaranty program.
8. FAA § 620(q). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country? No.

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9. FAA § 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No.
10. FAA § 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (10) Guatemala is current in its U.N. obligations.
11. FAA § 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba? No.
12. FAA § 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? Yes.

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13. FAA § 620(f). Is recipient country a Communist country? No.
14. FAA § 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No.
15. FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam? No.
16. FAA § 481. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? No.

Military Expenditures

17. FAA § 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)
- (17) For FY 1972, 7.5% of the country's budget was allocated for military expenditures. In the 12 months ending June 30, 1972, approximately \$12 million in cash and \$6 million in credit financed new materials and equipment for the military. There have been no purchases of sophisticated weapons systems.

CONDITIONS OF THE LOAN

General Soundness

18. FAA § 201(d). Information and conclusion on reasonableness and legality (under laws of country and the United States) of lending and relending terms of the loan.
- (18) The proposed loan is legal under the laws of Guatemala and the U.S. and its terms are reasonable.
19. FAA § 251(b)(2); § 251(e). Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?
- (19) The project has been found economically and technically sound (see Sec. II-B). A loan application has been received containing satisfactory assurances that the loan funds will be used in an economically and technically sound manner.
20. FAA § 251(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.
- (20) It has been concluded that the GOG's repayment prospects are satisfactory.

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21. FAA § 611(a)(1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance?
- (21) No other plans are necessary prior to the signing of the loan.
- A reasonably firm estimate has been developed.
22. FAA § 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purposes of loan?
- (22) Congressional ratification of the loan will be required. Although it is difficult to predict with assurance when the Guatemalan Congress will ratify the loan agreement, it is reasonably expected that such action will be completed in time to permit orderly accomplishment of the purposes of the loan.
23. FAA § 611(a). If loan is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?
- (23) Yes, see annex.
24. FAA § 251(b). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.
- (24) The consessional financing required for this project is not available from other free-world sources.

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Loan's Relationship to Achievement
of Country and Regional Goals

25. FAA § 207; § 251(a). Extent to which assistance reflects appropriate emphasis on: (a) encouraging development of democratic, economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs, or (e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntray Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws.
- (25) Increased tax revenues generated by this project will increase the public resources available for economic development programs. The project is aimed at improvement in public administration.
26. FAA § 209. Is project susceptible of execution as part of regional project? If so why is project not so executed? No.
27. FAA § 251(b)(3). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.
- (27) This project is consistent with other development activities and contributes to long-range objectives through increased government revenues.
28. FAA § 251(b)(7). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.
- (28) The increased public resources generated by this project are essential to the achievement of self-sustaining growth.

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29. FAA § 281(a). Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.
- (29) The GOG plans to subvent a portion of the tax receipts generated by the project to the municipalities in which they were collected to encourage the development of local governmental institutions.
30. FAA § 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.
- (30) Revenues generated by this project will augment the central government financial resources which can be rechanneled to further some of its stated objectives in the areas of social, political and economic development.
31. FAA § 601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.
- (31) The project will indirectly foster these objectives. A reasonable land tax will reduce speculation in idle lands and make greater quantities available to producers, and it will encourage shifting production from marginal crops to high-yield crops and improved agricultural practices. Private initiative and competition in the agricultural sector should be increased and greater technical efficiency should result. The development of cooperatives would also be strengthened. Greater production would increase the flow of international trade.

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32. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate? N/A
33. FAA § 251(h). Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities. (33) This activity is consistent with CIAP's findings. See Part II, Sec. A and Sec. B-2.
34. FAA § 251(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America. N/A
35. FAA § 209; § 251(b)(8). Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America. (35) The accelerated economic development derived from the increased public resources generated by this project will enable Guatemala to participate more in the economic and political integration of Latin America.
- Loan's Effect on U.S. and A.I.D. Program
36. FAA § 251(b)(4); § 102. Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position. (36) This activity will have no significant direct effect on the U.S. economy and no competition with U.S. enterprise will result directly from it. Technical assistance will be provided by a U.S. firm and it is expected that U.S. suppliers will furnish the bulk of the goods to be imported.

37. FAA § 601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- (37) The improved economy resulting from this loan project should encourage more U.S. trade and investment in Guatemala.
38. FAA § 601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?
- (38) Yes. Technical assistance will be provided by a U.S. firm.
39. FAA § 602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan.
- (39) To the extent applicable, the U.S. small business community will be advised through the Small Business Notification of all real opportunities to participate in this project.
40. FAA § 620(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?
- No.

41. FAA § 621. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.
- (41) Technical assistance will be obtained from private enterprise on a contract basis as previously accomplished in phase I of this project.
42. FAA § 252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.
- (42) Approximately \$275,000 in services and approximately \$85,000 in goods financed under this loan will be procured from private sources.

Loan's Compliance with Specific Requirements

43. FAA § 201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter?
- Yes.
44. FAA § 608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.
- (44) The total amount of procurement under this loan will not involve items which can be obtained from U.S. Government excess property. However, should it become possible, U.S. Govt-owned excess property will be procured.

45. FAA § 604(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? (45) Procurement will be from the U.S., Guatemala, Central America and all other Code 941 countries as determined by the President.
46. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? (46) No bulk commodity procurement is contemplated under this loan.
47. FAA § 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the United States on commodities financed by the loan? Yes.
48. FAA § 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? N/A
49. FAA § 611(b); App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962? N/A

50. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable? N/A
51. FAA § 620(g). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property? (51) The loan agreement will preclude such use of loan funds.
52. FAA § 612(b); § 638(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services. (52) The GOG will make a substantial local currency contribution to the project. There are no foreign currencies owned by the U.S. and available for this project.
53. App. § 104. Will any loan funds be used to pay pensions, etc., for military personnel? No.
54. App. § 108. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms? Yes.
55. App. § 108. Will any loan funds be used to pay U.N. assessments? No.

- App. § 109. Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964 (A.I.D. Regulation 7).
- (56) Regulation 7 will be complied with.
57. FAA § 636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction? No.
58. App. § 501. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by the Congress? No.
59. FAA § 620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million? N/A
60. FAA § 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release? No.

61. ~~Sec. 1200.2~~ Compliance with requirements for at least 50 per centum of the gross tonnage of commodities transported generally for dry bulk cargo and dry cargo liners, and tankers, operating with funds made available under this loan shall be transferred to privately owned U.S.-flag commercial vessels by the extent that such vessels are available at fair and reasonable rates.

Requirements for compliance

PROYECTO DE MAPEO TERRITORIAL Y VALUACION DE TIERRAS
 FOR MAPPING AND REAL PROPERTY APPRAISAL PROJECT
 RESUMEN FINANCIERO
 CASH FLOW

1972

FASE DE CATASTRO (IGN) MAPPING PHASE (IGN)	PROYECTADO PROJECTED		ESTIMADO ESTIMATED		ACTUAL ACTUAL		Sub Totales Sub Totals	Sub Totales Sub Totals	COSTO TOTAL DEL PROYECTO TOTAL PROJECT COST
	Sistema Loan	Government	Sistema Loan	Government	Sistema Loan	Government			
Costos de Personal Personnel Costs	598,740	1,149,046	597,567	1,149,046	597,567	1,149,046	598,740	598,740	598,740
Costos no Personales (Viáticos y Otros) - Personnel Costs (Per Diem)	104,000	244,667	104,000	244,667	104,000	244,667	104,000	104,000	104,000
Materiales y Equipo Material and Equipment	242,782	159,869	232,467	153,393	247,405	153,393	242,782	242,782	242,782
Sub Totales Sub Totals	945,522	1,553,582	934,034	1,474,105	944,034	1,474,105	945,522	945,522	945,522
FASE DE VALUACION * Gastos Indirectos VALUATION PHASE Indirect Costs									
Costos de Personal Personnel Costs	505,829	589,665	475,830	441,867	505,829	441,867	505,829	505,829	505,829
Costos no Personales (Viajes y Otros) - Personnel Costs (Per Diem and Others)	111,196	201,423	109,496	132,467	111,196	132,467	111,196	111,196	111,196
Materiales y Equipo Material and Equipment	232,395	38,761	221,725	36,833	232,395	36,833	232,395	232,395	232,395
Construcciones Constructions	--	51,728	--	51,728	--	51,728	--	--	--
Sub Totales Sub Totals	849,420	881,577	807,051	765,956	849,420	765,956	849,420	849,420	849,420
Costos de Consultoria Consultant Costs	405,056	--	368,390	--	405,056	--	405,056	405,056	405,056
Sub Totales Sub Totals	2,199,998	2,435,159	2,097,726	2,240,301	2,199,998	2,240,301	2,199,998	2,199,998	2,199,998
COSTO TOTAL DEL PROYECTO TOTAL PROJECT COST	4,635,157		4,338,027		4,635,157		4,635,157		4,635,157

297,130

Fecha - Date: November 30, 1972

OPERACION OPERATION	A Este Período Realizado	B Hasta la Fecha	C Proyectado Projected	$D = \frac{B}{C}$ Porcentaje Realizado vs. Percentage Complete	E % Proporcio- nal Respecto vs. Weighted % of Project	F = (D.E.) Avance Total en % Overall % Advanced	
FASE II - PHASE II	This Period	To Date	Projected				
9. DIBUJO PRELIMINAR Preliminary Drafting	RURAL	789	16375	32,000	244.92	.0167	.0167
10. CALCULO Y REVISION DE TERRENOS Calculation and Check Land	URBANO	191	99676	96,000	103.80	.0228	.0228
11. CALCULO Y REVISION DE TERRENOS Calculation and Check Land	RURAL	1497	46043	32,000	143.88	.0228	.0228
12. CALCULO Y REVISION DE EDIFICIOS Calculation and Check Buildings	URBANO	191	99676	96,000	103.83	.0228	.0228
13. CALCULO Y REVISION DE EDIFICIOS Calculation and Check Buildings	RURAL	1497	46043	32,000	143.88	.0228	.0228
14. REVISION FINAL Final Review	URBANO	101	98606	96,000	102.71	.0285	.0285
15. REVISION FINAL Final Review	RURAL	3792	39338	32,000	122.93	.0165	.0165
16. INVESTIGACION DE LA MATRICULA "Matricula" Investigation	TOTAL	--	117266	128,000	91.61	.1285	.1285
17. NOTIFICACION Notification	TOTAL	6158	21003	128,000	16.43	.0103	.0017
18. ENTREVISTA INFORMAL Informal Review	TOTAL	147	650	19,200	66.34	.0178	--
FASE III - PHASE III							
1. ADMINISTRACION DEL IMPUESTO Tax Administration		--	100%	---	100.00	.0171	.0171

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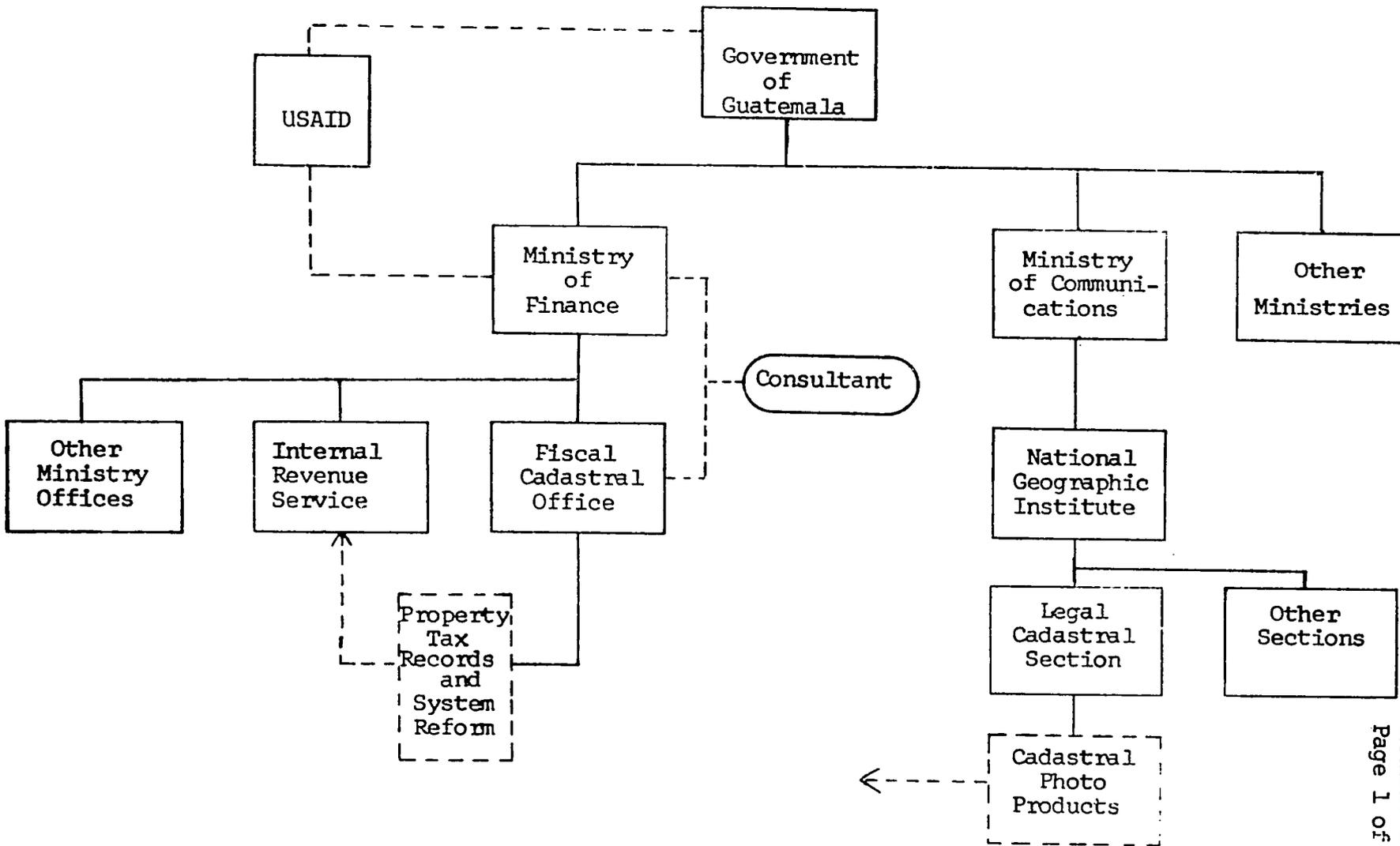
Fecha - Date: November 30, 1972

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OPERACION OPERATION	A Este Período Realizado	B Hasta la Fecha	C Proyectado	D = $\frac{B}{C}$ Porcentaje Realizado Percentage Complete	E % Proporcional Respectivo. Weighted % of Project	F = (D.E.) Avance Total en % Overall % Advanced
FASE I - PHASE I	This Period	To Date	Projected			
1. ADMINISTRACION Administration		100%	--	100%	.0130	.0130
2. FOTOMAPAS 1:10,000 Photomaps * Foto ampliación Photo Enlargements	18	642	644 Mapas	99.68	.2231	.2231
3. NUCLEOS URBANOS 1:1000/1:2000 Urban Centers	--	66	66 Centros	100.00	.0701	.0701
FASE II - PHASE II						
1. ADMINISTRACION Administration	--	100%	--	100.00	.0192	.0192
2. MANUAL DE CAMPO/FINAL Manual Field - Final	--	100%	--	100.00	.0154	.0154
3. PREPARACION DE CARPETAS Folder Preparation	--	8904	8,250 Carpetas	107.82	.0122	.0122
4. MAPAS DE VALORES Land Value Maps		83	66 Mapas	105.75	.0181	.0181
5. MAPAS DE VALORES Land Value Maps		191	12,000 Km ²	101.65	.0185	.0185
6. ENUMERACION Y CLASIFICACION Enumeration and Classification		16	66,000	101.50	.1452	.1452
7. ENUMERACION Y CLASIFICACION Enumeration and Classification		1578	32,000	100.00	.1172	.1172
8. DIBUJO PRELIMINAR Preliminary Drafting		96	96,000	101.23	.0187	.0187

ORGANIZATIONAL STRUCTURE



MINISTERIO DE FINANZAS PUBLICAS

Dirección General de Rentas Internas

Guatemala, C. A.

No. _____	UNCLASSIFIED
REF. _____	ANNEX D
Exhibit 7, Page 1 of 1	
AL CONTESTAR SIRVASE INDICAR EL NUMERO Y REFERENCIA	

CUADRO QUE DEMUESTRA EL MOVIMIENTO DE LOS CAPITALES AFECTOS Y NO AFECTOS AL TRES POR MILAR, HABIDOS DURANTE EL MES DE NOVIEMBRE DE 1,972.-----

DEPARTAMENTOS:	CAPITAL AFECTO:	CAPITAL NO AFECTO:
GUATEMALA	Q. 856,333,711.32	Q. 783,400.75
ESCUINTLA	" 116,601,562.83	" 248,257.11
SUCHITEPEQUEZ	" 55,596,078.26	" 545,276.96
QUEZALTENANGO	" 60,038,229.69	" 1,480,662.04
RETALHULEU	" 31,489,779.92	" 179,827.10
SAN MARCOS	" 45,744,298.18	" 547,914.36
SANTA ROSA	" 30,596,534.00	" 221,647.82
IZABAL	" 24,895,449.81	" 829,251.22
ALTA VERAPAZ	" 17,421,661.28	" 352,320.75
SACATEPEQUEZ	" 25,689,695.10	" 409,188.61
CHIMALTENANGO	" 24,711,406.77	" 1,032,695.43
ZACAPA	" 11,972,101.80	" 159,574.98
JUTIAPA	" 6,396,971.48	" 610,606.89
EL PROGRESO	" 4,788,142.28	" 450,962.65
HUEHUETENANGO	" 6,169,444.79	" 1,341,994.91
EL QUICHE	" 9,194,277.81	" 239,355.10
CHIQUIMULA	" 9,298,151.43	" 115,092.01
SOLOLA	" 6,857,723.09	" 447,784.51
JALAPA	" 3,327,520.63	" 554,865.85
BAJA VERAPAZ	" 6,336,529.34	" 267,731.98
EL PETEN	" 80,040.99	" 198,822.00
TOTONICAPAN	" 3,276,687.40	" 469,555.10
TOTALES:	Q. 1,356,815,998.20	Q. 11,486,787.83

Guatemala, 11 de diciembre de 1972.

[Signature]
Oficial Encargado Acctal.

Vo.

Bo.

UNCLASSIFIED
ANNEX D
CANTON DE SAN MARCOS DE GUATEMALA
Exhibición 3
Page 1 of 1

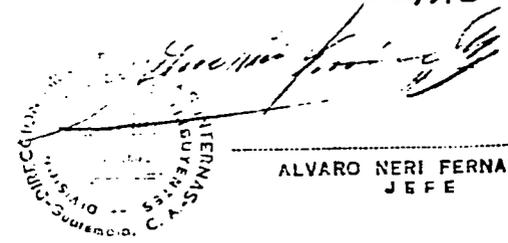
ALTERACIONES DE CAPITALS EFECTUADAS EN LA DIVISION DE CONTROL DE CONTRIBUYENTES DEL IMPUESTO TERRITORIAL, DERIVADAS DE LOS AVANOS EFECTUADOS POR LA MUNICIPALIDAD CAPITALINA PARA EL MUNICIPIO DE GUATEMALA, OPERACIONES EFECTUADAS DURANTE EL AÑO 1,972. (C.A. 300. 2 31 1972)

	T R E S P O R M I L L A R			I M P U E S T O I N C R E M E N T A D O	
	C A P I T A L E S			Anterior	Actual
	<u>Increritos</u>	<u>Reincoritos</u>	<u>Diferencia</u>		
24 al 31 oct.	2.671,666.74	5.403,149.00	2.731,482.26	2,649.61	8,194.44
1 al 15 nov.	7.431,485.73	13.525,798.24	6.094,312.51	4,570.73	18,282.92
16 al 30 nov.	2.399,934.75	4.160,271.00	1.760,336.25	1,320.25	5,281.00
SUMAS:	12.503,087.22	23.089,218.24	10.586,131.02	7,939.59	31,758.36
	<u>S E I S P O R M I L L A R</u>				
24 al 31 oct.	9.269,198.40	15.522,575.00	6.253,376.60	9,386.06	37,520.24
1 al 15 nov.	11.313,158.48	21.008,232.23	9.695,073.75	14,542.61	58,170.44
16 al 30 nov.	11.119,415.43	18.799,410.00	7.680,003.57	11,520.01	46,080.04
SUMAS:	31.701,772.31	55.330,226.23	23.628,453.92	35,442.68	141,770.72
TOTALES:	44.204,859.53	78.419,444.47	34.214,584.94	43,382.27	173,529.08
			<u>Edos Por Millar</u>	<u>Edos Por Millar</u>	
ALTERACIONES EFECTUADAS			3,337	2,055	
CANTIDAD DE HOJAS:	424				

Guatemala 13 de diciembre de 1,972

Vo. Eo.

Lic. *Hernandegildo Natarcano Soto*
Jefe Sección Control de Contribuyentes



ALVARO NERI FERNANDEZ
JEFE

MUNICIPIO Y ESTADISTICA
LA COMISION DE SECCION DE CONTRIBUYENTES

Presidencia de la República
Secretaría General
REGISTRO DE BIENES
Fecha ingreso: 20 JUL. 1972
Libro 2 Folio 112 Casilla 232

MINISTERIO DE FINANZAS PUBLICAS

GUATEMALA, C. A.

UNCLASSIFIED
ANNEX D
Exhibit 4
Page 2 of 3

Guatemala, 25 JUL. 1972

EL PRESIDENTE DE LA REPUBLICA,

CONSIDERANDO:

Que el Proyecto de Mapeo Tributario y Avalúo de Bienes Inmuebles que se está llevando a cabo de conformidad con el Convenio de Préstamo A.D.I. 520-L-014, aprobado por Decreto No. 1754 del Congreso de la República, no incluye el levantamiento catastral y avalúo de la Ciudad de Guatemala, por lo que el Gobierno de la República y la Municipalidad de Guatemala, el 6 de agosto de 1971 suscribieron un convenio de cooperación para efectuar éstos trabajos en forma conjunta y el que fué aprobado por Acuerdo Gubernativo del 14 de septiembre del mismo año;

CONSIDERANDO:

Que para ser operante el referido convenio de cooperación, es procedente ordenar que en la matrícula fiscal correspondiente se inscriban los avalúos practicados por la Municipalidad de Guatemala, siempre que éstos determinen un monto mayor que el registrado actualmente en la Dirección General de Rentas Internas y se encuentren firmes en la vía administrativa municipal, para los efectos del cobro del arbitrio respectivo;

POR TANTO:

En uso de las facultades que le confiere el inciso 4o. del Artículo 189 de la Constitución de la República,

ACUERDA:

ARTICULO 1o.- El Ministerio de Finanzas Públicas, por conducto de la Dirección General de Rentas Internas, rectificará la Matrícula Fiscal correspondiente a la Ciudad Capital, asignando a los inmuebles respectivos el valor establecido en los avalúos practicados por la Municipalidad de Guatemala dentro del convenio de cooperación conjunta correspondiente, siempre que dichos avalúos determinen un monto mayor que el registrado actualmente en la Dirección General de Rentas Internas y se encuentren firmes en la vía administrativa municipal, para los efectos del cobro del arbitrio respectivo.

ARTICULO 2o.- Los inmuebles que figuren en los avalúos municipales citados y no aparezcan registrados en la Matrícula Fiscal, serán inscritos en la del respectivo propietario, o se abrirá sin más trámite la que proceda.



2a. y última hoja del Acuerdo Gubernativo que deja sin efecto el de fecha 16 de diciembre de 1971.-

- 2 -

MINISTERIO DE FINANZAS PUBLICAS

GUATEMALA, C. A.

UNCLASSIFIED
ANNEX D
Exhibit 4
Page 3 of 3

ARTICULO 3o.- El presente Acuerdo entrará en vigor el día -
de su publicación en el Diario Oficial y deroga el de
fecha 16 de diciembre de 1971, que trata de la misma materia.

COMUNIQUESE:


[Handwritten signature]
ANNA O.

El Ministro de Finanzas.


JORSE LAMPART RODIL.

Jseg/-

GENERAL WORK PLAN OF PROJECT

A. Responsibilities

1. The Fiscal Cadastral Office will make an intra-governmental agreement with National Geographic Institute for basic aerial photographic enlargements or enter into a contract with a qualified photomapping firm for their production. As the products are received, the Fiscal Cadastral Office will conduct tax mapping and valuation activities in the project areas, using the mass appraisal methods defined in the Property Valuation Manual, prepare property-owner notifications for mailing, and transmit complete property records to the Internal Revenue Service for inscription, assessment and tax collections.
2. The Ministry of Finance will expedite the adoption of project programs, systems and administrative reforms in the Internal Revenue Service for the implementation of the new cadastral records and overall modernization of Guatemala's property taxing functions.
3. The Internal Revenue Service will adopt automatic data processing systems for tax billings, collections and identification of delinquent taxpayers.
4. The Fiscal Cadastral Office will develop and institutionalize a continuous maintenance and revaluation operation to ensure the viability of the new property tax system.
5. The Fiscal Cadastral Office will provide all procurement services.

6. The experienced staff of the Jacobs Co., Inc., formerly the J. L. Jacobs Co., Inc., will be retained for consulting services to the Fiscal Cadastral Office during Phase II.

B. Outline of Operations

Cadastral Operations

1. Administration (establishment).
2. Project Organization (modify original project organization plan to include sections for additional tax processing of records).
3. Additional procurement for new project.
4. Initiate program for photo enlargements of project areas. (Old photography for balance areas of Departments (original project) and, process Municipality of Guatemala new photography.)
5. Cadastral Manual of Procedures and Valuation. (Field investigation of land and structural types for City of Guatemala as addendum to original Project Manual.)
6. Prepare working Manual (5).
7. Prepare folders to contain property records in geographical order.
8. Investigation of values and preparation of land value maps.
 - (a) Urban maps.
 - (b) Rural maps.

9. Field measurements and recording of buildings and improvements (enumeration).
 - (a) Urban improvements.
 - (b) Rural improvements.
10. Field sketching of property boundaries on photos and map pages.
 - (a) Urban properties.
 - (b) Rural properties.
11. Preliminary maps of property boundaries.
 - (a) Urban properties.
 - (b) Rural properties.
12. Calculation and check of property values.
 - (a) Land
 - (1) Urban.
 - (2) Rural.
 - (b) Improvements (buildings, etc.)
 - (1) Urban.
 - (2) Rural.
13. Final review and revision of property values and maps (field and office procedure).
 - (a) Urban properties.
 - (b) Rural properties.
14. Recheck of all file controls and records proceeding to tax use.

Tax Administration

Cadastral Property Records Tax Use. Designs and installation of systems and Cadastral Property Records in Internal Revenue Service.

15. Investigation of matricula vs. cadastral record.
16. Key punch and verify property records.
17. Deliver computer punch cards to Ministry of Finance computer center to transfer to tape for property listing.
18. Cadastral office check of listing.
19. Computer printing of initial implementation forms.
20. Notification of owners (using original Cadastral Project system design).
21. Process returns after owner notification
 - (a) Property tax appeals
 - (b) Computer up date of record corrections.
22. Prepare systems forms for individual introduction (later by system design of mass records substitution) of Cadastral Records into Internal Revenue Service to use as assessed values.
23. During the time period of the above operational steps, systems will be designed and installed for improving the tax administration procedures based on the master property tape established in step 17.
 - (a) Replacement by computer listing of present obsolete matricula (assessment listing).
 - (b) Compute and prepare tax bills.
 - (c) Operate new and old tax billing and payment systems in parallel until new systems are fully operational.
 - (d) Establish property tax controls for delinquencies, etc. based on master computer tape.

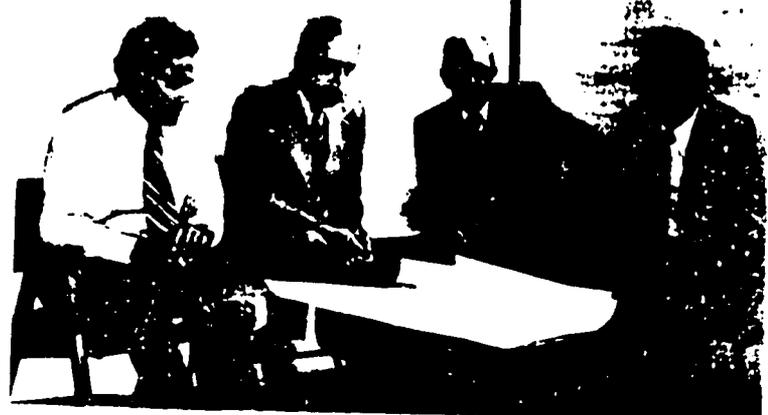
GUATEMALA

EL PROYECTO CATASTRAL EN FOTOGRAFIAS

THE CADASTRAL PROJECT IN PICTURES



LOS CONSULTORES Y DIRECTIVOS DEL PROYECTO EN CONFERENCIA
PROJECT ADMINISTRATION AND CONSULTANT CONFERENCE



Lic. R. Gallardo A.
Coordinador Ejecutivo
(Coordinator)

Sr. E. J. McCampbell
Jefe Consultor
(Chief Consultant)

Ing. P. García Gallont
Director

Sr. P. A. Torre
Consultor
(Consultant)

Preparado para el
MINISTERIO DE FINANZAS PUBLICAS

Lic. Jorge Lamport Rodil, Ministro
Lic. Arturo Aroch Navarro, Vice Ministro

Por

Teléfonos. 81 4 54
Cable: JACOBSLAT

INTERNATIONAL CADASTRAL DIVISION
(División Internacional de Catastro)
Guatemala, C.A.
THE JACOBS COMPANY INC.
Chicago, Illinois

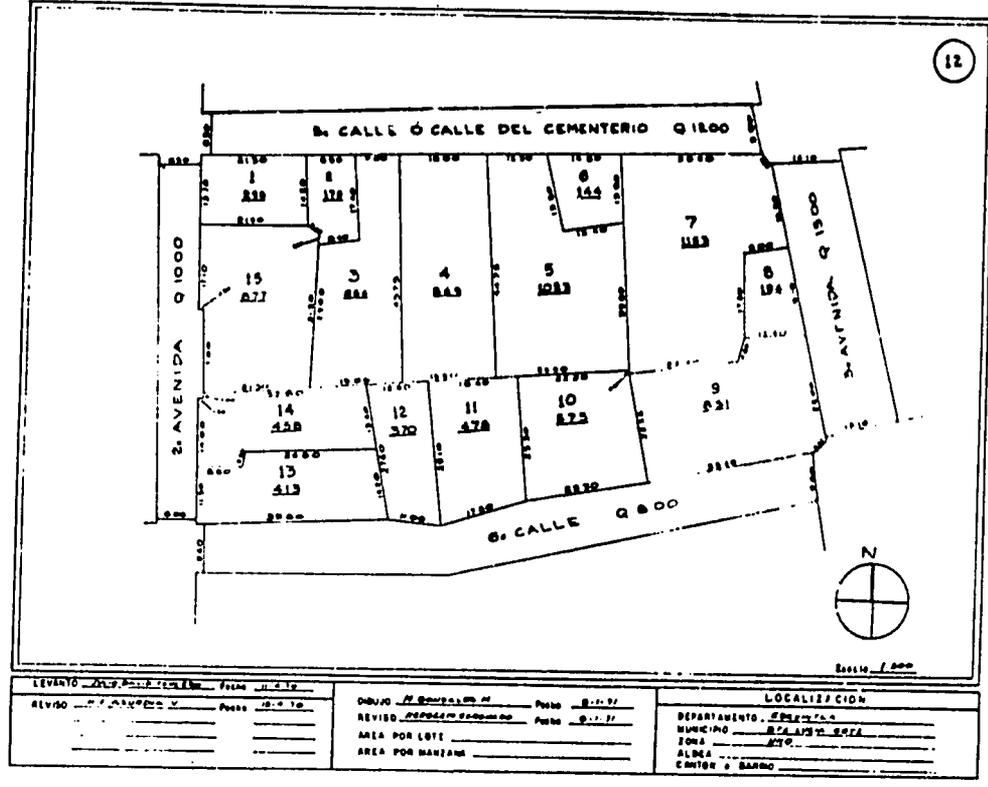
Edificio Elmo, Suite 601
6a. Ave., 8a. Calle Zona 1
Guatemala, Guatemala

Este pequeño folleto ha sido preparado como reportaje gráfico del Proyecto Catastral de Guatemala para formar parte de un informe mayor, rendido por los Consultores al Gobierno de la República y a la entidad financiera del Gobierno de los Estados Unidos de América, la Agencia para el Desarrollo Internacional (AID). El informe general se refiere a la ejecución del Proyecto de tres años y contiene recomendaciones sobre reformas tributarias. Aquí se ilustran, además, algunas de las operaciones clave de un proyecto mayor de "catastro fiscal". Si bien las fotografías corresponden a aspectos del Proyecto de Guatemala, se encontrará, que las operaciones básicas representadas son comunes para todos aquellos países que necesitan crear modernos récords de "catastro fiscal", con miras a substituir registros de impuesto inmobiliario existentes, anticuados e incompletos. Con énfasis se usa en este informe el término "mapeo fiscal". Esta técnica de mapeo constituye el procedimiento más rápido y económico de levantamiento de bienes inmuebles en países que desean modernizar, a corto plazo, su sistema administrativo del impuesto inmobiliario. Además del enfoque intensivo que se hace de la técnica de "mapeo-fiscal", se ha dedicado considerable espacio para ilustrar la importancia de disponer de una serie de sistemas secundarios de diseño especial, que son de gran valor para el uso general del récord catastral en la aplicación del impuesto inmobiliario. Según los requisitos del caso, son precisamente los diseños de estos sistemas de implantación del impuesto, los que mostrarán diferencias en los proyectos catastrales de los diversos países. Sin el fin específico planificado adecuadamente, de usar los récords de propiedad para fines impositivos, cualquier proyecto catastral, fiscal o de otro tipo, resultará de poco valor económico para el gobierno que invierta recursos en un catastro.

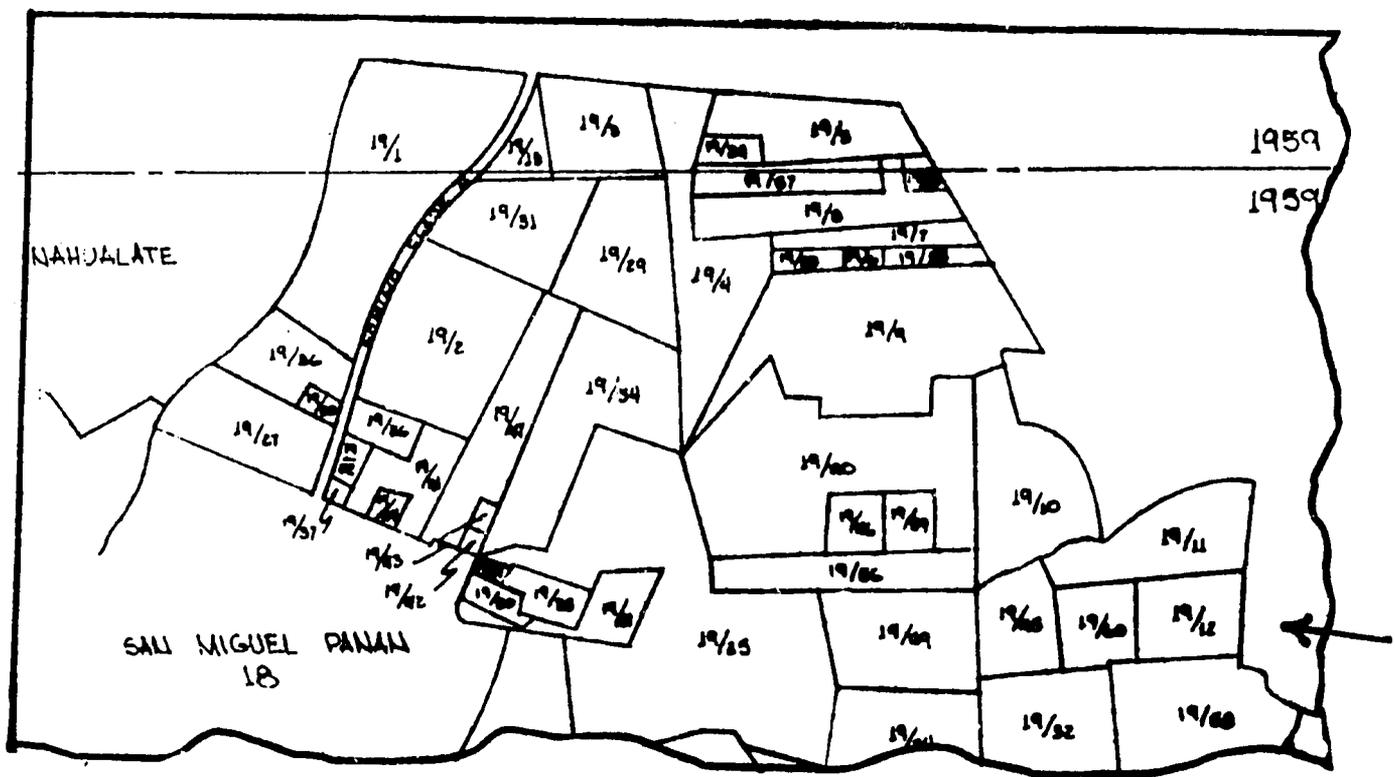
A CADASTRAL PROJECT IN PICTURES

This small booklet was prepared to be included as a visual presentation of the Guatemalan Cadastral Project in a major report made by the Consultants to the Government of Guatemala and, to the financing agency, the United States Agency for International Development. The overall report concerns itself with the three year Project history with recommendations for tax reforms. Illustrated herein are a few of the key operations of a major "Fiscal" Cadaster Project. Although, the illustrations are of the Guatemalan Project, the basic operations shown will be found to be common to all countries in need of modern "fiscal" cadastral property records to replace obsolete and incomplete property tax listings. Stressed in this report is the term "fiscal" mapping. This mapping technique is the most economic and fastest property mapping technique to be used in countries desiring to modernize their property tax systems within a comparatively short time. In addition to the stress on the "fiscal" mapping technique, considerable space is devoted to illustrations of the requirement to have many special sub-system designs for the all important use of the Cadastral record in property taxation. It is in the design of these tax implementation systems wherein countries will differ in their Cadastral Project Tax Administration requirements. Without adequate planning in a Cadastral Project (fiscal or otherwise) in the field of tax use of the property record, the records will be found to be of little economic value to the country making an investment in a Cadastral Project.

Edward J. McCampbell
Director and Chief Consultant
International Cadastral Division
THE JACOBS COMPANY, INC.

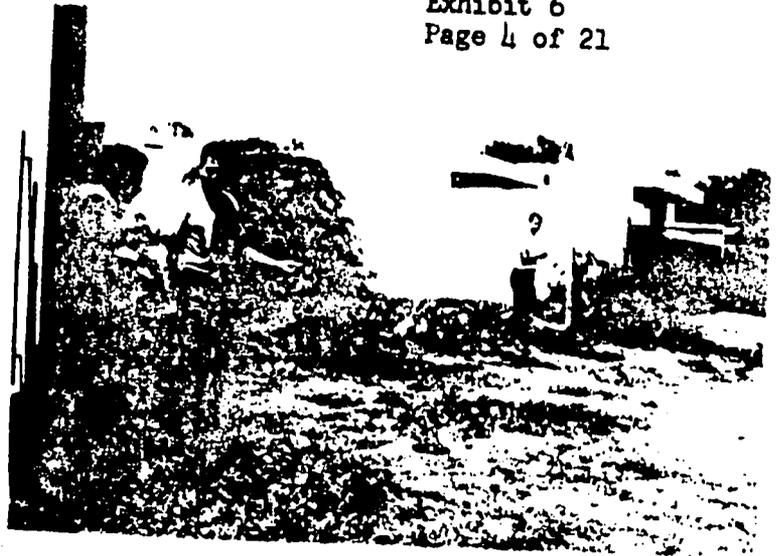


EJEMPLO DEL MAPEO "FISCAL" DE PROPIEDADES URBANAS
 EXAMPLE OF "FISCAL" MAPPING OF URBAN PROPERTIES



EJEMPLO DEL MAPEO "FISCAL" DE PROPIEDADES RURALES
 EXAMPLE OF "FISCAL" MAPPING OF RURAL PROPERTIES

MEDICION DE FORMA Y TAMAÑO DEL TERRENO URBANO PARA EL MAPEO FISCAL.
MEASURING URBAN LOT FOR FISCAL MAPPING OF SHAPE AND SIZE.



REGISTRO DE INFORMACION CATASTRAL DE PROPIEDAD.
RECORDING CADASTRAL INFORMATION ABOUT PROPERTY.

MAPEC FISCAL DE PROPIEDADES RURALES SOBRE FOTOGRAFIAS AEREAS.
FISCAL MAPPING OF RURAL PROPERTIES ON AERIAL PHOTOGRAPHY.



TARJETA DE IDENTIFICACION DE INMUEBLES

Propietario: **BENEDICTO JUAREZ JIMENEZ** Tarjeta 46

Dirección: **3A CALLE NO. 36, ESCUINTLA** NUMERACION CATASTRAL

UBICACION				INSCRIPCION	
Depto.: ESCUINTLA	Zona:	Numero: 3563	Folio: 36		
Municip.: ESCUINTLA	Ave.:	Aldea: 21362	201		
Canton:	Calle:				
Casa N°:					
Nombre de la Fco.: LAS DIAMCLAS					

CONSTRUCCIONES SECUNDARIAS										
TIPO	CLASE	PISO	TECNO	PAREDES	MEDIDAS	ALTURA	AREA	VALOR BASE	V/TOTAL	ABO
GA	3	MAD	LAMINA	BLOCK	6x10	280	60	15	180	1992
K	4	NAT	LAMINA	M	12.50x8	2.50	100	8	800	1992
R	3	T.C	LAMINA	ADOBE	6x5	2.50	150	7	1,050	1992
GALLINERO	4	NAT	LAMINA	MALLA	28.5x14	2.50	112	7	852	1992

TERRENO RURAL					
CLASE	SUB-CLASE	EXTENSION HECTAREAS, METROS	VALOR BASE UNITARIO	VALOR BASE TOTAL	FACT. EXTENSION
I		60,000.00	380	22,800	
II		130,057.6	340	44,219.5	
III		11,000.00	340	3,740	
VI		250,000.00	100	25,000	
		555,057.6		135,729.5	99

CULTIVOS					
CLASE	VARIEDAD	EXTENSION HECTAREAS, METROS	VALOR BASE UNITARIO	VALOR BASE TOTAL	FACT. EBAD
C	BOURBON	200,000.00	487.50	97,500	0
K	SELECTA	125,000.00	325.00	40,625	0
FS	MARAJA	16,000.00	476.25	7,620	0
FS	VARIOS	19,000.00	368.00	6,992	0
PS		201,057.6		4,784	0
		555,057.6		150,529	

VALOR TOTAL (TERRENO Y CULTIVOS) B+C: **150,529** **G**

DISTANCIA A: **ESCUINTLA**, KMS: **7**, FACTOR: **X**

RECURSOS VIALES	CLASE	METROS	VALOR POR METRO	TOTAL
CARRETERA	I	500	3.00	1,500
CARRETERA	IV	300	1.50	450

VALOR TOTAL (TERRENO, CULTIVOS Y OTROS) E+F: **1,950** **F**

296,785 **D**

296,280 **E**

290,235 **G**

MAPEO DE LAS CARACTERISTICAS DE LA TIERRA Y CULTIVOS.
MAPPING AGRICULTURAL LAND USE AND CROPS



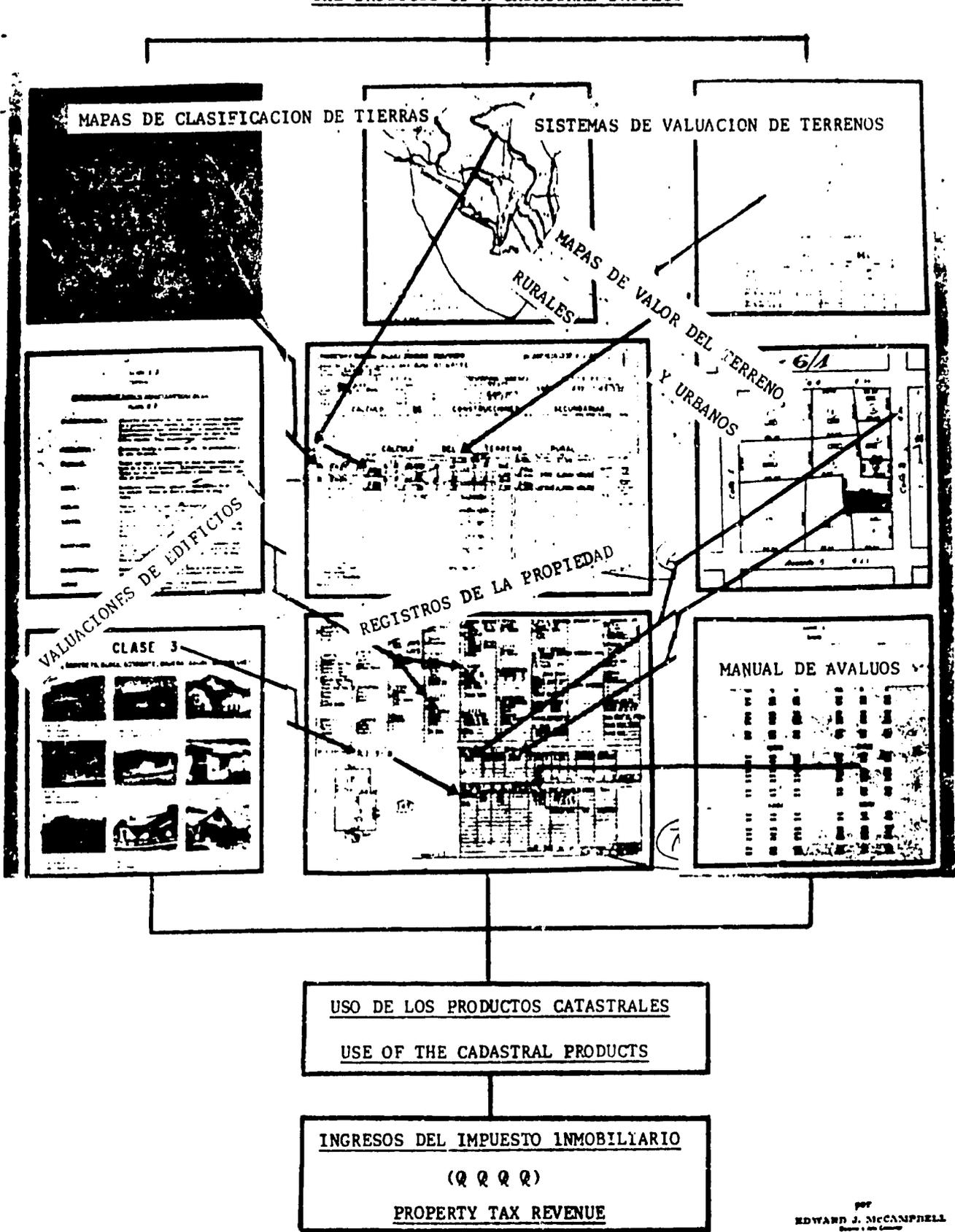
OBSERVACIONES

(Frente de la Tarjeta de Identificación de Inmuebles) - (Front of Property Record Card)
Cada uno de los 140,000 inmuebles completados ha sido inventariado y evaluado en tarjetas como ésta.

Each of the 140,000 cadastral properties completed has been recorded and appraised on cards such as this.

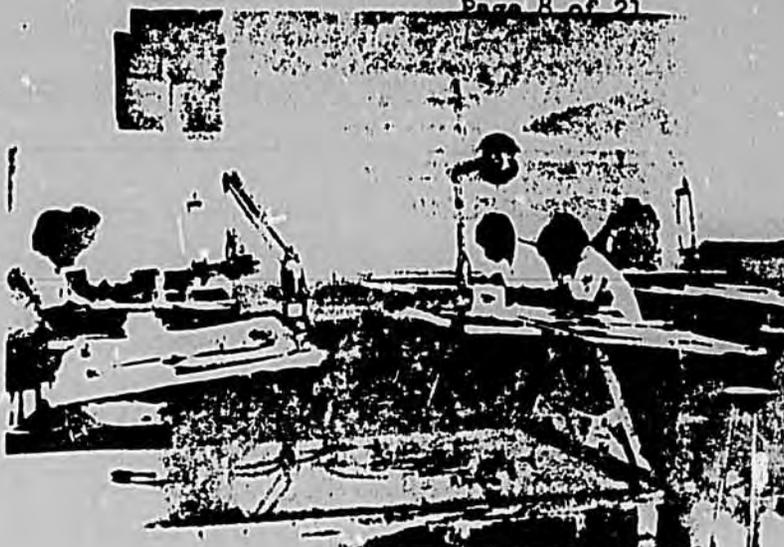
LOS PRODUCTOS DE UN PROYECTO CATASTRAL

THE PRODUCTS OF A CADASTRAL PROJECT



MEASURING LAND AREAS AND
PREPARING FINAL PROPERTY
MAPS.

MEDICION DE AREAS Y
PREPARACION DE MAPAS
CATASTRALES FINALES.



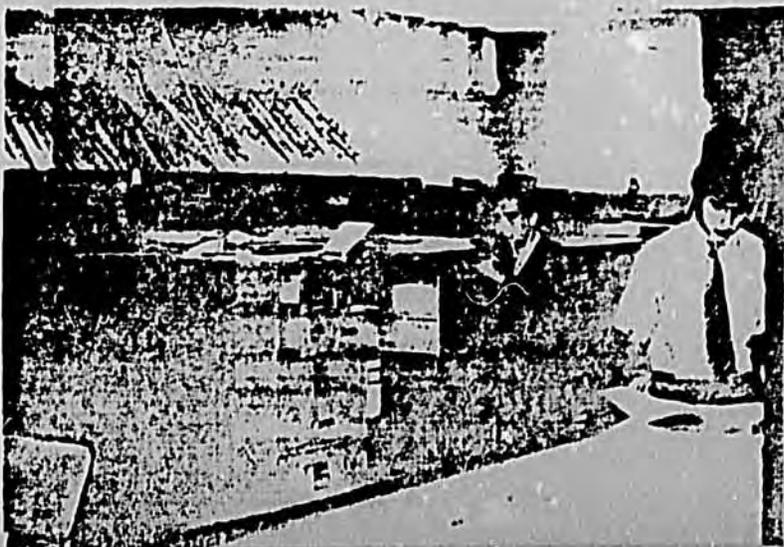
CALCULATING PROPERTY
VALUES FOR TAXATION.



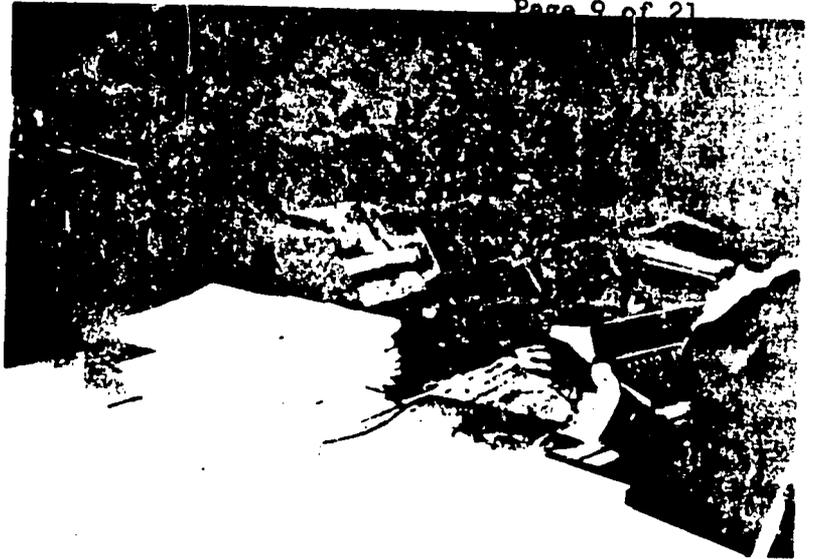
CALCULO DE LOS VALORES
DE PREDIOS PARA EFECTOS
DE TASACION.

PROPERTY MAPS AND RECORDS
FILED AND READY FOR TAX
USE (APPROX. 140,000)

MAPAS CATASTRALES Y REGIS-
TROS ARCHIVADOS Y LISTOS
PARA EFECTOS DE TASACION.
(APROXIMADAMENTE 140,000).



KEYPUNCHING THE CADASTRAL
PROPERTY RECORD. First
step in computerizing Gua
temala's Property Taxation
System.



PERFORACION DEL REGISTRO
CATASTRAL. Primera etapa
en la Computarización del
Sistema de Impuesto sobre
Inmuebles de Guatemala.

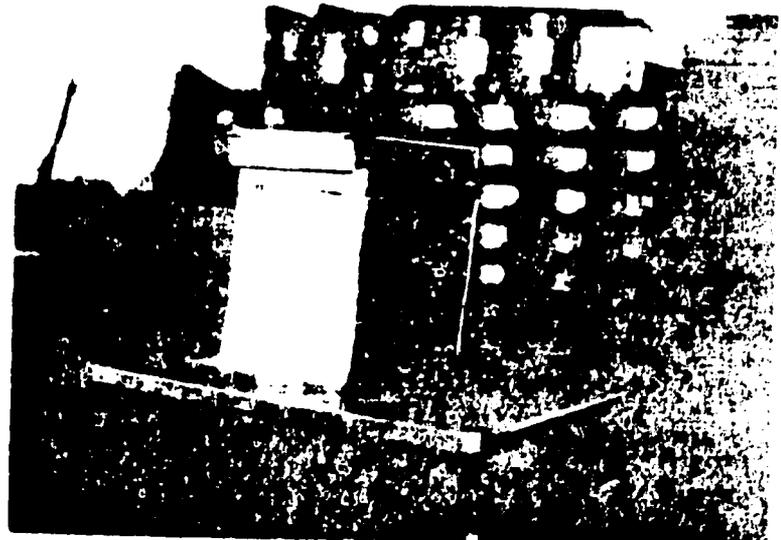


INSPECTING THE COMPUTER
LISTINGS OF THE CADAS-
TRAL PROPERTY RECORDS.
(Prior to sending out
notices).

INSPECCION DE LOS LIS-
TADOS IBM DE REGISTROS
CATASTRALES. (Previo
al envío de notifica-
ciones).

PROPERTY RECCRDS READY
FOR DELIVERY TO TAX OFFICE
FOR TAX USE.

REGISTROS DE INMUEBLES
LISTOS PARA SER ENTRE-
GADOS A LA DIRECCION GE
NERAL DE RENTAS INTERNAS
PARA EFECTOS DE TASACION.



PROCESAMIENTO DE
LOS REGISTROS CATASTRALES.
El procesamiento de los registros catastrales se realiza mediante el uso de computadores electrónicos.

El procesamiento de los registros catastrales se realiza mediante el uso de computadores electrónicos.



PROCESO DE MODERNIZACIÓN DE
LOS REGISTROS DE LA OFICINA
GENERAL DE REGISTROS Y
CATASTRO. REALIZADO POR Y PARA
EL PROYECTO. Para emplearlos en el futuro
programa de modernización
del catastro.

PROYECTO DE MODERNIZACIÓN DE
LOS REGISTROS DE LA OFICINA
GENERAL DE REGISTROS Y
CATASTRO. Para emplearlos en el futuro
programa de modernización
del catastro.

PROYECTO DE MODERNIZACIÓN DE
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LOS REGISTROS DE LA OFICINA
GENERAL DE REGISTROS Y
CATASTRO. Para emplearlos en el futuro
programa de modernización
del catastro.



PROYECTO DE MAPEO TRIBUTARIO Y AVALUO DE INMUEBLES
TAX MAPPING AND REAL PROPERTY VALUATION PROJECT

PRESTAMO ADI - 520-L-014
AID LOAN - 520-L-014

INFORME DE PROGRESO
MONTHLY PROGRESS REPORT

PARA
POR

1^o de Julio A 31 de
July 1st. TO July



DIRECTOR DEL PROYECTO DE MAPEO TRIBUTARIO
PROJECT DIRECTOR; TAX MAPPING AND REAL
CONSULTOR Pasqualino ... Torre
CONSULTANTS; THE JACOBS COMPANY INC.

ORGANIZACION TECNICO-ADMINISTRATIVA Y DE SUPERVISION
DEL PROYECTO

REPUBLICA DE GUATEMALA

EFFECTOS DE LA PROPAGACION DEL IMPUESTO

TERRESTRIAL
(1970-1980)

Proyecto de Mapeo Tributario y Avalúo de Inmuebles
MINISTERIO DE HACIENDA Y C. P.

Preparado por:

Edward J. McCampbell
Administrador y Consultor en Jefe de
Operaciones Internacionales de Catastro
COMPANIA JACOBS INC.

McC Campbell
Jefe Consultor
Operaciones de Catastro

CONSULTORES
THE JACOBS COMPANY, INC
CHICAGO, ILL., E.U.A.

PROYECTO DE MAPEO TRIBUTARIO
Y AVALUO DE BIENES INMUEBLES

Ing. Porfirio García Gallont
Director del Proyecto

EL REGISTRO DEL PROYECTO CATASTRAL DE CUATERO
Y LA LEY

Una Opinión de

Edward J. McCampbell
Gerente y Jefe Consultor
Operaciones Internacionales de Catastro

THE JACOBS CO., INC.
de Chicago, Illinois

REPUBLICA DE GUATEMALA

PROYECTO DE MAPEO TRIBUTARIO
Y AVALUO DE BIENES INMUEBLES

Ing. Porfirio García Gallont
Director del Proyecto

Diseño Técnico para los Sistemas
de

INDICES, MANTENIMIENTO E
IMPLEMENTACION DE LOS
REGISTROS CATASTRALES

Presentado
por

Edward J. McCampbell
Jefe Consultor
Operaciones Catastrales Internacionales
The Jacobs Company, Inc.

GOBIERNO DE GUATEMALA
Ministerio de Hacienda y Crédito Público

Dirección de Catastro Inmobiliario
Ing. Porfirio García Gallont, Director

Manual de

PROCEDIMIENTOS DE LA OFICINA PARA
LA ELABORACION DE LOS REGISTROS CATASTRALES

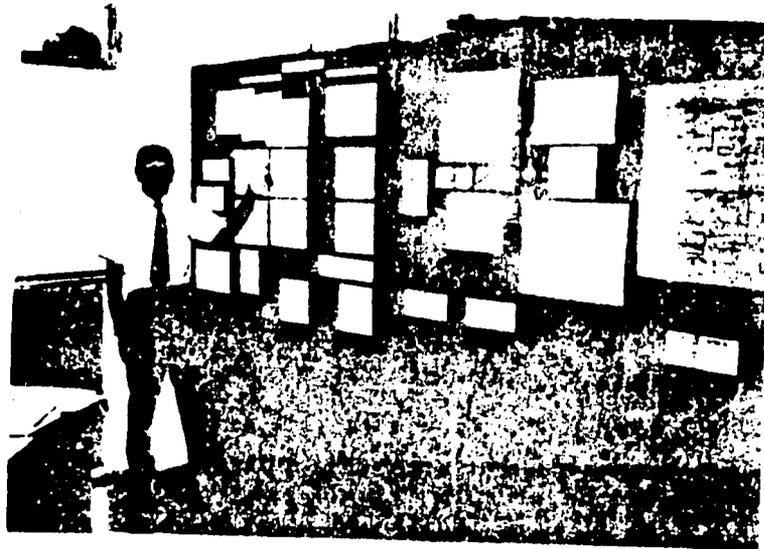
Preparado por:

EDWARD J. MCCAMPBELL
Gerente y Jefe Consultor
OPERACIONES INTERNACIONALES DE CATASTRO

THE JACOBS CO. INC.
de Chicago, Illinois

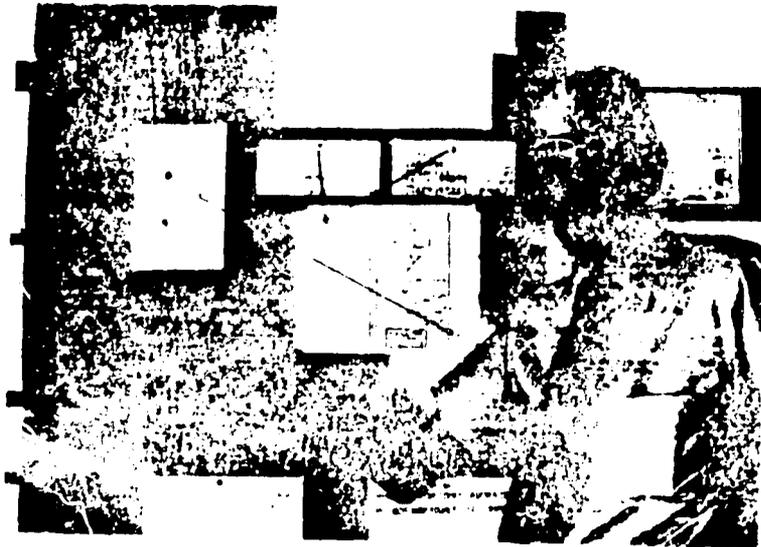
Unos cuantos ejemplos de los tantos informes y estudios especiales que deben preparar los consultores expertos, asignados a un proyecto catastral.

A few examples of the many reports and special studies that must be prepared by experienced Consultants assigned to a cadastral project.



WALL DEMONSTRATION OF PROJECT DESIGNED FORMS AND SYSTEM FLOW TO USE THE CADASTRAL RECORDS FOR PROPERTY TAXATION.

EXPOSICION ILUSTRADA EN LA PARED DE LOS FORMULARIOS DISEÑADOS POR EL PROYECTO Y FLUXOGRAMA PARA USAR LOS REGISTROS CATASTRALES CON FINES IMPOSITIVOS.



FUTURE PROPERTY TAX ADMINISTRATION REFORM FOR GUATEMALA, WILL DEPEND ON THE USE OF THE CADASTRAL PROPERTY RECORD TAPE.

LAS FUTURAS REFORMAS DE LA ADMINISTRACION DEL IMPUESTO SOBRE LA PROPIEDAD DE GUATEMALA, DEPENDERAN EN EL USO DE LA CINTA MAGNETOFONICA MAESTRA.

EL INSTITUTO GEOGRAFICO NACIONAL

(Elements of aerial photography used for photo mosaics)



Fragmento de fotografía aérea.

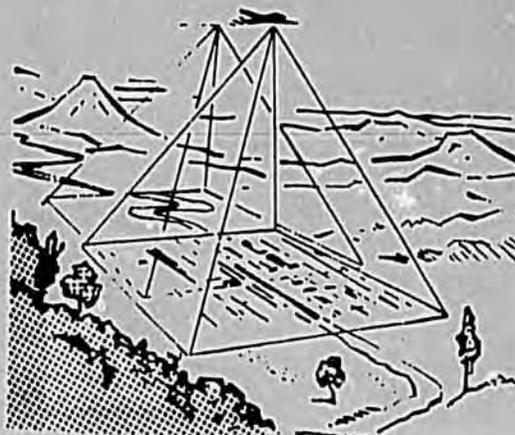


Diagrama que muestra el cubrimiento y traslape de fotografías aéreas.



FOTOMOSAICO, CATASTRO RURAL
Escala 1:10,000

Debe hacerse mención en este informe de los excelentes fotomosaicos conteniendo información sobre las clases de tierra, preparados por el Instituto Geográfico Nacional para uso del Proyecto en la fase de mapeo fiscal en las zonas rurales.

Mention must be made in this Consultant Report as to the excellent photo mosaics with land class information prepared by the Instituto Geográfico for the use of the Project in its "Fiscal Mapping" of the rural areas.

(Las fotografías de esta página fueron tomadas por el Instituto Geográfico Nacional de Guatemala).



Toma de muestras de suelo en el campo



Integración de datos planimétricos a la compilación aerofotogramétrica.



Fotointerpretación preliminar de uso y características físicas del suelo.



Elaboración de fotomosaicos

PREPARATION OF PHOTO MOSAICS AND LAND CLASSIFICATION IN FIELD AND LABORATORY
(Las fotografías de esta página fueron tomadas por el Instituto Geográfico Nacional,

REPUBLICA DE GUATEMALA

MINISTERIO DE FINANZAS PUBLICAS

MUESTRAS TOMADAS DEL MANUAL DE 300 PAGINAS,
PREPARADO POR EL PROYECTO CATASTRAL.
SAMPLE MATERIAL FROM 300 PAGE MANUAL PRE-
PARED BY CADASTRAL PROJECT.

MANUAL DE AVALUOS

PREPARADO POR
EL PROYECTO DE MAPEO TRIBUTARIO
Y AVALUO DE BIENES INMUEBLES
CON LA COLABORACION DE
"THE JACOBS COMPANY INC."
ASESORES EN ADMINISTRACION DE IMPUESTOS

INTRODUCCION

El presente Manual de Avalúos forma parte de los elementos de valuación en masa y control catastral que han sido elaborados por la Oficina de Catastro del Ministerio de Finanzas Públicas. Constituye conjuntamente con los mapas y registros catastrales, la base legal para fijar el valor fiscal de cada uno de los inmuebles-urbanos y rurales del país, tal como lo establece el Acuerdo Gubernativo del 8 de octubre de 1971, emitido por conducto del Ministerio de Finanzas Públicas.

Las especificaciones, normas y procedimientos que están contenidos en el presente Manual, ya fueron puestas en práctica sobre 130,000 inmuebles aproximadamente, en una área de doce mil kilómetros cuadrados de la costa sur y en veintisiete centros urbanos del país, con excepción de la ciudad capital.

El procedimiento de valuación en masa, difiere sustancialmente del sistema tradicional de avalúo individual, particularmente en lo que corresponde a la despersonalización del avalúo, lo cual le acredita mayor equidad en la aplicación de valores fiscales así como la obtención de un mayor rendimiento, cubriendo mayor área en menor tiempo, gracias a la aplicación del sistema de división del trabajo en el proceso de valuación. En otras palabras, el avalúo en masa se realiza en forma sistematizada, buscando la mayor uniformidad en las operaciones de cada fase de la valuación.

Este Manual contiene las instrucciones específicas para el levantamiento de mapas fiscales y los procedimientos para establecer los valores del terreno, construcciones, cultivos y maquinaria estacionaria adherida en forma fija y permanente al suelo, que formen parte de los inmuebles sujetos a valuación, de conformidad con las disposiciones legales vigentes.

Su interpretación debe ser flexible y supervisada por el personal de la Oficina de Catastro del Ministerio de Finanzas Públicas; y por la naturaleza técnica del mismo, se estima conveniente que mediante revisiones periódicas se mantengan actualizadas las especificaciones sobre el tipo de construcciones y, particularmente, las tablas de valores, lo que hará de su aplicación, un sistema dinámico congruente con el desarrollo económico del país.

Guatemala, marzo de 1972

PROYECTO
MUESTRAS TOMADAS DEL MANUAL DE 300 PAGINAS,
PREPARADO POR EL PROYECTO CATASTRAL.
SAMPLE MATERIAL FROM 300 PAGE MANUAL, PRE-
PARED BY CADASTRAL PROJECT.

ELEMENTOS PARA VALUACION

Para que un sistema moderno de valuación sea operante, es necesario utilizar ciertos elementos que faciliten la labor de las personas que participan en las diferentes actividades, para lograr así un resultado equitativo en los avalúos. Estos elementos son el "Manual de Avalúos" y formularios utilizados en el proceso de la valuación. A continuación ilustraremos un ejemplo de cada uno de ellos acompañado de una breve descripción.

LA TARJETA DE AVALUOS

Hemos dicho que el Manual de Avalúos es la guía que sirve como base para establecer uniformidad y justicia en los avalúos, y que describe todas las normas y procedimientos necesarios para lograr estos fines. Estas normas y procedimientos necesitan de un medio de expresión, y este medio es la tarjeta de avalúos.

La tarjeta de avalúos es la ficha que representa cada inmueble. Esta ficha sirve para hacer una descripción completa de cada propiedad. En ella se encuentra el nombre y dirección del propietario; el número de registro, el número catastral; se des

INSTRUCCIONES. El llenar la tarjeta de avalúos es una operación sencilla para los que ya tienen experiencia en hacerlo, pero puede haber diferencia de interpretación de algunos de los renglones que cubre la tarjeta; por eso es conveniente describir cada renglón detalladamente y explicar el procedimiento que debe seguirse para obte

VALUACION DEL TERRENO URBANO

Para obtener avalúos ajustados a la equidad, en forma acelerada y uniforme, es indispensable regular el procedimiento para el cálculo de los solares urbanos; para ello se toma como base un lote de terreno que reúne las características ideales que se denomina "LOTE TIPO" y sobre el cual se aplican rigurosamente todos los factores y procedimientos que más adelante se detallan.

LOTE TIPO. Es aquel solar que tiene una superficie total comprendida entre 300 a 600 metros cuadrados, de situación medial -no en esquina-, de forma rectangular, al nivel de la vía pública, que tenga un frente de 10 a 20 metros y un fondo hasta de 30 metros. La topografía completamente plana.

MAPA DE VALORES DEL TERRENO URBANO



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MUESTRAS TOMADAS DEL MANUAL DE 300 PAGINAS,
 PREPARADO POR EL PROYECTO CATASTRAL.
 SAMPLE MATERIAL FROM 300 PAGE MANUAL PRE-
 PARED BY CADASTRAL PROJECT.

COMERCIO Y APARTAMEN VARIAS PLANTAS CLASE 3

CARACTERISTI
CAS GENERALES Edifi
difer
te ca
Su of
atrac

ESTRUCTURA. Concr
CIMENTOS. Zapat

PAREDES. Mixto
drill
inter
cinas

TECHOS. Lámin

CIELOS. Gener
tiene
pedra

PISOS. Concr
llo de

ACABADOS. Carec
ción
así co
metal

BAÑOS. Para l
edific
clase

Guardi



EDIFICIO PUBLICO CLASE 1



FABRICA CLASE 3



ESTABLO CLASE 4

M ²	MIXTO LADRILLO	40	36	34	31	1,000	600	800	1,000	1,200	1,400
	V/M										
200	55										
300	53										
400	51										
500	48										
600	46										
800	45										
1,000	44										
1,200	43										
1,400	42										

Tabla D D D E F

DETAIL COST ANALYSIS

ANNEX D, EXHIBIT 7

Detail of Expenses	1973	1974	1975	No. of Persons	M/M	Totals
I. <u>ADMINISTRATION</u>						
<u>Management</u>						
Project Manager	9,900	9,900	9,900	1	36	29,700
Internal Auditor	4,800	4,800	4,800	1	36	14,400
Accountant	2,700	2,700	2,700	1	36	8,100
Cashier	2,400	2,400	2,400	1	36	7,200
Assistant Accountant	2,400	2,400	2,400	1	36	7,200
Executive Secretary	2,400	2,400	2,400	1	36	7,200
Secretary	3,600	3,600	3,600	2	72	10,800
Personnel Officer	2,400	2,400	2,400	1	36	7,200
Office Clerk III	1,200	1,200	1,200	1	36	3,600
Secretary	1,560	1,560	1,560	1	36	4,680
Bilingual Secretary	2,400	2,400	2,400	1	36	7,200
<u>General Services</u>						
Chief Mechanics	3,000	3,000	3,000	1	36	9,000
Mechanic	9,000	9,000	9,000	3	108	27,000
Assistant Mechanic	7,200	7,200	7,200	4	144	21,600
Janitor-Watchman	1,440	1,440	1,440	2	72	4,320
Janitor-Messenger	720	720	720	1	36	2,160
Storekeeper	1,200	1,200	1,200	1	36	3,600

Detail of Expenses	1973	1974	1975	No. of Persons	M/M	Totals
<u>Cadastral Operations</u>						
Cadastral Supervisor	7,200	7,200	7,200	1	36	21,600
Chief, Field Operations	--					
Chief, Rural & Urban Enumeration	4,200	4,200	4,200	1	36	12,600
Enumerator Supervisors	21,000	21,000	21,000	7	252	63,000
Supervisor	--					
Urban Enumerators	9,600	9,600	9,600	4	144	28,800
Rural Enumerators	26,640	26,640	26,640	14	504	79,920
Appraisal personnel I	48,840	48,840	48,840	26	936	146,520
Appraisal Specialist I	3,000	3,000	3,000	2	72	9,000
Appraisal Specialist II	9,900	9,900	9,900	4	144	29,700
Field Assistants	2,400	2,400	2,400	2	72	7,200
<u>Office of Operations</u>						
Chief of Office Operations	4,800	4,800	4,800	1	36	14,400
<u>Drafting Unit</u>						
Drafting Chief	3,360	3,360	3,360	1	36	10,080
Drafters	20,280	20,280	20,280	13	468	60,624
Drafters	--					
<u>Calculating Unit</u>						
Calculation Chief	3,000	3,000	3,000	1	36	9,000
Calculator Supervisors	3,600	3,600	3,600	2	72	10,800
Calculators	15,000	15,000	15,000	10	360	45,000
Office clerks IV	5,760	5,760	5,760	4	144	17,280
Office clerks II	1,440	1,440	1,440	1	36	4,320

Detail of Expenses	1973	1974	1975	No. of Persons	M/M	Totals
<u>Production Control (Technical File)</u>						
Chief (Perito Valuador II)	3,300	3,300	3,300	1	36	9,900
Office Clerks II	5,760	5,760	5,760	4	144	17,280
Office Clerks II	4,320	4,320	4,320	3	108	12,960
<u>Implementation & Maintenance of Cadastral Records</u>						
Office Clerks II						
Office Clerk II						
<u>Reconciliation of Cadastral Records & Notification of Appraisals</u>						
Chief (Perito Valuador I)	3,000	3,000	3,000	1	36	9,000
Secretary	1,800	1,800	1,800	1	36	5,400
Office Clerks	24,480	24,480	24,480	17	612	73,440
Supervisor of Property Identifi- cation (rural)	3,000	3,000	3,000	1	36	9,000
Valuation Agents I	8,880	8,880	8,880	4	144	26,640
Office Clerk	1,440	1,440	1,440	1	36	4,320
<u>Maintenance IBM Records</u>						
Officer in Charge (Chief)	2,400	2,400	2,400	1	36	7,200
Office Clerks	7,200	7,200	7,200	5	180	21,600
Enumerators	4,440	4,440	4,440	2	72	13,320

Detail of Expenses	1973	1974	1975	No. of Persons	M/M	Totals
<u>Reconciliation with Municipality</u>						
Officer in Charge (Chief)	2,400	2,400	2,400	1	36	7,200
Office Clerks	10,080	10,080	10,080	7	252	30,240
<u>Personal Services</u>						
Per Diem Expenses, field trips in Guatemala	4,200	4,200	4,200			12,600
<u>Non Personal Services</u>						
Telephone	300	300	300			900
Mail	100	100	100			300
Telegraph	100	100	100			300
Cables & Radiograms	50	50	50			150
Water	100	100	100			300
Lighting & cleaning	40	40	40			120
Electricity	450	450	450			1,350
Publicity & propaganda	3,000	4,000	4,000			11,000
Printing & Binding		5,000	5,000			10,000
Per diem, field trips	87,120	86,968	86,968			261,056
Transportation (persons)	50	50	50			150
Building lease						
Rental of Office machinery & equipment	7,500	8,620	8,620			24,740
Office Equipment Maintenance	300	300	300			900
Building Maintenance	1,000	2,000	2,000			5,000
SUB-TOTALS	<u>435,150</u>	<u>443,118</u>	<u>443,118</u>			<u>1,321,386</u>

Detail of Expenses	1973	1974	1975	No. of Persons	M/M	Totals
II. <u>CONTRACTING OF STUDIES & TECHNICAL PERSONNEL (CONSULTANTS)</u>	<u>71,800</u>	<u>108,261</u>	<u>52,435</u>			<u>232,496</u>
III. <u>SUPPLIES</u>						
Non toxic beverages	50	50	50			150
Wooden products	200	200	200			600
Finished Textiles	100	100	100			300
Stationery	1,600	1,600	1,600			4,800
Paper or cardboard products	2,000	2,000	2,000			6,000
	200	200	200			600
Books, magazines, newspapers	25	25	25			75
Special engineering paper	2,000	2,000	2,000			6,000
Other paper products, cardboard and printed materials	-.-	1,000	1,000			2,000
Tires and tubes	6,000	6,000	6,000			18,000
Elements and chemicals	150	150	150			450
Fuels and lubricants	7,000	9,700	9,700			26,400
Sanitary products	100	100	100			300
Dyes, paints and tints	300	300	300			900
Other chemical and related products	7,000	7,000	7,000			21,000
Metal products	100	100	100			300
Tools	500	1,000	1,000			2,500
Accesories & vehicle spare parts	15,000	10,000	10,000			35,000
Office supplies	1,000	1,000	1,000			3,000
Cleaning supplies	100	100	100			300
Electrical supplies	120	120	120			350
Accesories and general supplies	50	50	50			150
Various other products and supplies	1,000	2,000	2,000			5,000
SUB-TOTAL	<u>44,595</u>	<u>44,795</u>	<u>44,795</u>			<u>134,185</u>

Detail of Expenses	1973	1974	1975	No. of Persons	M/M	Totals
IV. <u>VARIOUS (SERVICES) MAPPING</u>	<u>58,000</u>	<u>62,000</u>	<u>37,722</u>			<u>157,722</u>
V. <u>EQUIPMENT</u>						
Microfilm Equipment	16,000					16,000
Microfilm Cabinets, Jackets, etc.	4,000					4,000
Calculators	2,000					2,000
Misc. File Cabinets	500					500
SUB-TOTAL	<u>22,500</u>					<u>22,500</u>
Cars w/winch (10)		40,000				40,000
Measuring Tapes		1,500				1,500
Map File Cabinets		13,500				13,500
SUB-TOTAL		<u>55,000</u>				<u>55,000</u>
Power File System for Records			10,000			10,000
VI. <u>COMPUTER</u>	<u>300,000</u>					<u>300,000</u>
VII. <u>BUILDING ADDITION</u>		<u>60,000</u>	<u>12,500</u>			<u>72,500</u>
VIII. <u>EDP SERVICES</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>			<u>120,000</u>

Detail of Expenses	1973	1974	1975	No. of Persons	M/M	Totals
IX. <u>MUNICIPAL PROJECT (CITY GOV'T)</u>	<u>208,452</u>	<u>104,226</u>				<u>312,678</u>
X. <u>MUNICIPAL PROJECT (GOG FUNDS)</u>	<u>350,800</u>	<u>108,300</u>				<u>459,100</u>
TOTALS	<u>1,531,297</u>	<u>1,025,700</u>	<u>640,570</u>			<u>3,197,567</u>

DRAFT LOAN AUTHORIZATION

Provided from: Alliance for Progress Funds

GUATEMALA: PROPERTY TAX DEVELOPMENT II

Pursuant to the authority vested in the Deputy U. S. Coordinator, Alliance for Progress, Agency for International Development ("A.I.D."), by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan ("Loan") pursuant to Part I, Chapter 2, Title VI of said Act to the Government of Guatemala ("Borrower") of not to exceed ONE MILLION TWO HUNDRED FIFTY THOUSAND United States Dollars (\$1,250,000) to assist in financing United States dollar and Central American Common Market local currency costs of up to \$700,000 to carry out the second phase of a program for solidifying the institutional process of cadastral surveying, tax assessment, tax notification and tax collection and extension of the system into the Department of Guatemala ("Project"). The Loan shall be subject to the following terms and conditions:

1. Interest and Terms of Repayment:

Borrower shall repay the Loan to A.I.D. in United States dollars within forty (40) years from the date of the first disbursement under the Loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the loan interest at the rate of two percent (2%) per annum during the grace period and three percent (3%) per annum thereafter.

2. Source and Origin:

Goods, services (excluding ocean shipping) and marine insurance financed under the Loan shall have their source and origin in countries which are members of the Central American Common Market or in countries included in Code 941 of the A.I.D. Geographic Code Book. Marine insurance may

be financed under the Loan only if it is obtained on a competitive basis and any claims thereunder are payable in freely convertible currencies. Ocean shipping financed under the Loan shall be procured in any country included in Code 941 of the A.I.D. Geographic Code Book, excluding countries which are members of the Central American Common Market.

3. Local Currency:

United States dollars utilized under the Loan to finance authorized local currency costs shall be made available pursuant to procedures satisfactory to A.I.D.

4. Other Terms and Conditions:

- a. Prior to the first commitment document or any disbursement under the Loan, the Borrower shall in form and substance satisfactory to A.I.D. :
 - (1) Contract with a U.S. consulting firm to assist and advise the Project Director in coordinating all project activities, including mapping, appraisal and assessment and to certify A.I.D. disbursement requests.
 - (2) Issue a Presidential Decree authorizing the Project Director to design and implement necessary technical and administrative reforms and modernization procedures required for the success of the new property tax administration system.
 - (3) Submit a time-phased implementation plan to include each component of the project.
- b. The continuation of the project will be subject to a semi-annual joint review by Borrower and A.I.D. to determine if there has been adequate progress in achieving the project goals.
- c. The Borrower will covenant to introduce and to make best efforts to effect such administrative and legislative measures as may be recommended by the joint progress review.

- d. The Borrower will covenant to implement the plans and actions which may be proposed and agreed to by Borrower and AID for improved real property tax appraisal, assessment and collection for all regions of the Republic of Guatemala.
- e. The Borrower will covenant to budget funds and provide adequate staff to maintain a systematic property revaluation program, as well as to extend the system to areas of the country not covered by the cadastral project.
- f. The loan shall be subject to such other terms and conditions as AID may deem advisable.