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PROJECT AUTHORIZATION

Name of Country: Guatemala
Name of Project: Rural Electrification III
Number of Project: 520-0353

Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant for the Rural Electrification III Project for Guatemala involving planned obligations of not to exceed Ten Million United States Dollars (\$10,000,000) ("Authorized Amount") in Grant Funds ("Grant") over a four-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Rural Electrification III project is six years from date of initial obligation.

The Project ("Project") consists of two main components: (a) assistance to the Government of Guatemala through the National Electrification Institute (INDE) to expand electrification in rural areas where the introduction of electricity will complement and maximize the productive potential of existing infrastructure and resources. The Project will achieve this purpose by financing the installation of new rural connections and the construction of subtransmission lines, distribution networks, transmission and transformation improvements. (b) assistance to a private voluntary organization to carry out a program for the promotion of productive uses of electricity in small rural communities. The activities financed under this component will include provision of credit, training and technical assistance to small rural enterprises and assistance for the institutionalization of a productive uses program within INDE.

The Project Agreement(s), which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

A. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Grant shall have their source and origin

in the United States, (A.I.D. Geographic Code 000) or in countries that are members of the Central American Common Market, including Guatemala, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

B. Conditions Precedent

1. Initial Disbursement

Prior to the first disbursement under the Project, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D. the following:

- (a) An opinion of the Ministerio Publico or other counsel acceptable to AID that the Project Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a legally binding obligation of the Grantee in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Grantee and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (c) A detailed time-phased Project Implementation Plan showing project activities beginning 120 days from the signing of the Project through the end of calendar year 1995. This plan shall include a detailed procurement plan for materials, equipment and services.
- (d) An executed agreement between the Ministry of Finance and INDE which stipulates:
 - i. The amount of local currency funds to be provided by INDE and the GOG, respectively, as Grantee Resources for the Project.
 - ii. That all counterpart funds provided by the GOG for the Project will be on a non-reimbursable basis.
 - iii. The source of funding to pay all directly identifiable taxes resulting from

Project-related procurements or other activities. Funds used by INDE or the GOG to pay these taxes shall not be considered as Grantee Resources for the Project.

- (e) A statement of INDE's agreement to use a selection system acceptable to AID as a basis for the selection of rural communities to be included in the project. In addition, the specific selection procedure based on the mutually accepted system and all lists of communities to be included in the project will be approved in writing by AID.
- (f) Evidence that INDE has designated a Project Manager acceptable to AID.
- (g) Evidence that INDE has created a permanent position of Productive Uses Specialist within the Rural Electrification Department to work as counterpart to the Grant-financed Productive Uses Specialist.
- (h) A time-phased plan describing the steps INDE will take to improve its financial situation and institutional efficiency.

2. To Subsequent Incremental Funds

Unless AID otherwise agrees in writing, prior to the date of execution by AID of any amendment of the Project Agreement adding incremental funds, the Grantee shall furnish in form and substance satisfactory to AID evidence that progress has been achieved towards reaching the goals of the plan described in Section B.1.h., above.

C. Covenants

The Government of Guatemala, Grantee, covenants and agrees that, except as A.I.D. may otherwise agree in writing, the Grantee shall cause the National Institute for Electrification to:

- (a) Furnish to A.I.D. the results of a study, to be conducted during the first three months of Project implementation, to determine the percentage of installation costs to be required in community contributions, the means to collect this contribution and management of the funds.
- (b) Submit for A.I.D. approval, by November 30 of each year of Project life, an annual construction schedule covering activities for the next calendar year.

- (c) Carry out all the necessary steps to assure the completion of the Quezaltepeque substation corridor and the El Progreso substation expansion, part financed under the Rural Electrification Project not later than June 30, 1990. The completion of these substations will be financed by INDE and will use funds provided under this Project.

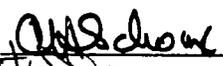
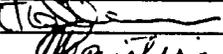
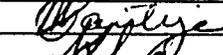
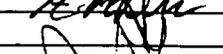


 Anthony J. Cauterucci
 Director, USAID/Guatemala



 Date

Clearances:

	<u>Date:</u>
PDSO, CHSchoux	 June 15, 1989
PRM, TKellermann	 June 15, 1989
OPED, FManteiga	 6/16/89
OEPA, SSkogstad	 6/26/89
CONT, JOhill	 7/2/89
ORD, GStraub	 7/14/89
DDIR, PEWhite	 7/14/89
RLA, MJWilliams	 June 19, 1989

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