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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF GUATEMALA

FOR THE

RURAL DEVELOPMENT PROGRAMME FOR LAS VERAPACES



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CURRENCY EQUIVALENTS

Currency Unit	=	Quetzales (GTQ)
USD 1.00	=	GTQ 7.0
GTQ 1.00	=	USD 0.14

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

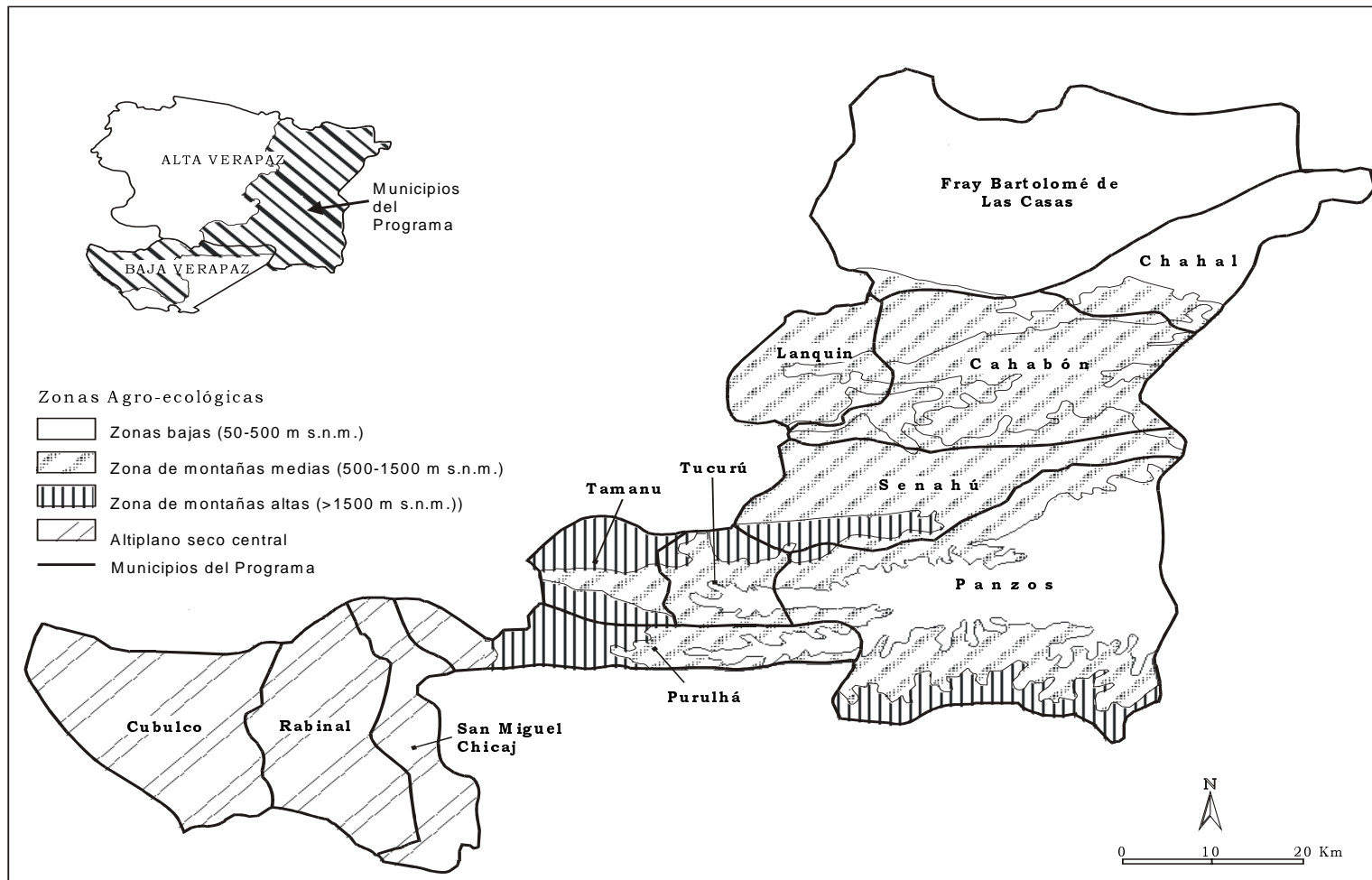
BANRURAL	Banco Nacional para el Desarrollo Rural (Rural Development Bank)
FLM	Flexible Lending Mechanism
FONAPAZ	Fondo Nacional para la Paz (National Fund for Peace)
GTZ	German Agency for Technical Cooperation
MAGA	Ministerio de Agricultura, Ganadería y Alimentación (Ministry of Agriculture, Livestock and Nutrition)
M&E	Monitoring and evaluation
NGOs	Non-governmental organizations
OPEC Fund	Organization of the Petroleum Exporting Countries Fund for International Development
PCU	Programme Coordinating Unit
UNOPS	Office of the United Nations for Project Services

GOVERNMENT OF THE REPUBLIC OF GUATEMALA

Fiscal Year

1 January - 31 December

MAP OF THE PROGRAMME AREA



Source: Appraisal Mission

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.





REPUBLIC OF GUATEMALA
RURAL DEVELOPMENT PROGRAMME FOR LAS VERAPACES
LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Guatemala
EXECUTING AGENCY:	National Fund for Peace (FONAPAZ)
TOTAL PROGRAMME COST:	USD 26.0 million
AMOUNT OF IFAD LOAN:	SDR 10.85 million (equivalent to approximately USD 15.0 million)
TERMS OF IFAD LOAN:	20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually
COFINANCIERS:	Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development
AMOUNT OF COFINANCING:	USD 5.0 million
TERMS OF COFINANCING:	17 years, including a grace period of five years, with an interest rate of 2% per annum and a service charge of 1% on amounts withdrawn and outstanding
CONTRIBUTION OF BORROWER:	USD 3.7 million
CONTRIBUTION OF BENEFICIARIES:	USD 2.3 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROGRAMME BRIEF

Who are the beneficiaries?

The programme's target group will be approximately 53 700 poor indigenous families, or 95% of rural households in the programme area. It will target indigenous smallholder families whose income level is lower than the estimated poverty line of USD 1.40 per capita/day. Of the total target group, approximately 16 000 rural families will be direct beneficiaries of the programme.

Why are they poor?

Rural poverty is associated with limited access to land; lack of rural services (primarily financial); a low level of market integration; lack of employment in the off-farm rural sector; and a lack of education. Guatemala has the third highest degree of income inequality among low to middle-income countries worldwide. The poorest quintile of the population receives only 2% of the total income. Guatemala also has the lowest schooling coverage in Latin America, except for Haiti. These indicators are even worse for indigenous groups, women and rural residents. Furthermore, the Gini coefficient for land distribution is 0.85, one of the most skewed in Latin America. In addition, three decades of civil war had devastating consequences on Guatemala. The rural population suffered the most, due to the large number of casualties and serious marginalization and displacement both within and outside the country.

What will the project do for them?

The programme will reactivate the regional economy by investing in human, physical and social capital. It will create employment opportunities, increase the productive capacity of small landholdings and foster a development strategy that respects and supports the beneficiaries' culture and civil identity. In particular, the programme will: (a) raise indigenous peasant income through the promotion and support of agricultural and non-agricultural income-generating activities; (b) promote and consolidate peasant organizations and strengthen local institutions; (c) empower the roles of peasant women and guarantee their full participation in the programme's social and economic activities; (d) preserve the natural resource base for future generations by implementing sustainable natural resource conservation practices; and (e) foster the integration of rural communities into the mainstream of the local and national economy, contributing to the consolidation of the peace process.

How will beneficiaries participate in the project?

The programme will follow a "demand and reference menu-driven" approach. During the first stages of the programme, staff will assist beneficiaries in identifying and systematizing their needs, and building their managerial and planning capacities. They will submit sub-project proposals to be financed by the programme through agreements with private and/or public organizations, and achieve the proposed goals. The implementation will consist of three stages: (a) establishment (four years); (b) programme expansion (four years); and (c) consolidation and sustainability (two years). In addition, the programme will adopt a clear cross-cutting gender approach and methodology; it will build on the experience already gained by local public and private organizations working in the programme area in addition to previous IFAD projects in Guatemala.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF GUATEMALA
FOR THE
RURAL DEVELOPMENT PROGRAMME FOR LAS VERAPACES**

I submit the following Report and Recommendation on a proposed loan to the Republic of Guatemala for SDR 10.85 million (equivalent to approximately USD 15.0 million) on intermediate terms to help finance the Rural Development Programme for Las Verapaces. The loan will have a term of 20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. The Republic of Guatemala is located in Central America and borders El Salvador to the south, Honduras to the east, Belize to the north-east and Mexico to the north-west. It covers an area of 108 889 km², and has a population of 10.8 million people. Approximately two thirds of the economically active population, a total of three million people, is involved in agriculture. Almost 60% of the population lives in rural areas, of which 81% are indigenous peoples. The economy is predominantly agricultural, with more than half of the country's labour force engaged in farming, forestry and fishing. Guatemalan society is sharply segmented, with highly skewed income and land distribution.

2. **Agriculture.** In 1998 the agricultural sector accounted for 24% of the gross domestic product (GDP), employed 53% of the labour force and accounted for over half the country's total export earnings. Approximately 70% of the agricultural area under production comprises basic crops (maize and beans). The basic diet of a peasant family, particularly for indigenous populations, consists of basic crops, chiefly maize (a ceremonial crop) and beans. The peasant economy contributed 18% of the total of basic crops in 1995.

3. At the end of October 1998, Central America was hit by hurricane Mitch, which resulted in devastation and destruction of agricultural land and infrastructure in the programme area. This situation has been taken into account in programme design in order to facilitate and contribute to recovery efforts.

4. The agricultural public sector in Guatemala comprises the Ministry of Agriculture, Livestock and Nutrition (MAGA), and three decentralized institutions: the National Forest Institute; the Rural Development Bank (BANRURAL); and the Agricultural Science and Technology Institute. In addition, the Government has also established the National Council for Agricultural Development, and has fostered the Agricultural Development Networks, comprised of different agricultural sectors. The BANRURAL is the most important institution in charge of rural financial services.

¹ See Appendix I for additional information.



5. **Rural poverty.** Guatemala has the third highest degree of income inequality — exceeded only by Brazil and Pakistan — among low to middle-income countries worldwide. The poorest quintile of the population receives only 1.9 % of the total income. Guatemala also has the lowest schooling coverage in Latin America, except for Haiti. Infant mortality is 43 per 1 000 live births and maternal mortality is 110 per 100 000 live births. Approximately 16% of infants suffer from low birth weight and approximately 50% of children are malnourished. These indicators are even worse for indigenous groups, women and rural residents.

6. In the last decade, the percentage of poor families in Guatemala was between 75 and 80% of the population; and 87% of the rural population. These figures are higher in the indigenous areas where more than 90% of the population lives under the poverty line (compared to 66% of the non-indigenous population). On the one hand, approximately 40% of the total population is illiterate; of this figure 60% are women. On the other hand, 60% of the indigenous population is illiterate compared to 24% for the non-indigenous population. A 1993 Secretariat for Economic Planning study indicates that infant malnutrition is higher than 38%.

7. The last land census (1979) showed that 2.5% of the country's farms, with an average of 200 ha, control 65% of the agricultural land, while 88% of all farms, with an average size of 1.5 ha, occupy 16% of the land. Almost 90% of the landholdings that comprise the peasant sector has less than 7 ha, and approximately 40% of the economically active population does not have land.

8. Rural poverty is chiefly associated with lack of access to land, fragmentation of land holdings, inefficient marketing systems and a lack of access to productive resources, particularly water. In addition, poverty is worsened by the following: the lack of access to financial services and technology; inefficient extension systems and technical assistance; missing linkages between small producers and the agribusiness sector; and the deterioration of the natural resource base mainly through deforestation and soil fertility losses.

9. Women in rural areas are generally more liable to fall into poverty than either men in rural areas or women in urban areas. The condition of rural women in Guatemala has worsened due to the effects of the armed conflict that left 100 000 women widowed and 250 000 youngsters orphaned. This factor, among others, has contributed to an increase in women-headed households in the rural areas.

10. Based on World Bank poverty studies and household surveys, the rural poverty line was estimated at USD 1.40 per person/day. The extreme poverty line was estimated at USD 0.80 per person/day. Approximately 53 700 households, or 95% of the total households, are below the poverty line in the programme area.

B. Lessons Learned from Previous IFAD Experience

11. **Operations.** IFAD has been involved in Guatemala since 1986. Its project portfolio in Guatemala totals USD 34.2 million, with total project costs at USD 82.8 million, covering four projects/loans, as follows: Generation and Transfer of Agricultural Technology and Seed Production (loan 154-GM); Zacapa-Chiquimula Smallholders' Rural Development (loan 251-GM); Cuchumatanes Highlands Rural Development (loan 296-GM); and the Programme for Rural Development and Reconstruction for the Quiché Department (loan 435-GT). The latter are ongoing².

12. **Lessons learned.** An IFAD pre-terminal assessment (July 1997) of the Zacapa-Chiquimula project shares some features of the proposed programme, and points to recommendations and the main lessons learned: (a) the provision and expansion of rural financial services has contributed to easier and greater credit access by poor peasant families, especially poor women. Credit lines need to

² See Appendix II for additional information.



be more flexible and easy to process, focusing on groups of beneficiaries with good potential for selling and/or exporting their products; (b) regarding coordination of project activities, the lack of coordination among project components could jeopardize efficiency and the desired output. It is necessary to strengthen and create the mechanisms within the project to better coordinate project components and provide the necessary feedback to technical units; (c) training needs to be focused on all project activities, its methodology has to be flexible to adapt to implementation needs, and training ought to be provided to trainers; (d) the organization of peasant producers in their hamlets and communities is very important from the early stages of a project to guarantee project sustainability. In order to achieve social cohesion and build social capital, different strategies for the different strata of the target population must be developed; and (e) it is important to have a gender-oriented approach that cuts across all components from the early stages of project design and throughout project implementation. Training in gender issues of all project stakeholders is of the utmost importance for the successful implementation of activities.

C. IFAD's Strategy for Collaboration with Guatemala

13. The main objectives of IFAD's strategy in Guatemala are rural poverty alleviation while the peace process continues to be consolidated. The programme will assist in substantially transforming Guatemalan society by integrating the mainstream of the economy, marginalized sectors of the society, especially rural women, and indigenous populations.

14. IFAD's strategy in Guatemala addresses rural poverty by targeting directly the economic situation specific to each social stratum of rural poor. It focuses on projects that: (a) improve income-generating activities of rural/peasant families through a combination of agricultural and non-agricultural activities and small enterprises; (b) strengthen the supply of technical assistance for agricultural and microenterprise activities, emphasizing a demand-driven approach; (c) support and strengthen innovative rural financial services adapted to the needs of IFAD's clients; (d) enhance the supply of training services for producers, both men and women, microentrepreneurs and young people; (e) foster gender strategies and activities to facilitate equal access by men and women to productive resources and development processes; and (f) use demand-driven mechanisms and encourage a real participation of the beneficiaries in their own development process.

15. **Programme approach.** Based on lessons learned from previous IFAD projects in Guatemala and a pre-terminal assessment for the Zacapa-Chiquimula project (July 1997), the programme will adopt the following approach: (a) a Flexible Lending Mechanism (FLM) approach to provide the programme with greater flexibility and the ability to respond adequately and in a timely manner to priorities arising from the evolving socio-economic situation, and the social heterogeneity in the programme area; (b) demand-driven to respond to the needs of the beneficiaries through mechanisms that facilitate the organization, collection and promotion of efficient solutions to the demands of the indigenous/peasant organizations; and realistic and sustainable in terms of the number and volume of credit and the technical assistance and agricultural programmes associated with it; (c) highly participatory throughout all steps of the programme cycle; not mere consultation and collection of data, but the actual empowerment of stakeholders in the decision-making process; (d) gender-oriented throughout all programme components and stages; and (e) sustainable by gradually transferring responsibility for implementation activities to the main beneficiaries, i.e. private/public institutions, non-governmental organizations (NGOs) and regional and local peasant organizations.



PART II - THE PROGRAMME

A. Programme Area and Target Group

16. **Programme area.** The programme will be located in the northern region of the country and will comprise eight municipalities of the Department of Alta Verapaz and four municipalities of Baja Verapaz. The region covers approximately 6 300 km² and presents a great variety of topographical, environmental and climatic conditions. Due to its cold, tropical and subtropical climate, the region has a rich biodiversity. There are four agro-ecological zones, ranging from plains, low and high lands, and the dry central highlands. Rainfalls vary from 1 500-2 700 mm in the plains and high lands, to 500-1 000 mm in the dry highlands. In general, the soils are fragile, shallow and highly eroded. The highlands also present a rich biodiversity that suffers from demographic pressure and the advance of the agriculture frontier and deforestation.

17. The programme will begin activities in four municipalities of Alta Verapaz and two of Baja Verapaz. The target group will be approached, taking into account the different socio-economic conditions, focusing mainly on the poorest smallholder groups. The programme strategy will have as its entry point activities performed by women and a gender-oriented approach, so as to target the poorest rural sectors, including landless and vulnerable families, especially women-headed households.

18. **Target group.** The programme area has a population of approximately 356 000 people, of which 319 000 or 90% live in rural areas, scattered over approximately 744 peasant communities. There are different indigenous groups; however, the most prominent ones being the Mayans, which represent 80% of the population. The target group will comprise approximately 53 700 poor rural families whose income level is lower than USD 1.40 per capita, per day, consisting of: (a) 8 700 marginal producers; (b) 26 000 subsistence producers; (c) 6 000 emergent commercial producers; and (d) 13 000 landless rural families. The programme will directly benefit 16 000 rural families and indirectly reach 20 000 families who will benefit from socio-community investments, improved roads and reforestation activities.

B. Objectives and Scope

19. **Objectives.** The general objective of the programme is to reduce rural poverty among peasants who live in a very fragile natural resource environment in the poorest municipalities of the Las Verapaces Department. The specific objectives of the programme will be to: (a) increase peasant incomes through the promotion and support of agricultural and non-agricultural income-generating activities; (b) promote and consolidate peasants' organizations in order to strengthen local institutions; (c) improve access by the rural population to rural financial services; (d) introduce and implement a gender-sensitive approach to all programme activities; (e) improve and preserve the natural resource base for future generations by implementing sustainable natural resource conservation practices; and (f) foster the integration of rural communities into the mainstream of the national economy.

20. **Strategy.** The programme will follow a flexible, adaptive and phase-by-phase approach. The programme area has the highest poverty indicators in the country, was seriously devastated due to the civil war and is highly heterogeneous regarding its human capital and agro-ecological zones. This great diversity calls for a gradual and careful approach that responds to the target group's specific needs. Thus, the programme strategy will adopt a FLM that allows for a longer-term implementation period (ten years) in order to achieve development objectives. The programme presents a detailed design for the first initial cycle (four years), and a set of clearly-defined "triggers"³ for the mid-term evaluation that will indicate whether or not to proceed to subsequent cycles. Monitoring and

³ See Appendix III for additional information.



evaluation (M&E) activities will have an important role in ensuring that the programme is on track and that it can continue to the following phase.

C. Components

21. The programme will have five components: (a) local institutional strengthening; (b) sustainable productive development; (c) rural financial services; (d) socio-economic investments; and (e) programme administration and coordination. The programme will also rely on a reserve fund to ensure programme flexibility and the appropriate financing of beneficiary demands.

22. **Local institutional strengthening.** The objective of this component is to strengthen and train local grass-roots organizations in presenting their demands and to secure beneficiary participation in programme implementation. The programme will begin with an information campaign and promotion activities that target the poorest, most isolated populations with scarce natural resources. Formal and non-formal organizations (cooperatives, producers' associations, community groups, etc.) will be promoted and consolidated so that the target population is able to formulate demands and can actively participate in the implementation of programme activities. Programme area promoters/supervisors will be in charge of contacting communities, creating awareness among them about the programme, and will be responsible for evaluating the degree of organization of the groups. They will also assist the different groups in preparing their applications for programme support. The promoters will use participatory rural appraisals and participatory action plans. A programme implementation criteria has been prepared.⁴

23. **Sustainable productive development.** This component is comprised of three sub-components: (a) agricultural production support services; (b) sustainable management of natural resources; and (c) support to marketing systems and rural microenterprises. The component will promote the adoption of profitable and sustainable diversified production systems. Peasant landholdings will be considered as an integral unit focusing on agricultural and livestock production, natural resource conservation and a gender-oriented approach. The component will promote the identification and validation of productive options for the most disadvantaged zones of the dry highlands (*altiplano*) and high mountains through a participatory approach with experienced producers. The programme will also encourage the presentation of applications for the support of productive activities and resources will be available for contracting out technical services through service providers. It will promote forestry and agroforestry activities in coordination with the Forest Incentive Programme and other institutions of the sector. For those groups/farmers without registered titles, the programme will provide assistance for land titling. The programme will establish agreements with the National Fund for Land Acquisition and the National Institute for Land Reform. The programme will support groups of entrepreneurs who want to expand or initiate commercial and microentrepreneurial activities in order to generate income; increase employment opportunities; give greater added value to beneficiary products; establish a programme of certified organic production; improve storage systems and reduce post-harvest losses; and carry out agri-business activities that use local raw materials and assess the commercial potential of new products. The programme will finance marketing feasibility studies and specialized consultancies for those groups interested in initiating these activities. It will also provide credit for fixed asset investments and working capital for microenterprises.

24. **Rural financial services.** This component includes two sub-components: (a) institutional strengthening and management; and (b) credit funds. This component will facilitate access by the target group to rural financial services tailored to the needs of the rural clients, i.e. small peasant families and producers, focusing first on strengthening the technical capacity of intermediate financial institutions that will be responsible for fostering savings mobilization. The programme will also promote the provision of credit and the financing of microcredit operations. It will strengthen

⁴ See Appendix IV for additional information.



international financial institutions by training their personnel; constructing financial instruments tailored to the needs and characteristics of the clients; developing specific software, credit technology and risk analysis adapted to the rural clients; and expanding the geographic outreach of services. Client groups will be trained in savings and loans concepts. The programme coordinating unit (PCU) will contract out specialized service providers for these activities. The programme will supply credit funds, especially for microcredit and medium and long-term agricultural loans. It will also provide resources for first and second-tier operations carried out by the BANRURAL. Supplementary funds will be obtained through alliances with other donors, namely, the German Agency for Technical Cooperation (GTZ), which is already involved in the Las Verapaces Project, managing a USD 5 million credit fund. In the second phase, the programme will use part of the resources of the reserve fund for credit operations. The credit fund will be managed by BANRURAL as a second-tier financial institution according to an existing special trust fund agreement between the National Fund for Peace (FONAPAZ) and BANRURAL.

25. **Socio-economic investments.** This component includes two sub-components: (a) community investments; and (b) rural infrastructure and rural roads. The programme supports activities to improve the food security of the communities or labour-intensive activities focusing on the most disadvantaged groups. It will foster community or family activities such as vegetable gardens, breeding of small livestock, crafts, community stores, water wells for drinking water, walking bridges and off-farm small-irrigation works. To access programme funds, the initiatives will need to respond to certain criteria, such as sustainability, positive environmental impact and the contribution from the beneficiaries themselves. These criteria will be defined in an operations manual prepared by the PCU and approved by IFAD. The programme will contribute to infrastructure investments being implemented by public agencies (such as the National Coordinating Unit for Roads and Social Funds) in order to rehabilitate roads, build small works such as sidewalks and walking bridges, maintain some existing routes, and support pre-investment studies to obtain financing from other donors' programmes (taking into account environmental protection standards). The PCU will encourage community participation in maintenance and repair works; it will coordinate maintenance methods in order to ensure ongoing maintenance by users, and establish agreements with municipalities in the programme area, in order to guarantee periodic rehabilitation and major maintenance work. The National Coordinating Unit for Roads will be responsible for road rehabilitation and corrective maintenance under agreement with the programme. Municipalities will be responsible for supplying manual tools for preventive maintenance and for recruiting municipal promoters.

26. **Programme administration and coordination.** This component cuts across all programme activities: coordination, administration, programming, M&E systems and counselling on gender issues. The programme will have a PCU to provide guidance, management and coordination of programme implementation activities, with the assistance of a programming, M&E system. The beneficiaries and their organizations will implement programme activities, joined by contracted service providers already active in the programme area (cooperatives, NGOs, private consultants and consultancy firms). Service contracts will be governed by the rules and regulations established by the operations manual. Contracting for service providers will be the responsibility of the PCU or the participating organizations. A baseline study will be carried out during the first months of programme implementation which could be used by the mid-term review mission.

27. **Reserve fund.** The programme will rely on a reserve fund that will be used to allocate resources to the different components and categories according to the results of the mid-term review. The objectives of the fund are to ensure programme flexibility and the appropriate financing of beneficiary demands. During programme year (PY) 4 there will be a mid-term review to allocate resources from the reserve fund, to the different components, sub-components and categories in the remaining six years of programme implementation.

D. Costs and Financing

28. Total programme costs including physical and price contingencies are estimated at USD 26.0 million, as summarized in Table 1, of which IFAD will provide a loan of USD 15.0 million (58%) of total programme costs; the Government USD 3.7 million (14%); the OPEC Fund USD 5.0 million (19%); and the beneficiaries and participating organizations around USD 2.3 million (9%). The financing plan of the programme is presented in Table 2. The disbursement period is estimated at 10 years.

TABLE 1: SUMMARY OF PROGRAMME COSTS^a
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Local institutional strengthening	1 3432	498	1 840	27	7
B. Sustainable productive development	5 398	2 097	7 495	28	30
1. Agric. prod. support services	2 475	942	3 417	28	14
2. Natural resources management	2 504	1 012	3 516	29	14
3. Market. and microent. support services	418	144	562	26	2
C. Rural financial services	1 035	405	1 440	28	6
1. Instit. strength. and management	475	165	640	26	3
2. Credit funds	560	240	800	30	3
D. Socio-economic investments	2 447	1 509	3 957	38	16
1. Community investments	1 151	425	1 576	27	6
2. Rural roads and infrastructure	1 296	1 083	2 380	46	10
E. Programme admin. and coord.	2 677	740	3 417	22	14
1. Programme coordination	1 754	416	2 170	19	9
2. Programming, M&E systems	923	322	1 245	26	5
F. Reserve fund	4 550	1 950	6 500	30	26
Total base costs	17 449	7 195	24 645	29	100
Physical contingencies	-	-	-	-	-
Price contingencies	703	652	1 355	48	5
Total programme costs	18 153	7 847	26 005	30	105

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD '000)

Components	IFAD		OPEC Fund		Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. Local institutional strengthening	1 431	74.8	-	-	304	15.9	179	9.4	1 914	7.4	528	1 257	129
B. Sustainable productive development	5 100	64.8	767	9.8	1 586	20.2	411	5.2	7 865	30.2	2 265	4 951	648
1. Agric. Productive support services	2 3431	65.3	767	21.5	458	12.8	15	0.4	3 571	13.7	1 009	2 247	315
2. Natural resources management	2 266	61.1	-	-	1 048	28.3	396	10.7	3 710	14.3	1 103	2 291	316
3. Market and microent. support services	504	86.3	-	-	80	13.7	-	-	584	2.2	153	414	18
C. Rural financial services	1 217	81.7	158	10.6	114	7.7	-	-	1 489	5.7	425	1 012	53
1. Instit. strength. and management	397	59.4	158	23.6	114	17.0	-	-	669	2.6	177	440	53
2. Credit funds	820	100.0	-	-	-	-	-	-	820	3.2	2428	572	-
D. Socio-economic investments	865	20.7	2 524	60.3	489	11.7	305	7.3	4 182	16.1	1 638	2 237	308
1. Community investments	619	37.4	700	42.3	257	15.5	78	4.7	1 654	6.4	459	1 072	123
2. Rural roads and infrastructure	246	9.7	1 824	72.1	232	9.2	227	9.0	2 529	9.7	1 179	1 165	185
E. Programme admin. and coordination	2 544	71.5	195	5.5	821	23.1	-	-	3 560	13.7	785	2 657	118
1. Programme coordination	1 665	73.9	-	-	589	26.1	-	-	2 254	8.7	436	1 770	48
2. Programming, M&E systems	879	67.3	195	14.9	232	17.8	-	-	1 306	5.0	349	887	70
F. Reserve fund	3 847	55.0	1 399	20.0	350	5.0	1 399	20.0	6 994	26.9	2 212	4 432	350
Total disbursement	15 004	57.7	5 045	19.4	3 663	14.1	2 295	8.8	26 005	100.0	7 852	16 547	1 606

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

29. **Procurement.** Purchasing of goods and contracting of service providers will be carried out in accordance with IFAD procedures and established in the loan agreement. Institutional service contracts with public, private or international organizations will be to the satisfaction of IFAD and the cooperating institution. UNOPS has been selected as the cooperating institution. The PCU will prepare an operations manual, to IFAD's satisfaction, that will include a breakdown of all procedures and documents to be used during competitive bidding.

30. **Disbursement.** Disbursement of loan resources will be made in accordance with procedures defined in the loan agreement and those of the cooperating institution. To assure an adequate flow of funds, the borrower should open and maintain a special account in the Central Bank of Guatemala, or another bank satisfactory to IFAD, with an authorized allocation of USD 1.5 million. An initial deposit of approximately USD 1.2 million will be made to cover anticipated expenses for IFAD-financed activities under Phase I, and an additional amount of USD 0.3 million upon approval by IFAD of Phase II. Replenishment of the special account will be made in accordance with the procedures established in the loan agreement and the disbursement procedures of the cooperating institution.

31. **Accounts and auditing.** The PCU should maintain separate accounts and accountings for the programme funds. Necessary funds for second-tier financial institutions will be channelled directly from the special account at the Central Bank of Guatemala or from the Ministry of Finance counterpart funds to the participating institution's individual accounts. Operating funds will be channelled through a PCU checking account. PCU management will consolidate the accounts and hire, to IFAD's satisfaction, an independent audit firm to carry out an annual audit in accordance with independent auditing procedures. The Government will send the annual audit report to IFAD and the cooperating institution no later than six months after the end of the fiscal year. Accounting and auditing rules and regulations will be incorporated into the programme's operations manual.

F. Organization and Management⁵

32. The FONAPAZ will implement the programme, which will be carried out within the general framework of the agricultural policies established by MAGA. The Ministry of Finance will channel budgetary counterpart funds and external resources to FONAPAZ.

33. The coordination, direction and administration of the programme will be the responsibility of the PCU, which will operate within the FONAPAZ structure. A programme coordinator will head the PCU. The programme will have a small but highly professional and efficient management structure and will contract out private and public service providers in support of the target group through a competitive bidding process. Possible service providers will be NGOs, cooperatives, consulting firms, independent professionals, among others, with experience in the country and/or active in the programme area.

34. The programme will be coordinated with other projects in the area through ongoing operating mechanisms, such as the departmental technical units and the interfund meetings (*reuniones interfondos*) coordinated by the departmental development councils. The programme will establish close links with MAGA at the central and departmental levels in order to comply with MAGA's policies and to obtain technical support. At the same time, it will facilitate information exchange and it coordinate its activities with other ministries involved in welfare issues. It will also establish strategic alliances with other projects and programmes in the programme area, such as the GTZ Las Verapaces Project.

⁵ See Appendix V for additional information.



35. **Programme phases.** The programme will be implemented for a period of ten years and will include the following phases:

- (a) **Launching/establishment phase.** At the initial stage, the aim will be to establish different channels of action with and for the different beneficiary groups of the two departments (Alta and Baja Verapaz) according to programme objectives and the operational capacity of the PCU. This phase, which could last about four years, will begin with the dissemination of information about the programme objectives, resources and conditions for participation.
- (b) **Intensification phase.** At this stage, activities at the PCU and beneficiary group levels will be intensified. Targeting and priority criteria will be maintained at the same time that the activities are intensified and new beneficiaries and area are included. Some of the intensification efforts will involve, *inter alia*, increased social capital, greater number of income-generating activities and rural employment, and diversification of service supply responsive to local demands.

The implementation time frame of these two stages varies according to their implementation capacity and the population's response. However, it is expected that it will last approximately eight years.

- (c) **Consolidation and transfer stage.** This stage will consolidate processes and activities begun during Phases I and II. It will gradually transfer responsibility to programme beneficiaries and civil society, i.e. stakeholders (service providers and clients). This phase will be carried out during the last two years of the programme.

36. **Beneficiaries participation and coordination.** The programme will ensure beneficiary participation at the following levels: (a) at the **community level**, the beneficiaries will participate in the community participatory appraisals and in decisions regarding their sub-project applications. Beneficiaries will be responsible for sub-project implementation, and will be consulted regarding their preferred service providers; (b) at the **municipal level**, sub-project applications will be submitted to development municipal councils (which includes beneficiary representatives); and (c) public institutions and beneficiary representatives will participate in the committee to be established at the regional development council level, to provide guidance to the programme and review and approve the annual operations plan. The programme counsel committee will be comprised of representatives from MAGA, FONAPAZ, the Secretariat for Economic Planning (SEGEPLAN), IFAD-UNOPS and by community peasant representatives. Committee responsibility will be to review and approve the annual operations plan prepared by the PCU in consultation with municipalities and community leaders. This committee will hold meetings during the last months of the year to approve the annual operations plan for the following year.

37. **Programming and monitoring and evaluation** will be a critical aspect of the programme under the supervision of the programme coordinator. The programming function will facilitate the most efficient use of available resources. The main instrument for programming will be the annual operations plan. Regarding M&E activities, a set of representative indicators will be used. Preliminary indicators based on the objectives and components of the programme are presented in the logical framework⁶. First-tier banks will be responsible for monitoring compliance with credit repayment, while the PCU and BANRURAL will be responsible for the overall monitoring of the intermediary portfolio and their administration and financial management.

⁶ See Appendix VI for additional information.



38. **Mid-term review.** During PY4 there will be a mid-term review to assess whether to allocate resources from the reserve fund to the different components, sub-components and future categories of the remaining six years of programme implementation. A base study will be carried out during the first months of programme implementation, which will be used as a benchmark during the mid-term review.

39. **Gender considerations.** There will be a clear cross-cutting gender approach and methodology that not only supports productive activities for women, but also attempts to improve the parity conditions of men and women. A household approach will also be applied to benefit the entire family with the positive results of productive activities. A better distribution of both productive activities and home-related activities that involves the whole family will be studied and applied. The entry point for incorporating a gender focus into the programme will be the awareness training provided to people involved in the programme at all levels. The programme will foster the formation of women's groups with a common interest and provide them with capacity-building and technical advice. Service providers acting or delivering their action in the programme area will be trained in gender approach and methodology.

40. The programme will support productive activities of women and improve education and health services by (a) disseminating time-saving technologies; (b) improving access to primary school for girls by establishing special agreements with the Ministry of Education and the relevant NGOs; (c) emphasizing reproductive health by supporting both the distribution of iron and calcium pills to women and family planning; (d) supporting income-generating activities and the effective control of incomes of women; (e) increasing the presence and leadership of women among rural organizations; and (f) training programme personnel and male and women beneficiaries in gender-related issues. Regarding reproductive health, the programme will establish strategic alliances with other reproductive health and family planning programmes implemented in the area; it will also support treatments that alleviate anaemia and calcium and other mineral deficiencies suffered by women due to a high fertility rate, close intervals between child-birth and low intake of green vegetables, among others. The programme will include these activities within its "reference menu" and establish agreements with specialized NGOs in the area of reproductive health. It will also emphasize food-security initiatives against hunger during critical periods ("famine period"), especially targeting widows, landless women and women in extreme poverty situations.

G. Economic Justification

41. The programme will directly benefit approximately 16 000 rural families composed of approximately 6 400 women (40%) and 9 600 men (60%). Direct beneficiaries will be comprised of: (a) landless and marginal producers, accounting for approximately 6 600 families; (b) subsistence farmers with commercial possibilities, comprising 7 600 families; and (c) emergent commercial producers representing approximately 1 800 families.

42. The improvement and introduction of agricultural and agroforestry systems, respectively, will allow for the increase of family production within a sustainable rural development strategy. Increasing agricultural production, in turn, will have a positive impact on food security and income. Feeder roads' rehabilitation and marketing improvements will foster increased incomes and create more dynamic commercial linkages. Microenterprise and artisan activities will create employment opportunities in the programme area.

43. The programme will also deliver non-economic benefits, such as the improvement of basic and social infrastructure, a positive environmental impact and microenterprise development.

H. Risks

44. Risks associated with programme implementation have been classified as moderate. The principal risks and mitigation measures are identified below in Table 3:

TABLE 3: RISKS

Potential Risks	Mitigation Measures
<ul style="list-style-type: none"> • Lack of response by programme stakeholders. • Price fluctuations due to domestic and international factors. • Peasants' inability to adopt fully agricultural recommendations and achieve expected results. • Lack of coordination among participating institutions and sub-projects. 	<ul style="list-style-type: none"> • Strong information and training campaigns and a gradual transfer of responsibility to the beneficiaries. • Increased support to marketing efforts and special support during catastrophic events. • Training, technical assistance and close collaboration with other institutions such as MAGA. • Institutional strengthening of regional and departmental development councils, and high-level institutional follow-up.

I. Environmental Impact and Sustainability

45. **Environmental impact.** Programme activities will impact positively on the environment, mainly through a sustainable agricultural and conservation management approach. On the one hand, environmental training, the adoption of natural conservation technologies, and the rational use of agrochemical and integrated pest management techniques will facilitate and encourage environmental conservation activities. On the other hand, there is a risk of a negative environmental impact due to the exploitation of forest. In order to avoid or mitigate this potential, the programme will adopt and finance an environmental monitoring system and mitigation plan. It will also finance four environmental studies: one at the beginning of the programme; two mid-term studies; and one at the programme's conclusion. The studies will be contracted out to independent firms or consultants. Environmental follow-up will be carried out by the executing agencies at the field level under the supervision of the PCU. The programme has been classified as Category B, according to IFAD's environmental guidelines and environmental impact assessment classifications.

46. **Sustainability.** Sustainability will be guaranteed by the highly inter-active participation of all stakeholders. It will strengthen grass-roots institutions in planning and implementing productive investment initiatives. The consolidation of these organizations and the effective participation of the beneficiaries in cofinancing and implementing activities will guarantee sustainability and a proper "exit" strategy after programme completion. The last two years of programme implementation will be dedicated solely to consolidating activities, strengthening organizations, and transferring management and coordination responsibilities to local organizations.

J. Innovative Features

47. One of the most innovative features of the programme is the adoption of a FLM modality that will allow for gradual and greater flexibility in resource allocation, planning and implementation. This mechanism calls for a revision during the fourth year of implementation, based on a set of triggers set forth in Appendix III. The revision results will be submitted to IFAD's Executive Board: IFAD's top management will decide on the continuation of the programme. The FLM will enable the programme



to respond adequately and in a timely manner to new priorities arising both from the evolving socio-economic situation in the country and beneficiary demands, while contributing to long-term development objectives.

48. The programme's innovative, highly participatory and gender-sensitive approach used during design will continue during implementation.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

49. A loan agreement between the Republic of Guatemala and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

50. The Republic of Guatemala is empowered under its laws to borrow from IFAD.

51. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

52. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Guatemala in various currencies in an amount equivalent to ten million eight hundred and fifty thousand Special Drawing Rights (SDR 10 850 000) to mature on and prior to 15 February 2020 and to bear an interest rate of one half of the reference interest rate per annum as determined by the Fund annually, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 15 October 1999)

- 1. Availability of loan proceeds.** For the purpose of financing execution of this programme, the Government of Guatemala (hereinafter “the Government”) will make the loan proceeds available to FONAPAZ in accordance with the annual workplans and budgets (AWPBs) and the agreement with respect to the FONAPAZ general trust. FONAPAZ will make those loan proceeds allocated for credit purposes available to BANRURAL by depositing them in the FONAPAZ Credit Fund in accordance with the AWPBs and the trust agreement with respect to the FONAPAZ Credit Fund.
- 2. Counterpart funds.** The Government will make available to FONAPAZ, during the programme execution period, counterpart funds from its own resources for an amount, in Guatemalan quetzales, totaling the equivalent of approximately USD 3 800 000 for the total financing of the programme (regardless of the sources of said financing) under the framework of the FONAPAZ general trust. To this end, the Government will deposit counterpart funds in an initial amount, in quetzales, equivalent to USD 380 000 in said trust for the purpose of defraying the costs of the first year of the programme, and will replenish said trust each year thereafter by depositing the counterpart funds called for in the AWPB for the respective fiscal year within the two months following start-up of same.
- 3. Cofinancing funds.** The Government will ensure that the proceeds of the OPEC Fund loan are made available to FONAPAZ in accordance with the AWPBs.
- 4. Mid-term review.** The Government and IFAD, with the collaboration of FONAPAZ, will undertake a joint review of programme execution during the fourth year of the programme, pursuant to the terms of reference prepared by FONAPAZ and agreed to by IFAD. FONAPAZ will deliver a draft version of said terms of reference to IFAD sufficiently in advance of the start-up date for the review so that IFAD may examine them with due care. IFAD’s observations are to be reflected in the final text of the terms of reference, which is to be provided by FONAPAZ to IFAD. Among other items, the review is to examine beneficiary demands, effective beneficiary participation in all programme activities and experience acquired during the programme’s first phase, compliance with the minimum performance indicators for launching the second phase, and the respective allocation of resources from the Reserve Fund to the other spending categories in order to finance phase-two activities on the basis of said demand and experience. The review will also be used to evaluate accomplishment of the programme’s objectives and any difficulties encountered, as well as to identify and propose any necessary adjustments to the programme design in order to accomplish the objectives and address any difficulties.
- 5. External audit.** Within the three months following the effective date of the loan agreement, FONAPAZ will hire, subject to IFAD’s prior non-objection, independent auditors selected by the Government, pursuant to the procedures and criteria agreed by FONAPAZ and IFAD, to audit the programme-related accounts for the first fiscal year. As soon as possible, but in any event within the first ninety days of the subsequent fiscal year, FONAPAZ, subject to IFAD’s prior non-objection, will confirm the appointment or will appoint other independent auditors selected according to the same procedures.
- 6. Operations manual.** The programme will be implemented substantially in accordance with an operations manual. The PCU will prepare the manual as soon as possible, but in any event within the six months following the effective date of the loan agreement. The manual will cover such matters as: programme organization and administration; procedures governing the project cycle; procurement



procedures; disbursement procedures; criteria and procedures for hiring service providers; model contracts and agreements to be executed under the programme; modalities for financing programme activities; and all such other matters as may be agreed by the Government and IFAD. FONAPAZ will adopt the operations manual, subject to IFAD's prior non-objection, and will make sure that it is applied to the programme during the execution period.

7. **Credit regulations.** As soon as possible, but in any event within the six months following the effective date, the Credit Regulations for the Financing of Productive Projects Financed with Resources from the FONAPAZ Credit Fund are to be amended so as to stipulate *inter alia*: the application of the regulations to the use of loan proceeds under the financial services component, the transfer of said resources by FONAPAZ to BANRURAL, and BANRURAL's agreement to execute said component in accordance with the provisions of the loan agreement. During that period, FONAPAZ will prepare a set of subsidiary credit regulations to complement the aforesaid regulations. These subsidiary regulations are to contain provisions on intermediary financial institutions (IIE) eligibility and lending criteria; operating arrangements; contracting conditions; guarantees; maximum amounts for IIE lending; and the scope of credit restrictions. The programme's credit subcommittee will adopt the subsidiary regulations, subject to IFAD's prior non-objection, and will make sure that the credit regulations, as amended and as supplemented by the aforementioned subsidiary regulations, are applied to all credits granted to programme beneficiaries and all other activities under the financial services component.

8. **Revolving fund.** BANRURAL will establish and maintain a revolving fund which is to receive all net income from credits granted to programme beneficiaries and financed (directly or indirectly) by the loan. BANRURAL will use the revolving fund to finance new credits for programme beneficiaries, pursuant to the loan agreement and the trust agreement referred to in paragraph 1 above, for a period of at least 20 years. For purposes of the present paragraph, "net income" shall mean all repayments made against the principal and all payments of interest, *less* a reasonable amount for administrative and other costs.

9. **Pest control.** Appropriate pest-control methods will be adopted under the programme. The Government will make sure that pesticides procured under the programme do not include any of the pesticides prohibited by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended from time to time, or those included in Table 1 (extremely hazardous) or Table 2 (very hazardous) of the World Health Organization (WHO)-recommended classification of pesticides by hazard and guidelines to classification, 1996-1997, as amended from time to time.

10. **Relationship between FONAPAZ and MAGA.** The Government will ensure that a close relationship at the central and departmental levels is established as soon as possible between FONAPAZ and MAGA and is maintained subsequently during the programme's execution period, for purposes of pursuing the programme's agricultural policy lines and obtaining specific advice and technical support in the area of agricultural production and rural development.

11. **Coordination with other rural development projects.** FONAPAZ will ensure that coordination and information exchanges are established between the programme and other rural development projects under way in the programme area, including the food-for-work programme that is being financed by the World Food Programme, the Las Verapaces project that is being financed by GTZ, and the ALA projects that are being financed by the European Union.

12. **Road maintenance.** FONAPAZ will ensure that the National Coordinating Unit for Roads (COVIAL), other agencies and the municipalities in the programme area maintain the rural roads rehabilitated under the programme for the duration of the programme's execution period and during the following ten years.



13. **The FIDAMERICA network.** FONAPAZ will facilitate programme access to the FIDAMERICA network, which links – via the Internet – all IFAD-financed projects in Latin America and the Caribbean. For this, FONAPAZ will use programme resources allocated for technical assistance.

14. **Conditions precedent to effectiveness.** Effectiveness of the loan agreement will be subject to fulfillment of the following conditions precedent:

- (a) FONAPAZ has duly appointed the programme coordinator, with prior clearance from IFAD;
- (b) the programme accounts have been duly opened, and IFAD has been informed of the name and position of each of the persons authorized to manage said accounts;
- (c) the Government has made the initial deposit of counterpart funds equivalent to USD 380 000 in the FONAPAZ general trust;
- (d) the loan agreement has been duly signed, and the Government's signature of and compliance with the agreement has been duly authorized and ratified by means of all the necessary institutional, administrative and government procedures;
- (e) IFAD has been furnished evidence that FONAPAZ's board of directors has adopted a resolution approving execution of the programme in accordance with the provisions of the loan agreement; and
- (f) the Government has presented IFAD with a favorable opinion, issued by the *Procuraduría General de la Nación* (Office of the Attorney General), or other legal counsel approved by IFAD, in a form and content acceptable to IFAD.

15. **Conditions precedent for withdrawals.** No withdrawals of funds may be made against credit-related expenses until such time as IFAD has given its non-objection to the amendment of the credit regulations and the subsidiary credit regulations described in paragraph 7 above and copies of said documents have been forwarded to IFAD in the same form as when the non-objection was given, certified as true and complete copies by a competent officer of FONAPAZ.

COUNTRY DATA
GUATEMALA

Land area (km² thousand) 1996 1/	108	GNP per capita (USD) 1997 2/	1 580
Total population (million) 1997 1/	10.5	Average annual real rate of growth of GNP per capita, 1990-97 2/	1.5
Population density (people per km²) 1996 1/	94	Average annual rate of inflation, 1990-97 2/	12.2
Local currency	Quetzal (GTQ)	Exchange rate: USD 1 =	GTQ 7.0
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-97 1/	2.5	GDP (USD million) 1997 1/	17 772
Crude birth rate (per thousand people) 1997 1/	34	Average annual rate of growth of GDP 1/ 1980-90	0.8
Crude death rate (per thousand people) 1997 1/	7	1990-97	4.1
Infant mortality rate (per thousand live births) 1997 1/	43	Sectoral distribution of GDP, 1997 1/	
Life expectancy at birth (years) 1997 1/	64	% agriculture	24
Number of rural poor (million) (approximate) 1/	n.a.	% industry	20
Poor as % of total rural population 1/	n.a.	% manufacturing	14
Total labour force (million) 1997 1/	3.8	% services	56
Female labour force as % of total, 1997 1/	27	Consumption, 1997 1/	
Education		General government consumption (as % of GDP)	5
Primary school gross enrolment (% of relevant age group) 1996 1/	88	Private consumption (as % of GDP)	87
Adult literacy rate (% of total population) 1995 3/	65	Gross domestic savings (as % of GDP)	8
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1995 3/	2 298	Merchandise exports, 1997 1/	2 344
Index of daily calorie supply per capita (industrial countries=100) 1995 3/	73	Merchandise imports, 1997 1/	3 852
Prevalence of child malnutrition (height for age % of children under 5) 1992-97 1/	50	Balance of merchandise trade	-1 508
Prevalence of child malnutrition (weight for age % of children under 5) 1992-97 1/	27	Current account balances (USD million)	
Health		before official transfers, 1997 1/	-1 231
Health expenditure, total (as % of GDP) 1990-97 1/	3.2	after official transfers, 1997 1/	- 624
Physicians (per thousand people) 1990-97 1/	0.3	Foreign direct investment, 1997 1/	90
Percentage population without access to safe water 1990-96 3/	23	Government Finance	
Percentage population without access to health services 1990-95 3/	43	Overall budget surplus/deficit (including grants) (as % of GDP) 1996 1/	n.a.
Percentage population without access to sanitation 1990-96 3/	17	Total expenditure (% of GDP) 1996 1/	n.a.
Agriculture and Food		Total external debt (USD million) 1997 1/	4 086
Food imports as percentage of total merchandise imports 1997 1/	13	Present value of debt (as % of GNP) 1997 1/	21
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	1 324	Total debt service (% of exports of goods and services) 1997 1/	9.9
Food production index (1989-91=100) 1995-97 1/	114.0	Nominal lending rate of banks, 1997 1/	18.6
Land Use		Nominal deposit rate of banks, 1997 1/	5.8
Arable land as % of land area, 1996 1/	12.6		
Forest area (km ² thousand) 1995 1/	38		
Forest area as % of total land area, 1995 1/	35.4		
Irrigated land as % of cropland, 1994-96 1/	6.5		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1999.

2/ World Bank, *Atlas*, 1999.

3/ UNDP, *Human Development Report*, 1998.

PREVIOUS IFAD LOANS TO GUATEMALA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/ Grant Amount	Disbursement (as % of approved amount)
Generation and Transfer of Agricultural Technology and Seed Production Project	IDB	IDB	I	11 Sep 84	08 Mar 85	31 Dec 94	L - I - 154 - GM	SDR	4 950 000	93.9%
Zacapa-Chiquimula Smallholders' Rural Development Project	IFAD	UNOPS	I	07 Dec 89	21 Mar 91	31 Dec 98	L - I - 251 - GM	SDR	5 300 000	99.5%
Cuchumatanes Highlands Rural Development Project	IFAD	UNOPS	I	11 Dec 91	10 Dec 93	30 Jun 00	L - I - 296 - GM	SDR	5 500 000	72.0%
Programme for Rural Development and Reconstruction in the Quiché Department	IFAD	UNOPS	I	04 Dec 96	18 Dec 98	30 Jun 04	L - I - 435 - GT	SDR	10 450 000	08.7%



**INDICADORES DE RESULTADO**

Indicador Crítico	Indicadores al final del AP4
1. Efectividad del Programa en alcanzar el objetivo principal.	<ul style="list-style-type: none">- 30% de los miembros de los grupos asistidos por el programa se encuentran debajo de la línea de extrema pobreza.- 20% de los miembros de los grupos son mujeres que forman parte de familias por debajo de la línea de extrema pobreza.
Resultados	Indicadores al final del AP4
2. Campesinos y organizaciones sociales capacitados y consolidados.	<ul style="list-style-type: none">- 10 organizaciones son capacitadas en formulación de demanda y planificación.- 25 organizaciones reciben apoyo y fortalecimiento.
Resultados	Indicadores al final del AP4
3. Los servicios de apoyo productivos aseguran incrementos de producción y de productividad.	<ul style="list-style-type: none">- 10 grupos formales y 10 informales reciben apoyo para incrementar producción y productividad.
Resultados	Indicadores al final del AP4
4. El rol de la mujer fortalecido en actividades productivas y sociales y micro-empresas creadas y fortalecidas.	<ul style="list-style-type: none">- 15 grupos de mujeres formados y recibiendo capacitación y fortalecimiento.
Resultados	Indicadores al final del AP4
5. Reducción de la degradación de los recursos naturales, creación de recursos forestales, e incremento y diversificación de la protección de árboles en granjas campesinas.	<ul style="list-style-type: none">- 150 ha de bosques naturales bajo manejo sostenible.- 50 ha de agroforestería establecidas.- 100 ha reforestadas.
Resultados	Indicadores al final del AP4
6. Mejores servicios financieros rurales con mayor número de pequeños agricultores incorporados en actividades de crédito y ahorro.	<ul style="list-style-type: none">- 2 Intermediarios Financieros recibiendo apoyo de fortalecimiento institucional.- 60 grupos de productores formados. Se promueve fuertemente el ahorro y se establecen líneas de crédito de corto y largo plazo.
Resultados	Indicadores al final del AP4
7. Iniciativas comunitarias sociales y productivas apoyadas, mejoramiento de las condiciones de vida y de las infraestructuras para la producción y la comercialización.	<ul style="list-style-type: none">- 20 proyectos productivos o sociales implementados y completados.- 700 familias beneficiadas por los proyectos.- 20% de las familias beneficiarias son encabezadas por mujeres.



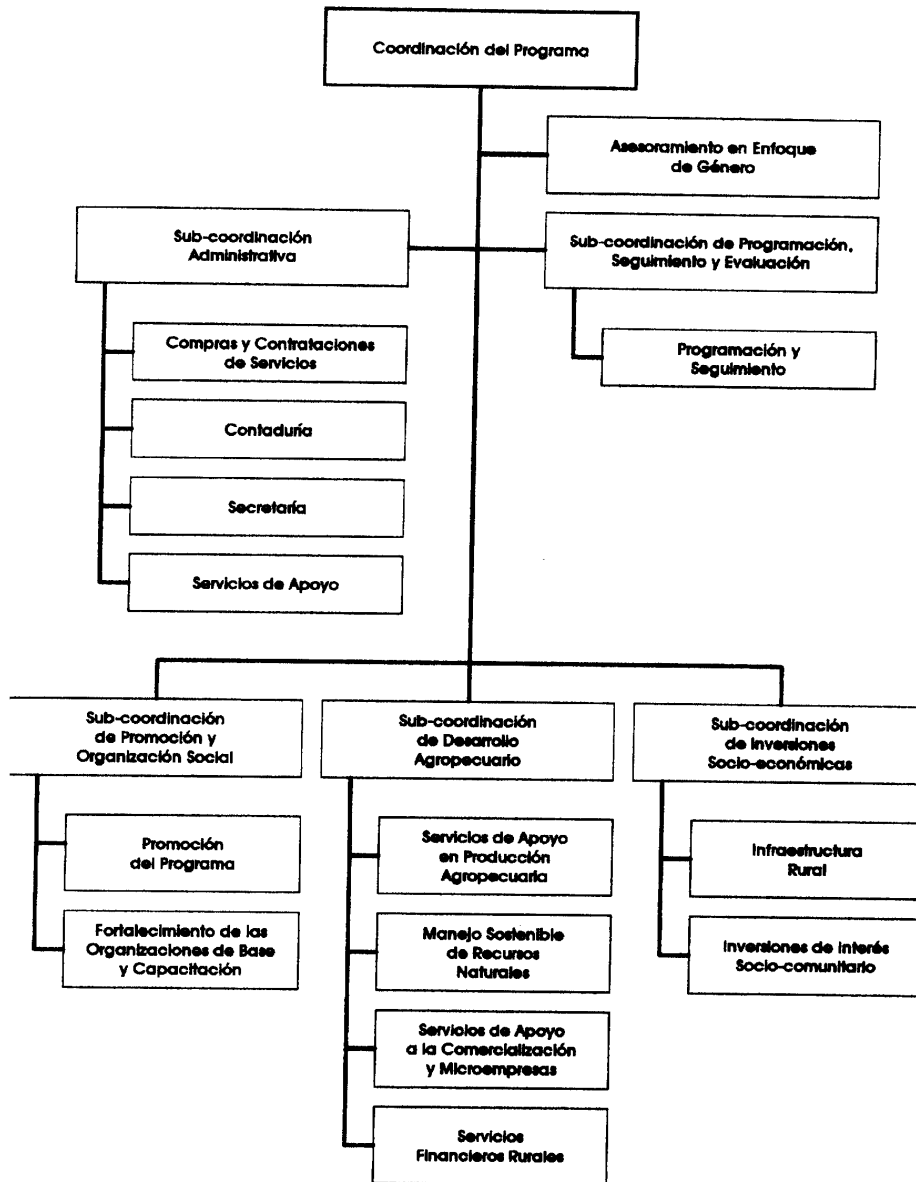
PROGRAMME IMPLEMENTATION CRITERIA

- A programme approach that expands over ten years in order to implement a gradual, phase-by-phase strategy to ensure long-term development objectives.
- Three main implementation phases: (i) launching/establishment (four years, supported initially by an information and promotion campaign); (ii) intensification (four years); and (iii) consolidation (two years).
- The effectiveness of targeting will be measured by the M&E system. Phase I will begin in four municipalities of Alta Verapaz and two of Baja Verapaz, in which the poorest smallholder groups live, to be gradually expanded later to other programme areas.
- Follow the specific targeting of different beneficiary categories (smallholders, tenant farmers, share croppers, cooperative members or users of community lands, and landless families) and different ethnic groups (indigenous and *ladinos* populations).
- Encourage group and participatory activities. Groups and organizations will be strengthened so that they can articulate their demands and gradually take responsibility for the implementation and maintenance of programme activities in order to guarantee sustainability.
- Adopt a gender-oriented approach throughout all programme activities in order to ensure equal access to resources and participation by men and women. The targeting of women and youth will be a priority.
- A “reference menu” of potential activities and options will be used in order to: (i) clearly point out the specific activities in which the programme will be involved; (ii) achieve a critical number of activities; and (iii) avoid over-expansion and overlapping of activities that are being or could be undertaken by other development organizations.
- Capacity-building of the target group to provide them with the necessary skills to plan and determine for themselves priority activities. This will lead to an expansion of the menu of services initially proposed by the programme and the need to resorting to the Reserve Fund.
- Implementation of programme activities will be carried out through service agreements with private and public service providers that will work in the programme area and will be co-implementers together with their clients.
- Complementary interventions will include coordination with the Ministry of Agriculture for technical support and policies, with the Ministry of Health to strengthen primary health systems at the village level, as well as with the Ministry of Education and any other development projects that are active and involved in welfare issues in the programme area.



ORGANIGRAMA

Organigrama de la Unidad Coordinadora del Programa (UCP)



LOGICAL FRAMEWORK

Sector Goal: To reduce poverty among the rural indigenous population in the poorest municipalities of the Verapaces provinces	Indicators Improvement of key poverty indicators in target municipalities: income, food security, health and nutritional status	Means of verification National Poverty Assessment Population and agricultural census Household surveys	Assumptions
Programme Objective To support men and women from local communities to restructure the social fabric and to develop their production system in a sustainable manner	By the end of the programme: <ul style="list-style-type: none"> • 80% of the participating households are above the poverty line. • 50% of the participating households register a 30% increase in assets. • 50% of the participating communities have improved socio-economic infrastructure. 	External evaluation using participatory methodologies Agricultural statistics Annual supervision reports	peace process is continued and consolidated land-titling process is advanced macroeconomic stability is sustained
Results/Outputs <ol style="list-style-type: none"> 1. Peasant and social organizations trained and consolidated 2. Productive systems and support services to production improved 3. Role of women in productive and social activities strengthened 4. Reduced natural resources degradation, creation of forest resources and increase and diversification of tree coverage in peasant farms 5. Rural microenterprises created and strengthened 6. Marketing systems improved 7. Rural financial services improved with more smallholder clients served 8. Community social and productive initiative supported 	<ul style="list-style-type: none"> • 125 organizations trained, consolidated and functioning • in 50% of them, women hold positions in management committees • 25 service provision agreements for formal and 100 for informal groups under implementation • 2 500 producers belonging to formal groups and 7500 to informal groups experience increase/improvement of agricultural production activities • 60 women groups formed and engaged in productive/labour-saving activities • advance of agricultural frontier controlled • 1 800 ha reforested • 3 600 ha of natural forest managed • 1 500 ha of agroforestry established • 1 000 rural families participating in income-generating activities from microenterprises • 40 marketing groups strengthened or established and functioning efficiently • at least 4 financial intermediaries functioning efficiently in the programme area • 4 800 new savers • 3 000 new borrowers • 1 000 social or productive projects completed • 50% of projects address constraints faced by women 	<ul style="list-style-type: none"> Progress reports Beneficiary assessment Progress reports from service providers Progress reports Beneficiary assessments Progress reports Forestry Department monitoring system Progress reports Evaluation by participants Progress reports Evaluation by the participants Progress reports Client consultation Reports of financial intermediaries Progress reports Self-evaluation by beneficiary groups 	<ul style="list-style-type: none"> • active participation of communities members and leaders • adequate institutional framework for rural development programmes • adequate transport infrastructure • potential markets opened • easier access to training services and input supply • marketing systems operating efficiently • stable producer prices • stability of interest rates • appropriate regulatory framework for rural financial services for smallholders • community participation in maintenance



9. Feeder road network extended and improved	<ul style="list-style-type: none"> • 60 km of feeder road rehabilitated or improved • 570 km of feeder roads maintained • Access to markets for local population improved 	Progress reports Beneficiary assessment	
Activities 1. Support for grass-roots organizations and programme promotion 2. Support for sustainable productive development <ul style="list-style-type: none"> • Support services for agricultural production • Sustainable management of natural resources • Support services for rural marketing groups and microenterprises 3. Strengthening of rural financial services <ul style="list-style-type: none"> • institutional strengthening of financial intermediaries • credit funds 4. Community socio-economic initiatives <ul style="list-style-type: none"> • Income-generating activities, labour saving technologies, small social infrastructure • Rural feeder roads 5. Programme coordination and evaluation <ul style="list-style-type: none"> • management, administration and coordination of activities • Programming, M&E 6. Reserve Fund	Inputs USD 1.84 million USD 3.4 million USD 3.5 million USD 0.56 million USD 1.44 million USD 1.57 million USD 2.38 million USD 2.17 million USD 1.25 million USD 6.5 million	Means of verification Progress reports and disbursements Progress reports from service providers Progress reports and disbursements (quarterly) Progress reports from FIs and BANRURAL Progress reports and disbursements (quarterly) Progress reports and disbursements (quarterly) Mid-term review	Assumptions <ul style="list-style-type: none"> • smallholder demands articulated • potential partner institutions with sufficient technical and management capacity • supply of adequate technologies • PINFOR incentives adequate for smallholders • Adequate financial performance of BANRURAL • FIs interested in providing services in the area • other sources of credit available • Service providers with capacity and experience in the area • Response from the communities • COVIAL * actively participates • Coordination with PLV established • Contractors interested in bidding for small-scale works

* COVIAL = National Coordinating Unit for Roads.



FINANCING PLAN BY CATEGORIES

(USD 000)

CATEGORY	IFAD		OPEC Fund		Beneficiaries		Government		Total		Foreign Exchange	Local Excluding Taxes	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
I. Civil works (rural roads and infrastructure)	1 140	39.5	1 130	39.2	324	11.2	289	10.0	2 883	11.1	---	2 594	289
II. Reforestation	564	20.8	1 005	37.	300	11.1	844	31.1	2 713	10.4	1 977	465	271
III: Vehicles, materials and equipment	687	80.6	---	---	---	---	165	19.4	852	3.3	663	24	165
IV. Credit	872	100.0	---	---	---	---	---	---	872	3.4	274	598	---
V. Contract services	2 766	61.0	1 120	24.7	195	4.3	456	10.1	4 537	17.5	1 404	2 677	456
VI. Training, studies and technical assistance													
(a) Training	738	100.0	---	---	---	---	---	---	738	2.8	151	587	---
(b) Studies	219	73.5	79	26.5	---	---	---	---	298	1.1	84	214	---
(c) Technical assistance	725	100.0	---	---	---	---	---	---	725	2.8	454	271	--
VII. Operational costs													
(a) Incremental costs	2 220	68.0	---	---	---	---	1 043	32.0	3 263	12.6	---	3 263	---
(b)Operational costs	1 226	70.4	---	---	---	---	516	29.6	1 742	6.7	434	1 234	75
(c)Rural roads maintenance	---		309	80.1	77	19.9	---	---	386	1.5	199	187	---
VIII. Reserve fund	3 843	55.0	1 357	19.4	1 404	20.1	387	5.5	6 991	26.9	2 212	4 432	350
TOTAL Costs	15 000	57.7	5 000	19.2	2 300	8.8	3 700	14.2	26 000	100.0	7 852	16 546	1 606





ECONOMIC AND FINANCIAL ANALYSIS

INTERNAL RATES OF RETURN

Internal Rate of Return (IRR) = 15.7%

Net Present Value (NPV) 10.0% = 5646.5

SWITCHING VALUES AT 10.0%

STREAM	APPRAISAL VALUE	SWITCHING VALUE	PERCENTAGE CHANGE
Total Benefits	49 849.4	44 202.9	-11.3%
Total costs	44 202.9	4 989.4	12.8%