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Enabling the rural poor
to overcome poverty

President's memorandum

Republic of Guatemala

National Rural Development Programme: Central and Eastern Regions (Loan No. 651-GT)

Extension of time limit for signature of the loan agreement

Executive Board — Ninety-first Session
Rome, 11-12 September 2007

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Recommendation for approval

Given the role of this programme in the national strategy to reduce rural poverty as expressed by the Government, it is recommended that the Executive Board approve an extension of six months – to 14 December 2007 - of the period for signature of the loan agreement for the National Rural Development Programme: Central and Eastern Regions.

President's memorandum

National Rural Development Programme: Central and Eastern Regions (Loan No. 651-GT)

Extension of the time limit for signature of the loan agreement

I. Background

1. At its eighty-third session in December 2004, the Executive Board approved a loan of SDR 11.35 million (equivalent to approximately US\$17.0 million), on intermediate terms, to the Republic of Guatemala to help finance the National Rural Development Programme: Central and Eastern Regions. The time limit for signature of the loan agreement expires two years after Executive Board approval (i.e. on 14 December 2006). In this connection, it is noted that the loan agreement has not yet been signed.
2. The delay has been due to the need to amend the loan agreement inasmuch as the cofinancing institution, the OPEC Fund for International Development, has reduced its participation from US\$15.0 million to US\$11.0 million. These changes were submitted to the Executive Board – for approval at its eighty-seventh session – in a President's memorandum reflecting the modifications made to the programme.
3. As a consequence of the above modifications, the borrower still required additional time to complete its internal legal procedures, and was unable to finalize them within the two-year time limit from loan approval to loan signing. In November 2006 Management requested Executive Board approval for a six-month extension, up to 14 June 2007, of the time limit for signature of the loan agreement. This request was approved by the Executive Board at its eighty-ninth session (December 2006). During this period, the borrower's National Monetary Fund approved the loan and submitted it to the Congress for approval.
4. However, the Congress still needs to comply with internal requirements before signature of the loan agreement. In view of this delay, the Government of Guatemala has sent an official letter to IFAD requesting a second six-month extension of the time limit to allow for internal approval by the Congress.

II. Status of loan effectiveness

5. Since September 2006, the Latin America and the Caribbean Division has been following up closely and continuously with the Guatemalan authorities in view of the urgent need for loan signing, loan effectiveness and programme start-up. Internal approval procedures leading to the formalization of loan signing are well under way, but additional time is needed to obtain congressional approval.