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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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REPUBLIC OF GUATEMALA

COUNTRY STRATEGIC OPPORTUNITIES PAPER



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CURRENCY EQUIVALENTS

Currency Unit	=	Quetzal (GTQ)
USD 1.00	=	GTQ 7.54
GTQ 1.00	=	USD 0.137

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

BCIE	Central American Bank for Economic Integration
COSOP	Country Strategic Opportunities Paper
FONAPAZ	National Peace Fund
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
MALN	Ministry of Agriculture, Livestock and Nutrition
NGO	Non-Governmental Organization
NRDP	National Rural Development Programme
OPEC Fund	Organization of the Petroleum Exporting Countries Fund for International Development
USAID	United States Agency for International Development
UNDP	United Nations Development Programme

GOVERNMENT OF GUATEMALA

Fiscal Year

1 January – 31 December



COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS



Source:

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.

IFAD PORTFOLIO REVIEW

Region: Latin America and the Caribbean Division

Country: Guatemala

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated 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	94
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
Cuchumatanes Highlands Rural Development Project	IFAD	UNOPS	I	11 Dec 91	10 Dec 93	31 Mar 01	L - I - 296 - GM	SDR	5 500 000	99
Programme for Rural Development and Reconstruction in the Quiché Department (PRODERQUI)	IFAD	UNOPS	I	04 Dec 96	18 Dec 98	30 Jun 04	L - I - 435 - GT	SDR	10 450 000	18
Rural Development Programme for Las Verapaces	IFAD	UNOPS	I	08 Dec 99	06 Sep 01	31 Mar 12	L - I - 518 - GT	SDR	10 850 000	9

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EXECUTIVE SUMMARY

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 3 million people, are involved in agriculture. Almost 60% of the population live 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.

After 35 years of civil war, the Guatemalan Government and rebel forces signed a peace accord in December 1996. This signaled a new era of political and social stability, as well as an appropriate framework for economic development. In 1999, Hurricane Mitch caused an estimated USD 250 million in damage in Guatemala. The floods severely affected banana plantations in the western part of the country and delayed the coffee harvest in several regions. Floods, mudslides and damage to road infrastructure disrupted trade and several important communication links with the two major maritime ports. As a result of declines in the production of coffee, as well as in world prices, and a reduction of exports of bananas and non-traditional products, export growth lost dynamism and decreased by 9% in 1999. Production capacity had been restored to pre-Mitch levels by 2001.

The agricultural sector accounts for 24% of the country's gross domestic product (GDP), employs 53% of the labour force and produces over half the country's total export earnings. Approximately 70% of the agricultural area under production is given over to basic grains (maize, sorghum and beans). Census data show that 2.5% of the country's farms, with an average size of 200 ha, control 65% of the agricultural land, while 88% of the farms, with an average size of 1.5 ha, occupy only 16% of the land. Almost 90% of the landholdings that comprise the peasant sector are below 7 ha, and approximately 40% of the economically active rural population do not own land.

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. The school enrolment rate is lower in Guatemala than in any other North or South American country except Haiti and Honduras. Infant mortality is 43 per 1 000 live births, and maternal mortality is 110 per 100 000 live births. Low birthweight infants represent approximately 16% of all infants, and approximately 50% of children are malnourished. These indicators are even lower among indigenous groups, women and rural residents.

Extreme poverty is very common in rural areas particularly among indigenous communities of Mayan ethnicity. A historical heritage of prejudice, discrimination and exclusion is among the social and economic causes of this situation. Thus, poverty, extreme poverty and indigenous origin are almost synonymous in Guatemala. Additionally, rural poverty is chiefly associated with a lack of access to land, the fragmentation of landholdings, inefficient marketing systems and a lack of access to productive resources, particularly water and productive technologies. Based on World Bank poverty studies and household surveys, the rural poverty line has been estimated at USD 1.40 per person/day. The extreme poverty line was estimated at USD 0.80 per person/day. Approximately 5 million people, representing about 60% the country's total households, live below the poverty line. The aim of the programme of the current Government administration is to accelerate the modernization of the economy, break the pattern of irresponsible actions carried out with impunity and create a public sector that performs well and operates under the rule of law. Another item on the Government's agenda is the pursuit of justice, security and well-being, with an emphasis on decentralization, participation in civil society and poverty reduction.

IFAD has been involved in Guatemala since 1986. Its project loan portfolio in Guatemala totals close to USD 50.0 million, with total project investments (including the counterpart



contributions of the Government and beneficiaries) at USD 88.8 million, covering five loans. Since 1995, IFAD's strategy and operations in Guatemala have been oriented towards rural poverty reduction within the framework of the pacification process in the country. The main objective of the Fund's interventions has been to support the Government in the reconstruction of the social fabric in the war-torn regions of the country, while promoting the social and economic development of these rural areas in such a way that no groups are marginalized. IFAD has been assisting the Government in the substantial transformation of Guatemalan rural society through the integration of the economic mainstream, marginalized sectors of the society, especially rural women, and the indigenous populations most affected by the internal conflict.

The main lessons learned through IFAD operations include: (i) the organization of peasant producers in their hamlets and communities is very important at the early stages of a project in order to guarantee project sustainability; (ii) the training of beneficiaries has to be undertaken within all project components and activities; (iii) the provision and expansion of rural financial services have contributed to better access to credit among poor peasant families, especially poor women; (iv) it is necessary to strengthen coordination mechanisms within a project in order to improve the coordination among component activities and (v) it is important to adopt a gender-oriented approach that cuts across all components and involves the implementation of activities at the early stages of project design and throughout the life of the project.

The strategic framework in forthcoming IFAD operations in Guatemala will strengthen the focus on the improvement of the social, political and economic conditions of vulnerable rural populations. The appalling poverty and social conditions among Guatemala's vulnerable populations – men, women and children of indigenous origin – confirm the need to strengthen poverty-reduction and rural-development actions in joint IFAD-Government operations and carefully refocus activities within rural areas with a high concentration of this target population. Thus, while continuing to target very small and landless farmers and rural women, new operations will assign priority attention to the most vulnerable rural populations, namely, the indigenous communities.

IFAD operations should address problems and solutions in the area of **multiculturalism and intercultural communication**, given the characteristic isolation of indigenous communities within Guatemalan society. This would be an important first step in empowering these segments of the rural population and thus improving their livelihood in a sustainable manner. The proposed efforts require the establishment and strengthening of strategic institutional partnerships.

Support for the creation of an institutional structure for effective planning, implementation and monitoring in poverty reduction and rural development programmes on a nationwide scale will be part of the strategic approach of IFAD and other donors in Guatemala. Participation in the design of a poverty reduction and rural development strategy and the accompanying operational structure within the Ministry of Agriculture, Livestock and Nutrition (MALN) will be a focus of IFAD's country activities and policy dialogue, as well as of strategic linkages with other donors.

The proposed country strategic framework has led to the identification of three strategic axes: (i) human and social capital development; (ii) income generation and (iii) the strengthening of the institutional framework of MALN. Through the first axis, particular attention will be placed on strengthening the social and economic organizations of indigenous and women's groups through leadership training and support services. **Empowerment of the rural poor and their grass-roots organizations is the ultimate goal of this effort.**

Efforts in income generation will focus on both agricultural and non-agricultural activities, including training in labour skills. Poverty reduction and rural development activities in Guatemala have been only partially successful. The lack of adequate targeting and delivery mechanisms and the fragmentation and inadequate coverage of programmes have been the main causes of the limited



impact. Thus, the current policy framework of MALN in rural development and poverty reduction needs to be revised and developed on a sound, more effective and more institutionally sustainable basis. Additionally, institutional coordination needs to be enhanced. Public and private-sector coordination, planning and implementation mechanisms must be designed and realized so as to create a unified front in the struggle against rural poverty. Two crosscutting axes are included in the country strategy: gender equity and natural resource management and conservation.

The institutional framework for an active policy dialogue between IFAD and the Government involves the participation of MALN and the National Peace Fund (FONAPAZ), which have sectoral and institutional responsibilities for agricultural and rural development, poverty reduction, social investments and decentralization programmes. The areas of policy dialogue will include: (i) the development of rural areas in such a way that no groups are marginalized; (ii) the development of an institutional framework and methodologies for poverty reduction and (iii) decentralization.

Based on Government policies and the preliminary conclusions of the Intersectoral Round Table for Rural Development implemented under the peace accords, it has been agreed that the IFAD's lending programme should aim towards the creation and consolidation of the National Rural Development Programme, under the responsibility of MALN, through a phased approach.

In agreement with the Government and pending the guidance of the project development team and the approval of the operational strategy committee, future IFAD operations in the country would be oriented towards programmes carried out in three phases. The **National Rural Development Programme (NRDP) - Phase I: The Western Region** would cover the departments in which the poorest municipalities in Guatemala are located (Huehuetenango, San Marcos, Quetzaltenango, Totonicapan and Solola) and which also concentrate over 60% of the country's indigenous population. The **National Rural Development Programme - Phase II: The Eastern Region** would cover poor municipalities that include a significant (30%) share of indigenous groups. The **National Rural Development Programme - Phase III: The Country** would complete the coverage of the most important areas in the country that contain large indigenous communities and many rural poor. This final phase would provide MALN with a nationwide capacity to undertake rural and agricultural development initiatives as instruments for poverty reduction and the integration of indigenous communities in the mainstream of Guatemala's social and economic development.

The implementation of the new lending programme will also involve a phased approach towards institutional participation. The Government and MALN have agreed that the implementation of the first operation (Phase I) will be the responsibility of MALN (while the ministry reorganizes and strengthens its operational framework). The second operation (Phase II) will involve the concurrent participation of FONAPAZ in order to provide a broader scope (including social investments) for rural development and take advantage of institutional experience in rural development and poverty reduction. The third operation (Phase III) will have the ambitious goal of including all social investment funds and other sectoral actors (education and health) in rural development programmes in an effort to establish intersectoral mechanisms for planning, budgeting and coordination.

The scope and the components of IFAD interventions and the activities involved will be determined in consultation with the Government and beneficiaries through participatory instruments during project formulation. The value of the lending programme for the Republic of Guatemala has been estimated at around USD 50 million over a period of six to eight years. The first operation will include an IFAD loan of USD 20 million to 25 million (to be defined at formulation). The possibility for cofinancing by the Central American Bank for Economic Integration (BCIE) and the Organization of the Petroleum Exporting Countries Fund for International Development (OPEC Fund) during programme Phase I will be explored during formulation.



REPUBLIC OF GUATEMALA

COUNTRY STRATEGIC OPPORTUNITIES PAPER (COSOP)

I. INTRODUCTION¹

1. IFAD started operations in Guatemala in 1986, and, in December 1999, the Fund's Executive Board approved the last ongoing project in the country. At the request of the Government and MALN, an IFAD consultant² visited the country in order to prepare the COSOP in cooperation with ministry officials. The mission held a first meeting with the minister of agriculture, livestock and nutrition during which the main objectives and general country strategies were discussed. Interviews were held with ministry officials, including the vice-ministers of agriculture and of livestock, as well as with sector directors. Working meetings were also held with high-level officials of FONAPAZ, the institution responsible for the two ongoing IFAD country operations. The consultant met with the representative of the United Nations Development Programme (UNDP), the institution responsible for organizing and coordinating the Intersectoral Round Table for Rural Development, implemented as part of the peace accords.

2. IFAD held a meeting and working session with the minister of agriculture, livestock and nutrition, which were also attended by high-level officials of the ministry and of Fonapaz and during which the preliminary outline and strategies of the COSOP and the tentative lending framework were presented. The minister expressed his agreement with the country strategy and lending framework.

II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

3. Guatemala is located in Central America and is bordered by 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. Guatemala is the largest economy in Central America, accounting for about one third of the regional GDP. Approximately two thirds of the economically active population, a total of 3 million people, are involved in agriculture. Almost 60% of the population live in rural areas, of which 81% are indigenous peoples. Guatemalan society is sharply segmented, with a highly skewed distribution of income and land.

A. Country Economic Background

4. After 35 years of civil war, the Guatemalan Government and rebel forces signed a peace accord in December 1996. This signalled a new era of political and social stability and represented an appropriate framework for economic development. In 1999, Hurricane Mitch caused an estimated USD 250 million in damage in the country. The floods severely affected banana plantations in the western part of the country and delayed the coffee harvest in several regions. Floods, mudslides and damage to road infrastructure disrupted trade and several important communication links with the two major maritime ports. As a result of declines in the production of coffee, as well as in world prices, and a reduction in exports of bananas and non-traditional products, export growth lost dynamism and decreased by 9% in 1999. Production capacity was restored to pre-Mitch levels in 2001.

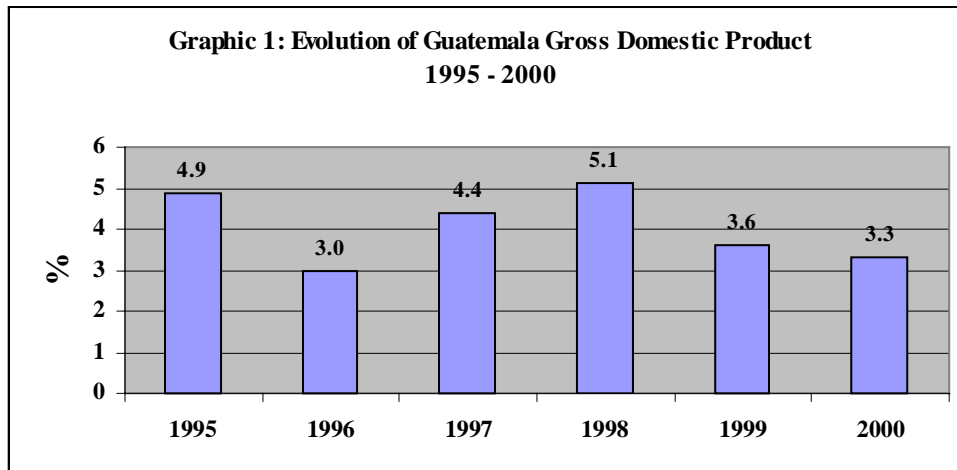
5. Hurricane Mitch and the world economic decline have had only moderate adverse effects on the Guatemalan economy. In 1998, GDP growth was above 5% (Graphic 1), and inflation, at 7.5%, was

¹ See Appendix I for additional information.

² Benjamin Quijandria, agronomist and rural development specialist.



among the lowest in the Latin American region. In 1999, despite deteriorating regional economic performance and the impact of Hurricane Mitch, GDP growth reached 3.6% due to growth in industry, trade and services. By 2000, GDP growth had reached 3.3%. Nonetheless, despite these positive economic indicators, the Government faces considerable challenges because of the financial obligations created under the peace accord and the need to reduce substantially the extremely high level of rural poverty. In this respect, an ambitious public-sector modernization programme has been developed. However, fiscal restrictions are causing delays in the implementation of this programme.



Source: UNDP, *Human Development Report*, 1999.

B. The Agricultural Sector and Rural Development

6. Over the last five years, the agricultural sector has accounted for an average of 24% of GDP, employed 53% of the labour force and been responsible for over half the country's total export earnings. Approximately 70% of the agricultural area under production is given over to basic grains (maize, sorghum and beans). The basic diet of a peasant family, particularly among indigenous populations, consists of basic crops, chiefly maize and beans. The peasant economy contributed 17% to the total production of basic grains in 2000.

7. Commercial production focuses on coffee, bananas, rubber, sugar and livestock, including for export. Over the last decade, the share of packing plants involved in the export of vegetables and fruits, predominantly to the United States and other Central American countries, has been growing and now comprises an important non-traditional segment of the agricultural sector. Through production contracts with packing and exporting enterprises, an important number of small farmers and indigenous communities have become involved in the production of vegetables and fruits, and this has accounted for an important increase in family incomes.

8. Census data show that 2.5% of the country's farms, with an average size 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 are less than 7 ha, and approximately 40% of the economically active rural population does not own land.

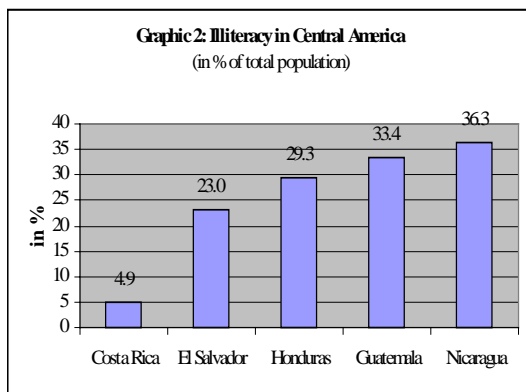
9. The public sector in agriculture in Guatemala is managed by MALN, as well as three decentralized institutions: the National Forest Institute, the Rural Development Bank and the Institute for Agricultural Science and Technology. In addition, the Government has also established the National Council for Agricultural Development, which involves the participation of public and private-sector representatives. The structural adjustment process initiated in the nineties has had a



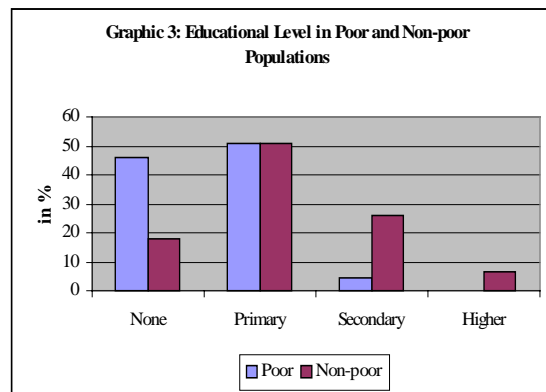
tremendous negative impact on the public sector in agriculture. The budgets of MALN and the Agricultural Science and Technology Institute were substantially reduced, thereby diminishing the capacity of these to carry out extension and support services for rural production and agricultural research and innovation.

C. The Rural Poverty Context and Vulnerable Populations

10. Guatemala has the third highest level of income inequality – exceeded only by that in 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 one of the lowest school enrolment rates in the Americas; only the rates in Haiti and Honduras are lower (Graphics 2 and 3). Infant mortality is 43 per 1 000 live births, and maternal mortality is 110 per 100 000 live births. Approximately 16% of infants are born at low birthweight, and approximately 50% of children are malnourished. These indicators are even worse among indigenous groups, women and rural residents.



Source: UNDP, *Human Development Report*, 1999.



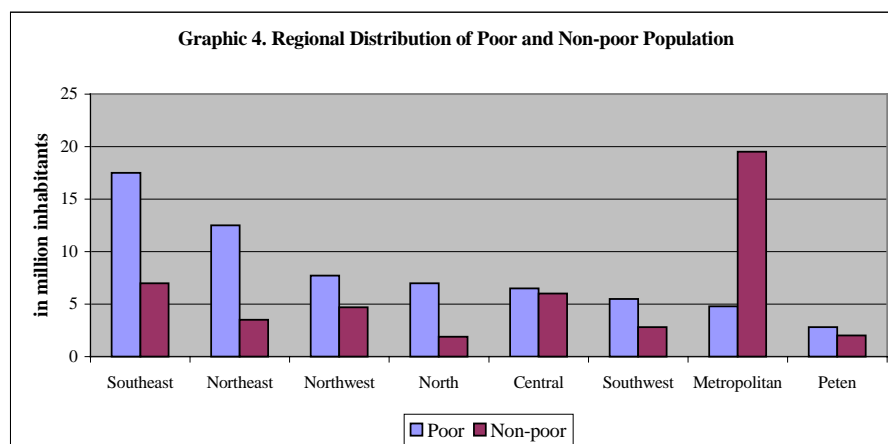
Source: UNDP, *Financing Human Development*, 2001.

11. In the last decade, poor families accounted for 65% of the total population and 87% of the rural population in Guatemala. The corresponding figures are higher in the indigenous areas, where more than 90% of the population is living under the poverty line (compared to 66% of the non-indigenous population). Approximately 40% of the total population are illiterate, of whom 60% are women. Meanwhile, 60% of the indigenous population is illiterate compared to 24% of the non-indigenous population.

12. Extreme poverty in rural areas affects especially indigenous communities of Mayan ethnicity. A historical heritage of prejudice, discrimination and exclusion is among the social and economic causes of this situation. Thus, in Guatemala, poverty, extreme poverty and indigenous origin are almost synonymous (Graphic 4). Additionally, rural poverty is chiefly associated with a lack of access to land, the fragmentation of landholdings, inefficient marketing systems and a lack of access to productive resources, particularly water and productive technologies. Additionally, the indigenous population lacks access to financial services and linkages to the agribusiness sector and suffers because of the deterioration of natural resources through deforestation, soil erosion and fertility losses.

13. The rural areas with a high percentage of indigenous communities are the poorest of the country. The poorest municipalities are located in the north-east and south-east regions of Guatemala, followed by the north-west region. The north-east region comprises the departments of Huehuetenango and Quiché, and the south-east region the departments of San Marcos, Quetzaltenango, Totonicapán and Solalá, all of which are populated predominantly by Mayan ethnic groups. Additional indigenous groups are located in the departments of Chiquimulá, Jalapa and

Jutiapa in the south-west region and in Quiche and Las Verapaces, in which there are two ongoing IFAD-financed projects.



Source: UNDP, *Financing Human Development*, 2001.

14. Inequality is one of the main characteristics of poverty and rural poverty in Guatemala. The Gini coefficient has been estimated by UNDP (2001) at 0.56, placing Guatemala in the 13th position among 111 countries evaluated. The exclusion of indigenous groups from the social, economic and political mainstream is among the historical causes of poverty and inequality, a situation that is worsened by racial prejudice, which is still prevalent. The Mayan population is linked by religious and cultural factors to the land and possess an ancestral heritage closely tied to the production of corn and beans as a food and as a ceremonial crop. The systematic decline of the agricultural sector has contributed to a decline in income and nutritional levels among the indigenous rural poor. While only 22% of the non-poor population works in agriculture, 58% do so among the rural poor of indigenous origin. The livelihood patterns of the indigenous populations and the non-indigenous rural poor are varied, but agriculture predominates. Complementary activities are handicrafts and small rural enterprises (15%), petty commerce (12%) and services (10%). Because of this cultural and social background, the IFAD country strategy should address income improvement in a significant way by covering activities that contribute to the livelihoods of the rural poor and indigenous communities.

15. The 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, which left 100 000 women widowed and 250 000 orphans. This factor, among others, has contributed to an increase in the incidence of woman-headed households in rural areas.

16. Based on World Bank poverty studies and household surveys, the rural poverty line has been estimated at USD 1.40 per person/day. The extreme poverty line has been estimated at USD 0.80 per person/day. Approximately 5 million inhabitants, representing 60% the all households, are living below the poverty line.

D. Constraints on and Opportunities for Rural Poverty Reduction

17. In Guatemala, poverty, particularly rural poverty, is a phenomenon with historical roots related to the exclusion of and discrimination against the native Mayans, a situation that persists today. In this context, major constraints on poverty reduction are linked to:

- the widespread prejudice against people of indigenous origin;



- the high incidence of illiteracy among the rural poor, particularly women and indigenous groups;
- the very limited access to productive assets, especially land;
- institutional duplication and the overlap in poverty reduction efforts and
- a paternalistic and politically biased approach in Government poverty reduction programmes.

18. Since the peace accord, a new social and political environment has evolved in Guatemala, providing favourable conditions for efforts to enhance social equality and reduce poverty. Under the accords, the Government agreed to increase social investments in rural areas, implement a land redistribution programme, implement several round tables with Mayan communities and stimulate the social and economic development of rural areas. Even though fiscal and budgetary restrictions have prevented the full implementation of the peace accords, the Government has established a serious agenda in the social sector and in poverty reduction. However, the results have been limited so far by institutional duplication and an overlap in poverty reduction efforts, as well as by a lack of appropriate targeting mechanisms.

E. Strategies, Policies and the Institutional Framework for Poverty Reduction

19. The aim of the programme of the current Government administration is to accelerate the modernization of the economy, break the pattern of irresponsible actions carried out with impunity and create a public sector that performs well and operates under the rule of law. Another item on the Government's agenda is the pursuit of justice, security and well-being, with an emphasis on **decentralization, civil society participation and poverty reduction**.

20. The general aim of the Government's social policy is to create the appropriate conditions for lasting improvements in living standards, particularly among the poor and the excluded, while honouring its commitments under the peace accords. The administration's key strategic objectives are to achieve **genuine human development**, reduce poverty, strengthen and broaden public participation and foster decentralization. The areas in which these four objectives will be pursued are education, health, housing, **multiculturalism and intercultural communication, employment, gender, vulnerable groups, agriculture, the environment**, transportation and communications. A democratic governance pact has been drafted with the goal of creating a channel for wide-ranging dialogue in order to forge a consensus on a strategy to accelerate economic growth and combat poverty within the framework of the peace accords. The assumption underlying the consultations on the governance pact is that poverty that is rooted in inequity is a serious strategic threat to democratic governance, and, consequently, a reduction in poverty must be the central focus around which the priority guidelines of the core agenda are pursued and coordinated.

21. This ambitious agenda has only been partly achieved. Fiscal restrictions, duplication in institutional efforts and the weakness of public institutions after a decade of personnel and budgetary cuts caused by structural adjustments are among the main reasons for the slow progress in achieving the social agenda. As part of the peace accords and through the efforts at coordination of UNDP, the Intersectoral Round Table for Rural Development has been initiated, setting the basis for an agreed agenda among the Government, the private sector, civil-society and grass-roots organizations. Even though differences still exist among the actors, UNDP is optimistic that, in 2003, a common agenda for rural development can be achieved.

22. A duplication of efforts is common in Government operations. Four major social investment funds operate in the country, and their responsibilities and geographical coverage overlap. These



include the Social Investment Fund, the Solidarity Fund, the Integral Rural Communities Development Programme and FONAPAZ. Multilateral financial organizations – the World Bank, the Inter-American Development Bank (IDB) and BCIE – are major providers of resources for these programmes. Furthermore, environmental conservation and management programmes will be financed by two independent operations with the World Bank and IDB, with the consequence that there will be two approaches, two management units and two operational structures.

23. In the agricultural sector, the structural adjustment process initiated in the nineties had a tremendous negative impact in Government agricultural institutions. Budgets were substantially reduced, limiting the capacity of the institutions to undertake extension and support services for rural production and efforts in agricultural research and innovation. The General Directorates for Agricultural and Livestock Development, charged with field operations within MALN, were both dismantled.

24. Given this context, officials of MALN told the IFAD mission that the reorganization and strengthening of the outreach capacity of the public sector were of the utmost priority if the goals of the Government social agenda were to be achieved in poverty reduction and the social and economic development of rural areas. MALN should be redesigned in order to create a modern structure, with a streamlined bureaucracy, capable of taking responsibility for agricultural and rural development within a demand-led and participatory approach. This structure would also have the responsibility for institutional coordination and planning in the management and disbursement of Government social funds and rural investments in education, health care and infrastructure.

III. LESSONS FROM THE IFAD EXPERIENCE

A. Operations and Current Strategies

25. IFAD has been involved in Guatemala since 1986. Its project loan portfolio in Guatemala totals close to USD 50 million, with total project investments (including counterpart contributions from the Government and beneficiaries) at USD 88.8 million and covering five projects and loans, as follows: the Generation and Transfer of Agricultural Technology and Seed Production Project (Loan 154-GT), the Zacapa-Chiquimula Smallholders' Rural Development Project (Loan 251-GT), the Cuchumatanes Highlands Rural Development Project (Loan 296-GT), the Programme for Rural Development and Reconstruction in the Quiché Department (Loan 435-GT) and the Rural Development Programme for Las Verapaces (Loan 518-GT). The latter two are ongoing.³

26. Since 1995, IFAD's strategy and operations in Guatemala have been oriented towards rural poverty reduction within the framework of the pacification process in the country. The main objective of the Fund's intervention has been to support the Government in the reconstruction of the social fabric of the war-torn regions, while promoting the social and economic development of these rural areas in a way that includes marginalized groups. IFAD has been assisting the Government in its efforts significantly to transform Guatemalan rural society by integrating, within the economic mainstream, marginalized groups, especially rural women, and the indigenous populations most affected by the internal conflict.

27. In this context, IFAD's strategy in Guatemala addresses rural poverty by directly targeting the economic difficulties specific to each segment of the rural poor. It has focused on projects that:

³ See Attachment II for additional information.



- promote the social and economic development of indigenous and rural poor populations affected by the conflict;
- rely on demand-driven mechanisms and encourage the participation of the beneficiaries in their own development;
- enhance income-generating activities among rural and peasant families through a combination of agricultural and non-agricultural initiatives and small enterprises;
- strengthen the supply of technical assistance for agricultural and microenterprise activities and emphasizing a demand-driven approach;
- enhance the supply of training services for producers, both men and women, microentrepreneurs and young people;
- foster gender strategies and activities to facilitate equal access by both men and women to productive resources and development processes and
- support and strengthen innovative rural financial services that are adapted to the needs of IFAD's clients.

B. The Lessons Learned

28. Based on the project completion reports of the Generation and Transfer of Agricultural Technology and Seed Production Project and the Cuchumatanes Highlands Rural Development Project, the interim evaluation (1997) of the Zacapa-Chiquimula Smallholders' Rural Development Project and project supervision reports, the main lessons learned through IFAD operations include the following.

- The organization of peasant producers within their hamlets and communities is very important at the early stages of a project in order to guarantee project sustainability. To achieve social cohesion and build up social capital, various strategies aimed at the different groups (indigenous and non-indigenous, men and women, microentrepreneurs and small farmers) among the target population must be developed.
- The training of beneficiaries must be undertaken within all project components and activities. The programme should be sufficiently flexible to adapt to the social and cultural characteristics of the target population (indigenous and non-indigenous, men and women, microentrepreneurs and small farmers) and to the implementation needs for the projects. Training should be provided to extension agents and field trainers so that duplication is avoided in content and in approaches.
- The provision and expansion of rural financial services have contributed to facilitating access to credit by poor peasant families, especially poor women. Credit schemes need to be more flexible, and credit needs to be easy to process. The focus should be on groups of beneficiaries with good potential for marketing or exporting their products.
- It is necessary to create and strengthen mechanisms within projects so as to coordinate component activities more effectively and provide the necessary feedback to technical units.
- It is important to apply a gender-oriented approach that cuts across all components and that involves activities implemented at the early stages of project design and throughout the life of a project. Training in gender issues among all project stakeholders is of the utmost importance for the successful implementation of activities.



IV. THE IFAD STRATEGIC FRAMEWORK

A. IFAD's Strategic Niche and Proposed Approaches

29. Over the last seven years, the IFAD country strategy has aimed at poverty reduction, while supporting the pacification, reconstruction and development of war-torn areas. Thus, since 1995, from the onset of the peace negotiations, IFAD and the Government undertook initiatives in war-affected areas. With this aim, in 1996 and 1999, the IFAD Board approved two projects, the Programme for Rural Development and Reconstruction in the Quiché Department and the Rural Development Programme for Las Verapaces, covering the departments of Quiché and Alta y Baja Verapaz, respectively, which witnessed the internal conflict. FONAPAZ, which was created through the peace accords, is the institution responsible for implementing both IFAD projects.

30. Now, within the more democratic political environment which has emerged because of the peace accords, efforts can be redirected towards a programmatic, nationwide and comprehensive approach to rural poverty and rural development. The Government's Plan 2000-04 includes as high priority items: (i) the reduction of poverty and extreme poverty and (ii) the social and economic development of rural areas. Thus, the strategic framework in forthcoming IFAD operations in Guatemala will strengthen the focus on the improvement of the social, political and economic conditions among vulnerable rural populations. The appalling poverty and social conditions of Guatemala's vulnerable populations – men, women and children of indigenous origin – confirm the need to reduce poverty and enhance rural development initiatives in joint IFAD-Government operations and carefully refocus activities in rural areas where there are high concentrations of the target population. Thus, while continuing to target very small and landless farmers and rural women, the new operations will assign priority attention to the most vulnerable rural populations, namely, indigenous communities.

31. Poverty reduction among the country's rural poor and extremely poor needs to be addressed not only in terms of improvements in the income-generating capacity of the target population. It requires a more comprehensive approach. Given their abandonment by society in the past, indigenous populations require a substantial improvement in their access to education, health and sanitation services, as well as improved nutritional programmes for children. Indigenous populations with lower levels of educational attainment need literacy programmes, as well as training in labour skills in order to enhance their ability to seek and obtain more well paying jobs outside rural areas. Since the vulnerable indigenous populations have long suffered from social and political exclusion, as well as intense discrimination, efforts have to be made to promote their insertion within the social fabric of rural communities, improve their self-esteem and reaffirm their status as citizens. IFAD operations should address these problems and solutions through **multiculturalism and intercultural communication** because of the traditional social isolation of indigenous communities. This would be an important first step in empowering this segment of the rural population and thus improving their livelihoods in a sustainable manner.

32. The historical evolution of the IFAD country strategy is outlined in the table below. Fund strategies have evolved from site-specific projects aimed at the reconstruction of war-torn areas to a country-wide "programme" of poverty reduction, rural development and decentralization.

33. The proposed efforts call for the creation and strengthening of strategic institutional partnerships within the public sector and with other multilateral and bilateral donors, but particularly with grass-roots civil society organizations. Thus, future IFAD operations will seek the cooperation and active participation of beneficiary groups, as well as of local and national public and private organizations working with vulnerable populations. The decentralization efforts of the Government



provide an appropriate vehicle for a more democratic, demand-led and participatory approach to rural poverty reduction.

Key Differences in Past and Present Country Strategies

Past Strategy	Present Strategy
Project oriented	Programme oriented
Site-specific, in war-torn areas	Nationwide coverage, focusing on pockets of poverty
Strengthen pacification process and poverty reduction	Strengthen poverty reduction, rural development and government decentralization
Primary emphasis: social investments	Primary emphasis: economic development
Primary focus: war-affected populations, including indigenous communities	Primary focus: indigenous communities
Projects implemented by FONAPAZ, an <i>ad hoc</i> institution created through the peace accords	Programme implemented by MALN, a permanent Government institution dedicated to agricultural and rural development
The integration of war-affected families within the social and economic development of the country	Support for the creation of a multicultural society

34. The proposed country strategic framework involves three strategic axes of action:

35. **Human and social capital development.** An initial focus of the IFAD strategic framework will be a set of actions aimed at the development of human capital among poor, vulnerable rural populations. This axis involves sets of activities designed to achieve four complementary goals: (i) improve access to health, education and child nutrition services; (ii) improve living conditions (housing, sanitation and basic services); (iii) strengthen rural grass-roots organizations and (iv) support the participation of rural organizations in Government decentralization programmes and local development committees. These activities should be shaped by a clear understanding of the multicultural and intercultural nature of society in Guatemala. Coordination mechanisms will be established with civil-society organizations working among community groups. Particular attention will be placed on strengthening social and economic organizations among women and indigenous groups through leadership training and support services. **The empowerment of the rural poor and their grass-roots organizations is the ultimate goal in this axis.**

36. **Income generation.** Because of the low levels of income among Guatemala's rural population, significant resources should be devoted to the improvement of family incomes. In this axis, the efforts will be directed towards agricultural and non-agricultural production, as well as local off-farm and urban employment potential. The existence of market opportunities will guide planning for technical support services among agricultural and small rural enterprises. Productive technologies will be identified for products that generate high market demand. Extension services that can be offered in two languages will be established in order to reach the indigenous agricultural and non-agricultural producers. The economic development of the target population will be enhanced through support in



three complementary areas: the promotion of agricultural production, rural microenterprises and salaried labour. Over the last ten years, several successful high-income export crops have transformed the pattern of production in the *altiplano* of Guatemala. Currently, a number of packing operations run by cooperatives or private enterprises maintain a constant flow of top-quality produce to markets in the United States. Quality products are also exported to other Central American countries (particularly El Salvador and Honduras) or sold on the national market. Among the activities to be supported through the IFAD-financed programme so as to help reorient subsistence agriculture towards markets are the promotion of technical extension services, market information services and small irrigation projects and the creation of new storage facilities and improved feeder roads. A broad range of rural microenterprises will be aided through the provision of market information, technical assistance and investment funds, with particular emphasis on the production of native handicrafts (for which there is an active market among tourists) and small tourist-service enterprises (which could benefit from the lively ethnotourism and ecotourism market in Guatemala). Since important segments of the rural population derive incomes from rural and urban salaried labour, training in highly demanded skills should be undertaken so as to enhance the income-generating capacity of rural families, particularly indigenous ones.

37. **Strengthening of the institutional framework of the Ministry of Agriculture, Livestock and Nutrition.** Efforts to reduce poverty and foster rural development have achieved only partial success in Guatemala. The lack of adequate targeting and delivery mechanisms and the fragmentation and poor coverage of programmes are the main reasons for the limited impact. One of the main goals on the Government social agenda related to the reduction of poverty and the socio-economic development of rural areas is the reorganization of the public sector, particularly MALN. Thus, the ministry's current policy framework for rural development and poverty reduction needs to be recast on a sound, more effective and more institutionally sustainable basis. The proposed IFAD axis should therefore be directed towards the creation of a modern project structure, capable of fostering agricultural and rural development through a demand-led and participatory scheme. Additionally, institutional coordination needs to be enhanced and public and private-sector coordination, planning and implementation mechanisms must be designed and put in place so as to support this effort. During the next steps of the project cycle, it will be important for IFAD to explore the possibility of linking up with multilateral and bilateral partners. What can IFAD and such partners accomplish together? What are the opportunities for collaboration?

38. Within the social policy of the Government, decentralization is considered a powerful tool for poverty reduction and rural development. The active participation of grass-roots organizations – particularly those working among indigenous populations – in local, municipal and departmental development councils would encourage not only participatory planning in local social and economic investments, but the sustainable empowerment of the rural poor and help raise the self-esteem of rural indigenous communities and leaders. Decentralization poses a special challenge for public-sector organizations. The transition from centralized annual planning and budget definition based on the limited participation of grass-roots organizations to decentralized participatory planning schemes requires an efficient, modern institutional environment. A change in methodologies and operational structures is required so as to combine local development plans effectively and create annual departmental and national plans that balance local demands with national sectoral priorities.

39. Two crosscutting axes are included in the country strategy: gender equity and natural resource management and conservation:

- **Gender equity.** IFAD projects will continue to consolidate efforts to promote gender equity. Proven gender-oriented methodologies will be applied in new interventions with support and



technical backstopping from ProGender.⁴ A wide range of gender-oriented activities should be included in new project designs in order to help reduce the disparities and inequalities affecting rural women, particularly indigenous women. Adult education, adult literacy programmes and training in agricultural and non-agricultural production skills, as well as systematic participation in all project components, will be included in projects. Proactive schemes will ensure the participation of rural women in decision-making mechanisms established through projects.

- **Natural resource management and conservation.** The country's natural resource base is undergoing an accelerated process of degradation, particularly along watersheds and in mountainous areas. The IDB-financed high-mountain watersheds project, which is to be implemented by MALN, and the World Bank environmental project, which is currently being planned, will provide resources for natural resource conservation activities. New IFAD projects will pay particular attention to coordination with projects financed by IDB and the World Bank.

B. The Main Opportunities for Innovation and Project Intervention

40. The IFAD consultant talked extensively with the minister of agriculture, livestock and nutrition, high-level FONAPAZ officials and officials and representatives of the Inter-American Institute for Cooperation on Agriculture and of UNDP about the most appropriate opportunities and locations for new interventions by the Fund. It was agreed that, in future, IFAD-Government operations should be oriented towards programmes (instead of projects) so as to guarantee the continuity and sustainability of actions and strengthen the field-support capabilities of MALN. Given Government policies and the preliminary conclusions of the Intersectoral Round Table for Rural Development, implemented under the peace accords, it was agreed that the IFAD lending programme should be directed towards the creation and consolidation of NRDP. This programme would be under ministry responsibility and would be implemented in phases.

41. There was total agreement that, in the design of NRDP, the following concepts should be taken into consideration:

- **a holistic approach to rural development**, with simultaneous support for and investments in social (human and social capital improvement) and economic activities (agricultural and non-agricultural);
- **participation**, with democratic and participatory methodologies for rural and agricultural development planning, implementation and evaluation;
- **demand-led rural services** oriented towards social enhancements and productive improvements among the target population;
- **decentralization**, especially the development of decision-making mechanisms at the local level and the balanced participation of grass-roots organizations and local authorities;
- **gender equity**, namely, equal opportunities for men and women and the elimination of gender imbalances; and
- **natural resource conservation**, including the rational use of natural resources by the public and private sector.

⁴ ProGender is the new IFAD regional technical assistance grant programme to provide technical support for projects involving gender-oriented field methodologies. For Central American projects, ProGender is run through the Regional Unit for Technical Assistance V.



42. NRDP - Phase I: The Western Region will cover the departments containing the poorest municipalities in Guatemala (Huehuetenango, San Marcos, Quetzaltenango, Totonicapan and Solola), which also contain over 60% of the country's indigenous peoples. NRDP - Phase II: The Eastern Region will cover poor municipalities that include a significant (30%) share of the indigenous population. NRDP - Phase III: The Country will complete coverage of the most important areas containing indigenous communities and rural poor. NRDP will become an integral part of the institutional structure of the ministry and will be financially and operationally sustainable.

43. Over the last decade, a growing number of packing plants have been exporting vegetables and fruits, predominantly to the United States and other Central American countries. This has become an important non-traditional segment of the agricultural sector. Through production contracts with packing and exporting enterprises, a significant share of small farmers and indigenous communities have become involved in the production of vegetables and fruits, and this has led to increases in family incomes. Thus, crop substitution and the diversification of traditional crops, particularly coffee, should be an important strategic focus for agricultural support services. In this context, improvements in market information should be part of project activities.

44. The rural population in Guatemala includes four major ethnic groups (the *Maya*, *Xinca*, *ladinos* and *garifunas*). Among the Maya, there are also four major ethnic sub-groups (as well as 24 minor sub-groups). These groups are located in specific geographical territories. The strategic axes of the Fund will have to respond to each group's unique cultural, social and economic characteristics and demands. Thus, the target population may present differences in language, culture and social structure. Additionally, within each of the selected regions (one for each programme phase), there will be marked differences in the climate and natural setting, ranging from mountainous and very humid to humid (eastern region) to tropical semi-dry savanna (western region), and this will mean that there will be differences not only in the current and potential crop portfolio, but also in marketing and processing systems. Participatory methodologies, rural support services and the relative weight of agricultural versus non-agricultural support services will have to be adjusted to local demands so as to address these differences.

45. IFAD has tailored its current strategy and lending programme to the priority issues in the country: poverty reduction and rural social and economic development. It has adopted a participatory process of consultation involving both Government and the organizations of beneficiaries. Relative to the multisectoral approach of IDB and the World Bank, IFAD's clear institutional focus on rural poverty reduction and the more limited scope of its operations allow a more comprehensive dialogue with national counterpart institutions, as well as a frank exchange of experiences, in the design of its operations so that they fulfil the needs of the country and of the inhabitants of poor rural areas. The ongoing IFAD projects are currently the best examples of well-designed rural development projects in the country.

C. Outreach and Partnerships with Non-Governmental Organizations and the Private Sector

46. Non-governmental organizations (NGOs) and civil-society organizations are active among vulnerable and poor populations. They often work with the support of churches or other external institutions, particularly bilateral government programmes or private social organizations. Some have contracts permitting them access to Government resources. Private rural development organizations play an important role in the provision of structural and technical assistance to IFAD projects. They benefit from systematic training financed through the projects. The training and strengthened operational capacity they acquire help NGOs in the application of participatory, demand-led and gender-oriented methodologies for rural development. Future IFAD operations in Guatemala will



continue to include the significant participation of private-sector organizations in support of rural development activities.

D. Opportunities for Strategic Linkages with other Donors and Institutions

47. IDB, the World Bank and the European Union are the most important multilateral donors operating in Guatemala. The IDB has the largest portfolio of loans and operations (2001-03), totalling over USD 565.2 million. IDB projects are oriented towards government reform and modernization, Lake Atitlan and Lempa river cleanup and environmental management, microcredit, housing, roads, education and investments in social infrastructure. In the agricultural sector, IDB has recently approved a lending operation for high-mountain watershed conservation and management that will be operated by MALN. The World Bank portfolio totals over USD 355.1 million, with investments in basic education, social infrastructure, post-Hurricane Mitch reconstruction and development, land fund and land administration activities, rural feeder roads and main roads and privatization and private-sector participation in public infrastructure. The World Bank has completed the appraisal for a high-mountain environmental conservation and management project with MALN. The European Union has investments of over USD 50 million that are focused on education, health care and market development within the framework of the peace agreements. BCIE is funding social investment programmes and rural infrastructure. Past IFAD operations have been cofinanced by the Organization of the Petroleum Exporting Countries Fund for International Development (OPEC Fund) (the Zacapa-Chiquimula Smallholders' Rural Development Project and the Cuchumatanes Highlands Rural Development Project). Following the approval of the COSOP, contacts will be re-established for possible project cofinancing.

48. Bilateral donors include the United States Agency for International Development (USAID), the German Credit Institution for Reconstruction, the German Agency for Technical Cooperation and the Governments of Italy, The Netherlands and Spain. Even though the country programme of USAID has been reduced in years past, its contribution to the reconstruction since Hurricane Mitch has totalled close to USD 50 million. New programmes are supporting non-traditional agricultural exports. There is an ample spectrum of civil-society organizations and institutions in Guatemala. They range from church related to indigenous institutions and from social to civil-support institutions active in rural development, education, health, social welfare (within the framework of the peace accords), gender issues and social and economic research.

49. In the design of future IFAD operations, collaboration with other international institutions should be considered a high priority. IFAD project formulation missions should undertake to explore with multilateral institutions (the World Bank, IDB and BCIE) and bilateral institutions the possibility for (i) joint operations in new projects and (ii) close coordination in ongoing projects. Also, the mission should examine the possibility of organizing and supporting a consultation group on rural development and other poverty-related issues within the frame of the Intersectoral Round Table for Rural Development coordinated by UNDP.

E. Areas for Policy Dialogue

50. In 2000, the Government established a set of national and sectoral policies to provide guidance in the country's poverty reduction and social development programmes. The institutional framework for an active IFAD-Government policy dialogue includes MALN and FONAPAZ, which have sectoral and institutional responsibility for agricultural and rural development, poverty reduction, social investments and decentralization programmes. Given the common features in the approaches of the Fund and Government policy towards poverty reduction and based on the experiences and lessons



learned in previous and ongoing IFAD projects, the policy dialogue will concentrate on conceptual and operational issues.

51. Areas for policy dialogue will include:

- **The equitable development of rural areas:** For historical reasons, the rural areas where most of the indigenous populations live are also the least developed regions of the country and contain the largest concentration of rural poor and extremely poor people. Now, given the more open and democratic environment, IFAD should play a catalytic role in the promotion of dialogue between the Government and indigenous civil-society and grass-roots organizations in order to foster a development of rural areas that meets the needs of all people in an equitable way. The policy dialogue should address problems and solutions through a reliance on **multiculturalism and intercultural communication**, given the characteristic isolation of indigenous communities in Guatemalan society. The issues of **employment, gender, vulnerable groups, agriculture and the environment** should also be addressed with particular reference to the special characteristics of the Mayan culture. The UNDP-sponsored Intersectoral Round Table for Rural Development should provide an appropriately broad vehicle for policy dialogue. IFAD staff and consultants should be among the institutional actors participating in the rural development dialogue.
- **The institutional framework and methodologies for poverty reduction.** The newly elected Government established a national policy and institutional framework for poverty reduction in 2000. The new policy, clearly expressed in the Government's Plan 2000-04 and approved by the IFAD mission by MALN represents a major policy shift regarding Guatemala's indigenous population, which has long been excluded from Government social and economic programmes. Thus, the current political context is highly conducive for the redesign and creation of long-term programmes and institutional approaches in poverty reduction, including actions in support of the most vulnerable groups, especially indigenous communities, rural women and children. IFAD and the Government will maintain an active dialogue with regard to policies and strategies of development and the participants and the operations involved in initiatives aiming at poverty reduction. Poverty reduction requires substantial improvements in targeting and delivery mechanisms. The implementing structure within MALN still needs to be revised. The policy dialogue should also include the Ministries of Health, Education and Infrastructure, as well as representatives from all the social investment funds in order to foster coordination among the field operations in addressing the issues of social infrastructure, education, health, women's reproductive health and child nutrition.
- **Decentralization.** A process of decentralization has been implemented over the last five years as a tool for social and economic development. It relies on the mobilization of local governments and grass-roots organizations in planning, decision-making and the realization of Government rural and social development programmes. However, political and institutional obstacles have hampered the success of decentralization. A frank and broad policy dialogue should therefore be opened by IFAD with central Government institutions and political decision-makers in order to perfect mechanisms to transfer decision-making authority and resources to local, municipal and departmental governments. The IFAD-financed Programme for Rural Development and Reconstruction in the Quiché Department and the Rural Development Programme for Las Verapaces are relying on participatory approaches to strengthen the role of municipal and provincial governments and grass-roots organizations in rural development.



F. Areas of Action to Improve Portfolio Management

52. It will be important to strengthen the coordination among IFAD's projects and build partnerships between them. The coordination among the national organizations and institutions dealing with rural development issues, such as MALN and FONAPAZ, must be improved in order to harmonize strategies, policies and procedures, speed up the process of project implementation and foster complementarity among social and productive investments in rural areas.

G. The Lending Framework and Non-Lending Activities

53. Indigenous communities, poor rural inhabitants, poor small farmers, and microentrepreneurs have been the target group of national social development programmes, as well as of previous IFAD-financed projects. IFAD will continue to emphasize this target group and focus especially on indigenous communities, which are persistently poor. IFAD will also concentrate on activities in support of the modernization and reorganization of the institutional framework within MALN that is responsible for rural development and poverty reduction. It will particularly emphasize the reorganization of the ministry's field services, including technical support services for agricultural and rural development. In agreement with the Government and the ministry, future IFAD operations in the country will be programme oriented, and the IFAD lending portfolio for 2003-08 will support the implementation of NRDP in three phases.

54. The new lending programme will be also involve the phased participation of institutions. IFAD has agreed with the Government and MALN that the implementation of Phase I will be under the overall responsibility of the ministry (while the operational structures within the ministry are reorganized and strengthened). Phase II⁵ will involve the additional participation of FONAPAZ, which will help provide a broader scope (including social investments) for rural development and will contribute its institutional experience in rural development and poverty reduction. Phase III will have the ambitious goal of including all social investment funds and other sectoral (education and health) rural development programmes in an effort to establish intersectoral planning, budgeting and coordinating mechanisms.

55. The scope, components and activities of IFAD interventions will be determined in consultation with the Government and beneficiaries and through reliance on participatory instruments during project formulation. The value of the lending programme for the Republic of Guatemala has been estimated at around USD 50 million over a period of six to eight years. The first phase will include an IFAD loan of USD 20 million to 25 million (to be defined at formulation). The possibility of cofinancing by BCIE during Phase I will be explored at formulation.

⁵ Phase II will be initiated when the IFAD-financed Programme for Rural Development and Reconstruction in the Quiché Department and, probably, the Rural Development Programme for Las Verapaces, currently being implemented by FONAPAZ, have been completed.

APPENDIX I

COUNTRY DATA

GUATEMALA

Land area (km² thousand) 2001 1/	28	GNI per capita (USD) 2001 1/	1 670
Total population (million) 2001 1/	11.69	GNP per capita growth (annual %) 2000 1/	6.0
Population density (people per km²) 2001 1/	108	Inflation, consumer prices (annual %) 2001 1/	8
Local currency	Quetzal (GTQ)	Exchange rate: USD 1 =	GTQ 7.60
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-2000 2/	2.6	GDP (USD million) 2000 1/	20 629
Crude birth rate (per thousand people) 2000 1/	33	Average annual rate of growth of GDP 2/	
Crude death rate (per thousand people) 2000 1/	7	1980-1990	0.9
Infant mortality rate (per thousand live births) 2000 1/	39	1990-2000	4.7
Life expectancy at birth (years) 2000 1/	65	Sectoral distribution of GDP 2001 1/	
Number of rural poor (million) (approximate) 1/	8.4	% agriculture	23
Poor as % of total rural population 2/	71.9	% industry	20
Total labour force (million) 2001 1/	4.36	% manufacturing	13
Female labour force as % of total 2001 1/	29	% services	37
Education		Consumption 2001 1/	
School enrolment, primary (% gross) 2001 1/	61	General government final consumption expenditure (as % of GDP)	5
Adult illiteracy rate (% age 15 and above) 2001 1/	31	Household final consumption expenditure, etc. (as % of GDP)	88
Nutrition		Gross domestic savings (as % of GDP)	7
Daily calorie supply per capita, 1997 3/	2 430	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5) 2001 1/	41 a/	Merchandise exports 2001 1/	2 430
Malnutrition prevalence, weight for age (% of children under 5) 2001 1/	24 a/	Merchandise imports 2001 1/	5 635
Health		Balance of merchandise trade	-3 205
Health expenditure, total (as % of GDP) 2001 1/	4 a/	Current account balances (USD million)	
Physicians (per thousand people) 1999 1/	1 a/	before official transfers 2001 1/	868.099968 a/
Population using improved water sources (%) 2000 4/	92	after official transfers 2001 1/	-1049.45 a/
Population with access to essential drugs (%) 1999 4/	50-79	Foreign direct investment, net 2001 1/	n/a
Population using adequate sanitation facilities (%) 2000 4/	85	Government Finance	
Agriculture and Food		Overall budget deficit (including grants) (as % of GDP) 2001 1/	n/a
Food imports (% of merchandise imports) 2000 1/	12	Total expenditure (% of GDP) 2001 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 1999 1/	1,332	Total external debt (USD million) 2000 1/	4 622
Food production index (1989-91=100) 2000 1/	124	Present value of debt (as % of GNI) 2000 1/	80
Cereal yield (kg per ha) 2001 1/	1562	Total debt service (% of exports of goods and services) 2000 1/	15
Land Use		Lending interest rate (%) 2001 1/	19
Arable land as % of land area 1999 1/	13	Deposit interest rate (%) 2001 1/	9
Forest area (km ² thousand) 2000 1/	!		
Forest area as % of total land area 2000 1/	26		
Irrigated land as % of cropland 1999 1/	7		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database (as at 20/02/2003)

2/ World Bank, *World Development Indicators*, 2002

3/ UNDP, *Human Development Report*, 2000

4/ UNDP, *Human Development Report*, 2002

LOGICAL FRAMEWORK
(to be completed during formulation)

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
Development Goal			
Contribute to the development and consolidation of new policies in favour of indigenous and rural poor organizations as a means of helping these people achieve social, economic, political and cultural development.	Improvement in the poverty head-count in project areas according to a specific % of the target group. Improvement in production and productivity in the agricultural and non agricultural activities of the target population. Increase in rural incomes according to a specific % of the target and beneficiary groups. Improvement in the nutritional status of children according to a specific % of the target group.	Regional, national poverty statistics. Project impact evaluation studies. Monitoring data. Nutritional evaluation studies.	Poverty reduction and social development among rural vulnerable populations are high on the Government agenda. Strengthen the Government's poverty reduction and economic development framework and programmes for rural areas with indigenous populations.
Project/Programme Objective			
<ul style="list-style-type: none"> • Development of poor and excluded rural areas of Guatemala through human/social capital development, income improvement and community development. • Empowerment and development of indigenous, rural poor, grass-roots and rural women organizations through increased participation in local and regional development activities. • Improvement of the Government poverty reduction, social investment and rural development programmes through better targeting and delivery mechanisms. 	Improved social and economic status of marginal indigenous Mayan populations. Improved demand-led rural services in support of production. Improved on-farm and off-farm family incomes. Improved links for the marketing of agricultural and non-agricultural products. Enhanced gender equity in project areas. Improved basic services and health and education infrastructure among rural communities. Improved natural resource management.	Government regional poverty indicators. Participatory impact assessments. Nutritional monitoring data. Monitoring data.	Project interventions targeted to vulnerable rural indigenous communities and the rural poor. Demand-led and participatory operational strategies.
Outputs			
Activities			
Inputs	Financing		



STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS ANALYSIS

Institution	Strengths	Weaknesses	Opportunities/Threats	Remarks
Ministry of Agriculture, Livestock and Nutrition (MALN)	Nationwide responsibility for agricultural and rural development field actions and programmes. Normative and planning responsibility for agricultural and rural development.	Since the early nineties and as a consequence of macroeconomic structural adjustment, the ministry's crop and livestock extension and technical support services have been totally dismantled, leading to limitations in field operations.	The current Government administration is considering the institutional reorganization and strengthening of the ministry's technical support services within a democratic, demand-led participatory model aiming at an integral rural development approach.	IFAD experiences and project results are becoming a model for the design of a nationwide, demand-led programmes in support of rural development.
Institute for Agricultural Science and Technology	Nationwide responsibility for agricultural and livestock research and innovation.	As a consequence of macroeconomic structural adjustment, the research and technical support services of the institute were almost totally dismantled, leading to very limited financial and operational capabilities.	Because of MALN's reorganization, there are opportunities to develop the demand-led, market-oriented generation of agricultural technology.	The Generation and Transfer of Agricultural Technology and Seed Production Project, implemented by IFAD in the early nineties in association with the institute, was successful.
FONAPAZ	Created to carry out investments in rural areas and poverty reduction in support of the peace accords in war-affected areas. Fonapaz has adequate funding and good participatory methodologies. Implementing agency for the two ongoing IFAD projects in Guatemala.	Concentration on social investments with limited activities in income-generation among the rural poor. Prone to political activism.	Could be an appropriate partner in projects financed by MALN and IFAD that involve support for social infrastructure investments in rural areas.	Fonapaz continues to be a favoured organization for the Government and multilateral financial institutions (IDB and the World Bank).
Social Investment Programmes	There are three programmes: the Social Investment Fund, the Solidarity Fund and the Integral Rural Communities Development Programme.	Concentration on social investments with limited activities in income-generation among the rural poor. Very prone to political activism.	In some areas, could prove an appropriate partner for MALN in supporting investments in social infrastructure.	Collaboration with this fund must occur on a case-by-case basis and in selected rural communities.
NGOs	Since the peace accords, NGOs have had wide and varied experience in rural and agricultural development, as well as in environmental management and conservation programmes.	Varied and heterogeneous approach to rural and agricultural development.	Still remains some Government distrust of NGOs as to political motivations. However, the privatization of rural services will strengthen NGO participation in rural development.	An issue for ongoing IFAD-Government policy dialogue.
Private Sector	Experience in agricultural sector exporting. Could support contract agriculture.	Lack of experience in organized participation in social and rural development.	Declared Government policy in support of private sector participation in agricultural and rural development.	An issue for ongoing IFAD-Government policy dialogue.





IFAD INSTITUTIONAL LINKAGES AND THE PROPOSED COUNTRY PROGRAMME

1. IFAD would continue with the current participatory approach to poverty reduction, which ensures the participation of local grass-roots organizations and NGOs that is characteristic of the ongoing Republic of Guatemala portfolio. The selection and design of future projects would be based on intensive consultations with the Government, other stakeholders and communities, as well as the mobilization of grass-roots groups, NGOs and municipal and local institutions in the planning and implementation of project activities. Innovative approaches to rural development require an intensive and systematic exchange of experiences and the training of project technical staff and beneficiaries. To this effect, the IFAD Latin America and the Caribbean division's ongoing training and technical support networks would provide systematic upgrading of skills and knowledge relevant to rural development and technical and operational support for in-country programmes, as well as support for the exchange of experiences in poverty reduction and rural development among beneficiaries in the region.
2. The in-country networking of projects, together with subregional and regional networking, has proved to be an appropriate tool in project implementation. Fidamerica, the Internet-based system of information exchange on the IFAD Latin America and the Caribbean division's projects in the region, will also continue to provide a forum for the exchange of experiences through its on-line seminars on topics ranging from rural credit to private-sector extension services and marketing. The ongoing Programme for Rural Development and Reconstruction in the Quiché Department and the Rural Development Programme for Las Verapaces are currently included in this network. Seteder, the technical assistance grant for technical training managed by the Tropical Centre for Agricultural Research and Training for the Central America region, will provide assistance and training among participating professionals from MALN and contracted NGOs.
3. In terms of gender issues and field methodologies, ProGender, the IFAD Latin America and the Caribbean division's new gender-strengthening network, will support all projects in Guatemala through workshops and training events. PROMER, the division's grant that is oriented towards small rural enterprises, will be supporting microenterprise and handcraft development efforts in country projects. In February 2001, a meeting was held in Guatemala to present the Programme for Strengthening the Regional Capacity for the Evaluation of Rural Poverty Alleviation Projects in Latin America and the Caribbean, the monitoring and evaluation mechanism supporting IFAD technical assistance grants. The meeting was attended by personnel involved in ongoing IFAD-financed projects in the Latin American region.

ONGOING AND PLANNED ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT

Donor/Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
BCIE	Possible cofinancing of Phase I of the proposed programme	Full coverage of programme components and activities	Preliminary discussions already held in Guatemala; the possibility of gaining access BCEI's Fund for Social Transformation (which carries a preferential interest rate) under study	Could provide required resources to cope with the extent and depth of rural poverty in the programme area
OPEC Fund	Possible cofinancing of Phase I of the proposed programme	Coverage of investments in rural roads and marketing infrastructure	Preliminary discussions will be held after project formulation	Could provide required resources to cope with the extent and depth of rural poverty in the programme area
World Bank	Integrated Natural Resource Management Project for the Western Altiplano	Coverage of four of the five departments in the programme area. Will provide resources for natural resource management and environmental services	Negotiations already completed; loan contract will be signed in coming weeks; requires approval of the Guatemala Congress; currently operating with a pre-investment loan; expected formal starting date: late 2003	Will provide complementary financial and technical resources for natural resource management
IDB	Natural Resource Management Programme for High Watersheds of Guatemala	Coverage of three of the five departments in the programme area. Will provide resources for high-watershed natural resource management	Negotiations completed; contract has already been signed, and the Guatemala Congress has approved the operation; MALN has to comply with preliminary loan conditions; expected formal starting date: mid-2003	Will provide complementary financial and technical resources for high-watershed natural resource management

