

JBIC Signs ODA Loan Agreement with Guatemala --Supporting Mitigation of the Regional Gap and Enduring Peace Through Road Improvement--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed an ODA loan agreement on February 20 totaling up to 7,357 million yen with the Republic of Guatemala to finance "the ZONAPAZ Road Improvement Project".
2. The project, which will be implemented in ZONAPAZ,[1] the region that was severely devastated by the 1960-1996 internal conflict,[2] aims to secure means for traffic and transport in the region, upgrade the living conditions of community residents, and invigorate the regional economy by rehabilitating a national highway RN-7 East that cuts across the region (with a segment between San Julian and Rio Dulce), an access road to Senahu as well as farming roads. The project is thus expected to help peace take root in the region and contribute to poverty reduction. The loan will finance the improvement of national highway RN-7 East and the access road to Senahu, as well as the consulting services associated.
3. Affected by the 36 year long internal conflict, the road pavement ratio hovers as low as 17% in Guatemala, despite the fact that roads are the major traffic and transportation mode in the country. Unpaved roads thus pose a bottleneck in improving the living conditions of residents and in boosting economic activity. Recovery and development is particularly lagging in ZONAPAZ, which was a rebel stronghold during the civil war period. In this region, national highway RN-7 East, a trunk road on which local residents rely for their daily living, is unpaved and causes traffic interruption in the rainy season. Underdeveloped roads are thus posing a problem for residents.
4. JBIC currently supports the rehabilitation of national highway RN-7 West through the provision of an ODA loan.[3] The new loan will help improve national highway RN-7 East, thereby providing local residents with greater access to public services, including education and healthcare, as well as to agricultural markets and labor markets. In addition, under the Plan Puebla Panama,[4] national highway RN-7 is designated as one of the priority roads in need of development for the promotion of Central American integration. The highway is expected to supplement the distribution route that runs across Guatemala and further extends to neighboring Honduras and Belize.
5. JBIC has been assisting to narrow the regional gap and in the establishment of peace in the conflict-affected regions through the provision of ODA loans. As the only official financial institution responsible for implementing Japan's external economic policy and economic cooperation, JBIC has been making positive efforts to support regional infrastructure integration that encompasses several countries by making the maximum use of its long-cultivated ties with the governments of developing countries through its operations and its overseas network through the representative offices.

[\(Click here for the details\)](#)

[1] ZONAPAZ consists of eight provinces: Quetzaltenango, Huehuetenango, Quiche, San Marcos, Totonicapan, Solola, Alta Verapaz, and Baja Verapaz.

[2] Triggered by a rebellion raised in 1960 by a young officer who was frustrated at the Ydigoras Fuentes administration's pro-U.S. policy, the civil war was the longest in Central America and came to an end in December 1996 with the signing of the Peace Accords.

[3] The ODA loan agreement was signed on September 30, 1999.

[4] Under the joint initiative by System for Integration of Central America (SICA) member countries (Costa Rica, El Salvador, Guatemala, Nicaragua, Honduras, Panama, and Belize) and Mexico the plan was adopted at the Mexico-Central America Summit held in June 2001 to promote development in the Central American region encompassing the Mexican state of South Puebla to the country of Panama. Specifically, the Plan envisions development in eight areas, including the interconnection of electric power transmission systems and the integration of road networks.

Reference

1. Loan Amount and Terms

| Name of the Loan | Amount (Mil. Yen) | Interest Rate (% per annum) | Repayment Period/ Grace Period(Years) | Procurement |
|----------------------------------|-------------------|-----------------------------|---------------------------------------|----------------|
| ZONAPAZ Road Improvement Project | 7,357 | 0.75 | 40/10 | General Untied |

2. Project Executing Agency

Project executing agency is Direccion General de Canimos (DGC), Ministerio de Comunicaciones, Infraestructura y Vivienda (MICIV; Address: Direccion Salon No. 7 Finca Nacional La Aurora Zona 13, Guatemala, C.A., Tel: 502-2472-1414, 502-2440-0771; Fax: 502-2472-1414.)

3. Political and Economic Situation of Guatemala

In the Republic of Guatemala the internal conflict that has lasted for 36 years came to an end in December 1996 when the government and rebels signed the Peace Accords. [1] President Berger, who took office in January 2004, pledged that he will adhere to the peace treaty and adopt steadfast and highly transparent policies, thereby realizing reconciliation and achieving political reform. Aiming at poverty reduction through sustainable economic growth, the National Development Plan (2004-2008) designates three development challenges: "solidarity" (social security, education, and social participation), "growth" (development of transport infrastructure and promotion of employment creation), and "competitiveness" (boosting exports, support for SMEs, and support for increased output).

Guatemala has the largest population (12.7 million) and the highest GDP (about US\$25.4 billion) of Central America. Basically a farming country producing traditional farming products such as coffee and bananas, Guatemala signed the Central American Free Trade Agreement (CAFTA-DR) [2] in May 28, 2004. Guatemala has started to diversify its industries and strengthen its competitive edge in recent years, with its sight set on becoming a supply base for light industrial products (including food and clothes), as well as non-traditional farming products (such as alpine vegetables, cut flowers, and fruits) to the U.S. and Central American markets.

[1] The "Firm and Durable Peace Accords" is a peace agreement comprised of 11 agreements with commitments totaling as high as 854. These include reforms of various legal frameworks to protect the rights of indigenous peoples, as well as administrative and financial reforms to correct the income and regional gaps.

[2] Signatories included the U.S., Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and the Republic of Dominica (with Dominica signing the agreement later on August 5, 2004). The agreement went into effect in January 2006.