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

ISN: 16345

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UNCLASSIFIED

AID-ILC/P-574  
May 25, 1967

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Guatemala - Property Tax Development Loan

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$2,200,000 to the Government of Guatemala to assist in financing the costs of Borrower's property tax system improvement program, providing for improved methods of property identification, tax appraisal and tax collection.

If any member of the ILC has a basic policy issue arising out of this proposal, it is requested that you communicate this to us as early as possible but in no event later than close of business on Thursday, June 1, 1967. In the absence of any indication that there is a fundamental policy problem, we propose to proceed with the authorization of this loan promptly after June 1, 1967.

Rachel C. Rogers  
Assistant Secretary  
Development Loan Committee

Attachments:  
Summary and Recommendations  
Project Analysis  
ANNEXES I-IV

PD-AAT-081  
Guatemala : property tax  
development loan

UNCLASSIFIED

May 25, 1967

GUATEMALA - PROPERTY TAX DEVELOPMENT

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ANNEXES

## I. STATUTORY CHECKLIST

## II. TECHNICAL, FINANCIAL, AND ECONOMIC APPENDICES

- Exhibit
1. Consultant's Scope of Work and Staffing
  2. IGN Organization Chart.
  3. RENTAS Organization Chart.
  4. Project Management Organization Chart.
  5. IGN Key Project Personnel.
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  7. IGN Work Plan.
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  11. IBRD letter.
  12. BID letter.
  13. EXIM letter.
  14. Guatemala's Debt - Service Schedule.
  15. Property Tax Assessment/Collection Record.- 1962-1966.
  16. Pacific Coast Agricultural Production Data.
  17. Implementation Plan Bar- Chart.

## III. MISCELLANEOUS DOCUMENTATION

- Exhibit
1. Response to CAEC Comments.
  2. Description of Collection Procedure.
  3. Loan Application letter - January 30, 1967.
  4. Second Application Letter - May 9, 1967.

## IV. DRAFT AUTHORIZATION

## GUATEMALA: PROPERTY TAX DEVELOPMENT LOAN

### SUMMARY AND RECOMMENDATIONS

1. BORROWER:

The Republic of Guatemala, with responsibility for execution of the Project vested in the Ministry of Finance.

2. THE LOAN:

Up to \$2,200,000.

3. THE PROJECT:

The proposed Loan will help finance a 3-year Project of tax mapping, appraisal, assessment and improved collection procedures covering approximately 12,000 km.<sup>2</sup> of the Pacific coast plain and 27 major urban centers throughout the country. Property Identification Maps with overlays showing property boundaries, ownership, land use, and general land capability will be produced by the National Geographic Institute (IGN), which also will place a network of survey control monuments throughout the Project area for subsequent legal cadastre work by the GOG. The Taxation Office (RENTAS) of the Ministry of Finance, employing the IGN Property Identification Maps and new standards and techniques to be developed with the assistance of a U.S. consulting firm, will appraise the property in the Project area and assess taxes thereon for collection by the Ministry of Finance's newly-established Collection Office. The Project supports the GOG's new effort to increase tax revenues, and concentrates on the administration of the real property tax in Guatemala, the tax reform area offering the maximum tax gain both near-term and long-term. Loan funds will finance the U.S. Dollar costs of personal services and hardware, and a substantial portion of the local-currency costs of personal services, hardware, and operating expenses.

4. PROJECT COSTS: \$

	<u>US\$</u>	<u>LC\$</u>	<u>Total</u>
GOG	---	\$1,500,000	\$1,500,000
AID	\$650,000	1,550,000	2,200,000
	<u>\$650,000</u>	<u>\$3,050,000</u>	<u>\$3,700,000</u>

5. ALTERNATE SOURCES OF FINANCING:

BID, EXIM, and IBRD have indicated they are not interested in financing this project.

6. STATUTORY CRITERIA:

All Statutory Criteria have been met.

7. ISSUES:

The issues of legislative/administrative reform, size of Borrower contribution to Project, and amount of local-cost financing requested of A.I.D. were explored thoroughly in the Intensive Review and resolved satisfactorily. A full discussion of these points follows in Section III.

8. RECOMMENDATION:

Authorization of a Loan of up to \$2,200,000 to the Republic of Guatemala under the following terms and conditions:

- a. Repayment within 40 years from the date of first disbursement including a grace period of 10 years;
- b. Interest of 1% during the grace period and 2-1/2% thereafter;
- c. Repayment of principal and interest shall be made in U.S. dollars.

Other Terms and Conditions:

- a. Prior to and as Conditions Precedent to the first disbursement under the Loan, Borrower shall in form and substance satisfactory to AID:
  - i. Appoint a Project Administrator who will be an employee of the Borrower with authority and responsibility to coordinate all aspects of the mapping and appraisal work and the relation of the facilities and developments financed hereunder to tax collection procedures;
  - ii. Contract with a U.S. consulting firm to assist and advise the Project Administrator in coordinating all Project activities, including mapping, appraisal, and assessment, and to certify AID disbursement requests.
  - iii. Draw up a list of specific feasible administrative and/or legal reforms it deems essential to the development of an effective real property tax system in Guatemala and provide a timetable for carrying out the steps listed. The timetable will provide that the Borrower will take some immediate additional steps to accelerate the collection of delinquent real property taxes.
- b. When the necessary equipment has been procured Borrower will undertake a program of microfilming the Property Registry records on a schedule designed to facilitate the mapping and appraisal work.
- c. Equipment, materials and services (except shipping and marine insurance) financed under the loans shall have their origin in and be procured from the United States or Guatemala. Shipping financed hereunder shall be procured from the United States, and marine insurance financed hereunder shall be placed in the United States with a company authorized to do marine insurance business in any state of the United States.
- d. United States dollars utilized under the loan to finance local currency costs shall be made available to Borrower or its designee through Special Letters of Credit and shall be used only for procurement in the United States.

- e. The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

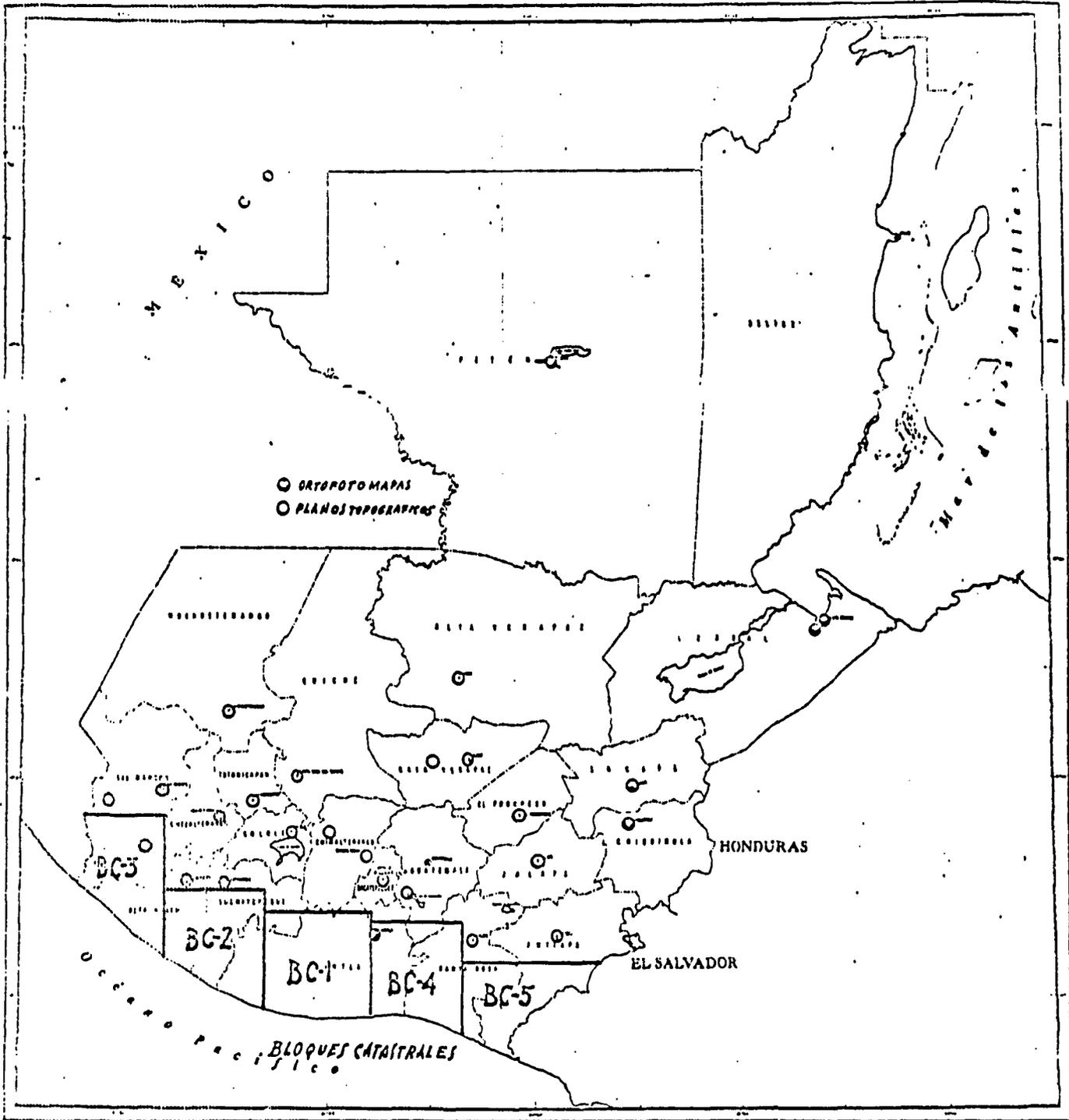
PROJECT COMMITTEE:

Capital Development Officer	:	Charles R. Connolly, Jr.
General Engineer	:	William M. Campbell
Chief Economic Analysis & Development	:	Frank S. Skowronski
Chief Public Administration Advisor	:	Foster Knight
Public Administration Advisor	:	Jack D. Rosholt
Public Administration Advisor	:	David J. Armijo
Acting Director	:	Edward Marasciulo
Regional Legal Advisor	:	Joseph R. Grimes

DRAFT:Connolly/Skowronski

May 25, 1961

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AID-DLC/P-574



### GUATEMALA

#### PROPERTY TAX DEVELOPMENT

Rural Area: Pacific Coastal Plain - 12,000 sq. Km.

Urban Area: Selected Municipalities - 27 total

## I. PROJECT BACKGROUND AND PLACE IN AID PROGRAM

### Background

Over the past four years GOG tax revenues have fluctuated between 7.0% and 8.1% of GNP, one of the lowest levels in Latin America, and certainly insufficient to provide public resources of the magnitude required for even moderate development programs. The inadequacy of revenues has been a major preoccupation of Alliance for Progress entities which have repeatedly, but with little success, urged the GOG to institute various tax reforms. With the accession of the new P. R. administration, which regards itself as a reform government, it appeared that some measure of tax reform could be accomplished.

At the initiative of the National Planning Council and the Ministry of Finance extensive recommendations were made for institution of new taxes designed to widen the tax base and render it more equitable. Pre-eminent among the recommendations presented to CIAP in November, 1966 was the following:

- " 1. Institution of a land tax levied on the value of real estate, according to a progressive schedule of rates ranging from 3 per mill to 3 percent. To this end, a property index based on a cadastral survey would be prepared to permit the revaluation of properties."

The CIAP tax committee in its endorsement of Guatemalan tax proposals, added the caveat that "...if it is decided to adopt a property tax with this feature, the committee feels it should not be done before a reliable fiscal cadastre of real estate has been compiled."

In order to proceed as rapidly as possible with an appropriate cadastral survey, the GOG revived a project proposal originated in 1961 by the Dirección General de Cartografía, predecessor agency of the present Instituto Geográfico Nacional. This proposal,

anticipating IDB or AID financing, was supplemented by a USAID-sponsored plan prepared by J. L. Jacobs & Company. The Cartografía proposal, essentially a "legal cadastre", was in apparent conflict with the Jacobs proposal, which was essentially a "fiscal cadastre". In light of this conflict and the emergence of a proposal to finance cadastral projects on a regional basis as expressed in an AID/CABEI agreement signed in May, 1963, the GOG shelved the proposed project until July, 1966, at which time AID/GOG discussions on tax reform resumed in an ambience of mutual concern.

As a result of these discussions affirming the GOG intention of accelerating fiscal reform, it was decided to utilize the Jacobs proposal as a basis for formulating an up-dated project designed expressly to provide the basis for effective taxation of property in Guatemala's richest agricultural zones and major urban centers.

#### Program and Strategy Considerations

AID support for this project is an essential element in its continuing program to assist the GOG in developing and carrying out tax reform measures. The present GOG has already taken modest steps to improve its revenue collections despite vocal opposition of influential segments of the community. In the USAID view it is important for the GOG to maintain and, if possible, to increase the momentum of its reform efforts with the overt assistance of the U.S. wherever such assistance can be productive.

As a result of the public debate which attended the first tax reform efforts of the Méndez Montenegro administration, a Special Tax Commission has been established to design a rational and equitable taxation system. The Commission was originally scheduled to issue its report in June, but the target date is now September and there are some indications that it could be further delayed. The Mission considered the desirability of holding off the submission of this Loan Paper until publication of the Commission's report, but decided against doing so. First of all, given the agricultural nature of the Guatemalan economy and the interest of the Ministerio de Hacienda in emphasizing real estate taxes, it seems quite clear that the Commission will recommend greater reliance on land taxation and/or better administration of the land tax system which can result in vastly increased revenues from this source. Secondly, whatever the Commission recommends as a detailed plan for land taxation, the GOG will in any event have to prepare a fiscal cadaster and improve its tax collection administration. Finally, the Commission report may again be delayed, and for the reasons mentioned elsewhere in this paper it is important for the USG to assist the GOG tax reform effort at this time.

The GOG intention to move rapidly with the fiscal cadastre has been given impetus by the possibility of a worsening fiscal position brought about by declines in coffee and cotton exports. Suitable financing of the ambitious public development program outlined by the GOG will require substantial increases in taxation at an increasing rate as the development program advances.

Further, as it prepares to launch a massive program for rural sector development, the GOG has recognized that the establishment of an improved real property tax could provide it with an effective instrument for inducing improved agricultural practices, crop diversification and as a lever in achieving some measure of land reform.

A fundamental consideration reflected in the GOG's desire to proceed with the land tax is the recognition that it provides the only immediate method of shifting part of the tax burden to the large land holder who has heretofore been able to elude the conventional taxation system.

The USAID, following its program objectives of utilizing all influence and resources at its disposal to foster fiscal and agrarian reform and the creation and/or improvement of administrative mechanisms to sustain such reforms, has encouraged the GOG to move forward with a land tax program. In assisting the GOG in selection of the area to be surveyed, the USAID was cognizant of the fact that the South Coast includes the major marginal coffee growing areas of the country. An opportunity is thus provided to utilize land taxes as a possible means of influencing coffee production levels. Whatever additional means may be employed for limiting coffee production, the cadaster will, for the first time, provide an accurate assessment of the bulk of marginal coffee holdings.

USAID advisors working with the Ministry of Finance and related entities have for the past several years been instrumental in creating within the GOG an awareness of the need for administrative reforms in tax collection procedures, and have successfully stimulated specific improvements in the taxation system. This

project represents a crucial step in laying the basis for further and far-reaching administrative improvements in the overall GOG tax improvement program which AID will continue to support with technical assistance. 1/

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1/ For statement of overall USAID strategy see pp. of the FY'68 CAP.

## II. PROJECT DESCRIPTION AND EVALUATION

The achievement of the ultimate purpose of the Project--increased revenues from a real property tax--will require the establishment of a permanent inter-agency coordination system involving the Ministry of Finance and the Instituto Geográfico Nacional. The processes of property identification, tax assessment, and collection are to be improved and systematized to eliminate delays, inefficiencies and inequities. AID support for the Project is intended to provide the initial thrust to a continuing program of tax improvement which will be financed entirely by the GOG at the end of three years.

The loan agreement will contain a covenant wherein the GOG agrees to continue the program beyond the three-year period.

### A. The Borrower and Project Administration

The Borrower will be the Republic of Guatemala, with execution of the Project and overall administration the responsibility of the Ministry of Finance. To assure the effective coordination of the National Geographic Institute (IGN, the mapping agency) and the Taxation Office (RENTAS, the appraisal and assessment agency) the Ministry of Finance will appoint a full-time Project Administrator to whom the project supervisors within IGN and RENTAS will report. This Project Administrator will report directly to the Minister of Finance, and will be assisted throughout the life of the Project by an independent U.S. consulting firm contracted with Loan funds. While the appointment of Project Administrator will be subject to change during the execution of the Project, the presence of the independent consultants should provide essential continuity of management. The consultant group will include a Resident Manager. This Resident Manager will direct and coordinate the work of the consultant's technicians and assist and advise the Project Administrator in coordinating all work (IGN and RENTAS) included in the Project. Requests for AID disbursements will be certified by both the Project Administrator and the Resident Manager. A tentative scope of work and suggested staffing for the consulting firm is included in Annex II, Exhibit I.

Organization charts of IGN, RENTAS, and the Project management and brief resumés of IGN and RENTAS key Project personnel follow as Annex II, Exhibits 2, 3, 4, 5, and 6.

This administrative scheme has been accepted by all Agencies involved and is considered satisfactory by the USAID.

B. Technical Aspects

Implementation of the Project will be the responsibility of two GOG agencies, IGN and RENTAS. Responsibility for IGN-RENTAS coordination will be vested in the Ministry of Finance Project Administrator assisted by the Resident Manager of the consultant's contract group. In addition to their continual monitoring of the Project, they will receive regular progress reports from the IGN and RENTAS Project supervisors, and will have the authority to order the acceleration of map production and/or the appraisal-assessment pace should either fall behind schedule.

IGN, as detailed in Annex II, Exhibit 7, will be responsible for the cartographic phase of the Project and discharge the following functions: (1) Production of map products; (2) Property identification and numbering; (3) Property boundary, registration and ownership investigation; (4) Property records and record maintenance; (5) Land use and land capability classification; (6) Monumentation and survey control. Results of IGN activities (i.e., map products and property information) will be delivered to RENTAS for use in the appraisal, assessment and collection phases of the Project in the manner and on schedules to be dictated by the Project Administrator.

RENTAS, utilizing products delivered to it by IGN as mentioned above, will be responsible for implementation of the appraisal, assessment and collection phases of the project, as detailed in Annex II, Exhibit 8.

C. Financial Aspects

1. Projected Costs and Cash Flow

A summary analysis of estimated Project costs appears in the table on next page:

Project Component	Proposed Financing				Component Totals
	GOG		AID		
	LC\$	LC\$	US\$	Combined	
<b>IGN:</b>					
Map Products	\$294,900	\$222,600	82,000	304,600	\$ 599,500
Property Inventory	433,900	235,000	131,000	366,000	799,900
Other Activities	202,700	261,400	18,000	279,400	482,100
Sub-Totals	<u>\$931,500</u>	<u>\$719,000</u>	<u>\$231,000</u>	<u>\$ 950,000</u>	<u>\$1,881,500</u>
<b>RENTAS:</b>					
Consulting Services	\$ ---	\$ 10,800	\$225,000	\$ 235,800	\$ 235,800
Appraisal and Assessment	563,900	780,400	185,000	965,400	1,529,300
	<u>\$563,900</u>	<u>\$791,200</u>	<u>\$410,000</u>	<u>\$1,201,200</u>	<u>\$1,765,100</u>
<b>GOG Total:</b>	<u>\$1,495,400</u>	<b>AID Total:</b>	<u>\$2,151,200</u>	<b>Project Total:</b>	<u>\$3,646,600</u>

For the IGN operation, Loan funds will be used to finance dollar costs of vehicles, survey equipment, mapping materials, microfilming equipment, IBM data card processing equipment, and aircraft modifications; and local-currency costs of salaries, per diem, vehicle maintenance, and aircraft operations and maintenance.

For the RENTAS operation, Loan funds will be used to finance dollar costs of the U.S. consultant's contract, vehicles, office and field equipment; and the local-currency costs of salaries, per diem, local-currency costs of U.S. consultant's contract, office and field equipment, and vehicle maintenance.

These cost estimates are presented in greater detail and on an annual basis in Annex II, Exhibits 9 and 10. A complete, fully detailed cost analysis is available in the official USAID loan file.

The USAID considers these cost estimates reasonable and consistent with the technical requirements of the Project.

2. Alternative Sources of Financing

The IBRD, IDB, and EXIM have formally stated they are not interested in financing this Project. Letters to this effect are presented in Annex II, Exhibit 11, 12, and 13. AID appears to be the only free-world source of financing for this Project on satisfactory terms.

3. Debt Servicing Prospects

Guatemala's public foreign debt at December 31, 1966 totalled \$46.3 million. Annex II, Exhibit 15 presents in tabular form Guatemala's present public foreign debt service schedule through 1980.

Private debt and bank debt total approximately \$150 million. Approximately \$40 million in bank debt is of short-term (1-year or less) and is easily rolled over. The private sector debt of about \$100 million includes about \$86 million of short-term import credits which are being pared down this year. Only if adverse political developments make it difficult to roll over these short-term obligations would this debt constitute a serious problem. By its nature it is self-liquidating.

Debt service charges through 1980 are not expected to rise above 4% of total export earnings and 5% of public revenues, even with the assumption that Guatemala contracts an additional \$100 million in foreign loans during the next three years.

Foreign exchange reserves held by the Guatemalan banking system have averaged about \$55 million over the past 6 years or roughly 30% of imports. The present Balance of Payments problem, considered by the GOG to be a temporary phenomenon, is expected to respond to corrective action by the end of 1968 at which time reserves may be expected to increase at a rate of between \$5 to \$10 million per year.

D. Economic Considerations

The project addresses itself to three critical economic problems: (1) The growing gap in domestic financial resources available to the GOG which threatens to arrest its newly revived development effort. (2) The nature of the tax system which places the burden of taxation upon those who can afford it least and allows significant sums of revenue which should be derived from the agricultural sector to be lost. (3) The continuation of static structural defects in the agricultural sector. 2/

2/ For an analysis of the structure and trends of the Guatemalan economy see CAP book for FY 1968, pp. 6-75.

The Project attacks these problems by providing the means of producing a significant increase in tax revenues by shifting part of the tax burden to large agriculturists and penalizing inefficient agriculture or holders of idle land.

Real property taxes are expected to produce an annual revenue increase of at least \$20 million by 1976, approximately \$9 million of which will be directly attributable to the revaluation of land brought about by this project. Further, the administrative improvements which are essential elements of the Project will begin to result in increased revenues immediately. Annex II, Exhibit 17 describes the real property tax assessment and collection record over the past 5 years. In the Escuintla area, where improved collection procedures have supplemented a limited land assessment program carried out in 1962, tax receipts have increased by more than 100%. It is expected that receipts by the end of 1968 will be up by nearly \$0.7 million and will grow continuously thereafter at about the same amount annually.

The shift of purchasing power from the private sector to the public sector will increase national savings by an amount slightly less than the net receipts (assuming continued stringency in the GOG current budget), and thus provide additional capital for the ambitious public investment program now being undertaken. The provision of local capital has become critical to the GOG development program inasmuch as an increasing "local currency capital gap" threatens to limit GOG access to the resources of international lenders, or to force it into heavy inflationary borrowing from the Bank of Guatemala or foreign commercial banks.

Almost a third of GDP is derived from agriculture and about 75% of total exports are of agricultural origin. The Pacific Coast region selected for initiation of the Project provides a disproportionately high percentage of agricultural income and export earnings. All of Guatemala's sugar and cotton and the major essential oil and meat production takes place in the project area. Further, 41% of total national corn production is carried out here, as well as extensive cultivation of cash crops including fruits, vegetables and beans.

The table on next page lists the important characteristics of the Pacific Coast Project area:

<u>Indicator</u>	<u>Amount</u> (000)	<u>Percent</u> <u>1/</u>
Area (km. <sup>2</sup> )	11,705	11 (1965)
Agricultural land (manzanas) <u>2/</u>	324	25 (1963)
Population		
Total	706	17 (1964)
Per km. <sup>2</sup>	60	
Total econ. active	219	17 (1964)
Production <u>3/</u> (quintales)		
Sugar Cane	1,516	98 (1965)
Cotton	1,652	94 (1965)
Essential Oils (lbs.)	1,621	82 (1965)
Meat & Dairy Cattle	523	42 (1965)
Coffee	922	34 (1965)

The GOG favors a graduated property tax and is expected to propose such a measure after receiving the report of the Special Tax Commission. This would increase significantly the tax burden on the large landholder and simultaneously increase receipts considerably in the South Coast area. Some 72% of all farms in the area consist of holdings in excess of 110 acres, and would be subject to a higher tax rate than the typical small holding occupied by the bulk of the agricultural population.

The regressive nature of the Guatemalan tax system, inherent in the design, has been rendered more so by the ease of evasion of income taxes by non-salaried citizens and by special exemptions available to agriculturists. Starting the Project in the South Coast areas will maximize receipts from the most important, richest and fastest growing agricultural area in the country,

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1/ Of Guatemala total.

2/ In crops or pasture.

3/ Details in Annex II, Exhibit 18.

and bring heretofore exempted large landowners into the tax rolls.

Imposition of a reasonable land tax may be expected to have two immediate effects on the structure of agriculture: (a) reduce speculation in idle lands and make greater quantities available at reasonable prices to farmers willing to undertake production; (2) induce landholders to shift from production yielding marginal returns to new high-yielding crops and/or to improved agricultural practices. It is impossible at this time to gauge the extent of these effects. They will depend in great part upon the success attending the GOG's efforts to impose a tax rate sufficiently high to penalize non-productive landholders.

E. Political Considerations

The efforts of the new Guatemalan administration to launch an effective development program in which fiscal reform plays an essential role has been hindered by a legacy of tradition, political unrest and governmental administrative limitations. Nevertheless, the GOG has, with surprising courage and skill, been able to press forward with a fiscal improvement effort that has scored some initial success.

The program which the USAID is planning to support further by means of this Project is already underway, but it faces its most critical tests in the year ahead.

Influential elements of the private sector which with partial success opposed the GOG's tax measures of 1966 are once more campaigning against anticipated tax reforms. Fortunately, one of the demands made by the anti-tax group was that before proceeding with tax reform proposals the GOG initiate improved tax administration and collection procedures. The Ministry of Finance is responding to this fortuitous suggestion to eliminate the administrative issue from subsequent discussion of proposed tax reform programs and to give evidence that it will cooperate with reasonable proposals put forward by the private sector.

The tax issue may well prove to be the major crisis which the PR Government will face this year. There is considerable doubt that sufficiently far-reaching reforms can be achieved in the face of organized opposition, a decline in the earnings of the export sector, and the relatively precarious position of the Government. The continuation of this Project, therefore, assumes added importance.

Further, it is likely that if the Project were delayed for any reason until or after the inevitable clash between the Ministry of Finance and its anti-tax critics, the entire reform program would be indefinitely postponed and the benefits of the Project would be lost. Although increased tax rates would be a welcome recommendation from the the Tax Commission, the Project as it stands will produce sufficient revenue increases to justify itself without other actions being required.

During a period when emotions are likely to run high on the tax issues it is quite possible that direct and overt U.S. support for tax reform might well be counter-productive. This Project provides U.S. support for tax improvement which should have few such effects since ostensibly the objectives of the Project are desired by both the GOG and its critics.

F. Effect on U.S. Economy

No competition with U.S. enterprise will arise from this Project. The procurement of an estimated \$650,000 in U.S. goods and services, with continuing purchases of maintenance supplies and replacement parts, will make a modest immediate contribution to the U.S. economy. U.S. government-owned excess property will be procured in lieu of new items whenever possible.

Two long-run aspects of the Project augur well for increased markets for U.S. products: the pressure it will create for improved farming practices, including accelerated mechanization, and the effect of enlarging cultivated areas will increase the demand for machinery, fertilizers, pesticides, and breeding stock. The U.S. is now the firmly established source of supply for the Guatemalan agricultural community and it is reasonable to expect that the U.S. will continue to provide the major portion of the Project-induced demand.

In addition the generated tax revenue will, if GOG plans remain unaltered, be used extensively for infrastructure projects. U.S. suppliers of heavy equipment have found a growing market for their products in the accelerating infrastructure development effort, and are likely to increase their sales as the plans of the GOG mature.

Local currency expenditures financed under the Loan will be attributed to U.S. imports through the Special Letter of Credit procedure, and consequently will not affect the U.S. balance of payments reports.

G. Implementation Plan

1. Timetable

The Implementation Plan Timetable presented as Annex II, Exhibit 18, assumes rapid GOG action in negotiating, signing, and ratifying the Loan Agreement and meeting in Conditions Precedent to Initial Disbursement. The most recently authorized AID loan to Guatemala (Río Hondo Paving, authorized September 30, 1966) was signed and ratified within ten weeks. The table below allows three months for signature, ratification and meeting of CP's. This assumes no effective Congressional opposition to the Project and the Loan Conditions.

The second three months of the "initiating" phase will be taken up with selection and contracting of consultants and procuring major equipment and materials for both the IGN and the RENTAS operations. IGN will start rural mosaic map production (Block I) during this period, using aerial photographs already available.

The 36-month "operations phase" will begin with the arrival of the consultants and the major equipment. Urban mosaic map production will then start immediately in Escuintla. A 9-month complete training period for RENTAS employees is planned; however, necessary manuals and sufficient staff training to begin appraisals will be completed within 3 or 4 months, and the first appraisal/assessments will be completed by the sixth month.

In addition to the 6-month initiating period and the 36-month Project operations period, the timetable below includes a contingency allowance of 6 months. In consideration of the delays experienced elsewhere with similar projects, particularly during the ratification and Conditions Precedent stages, common sense dictates the inclusion of such a contingency factor. This will require a commitment of AID funds for a term of 4 years from date of execution of the Loan Agreement.

2. Procurement and Loan Disbursement Procedures

a. Procurement

Procurement will be administered by the Project Administrator and will be carried out in a manner consistent with the AID Capital Project Guidelines. U.S. Government-owned excess property will be procured in lieu of new items whenever possible.

b. Disbursement

Disbursement of Loan funds for Project dollar costs will be effected through the AID letter of Commitment procedure or other customary AID procedures as appropriate.

Disbursement of Loan funds for Project local costs will be made from the global Special Letter of Credit--generated Quetzal account maintained by the USAID/G Controller.

Disbursement of Loan funds will be made against documentation certified by the Project Administrator, the consultant's Resident Manager and satisfactory to the USAID/G Controller.

Bills reflecting total expenditures made under the project will be presented monthly to the USAID. The USAID will disburse against a fixed percentage of bills so rendered, which will be subject to periodic audit.

3. Monitoring and Reporting

Effective Project monitoring will be provided by the consultants, who will furnish the USAID with monthly reports for local and Washington distribution. In addition, an IAGS technician (PASA) will be advising the USAID on overall Project implementation.

In order to effect improvements and/or to alter the tempo and administration of the project as necessary the GOG and A.I.D. will jointly review and evaluate the project each year. The review will continue throughout the life of the fiscal cadastre program unless the GOG and A.I.D. otherwise agree.

### III. ISSUES

#### A. Legislative/Administrative Reforms

The success of the project will depend on the effectiveness of the administrative reforms which the Ministry of Finance is able to bring about in its appraisal and collection systems. A number of innovations have already been instituted, the most important of which has been the creation of a new collection office, the Sección de Cobros, designed to eliminate the delays and confusion which attend the present system. It is estimated that 60% of the property tax has not been paid when due (See Annex II, Exhibit 16), largely because the tax payer was not notified of his liability and the payment process is involved and lengthy. On May 1 a system of mailed bills was put into effect with tax payers allowed to make payment through any local bank.

The GOG has hesitated to take many further steps toward administrative reform until it receives the recommendations of the IMF consultant recently in Guatemala to study the tax administration system and identify possible improvements. His report is expected in June, and based on recent GOG actions the Mission is confident that the GOG will implement these recommendations in good faith and within a reasonable time. In any event, as a Condition Precedent to Initial Disbursement the GOG will present to AID a timetable for the adoption of these recommendations as well as other administrative improvements agreed on by the GOG and the Project consultant.

At the present the major concern is the extent to which legal reforms might be necessary to establish a sounder and more effective administrative procedure. (See Annex III, Exhibit 2 for a description of the present collection system). GOG spokesmen state that further legislation is not required, but that proposed and pending administrative reforms will eliminate the present impediments to smooth implementation of the land tax law. They point out that the creation of the new Sección de Cobros will eliminate the cumbersome procedures of the "juicio económico-coactivo," since few cases are expected to require treatment by the administrative courts after the collection group is fully functioning. Further, in order to simplify the procedures of the "juicio económico-coactivo", the Ministry of Finance has proposed to the GOG that it be permitted to initiate actions against tax defaulters directly without the intervention of the Attorney General's Office -- a procedure which presently adds six months to the judicial process.

The USAID is convinced that the administrative improvements taken and proposed by the Ministry of Finance will be implemented to the fullest extent possible, and will probably achieve a much more effective collection system. However, it may prove useful to institute changes requiring legislation, e.g., increase the number of judges for the "juicio económico-coactivo." Therefore, it is recommended that the GOG, in a covenant of the Loan Agreement, agree that it will undertake to introduce legislative and/or administrative changes based upon the recommendations resulting from the project reviews required as a condition of this loan. The achievement of the collection objectives are to be measured by the reduction of the current backlog of unpaid land taxes (now amounting to about \$3 million) to a level equal to that which can be handled in one work-year by the collection division and through the "juicio económico-coactivo."

B. Local Contribution

The GOG is presently facing two problems, the responses to which appear contradictory. An expected fall in fiscal receipts (brought about by a major decline in coffee and cotton exports) calls for curtailment of current account expenditures, while the cadaster project calls for an increase in current outlays. The GOG has met this situation by beginning to cut back overall operating expenses by a projected \$4 million to \$5 million, to transfer IGN, RENTAS, and other Agency personnel from non-essential to development-biased activities, and to close down or curtail certain on-going projects in various governmental agencies.

In preparing for this Project the GOG is shifting the activities of a substantial cadre of IGN and has increased the IGN budget by \$250,000 for CY 1967, a level of support which will be continued throughout the Project. In addition, \$181,500 of the 3-year operational budget of IGN is being reallocated from other IGN activities to this Project, bringing the total IGN allocation to \$931,500.

In the Dirección General de Rentas, the sub-division of the Ministry of Finance most directly concerned with this project, personnel are being shifted to totally new responsibilities, units are being reorganized, ineffective personnel are being dismissed and 68 new technicians are being hired. The total GOG Project input through RENTAS (\$563,900) is a 25% annual increase over previous RENTAS budgets; however all RENTAS Project expenditures are for new functions and represent allocations of funds to what is in effect a new operation.

The gross GOG Project input will total at least \$1,495,400. Comparison with past funding levels for similar activities by IGN and RENTAS indicates a contribution of \$897,900 above previous budgeted levels for the two agencies involved. The table below shows the distribution of new and re-allocated funds by agency:

<u>GOG PROJECT CONTRIBUTION</u>			
	<u>IGN</u>	<u>RENTAS</u>	<u>TOTAL</u>
New Level	\$ 931,500	\$ 563,900	\$ 1,495,400
Past Level	<u>156,500</u>	<u>441,000</u>	<u>597,500</u>
Increase	\$ 775,000	\$122,900	\$ 897,900

In consideration of the sharp increase in the GOG contribution agreed upon during the Intensive Review (see Annex III, Exhibits 3 and 4) and the current GOG budget squeeze, the Mission views this contribution as satisfactory and recommends that AID/W regard it as adequate.

In the view of the Mission the shift of resources from non-essential activities to this Project and other developmental activities represent an order of fiscal responsibility which, coupled with recent encouraging administrative improvements, augurs well for the success of the Project.

C. Local-Cost Financing

The Project's total local currency requirement is estimated at \$3,005,181 (Annex II, Exhibits 9 and 10). AID financing is being requested for \$1,509,781, or 50.3% of this total. The Mission considers this satisfactory compliance with CAEC instructions that local-cost financing not exceed 50% of the Project's total local currency requirement.

May 25, 1967

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CHECK LIST OF STATUTORY CRITERIA

ANNEX I, Page 1 of 7

(Alliance for Progress)

In the right-hand margin, summarize for each item the information or conclusion requested. 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 by the Foreign Assistance Act of 1966.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1967.

1. FAA §.102. Precautions that have been or are being taken to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development.
  2. FAA §.102. Information on measures taken to utilize United States Government excess personal property in lieu of the procurement of new items.
  3. FAA §.102. Information whether the country permits, or fails to take adequate measures to prevent, the damage or destruction by mob action of United States property.
  4. FAA §.201(d). Information and conclusion on legality (under laws of country and U. S.) and reasonableness of lending and relending terms of the loan.
  5. FAA §.251(a). Manner in which loan will promote country's economic development and contribute to the welfare of its people.
  6. FAA §.251(b)(1). Extent to which country is adhering to the principles of the Act of Bogota and Charter of Punta del Este and is showing a responsiveness to the vital economic, political, and social concerns of its people, and extent to which country has demonstrated a clear determination to take effective self-help measures.
1. Adequate control will be exercised to meet this requirement.  
Ref: Section II-C and II-G.
  2. Language will be inserted in the Loan Agreement establishing procedures for the utilization of U. S. Gov. excess property in all cases possible. Ref: Sections II-F and II-G.
  3. Available information does not indicate that the GOG permits mob destruction of U. S. property.
  4. Loan funds are to be loaned at rates of interest which are not unreasonable or illegal for the Borrower and are within the limits established by this Section.
  5. Through increasing tax receipts, thereby increasing the public resources available for economic development programs.  
Ref: Sections I, II-D.
  6. Account has been taken of the Borrower's adherence to the principles of the Act of Bogota and the Charter of Punta del Este, and the Borrower's responsiveness to the vital economic, political, and social concerns of its people.

7. FAA §.251(b)(2). Information and conclusion on activity's economic and technical soundness. 7. This activity has been found economically and technically sound. Ref: Sections II-B, II-D.
8. 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. 8. This activity has a basic significance for all Borrower's development activities, and will play an essential part in the realization of long-range objectives. Ref: Sections I, II-D.
9. FAA §.251(b)(4). Information and conclusion on possible effects on U. S. economy, with special reference to areas of substantial labor surplus. 9. 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. Ref: Section II-F.
10. FAA §.251(b)(5). Information and conclusion on the degree to which the country is making progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise. 10. The current GOG administration was elected democratically, and the country enjoys freedom of expression and of the press. The importance of individual freedom, initiative, and private enterprise is generally recognized.
11. FAA §.251(b)(6). Information and conclusion on the degree to which the country is taking steps to improve its climate for private investment. 11. Maintenance of political stability, initiation of Bank of Guatemala seminars with local businessmen interested in the CACM and endorsement of the new private Financiera now requesting AID financing are major steps being taken by the GOG to improve the Guatemalan climate for private investment.
12. 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. 12. The increased public resources generated by this Project are essential to the achievement of self-sustaining growth. Ref: Sections I, II-D.
13. FAA §.251(b)(8). Information and conclusion on the extent to which the activity will contribute to the economic and political integration of Latin America. 13. The accelerated economic development derived from the increased public resources generated by this Project will enable Guatemala to participate more fully in the economic and political integration of Latin America.
14. FAA §.251(b). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. 14. Financing for this activity is not available from other Free World sources, including private sources within the U.S., on feasible terms. Ref: Section II-C, page 12.
15. FAA §.251(b). Information and conclusion on capacity of the country to repay the loan. 15. It appears reasonably certain that the Borrower will be capable of repaying the loan. Ref: Section II-C, page 12.

16. FAA §.251(b). Information and conclusion on 16. It appears that the Borrower is attempting country's efforts to repatriate capital to repatriate capital invested in other countries by its own citizens.
17. FAA §.251(b). Information and conclusion on 17. It appears reasonably certain that the Borrower will be willing and able to repay reasonable prospects of repayment.
18. FAA §.251(e). Information and conclusion on 18. A Loan Application covering this project availability of an application together with sufficient information and assurances to indicate reasonably that funds will be used in an economically and technically sound manner. was received on January 30, 1967 (Annex III, Exhibits 3 and 4), and AID has received sufficient information and assurance to indicate reasonably that funds will be used in an economically and technically sound manner. Ref: Sections II-B, II-C.
19. FAA §.251(g). Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America. 19. This project is not directly related to the promotion of the cooperative movement in Latin America.
20. 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 review of national development activities. 20. This activity is consistent with CLAP's findings. Ref: Section I.
21. FAA §.252(a). Total amount of money under 21. Approximately \$380,000 in goods and 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. \$236,000 in services financed under the Loan will be procured from private sources Ref: Section II-C and the USAID Loan File.
22. FAA §.281. Extent to which the loan will 22. The GOG plans to subvent a portion of the contribute to the objective of assuring tax receipts generated by the Project to maximum participation in the task of economic development on the part of the people of the municipalities in which they were collected to encourage the development of developing countries, through the encouragement of democratic private and local governmental institutions. local governmental institutions.
23. FAA §.601(a). Information and conclusions 23. (a), (b), (d), (c): Affirmative. 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. Ref: Sections I, II-D, II-F.

24. 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).
25. FAA §.601(d). Conclusion and supporting information on compliance with the Congressional policy that engineering and professional services of U. S. firms and their affiliates are to be used in connection with capital projects to the maximum extent consistent with the national interest.
26. FAA §.602. Information and conclusions whether loan will permit American small business to participate equitably in the furnishing of goods and services financed by it.
27. FAA §.604(a); App. §.108. Compliance with restriction of commodity procurement to U. S. except as otherwise determined by the President and subject to statutory reporting requirements.
28. FAA §.604(b). Compliance with bulk commodity procurement restriction to prices no higher than the market price prevailing in the U. S. at time of purchase.
29. FAA §.604(d). Compliance with requirement that marine insurance be purchased on commodities if the host country discriminates, and that such insurance be placed in the U. S.
30. FAA §.604(e). Compliance with requirement that funds not be used for procurement of any agricultural commodity or product thereof outside the United States when the domestic price of such commodity is less than parity.
31. FAA §.611(a)(1). Information and conclusion on availability of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States.
32. FAA §.611(a)(2). Necessary legislative action required within recipient country and basis for reasonable anticipation such action will be completed in time to permit orderly accomplishment of purposes of loan.
24. There will be substantial procurement of goods and services from the U. S. private sector financed under this Loan. Ref: Sections II-A, II-C, II-F.
25. Procurement of engineering or professional services financed under this Loan will be limited to the U. S. and the Central American Common Market.
26. Through advertisement of proposed procurement in the Commerce Business Daily, as specified in the "AID Capital Projects Guidelines", American small business will be permitted to participate equitably in the furnishing of Project goods and services.
27. Equipment, materials, and services (except marine insurance) financed under the loan shall have their origin in and be procured from the U. S. or the CACM. U.S. dollars utilized under the loan to finance local currency costs shall be made available to Borrower or its designee through Special Letter of Credit and shall be used only for procurement in the U. S. Ref: Section II-G.
28. Any commodities financed by the loan and purchased in bulk will be purchased at prices no higher than prevailing U.S. market prices.
29. If the Host Country discriminates against any U. S. marine insurance company, any commodities purchased with loan funds shall be insured against marine risk with a U. S. company.
30. Loan funds will be used in compliance with this restriction.
31. Necessary technical and financial plans have been completed, and a reasonably firm estimate of the cost to the U. S. of the activity to be financed has been obtained. Ref: Section II--B, II-C.
32. Host Government ratification of the loan is expected promptly following execution of Loan Agreement. AID will receive assurance concerning subsequent legislative action which may prove necessary as described in Section III-A.

33. FAA §.611(b); App.5.101. If water or water-related land resource construction project or program, information and conclusion on benefit-cost computation. 33. Not applicable.
34. FAA §.611(c). Compliance with requirement that contracts for construction be let on competitive basis to maximum extent practicable. 34. Not applicable; no construction is contemplated.
35. FAA §.612(b) and 630(h). Appropriate steps that have been 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 U. S. are utilized to meet the cost of contractual and other services. 35. To the maximum extent possible the Borrower is contributing local currencies to meet the cost of contractual and other services, and the US owns no local currency that could be used for this purpose. Ref:Section III-B, III-C.
36. FAA §.619. Compliance with requirement that assistance to newly independent countries be furnished through multilateral organizations or plans to maximum extent appropriate. 36. Not applicable.
37. FAA §.620(a); App.5.107(a) and (b). Compliance with prohibitions against assistance to Cuba and any country (a) which furnishes assistance to Cuba or failed to take appropriate steps by February 14, 1964, to prevent ships or aircraft under its registry from carrying equipment, materials, or supplies from or to Cuba; or (b) which sells, furnishes, or permits any ships under its registry from carrying items of primary strategic significance, or items of economic assistance to Cuba. 37. No assistance will be furnished under this loan to the present government of Cuba, nor does the Borrower furnish assistance to the present government of Cuba. The Borrower has taken appropriate steps to prevent ships or aircraft under its registry from engaging in any Cuba trade.
38. FAA §.620(b). If assistance to the government of a country, existence of determination it is not controlled by the international Communist movement. 38. The Secretary of State has determined that the Borrower is not controlled by the international communist movement.
39. FAA §.620(c). If assistance to the government of a country, existence of indebtedness to a U. S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt is not denied or contested by such government or the indebtedness arises under an unconditional guaranty given by such government. 39. The Borrower is not known to be indebted to any U.S. citizen for goods or services furnished or ordered where such a citizen has exhausted available legal remedies or where the debt is not denied or contested by the Borrower or the indebtedness arises under an unconditional guaranty of payment by the Borrower.
40. FAA §.620(d). If assistance for any productive enterprise which will compete in the U. S. with U. S. enterprise, existence of agreement by the recipient country to prevent export to the U. S. of more than 20% of the enterprise's annual production during the life of the loan. 40. Not applicable. Ref: Section II-F.

41. FAA §.620(e)(1). If assistance to the government of a country, extent to which it (including government agencies or subdivisions) has, after January 1, 1962, taken steps to repudiate or nullify contracts or 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 appropriate steps to discharge its obligations.
  42. FAA §.620(f); App. §.109. Compliance with prohibitions against assistance to any Communist country.
  43. FAA §.620(g). Compliance with prohibition against use of assistance to compensate owners for expropriated or nationalized property.
  44. FAA §.620(h). Compliance with regulations and procedures adopted to insure against use of assistance in a manner which, contrary to the best interests of the U. S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries.
  45. FAA §.620(i). Existence of determination that the country is engaging in or preparing for aggressive military efforts.
  46. FAA §.620(i). Information on representation of the country at any international conference when that representation includes the planning of activities involving insurrection or subversion against the U. S. or countries receiving U. S. assistance.
  47. FAA §.620(k). If construction of productive enterprise where aggregate value of assistance to be furnished by U. S. will exceed \$100 million, identification of statutory authority.
  48. FAA §.620(l). Consideration which has been given to denying assistance to the government of a country which after December 31, 1966, has failed to institute the investment guaranty program for the specific risks of inconvertibility and expropriation or confiscation.
  49. FAA §.620(n); App. 107(b) and 116. Compliance with prohibition against assistance to countries which traffic or permit trafficking with North Viet-Nam.
41. The Borrower (including Gov. Agencies or subdivisions) has not taken steps since January 1, 1962 to repudiate or nullify contracts or 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 appropriate steps to discharge its obligations as specified in this Section.
  42. Assistance provided under this loan will not be furnished to any Communist country.
  43. Assistance provided by this loan will not be used to compensate for expropriated or nationalized property.
  44. Assistance provided by this loan will not be used in a manner which promotes or assists foreign aid projects or activities of the Communist bloc countries.
  45. The President has not determined that the Borrower is engaging in or preparing for aggressive military efforts.
  46. We have no evidence of GOG representation at any such international conference
  47. Not applicable.
  48. The Borrower has instituted the investment guaranty program.
  49. Available information reveals no case of trafficking with North Vietnam.

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|---|--|
| <p>50. <u>FAA §.620(o)</u>. 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, information on the consideration which has been given to excluding the country from assistance.</p>   | <p>50. Borrower has not seized, or imposed any penalty or sanction against any U.S. fishing vessel on account of its fishing activities in international waters.</p>           |
| <p>51. <u>FAA §.620(q)</u>. Existence of default under any Foreign Assistance Act loan to the country.</p>  | <p>51. Guatemala has not defaulted under any FAA loan.</p>   |
| <p>52. <u>FAA §.621</u>. Information and conclusion on how the loan in providing technical assistance will utilize to the fullest extent practicable 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.</p> | <p>52. The loan in providing technical assistance will finance the procurement of goods and services from private enterprise on a contract basis. Ref: Section II-A, II-C.</p> |
| <p>53. <u>App. §.102</u>. Compliance with requirement that payments in excess of \$25,000 for architectural and engineering services on any one project be reported to Congress.</p>  | <p>53. Obligations of funds in excess of \$25,000 for architectural and engineering services on this project will be reported to Congress.</p>                                 |
| <p>54. <u>App. §.104</u>. Compliance with bar against funds to pay pensions, etc., for military personnel.</p>  | <p>54. Funds obligated by the loan and local currency generated thereby will not be used to pay pensions, annuities, etc. as prohibited in this Section.</p>                   |
| <p>55. <u>App. §.106</u>. If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U. S. citizens generally, application which will be made in negotiations of contrary principles as expressed by Congress.</p>   | <p>55. No case is known of attempts to create distinctions in the granting of rights to American citizens.</p>   |
| <p>56. <u>App. §.111</u>. Compliance with existing requirements for security clearance of personnel.</p>  | <p>56. This requirement will be enforced.</p>  |
| <p>57. <u>App. §.112</u>. Compliance with requirement for approval of contractors and contract terms for capital projects.</p>  | <p>57. A.I.D. will approve any firms providing services for the project and financed under the loan and the terms of any contracts under which such services are provided.</p> |
| <p>58. <u>App. §.114</u>. Compliance with bar against use of funds to pay assessments, etc., of U. N. member.</p>   | <p>58. Loan Funds will not be used to make any payment to the U.N.</p>   |
| <p>59. <u>App. §.115</u>. Compliance with regulations on employment of U. S. and local personnel for funds obligated after April 30, 1964 (Regulation 7).</p>   | <p>59. Funds made available under this loan will not be used for the construction of any facility.</p>   |
| <p>60. <u>App. §.401</u>. Compliance with bar against use of funds for publicity or propaganda purposes within U. S. not heretofore authorized by Congress.</p>   | <p>60. Loan funds will not be used for publicity or propaganda purposes within the United States.</p>  |

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ANNEX II, Page 1 of 25  
EXHIBIT 1

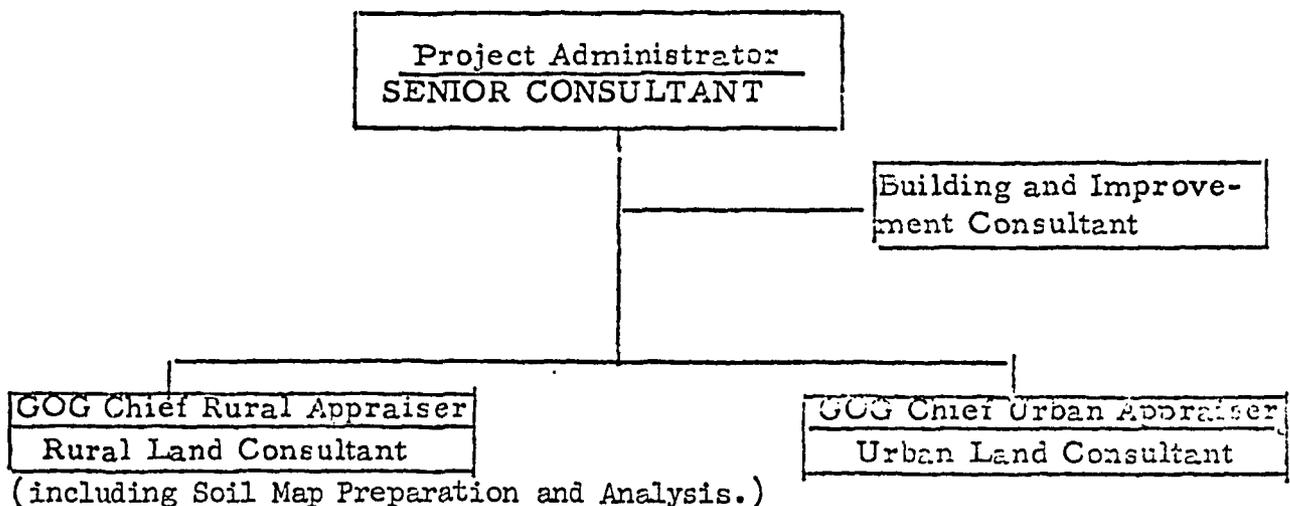
CONSULTANT PERSONNEL

A group of four full time consultants have been included in the Project to assist in the over-all planning, supervision, scheduling, training and other technical operations of the mapping, appraisal, assessment, and collection activities. The consultants will perform important backstop work for the Director of Rentas as well as the GOG Project Administrator, and will certify to IGN and Rentas progress throughout the Project term. The consultants will include experts in mass appraisal techniques and each will be bi-lingual.

The consultant Resident Manager will coordinate directly with the Project Administrator in the over-all administration of the Project and will assist Rentas in the establishment of effective assessment and collection procedures, including the automatic data processing of tax records based on the IGN property identification system.

Each of the other consultants will cover a different phase of the operation and will direct the program in his particular field as follows: Rural Land Valuation; Urban Land Valuation; and Building and Improvement Valuation including soil map preparation and analysis. The Valuation Standards, which they will develop on a detailed analysis of local conditions in the areas of property sales, current construction costs, capitalization of economic rents, etc. The consultants will also act as research directors in their fields and the end product of their efforts will be the appraisal and procedural manuals, the land value maps, including soil maps, and the valuation tables.

The following chart indicates the Consultant and GOG Program Directors relationships:





MINISTERIO DE  
COMUNICACIONES Y  
OBRAS PÚBLICAS

INSTITUTO GEOGRÁFICO  
NACIONAL

DIRECCIÓN

SUB-DIRECCIÓN

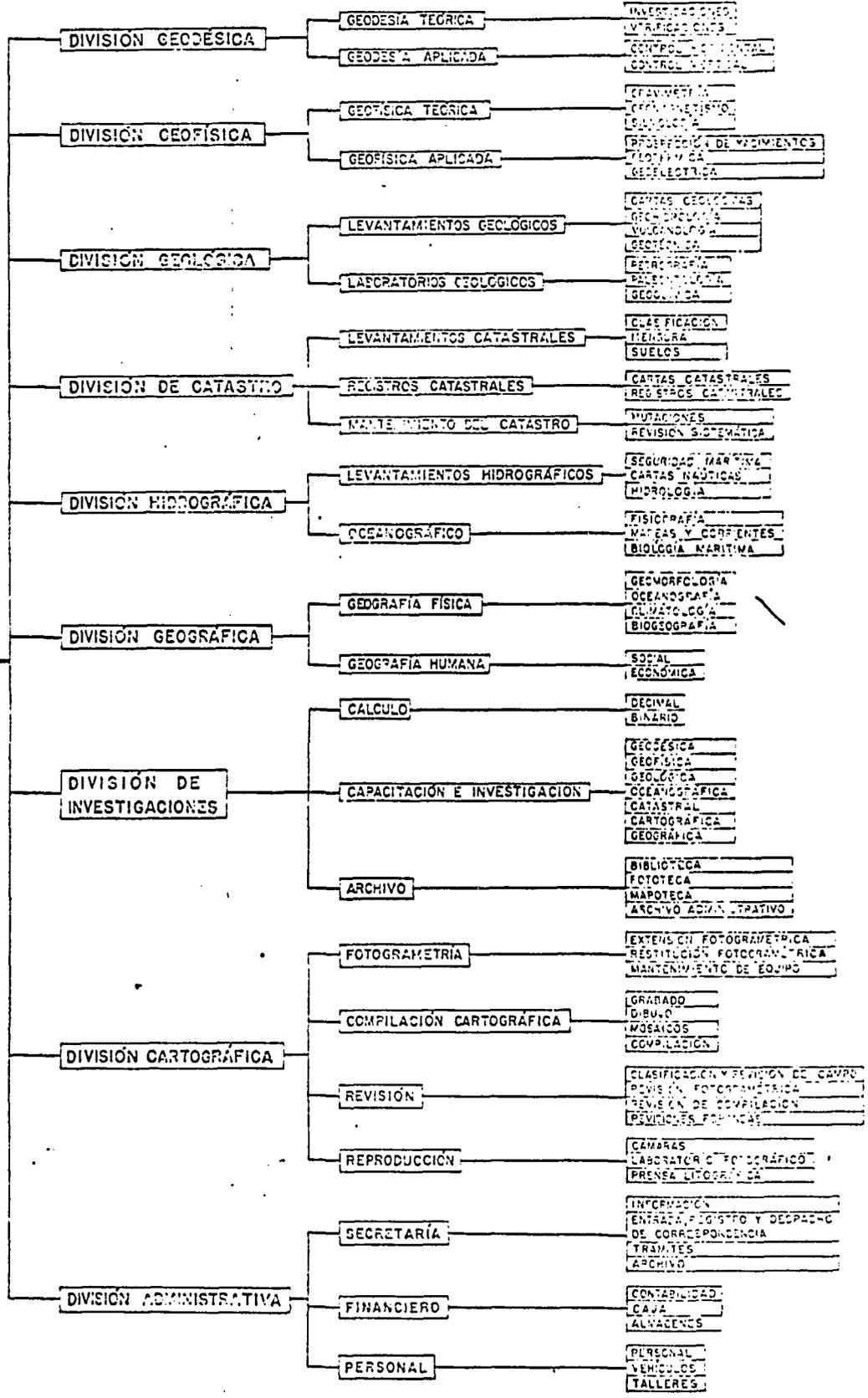
ORGANISMOS ASESORES

IAGS

MTA

ORGANISMOS INTERNACIONALES

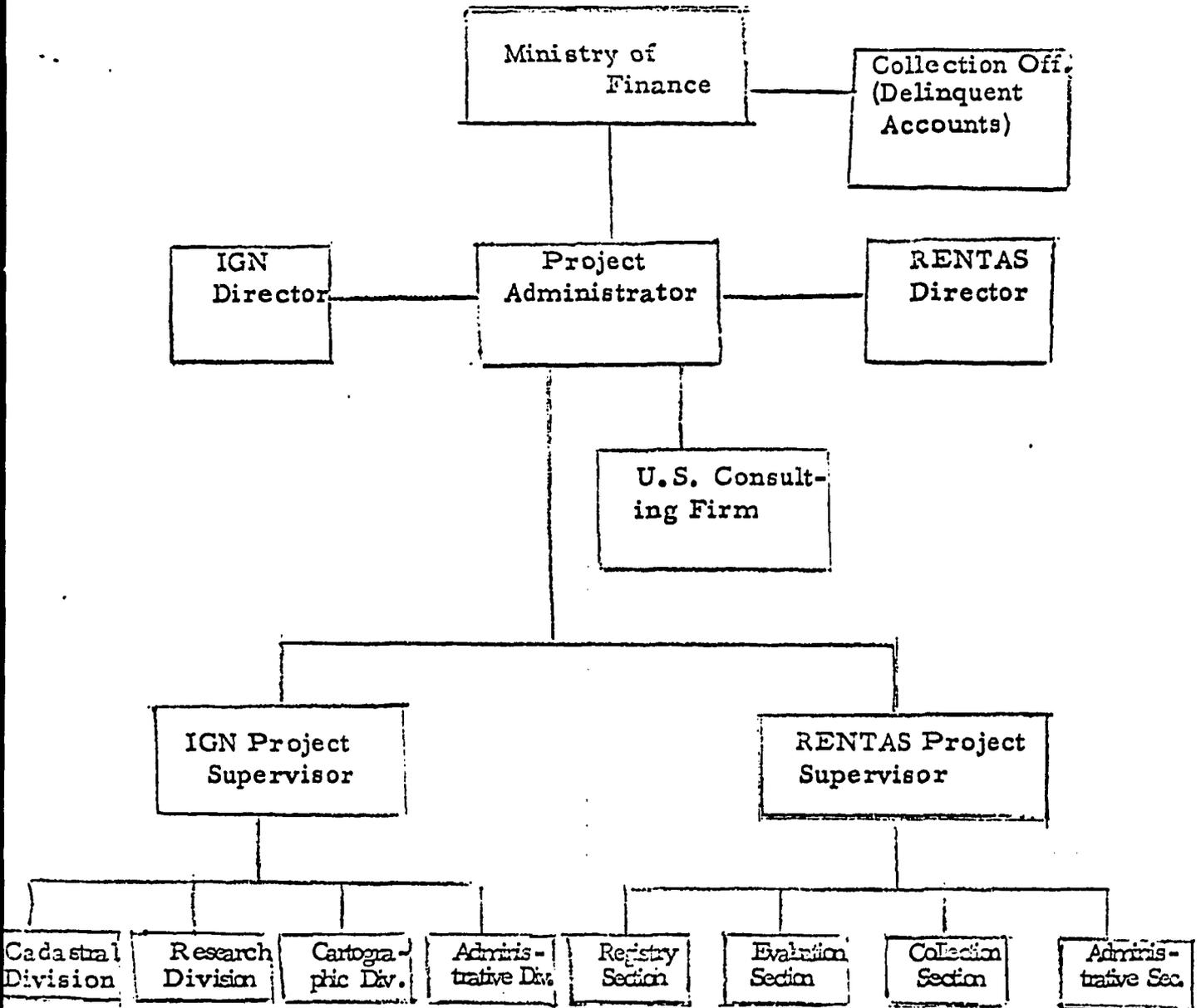
ORCCA  
IPGH  
UGGI  
BHI  
AIG



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PROJECT ORGANIZATION  
CHART



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IGN KEY PERSONNEL

Director: Ing. Manuel Angel Castillo B.

Civil Engineer, San Carlos University (Guatemala);  
attended IAGS Cartographic School (Canal Zone);  
advance geographic studies, University of Georgia.  
11 years with IGN. Age 34.

Chief of Cadastral Operations: Ing. Rolando Aguilar Girón.

Final year, Civil Engineering, San Carlos University.  
12 years with IGN, last 3 in cadastral office. Age 33.

Chief of Rural Activities: Ing. Jorge Montenegro Pellecer.

Civil Engineer, San Carlos University. 2 years with IGN  
in cadastral office. Age 27.

Chief of Urban Activities: Ing Antonio Juan de Dios Cabrera.

Civil Engineer, San Carlos University. 2 years with IGN  
in cadastral office. Age 26.

Chief of Office Activities (Registry Investigation): Sr. Joaquín Castro Ordóñez.

Bachillerato, Guatemala City; basic and advance photo-  
grammetry, IAGS Cartographic School. 5 years with  
IGN, last 2 in cadastral office. Age 31.

Chief of Mosaic Map Production: Ing. Francisco Javier Morales M.

Civil Engineer, San Carlos University; Basic photogram-  
metry, IAGS Cartographic School; advance photogram-  
metric training, Washington, D. C. and Canal Zone.  
With IGN 12 years. Age 40.

Chief of Computer Operations: Ing. Juan Joaquín Ritz M.

M.S. in geodesy, Ohio State University; IAGS Cartogra-  
phic School; six months instruction in computer opera-  
tions and programming in Germany. 16 years with  
IGN. Age 39.

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EXHIBIT 6, Page 1 of 1

RENTAS Key Personnel

Director: Donaldo Estrada Castillo

Certified Public Accountant.  
Recently appointed.

Secretary: Oscar Rubén Leonardo Flores

General accountant. 25 years  
service.

Chief of Personnel: Gonzalo Edgardo Posadas Jiménez

General accountant and teacher.  
Recently appointed.

Chief of Tax Records Office: Héctor Orellana Beltetón

Bookkeeper. 8 years service.

Chief of Fiscal Registry: Carlos Umberto Sandoval Cruz

10 years service.

Chief of Evaluation Section: Godofredo Morales y Morales

Bachiller. 8 years service.

Chief Cashier: César Augusto Esteve Barrios

General accountant. 23 years  
service.

IGN WORK PLAN

IGN FUNCTIONS

To carry out the five principal functions described below, IGN will employ 160 persons during the project period. 46 persons will be involved in the production of mosaic map sheets; 70 will be involved in the property inventory, including the formulation of records and record maintenance; eleven persons in the land use and land capability mapping, ten persons in support activities; and 23 in the rural monumentation and control.

The total cost of the IGN activities is estimated at \$1,881,210 including local currency costs of \$1,650,081 and U.S. purchases of \$231,129. In terms of total cost, IGN will provide \$931,500 and loan funds \$949,710. In terms of local currency costs, IGN will provide \$931,500 and loan funds \$718,581. (See Annex II, Exhibit 9 for details).

1. Map Products

a. Aerial Photography

In anticipation of starting this project in June, and in view of the need for mosaics at an early date, IGN contracted in December 1966 to have 1/30,000 scale photography taken of Blocks 2, 3 and 4 in the rural project area, in addition to 1/20,000 scale photography of Block 1, the pilot area already monumented for cadaster purposes. The timing of this work was important since the flying season for taking aerial photography of the area is from December through March. This work was completed in March and is considered a GOG contribution to the project. However, in order to assure that IGN will have the capability of taking the special photography needed for the 27 urban centers as for large scale photography needed for "minifundios" in rural areas, their airplane (Beechcraft AT-11) will be modified in the U.S.

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b. Rural Mosaics

IGN will use the 1/30,000 and 1/20,000 scale photography to produce printed mosaic map sheets at 1/10,000 scale. The system developed to produce the printed mosaics utilizes a computer and computer-coordinatorgraph combined with photogrammetric procedures to make controlled mosaics at the respective photo scales. The controlled mosaics are photographically enlarged to 1/10,000 scale, with each mosaic producing 12 1/10,000 mosaic maps. The location of the 1/10,000 maps is determined by the computer and plotted on the controlled mosaics by the coordinatorgraph.

Since printed mosaic maps can be produced relatively inexpensively, it is intended that all field activities will use these mosaic maps instead of the usual enlarged photographs. It is estimated that the total cost of materials for producing printed mosaics (50 or 100 copies) is about the same as the cost of making 8 copies of enlarged photographs, which would be the minimum number required to carry out all field activities.

c. Urban Mosaics

The system developed to produce the 1/1,000 scale mosaic map sheets of the 27 urban centers will use ground control to establish survey marks at every street intersection, combined with 1/3,000 scale photography taken after the ground control is completed. The ground control is adjusted by the computer and plotted on the base sheet at 1/1,000 scale by the computer-coordinatorgraph. The photographs are rectified by block areas and enlarged to 1/1,000 scale. The resulting mosaic is a highly accurate property map.

This system was proposed by the German Technical Mission to Central America which has assumed responsibility for the training and supervision required to produce the urban mosaics. Should their production of urban property identification maps fall behind RENTAS' demand, the monumentation and control work will be discontinued and a simpler alternate system already agreed upon will be employed by IGN. There should be no problem in switching from one system to the other.

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2. Property Inventory

a. Property Identification Number

The identification system for both rural and urban properties is based on the 1/10,000 map sheet numbering system and is easily applied to automatic data processing. Since the field investigation will use the mosaic map sheets, the system can be applied with a high degree of accuracy. Once applied, the property number will be used for tax purposes as well as for future land registry and cadaster purposes.

A typical rural property number would be 19571-10-XX-47-00; the urban number would be 19571-10-16-47-00. The first two number groups identify the 1/10,000 map sheets; the third number group identifies the 1/1,000 map sheet (used only for urban properties); the fourth number group identifies the property; and the fifth number group will be used for future subdivisions.

b. Property Boundary, Registry and Ownership Investigation

Each property, both rural and urban will be identified in the field on the mosaic map sheets (or enlarged photographs) and the boundaries will be drawn according to the agreement of joining property owners or their representatives.

This property inventory and investigation phase will be the most difficult of the IGN activities because of the antiquated and complicated land registry system being used. The land registry still follows the Spanish colonial system of writing narrative descriptions in large volumes. Because the registry works on a fee basis, the system has been purposely complicated by erratic property registration entries. However, the inventory can be carried out efficiently if the registry records are microfilmed and the investigation made from microfilm. A system coordinating the field identification of the property on the mosaic maps with the registry investigation from microfilm has been developed. Since this system has never been used before, the estimates of personnel and time needed (details in official files) to carry out this phase of the project are tentative.

Should the inventory phase begin to lag, the field work will be accelerated through a reassignment of manpower from the registry investigation.

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There will be rural areas with properties too small to be identified on the 1/10,000 scale mosaic map sheets. These areas will be outlined on the 1:10,000 mosaic map sheets and special 1/6,000 scale photography will be taken and enlarged to 1/2,000 scale for the field identification of those areas. IGN's modified Beechcraft AT-11 will have the capability to take this special photography as needed.

3. Property Records and Record Maintenance

After the field identification and the registry investigation are completed, a card showing all pertinent information will be made for each property; a list of properties will be made for each mosaic map sheet; and a property owner card will be made listing all properties owned within each Department.

A data processing card will then be made for each property, including a microfilm mount of the respective property boundary map. The data cards will list the property numbers as well as code numbers for owner identification, for Department and Municipality identification, and for other information as required.

Until a cadaster law is passed requiring property owners to register ownership changes with the Cadaster Office at IGN, the only way to maintain the inventory is through the property tax records. There is an existing law requiring property sales to be cleared at the land registry office; this information will be passed on to IGN.

4. Land Classification

a. Land Use

Overlays of present land use will be provided as part of the preappraisal work at IGN. To date, approximately one-half of the rural project area has been mapped and the remaining portion will be completed during the project period. The mapping is done using photo-interpretation techniques on 1/17,000 infrared photography and on 1/15,000 scale enlargements of 1/30,000 photography. Each photo is field checked and the data compiled on 1/10,000 scale overlays of the mosaic map sheets. The land use is classified in eight basic categories and each category is subdivided to indicate specific uses.

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b. Land Capability Classification

Overlays showing land capability will also be provided as part of the reappraisal work at IGN. The capability classification is divided into two principal parts. One part emphasizes the physical characteristics (slope, soil depth, rockiness, etc.) of the land. The second part is an evaluation of accessibility.

The field work will be done directly on the 1:10,000 scale mosaics, although some work such as slope measurements and preliminary photo-interpretation will be done in the office using the original aerial photographs. Additionally, some laboratory analysis will be made of soil samples to verify the field determinations.

5. Monumentation and Control

Unlike other Central American countries, the monumentation and control work is being started in selected urban centers where the resulting detailed maps can be put to immediate and practical use. In the urban areas, survey marks are placed at every street intersection by simple straight-line tape traverses and the block corners are tied into the tape lines. All information is fed into the computer and the base map is drawn to scale automatically by the computer-coordinatorgraph (Grafomat). The property boundaries are drawn in later from rectified photographs, with the property boundary information having been completed in the field inventory phase. Since most of these urban centers are small towns, the work is expected to proceed rapidly.

The monuments in rural areas will be spaced at 5 kilometer intervals with field control every 15 kilometers. The monuments will be paneled prior to taking the photography at 1:20,000 scale and the intermediate monuments will be controlled by photogrammetric block adjustment methods. After the monument system is established, a property is to be surveyed and tied into the monument system at the expense of the owner when the property is sold or modified. When all the properties within an area have been surveyed, the whole system will be adjusted numerically in the computer and final cadaster plots drawn. (to the dismay

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of the German Technical Mission, the IGN has decided not to proceed with the rural monumentation program until appropriate laws are passed giving IGN authority to act as the legal cadaster office).

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## RENTAS ACTIVITIES

To discharge its responsibilities in the appraisal, assessment and collection phases of the project, Rentas will proceed as follows:

### 1. Appraisal and Assessment Phase

RENTAS, with the assistance of the consultants, will develop appraisal and assessment standards and will apply them to the properties included in the Property Identification Maps provided by IGN.

Following selection and contracting of consultants, RENTAS will draw up a Procedural Manual, an Organization Chart covering home office and field assignments of responsibility and authority, an Appraisal Manual, Land Value Maps, and the various forms required for tax assessment and billing. The following schedule of operations details the RENTAS role in the Project:

- A. Hire Consultants.
- B. Consultants' functions.
  - a. Draw up detailed work plan. Show order of operations, personnel requirements, time schedule, etc.
  - b. Develop Appraisal Manual keyed to map products produced by IGN. To extent possible, use those manuals already developed for other Central American countries. Tax Office Appraisers will be used to accumulate information as to construction costs, values of land in distinct areas, etc.

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- c. Draw up an Organization and Function Chart. Establish functional responsibilities and details of authority. Sections: Appraisal, Calculators, Reviewers, Appeal, General Office (field and headquarters), Assessment, IBM (listing and billing), etc.
- d. Develop a Procedural Manual. Detail of duties performed by each type employee and supervisor, flow of work assignments and completed product, etc.
- e. Prepare Land Value Maps for urban and rural areas.
- f. Develop Property Record Card forms, Assessment Notice form, Assessment Roll form, Tax Bill form,
- g. Conduct formal training course for all employees involved in project: Supervisors, Appraisers, Calculators, Reviewers, Appeals, Clerical, etc.

C. RENTAS Functions

- a. Establish field headquarters at first work site (Escuintla).
  1. Rent sufficient office space for project chief, urban and rural supervisors, various office technicians and clerical employees with supporting furnishings and equipment. Must also provide parking and repair facilities for vehicles.
  2. Provide furnishings (desks, chairs, work tables, map cases, etc.).
  3. Provide office equipment (typewriters, calculators, adding machines, etc.).
  4. Provide supplies necessary (technical forms, office and field supplies, etc.).

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b. Hire and train field and clerical help.

D. Consultants and Rentas (field)

- a. Form appraisal teams consisting of 1 Supervisor and 4 Perito Appraisers with 4 local helpers. Assign 2 vehicles per team.
- b. Supervisors assign team appraisal areas. Peritos with helpers collect field data in assigned territory- fill out all required information on Property Record Card. Daily goals to start: Urban-8 cards per Perito; Rural-2 cards per Perito.
- c. Supervisors collect cards daily, review for completeness, etc. and spot check properties and compare with card entries. Supervisors submit cards to Calculation of Assessment staff.
- d. Calculators apply Manual and Value Map standards to properties on basis of information on Property Record Card and compute the total value. Calculators daily work goal is 40 cards each. When value computation is completed, the cards are routed to Review Section.
- e. A technical review is conducted to determine that work has been done properly, that the correct value standards have been applied, and that the total values have been correctly computed. The Assessment Notices are prepared and the file (cards and notices) is then routed to the Mail unit (in the field).

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- f. The Mail unit sends the Assessment Notice to the property owner at his residence or place of business, whether it be at the property assessed or elsewhere. A weekly listing of property assessments will be posted at the field headquarters, visible to the public, and will serve as official notice of assessment if the property owner denies receipt of the mailed notice.
- g. In cases where the property owner does not concur with the appraisal, he must within 10 days submit a protest and request a hearing before the Appeal unit. The Appeal unit will notify the property owner of the date of the hearing, which will be held within 10 days. Following presentation of evidence of value by the owner and a review of the Appraiser's findings, a decision will be rendered on the taxable value. If the property owner still does not concur, he may appeal to the Ministry of Hacienda for a ruling.
- h. Upon completion of the field and office operations (appraisal, calculation, review, taxpayer notification, protests, and final determination of value) the property file will be routed through the Chief Appraiser to the Dirección General de Rentas for central office processing, tax action, and filing.

## 2. Collection Phase

- a. Establish geographical and alphabetical files of Property Record Cards.
- b. On basis of the Property Record Cards, the IBM unit will prepare the property tax assessment roll and tax bills.
- c. The tax bills will be mailed to taxpayers.

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IGN (MAPPING) CASH FLOW

	<u>Setting-up (6 Months)</u>			<u>First Year</u>			<u>Second Year</u>			<u>Third Year</u>		
	<u>GOG</u>	<u>AID-LC</u>	<u>AID-US</u>	<u>GOG</u>	<u>AID-LC</u>	<u>AID-US</u>	<u>GOG</u>	<u>AID-LC</u>	<u>AID-US</u>	<u>GOG</u>	<u>AID-LC</u>	<u>AID-US</u>
<b>A. <u>Personnel (Payroll &amp; Per Diem)</u></b>												
1. Map Products <u>1/</u>	-	-	-	84,912	32,201	-	91,912	41,992	-	91,913	41,922	-
2. Property Inventory <u>2/</u>	-	-	-	123,418	72,793	-	123,319	72,892	-	123,320	72,893	-
3. Other Activities <u>3/</u>	-	-	-	68,482	4,558	-	90,612	15,075	-	90,612	15,075	-
<b>B. <u>Equipment and Materials</u></b>												
1. Vehicles (20)	-	2,000	60,000	-	-	-	-	-	-	-	-	-
2. Survey Equipment	-	-	24,000	-	-	-	-	-	-	-	-	-
3. Inventory Equipment	-	-	19,400	-	-	-	-	-	-	-	-	-
4. Record & Maintenance Equipment	-	-	73,729	-	-	-	-	-	-	-	-	-
5. Office Equipment & Supplies	-	2,000	-	-	1,000	-	-	1,000	-	-	1,000	-
6. Photo & Map Materials	-	4,000	8,000	-	2,000	4,000	-	2,000	4,000	-	2,000	4,000
<b>C. <u>Other Costs</u></b>												
1. Vehicle Op. & Maintenance	-	-	-	-	21,686	-	-	21,687	-	-	21,687	-
2. Aerial Photography <u>4/</u>	43,000	-	25,000	-	8,000	-	-	8,000	-	-	4,000	-
3. Rural Monumentation	-	-	-	-	70,550	-	-	16,000	-	-	16,000	-
4. General Operating Costs	-	-	-	-	24,000	-	-	24,000	-	-	24,000	-
5. Overall Contingency (5%)	-	-	-	-	27,000	3,000	-	27,000	3,000	-	27,000	3,000
	<u>43,000</u>	<u>8,000</u>	<u>210,129</u>	<u>276,812</u>	<u>263,428</u>	<u>7,000</u>	<u>305,843</u>	<u>229,576</u>	<u>7,000</u>	<u>305,845</u>	<u>225,576</u>	<u>7,000</u>
<b>GOG TOTAL: \$</b>	<b>931,500</b>											
<b>AID L/C:</b>	<b>718,581</b>											
<b>AID/US:</b>	<b>231,129</b>											
<b>AID TOTAL:</b>	<b>949,710</b>											
<b>COMPONENT</b>												
<b>TOTAL:</b>	<b>1,881,210</b>											

1/ Urban Geodetic Control, Urban Control, Mosaic Products, Aerial Photography.

2/ Supervision, Microfilm Operation, Registry Check, Rural Property Inventory, Urban Property Inventory, Records.

3/ Land Use, Land Capability Classification, Vehicle Maintenance, Rural Monumentation, Rural Geodetic Control.

4/ Flown in March, 1967.

RENTAS (APPRAISAL AND ASSESSMENT) CASH FLOW

	<u>Setting-up (6 Months)</u>			<u>First Year</u>			<u>Second Year</u>			<u>Third Year</u>		
	<u>GOG</u>	<u>AID-LC</u>	<u>AID-US</u>	<u>GOG</u>	<u>AID-LC</u>	<u>AID-US</u>	<u>GOG</u>	<u>AID-LC</u>	<u>AID-US</u>	<u>GOG</u>	<u>AID-LC</u>	<u>AID-US</u>
<b>A. Personnel (Payroll &amp; Per Diems)</b>												
1. U.S. Consultants	-	-	-	-	4,600	99,000	-	5,800	99,000	-	400	27,000
2. RENTAS Supervision	-	-	-	6,900	8,000	-	6,900	8,000	-	6,900	8,000	-
3. Urban Appraisal/Assessment	-	-	-	124,506	145,805	-	124,507	145,804	-	124,507	145,804	-
4. Rural Appraisal/Assessment	-	-	-	28,175	42,110	-	28,175	42,110	-	28,175	42,112	-
5. Motor Pool	-	-	-	5,885	5,885	-	5,885	5,885	-	5,885	5,885	-
<b>B. Equipment and Materials</b>												
1. 40 vehicles - 25 cars,	-	-	95,000	-	-	-	-	-	-	-	-	-
2. Office and Field Equipment	-	-	40,000	-	10,000	50,000	-	-	-	-	-	-
<b>C. Other Costs</b>												
1. Vehicle Operation and Maintenance	-	-	-	4,000	6,000	-	4,000	18,300	-	4,000	29,700	-
2. Office Rental (Guatemala)	-	-	-	2,500	-	-	2,500	-	-	2,500	-	-
3. General Operating Costs	-	-	-	8,000	17,000	-	8,000	17,000	-	8,000	17,000	-
4. Overall Contingency (5%)	-	-	-	8,000	20,000	-	8,000	20,000	-	8,000	20,000	-
<b>TOTALS:</b>			135,000	187,966	259,400	149,000	187,967	262,899	99,000	187,967	268,901	27,000

GOG TOTAL: 563,900  
 AID/LC: 791,200  
 AID/US: 410,000  
 AID TOTAL: 1,201,200  
 COMPONENT TOTAL: 1,765,100

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*Revised*

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT UNCLASSIFIED  
AID-DLC/P-574

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.  
Area Code 202 • Telephone • EXecutive 3 6360 • Cable Address • INTBAFRAD

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EXHIBIT 11, Page 1 of 1

February 20, 1967

Mr. Jerzy Z. Mirski  
Operations Control Division  
Office of Capital Development  
Department of State  
Agency for International Development  
Washington, D.C. 20523

Dear Mr. Mirski:

Referring to your letter of February 16, 1967, I am writing to advise you that the Bank is not interested in considering for financing the project for property tax development in Guatemala.

Best regards,

Sincerely yours,

*Gerald Alter*

Gerald Alter  
Director  
Western Hemisphere Department

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INTER-AMERICAN DEVELOPMENT BANK  
WASHINGTON, D. C. 20577

March 7, 1967

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CABLE ADDRESS  
INTAMBANC

Mr. Jerzy Z. Mirski  
Operations Control Division  
Office of Capital Development  
Bureau for Latin America/AID  
Department of State  
Washington, D. C. 20523

Subject: Guatemala Loan Request to AID-  
Property Tax Development

Dear Mr. Mirski:

With reference to your undated letter received by the Bank on February 16, 1967, I wish to inform you that the Bank has no interest in financing the subject loan proposal but considers it to be a significant step forward in developing an effective property tax system.

As you may know, the Bank recently approved a \$9 million loan to Guatemala to finance the first phase of a program of access road construction and improvement. Section 5.09 of the IDB loan contract, which is presently being negotiated, requires the government of Guatemala to initiate within one year the establishment of legal criteria which permit the re-assessment of property whose value will benefit from the construction of the roads resulting from the loan. This reevaluation of property is required to permit more effective property taxation. Consequently, the Bank is especially interested in seeing adopted by the government of Guatemala any measures which tend to improve the present property tax system.

Sincerely yours,

Alfred C. Wolf  
Program Advisor to the President

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MINUTES

Export-Import Bank - AID Liaison Group

811 Vermont Avenue, N. W. - Room 1267

March 6, 1967

PRESENT: Export-Import Bank  
Seymour Pollack

AID  
K. Parr Johnson

The Bank representative stated that the Board had carefully reviewed the following loan proposals and had decided to return the applications to AID for the reasons indicated:

Panama - Government of Panama \$550,000  
(Rural health program)

This is a non-self-liquidating project which requires concessionary financing.

✓ Guatemala - Government of Guatemala \$2.6 million  
(Improvement of Property  
Tax Assessment and Collection)

This is a non-self-liquidating project and a large portion of the requested dollar loan will be utilized to cover local currency expenditures.

Pakistan - Government of Pakistan \$2.2 million  
(Water and Power Consulting  
Services)

This project is related to AID's activities in support of electric power facilities in East Pakistan.

Pakistan - Government of Pakistan \$1.5 million  
(Narnaluli project)

This is an increase in a loan which was authorized and is being administered by AID.

Pakistan - Government of Pakistan \$1.2 million  
(Salinity control and reclamation)

This is a project which will require concessionary financing.

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GUATEMALA: ESTIMATED CONTRACTUAL SERVICE PAYMENT ON EXTERNAL  
MEDIUM-AND LONG-TERM PUBLIC DEBT OUTSTANDING INCLUDING  
UNDISBURSED AS OF JUNE 30, 1966, WITH MAJOR REPORTED ADDITIONS  
JULY 1 - SEPTEMBER 30, 1966 1/

Debt Repayable in Foreign Currency (In thousands of U.S. dollar equivalents)

Year	Grand Total					Private Bank Credits	IBRD Loans	IDB Loans	ICIE Loans	EXIM	AID 3/
	Debt outstanding plus undisbursed January 1	Amortization	Interest	Total							
1966	46,255 2/	5,529	1,319	6,848	2,373	1,992	597	6	1,128	751	
1967	46,678	4,465	1,503	5,968	493	1,993	1,006	14	1,651	810	
1968	42,213	4,264	1,545	5,810	133	1,994	1,031	16	1,784	852	
1969	37,949	4,335	1,477	5,811		1,993	972	18	1,956	872	
1970	33,615	4,338	1,318	5,655		1,994	856	20	1,896	889	
1971	29,277	2,387	1,169	3,556			792	21	1,841	902	
1972	26,890	3,872	1,053	4,924			729	23	1,767	2,405	
1973	23,018	3,930	873	4,803			672	25	1,693	2,413	
1974	19,088	3,662	669	4,331			286	27	1,620	2,399	
1975	15,426	1,982	501	2,483			276	29	1,546	633	
1976	13,444	1,282	453	1,735			265	161	834	474	
1977	12,162	1,314	402	1,716			255	160	798	503	
1978	10,847	1,113	340	1,453			245	159	761	288	
1979	9,734	863	288	1,151			234	158	478	280	
1980	8,871	863	244	1,108			224	157	455	272	

1/ Includes service on all debt except \$11,000,000 revolving credits.

2/ Amount outstanding is as of June 30, 1966; payments are for the entire year.

3/ Interest payments include 3/4 of 1% service charge on loans from the Social Progress Trust Fund of IDB.

Source: Statistics Division, IBRD.

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PROPERTY TAX ASSESSMENT/COLLECTION RECORD, 1962-1966

<u>Year</u>	<u>Property on Tax Rolls</u> (Owner evaluated & registered)	<u>Tax Due</u> (3 mills)	<u>Amounts Collected - %</u> (includes payment of cumulative arrears)	<u>Cumulative Arrears</u>
1962	\$ 655MM	\$1.96MM	\$1.65MM - 84%	\$1.70MM
1963	737MM	2.21MM	2.28MM - 103%	1.88MM
1964	877MM	2.63MM	2.24MM - 85%	1.96MM
1965	1,002MM	3.00MM	2.60MM - 87%	2.74MM
1966	1,089MM	3.26MM	3.01MM - 92%	3.30MM

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SP

PRODUCTION OF MAJOR AGRICULTURAL PRODUCTS IN THE AREA OF THE  
PROJECT, 1964 / 1965

(In thousand quetzales, unless otherwise specified)

Country	Total	Retalhulen		Suchitepéquez		Escuintla		Santa Rosa	
		Amount	Percent <sup>1/</sup>	Amount	Percent <sup>1/</sup>	Amount	Percent <sup>1/</sup>	Amount	Percent <sup>1/</sup>
Corn	14,451.7	711.0	4.9	2,460.5	17.0	1,855.4	12.8	535.9	3.7
Cotton	1,751.8	521.0	29.7	53.8	3.1	1,070.2	61.1	7.5	0.4
Sugar Cane	1,544.3	35.5	2.3	242.8	15.7	1,223.2	79.2	14.7	1.0
Coffee	2,740.2	132.8	4.8	448.5	16.4	178.8	6.5	162.2	5.9
Meat and Dairy Cattle <sup>2/</sup>	1,263.3	67.9	5.4	122.0	9.7	199.9	15.8	133.6	10.6
Horses, etc. <sup>2/</sup>	164.3	6.2	3.8	7.6	4.6	12.3	7.5	17.6	10.7
Essential Oils <sup>3/</sup>	1,976.2	483.1	24.4	885.1	44.8	250.1	12.7	2.5	0.1

<sup>1/</sup> Percent of national total

<sup>2/</sup> Number head in thousands

<sup>3/</sup> Thousand of pounds

SOURCE: Ministry of Agriculture

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COMPREHENSIVE IMPLEMENTATION PLAN

1967 - 1971

	Setting-up Period						Operational Period												Contingency Factor			
	6 Months-through CY '67						36 Months-through CY '67												6 Months			
	1	2	3	4	5	6	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48
<b>1. AID/GOG</b>																						
a. Loan authorization	x																					
b. Loan signature		x																				
c. Loan ratification			x																			
d. Initial C's met				x																		
<b>2. RENTAS</b>																						
a. Major commodity procurement																						
b. Aircraft modification																						
c. Rural activities																						
1. Mosaic maps																						
2. Property inventory					*																	
3. Land use-land capability					*																	
4. Map products to RENTAS																						
d. Urban activities																						
1. Mosaic maps																						
2. Property inventory																						
3. Map products to RENTAS																						
<b>3. RENTAS</b>																						
a. Select and contract consultants																						
b. Major commodity procurement																						
c. Project manuals & trg.																						
d. Rural appraisals/assess.																						
e. Urban appraisals/assess.																						

\*Ongoing activity

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Response to CAEC Comments on IRR

The CAEC approved the referenced IRR on February 24, subject to the following comments:

- "1. The \$100,000 needed to house the appraisal section of RENTAS should be financed by the GOG and not by A.I.D."

Response:

The GOG has decided to rent additional space for RENTAS, and will pay for it with its own funds.

- "2. The IRR states that the GOG will contribute \$1 million in local currency. It is not clear if these funds are to be used to pay for ongoing activities or to pay for additional work directly related to the proposed loan. If these funds are to be used to pay for ongoing work, the CAEC does not consider the funds to be a contribution to the project."

Response:

\$897,900 of the total GOG input is clearly identifiable as a contribution to pay for additional work directly related to the proposed Loan. See Section III-B.

- "3. Local cost financing should be kept to a minimum and, if possible, should not exceed 50% of the project's total local currency requirements."

Response:

AID financing of local costs has been kept to a minimum and will cover an estimated 50.3% of the Project's total local currency requirements. See Section III-C.

- "4. Any legislation that is necessary for the success of the project should be a condition precedent to loan authorization."

Response:

The Guatemalan legislative base is already adequate for the success of this Project; however certain reforms will be needed in the collection procedure now employed by the GOG. The necessary changes, and their timing, are discussed in Section III-A.

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"5. The loan paper should include a discussion of tax administration in general, including the GOG's willingness and ability to collect taxes already on the books."

Response:

A discussion of tax administration in general and the GOG's willingness to collect taxes already on the books is described in Section I, Section II-D, Section II-B; and Annex III, Exhibit 2 describes the procedure for collecting taxes already on the books through the new Sección de Cobros.

"6. Included in the project's justification should be a discussion of alternate tax administration and policy improvements and the reasons for selecting this tax source for a large capital investment.

Response:

The majority of Guatemalan taxes are of an indirect, regressive nature, and in many cases collection costs exceed revenues. Improvements in this field are matters of high political sensitivity, and a large capital investment would not be applicable.

Income, property, inheritance, and gift taxes are the only direct taxes imposed under the Guatemalan tax system, and of these only the property and income taxes could reach enough taxpayers to yield significant returns.

The income tax has been in effect for three years, and is gradually being modified and improved, both in its base and in its enforcement, by the GOG. The USAID has two IRS technicians assisting in this effort. No large capital investment is required.

The property tax, on the other hand, is not only an obvious opportunity to increase revenues quickly, but demands the large capital investment contemplated in this Project. A detailed discussion of the reasons for selecting this tax source is included in Section I; II-D and II-E.

COLLECTION PROCEDURE - REAL PROPERTY TAX

- 1.- Sección de Matrícula Fiscal (Fiscal Registry): Registers the value of properties and changes in value and ownership, and passes the information on to the Sección de Control de Adeudos (Debt Control Section) to determine tax liabilities and to the Sección Mecanizada (Mechanized Section) for issuance of the corresponding tax bills.
- 2.- Sección Mecanizada: Issues for the First Quarter of the year a bill to each taxpayer containing the following information:
  - Information on taxpayer
  - Outstanding balance due
  - Value of quarterly tax
  - 20% fine on outstanding balance
  - Total of these amounts, and
  - Number of periods in delinquency.

For each other Quarter it issues a bill which contains only the value of the quarterly tax. When the address of the taxpayer is known, a special bill is mailed to him containing all necessary data to enable the taxpayer to pay at any bank and use the bill for any purpose related to the tax. In the case of Receptorías (Receiver's Offices) of less than 1,000 taxpayers, prepared bills are not mailed out but a list of bills is sent to the Receptoría indicating the amounts due from each taxpayer with a receipt issued by the Receptoría when payment is made. The lists are delivered to the Receptorías through the local Administración de Rentas.

The Sección Mecanizada also advises the Debt Control Section, the National Controller and the Rentas Accounting Office of the total value of bills issued for each Receptoría, and notes the bills not paid during the year to prepare the bill for the following first Quarter.

- 3.- Los Receptores Fiscales (Receptoría Staff): Receives bills from the local Rentas Administration; signs one copy of the bill list; delivers bills to the taxpayers annotating (long hand) the value of the fines; makes a payments-received list including the name of the taxpayer, bill number, the amount paid on

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outstanding balance, the amount paid for the quarter, any fines paid; and delivers bi-weekly, to the local Rentas Administration, the funds collected together with corresponding vouchers.

- 4.- The Local Administradores de Rentas: Record the total value of the bills delivered to the Receptores for collection; enter the total collected; review bills pending collection; and send to the Sección Mecanizada duplicates of bills paid and lists of taxpayers who made payments.
- 5.- The Recaudadores Ambulantes (Collection Agents): Select from the lists the taxpayers who are delinquent for 4 or more quarters; try to find the addresses of these taxpayers; make house-to-house collections; render accounts to the local Rentas office; and receive a percentage commission on the value of collections made by them.
- 6.- The Sección de Control de Adeudos (Debt Control Office): Receives current tax billing data from the Sección Mecanizada; reports cumulative amounts to be paid by taxpayers; negotiates installment (up to 10 payments) tax payments with delinquent taxpayers; maintains a current account record for each taxpayer.
- 7.- The Sección de Cobros (Collection Office): Selects delinquent debtors from the tax bill lists; attempts to find their addresses; summons delinquent debtors and requests payments; refers debtors to the Sección de Control de Adeudos for them to negotiate payment in installments; and prepares necessary documentation for the Ministerio Público (Attorney General's Office) to sue delinquent debtors (the juicio económico-coactivo proceeding).
- 8.- In the Tribunal de Cuentas the económico-coactivo judges hear cases for debtors from the Department of Guatemala; other cases are heard by the Departmental Governors.

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January 30, 1967

Mr. Marvin Weissman, Director  
USAID Mission to Guatemala,  
Guatemala City.

REF: Program for the Improve-  
ment of the Property Tax-  
ation System.

Dear Sir:

As you are aware, this Ministry is concerned with the relatively low productivity of the Property Taxation System in Guatemala, due in part to the low rate of taxes, but also to obvious under-evaluation of property and to an anachronistic system of collection, administration and application of said taxes.

In view of the above, and without disregarding the need to re-study the tax rate, we have made the determination to initiate a long-term program to make this tax more just and equitable (through technically sound appraisal and re-appraisal procedures), and to improve its productivity through better collection, application and administration techniques.

Attached hereto is a descriptive document of the program that we have in mind, which includes, as you will see, institutional reforms within the "Dirección General de Rentas", work programs both for the "Dirección General de Rentas" and for the Instituto Geográfico Nacional, legal reforms --especially to recover delinquent real property taxes-- and acquisition of equipment and materials.

To finance this program, whose period of initial execution will be three years, we wish to request financial assistance from the Agency for International Development, under the most

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favorable terms possible; that is to say, a 40-year term loan, with an interest rate of 1% during the first 10 years, 2½% during the remaining 30 years and a grace period of 10 years. The total cost of the three-year program will amount to approximately Q3,600,000.00, and we have planned to request assistance in the amount of US\$2,600,000.00. The Government of Guatemala would supply Q1,000,000.00 to the program from its own resources.

As you will understand, the above-mentioned program is of special interest to this Ministry; therefore I would very much appreciate any consideration in the prompt processing of our request for financial assistance, and welcome your comments on this matter as soon as possible. We would like to initiate the execution of this program within the next three months.

Finally, both the undersigned and the other officials of the Ministry of Finance and of the National Geographic Institute are at your service to amplify and clarify the information contained in the attached loan request.

With the expressions of my highest consideration and esteem,

(s) Dr. Alberto Fuentes Mohr  
Minister of Finance and  
Public Credit - Guatemala

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MINISTRY OF FINANCE AND  
PUBLIC CREDIT

Guatemala, May 9, 1967

Mr. Marvin Weissman, Director  
USAID Mission to Guatemala,  
Guatemala City.

Dear Sir:

I wish to refer to our request No. 252 for foreign financial assistance dated January 30, 1967, in relation to a program for the improvement of the administration and application of real property taxes in Guatemala.

After reviewing the figures I am pleased to advise you that the total contribution of the Government of Guatemala will amount to Q1,495,400.00, of which the National Geographic Institute will supply Q931,500.00 and the General Directorate of Taxation Q563,900.00. Thus the request for foreign financial assistance amounts to approximately \$2,300,000.00.

Hoping that this clarification will be useful, I wish to convey to you my expressions of high consideration and esteem,

(s) Dr. Alberto Fuentes Mohr  
Minister of Finance and  
Public Credit

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

UNITED STATES COORDINATOR  
ALLIANCE FOR PROGRESS

D R A F T  
LOAN AUTHORIZATION

Provided from: Alliance for Progress Funds  
GUATEMALA: Property Tax Development Loan

Pursuant to the authority vested in the Deputy U.S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, to the Government of Guatemala ("Borrower") of not to exceed two million two hundred thousand United States dollars (\$2,200,000) to assist in financing the costs of Borrower's property tax system improvement program, providing for improved methods of property identification, tax appraisal and tax collection ("Project").

1. Interest and Terms of Repayment. Borrower shall repay the loan to the Agency for International Development ("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 interest on the disbursed balance of the loan of one (1) percent per annum during the grace period and two and one-half (2½) percent per annum thereafter.
2. Other Terms and Conditions.
  - (a) Equipment, materials and services (except shipping and marine insurance) financed under the loan shall have their origin in and be procured from the United States or Member Countries of the Central American Common Market. Shipping financed under the loan shall be procured from the United States, and marine insurance financed hereunder shall be placed in the United States with a company authorized to do marine insurance business in any State of the United States.
  - (b) United States dollars utilized under the loan to finance local currency costs shall be made available to Borrower or its designee through Special Letter of Credit procedures and shall be used only for procurement in the United States.

- (c) Prior to and as a condition precedent to the first disbursement under the loan, Borrower shall furnish A.I.D., in form and substance satisfactory to A.I.D., evidence that it has:
- (i) Appointed a Project Administrator who will be an employee of Borrower with authority and responsibility to coordinate all aspects of the mapping and appraisal work and the relation of the facilities and developments financed hereunder to tax collection procedures;
  - (ii) Contracted with a United States consulting firm to assist and advise the Project Administrator in coordinating all Project activities, including mapping, appraisal, and assessment, and to certify A.I.D. disbursement requests;
  - (iii) Drawn up a list of specific feasible administrative and legal reforms it deems essential to the development of an effective real property tax system in the Republic of Guatemala and provided a timetable for carrying out the reforms listed. The timetable shall set forth those immediate additional actions, in pursuance of the list, that Borrower will take to accelerate the collection of delinquent real property taxes.
- (d) Borrower shall covenant to continue the program of property tax system improvement financed under the loan and to maintain and support in such strength as is necessary the agencies responsible for the conduct of the Project until such time as cartographic surveys and related production of map products and property information have been completed, and pursuant thereto, implementation of recommendations for improved tax appraisal assessment and collection has been effected, for all regions of the Republic of Guatemala.
- (e) Borrower shall covenant that, when the necessary equipment has been procured, it will undertake a program of microfilming Property Registry records on a schedule designed to facilitate the mapping and appraisal work financed under the loan.
- (f) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

\_\_\_\_\_  
Deputy U.S. Coordinator

\_\_\_\_\_  
Date