

## Support for Improving Major Roads in Guatemala - Striving to stimulate distribution services and improve transportation efficiency-

The OECF (Overseas Economic Cooperation Fund, Japan; President, Chairman of the Board: Kyosuke Shinozawa) signed a loan agreement with the Republic of Guatemala on September 30, 1999 for a total amount of up to 5,781 million yen to be used for Rural and Main Roads Rehabilitation Project.

This is the fourth Loan Agreement extended to the Republic of Guatemala, which follows the loan for Social Investment Fund Project, signed on December 27, 1995.

The loan agreement was formally signed at the OECF head office in Tokyo by Mr. Kyosuke Shinozawa, OECF President and Chairman of the Board, and by H.E. Jose Maria Argueta, Ambassador Extraordinary and Plenipotentiary of Guatemala to Japan.

This loan package brings the cumulative ODA loan commitment to Guatemala to 19,479 million yen for 4 projects.

### 1. Outline of Loan Agreements

Project Name	Amount (Million Yen)	Interest Rate (% ,p.a.)		Repayment Period /Grace Period (years)		Tying Status	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
Rural and Main Roads Rehabilitation Project	5,781	2.2	0.75	30/10	40/10	General Untied	Bilateral Tied

### 2. Project Summary

#### (1) General Information on Guatemala

Lying along the southern border of Mexico, Guatemala is Central America's largest nation, with an area of 109,000 km<sup>2</sup> (just under 1/3 the size of Japan) and a population of 10.52 million. The nation won its independence from Spain in 1821, and the Republic of Guatemala was established in 1838. The national language is Spanish and the dominant religion is Catholicism, but its ethnic composition is 42% Amerindian, 50% Ladino (mixed Amerindian-Spanish), and 8% Caucasians of European descent.

Guatemala's history as a republic since its independence has been like that of other Central and South American nations, turbulent. Shifts in political power have been brought about by military coup d'etats, and while military or military-led governments were in control until the civilian government came to power in 1985, repeated military rebellions and the gap between the rich and poor resulted in numerous guerilla warfare incidents. Military and guerilla opposition continued even after the civilian government came to power, but in 1996 a comprehensive peace agreement was reached thanks to the cooperation of the international community. After the peace agreement was concluded, the international community has been monitoring the disarmament of the guerillas. The peace process, however, has taken some backward steps. For example, a proposal to amend the Constitution in accordance with the peace agreement was rejected in the national election in May 1999. In the future, though, it is necessary to further promote the peace agreement and to develop the rural area which will in turn contribute to maintaining peace.

The agricultural sector is the primary industry in the Guatemalan economy today, and its main products are coffee, sugar, and bananas. Agricultural products account for 45% of Guatemala's exports.

#### (2) Project Background

For the Guatemalan government that achieved domestic peace in 1996, local development and poverty mitigation have become major issues. Nonetheless, the long delay in making infrastructural improvements caused by many years of civil warfare has resulted in a bottleneck of projects that need to be implemented. For this reason the government devised a government development plan from 1996 to 2000 in which basic infrastructural improvements play an important role. Among these, top priority has been assigned to the rehabilitation of the nation's most important mode of transportation, its roadway network, as this infrastructure will contribute to local development and poverty mitigation by improving access to rural areas and increasing transportation efficiency. The government enacted a road investment plan for 1997-2000 regarding the roadway rehabilitation project covered under the plan mentioned above, and is aggressively improving the infrastructure of its road networks with assistance from the World Bank, the Inter-American Development Bank, and other institutions.

### 3. Project Description

This project involves improving the main roads deemed important in the road investment plan devised by the Guatemalan government. Specifically, it involves repaving international highway CA-1W between Chimaltenango and Tecpan (36 km paved road), and paving national highway RN-7W (162 km unpaved road). Improving these main roads will reinforce distribution services and will increase transportation efficiency, and will enable easy provisions of social services such as education and insurance in areas that sustained damage during the years of civil warfare.

This project will be jointly financed with the World Bank. The proceeds of the loan will be used for procuring materials and equipment needed for this project, for civil engineering, and for consultation services (construction supervision).

The executing agency is the Ministerio de Comunicaciones, Transporte, Obras Publicas y Vivienda through DGC: Direccion General de Caminos, Finca Nacional La Aurora, zona 13, Guatemal, C.A., Tel: 502-472-0440, Fax: 502-440-0771.