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Enabling poor rural people
to overcome poverty

Republic of Guatemala

Country strategic opportunities programme

Executive Board — Ninety-fifth Session
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For: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

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Contents

Abbreviations and acronyms	ii
Map of IFAD operations in the country	iii
Summary of country strategy	iv
I. Introduction	1
II. Country context	1
A. Economic, agricultural and rural poverty context	1
B. Policy, strategy and institutional context	3
III. Lessons from IFAD's experience in the country	5
A. Past results, impact and performance	5
B. Lessons learned	6
IV. IFAD country strategic framework	7
A. Comparative advantage of IFAD in Guatemala	7
B. Strategic objectives	7
C. Opportunities for innovation	8
D. Targeting strategy	9
E. Policy linkages	9
V. Programme management	9
A. COSOP management	9
B. Country programme management	10
C. Partnerships	12
D. Knowledge management and communication	13
E. PBAS financing framework	14
F. Risks and risk management	15

Appendices

I. COSOP consultation process
II. Country economic background
III. COSOP results management framework
IV. Previous COSOP results management framework
V. Project Pipeline

Key files

Key file 1: Rural poverty and agricultural/rural sector issues
Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)
Key file 3: Complementary donor initiative/partnership potential
Key file 4: Target group identification, priority issues and potential response

Abbreviations and acronyms

AGEXPORT	Guatemalan Exporters Association
COSOP	Country Strategic Opportunities Programme
CPM	Country Programme Manager
FONAPAZ	National Fund for Peace
FUNCAFE	Coffee Producers Fund for Rural Development
OFID	OPEC Fund for International Development
PAFMAYA	Mayan Forestry Action Plan
PBAS	Performance-based Allocation System
PRODENORTE	Sustainable Rural Development Programme for the Northern Region
PRODEVER	Rural Development Programme for Las Verapaces
ProRural	National Rural Development Programme
RIMS	Results and Impact Management System
RMF	Results Management Framework
RUTA	Regional Unit for Technical Assistance

Map of IFAD operations in the country



Source: IFAD

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.

Summary of country strategy

1. This is the second country strategic opportunities programme (COSOP) for Guatemala. It presents IFAD's strategy to support the Government of Guatemala in promoting rural development, increasing food security and reducing poverty among rural and indigenous communities, over the period 2008-2012. The COSOP is aligned with the country's development plan (*Plan de la Esperanza 2008-2011*), responds to the Government's efforts to achieve the Millennium Development Goals and is consistent with the IFAD Strategic Framework 2007-2010. It is also informed by the valuable lessons derived from more than 20 years of IFAD operations in the country.
2. Poverty in this multi-ethnic country affects primarily young people and rural areas. Rural poor people account for about 71 per cent of the country's poor population. This high incidence of rural poverty affects IFAD's target groups of indigenous and rural communities, which are involved in smallholder family agriculture based on either subsistence or emerging market-oriented production. IFAD also targets the landless, wage labourers, agricultural and non-agricultural microentrepreneurs, handicraft artisans, rural women and young people. In response to their distinct developmental constraints, the COSOP has set three interrelated and complementary strategic objectives outlined below.
3. **Strategic objective 1: Promoting the market-driven development of agricultural and non-agricultural rural businesses and microenterprises.** This is the principal strategic objective. It focuses on market access and rural business development through private-sector entrepreneurial linkages. This objective will be achieved through: (i) support to the establishment and consolidation of local and external markets, production chains and microenterprises; (ii) the expansion of technical, managerial and rural financial services to improve productivity of food and higher value crops, diversify traditional and non-traditional products, and promote the competitiveness of rural businesses; and (iii) the extension of the rural road network in priority regions.
4. **Strategic objective 2: Developing social and human capital.** In support of the first strategic objective, this objective aims at: (i) building entrepreneurial capacities and enhancing the talents of rural and indigenous women and young people; (ii) supporting the legal consolidation and improved performance of economic associations; and (iii) enhancing community organization.
5. **Strategic objective 3: Enhancing pro-poor rural policy dialogue and sectoral planning.** This objective seeks to: (i) strengthen participatory planning and the proactive involvement of communities in development councils; (ii) promote sectoral coordination that responds to the needs of target groups; and (iii) facilitate the participation of peasant indigenous organizations in rural development policy dialogue.
6. The COSOP addresses the following cross-cutting concerns: the need to reduce vulnerability to the impact of climate change and food price increases; the need to affirm the multicultural and multilingual identity of the country's indigenous peoples; and the need for greater gender and intergenerational equity. Finally, the strategic programme: (i) supports the Government's new sectoral strategies and the national rural development programme under implementation through three ongoing IFAD operations (representing US\$62.0 million in lending); (ii) places a marked emphasis on implementation support and learning, which will be followed up through direct supervision and an active IFAD presence; and (iii) envisages support for the Government's planned expansion of activities in the northern and north-western regions through IFAD lending of US\$18.5 million, under the performance-based allocation system cycle for 2007-2009. A new investment programme has been designed to this effect, with cofinancing of US\$15.0 million from the OPEC Fund for International Development, and a future programme is contemplated for Quiché Department.

The Republic of Guatemala

Country strategic opportunities programme

I. Introduction

1. This results-based country strategic opportunities programme (COSOP) is the second IFAD country strategic programme for Guatemala. It presents IFAD's strategy to support the Government in promoting rural development, increasing food security and reducing poverty among rural and indigenous communities, over the period 2008-2012. The COSOP is aligned with the country's development plan (*Plan de la Esperanza 2008-2011*), responds to the Government's efforts to achieve the Millennium Development Goals (MDGs), and is consistent with the IFAD Strategic Framework 2007-2010. It is also informed by the valuable lessons derived from more than 20 years of IFAD operations in the country.
2. The COSOP formulation and consultation process was undertaken in Guatemala in two phases, consisting of in-country mission preparation and initial dialogue with Government authorities (March 2008) followed by field visits and consultations carried out in various regions of the country (April 2008).¹ The consultation revolved around such key issues as rural income and employment, rural business competitiveness, food security and empowerment of target groups. In this process, the principal sectoral stakeholders, including the potential clients-beneficiaries of future operations, provided key findings of sectoral analysis, examples of unmet development demands, and other important inputs for the elaboration of the COSOP's strategic objectives. The COSOP's preliminary profile was discussed at the closing workshop, which was attended by all major stakeholders. To conclude the consultation process, a meeting was held in IFAD (May 2008) to present the results of the COSOP missions. This meeting was attended by the members of the Country Programme Management Team and the Ambassador of the Republic of Guatemala in Italy.

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

3. The Republic of Guatemala has a population of 13.6 million people, which is growing at an annual average rate of 2.5 per cent (2000-2006). Almost 54 per cent of the population live in rural areas and 41 per cent of the national population is indigenous, mostly Mayan (22 languages are spoken in the country), with a small proportion of other ethnic groups (Garifuna and Xinca). Most of the population is young, almost 70 per cent under the age of 29.
4. After 35 years of civil war, a peace accord was signed (Agreement on a Firm and Lasting Peace, December 1996), which opened up a new era of political and social stability and established an adequate framework for economic development. Classified as a middle-income country, Guatemala has maintained a stable macroeconomic course. The national GDP of US\$35,325 million (2006) is growing on average at 4 per cent, while the inflation rate stands at 7.5 per cent. Guatemalans' GNI per capita is approximately US\$2,590, which is considered high for the Central American subregion (Atlas Method, 2006). Guatemala has achieved constant growth and diversification of its exports in recent years. According to the Guatemalan Exporters' Association, 4,000 enterprises exported over 4,000 different products to

¹ The COSOP missions were undertaken by the following team: (i) Marco T. Sierra Lemus, Agricultural Economics and Commercialization Specialist; (ii) Gustavo A. Pereira González, Social/Human Capital and Rural Poverty Specialist; (iii) Gabriela A. Aguilar Velázquez, International Cooperation and Institutions Specialist; and (iv) Tomás N. Rico-Mora, Economist/Rural Development Specialist (Team Leader). The COSOP formulation process was guided by Enrique Murguía, Country Programme Manager (CPM), who participated in all field and consultation work.

139 markets worldwide (2006), including traditional products and an expanding volume of non-traditional products.

5. However, the country's society is dramatically segmented and its income distribution is sharply skewed. The Gini coefficient of 0.58, outdone only by Brazil, indicates the high income inequality faced by the country's population. Land ownership also has a markedly skewed distribution. Under this economic scenario, the Government faces considerable challenges in finding the financial resources to fulfil some of the peace accord's agreements, and to reduce substantially the extremely high levels of rural poverty. The causes of poverty are primarily related to the lack of access to social and productive assets. The scarcity of employment opportunities in the country, especially in rural areas, prompts a large number of Guatemalans to look for employment in Mexico and the United States of America, where about 1.3 million migrant Guatemalans now live. Remittances from migrant workers totalled US\$4,128 million in 2007.

Agriculture and rural poverty

6. The agricultural sector accounts for 22 per cent of GDP, employs over 50 per cent of the labour force and provides over half the country's total earnings. Approximately 70 per cent of the agricultural area under cultivation is devoted to basic grains (maize, sorghum and beans), the country's food staples. Commercial production comprises coffee, bananas, rubber, sugar cane and livestock. In recent years, the growing packing-plant sector has been exporting vegetables, fruit and flowers to the United States and other countries. Through production contracts with exporting enterprises, a sizable proportion of small farmers and indigenous communities are involved in the production of vegetables and fruit, leading to significant family income increments.
7. The degradation of natural resources in Guatemala is intense, particularly as a result of the illegal exploitation of forests and slash-and-burn subsistence agriculture. The overexploitation of land and water resources results in lower productivity of basic crops leading to increased food insecurity of poor smallholder families. Food insecurity also stems from soaring food prices, which are affecting subsistence farmers, day labourers and the non-farming rural poor. In addition, the marketing mechanisms for traditional products are controlled by intermediaries, because of the limited and inadequate rural road networks. The Government's technical services have been drastically reduced over the last decade and financial services are concentrated in urban areas.
8. Poverty in this multi-ethnic country affects primarily young people and rural areas, with the rural poor accounting for about 71 per cent of the country's poor population. Poverty is also higher among indigenous and woman-headed households. This high incidence of rural poverty, localized in clearly identified departments and municipalities, affects IFAD's target groups: indigenous and rural communities involved in smallholder subsistence family farming or small-scale agricultural production for emerging markets. IFAD also targets the landless, wage labourers, agricultural and non-agricultural microentrepreneurs, traditional handicraft artisans, rural women and young people. These groups generally have low levels of human and social capital, and limited access to land and other productive assets. They also have to contend with highly deficient transport and communication infrastructure, and thus have low income-generating capacity. These are the principal factors determining their poor living conditions, and their social, economic and environmental vulnerability; vulnerability that is increasing with the impact of climate change on their livelihood systems, i.e. predominantly rainfed subsistence farming of steep-sloped terrain.
9. While poverty is clearly a national problem, poverty rates are significantly higher in the "poverty belt" of the western altiplano and the northern region, comprising the departments of: Huehuetenango and Quiché (north-western region); San Marcos, Quetzaltenango, Sololá and Totonicapán (south-western region); and Alta Verapaz and Baja Verapaz (northern region). The Human Development Index for Guatemala

of 0.689 places this middle-income country in 118th position (year 2007) among all countries. This ranking is the lowest in Central America, and the second lowest in Latin America. The Gender Development Index is 0.638, revealing the severe inequality prevalent in women's development opportunities.

B. Policy, strategy and institutional context

National institutional context

10. The newly elected Government of Guatemala, inaugurated in January 2008, has presented its national development plan, which addresses the concerns of poverty reduction, food security and rural development. Consequently, the new Government has shown its commitment to sustainable economic development, poverty reduction and the development of the country's rural communities and indigenous peoples, while building an enhanced country strategy for rural development and strengthening its partnership with IFAD.
11. The plan is based on four strategic pillars on which the Government intends to create the opportunities to overcome national problems: (i) solidarity – human loyalty; (ii) governance – civic loyalty; (iii) productivity – economic loyalty; and (iv) regionalism – neighbour loyalty. The plan's general objective is "to orient all social development actions and the necessary resources towards generating employment, combating poverty, providing basic infrastructure, and maintaining harmonious relationships – within a framework that ensures fundamental liberties, social justice, equity and citizen participation – as the instruments to increase the quality of life of the Guatemalan population as a whole."
12. Among the objectives of the Government's plan, of particular relevance are: (i) combating poverty while seeking to fulfil the requirements of the peace accords and the Law of Social Development and to achieve the targets and objectives of the Millennium Development Goals; (ii) assuring the conditions and investments required to guarantee the rights of the population to health, education and nutrition and favour the development of capacity to produce the goods and services required by the country; (iii) generating the necessary conditions for the creation of employment, productive projects and financing for social growth; (iv) guaranteeing productivity through training and technical and financial assistance in support of small businesses and microenterprises; (v) programming and providing basic services and social and productive infrastructure to meet the demands of the Guatemalan population; and (vi) creating and strengthening the environmental policies required to protect and develop the country's natural resources in a sustainable manner.

National rural poverty reduction strategy

13. The Government is defining renewed rural development and poverty reduction policies and strategies, based on: the changing internal and external socio-economic conditions in Guatemala and the Central American subregion, in the context of trade liberalization and other international cooperation agreements; the increased vulnerability of some regions to natural disasters as a consequence of degraded natural resources; and the impact of external economic shocks and climate change on the production capacity and household economies of smallholder and landless farmers. Consequently, the Government is establishing a new sectoral institutional framework, inclusive of a national council for social cohesion and a national commission for rural development. These are the two key instruments for sectoral strategy formulation and development programme implementation.

National Council for Social Cohesion

14. The Social Cohesion Council was created by the President in order to coordinate and focus all social investments on the areas that have a critical impact on poverty reduction. It was conceived to work hand-in-hand with the National Rural Development Programme (ProRural), under the National Rural Development Commission. For both the social cohesion council and ProRural, the entry point to the targeted municipalities will be through social work and productive initiatives. The

main independent instrument for social development in rural areas is the “My Family is Making Progress” programme, consisting of conditional cash transfers to encourage school attendance and improve children’s health and nutrition. This is coupled with the activities of the education, health and energy ministries and the secretariats for food security and social work.

National Rural Development Commission

15. Coordinated by the Office of the President, the Rural Development Commission encompasses appointed representatives of key government institutions, the private sector and indigenous peasant organizations. These include: the Ministries of Agriculture and Food; Economy; Energy and Mining; the Secretariat of Agrarian Affairs; the Rural Development Bank; the chambers of Industry and Agriculture; and the indigenous peasant organization, *Convergencia Nacional Maya*. The tasks and responsibilities of the commission consist of: (i) executing the ProRural programme; (ii) increasing and diversifying rural production; (iii) coordinating the sectoral policies and programmes of the national government plan; and (iv) facilitating, promoting and consolidating the work of the state institutions that make up the commission through strategies that complement their rural development programmes at the national level.

National Rural Development Programme

16. The ProRural programme is expected to act as the “productive arm” of the Government’s combined social and economic development strategy to combat poverty in the poorest areas of the country. It has been defined by the President as a “productive vaccine against poverty, which will guarantee access of rural family households to technology and economic productivity”. The programme will work in 45 municipalities during 2008, and will expand its coverage to 125 in 2009. ProRural in practice will (i) operate primarily seven presidential programmes: ProMaize, ProHorticulture, ProCoffee, ProLivestock, ProEnergy, ProTourism and ProHandcrafts; and (ii) coordinate execution of ongoing and forthcoming IFAD-financed programmes in the northern, north-western, western and central/eastern regions.

IFAD’s national programme support

17. As the initiator and principal financier of the national rural development programme under the previous COSOP (2003), IFAD applied explicitly social and geographical targeting mechanisms. In consequence, all its programmes operate in municipalities facing poverty and extreme poverty, meaning that they overlap for the most part with the present Government’s priority zones of intervention. In fact, through the COSOP programme 2008-2012, IFAD will have an investment presence in over 100 poor municipalities, close to 50 of which experience conditions of extreme poverty. In total, IFAD will operate in 13 departments of five distinct regions that cover a significant area of the country.

Harmonization and alignment

18. At present, donor coordination in the country is undertaken through group dialogue and sectoral coordination platforms. From the Government’s perspective, an international cooperation council – composed of high-level authorities from the Ministry of Foreign Affairs, the Secretariat for Planning and Programming of the Presidency, and the Ministry of Public Finance – has the primary objective of ensuring harmonization and mutual accountability among donors in carrying out the commitments that they have made. The priority areas of cooperation outlined in the Government Plan are: social cohesion (education, health, microcredit, food security), rural development and infrastructure, gender equity, intercultural equity and environmental management. This COSOP is thus fully aligned with the international cooperation agenda set by the Government, and it is committed to fulfilling the principles of the Paris Declaration on Aid Effectiveness.
19. In view of the substantive amount of lending resources committed to rural development in the country and IFAD’s specific intervention approaches in the context of international cooperation, the Fund has been encouraged to promote the

reactivation of the country's rural development round tables. These round tables will support expanded country dialogue on policy and strategy formulation, the dissemination of lessons derived from implementation experience, and the annual evaluation of the COSOP's performance. They will also become the forum for information exchange among development partners and other sectoral stakeholders for programme coordination, complementary action and identification of cofinancing possibilities at the national, departmental and municipal levels.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

20. IFAD has supported the rural poverty reduction, and agricultural and rural development initiatives of the Republic of Guatemala since 1986, contributing to the financing of seven investment programmes through total lending of approximately US\$96.2 million. Over the past decade, IFAD's work in the country has been oriented towards supporting the Government in: (i) consolidating the peace process and rebuilding the social fabric in zones that were affected by the 30-year armed conflict; and (ii) constructing an economic and institutional platform for the development of marginalized rural and indigenous communities. Through implementation experience, IFAD operations have evolved from localized rural development projects into investment programmes framed by a planned and integrated country-wide strategy. The strategic objectives set by the 2003 COSOP of human and social capital development, income generation, and the strengthening of the Ministry of Agriculture, Livestock and Nutrition focused on the need to build – phase by phase – a national rural development programme.

COSOP performance

21. It is acknowledged that achievements under the previous COSOP were limited in the areas of institutional strengthening, while accomplishments in production, employment and income generation, and social and capital development were evident, albeit with delays. The scores for rural performance under IFAD's performance-based allocation system (PBAS) also reflect advances in women's representation, access to extension services and access to agricultural input and produce markets. These COSOP achievements are the result of: (i) implementation of the lending programme in association with grants for technical assistance and promotion of learning, which included the innovative engagement of private sector partners in export promotion; (ii) coordinated work at the municipal level in natural resource management and strengthening of units for rural development planning and women's development; (iii) expanded cofinancing by the OPEC Fund for International Development (OFID); (iv) association with indigenous peasant organizations in the promotion of young people's development, and with second-level associations of indigenous producers in the delivery of technical services; and (v) continued collaboration with the National Fund for Peace (FONAPAZ) and the Ministry of Agriculture, Livestock and Nutrition as the executing agencies of IFAD-financed operations.

Programme execution

22. Programme implementation performance, overall, has ranged from moderately satisfactory to satisfactory, in terms of the parameters applied by the Fund's portfolio performance monitoring system. But the programmes have faced significant delays in loan signing and loan effectiveness. This has been the case for all IFAD loans and also those of other international financial institutions, as loans need to be approved and ratified by the National Assembly. Loan disbursements have suffered from delayed and insufficient counterpart funding because all previously designed programmes have had complex *pari passu* arrangements for their expenditure of funds.

Results and impact

23. IFAD has financed investment operations that have contributed to the economic and social empowerment of rural communities and indigenous organizations. Through the strategic alliances formed with socially responsible private-sector entities – i.e. the Guatemalan Exporters' Association (AGEXPORT) and the Coffee Producers' Fund for Rural Development (FUNCAFE) – a new operational framework has been created for market access by rural and indigenous economic associations for traditional and non-traditional products. These organizations have acquired the capability to perform a distinctive role in the national arena for rural and indigenous development policy, as well as in the marketing and export of their produce and the provision of technical services. Programme evaluations have also shown positive results in land rehabilitation; rural business and microenterprise development; traditional handicrafts promotion; feeder road expansion; and the promotion of social infrastructure.

B. Lessons learned

24. IFAD's programmes in Guatemala have produced a valuable set of experiences, which have been incorporated into the COSOP's design. These relate to: (i) the critical need to design new projects together with the formulation of their pre-implementation strategies, inclusive of project-launching and procurement plans, in order to expedite implementation; (ii) the validity of external financing of all programme investments (net of taxes and duties) as a mechanism for timely loan disbursements; (iii) the expansion of forestry coverage through the flexible allocation of subsidies under diverse land tenure arrangements; and (iv) the advantage of concentrating investments and linking the activities of various components under a primary line of action. The following experiences are particularly relevant to the COSOP's strategic objectives.
- (a) **Market pull.** Within the strategies for productive development and income generation, it is critical to give priority to actions and investments to increase value added and commercialization, given existing production levels. This should be undertaken prior to increasing production/productivity and diversifying production, in view of the uncertainties presented by dynamic and changing markets.
 - (b) **Training approach.** To promote enhanced social and human capital within indigenous communities and organizations – in line with the population structure of the country – it is preferable to develop leadership capacities, rather than offer training per se. In local capacity-building, it is therefore advisable to involve the following three elements from each community: a natural leader, a woman and a young person. This scheme sets into motion an internal (intergenerational) learning and experience-exchange process with results that feed directly into both social and economic activities.
 - (c) **Technical assistance development.** Joint implementation of activities with beneficiaries' organizations not only represents the utilization of local human capital, but also the advancement and specialization of local capital, a process that is conducive to the establishment and consolidation of local stakeholders as technical service providers (i.e. learning-by-doing).
 - (d) **Operational alliances.** The signing of agreements with strategic partners and the establishment of alliances with the private sector for activities related to market access and export promotion have proved to be a best practice in the development of rural competitiveness. This type of alliance should be fostered and the related actions and results monitored, with a view to forming new partnerships. These could involve universities, research centres or chambers of commerce, according to the requirements of new product development and market niches.

- (e) **Municipal strengthening.** The strategy of jointly implementing natural resource rehabilitation activities through combined funding by investment projects and municipalities represents a tested method for promoting sustainability. The experience has been that the supported municipal planning and forestry offices continue to operate after project completion. These activities – which have also included support to establish municipal offices for women’s development – should be expanded in the light of the Government’s ongoing decentralization processes.

IV. IFAD country strategic framework

A. Comparative advantage of IFAD in Guatemala

25. IFAD’s comparative advantage in the country is multifaceted. As such, the new strategic opportunities programme is built on a platform of: (i) programme implementation experience and innovative approaches for various rural development themes, such as gender awareness, market access and agricultural technical services through organized producers, in addition to the application of the Results and Impact Management System (RIMS); (ii) IFAD’s coverage of a large area of the country through three ongoing programmes, totalling US\$62.0 million; and (iii) a favourable institutional context for rural poverty reduction under the new administration.
26. The Fund’s privileged position in the country is also based on the strategic alliances that the Fund has established with key private, public and international development entities, including: (i) OFID (the primary cofinancier of IFAD operations); (ii) FUNCAFE and AGEXPORT (executing agencies of grant-financed activities in support of the “entrepreneurial linkages model”); and (iii) second-level producer associations (the Association of Producer Organizations of the Cuchumatanes [ASOCUCH]) and peasant indigenous organizations (the Mayan Forestry Action Plan [PAFMAYA]), respectively involved in creating mechanisms for the provision of agricultural technical services and the development of indigenous young people. As a result of these alliances, IFAD is in a position to play a pivotal role at the national, departmental and municipal levels in support of enhanced policy dialogue for rural development and poverty reduction and in the implementation of a renewed national rural development programme.

B. Strategic objectives

27. In response to constraints and opportunities faced by the Fund’s target groups, the COSOP 2008-2012 consists of three interrelated and complementary strategic objectives outlined below.
28. **Strategic objective 1: Promoting the market-driven development of agricultural and non-agricultural rural businesses and microenterprises.** This is the principal strategic objective of the COSOP programme. It focuses on market access and rural business development through private-sector entrepreneurial linkages (*encadenamientos empresariales*) as the engine of the sustainable production, commercialization and export, and technological development chain. This objective will be achieved through: (i) support to the establishment and consolidation of local and external market outlets, production chains and agricultural and non-agricultural microenterprises; (ii) the expansion of technical, managerial and rural financial services to improve productivity of food and other crops, diversify traditional and non-traditional products and increase the competitiveness of rural businesses; and (iii) the extension of the rural road network in priority regions to facilitate access to markets and the integration of isolated poor communities into the country’s social and economic mainstream.
29. **Strategic objective 2: Developing social and human capital.** In addition to supporting the first strategic objective, this objective focuses on building social, human and entrepreneurial capacity among the identified target groups, given the connection that exists between economic and social development. Specifically, this objective is aimed at: (i) building entrepreneurial capacities, enhancing the talents

of rural and indigenous women and young people, and facilitating women's participation in decision-making bodies; (ii) supporting the legal consolidation and improved corporate performance of economic associations; and (iii) enhancing the capabilities of the rural population through generalized access to basic infrastructure and community organization.

30. **Strategic objective 3: Enhancing pro-poor rural policy dialogue and sectoral planning.** This strategic objective seeks to achieve enhanced country dialogue, sectoral planning and coordination at the national, departmental and municipal levels. In support of the first strategic objective, this objective seeks to: (i) strengthen participatory planning and the proactive involvement of communities in local, municipal and departmental development councils; (ii) promote sectoral and intersectoral coordination that responds to the needs of the target groups; and (iii) facilitate the participation of peasant indigenous organizations and communities in rural development policy dialogue and round tables.
31. The COSOP addresses the following cross-cutting concerns: the need to reduce vulnerability to the impact of climate change, price increases of staple foods and other external economic factors by more efficient market functioning, improved productivity of food and higher value crops; the need to affirm the multicultural and multilingual identity of the country's indigenous peoples through active involvement of indigenous staff, and use of indigenous languages in programme activities and in digital and printed publications; and the need to achieve gender and intergenerational equity, through the social and economic empowerment of rural women and young people.

C. Opportunities for innovation

32. IFAD's main contribution to Guatemala during the period covered by this COSOP will be innovation related to programme implementation in general, and to tools and methodologies for market access and rural business development in particular, under the entrepreneurial linkages model, which has been adapted to the needs of IFAD's target groups.² The principal elements of innovation are: (i) introducing a subregional dimension into the identification of threats and opportunities that have an impact on the household economies of the Fund's target groups (food security, natural resource management); (ii) adopting an asset-building strategy for poor rural households through two complementary intervention channels: "inclusion-to-development" of rural and indigenous communities, and rural modernization and competitiveness; (iii) strengthening strategic alliances with key entities of the private sector, thus opening up business and export opportunities for rural entrepreneurs; and (iv) promoting indigenous entrepreneurial associations (*gremialismo empresarial indígena*) with a view to expanding rural enterprises and encouraging the assimilation of a culture of rural competitiveness by the municipalities with regard to production and export.

² The entrepreneurial linkages model is a mechanism for connecting both organized small rural producers and exporting agents with effective market demand. This mechanism facilitates the expansion, diversification and higher quality of traditional and non-traditional products. The increased volume of exportable quality produce – achieved through strategic alliances with specialized private-sector technical and commercial entities, and with operators that have concrete commercial relations with national and foreign market outlets – facilitates the consolidation of production and value chains. Based on the formulation of business plans, this approach allows the identification and mitigation of potential business risks. Specifically, these backward linkages, from the markets to the initial links of primary production: (i) promote improvements in productivity, according to production cycles and the timely demands of market niches; (ii) seek to achieve competitive production, putting into practice quality control methods and sanitation standards; (iii) determine new requirements for production-related technical assistance and additional financing, leading to the capitalization of production units; and (iv) facilitate the adoption of improved production and marketing procedures, including product certification, regional denomination of origin, etc. In sum, the activation of these chains leads to the incorporation of modern production and management norms and technologies, the establishment of new rural businesses and microenterprises, and the consequent generation of incremental incomes and employment. Together, these actions contribute to the reduction of poverty while reactivating local and microregional economies.

D. Targeting strategy

IFAD target groups

33. Thanks to several studies undertaken in the country, a detailed profile has been established of the social and economic conditions of the rural population. The country's diverse rural and ethnic populations have been identified based on their ethnocultural, geographic and agroecological characteristics. Detailed poverty mapping does exist for the 333 municipalities of the 22 departments (for poverty and extreme poverty). These studies, together with the IFAD Policy on Targeting and its gender policy, have facilitated the identification of the Fund's target groups, which are described in key file 4 (target group identification, priority issues and potential response).

Targeting and intervention strategy

34. To address the distinct needs of the Fund's target groups, investment programmes under this COSOP will be implemented through a two-pronged complementary strategy: (i) expansion of development investments and activities in selected, priority communities and municipalities, currently not serviced by any development project (inclusion-to-development); and (ii) consolidation of investments made in the more advanced intervention areas of IFAD's ongoing programmes through a strategy to strengthen businesses and promote entrepreneurial chains and market access for rural microenterprises (rural modernization). Social targeting methodologies will be systematically applied during implementation, as dictated by the expected outcomes and development targets of individual programmes. These methodologies call for the (i) participation of representative community development councils in determining the priority intervention areas and social groups and (ii) empowerment of beneficiaries to participate actively in programme-related decisions.

E. Policy linkages

35. As a principal sectoral player and financier in the Government's national rural development programme, the Fund has a major stake in sustained country dialogue towards enhanced sectoral policies and strategies. The main issues for policy discussion to be addressed bilaterally with the Government and in the context of the reactivated rural development round tables (*mesas de dialogo*) relate to: (i) the sectoral and intersectoral coordination of government entities at the national, departmental and municipal levels; (ii) the strategic objectives espoused by this COSOP; (iii) the impact of soaring food prices and climate change on the household economies of the Fund's target groups; (iv) the establishment of mechanisms for the dissemination/exchange of development best practices; and (v) the timely identification of programme implementation constraints and consequent problem-solving.

V. Programme management

A. COSOP management

36. The COSOP will be implemented in accordance with stated Government priorities during 2008-2012. Implementation will be guided by in-country portfolio performance management activities and reviewed annually. The COSOP will be formally reviewed at a meeting in which a country programme progress report – prepared by IFAD – will be discussed. The annual report will be based on the enhanced COSOP Results Management Framework (RMF) to be formulated through a participative workshop in early 2009. The report will also contain information on the annual sector analysis of the PBAS, the progress in the context of the RIMS system, the country programme sheet and the Portfolio Performance Report and it will emphasize implementation bottlenecks and performance-enhancement measures for projects at risk.

37. To assist in programme implementation, the CPM for Guatemala will formalize the establishment of a Country Programme Management Team composed of government authorities, programme coordinators, representatives of United Nations agencies and bilateral and multilateral donors, client-beneficiaries, private-sector partners and specialized consultants. Early in 2011, a mid-term review of the programme will be carried out jointly with participating government entities and specialists from research centres and universities. This review will recommend adjustments to the strategic objectives and the RMF if required. In 2012, at the end of the COSOP period, the programme's results will be examined in the light of the strategic objectives and their contribution to the country's poverty reduction goals. The core element of the final report on COSOP implementation will be a complete review of the RMF, which will be discussed at a workshop attended by all stakeholders.

B. Country programme management

The Country Programme

The current portfolio

38. The investment programme for the time span of this COSOP consists of the ongoing programme portfolio and new loans and grants, which will place a marked emphasis on implementation support and learning activities. The current portfolio includes the following investment programmes: (a) the Rural Development Programme for Las Verapaces (PRODEVER), approved in December 1999 (total cost: US\$26.0 million; IFAD loan 518-GT: US\$15.0 million), to be completed in 2009, with disbursements reaching 76 per cent, as at 10 October 2008; (b) the National Rural Development Programme – Phase I: The Western Region, approved in September 2003 (total cost: US\$48.0 million; IFAD loan 614-GT: US\$30.0 million), to be completed in 2013, with disbursements reaching 5 per cent, as at 10 October 2008; and (c) the National Rural Development Programme: Central and Eastern Regions, approved in December 2004 (total cost: US\$34.0 million; IFAD loan 651-GT: US\$17.0 million). This loan has yet to fulfil the conditions for effectiveness, as it is awaiting approval by the National Assembly.
39. The present portfolio also comprises selected non-lending operations that focus on small, pilot and learning operations involving socially responsible Guatemalan private-sector entities. Specifically, one operation provides capacity-building and technical assistance to promote access by smallholder farmers and artisans to markets for traditional and non-traditional products (AGEXPORT; 2006, US\$0.2 million), while a second operation supports the transfer of key management technology to enhance the competitiveness of small coffee and cocoa producers in Las Verapaces (FUNCAFE; 2008, US\$0.2 million).

Programme pipeline

40. The Government is seeking to expand its rural development programmes, with IFAD's support. A new investment operation – the Sustainable Rural Development Programme for the Northern Region (PRODENORTE) (total cost: US\$40.4 million; expected IFAD loan: US\$18.4 million on ordinary lending terms) – has been designed to be simultaneously presented with this COSOP to the Executive Board session in December 2008. The programme pipeline may also include a new investment programme for selected municipalities of Quiché Department, which will follow the component pattern of PRODENORTE and consolidate the successful interventions of the Programme for Rural Development and Reconstruction in the Quiché Department. This additional programme will be: (i) designed during the course of COSOP implementation, based on emerging experiences and field results; and (ii) financed through the potential allocation of IFAD lending under the PBAS for 2010-2012, pending the Government's borrowing capacity and COSOP programme implementation results.

Non-lending portfolio

41. The COSOP programme envisages support in the form of grants for technical assistance and learning activities. Some initiatives that have been preliminarily identified are: (i) promoting the indigenous entrepreneurial association, *Gremialismo empresarial Maya*; (ii) providing support for agricultural technical services through indigenous smallholder producers' associations; and (iii) supporting knowledge management with regard to the COSOP's strategic objectives and implementation.

Programme implementation and supervision

42. The COSOP's strategic programme has a clearly defined dual purpose: to achieve a fully performing portfolio of ongoing and approved loans that together represent substantial financial resources; and to start a new generation of rural development interventions in the country. Country programme implementation will therefore focus on: (i) completing successfully the PROVEDER programme and capitalizing on the lessons derived from its evaluation; (ii) launching PRODENORTE in 2010, which will operate in the same (northern) region; and (iii) enhancing the implementation performance of the ongoing programmes in the western, central and eastern regions. The PRODEVER programme is being implemented by FONAPAZ, as will be the proposed PRODENORTE programme. The western and central/eastern regional programmes are expected to be executed directly by ProRural. The overall country programme will be implemented in a coordinated manner by ProRural.

Programme alignment

43. The objectives, components and instruments of the ongoing IFAD programmes – for example, local development participation and decentralization; rural business and marketing; rural technical services; productive joint investment funds; rural financial services; natural resource management; human and social capital development; rural roads and infrastructure; institutional strengthening – are closely related in content to the new COSOP's strategic objectives. In order to incorporate rural development best practices and state-of-the-art compatible programme management tools, some specific methodological, programming and budgetary adjustments will be needed to ensure consistency with the new COSOP and the RMF.
44. These necessary adjustments will be reflected in: (i) the content of programme start up and other induction workshops; (ii) enhanced participatory methodologies for programme promotion and social targeting; (iii) some modifications to the investments and activities at the component level, which will not affect programme objectives and scope – as approved by the Executive Board – but will incorporate the new strategic operational focus of this COSOP, such as market access and entrepreneurial linkages, into rural business and marketing components; (iv) some finance-related loan amendments to remove the loan disbursement constraints resulting from present limitations in counterpart funding; and (v) improved logical framework schemes and consistently aligned annual workplans.

Results management

45. The COSOP's RMF (appendix III) presents the indicative aggregate results of what IFAD expects to accomplish by 2012 through the implementation of its investment operations. These indicative results, including the income and patrimony enhancement targets, will be refined and validated in the context of the ongoing formulation of 2009 annual workplans. The M&E indicators are also preliminary, as the logical frameworks of individual programmes will be aligned with the COSOP's strategic objectives at a special planning workshop to be undertaken in Guatemala early in 2009. This exercise – involving programme coordinators and technical staff, FONAPAZ and ProRural management, the Secretariat for Planning and Programming of the Presidency and other Government authorities – will generate a firm baseline for COSOP targets and suitable monitoring indicators, according to RIMS requirements. A consolidated monitoring and evaluation system for the COSOP programme (and the expected results of individual programmes) will be established to support timely follow-up and annual programming and reviews.

Programme financing

46. As part of a consolidated country programme, COSOP implementation will be financed by the undisbursed loan amounts of the PRODEVER programme (US\$3.6 million), the western region programme (US\$28.4 million) and central/eastern region programme (US\$17.0 million) – for a total of US\$49.0 million, as at 10 October 2008. This is in addition to the country allocation under the PBAS system for the period 2007-2009 (US\$18.5 million). Supplementary resources correspond to current funds (US\$26.0 million) and expected additional funds from OFID (US\$15.0 million earmarked for PRODENORTE), which is involved in all IFAD operations in the country, for a total of US\$41.0 million in cofinancing. These resources are complementary to counterpart funding and beneficiary contributions.

Direct supervision/implementation support

47. The entire IFAD programme in Guatemala will be followed up closely through a more active field presence and direct supervision, which will be introduced in 2009. This implementation follow-up and support will be the responsibility of the CPM, as per IFAD's guidelines for direct supervision. These new activities entailed the appointment of a long-term IFAD consultant as field officer, who took up duties in mid-September 2008. This intensification of IFAD's field presence is also critical for: (i) continued country policy dialogue and strategy discussions; and (ii) the expanded strategic alliances that the Fund is forging with national and international partners.

Measuring results

48. Formulated for a middle-income country facing severe rural poverty and social inequality, this COSOP is concerned with following up on the performance of investment programmes, measuring intervention results, and estimating development impact. This will show how many poor rural people have experienced improvements in income, employment and well-being over a given period of time. Evaluation concerns also relate to ascertaining: (i) how structural poverty might be exacerbated by the impact of climate change, high food and energy prices, the looming financial crises and other dynamics affecting IFAD interventions; and (ii) whether IFAD-supported activities have effectively contributed to strengthening the impact of government action; promoted learning from field experience; and fostered policy dialogue and enhanced policymaking. To ensure that results can be measured, participatory monitoring and evaluation, and knowledge management systems, RIMS and programme-specific monitoring systems will be established and will reflect the key success factors that form part of IFAD's programme quality enhancement and quality assurance processes.

C. Partnerships

Government associates

49. The principal government partners at the central government level are the Directorate of Public Credit of the Ministry of Public Finance, the Secretariat for Planning and Programming of the Presidency, and the International Cooperation Council, Ministry of Foreign Affairs. These are the institutions involved in the approval and follow up of international cooperation and lending. The national rural development commission, the ProRural programme and FONAPAZ are directly involved in programme implementation and operation. The Ministry of Transport and Communications, the Ministry of Environment and Natural Resources and the Ministry of the Economy will be involved in normative and/or operational aspects of natural resource management, rural road construction/rehabilitation and market access, business development, and rural competitiveness. Legislative bodies – particularly the commissions of agriculture, food security and governance – will play a key role in the approval of IFAD loans.
50. At the field level, IFAD will maintain relations with departmental governors, mayors, and the delegates of sectoral institutions (e.g. planning and programming, agriculture, food security) for programme planning and implementation, and the

activation of sectoral round tables. The IFAD programmes will seek to achieve specific cooperation arrangements and synergy with other Government programmes, starting with the initiatives of the Social Cohesion Council, according to the country's rural poverty reduction strategy.

Development institutions

51. Multilateral and bilateral donors and technical cooperation agencies play a major part in IFAD operations in the country, either through actual collaboration and cofinancing or through consultations. The Fund generally shares information on its ongoing/future operations and closely follows donor country strategies and operations, including those of the Central American Bank for Economic Integration, the Inter-American Development Bank and the World Bank with a view to identifying programme cofinancing opportunities, establishing areas of collaboration/synergy and avoiding duplication of efforts. OFID is a longstanding partner, having cofinanced most of IFAD's programmes. It has also earmarked the required funding for PRODENORTE. IFAD also maintains communication with the bilateral donors, which were involved in the COSOP consultation. These include the aid agencies of Denmark, Germany, Italy, Japan, Spain, Sweden, Switzerland and the United States, and the European Union.

Partnerships

52. IFAD's principal partners in the country are the United Nations Development Programme, as the United Nations field agency and administrator of some IFAD programmes; OFID; and the Regional Unit for Technical Assistance (RUTA), the coordinator and executing entity of key technical assistance activities and other services on behalf of the principal development agencies, including IFAD. Both the Danish International Development Assistance (DANIDA) and the United States Agency for International Development (USAID) are promoting, in collaboration with AGEXPORT and IFAD, the entrepreneurial linkages model. Their respective experiences in support of sustainable microenterprise (rural and ecotourism) and the exporting municipalities programme will be highly valuable for IFAD's operations and offer potential for expanded partnership.

Implementation partners

53. The implementation of IFAD programmes generally entails contracting coexecuting bodies and specialized technical service providers and other types of providers, including local and national entities, professional service providers, universities and rural finance intermediaries. IFAD's private-sector partners are also involved, for example, entities such as AGEXPORT and FUNCAFE, which implement pilot initiatives financed by IFAD. Other potential associates include indigenous associations and institutions (PAFMAYA and the Institute for Mayan Research and Development); specialized NGOs; local producers' organizations acting as technical assistance providers (Association of Producer Organizations of the Cuchumatanes); the municipalities; the community, municipal and departmental development councils; and traditional ethnic authorities.

D. Knowledge management and communication

54. A primary objective of the COSOP will be to contribute to IFAD's knowledge base and promote innovation in Guatemala, while compiling and disseminating new experiences in the context of an integrated and mutually reinforcing portfolio of learning opportunities: loans underpinned by technical assistance grants. All IFAD-supported operations will include mechanisms (and budgets) for systematizing and exchanging experiences within the country, the subregion and other countries. These activities will be supported by dedicated in-project monitoring and evaluation and knowledge management systems aimed at supplying key materials for enlightened country dialogue at relevant round tables; and replicating and scaling up operations in the country and elsewhere in Central America. Interregional and South-South activities will also be promoted.

55. Moreover, all investment programmes will be integral components of the IFAD-sponsored rural development learning networks, including: (i) those promoted by RUTA in support of sectoral institutional development in Central America; (ii) new initiatives on Internet-based information exchange, monitoring and evaluation, learning, and knowledge management; and (iii) the regional programme in support of the participation of indigenous and peasant organizations in policy dialogue regarding the impact of the Central America – Santo Domingo – United States Free Trade Agreement. All learning activities will be documented in printed and digital publications and dedicated Internet-based webpages in Spanish and indigenous languages.

E. PBAS financing framework

56. The PBAS allocation is reviewed yearly in the light of rural sector performance. The 2007 PBAS assessment resulted in a rural sector performance rating for Guatemala of 3.96 (on a scale of 5). This score represents a total country allocation for the period 2007-2009 of US\$18,463,062. The indicators and scores are presented in table 1.

Table 1
PBAS calculation for COSOP year 1

<i>Indicator</i>	<i>COSOP Y1 Rural sector scores</i>
Regulatory and legal framework for rural organizations	3.94
Dialogue between Government and rural organizations	3.75
Access to land	3.3
Access to water or agricultural use	3.43
Access to research and agricultural extension services	3.43
Conditions conducive to developing rural financial services	4.13
Favourable investment climate for rural enterprises	4.38
Access to agricultural inputs and markets for products	5.00
Access to education in rural areas	3.83
Representation	4.5
Allocation and management of public resources for rural development	3.96
Accountability, transparency and corruption in rural areas	3.94
Sum of overall point values	47.58
Average of overall point values	3.96
Score of projects at risk	6
Country Score	3 960
Annual allocation (United States dollars)	5 626 908

Sensitivity analysis

57. Finally, table 2 shows an estimation of upward and downward variations, depending on country implementation performance.

Table 2
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>Projects-at-risk rating (+/- 1)</i>	<i>Rural sector performance score (+/- 0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	5	3.66	-23%
Base case	6	3.96	0%
Hypothetical high case	6	4.26	7%

F. Risks and risk management

58. The risks presented below were identified during the COSOP consultations and in the review of the PBAS assessment. The COSOP mission initially identified the assumptions on which the strategic objectives are based, namely that: (i) the Government's agenda for rural development and poverty reduction maintains its stated high priority; (ii) the social and economic stability of the country is preserved; and (iii) the subregional and other external markets for traditional and non-traditional products favour the growth of the country's production.
59. The following measures should mitigate the risk of diminishing interest and commitment on the part of the Government: (i) planned reactivation of rural development round tables; (ii) knowledge management and communication strategies under each investment programme; (iii) support to enhancing planning capabilities at the municipal and departmental levels; and (iv) overall human and social asset development, which should lead to improved social audit performance. In addition, a stronger IFAD country presence and direct supervision will help sustain the commitment of the Government and other stakeholders. With respect to the functioning of and shifts in external markets for particular products, price and market-prospect information systems will need to be promoted, along with the full use of technology, which is rapidly expanding in Guatemala (e.g. cellular telephones). It will also be necessary to maintain a proactive search for export market niches.
60. An additional risk is related to the occurrence of prolonged adverse climatic conditions or unexpected storms, in view of Guatemala's extreme vulnerability to natural disasters. This could negatively affect rural development and poverty reduction achievements. To mitigate this risk, all operations will need to address the issues of sustainable production and natural resource management, as part of the wider strategy for social and economic infrastructure expansion and regional economic growth.
61. The risk persists of delayed start up of investment programmes. In the past, there have been cases of delays in the approval and ratification of loans by Congress. This risk is immediate: IFAD's most recent operation has yet to become effective and the loans of other donors also have to contend with this bottleneck. In mitigation, information regarding the COSOP's strategic objectives and the performance of the IFAD programme will continue to be shared with key members of legislative and other governmental decision-making bodies and with civil society at large.

Sustainability strategy

62. Finally, sustainability of all COSOP programme activities and investments will be sought systematically through: (i) active country policy and strategy dialogue; (ii) the sponsorship of community organization and planning capabilities at the municipal level; (iii) the promotion of entrepreneurship and viable microeconomic-private business initiatives by organized producers; and (iv) the establishment of alliances with key entities in the private sector together with an overall focus on rural modernization and competitiveness.

COSOP consultation process

I. The COSOP formulation and consultation process

1. The present results-based Country Strategic Opportunities Programme (COSOP) reflects the intensive dialogue between the country programme management of the International Fund for Agricultural Development (IFAD) and the authorities of the Government of Guatemala (GOG). The COSOP demonstrates as well the communication that is maintained with major rural development stakeholders and partners, including bilateral and multilateral development institutions, civil society and key entities of the socially-responsible private sector. The strategic opportunities programme is thus the outcome of: (i) GOG's direct involvement in the COSOP formulation process; (ii) extensive consultations with current and potential client-beneficiaries of IFAD-financed programmes; and (iii) discussions with main representatives of the private sector, the legislative, peasant indigenous organizations, producer associations and the donor community, at departmental, municipal and local levels.
2. The COSOP formulation exercise for Guatemala aimed, in the first place, at addressing the country's broader issues of rural development, encompassing predominantly: territorial development and decentralization; municipal and microwatershed planning; migration and remittances; soaring food price increases; rural women and youth development; environmental degradation/vulnerability and risk mitigation to natural disasters; agricultural competitiveness and market access for smallholder products; and information technology for rural development. It was also concerned with integrating both the IFAD's Strategic Framework 2007-2010 and Guatemala's rural development policies and strategies into the COSOP's strategic objectives whilst building a fresh pipeline of relevant investment projects.

The consultation process

3. A COSOP formulation and consultation exercise was undertaken in Guatemala in two phases, consisting of an in-country mission preparation and initial dialogue with Government authorities (March 2008) followed by field visits and consultation activities carried out in various regions of the country (April 2008). In this process, the principal sectoral actors, including the potential clients-beneficiaries of future operations, provided key elements of sectoral diagnostic, examples of unmet development demands, and other important inputs for the elaboration of the COSOP's Strategic Objectives.
4. Key meetings were held in the capital of the country, involving the main government entities, the institutions responsible for the implementation of IFAD-financed programmes, the development agencies present in the country, and IFAD's private sector partners. These meetings were critical to discuss the country's main constraints and opportunities for rural development and poverty alleviation, at the same time that the IFAD mission obtained direct information and documentation on the Government's Development Plan and its new policies and strategies. The key national institutions, included: (i) the National Rural Development Commission and the National ProRural Programme; (ii) the executing entities of IFAD programmes, the National Fund for Peace (FONAPAZ), and the Ministry of Agriculture, Livestock and Food (MAGA); (iii) the International Development Cooperation Council, composed by the Ministry of Foreign Affairs (MIRE), the Secretariat for Planning and Programming of the Presidency (SEGEPLAN), and the Ministry of Public Finance (MINFIN); and (iv) the Secretariat for Agrarian Affairs (SAA), among others.
5. The mission also had the opportunity to attend the annual general assembly of the indigenous umbrella organization Mayan Forestry Plan (PAFMAYA) and the Mayan Institute for Research and Development (IIDEMAYA), in which diverse indigenous

peasant organizations manifested their development perspectives to the Government, and made, accordingly, specific programme proposals for the advancement of the country's indigenous peoples.

Field consultation and workshops

6. During the second phase of the formulation process, a field mission was undertaken through the diverse agroecological regions of the country, in order to obtain first-hand information on the living conditions of the rural populations and to identify both the IFAD target groups and potential areas for future investment programmes. In consequence, the mission team held meetings with the lady Governor of the Alta Verapaz Department, and the mayors and technical staff of various departments/ municipalities, including: Huehuetenango, Chiantla, Chahal, Chisec, Cobán, Rabinal, San Juan Chamelco and Villa Canales. Other meetings took place with the delegates of national institutions at regional and departmental levels, i.e., SEGEPLAN, MAGA, the Land Fund, the Ministry of the Environment and Natural Resources (MARN), the Secretariat of Food Security and Nutrition (SSAN), etc. In addition, technical workshops were held in rural settings with the participation of local authorities, community development council members, representatives of NGOs and producer associations, civil society, and the management and technical staff of the Fund's ongoing programmes.

Mission wrap-up meetings

7. A special meeting was held at the office of the United Nations Development Programme (UNDP) with representatives from major donors (e.g., Denmark, Germany, Italy, Japan); the management of the main agricultural private sector groups (agricultural exporters, sugar and coffee growers, etc.); and other agencies of the United Nations. The encounter of the representatives of this diverse entities involved in the country's development with the COSOP team, represented a meaningful opportunity to achieve a comprehensive view of the country's ongoing development activities and intervention harmonization needs. In addition, the presentation made by the Country Programme Manager in the First Coffee Growers Congress, held under the theme of Health, Education and Food Security, represented a valuable occasion to broadly share the objectives of the COSOP mission while taking note of the challenges faced by the Government to achieve the Millennium Development Goals.
8. A closing workshop was held with the presence of all principal stakeholders, in which the COSOP's preliminary profile was discussed. Finally, to conclude the consultation process, a meeting was held in IFAD (May 2008) to present the results of the COSOP mission. In addition to the members of the Country Programme Management Team (CPMT), present in this meeting were the Ambassador of the Republic of Guatemala in Italy and the country representative at the United Nations organizations in Rome.

Key strategic issues

9. The consultation exercise led to a series of conclusions and recommendations on a wide range of rural development/ poverty alleviation issues and problems, which represented a key input in the definition of the COSOP's strategic objectives and instruments of intervention. The principal issues analysed included: (i) the lack of basic services (health, education) and social and economic infrastructure (water, sanitation), together with the isolation of rural and indigenous communities (rural communication and roads); (ii) the need for the provision of agricultural production inputs and technical services, and the eradication of unsustainable agricultural practices; (iii) the importance of expanded access to local, regional and export markets; (iv) the distinct developmental constraints faced by women and young people in the rural areas, including those related to family household work, and to the opening of employment opportunities and access to technical and higher education; (v) the weaknesses of the decentralised territorial development system

and the lack of government's budgetary funds at departmental and municipal levels; (vi) the lack of sectoral and intersectoral coordination among government entities; (vii) the Government's concern for an inclusive and intercultural development process, aiming its efforts at the municipalities/ communities facing extreme poverty and poverty conditions; (viii) the recommendation to focus all development efforts not only on the constraints but on the potential and opportunities of poor rural people; (ix) the imperative to create remunerated (agricultural and non agricultural) jobs and thus facilitate the development of rural businesses and microenterprises; and (x) the importance of addressing the emerging problems of climate change, food security and soaring price increases both from a subregional (Central American) and country perspectives.

II. Perspectives for rural development and poverty reduction

10. An initial evaluation of Guatemala's perspectives for rural development and poverty reduction, led to the following conclusions. **Strengths** of current policies, strategies and programmes comprise: (i) a Government Plan that is explicit about the severe problems of poverty, marginality and lack of development opportunities in the country; and of the ways and means the Government intends to address these problems; (ii) a democratic institutional framework that has been maintained over recent years, following the Peace Accords, and from which the present elected administration emerged. The country counts as well, as a result of its decentralization policies, with an established system of development councils, which are representative in the community, municipal, departmental and national domains (COCODEs, COMUDES, CODEDEs); and (iii) this year's establishment of the National Social Cohesion Council and the National Rural Development Commission, which represent the instruments of a new strategy for poverty alleviation in the country. These two entities may become the pillars for social development, on the one hand, and for economic development and rural competitiveness, on the other. These new bodies could also become the pivot for sectoral and intersectoral coordination at municipal, departmental and national levels.
11. **Weaknesses** to highlight include: (i) firstly, the limited capacity of the State to face the principal obstacles to social and economic development, a situation that is demonstrated by the insufficient sectoral and intersectoral coordination; (ii) public expenditures in key sectors and areas, such as health and education, which are dramatically low and severely insufficient in view of the country's generalised low human development levels; (iii) the existing pattern of land distribution, a resource that is concentrated in very few families, and the origin of the recent increase in agrarian conflicts. This problems result, in part, from the uncertainty and lack of information related to the objectives and scope of the Government's land administration programmes; (iv) an increased environmental degradation, notably due to the generalized *slash-and-burn* practices and the illegal exploitation of forestry resources. This situation gets manifested through an increased vulnerability to natural disasters and the devastating impact of recent storms; (v) an informal economy that is larger than the formal economic establishment, and poverty levels that are the highest among Central American countries; and (vi) lastly, but to be highlighted, the fact that Guatemala is a country with significantly high inequality in terms of income, productive assets and overall development opportunities. This inequality is marked between men and women; and between indigenous and non-indigenous people. Women and female children, principally in rural and indigenous areas, suffer a structural subordination in economic and social terms, as it is dramatically confirmed by health and education indicators. This latter situation is a burden most acknowledged by development agencies and one which needs to be eliminated as a necessary condition for integral social and economic advancement in all regions of the country.

12. **Opportunities** for economic growth –which are a prerequisite to generate the economic and financial resources to achieve the millennium development goals and the favourable conditions for further social development and rural poverty reduction–, are offered, in general, by: (i) the ongoing process of subregional Central American integration; (ii) the launching of, and initial achievements under the Central American Free Trade Agreement; and (iii) the processes of trade liberalization, in general, and the opening of European and Asian markets, in particular. These commercial undertakings have a direct impact on the expansion of traditional and non-traditional exports, as the engine for the generation of employment and incomes and a higher competitiveness of national products in international markets. Specific potentials in this latter regard are the diversity of microclimates and the abundance of labour in the rural areas, which allows the diversification of agricultural products in distinct market niches and seasonal counter-cycles throughout the year; and the strategic geographical location of Guatemala for the transport of fragile and perishable products to North American and European markets.
13. Other opportunities which deserve mentioning are: (i) the joint approach and commitment manifested by the Presidents of Central America towards regional food security, the integration of norms and targets for sustainable agricultural production and the conservation of natural resources; and (ii) the monetary remittances of Guatemalan migrants, which despite the contemplated risk for their reduction as a consequence of more strict controls in the Mexican and USA borders, they do guarantee meeting the basic needs of thousands of families. These remittances arrive to the country's families normally in small monthly sums of money which, nevertheless, contribute directly to activate the local and regional economies of their communities. They also represent a considerable aggregate amount of resources for the functioning of the national economy.
14. The vast cultural wealth and ethnic diversity of the country should also be highlighted, together with the great value and variety of handicrafts produced by the indigenous peoples, and the wide biodiversity of Guatemala's territories. These three elements constitute a true and valuable patrimony held by the traditional indigenous owners, and a potential element for their social and productive capitalization. Taking advantage of these resources requires systematic and dedicated efforts oriented towards human and social capital development and the promotion of entrepreneurial capabilities within the indigenous populations; altogether in a context of sustainable management and preservation of these cultural and natural assets.
15. Finally, identified principal **threats** are the following: (i) the acute conditions of malnutrition and food insecurity in which thousands of families survive across the country, principally in the regions and municipalities characterized by other equally severe poverty and marginality indicators. This condition of undernourishment continues to affect over 50 per cent of all children below five years of age –a worst case situation across the globe; (ii) the persistent poverty and the vulnerability of the indigenous and rural communities both to natural disasters, as adverse manifestations of climate change, and the increasing prices of food and production inputs; and (iii) the limited access to the whole of social and production assets and infrastructure in the rural areas. This latter situation is manifested by the high fragmentation of productive parcels and the low productivity of lands, and by the severe rural unemployment. These circumstances contribute to permanent internal labour flows for seasonal crop harvesting and the constant migration of Guatemalans seeking employment in Mexico and the USA.

Country economic background

Land area (km2 thousand) 2006 1/	108
Total population (million) 2006 1/	13.03
Population density (people per km2) 2006 1/	120
Local currency GTQ (Quetzal)	

Social Indicators

Population (average annual population growth rate)	2.5
2000-2006 1/	
Crude birth rate (per thousand people) 2006 1/	34
Crude death rate (per thousand people) 2006 1/	6
Infant mortality rate (per thousand live births) 2006 1/	31
Life expectancy at birth (years) 2006 1/	70
Number of rural poor (million) (estimate) 1/	n/a
Poor as % of total rural population 1/	n/a
Total labour force (million) 2006 1/	4.25
Female labour force as % of total 2006 1/	31

Education

School enrolment, primary (% gross) 2006 1/	114
Adult illiteracy rate (% age 15 and above) 2006 1/	n/a

Nutrition

Daily calorie supply per capita	n/a
Malnutrition prevalence, height for age (% of children under 5) 2006 2/	54
Malnutrition prevalence, weight for age (% of children under 5) 2006 2/	23

Health

Health expenditure, total (as % of GDP) 2006 1/	5 a/
Physicians (per thousand people)	n/a
Population using improved water sources (%) 2004 2/	95
Population with access to essential drugs (%) 2/	n/a
Population using adequate sanitation facilities (%) 2004 2/	86

Agriculture and Food

Food imports (% of merchandise imports) 2006 1/	10
Fertilizer consumption (hundreds of grams per ha of arable land) 2006 1/	1 379a/
Food production index (1999-01=100) 2006 1/	115
Cereal yield (kg per ha) 2006 1/	1 501

Land Use

Arable land as % of land area 2006 1/	13 a/
Forest area as % of total land area 2006 1/	36 a/
Irrigated land as % of cropland 2006 1/	6 a/

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

1/ World Bank, *World Development Indicators* database CD ROM 2008

2/ UNDP, *Human Development Report*, 2007/2008

GNI per capita (USD) 2006 1/	2 590
GDP per capita growth (annual %) 2006 1/	2
Inflation, consumer prices (annual %) 2006 1/	7
Exchange rate: USD 1 = GTQ	7.41

Economic Indicators

GDP (USD million) 2006 1/	35 325
GDP growth (annual %) 1/ 2000	3.6
2006	4.5

Sectoral distribution of GDP 2006 1/

% agriculture	22
% industry	19
% manufacturing	13
% services	59

Consumption 2006 1/

General government final consumption expenditure (as % of GDP)	6
Household final consumption expenditure, etc. (as % of GDP)	90
Gross domestic savings (as % of GDP)	4

Balance of Payments (USD million)

Merchandise exports 2006 1/	6 025
Merchandise imports 2006 1/	11 920

Balance of merchandise trade -5 895

Current account balances (USD million)

before official transfers 2006 1/	-5 774
after official transfers 2006 1/	-1 592
Foreign direct investment, net 2006 1/	354

Government Finance

Cash surplus/deficit (as % of GDP) 2006 1/	-2
Total expenditure (% of GDP) 2006 1/	n/a
Total external debt (USD million) 2006 1/	5 496

Present value of debt (as % of GNI) 2006 1/ 18

Total debt service (% of GNI) 2006 1/ 2

Lending interest rate (%) 2006 1/ 13

Deposit interest rate (%) 2006 1/ 5

COSOP results management framework

COUNTRY STRATEGY ALIGNMENT	KEY RESULTS			INSTITUTIONAL/ POLICY OBJECTIVES
Poverty Reduction Strategy and Targets	Strategic Objectives	Outcome that IFAD Expects to Influence	Milestone Indicators	Policy Dialogue Agenda
<p>General Objective: Orient/integrate all social development actions/resources towards: generating employment, combating poverty, accessing basic infrastructure, and maintaining harmonious relationships –within a framework of fundamental liberties, social justice, equity and citizen participation–, to increase all Guatemalans’ quality of life</p> <p>Specific Objectives: (i) Combating poverty while fulfilling the Peace Accords, the Law of Social Development, and the MDGs Targets; (ii) Generating the necessary conditions for the creation of employment, productive projects and financing for social growth; (iii) Developing the country’s production capacities of goods/services, including basic services and social and productive infrastructure; (iv) Guaranteeing productivity through training/ formation and technical/financial assistance in support of micro and small enterprises; and (v) Strengthening environmental policies to conserve/ develop the country’s natural resources, sustainably.</p>	<p>SO1: Promoting market-driven agricultural and non-agricultural rural business and microenterprise development. This is the principal strategic objective. This SO will be achieved through: (i) support to the establishment and consolidation of local and external markets, production chains and microenterprises; (ii) the expansion of technical, managerial and rural financial services seeking improved productivity of food and higher value crops, the diversification of traditional and non-traditional products, and rural business competitiveness; and (iii) the extension of the rural road network in priority regions.</p> <p>SO2: Developing social and human capital. In support of SO1, this objective aims at: (i) building entrepreneurial capacities and enhancing the talent of rural and indigenous women and young people; (ii) supporting the legal consolidation and improved performance of economic associations; and (iii) enhancing community organization.</p> <p>SO3: Enhancing pro-poor rural policy dialogue and sectoral planning. This objective seeks to: (i) strengthen participatory planning and the proactive involvement of communities in development councils; (ii) promote sectoral coordination that responds to the needs of target groups; and (iii) facilitate the participation of peasant indigenous organizations in rural development policy dialogue.</p>	<p>COSOP overall objective: The target groups increase their agricultural and non-agricultural production, employment and incomes through better linkages to production chains and greater market access</p> <p>Selected Indicative Results by 2012 (*):</p> <p>45 000 poor rural families have improved their income and increased their patrimony by more than 20%; <i>200 rural businesses/ microenterprises access markets and operate sustainably after three years;</i> <i>2000 new jobs (80% for rural/ indigenous youth) created through established businesses;</i> <i>65 productive projects created by women’s groups (including young women and household heads), operating sustainably and through the markets;</i> 20% of clients-beneficiaries (male and female) with access to rural financial services; <i>2000 households access water through construction of water harvesting and storage devices;</i> <i>220 km of new rural roads;</i></p>	<p>No of families with their incomes increased through productive project participation; No. of rural businesses and enterprises established, their business plan supported, and with market access; No. of jobs created through rural business expansion (by gender/ age); No of families that participate in the activities of diverse project components; No. of targeted smallholders that improve their agricultural production/ productivity; No. of women included in economic organizations and number of them, in leadership positions; No. of municipalities with their rural development planning, monitoring and evaluation capacities enhanced; No. of local, municipal, departmental development councils strengthened.</p>	<p>Main issues to be addressed in the context of reactivated rural development round tables (<i>Mesas de Dialogo</i>), at municipal, departmental and national levels, <i>inter alia</i>, relate to: (i) the sectoral and intersectoral coordination of Government entities at national, departmental and municipal levels; (ii) the strategic objectives espoused by this COSOP; (iii) the impact of soaring food prices and climate change on the household economies of the Fund’s target groups; (iv) the establishment of mechanisms for the dissemination/ exchange of development best practice; and (v) the timely identification of programme implementation constraints and the consequent problem solving.</p>

9

<p>Strategic Axes: Priority action on the poorest people; gender equity; investments on infants and children; interculturality; ethics and moral; environmental conservation; citizen's participation; and protection of human rights.</p> <p>BASELINE: Population (2008): 13.6 million; 41% indigenous/ 59% non-indigenous; 48.9% male/ 51.1% female; 54% rural/ 46% urban.</p> <p>Poverty: Poor population: 51%, of which: 35.8% are poor; and 15.2%, extremely poor. This poverty is concentrated in rural areas (approx. 70%).</p> <p>Human Development Index: 0,689 (2007), places Guatemala in the 118th position among 177 countries. It is the lowest in Central America.</p> <p>TARGETS: Poverty indicators (2012): Rural poverty reduced from 70% to 60% Malnutrition reduced by 5%</p> <p>IFAD's contribution to target by 2012: Client-beneficiaries taken out of poverty: Approximately 45 000 families.</p>	<p>Transversal concerns: Reduced vulnerability to the impact of climate change, basic food price increase and other external economic factors; affirmation of the multicultural/ multilingual identity of the country's indigenous peoples; and greater gender and intergenerational equity, through the social and economic empowerment of rural women and young people. The overall intervention strategy is also based on: partnership building with the private sector and other stakeholders, cofinancing and cooperation with the donor community, and adherence to the principles of the Paris Declaration for aid effectiveness.</p> <p>Action Strategy: To address the distinct needs of communities, municipalities and the diverse ethnic populations, while utilising dedicated social and geographic targeting mechanisms, the COSOP programme will be executed through a two-pronged and complementary strategy: (i) expansion of development investments and action in selected, priority communities and municipalities, currently not serviced by any development project (<i>Inclusion to Development strategy</i>); and (ii) consolidation of investments made in the more advanced zones of action of the ongoing IFAD programmes, under a strategy of business consolidation, entrepreneurial chains and market access of rural microenterprises (<i>Rural Modernization strategy</i>).</p>	<p><i>500 km of rural roads rehabilitated;</i> <i>100 Rural communities with all-weather road access, enabling them to market their produce;</i> <i>50 municipalities enhance their rural development planning, monitoring and evaluation capacities.</i></p> <p>(*) Indicative figures of aggregate results of what IFAD expects to accomplish by 2012 through the implementation of all its investment programmes. The figures will be refined and validated through the formulation of annual programmes of work 2009 and a special planning workshop.</p>		
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Previous COSOP results management framework

	STATUS AT COSOP DESIGN	STATUS AT COMPLETION	LESSONS LEARNED
<p>A. COUNTRY STRATEGIC GOALS:</p> <p>The pillars of <i>Vamos Guatemala!</i>: (i) <i>Solidarity</i>, focused on human capital, basic services and rural infrastructure; (ii) <i>Growth/ competitiveness</i>, aimed at accelerating growth through trade expansion, business climate improvements, private participation in infrastructure, financial sector reform and promotion of SMEs; and (iii) <i>Environmental sustainability</i>, seeking the conservation and sustainable utilization of the country's natural resources.</p> <p>Key strategic objectives of the Government Plan (2004-2007): (i) genuine human development, reduce poverty, strengthen public participation and foster decentralization.</p> <p>Areas of Action: Education, health, housing, multiculturalism and intercultural communication, employment, gender, vulnerable groups, agriculture, the environment, transportation and communications.</p>	<p>Economy Population: 12.1 million GNI per capita (2001): US\$1670 GDP Nominal (2003): US\$24,884 million Agriculture contribution to GDP (2001): 22.8% Exports (2003): US\$3,060 million Total debt service (as a % of exports of goods, services and income): 8.4% (2000) Workers remittances (2000): US\$596 million</p> <p>Poverty National poverty rate/ Extreme poverty: 57%/ 16% Poor as a % of total rural population: 87% (2001) Gini coefficient: 0.56 Human Development Index (2003): 0.663 Ranking 117/177</p>	<p>Economy Population: 13.6 million GNI per capita (2006): US\$2590 GDP Nominal (2007): US\$42,214 million Agriculture contribution to GDP (2006): 22.2% Exports (2007): US\$6,940 Total debt service (as a % of exports of goods, services and income): 4.8% (2006) Workers remittances (2006): US\$3.6 billion</p> <p>Poverty National poverty rate/ Extreme poverty: 51%/ 15.2% Poor as a % of total rural population: 72% (2006) Gini coefficient: 0.58 Human Development Index (2007): 0.689 Ranking 118/177</p>	<ul style="list-style-type: none"> Over the past decade, the drop in poverty incidence in Guatemala was somewhat slower than might have been predicted by the economic growth rate, largely because growth in rural areas – where most of the poor are concentrated – has been slower than in other areas. For the most part poverty and vulnerability in the country is associated with chronically low consumption rather than high volatility of consumption, highlighting the importance of building the assets of the poor, rather than income transfer mechanisms. Guatemala's high poverty and relatively poor social indicators can be traced in large part to a highly unequal distribution of incomes, resources and opportunities. Despite some socioeconomic progress (e.g., HDI), the incidence of poverty remains almost three times greater in rural than in urban areas.

<p>B. COSOP STRATEGIC OBJECTIVES:</p> <p>Strategic Objectives (COSOP 2003-2007):</p> <p>The IFAD's strategic country programme focused on supporting the improvement of the social, political and economic conditions of vulnerable rural populations and indigenous peoples, under three strategic axes: (i) human and social capital development; (ii) employment and income generation; and (iii) the strengthening of the institutional framework of the Ministry of Agriculture, Livestock and Food.</p>	<p>Elements of approach to rural development:</p> <ol style="list-style-type: none"> 1. Increased production/ commercialization, employment and income (commercialization components); 2. Natural resources management/ steep-sloped agriculture; 3. Training of young people; 4. Gender equity; women-gender support/ reduction of household work load 5. Rural roads / social infrastructure 6. Institutional support to MAGA 7. Separate implementation of components 8. Country programme implementation in phases 	<p>Elements of approach to rural development:</p> <ol style="list-style-type: none"> 1. Market access, production, employment and income (<i>entrepreneurial linkages</i>); 2. NRM with a focus on soil and water conservation, and vulnerability reduction to impact of climate change on smallholder agriculture; 3. Human capital development/ fostering the entrepreneurial talent of young people 4. Capitalization of rural and indigenous women/ development of entrepreneurial capacity/ reduction of household work load 5. Wider scope of social and economic infrastructure (the "drivers of economic growth" approach) 6. Institutional support to at municipal, departmental and national levels 7. Integrated implementation of components in support of a master line of action (e.g., access to markets/ business development) 8. Country programme of various programmes implemented simultaneously under ProRural 	<p>COSOP Experience. They relate to the: (i) combined execution of the lending programme and technical assistance/ learning grants; (ii) coordinated work at municipal level in NRM and the strengthening of rural development planning and women's development promotion units; and (iii) association with indigenous peasant organizations in the promotion of young people's development, and with second-level associations of indigenous producers in the delivery of technical services.</p>
<p>C. IFAD OPERATIONS</p>	<p>Ongoing:</p> <ol style="list-style-type: none"> 1. Programme for Rural Development and Reconstruction in the Quiché Department 2. Rural Development Programme for Las Verapaces <p>Proposed:</p> <ol style="list-style-type: none"> 1. National Rural Development Programme: The Western Region 2. National Rural Development: The Eastern Region 3. National Rural Development: The Country 	<p>Ongoing:</p> <ol style="list-style-type: none"> 1. Rural Development Programme for Las Verapaces 2. National Rural Development Programme: The Western Region 3. National Rural Development: The Central and Eastern Regions <p>Proposed</p> <ol style="list-style-type: none"> 1. Sustainable Rural Development Programme for the Northern Region; 2. A new investment programme in the Quiché Department 	<p>IFAD Operations' Experience:</p> <p>(i) coexecution with beneficiary organizations providing technical services; (ii) importance of focusing on market demands prior to expanding production and productivity; (iii) establishment of strategic alliances with specialised entities of the private sector for export operations; (iv) local government participation in key development actions, i.e., sectoral planning, promotion of the gender approach, rehabilitation of natural resources, etc.; and (v) the expansion of forestry coverage through the flexible allocation of subsidies under diverse land tenure arrangements. Other lessons relate to the positive, social and economic impact of rural road networks; the importance of flexible</p>

			programme design; and the need to link the actions of various components under a primary line of action.
<p>D. IFAD PERFORMANCE</p> <p>1. Policy Dialogue</p> <p>2. Partnerships</p> <p>3. Portfolio Performance</p>	<p>1. Policy dialogue conducted on the need to establish a country programme, as opposed to isolated and not coordinated individual projects</p> <p>2. Partnerships with OFID</p>	<p>1. National Programme for Rural Development established with IFAD support.</p> <p>2. Partnerships established with OFID, entities of the private sector and with peasant indigenous organizations and producer associations</p> <p>3. Moderately-satisfactory to satisfactory, according to the parameters of the Fund's portfolio monitoring systems. Delayed loan signing and effectiveness persist. Lack of counterpart funding.</p>	<p>1. IFAD should maintain a more continued presence in the country in order to participate more actively in policy dialogue with the Government and engage in consultations with the development partners.</p> <p>2. Partnerships with the private sector facilitated the development of the entrepreneurial linkages model, adapted to the needs of smallholders and microentrepreneurs</p> <p>3. Portfolio performance: (i) the need to design new projects together with the formulation of their pre-implementation strategies, inclusive of project-launching and procurement plans, in order to expedite implementation; (ii) the validity of external financing of all programme investments (net of taxes and duties), as a mechanism for timely loan disbursements;</p>

Project Pipeline

Programme concept note

Sustainable Rural Development Programme for the Northern Region (PRODENORTE)

I. Introduction and Justification

1. **Rationale.**- The Northern region of Guatemala maintains a high incidence of rural poverty, localised in most municipalities, affecting the identified target groups of indigenous and rural communities who are involved in smallholder family agriculture based on either (primarily) subsistence or market-oriented production, the landless, wage labourers, agricultural and non-agricultural microentrepreneurs, traditional handcrafts artisans, and rural women and young people. These target groups generally count with low levels of human and social capital, limited access to land and other productive assets, and highly deficient transport and communication infrastructure, and thus a low capacity to generate income. These are principal factors determining their low living conditions, and their social, economic and environmental vulnerability, including the increasing impact of climate change on their rainfall-based subsistence agriculture.
2. These target populations survive applying traditional practices and technologies, including (*slash-and-burn*) to basic grains production on degraded lands and forested territories, and they have not received sufficient attention and support from government programmes – as it is demonstrated by the low coverage and quality of educational and health services, high food insecurity and severe malnutrition. These same populations, mostly of Mayan indigenous origin, hold an intimate knowledge of their closer agroecological environment, are attached to the land, seek remunerated employment in seasonal agricultural work and non agricultural activities; and their patrimony comprises natural landscapes and forests that produce, without material compensation, environmental services to the Guatemalan society at large. In response to these constraints and opportunities, the proposed programme's strategy is framed within the country's national development plan and GOG's commitment to eliminate the conditions of extreme rural poverty and to fulfil the Millennium Development Goals.

II. Programme Area and Target Group

3. **Programme area.**- The selected programme area will comprise 19 municipalities of **Guatemala's** Northern region: (i) nine municipalities of the Department of Alta Verapaz and four municipalities of Baja Verapaz (covered under the IFAD-supported Rural Development Programme for Las Verapaces – PRODEVER); (ii) specific zones of five additional municipalities of Alta Verapaz, which face several developmental constraints; and (iii) the microregion V of the municipality of Ixcán, in the northeastern part of the Department of Quiché. The programme area also covers the natural protected area of La Chua, located in the northern part of the municipality of Cobán (Alta Verapaz), which is under increased threat of encroachment and depredation, due to the poverty of the surrounding populations, the expanded exploitation of forest and oil resources in the region, and the proposed construction of a main road.
4. **Target group.**- The programme's target groups include: subsistence agricultural producers, emerging commercial agricultural producers, landless farmers/ wage labourers, agricultural and non-agricultural microentrepreneurs, traditional handcraft artisans and rural women and young people. The programme will directly

benefit 25,000 households and indirectly reach 53,000 households including those benefiting from rural roads and social infrastructure.

III. Programme Objectives

5. **Programme objectives.-** The programme's overall goal is to improve the living conditions of the targeted population. Its specific objective is to increase beneficiaries' incomes and employment opportunities through better linkages to production chains and greater access to markets. This will be facilitated through the enhancement of social and human capital; the expansion of social and economic infrastructure; the increase of sustainable production/ processing and value-adding capacity as the conservation and rational utilization of natural resources is pursued within a context of sectoral planning and action coordination at municipal and departmental levels.

IV. Ownership, Harmonization and Alignment

6. The programme is aligned with the country's development plan 2008-2011 as pertaining to rural development, food security and poverty alleviation. It is also **consistent** with the asset-building approach and objectives of IFAD's Strategic Framework 2007-2010 and the strategic objectives and main thrusts of the results-based Country Strategic Opportunities Programme (COSOP). These objectives consist: (i) Promoting market-driven agricultural and non-agricultural rural business and microenterprise development (principal SO); (ii) Developing social and human capital; and (iii) Enhancing pro-poor rural policy dialogue and sectoral planning.
7. The programme's design considers as well the following transversal concerns: Reduced **vulnerability** to the impact of climate change, basic food price increase and other external economic factors; the affirmation of the multicultural and multilingual identity of the country's indigenous peoples; and greater gender and intergenerational equity, through the social and economic empowerment of rural women and young people. The overall intervention strategy is also based on: partnership building with the private sector and other stakeholders, cofinancing and cooperation with the donor community, and adherence to the principles of the Paris Declaration for aid effectiveness.

V. Programme Components

8. **Human and Social Capital Development.-** The component aims at supporting the social and economic processes of communities and organizations in the programme area, seeking to strengthen their management and decision-making capacities and promote overall integrated planning at municipal and departmental levels. Activities will include: organizational training and development support targeting rural communities; community-defined social infrastructure works; affirmative action development in the form of investments for rural women and young people; intercultural communication and training in Mayan languages; and scholarships and other educational support for rural students.
9. **Sustainable Production and Natural Resource Management.-** The **programme** will increase the productive capacity of poor smallholders and discourage the use of inappropriate practices (e.g. slash and burn techniques). To this end it will promote sustainable soil and water management under the prevailing steep-sloped agriculture conditions, and introduce techniques to mitigate the local impact of climate change on agricultural production. Selected activities will include: support to organized producers for the formulation of sustainable agroforestry production plans; training and technical assistance through co-executing entities, particularly associations of local producers acting as technical service providers; allocation of coinvestment funds on a competitive basis as incentives for sustainable production and the rehabilitation of natural resources, etc.

10. **Markets Access and Rural Business Development.-** This component, which represents the master line of action of the proposed programme, will foster the **development** of entrepreneurial capacities while promoting the creation and modernization of competitive and financially-sustainable rural businesses and microenterprises (both agricultural and non agricultural), from an entrepreneurial chain and market access perspective thus contributing to the generation of incomes and employment for the rural households. This will be achieved through three sub-components: market access; promotion of microenterprises and rural businesses; and rural financial services. Principal activities include: (i) the insertion of organized producers, commercialization agents and exporters into the local, national and regional markets, with quality products, through specialized schemes of technical and business support and coinvestment funds targeted to their organizational capacity and capitalization levels; (ii) the generation of entrepreneurial capacities of rural and indigenous women and young people, and the promotion of indigenous entrepreneurial association; (iii) the required support for the creation of new enterprises, based on actual market demands, through the formulation of business plans and the allocation of competitive coinvestment funds for value aggregation and market access; and (iv) the expansion of rural financial service coverage and the availability of financial service products, taking advantage of the existing technical and financial services in the programme area, through the application of coinvestment resources from an innovation fund.
11. **Rural Roads and Social Infrastructure.-** In response to one of the most pressing developmental constraints of the programme area, investments under this component will focus on: (i) opening new segments of rural roads, according to priority municipal needs, seeking to facilitate the integration of peoples and communities into the country's main social, commercial and economic streams; and (ii) expanding basic community infrastructure while introducing key labour and firewood saving devices.
12. **Programme Coordination and Institutional strengthening.-** This component will **facilitate** the effective programme's execution, through results-based management and the systematization of project implementation experiences. The component will also promote institutional strengthening and sectoral coordination at municipal and departmental levels. Activities comprise: the establishment and operation of the Programme Management Unit and of a dedicated system for planning, programming, monitoring and evaluation; support to the strengthening of municipalities in planning for rural development; establishment of departmental rural development round tables for interinstitutional and intersectoral coordination and policy and strategy discussion.

VI. Action Strategy

13. To address the diverse needs of communities, municipalities and micro-watersheds, the programme will be executed through a two-pronged and complementary strategy: (i) expansion of development investments and action in selected, priority **communities** and municipalities, currently not serviced by any development project (*Inclusion to Development* strategy); and (ii) consolidation of investments made in the more advanced zones of action of the PRODEVER programme, under a strategy of business consolidation, entrepreneurial chains and market access of rural microenterprises (*Rural Modernization* strategy).
14. Based on the connection that exists between economic and social development, the programme's strategy focuses on the construction of social, human and **entrepreneurial** capacities, emphasizing the organizational and institutional development of the communities and the improved performance of economic organizations. Specifically, through the market access component –which constitutes the programme's master line of action– and the support of the other components, the programme aims at developing and strengthening the

entrepreneurial capacities and the launching of new rural business initiatives in the rural milieu. This will be achieved through integrating: the construction of organizational and entrepreneurial capacities (Human development component); the support to sustainable agricultural production, seeking to achieve increased and improved quality production, as it is required by demanding markets (Sustainable production component); the investment in rural roads to improve access and facilitate commercialization (Rural roads and infrastructure component); and the access to investment funds and technical and financial services (Access to markets and rural business development component).

VII. Cost and Financing

15. For a six-year implementation period, starting in 2010, the project cost has been estimated at US\$40.4 million. This amount will be allocated by component as follows: (i) Human and Social Capital Development, US\$6.1 million (15% of total cost); (ii) **Sustainable** Production and Natural Resources Management, US\$4.7 million (12%); (iii) Market Access and Rural Business Development, US\$13.9 million (35%); (iv) Rural Roads US\$11.9 million (29%); and (v) Programme Coordination and Institutional Strengthening, USD3.8 million (9%).
16. The project's financing will be structured as follows: (i) an IFAD loan of US\$18.4 million (45%); (ii) a loan from OFID for International Development of US\$15.0 million (37%); (iii) counterpart funding from the Government of Guatemala for US\$4.3 million (11%); and (iv) in kind contribution by project beneficiaries, to be applied to their productive projects and business consolidation, of US\$2.7 million (7%).

VIII. Organization and Management

17. The programme will be executed by a Programme Coordination Unit (PCU), under the responsibility of FONAPAZ, a development promotion entity of the Presidency. Programme implementation will engage contracted co-executing entities and specialized technical and other service providers, for which the PCU will establish the necessary agreements with local and national entities, and which may include: professional service providers, universities, rural finance intermediaries, IFAD's private sector partners (e.g., AGEXPORT, FUNCAFE), indigenous associations and institutions (e.g., PAFMAYA). At local level, programme will involve local producer organizations, the municipalities, the community, municipal and departmental development councils (COCODEs, COMUDEs, CODEDEs), and the traditional ethnic authorities, among others.
18. The PCU will be integrated by the following technical personnel: Executive Coordinator, Coordinator of Administration, Coordinator of Planning, Monitoring and Evaluation, Coordinator of Intercultural and Gender Equity, and Coordinators for the main programme components. The programme will be implemented out of a main headquarters office and three regional offices, according to the geographic location of the target groups and the agroecological conditions of the region. The main text of this report offers ample details on key project implementation activities and requirements for each component.

IX. Monitoring and Evaluation Indicators

19. The key performance indicators and targets for the programmes's goals of reducing poverty and exclusion among the poor rural and indigenous families of the Northern region whilst increasing their incomes and employment through better linkages to production chains and greater market access, comprise: (i) Percentage of households that increase **their** index of household assets ownership (RIMS anchor indicator); (ii) Percentage reduction of children malnutrition (RIMS anchor indicator); (iii) Human Development Index by municipality and department; (iv) 150 rural microenterprises (cooperatives, producer associations, other organised

enterprises, agricultural and otherwise), access local, national and/ or external markets; (v) 1 000 new jobs (80% for rural/ indigenous youth), created through newly established, expanded and consolidated rural business and microenterprises; (vi) 25 000 direct beneficiary families take part of project's integral development processes and investments –including at least 30% women; and (vii) 20% of programme's clients-beneficiaries access rural financial services. To ensure that PRODENORTE's results can be measured –and implementation experiences are properly captured and disseminated–, the suitable M&E/ Knowledge Management, RIMS and programme-specific implementation monitoring systems will be established.

X. Results and Benefits

20. Expected results and benefits from the programme, include: (i) transformation of existing low productive activities (agricultural and non agricultural) into financially viable businesses with access to markets, investment resources, and technical assistance; (ii) **organizational** strengthening, community empowerment and social capitalization of target groups, including primarily rural and indigenous women and young people while reinforcing Mayan cultural identity; (iii) diversification and increased production, employment and incomes at household, community and microregional levels; (iv) reduction of land and water degradation, and the resulting vulnerability to natural disasters; increased commercialization activities and overall improvement in the living conditions of communities through an expanded network of regional rural roads; (vi) increased food security through the local expansion of agricultural production, the improvement of the household economy, and wider access to rural financial services; and (vii) improved planning and coordination capabilities at municipal and departmental levels.

XI. Innovation and Learning

21. The programme is innovative on various themes, including, as examples: (i) the two-pronged asset-building strategy that fosters inclusion to development and rural modernization as a continuum among communities and regions, using approaches geared to their specific levels of development; (ii) the focus on market access and rural business creation as the engine of the production/ commercialization chain; (iii) the strengthening of strategic alliances with socially-responsible private sector and commercial partners; (iv) the promotion of rural/ indigenous entrepreneurial association (*gremialismo indígena de negocios*); and (v) the focus on the development potential of young rural/ indigenous people and on the training of young women and men in the business-related skills required by changing labour markets.
22. The programme will seek to take advantage of the IFAD project experience, while compiling and disseminating its own lessons in the context of an integrated and mutually reinforcing portfolio of learning opportunities: loans and technical assistance grants. Accordingly, **PRODENORTE** will be an integral part of the IFAD-sponsored rural development learning networks. Special emphasis will be given to experience exchange on market access and microenterprise development. Sufficient funds have been allocated to generate knowledge products and their dissemination as well as for experience-exchange seminars/travel within the subregion and other countries.

XII. Risks

23. Principal risks identified for PRODENORTE's implementation include: (i) difficulties to launch the **programme**, as a result of delays in the approval and ratification of the loan by the national assembly; (ii) political interference in the allocation of programme resources to municipalities and communities; and (iii) economic turbulence derived from trade competition among neighbouring countries in the subregion for the same export markets.

24. These risks will be prevented or mitigated through specific measures, including, as examples: (i) facilitating access to updated information on the programme's objectives and scope, aimed at the members of the legislative and other decision-making actors within the government and civil society; (ii) strengthening the participatory planning capabilities of municipalities and social audit; and (iii) active searching of export market niches for specific products, in addition to the promotion of agricultural and other product's fairs.

XIII. Timing/next steps

25. The programme's design has been completed, and the document has been brought to the attention of the concerned Government authorities for technical review (*Dictamen Técnico*), in order to achieve the required approval for loan negotiations. The Government expects that the programme will be presented at the December 2008 session of the Executive Board.

Key file 1: Rural poverty and agricultural/rural sector issues

Priority Area	Affected Group	Major Issues	Actions Needed
<p>Rural poverty and extreme poverty of rural and indigenous communities</p>	<p>Indigenous peoples and communities</p>	<p>High levels of extreme poverty, chronic malnutrition and vulnerability to food insecurity among identified target groups, i.e., indigenous Maya communities and rural <i>ladino</i> populations.</p> <p>Lack of basic social infrastructure and adequate housing.</p> <p>Limited access to education, health and other social services.</p> <p>Geographic isolation of rural and indigenous communities, and inadequate/ limited rural road networks.</p> <p>Ethnic exclusion from public services and economic opportunities.</p> <p>Unequal distribution and thus limited access to quality productive assets, inclusive of access to suitable land.</p> <p>High land concentration by few families nation-wide, and uncertain land property rights of family smallholders.</p> <p>Low incomes from rain-fed crops, largely in steep-sloped small plots.</p> <p>Increased degradation of natural resources due to unsustainable production practices.</p> <p>Limited access to financial, culturally-sensitive TA/extension and other production/commercialization support services.</p>	<p>Inclusive investments in social and economic rural infrastructure and housing for the rural poor.</p> <p>Strengthening of local organisation for community-centred, participatory planning/ implementation, local/municipal decision-making, and public policy impact of rural and indigenous populations.</p> <p>Increased access to human (education, training), physical-productive (land), social (organization) and location-specific (economic infrastructure) assets, overall, according to micro-regional constraints/ development potential.</p> <p>Expanded construction/ rehabilitation of rural road networks.</p> <p>Land regularization and agrarian conflict resolution.</p> <p>Introduction of suitable productivity-enhancing agroforestry practices and sustainable management of natural resources for increased production, incomes, and food security.</p>

Priority Area	Affected Group	Major Issues	Actions Needed
Unsustainable agriculture/natural resources management, and environmental vulnerability of communities	All rural and indigenous households	<p>Unsustainable small-plot, steep-sloped and other agricultural practices.</p> <p>Degradation and overexploitation of natural resources (forests, soils, water, biodiversity), and increased pollution of aquifers and rivers.</p> <p>Systematic open and illegal deforestation.</p> <p>Lack of policies/ strategies for environmental management at municipal level.</p> <p>Limited governmental capacity and resources, overall, for proper natural resources utilization and management.</p> <p>Dependency on firewood, lack of alternative rural energy supply.</p> <p>Lack of effective climate-change mitigation and environmental-vulnerability reduction plans.</p>	<p>Participatory territorial/ environmental planning and implementation at departmental/ municipal levels, with direct involvement and decision-making by local organizations, community development councils (COCODEs, COMUDEs).</p> <p>Increased provision of investment resources for soil/water rehabilitation, conservation, vulnerability-reduction and resilience-enhancing works.</p> <p>Introduction of agroforestry and other sustainable production practices.</p> <p>Suitable productivity-enhancing technical assistance methods, e.g., farmer-to-farmer; demonstration plots; producer organizations with technical capacity for technical service provision.</p> <p>Facilitation of access to land property-related services</p> <p>Firewood-saving stoves and other alternative energy devices.</p> <p>Awareness campaigns on environmental-risk prevention, unsustainable agricultural practices (slash and burn), etc.</p> <p>Establishment of environmental-conservation incentive schemes.</p> <p>Incorporation of nature-based tourism as part of wider territorial rural development strategies.</p>
Gender and intercultural development issues of rural and indigenous women and young people	Rural and indigenous women and young people	<p>High levels of unmet basic needs and services (health, sanitation, education, housing).</p> <p>High levels of maternal morbidity, mortality.</p> <p>High levels of exclusion, discrimination and poverty among rural and indigenous women of all ages and youth (male, female).</p> <p>Unemployment; limited labour-market skills, personal (social/ economic) development opportunities.</p> <p>Low access to production-related financial and technical assistance services.</p> <p>Arduous household and production-related work.</p> <p>Increased number of young women-headed households and social vulnerability of these families from migration of male family members.</p>	<p>Investments in affirmative action development programmes that trigger social and economic inclusion of rural women and youth.</p> <p>Promotion of community organization as a mechanism for access to basic social services.</p> <p>Adult women literacy programmes.</p> <p>Access by indigenous youth (male and female) to intercultural primary, middle and higher education; educational scholarships and special educational programmes.</p> <p>Agricultural and non-agricultural production-related / labour skills training.</p> <p>Development of business and entrepreneurial abilities among rural and indigenous women and youth.</p> <p>Easier water access and household labour-saving devices.</p>

Priority Area	Affected Group	Major Issues	Actions Needed
Market access, rural business promotion and microenterprise development	Micro and small rural entrepreneurs (agricultural and non agricultural)	<p>Limited knowledge of: business opportunities, national and external markets, and competitiveness requirements.</p> <p>Very limited rural business planning and management capabilities at local and departmental levels.</p> <p>Limited locally-added value of production/commercial chains and quality management of rural products and services.</p> <p>Constrained local supply of production-related and business development technical assistance.</p> <p>Limited access to credit and other financial services, due to: (i) lack of information, complex processes, inadequate financial products to target-group needs, and lack of guarantee schemes (demand side); and (ii) lack of appropriate financial service technology, operational capacity high operative costs and risks involved (microfinancing intermediary side).</p>	<p>Market access and information systems at local, microregional and departmental levels.</p> <p>Microenterprise development promotion (agricultural and non-agricultural), and diversification (e.g., nature-based and indigenous culture-related community-managed businesses).</p> <p>Support to formulation of relevant-product rural "business plans" (all levels of production-commercialisation chain).</p> <p>Involvement of (socially-responsible) private sector partners in export promotion and business development.</p> <p>Availability of government investment funds for business development.</p> <p>Facilitation of access to financial services and capital resources for micro-enterprise development and modernization.</p>
Results-based programme management, institutional strengthening and intersectoral coordination for rural development	Management and technical staff of government entities/ investment programmes & municipalities	<p>Multiple public/ private and international cooperation agencies involved in agriculture, natural resources management, and local/municipal and rural development, mostly through grant-based technical assistance programmes, with a variety of agendas, objectives and intervention strategies and methodologies, and preferred targeted zones.</p> <p>Slowly emerging concept of integrated (multisectoral) rural development.</p> <p>Newly created government institutions responsible for nation-wide strategy formulation and programme coordination and implementation.</p> <p>Limited economic and rural development planning capabilities at municipal and departmental levels.</p> <p>Dispersed intervention and limited results of external cooperation entities and government action in programme area.</p>	<p>Support to rural development planning, intersectoral coordination and intervention concurrence at municipal and departmental levels.</p> <p>Support to decentralization processes/ consolidated local decision-making, particularly through strengthening of organized target-group participation on community, municipal and departmental development councils.</p> <p>Facilitation of regional country dialogue for rural development planning among government institutions and private sector entities at national, departmental and municipal levels.</p> <p>Extraction, systematization and dissemination of lessons derived from implementation experiences of ongoing IFAD programmes.</p>

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Institution	Strengths	Weaknesses	Opportunities/ (Threats)
Enablers:			
National Fund for Peace (FONAPAZ)	Government entity dependent on the Presidency of the Republic. Nation-wide presence and operational capacity consolidated. Adequate budgetary allocations.	Focus and primary experience on infrastructure construction. Centralised management and decision-making. Standardised and lengthy project approval cycle.	Entity has incidence of some key government decisions. It has been involved closely in the design of the COSOP and the PRODENORTE programme. (Government changes impact on continuity of actions).
Ministry of Agriculture, Livestock and Food (MAGA)	Large government institution, nation-wide presence. Large staff and budgetary allocations.	Complex structure and concentration of services. Limited technical capability and credibility in rural areas. Promotion programmes: fertiliser, and glass of milk distribution. Productive focus. Dissociated of territorial rural development/ natural resources management.	Could coordinate the agricultural productive sector of the country, i.e., production chains. The provision of technical assistance under innovative schemes.
Secretariat for Planning and Programming of the Presidency (SEGEPLAN)	Technical capacity for planning and programming/ data systems for country economic decision-making. Institutional credibility and coordination capacity at national and departmental levels,	Limited dissemination/ accessibility of processed information/ data. Limited budgetary resources for scope of activities.	Can become the rector entity for all processes related to planning, monitoring/ evaluation of country social/ economic performance. With larger resources could offer the required training and advice to municipal-level planning. (Government changes, including the head of the Secretariat, impact on continuity of actions).
National Rural Development Commission (CNDR)	New sectoral actor, created by Presidential decree (April 2008), with a positive perspective. It is composed of appointed representatives from key government institutions, the private sector and indigenous peasant organizations. It is coordinated from the Office of the President.	Temporarily lacks own budget. Considered that it does respond to government policy, not State policy.	Can effectively become the rector of integral rural development policy and strategy; and programme coordination. (Its governmental decree makes it vulnerable to political changes)

Institution	Strengths	Weaknesses	Opportunities/ (Threats)
Ministry of Public Finance (MINFIN)	Credible institution. Counts with transparent structures/ systems for information dissemination (fiscal, economic, etc.).	Too rigid in its processes for budgetary allocations and disbursements.	In the process of decentralization of key budgetary monitoring/ follow-up functions to departmental government level. Constant communication with IFAD through Public Credit Directorate- (Lagged project implementation caused by slow funds disbursement)
Ministry of the Economy (MINECO)	Consolidated operational capacity. Provides relevant information on the economic-productive sector	Very limited regional presence. Its functions are not known by municipalities.	Can impact on the coordination processes for commercialization/ export promotion, and entrepreneurial development. Has launched the Economic Rural Development Programme focusing on rural businesses and economic infrastructure. (Government changes impact on continuity of actions).
Ministry of Natural Resources and the Environment (MARN)	Specialised technical personnel	Limited capability and resources to control deforestation and fires	The development of appropriate technologies for natural resources management. Support from municipalities for territorial management of forested lands. (The agricultural frontier advances faster than the Ministry's capacity to control it)
Ministry of Education	Responsible for educational policy and overall quality, for private and public services.	Limited resources vis-à-vis the low human development of the country	The coordination of entities and development agencies supporting rural and indigenous education
Secretariat of Agrarian Affairs (SAA)	Field presence institution, involved in agrarian affairs, holding a platform for participation.	Very low operational budget.	Has the potential for partnership with other government entities (e.g., MAGA) and for coordination of integral policies/ strategies in its field of specialization. (The depth and complexity of land tenure issues <i>vis-à-vis</i> the capacity to respond).
The Land Fund (FONTIERRA)	Specialized entity on land tenancy regularization.	Limited credibility as to distortions encountered in its operations, e.g., prices paid for the acquisition of land holdings. Its portfolio of credits awarded to farmers for land purchase is weak.	Successful operations would represent expanded land tenancy security for poor smallholders.

Institution	Strengths	Weaknesses	Opportunities/ (Threats)
Secretariat of Food Security and Nutrition (SESAN)	Inter-institutional coordination capability. Presence in vulnerable zones. Monitoring and systematization of food security experiences	Limited budget. Does not have executive functions	The opportunity to become the leading government entity for food security policy, strategy and action. (The scope of the nutritional problem cannot be addressed with the available resources) (Government changes affect the continuity of policies/ strategies)
Rural Development Bank (BANRURAL)	Presence in a large number of municipalities. Concentrates many government trust funds.	Limitation in focus to rural clientele	Wide potential market in rural areas, and experience in SFRs. (Rural financial market / micro-financing services regulation) ⁱ
Private sector:			
Agricultural Export Association (AGEXPORT)	Expertise on markets, commercialization and export. Credibility within the private sector	Focuses mostly on enterprises with export potential/ capacity. Services concentrated in the capital of the country	The possibility to establish agreements with other sector and export segments (e.g., exporting municipalities). The methodology of entrepreneurial linkages <i>encadenamientos empresariales</i> , is being developed through its associations with IFAD and other international development agencies.
The Coffee Foundation for Rural Development (FUNCAFE)	Nation-wide technical support capability. Regional offices technical centres Social development arm of ANACAFE	Limited budget for integral rural development action. Does not count with multilingual field personnel (indigenous languages)	The potential to establish strategic alliances with UN agencies (e.g., UNDP, IFAD)
Organizations:			
National Association of Municipalities (ANAM)	Coordination of action with municipal governments.	Centralised functions	Potential for interinstitutional coordination and strengthening of local governments. It is promoting the association of municipalities at departmental level.
Forestry Action Plan/ Maya Technical Institute IIDEMAYA/ PAFMAYA	Capacity to lead/ coordinate the national indigenous Maya movement. Deep knowledge/ commitment on indigenous development issues/ culture By Presidential decree, has a representative in the National Rural Development Commission	Limited budget for technical institutes and strategic plans and actions	Political incidence and impact. Specialization of technical aspects of sustainable agricultural development and social development of indigenous peoples. (Limited employment opportunities for the technical professionals that graduate from the institutes)
The Cuchumatanes Association (ASOCUCH)	Second level organization structure (association of organization) with capacity for technical service provision.	Limited resources. Limited territorial operations coverage	Linkage with other producer organizations. Incidence on national, departmental,

	Institutional credibility Developed local peasant-to-peasant methodologies		municipal policies.
Mayan Political Organizations. CUC, CENOC, CONIC, Plataforma Agraria	Capability to launch massive demonstrations nation-wide. Agrarian orientation.	Promote agriculture production projects with technical limitations. Limited operational resources.	Linked to international social organizations. Political incidence.

Key file 3: Complementary donor initiative/partnership potential

Donor/ Agency	Priority Sectors/ Relevant Programmes	Period of Current Country Strategy	Complementarities/ Synergy Potential
World Bank	Public sector management; education; health and nutrition; infrastructure Land Administration II Project Rural Economic Development Support Programme (cofinanced with IADB)	2005-2008	Improved land tenure security Enhanced macroeconomic framework/ business climate and competitiveness. Experience exchange.
Inter-American Development Bank	Energy and infrastructure; water and sanitation; social services Rural Economic Development Support Programme (Cofinanced by WB)	2004-2007	Enhanced country infrastructure Experience exchange.
Central American Bank for Economic Integration	Northern Transversal Strip (highway); Hydroelectric programmes Integral Development of Irrigation Potential Areas	2003-2007	Main transport infrastructure Technology development/ dissemination. Experience exchange
OPEC Fund for International Development	Rural infrastructure IFAD's PRODEVER, Western Region, Central Eastern region ; PNDR-The Western Region Economic Development Programme for Alta and Baja Verapaz		Key partner of IFAD, i.e., primary cofinancier of all programme operations. Cofinancing and complementary action
European Union	Economic and Municipal Governance		Complementary action for municipal development support

Donor/ Agency	Priority Sectors/ Relevant Programmes	Period of Current Country Strategy	Complementarities/ Synergy Potential
USAID	Coffee Quality Programme Exporting Municipalities Support		Both programmes offer great potential for complementary action, as they are associated (as it is IFAD) with AGEXPORT's entrepreneurial linkages programme
FAO	Special Programme for Food Security		Lessons learned on participatory municipal development plans

Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	COSOP Response
<p>Subsistence agricultural producers</p>	<p>Lack of access to quality social, productive and location-specific (e.g., rural roads) assets. Communities isolated from the economic dynamics of the municipality.</p> <p>Generally located in limited productivity, steep-sloped areas facing soil degradation (erosion, fertility loss); have weak organizational levels and limited access to production support services including agricultural extension and financial services. Range: mostly extreme poverty in identified project area. Inadequate housing. Very limited access to education and health services.</p>	<p>Low input/ output traditional farming for family subsistence. Some support from monetary remittances. Government subsidies (fertilizer acquisition) for basic grains production. Handcraft production, whenever the ability exists. Some assistance from development projects by religious entities, specialized NGOs, coexecuting international cooperation programmes.</p>	<p>Social investments in education, health and nutrition. Investments in rural roads, social infrastructure & housing. Demand-led productivity-enhancing, agricultural and other technical support services. Mechanisms for basic grain production and increased food security. Community and economic interest organization. Access to non-refundable productive and natural resource rehabilitation incentives/ investment funds.</p>	<p>Human and social capital development aimed at enhancing organized community-action and participation capacities. Rural feeder road construction and maintenance/ key community rural infrastructure. Rural technical assistance to improve production and income diversification. Community action-research-based development of sustainable agricultural production and NRM models. Support to producers (male and female) for the formulation of sustainable production plans (agriculture, forestry, aquiculture, small livestock). Allocation of competitive and incentive funds for sustainable agricultural production, NRM / conservation and food security</p>
<p>Emerging commercially-oriented agricultural producers</p>	<p>Lack of access to quality social, productive and location-specific assets, limited access to TA, financial and other services, and thus holding low productivity and production.</p>	<p>Some initial experience on local market Access and production diversification; some through IFAD's PRODEVER and other projects. In cases, some existing</p>	<p>Rural roads and production and commercialization infrastructure. Credit and other financial services. Wider market information and access.</p>	<p>Human and social capital development aimed at enhancing organized community-action and participation capacities. Social and productive infrastructure, linked to</p>

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	COSOP Response
	<p>Limited market information and access to local and external market. Lack of commercialization-related organization.</p> <p>Lack of good commercial practices.</p>	<p>organization for volume commercialization and local value added (packaging)</p>	<p>Product quality/ specialised handling and other TA. Organizational strengthening and business orientation.</p>	<p>economic and commercial processes. Support to the development of micro-agroindustries and local support-service microenterprises. Market access support. TA and training on quality production and handling.</p>
<p>Landless farmers/ Rural labourers</p>	<p>Limited access to social services (health, education) and social security services. Inadequate housing and basic infrastructure. Lack of access to quality social, productive and location-specific assets. Low wages and very precarious working and living conditions. Exposure to agricultural chemicals.</p>	<p>Seasonal combination of traditional low input/output smallholding farmwork in the North and salaried work in the lowland Coast. Some support from monetary remittances. Government subsidies (fertilizer acquisition) for basic grains production. Some assistance from development projects by religious entities, specialized NGOs, coexecuting international cooperation programmes.</p>	<p>Social investments in education, health and nutrition. Investments in basic rural infrastructure and housing. Production and labour skills training. Better labour conditions and opportunities. Facilitation of access to land settlements, land markets and/or land rental markets.</p> <p>Income diversification opportunities/ training, particularly for rural and indigenous youth.</p>	<p>Human and social capital development aimed at enhancing organized community-action and participation capacities.</p> <p>Training and support to income diversification, e.g., non-farming activities, etc. Facilitation of access to the Land Fund activities.</p> <p>Basic rural infrastructure.</p>
<p>Agricultural and non-agricultural microentrepreneurs</p>	<p>Limited capitalisation of agricultural and non-agricultural production. Low technological level and limited infrastructure. Non-planned operations, and lack of access to production, financial and marketing support services. Lack of access to markets.</p>	<p>Self-start and self-financing of micro businesses. Isolated action in support of microenterprise development and commercialization NGOs and cooperation agencies.</p> <p>Partial involvement in small agriculture-related activity. Seasonal labour work by some member of the household.</p>	<p>Business development support services. Marketing analysis of small rural enterprise opportunities in the context of local and regional markets. Demand-led agricultural and non-agricultural technical support services. Access to rural financial services and investment funds.</p>	<p>Availability of competitive co-investment funds for sustainable agricultural production. Support to the activation of existing rural financial systems/ services in the programme area, according to the needs of target groups. Facilitation of access to technical- and management-</p>

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	COSOP Response
				<p>support services and continued "business coaching".</p> <p>Selection and training of local commercial leaders and entrepreneurs in micro-enterprise development and quality-control management.</p> <p>Promotion of indigenous business association (<i>gremialismo empresarial Maya</i>)</p>
<p>Traditional handcraft artisans/ cultural product creators</p>	<p>Limited access to social services (health, education) and social security services.</p> <p>Inadequate housing and basic infrastructure.</p> <p>Lack of access to quality social, productive and location-specific assets</p> <p>Low production capacity (inherent).</p> <p>Limited linkage to markets</p>	<p>Family learning, transmittal of abilities.</p> <p>Family solidarity social net</p>	<p>Specialised fair market access</p> <p>Financial services</p> <p>Commercialization advices</p>	<p>Facilitation of access to technical- and management-support services (e.g., new designs)</p> <p>Availability of competitive co-investment funds for microbusiness development</p> <p>Facilitation of access to financial services.</p> <p>Market access support</p>
<p>Rural and indigenous women</p>	<p>High household labour load, including agricultural production.</p> <p>Lack of income opportunities</p> <p>Poverty and gender discrimination</p> <p>Lack of access to health services</p> <p>Low educational levels and opportunities</p>	<p>Low input/ output traditional small-plot farming and limited small livestock for family subsistence.</p> <p>Traditional handcrafts</p> <p>Family receipt of remittances.</p>	<p>Domestic time-saving investments and infrastructure (improved firewood-saving stoves, water tanks).</p> <p>Improved health and nutrition services</p> <p>Guaranteed access to education</p> <p>Training for productive and labour skills</p>	<p>Affirmative action and development-triggering investments and training aimed at rural women, particularly heads of household.</p> <p>Access to social, productive and commercialization programmes and investment funds for rural women microentrepreneurs.</p>

<p>Rural and indigenous young people</p>	<p>Limited access to social services (health, education) and social security services. Inadequate housing and basic infrastructure. Limited Access to formal education Limited social participation Unemployment Limited development opportunities Lack of access to quality social, productive and location-specific assets.</p>	<p>Low input/ output traditional small-plot farming and limited small livestock for family subsistence. Traditional handicrafts Seasonal and permanent off-farm employment. Legal and illegal migration mainly to the USA</p>	<p>Guaranteed Access to education (all levels: primary, middle and higher). Improved health and nutrition services. Mechanisms for social mobility and economic capitalization. Training for labour and productive skills</p>	<p>Affirmative action and development-triggering investments and training aimed at rural and indigenous youth. Scholarships for technical education Promotion of youth self-development initiatives Access to social, productive and commercialization programmes and investment funds for micro-entrepreneurial young people.</p>
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