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Enabling poor rural people  
to overcome poverty

## **Republic of Guatemala**

### **President's memorandum**

## **Sustainable Rural Development Programme in El Quiché**

### **Extension of the time limit for signature of the financing agreement**

#### **Note to Executive Board representatives**

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**For: Approval**

## Recommendation for approval

Given the importance of this programme for some of the poorest areas of the department of El Quiché, and taking into consideration the commitment of the new Government of Guatemala to support the programme, it is recommended that the Executive Board approve an extension of six months – to 15 June 2013 – in the deadline for signing the financing agreement for the Sustainable Rural Development Programme in El Quiché.

## President's memorandum

### Sustainable Rural Development Programme in El Quiché

#### Extension of the deadline for signature of the financing agreement

#### I. Background

1. The Executive Board, at its 101<sup>st</sup> session in December 2010, approved a loan of SDR 10.85 million (equivalent to approximately US\$16.5 million) on ordinary terms and a grant of SDR 0.33 million (equivalent to approximately US\$0.5 million) to the Republic of Guatemala, to help finance the Sustainable Rural Development Programme in El Quiché. The programme is in line with IFAD's strategy as outlined in the country strategic opportunities programme (COSOP) for which the Board expressed its support at its ninety-fifth session in December 2008, especially in its emphasis on market linkages and the development of small rural businesses.
2. **Key programme objectives.** The overall goal is to contribute to increasing incomes and employment among indigenous and rural target groups in El Quiché Department. The specific objectives are to: (i) support wider access to national and external markets, strengthening the effective productive, commercialization and entrepreneurial capacities of organized economic groups, creating and modernizing rural businesses (agricultural and non-agricultural) through an entrepreneurial linkages approach. Additional support will be provided through improved rural access roads, expanded productive and value aggregation infrastructure, and market-based rural financial services; and (ii) contribute to enhanced social and human capital, strengthening the organizational and decision-making capacities of communities and their development councils, and improving municipal planning and natural resource management. Social infrastructure and women's labour-saving devices will also be promoted.
3. **Deadline for signature.** The deadline for signature of the financing agreement is 15 December 2012.
4. The financing agreement has not yet been signed due to the lengthy and cumbersome internal approval procedures prevailing in Guatemala. Over the last 10 years, four IFAD projects have been approved by the Executive Board. Apart from the programme in question, the remaining three projects have incurred an average signing delay of 36 months, i.e. three years. Before an agreement can be signed by the Government, it must undergo a process of thorough scrutiny and approval by the Monetary Board (*Junta Monetaria*) and the Finance Commission of the Congress. It should be noted that long delays affect not only IFAD projects but also investment projects financed by other multilateral agencies such as the World Bank and the Inter-American Development Bank.

## **II. Status of loan signature**

5. The financing agreement for the present loan was negotiated on 6 December 2010 with the Guatemalan authorities. The financing agreement has now been approved by the Monetary Board and is currently being reviewed by the Finance Commission, which is expected to approve it shortly. It is underscored that the delay in signing the agreement does not reflect a lack of priority on the part of the Government but is attributable to lengthy approval procedures.
6. Despite the long delay, the Latin America and the Caribbean Division (LAC) continues to consider the programme to be an important piece of the Guatemala country programme and one that will create positive synergies with the active portfolio once it becomes effective. Moreover, the new Government of Guatemala inaugurated in January 2012 considers this an important programme and has formally requested an additional 180 days for approval and signing of the financing agreement.
7. LAC takes the long signing delays very seriously and has been following up closely and continuously with the country authorities regarding the need to ensure that loan signing, loan effectiveness and programme start-up take place as soon as possible. Furthermore, LAC is currently discussing this structural problem with the Guatemalan Government in the context of preparation of the new COSOP for the period 2013-2016.

## **III. Recommendation**

8. Based on the information and rationale provided above, it is recommended that the Executive Board approve an extension of six months – to 15 June 2013 – in the deadline for signing the financing agreement for the Sustainable Rural Development Programme in El Quiché.