

Document: EB 2010/101/R.62
Agenda: 15(d)(iv)
Date: 14 December 2010
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

Republic of Guatemala

President's memorandum

Sustainable Rural Development Programme for the Northern Region

Extension of the time limit for signature of the loan agreement

Note to Executive Board representatives

Focal points:

Technical questions:

Enrique Murguía
Country Programme Manager
Tel.: +39 06 5459 2431
e-mail: e.murguia@ifad.org

Dispatch of documentation:

Liam F. Chicca
Governing Bodies Officer
Tel.: +39 06 5459 2462
e-mail: l.chicca@ifad.org

Executive Board — 101st Session
Rome, 14-16 December 2010

For: Approval

Recommendation for approval

Given the role of this programme in the national strategy to reduce rural poverty as expressed by the Government of Guatemala, it is recommended that the Executive Board approve an extension of one year – to 17 December 2011 – of the period for signature of the loan agreement for the Sustainable Rural Development Programme for the Northern Region.

President's memorandum

Sustainable Rural Development Programme for the Northern Region

Extension of the time limit for signature of the loan agreement

I. Background

1. At its ninety-fifth session in December 2008, the Executive Board approved a loan of SDR 12.1 million (equivalent to approximately US\$18.0 million) to the Republic of Guatemala on ordinary terms, and a grant in the amount of SDR 300,000 (equivalent to approximately US\$450,000) to help finance the Sustainable Rural Development Programme for the Northern Region. The programme is in line with IFAD's intervention strategy, as outlined in its country strategic opportunities programme, also approved in December 2008.
2. **Key programme objectives.** The programme has four main thrusts: (i) transforming subsistence agricultural and non-agricultural activities into profitable, market-oriented rural businesses and microenterprises operating on local and external markets with support from specialized technical and business-related assistance and access to resources from key competitive co-investment funds and financial services; (ii) developing the human and social capital resource base by strengthening the organizational, managerial, and decision-making capacities of rural and indigenous communities, producers' associations and development councils; (iii) expanding social and economic infrastructure, including rural roads; and (iv) conservation and rational use of natural resources within a context of strengthened sectoral planning and coordinated development action at the municipal and departmental levels.
3. **Loan signature.** The time limit for the signature of the loan agreement will expire on 17 December 2010 (two years after the loan approval in December 2008).
4. This delay in loan signing initially resulted from the fact that this loan and those of other international development agencies were not included in the legislative agenda because other policy and political priorities were under discussion by Congress. The impact that the worldwide financial, energy and food crises of 2008 have had on the country's economy and overall public finances was a priority concern, and external borrowing was under serious scrutiny. In addition, the country continues to be highly vulnerable to natural disasters and related events. It suffered severe drought in some areas in 2009, while in 2010 the country was struck by the tropical storm Agatha and also endured the eruption of the Pacaya volcano. These events have directed the attention of Congress and the Government towards the implementation of a recovery, reconstruction and transformation plan.

II. Status of loan effectiveness

5. The Latin America and the Caribbean Division has been following up closely and continuously with the country authorities in view of the urgent need for loan signing, loan effectiveness and programme start-up. Since the approval of the Sustainable Rural Development Programme for the Northern Region, a new investment initiative has been designed – the Sustainable Rural Development Programme in El Quiché – which was approved by IFAD’s Executive Board in April 2010 and negotiated successfully in December 2010. This programme is being resubmitted for approval to this session (document EB 2010/101/R.61) since loan negotiations were not held within the six-month period stipulated by the Executive Board.
6. The Government’s internal approval procedures to formalize the loan signing are well under way in the country, but additional time is necessary for finalization. The loan for the Sustainable Rural Development Programme for the Northern Region has been included in the country’s budget for 2011.

III. Recommendation

7. It is recommended that the Executive Board approve an extension of one year – to 17 December 2011 – of the period for signature of the loan agreement for the Sustainable Rural Development Programme for the Northern Region.