Her Excellency
Maria Castro
Minister of Public Finance
Ministry of Public Finance
8a Avenida y 21 Calle
Centro Cívico, Zona 1
Guatemala City, Guatemala

Re: Republic of Guatemala: SPF Grant No. TF015977
Regional Approach to Municipal Citizen Security in Central America's Northern Triangle
Project

Excellency,

In response to the request for financial assistance made on behalf of the Republic of Guatemala ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the State and Peace Building Fund ("SPF") proposes to extend to the Recipient a grant from the SPF in an amount not to exceed one million United States Dollars (US$1,000,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of Part 3 of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out Part 3 of the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. This Agreement shall become effective upon receipt by the World Bank of: (i) a countersigned copy of this Agreement; (ii) evidence, acceptable to the World Bank, that the Subsidiary Agreement has been executed; and (iii) an opinion or opinions satisfactory to the World Bank of counsel satisfactory to the World Bank showing that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and UNDP, and that it is legally binding upon the Recipient and UNDP in accordance with its terms. Upon compliance with the above mentioned conditions, the World Bank will send a notice of effectiveness to the Recipient.
Provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

C. Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

AGREED:

REPUBLIC OF GUATEMALA

By:

Authorized Representative

Name: Maria Castro

Title: Ministra de Finanzas Públicas

Date: 1 de Abril de 2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011
Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following terms shall have the meanings ascribed below:

(a) "Beneficiary Countries" means collectively the Republic of Honduras, the Recipient and the Republic of El Salvador.

(b) "Directorate of Forensic Medicine" means Dirección de Medicina Forense, the Republic of Honduras' directorate, within its Public Ministry, responsible for forensic medicine practice, in accordance with the provisions of Chapter V, Title III of the Republic of Honduras' Decree No.228-93 (Ley de Ministerio Público), as the same has been amended to the date of this Agreement.

(c) "Government Ministry" means Ministerio de Gobernación, the Recipient's Government Ministry, or any other successor thereto, acceptable to the World Bank.

(d) "ICT" means information communications technology.

(e) "JECS" means Jóvenes Emprendedores en Ciudades Seguras, the Republic of El Salvador's pilot initiative to address youth employability and social inclusion in gang-dominated communities by combining a territorial approach of municipal plans with the individual-level services of a youth employability interventions and strengthening partnerships with the private sector.

(f) "Municipality Agreement" means any of the agreements referred to in Section 2.03 (b) (ii) G of this Agreement, as the same may be amended from time to time, with the agreement of the World Bank.

(g) "PREPAZ" means Dirección General de Prevención Social de la Violencia y Cultura de Paz, the Republic of El Salvador's General Directorate of Social Violence Prevention and Peace Culture, within its Ministry of Justice and Public Security, or any other successor thereto, acceptable to the World Bank.

(h) "Prevention Cabinet" means the Republic of El Salvador's cabinet comprised of key line ministries and local authorities aim at discussing and implementing violence prevention policy and programs in its territory.

(i) "Resettlement" means the impact of an involuntary taking of land, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any
other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

(j) "Selected Guatemalan Municipality" means any municipality in the territory of the Recipient selected to participate in Part 3 of the Project in accordance with the criteria and procedures acceptable to the World Bank.

(k) "Selected Honduran Municipality" means any of the following municipalities in the territory of the Republic of Honduras: La Ceiba, Choloma, El Progreso, and/or any other municipality selected to participate in Part 1 of the Project, all in accordance with the criteria and procedures acceptable to the World Bank.

(l) "Selected Municipalities" means jointly the Selected Guatemalan Municipalities, the Selected Honduran Municipalities and the Selected Salvadorian Municipalities.

(m) "Selected Salvadorian Municipality" means any of the following municipalities in the territory of the Republic of El Salvador: San Salvador, Santa Tecla, Sonsonate, and/or any other Municipality selected to participate in Part 2 of the Project, all in accordance with the criteria and procedures acceptable to the World Bank.

(n) "SMP" means Programa Municipios Más Seguros, the Republic of Honduras' Safer Municipalities Program which aims to: (i) improve the capacity of national and local authorities in violence prevention; and (ii) address crime and violence risk factors in selected municipalities.

(o) "Subsidiary Agreement" means the agreement referred to in Section 2.03 (b) of this Agreement, as the same may be amended from time to time with the agreement of the World Bank.

(p) "UNDP" means United Nations Development Programme.

(q) "Vice Ministry of Violence and Crime Prevention" means Vice Ministerio de Prevención de la Violencia y el Delito, the Recipient's Vice Ministry of Violence and Crime Prevention, within the Government Ministry, or any other successor thereto acceptable to the World Bank.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support the Beneficiary Countries to improve citizen security by strengthening their national and local capacity to implement evidence-based interventions to address risk factors for crime and violence. The Project consists of the following parts:

Part 1: Strengthened Integrated Approaches to Citizen Security and Responsive Performance of Criminal Justice Institutions in Honduras
(a) Strengthening of the Republic of Honduras’ capacity to design and monitor municipal violence prevention approaches through, *inter alia*: (i) the development and implementation of a violence prevention communication strategy, including the preparation of communication materials for the SMP and virtual newsletters, the development and implementation of capacity building activities on violence prevention methodologies, and dissemination activities of lesson learned from the Project; (ii) the development of SMP’s violence prevention management materials, including guidelines for designing, managing, and monitoring of violence prevention aspects of municipal citizen security plans; (iii) the elaboration of violence prevention training modules and thematic guidance notes including mediation and conflict resolution, restorative justice, and crime prevention through environmental design; and (iv) the provision of technical assistance for greater inter-ministerial coordination on violence prevention public policy.

(b) Strengthening of the performance of criminal justice institutions in Selected Honduran Municipalities through, *inter alia*: (i) the carrying out of training activities on a community policing approach for local police personnel, prosecutors, judges, and municipal officials; (ii) the acquisition of office equipment for a model community police station; (iii) the provision of technical assistance to municipal and community leaders to secure facilities and resources necessary for the model community police station to function effectively; and (iv) the design and implementation of ICT-based platforms to facilitate reporting of victimization incidents, improve performance of security and justice actors and disseminate progress on citizen security and justice indicators.

(c) Improvement of data driven and evidence based municipal strategies through, *inter alia*, the provision of equipment for the collection and analysis of crime scene data, including hardware, software and global positioning system (GPS) equipment for the police and the Directorate of Forensic Medicine working in Selected Honduran Municipalities.

(d) Promotion of knowledge exchange activities to support effective citizen security models among Beneficiary Countries, including Selected Municipalities, through, *inter alia*: (i) the carrying out of workshops to share the challenges and achievements of Part I of the Project; and (ii) the support for the participation of the Republic of Honduras’ national and municipal authorities in regional events on crime and violence prevention.

(e) Provision of support for the management of this Part 1 of the Project through, *inter alia*: (i) the provision of training and workshops; and (ii) the carrying out of the fiduciary aspects of this Part 1 of the Project, including audits.

Part 2: Strengthened Integrated Approaches to Citizen Security and Employability for at-risk Youth in El Salvador

(a) Provision of support to PREPAZ for the implementation of the Republic of El Salvador’s violence prevention policy through, *inter alia*: (i) the carrying out of workshops and technical assistance that will bring PREPAZ staff and Prevention Cabinet members to develop joint violence prevention strategies; (ii) the provision of technical assistance to national and local authorities in aligning municipal-level interventions with the Republic of El Salvador’s violence prevention strategy; and (iii) the provision of technical assistance to the Prevention Cabinet in promoting employment and income generating opportunities for youth-at-risk in the territory of the Republic of El Salvador.
(b) Provision of support for the implementation of JECS in Selected Salvadorian Municipalities through, *inter alia*: (i) the implementation of integrated models of community social services on youth violence prevention, with emphasis on educational, family, and employment opportunities for gang-involved youth; (ii) the creation of case-management services to connect youth with social services offered by government; and (iii) the provision of technical assistance to community centers of conflict mediation and youth-run daycare centers.

(c) Strengthening of the Selected Salvadorian Municipalities' capacity for crime and violence data collection through, *inter alia*: (i) the carrying out of an impact and process evaluation for the JECS in selected neighborhoods within the Selected Salvadorian Municipalities; and (ii) the development of violence monitoring and evaluation tools.

(d) Promotion of knowledge exchange activities to support effective citizen security models among Beneficiary Countries, including Selected Municipalities through, *inter alia*: (i) the carrying out of workshops to share the challenges and achievements of Part 2 of the Project; and (ii) the support for the participation of the Republic of El Salvador's national and municipal authorities in regional events on crime and violence prevention.

(e) Provision of support for the management of this Part 2 of the Project through, *inter alia*: (i) the provision of training and workshops; and (ii) the carrying out of the fiduciary aspects of this Part 2 of the Project, including audits.

Part 3. Strengthened Integrated Approaches to Citizen Security and Coordinated Multi-level Territorial Planning in Guatemala

(a) Strengthening of the Recipient's capacity on violence prevention by supporting the implementation of its crime and violence prevention policy through, *inter alia*: (i) the design of an operational plan for said policy; (ii) the development of a national policy on youth violence prevention in line with the crime and violence prevention policy, and a monitoring and evaluation framework for said policy; (iii) the provision of technical assistance to the Recipient's Ministry of Interior to design violence prevention frameworks at the community, municipal, and departmental level; and (iv) the carrying out of training activities on the design and implementation of violence prevention plans at the community, municipal, and departmental levels for public officials.

(b) Provision of support for the design and implementation of territorially integrated citizen security interventions through, *inter alia*: (i) the review and validation of matrices of territorial interventions on violence prevention; (ii) the design of a monitoring and evaluation system for a strategy for territorial interventions on violence prevention; and (iii) the development and testing of a package of violence prevention interventions in one of the Selected Guatemalan Municipalities where a matrix for territorial interventions was developed.

(c) Strengthening of the Recipient's capacity for data-driven citizen security strategies through, *inter alia*: (i) the carrying out of training activities on data collection and analysis to staff assisting the implementation of an integrated information system on crime and violence prevention; and (ii) the carrying out of the first national victimization, perception of insecurity and social cohesion survey.
Promotion of knowledge exchange activities to support effective citizen security models among Beneficiary Countries, including Selected Municipalities through, *inter alia:* (i) the carrying out of workshops to share the challenges and achievements of Part 3 of the Project; and (ii) the support for the participation of the Recipient's national and municipal authorities in regional events on crime and violence prevention.

Provision of support for the management of this Part 3 of the Project through, *inter alia:* (i) the provision of training and workshops; and (ii) the carrying out of the fiduciary aspects of this Part 3 of the Project, including audits.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through the Vice Ministry of Violence and Crime Prevention, shall, and shall cause UNDP to, carry out Part 3 of the Project, all in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); (c) this Article II; and (d) the Subsidiary Agreement.

2.03. **Institutional and Other Arrangements.** For purposes of carrying out Part 3 of the Project, the Recipient, through the Vice Ministry of Violence and Crime Prevention, shall:

(a) Designate staff with qualifications and experience acceptable to the World Bank, who shall act under terms of reference acceptable to the World Bank, to assist with the overall implementation, management, coordination and supervision of Part 3 of the Project.

(b) Make the proceeds of the Grant available to UNDP under a subsidiary agreement ("Subsidiary Agreement") between the Recipient, through the Vice Ministry of Violence and Crime Prevention, and UNDP, under terms and conditions acceptable to the World Bank, which shall include, *inter alia:*

(i) The obligation of the Recipient, through the Vice Ministry of Violence and Crime Prevention, to take or permit to be taken all actions to enable UNDP to comply with its respective obligations under the Subsidiary Agreement.

(ii) The obligation of UNDP to:

A. carry out Part 3 of the Project in accordance with the provisions of the Anti-Corruption Guidelines and the pertinent provisions of this Agreement;

B. procure the goods, works, consultants' services and non-consulting services to be financed out of the Grant in accordance with the provisions of this Agreement;

C. maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the Project Indicators, the progress of Part 3 of the Project and the achievement of their objectives;

D. (I) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to Part 3 of the Project; (II) at the World
Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; and (III) make such financial statements publicly available in a timely fashion and in a manner acceptable to the World Bank;

E. enable the Recipient and the World Bank to inspect Part 3 of the Project, their operation and relevant records and documents;

F. prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing;

G. prior to the carrying out of any activity in any of the Selected Honduran Municipalities, enter into a Municipality Agreement with each Selected Honduran Municipality, under terms and conditions acceptable to the World Bank;

H. take, and/or cause to be taken, all necessary actions to enable the Recipient to comply with its obligations under this Agreement;

I. promptly inform the World Bank of any condition which interferes or threatens to interfere with the progress of Part 3 of the Project, the accomplishment of the purposes of the Grant, or the performance of its obligations under the Subsidiary Agreement; and

J. ensure that the activities under Part 3 of the Project do not involve any Resettlement.

(iii) The right of the Recipient, through the Vice Ministry of Violence and Crime Prevention, to suspend or terminate the right of UNDP to use the proceeds of the Grant, or obtain refund of all or any part of the amount of the Grant then withdrawn, upon UNDP's failure to perform any of its obligations under the Subsidiary Agreement.

(c) The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

(d) In case of any conflict between the terms of the Subsidiary Agreement and this Agreement, the provisions of this Agreement shall prevail.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support of the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Project.
2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall, and shall cause UNDP to, monitor and evaluate the progress of Part 3 of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for Part 3 of the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement.** All goods, non-consulting services, and/or consulting services required for Part 3 of the Project and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (“Procurement Guidelines”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (“Consultant Guidelines”).

2.08. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the World Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

### Article III

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
Percentage of Amount of the Grant Expenditures to be Category Allocated Financed (expressed in USD) (inclusive of Taxes)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consultants’ services, Training and Workshops and Operating Costs under Part 3 of the Project</td>
<td>$ 1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>$ 1,000,000</td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purposes of this paragraph, the term:

(i) “Training and Workshops” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under Part 3 of the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services); and

(ii) “Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of Part 3 of the Project and which would have not been incurred absent the Project, consisting of salaries of UNDP staff, vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, and travel cost and per diem.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed $75,000 equivalent may be made for payments made prior to this date but on or after April 25, 2013, for Eligible Expenditures.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is October 31, 2015.

Article IV
Additional Remedies

4.01. Additional Events of Suspension. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely that UNDP shall have failed to comply with any of its pertinent obligations under the respective Subsidiary Agreement.
Article V
Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

5.02. **Recipient's Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Public Finance
8a Avenida y 21 Calle
Centro Cívico, Zona 1
Guatemala City, Guatemala

5.03. **World Bank's Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile: 1-202-477-6391