

Document: EB 2020/LOT/P.13  
Date: 23 December 2020  
Distribution: Public  
Original: English

**E**



## **President's report**

### **Proposed loan**

#### **Republic of Guatemala**

### **Responding to COVID-19: Modern and Resilient Agrifood Value Chains Project (GUATEINNOVA)**

Project ID: 2000002250

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

##### Focal points:

##### Technical questions:

**Rossana Polastri**  
Regional Director  
Latin America and the Caribbean Division  
Tel.: +39 06 5459 2291  
e-mail: r.polastri@ifad.org

**Juan Diego Ruiz Cumplido**  
Country Director  
Tel.: + 507 3020 225  
e-mail: j.ruizcumplido@ifad.org

##### Dispatch of documentation:

**Deirdre Mc Grenra**  
Chief  
Institutional Governance and  
Member Relations  
Tel.: +39 06 5459 2374  
e-mail: gb@ifad.org

---

**For: Approval**

## Contents

<b>Abbreviations and acronyms</b>	<b>iii</b>
<b>Map of the project area</b>	<b>iii</b>
<b>Financing summary</b>	<b>iv</b>
<b>I. Context</b>	<b>1</b>
A. National context and rationale for IFAD involvement	1
B. Lessons learned	3
<b>II. Project description</b>	
A. Objectives, geographical area of intervention and target groups	4
B. Components, outcomes and activities	4
C. Theory of change	5
D. Alignment, ownership, and partnerships	5
E. Costs, benefits and financing	6
<b>II. Risks</b>	<b>9</b>
A. Risks and mitigation measures	9
B. Environment and social category	9
C. Climate risk classification	10
D. Debt sustainability	10
<b>III. Implementation</b>	<b>10</b>
A. Organizational framework	10
B. Planning, monitoring and evaluation, learning, knowledge management and communications	11
C. Implementation plans	11
<b>IV. Legal instruments and authority</b>	<b>14</b>
<b>IV. Recommendation</b>	<b>12</b>
<b>Appendices</b>	
I. Negotiated financing agreement	
II. Logical framework	
III. Integrated project risk matrix	

---

### Project delivery team

---

Regional Director:	Rossana Polastri
Country Director:	Juan Diego Ruiz Cumplido
Project Technical Lead:	Enrique Hennings
Country Programme Officer:	Oscar Grajeda
Finance Officer:	Johanna Herremans
Climate and Environment Specialist:	Oliver Page
Gender and Social Inclusion Analyst	Ana Nestorovic
Legal Officer:	Purificación Tola-Satue

---

## Abbreviations and acronyms

E&S	environmental and social
ESCP	Environmental and Social Commitment Plan
ESMF	Environmental and Social Management Framework
GRM	grievance redress mechanism
ICT4D	information and communication technologies for development
INE	National Institute of Statistics
KM	knowledge management
MAGA	Ministry of Agriculture and Livestock
MINECO	Ministry of Economy
MSMEs	micro, small and medium enterprises
M&E	monitoring and evaluation
NPV	net present value
PMU	project management unit
PRONACOM	National Competitiveness Programme
SEP	Stakeholder Engagement Plan
SSTC	South-South and Triangular Cooperation

### Map of the project area:



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.

Map compiled by IFAD | 02-12-2020

## Financing summary

<b>Initiating institution:</b>	World Bank
<b>Borrower/recipient:</b>	Republic of Guatemala
<b>Executing agency:</b>	Ministry of Economy
<b>Total project cost:</b>	US\$179 million
<b>Amount of IFAD loan:</b>	US\$11.33 million
<b>Terms of IFAD loan:</b>	Ordinary, with a maturity period of 32 years and a grace period of 6 years at a rate of interest equivalent to IFAD's reference interest rate plus a variable spread
<b>Cofinancier:</b>	World Bank
<b>Amount of cofinancing:</b>	US\$150 million
<b>Terms of cofinancing:</b>	Ordinary
<b>Contribution of borrower/recipient:</b>	US\$0 million
<b>Contribution of beneficiaries:</b>	US\$17.67 million
<b>Amount of IFAD climate finance:</b>	US\$8.25 million
<b>Cooperating institution</b>	World Bank

## Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 60.

### I. Context

#### A. National context and rationale for IFAD involvement

##### National context

1. The Republic of Guatemala is the fifth-poorest economy in Latin America and the Caribbean and has one of the highest rates of social and economic exclusion in the region. Average GDP growth was 3.3 per cent from 2015 to 2018, with real GDP per capita stagnating and falling slightly behind the average for Central America (3.48 per cent) over the same period.
2. In 2019, it was estimated that 49.3 per cent of the total population of 17 million lived under the US\$5.5 (in terms of 2011 purchasing power parity) poverty line,<sup>1</sup> up from 45 per cent in 2000. Approximately 85 per cent of the population is poor or liable to fall into poverty in the event of a shock. Vulnerability is particularly high among indigenous peoples. Income inequality is high, and the Gini coefficient was 0.48 in 2014. In 2017, it was estimated that 48 per cent of the population lived in rural areas, where poverty is significantly higher (76 per cent) than in urban areas (42 per cent).
3. In 2019, only 40 per cent of Guatemalan families enjoyed food security, ranking the country 68<sup>th</sup> out of 113 countries (World Bank).
4. The project will help respond to the pandemic's effects on rural smallholders and on the private and public sectors, as well as to the impact of recent hurricanes. The COVID-19 pandemic has significantly affected the Guatemalan economy, which is expected to contract by 3 per cent in 2020, with substantial negative social consequences and a worsening of existing vulnerabilities. Furthermore, the recent hurricanes Eta and Iota, which dramatically hit Central America in November this year, have caused significant economic losses in Guatemala. The private sector and especially micro, small and medium enterprises (MSMEs), which provide more than 90 per cent of jobs, have been significantly affected by lockdown measures, falling demand, bottlenecks in supply chains and the drying up of liquidity as revenues collapse.

##### Special aspects relating to IFAD's corporate mainstreaming priorities

5. Women face a multitude of gender gaps – in many instances maintained by cultural and traditional norms – that set them back with respect to their male counterparts. Approximately 57 per cent of women employed as agricultural workers do not directly earn a salary; of those who do, 97 per cent earn below the minimum wage while the average wage of a woman is 78 per cent that of a man. Women face other substantial gender gaps related to access to productive assets and credit, working conditions, limited entrepreneurship opportunities, persistent human capital deficiencies and significant exposure to gender-based violence.
6. Young Guatemalans often hold precarious jobs in the informal rural economy and earn half the minimum national wage. This drives them to migrate to urban areas or abroad.
7. Almost 44 per cent of the Guatemalan population identify as indigenous or Afro-descendants (including 41.7 per cent Maya). They are mostly involved in family agriculture characterized by: traditional knowledge of the use and properties of

<sup>1</sup> Poverty line in upper-middle-income countries.

species; diverse genetic resources and techniques; the relevance of associations, community and family networks; and collective rights to communal areas. Eight in ten indigenous households live in poverty, and nearly five in ten live in extreme poverty.

8. Climate and weather events strongly affect Guatemala, and its poorer populations are particularly vulnerable. Climate trends since the 1970s have included increases in temperatures, with longer and warmer dry periods, irregular starts of the rainy season, more intense rain over shorter periods and greater frequency and intensity of El Niño/La Niña cycles, causing frequent and severe droughts. Agriculture is one of the strategic sectors for climate change mitigation and adaptation goals under Guatemala's Nationally Determined Contribution.
9. The project duly considers IFAD's mainstreaming themes and alignment with the World Bank's social and environmental standards, which was confirmed in the gap analysis. In this context, given that the project is classified as type C, IFAD will uphold the World Bank's social and environmental standards and adopt an integrated approach and joint interventions with the World Bank. However, IFAD's priorities in terms of gender, nutrition, youth and climate change will be well integrated into the project.
10. In line with the mainstreaming commitments made under the Eleventh Replenishment of IFAD's Resources (IFAD11), the project has been classified as:
  - Climate-focused;
  - Gender-transformative;
  - Nutrition-sensitive;
  - Youth-sensitive.

#### **Rationale for IFAD involvement**

11. In response to an official request from the Government of Guatemala, IFAD and the World Bank established a strong partnership to jointly develop this proposal, considering that such an approach increases outreach, facilitates project implementation, maximizes complementarities and streamlines implementation, while drawing on the comparative advantages of both financial institutions.
12. Overall, this strategic partnership with the World Bank will specifically contribute to meeting the following IFAD goals:
  - Leveraging additional budget to invest in rural people;
  - Increasing outreach in terms of inclusive rural transformation;
  - Influencing public investments to ensure the social inclusiveness and mainstreaming prospects of smallholders living in poverty;
  - Enhancing IFAD's relevance and visibility in the largest COVID-19-oriented investment operation funded by the international community in Guatemala. IFAD and the World Bank will finance the largest development programme in the country related to rural poverty reduction and value chains;
  - Reducing administrative costs during design and supervision;
  - Exchanging technical expertise and reinforcement between IFAD and World Bank teams during implementation support and supervision missions; and
  - Allocating larger budgets to productive investments in rural people by eliminating indirect implementation costs, which will be fully covered by the World Bank.
13. To enhance institutional strengthening of activities during implementation, IFAD will also contribute to boosting knowledge management (KM) products, policy dialogue and South-South and Triangular Cooperation (SSTC) initiatives linked to key issues such as nutrition (particularly in subcomponent 1.3), food losses and the

participation of vulnerable groups in market-driven agrifood value chains, based on its corporate experience. To this end, IFAD will provide regular specialized technical assistance on these issues during monitoring activities and joint supervision missions.

14. IFAD's investments, together with leveraged funds from both the World Bank and beneficiaries' contributions within subcomponent 2.1, will contribute to establishing effective linkages between the most vulnerable smallholder groups, particularly women, youth and indigenous peoples, and integrated market-driven agrifood value chains. Tailored value chain strategies will be prepared in order to prioritize investments and strengthen public-private agendas on inclusive, market-driven agrifood systems within a policy dialogue framework.
15. The project is perfectly aligned with IFAD's Private Sector Engagement Strategy and information and communication technologies for development (ICT4D) strategies, and includes activities that support each of these strategies' action plans.

## **B. Lessons learned**

16. The lessons learned from IFAD's portfolio in Guatemala, which have been highly valued by the Government of Guatemala and the World Bank, include:
  - IFAD has accumulated extensive experience in cofinancing rural development operations in Guatemala with a wide range of partners, including international financial institutions (IFIs) such as the OPEC Fund for International Development (OFID), bilateral donors such as Sweden and Norway, and private sector stakeholders, namely the National Coffee Association and the Guatemalan Exporters Association. IFAD's country team in Guatemala is an outstanding asset in these areas and will play a crucial role in providing technical support to project implementation.
  - Some IFI operations have experienced substantial delays in formalizing financing agreements at the national congress level. To overcome these difficulties and mitigate risks affecting implementation, IFIs need to incorporate some level of flexibility in their internal processes in order to implement efficient and standardized mechanisms during the design and approval stages, both internally and at the country level. To this end, joint financial proposals including harmonization requirements, common safeguard frameworks and joint implementation units are highly valued by the Government and facilitate ratification by Congress.
  - Recurrent delays in project implementation have been linked to the lack of managerial capacity at the Ministry of Agriculture and Livestock (MAGA), which has been the implementing agency for IFAD's country programme in Guatemala over the last decade. Exploring alliances with other partners with a better track record of project implementation, particularly when funded by external sources, gives IFAD new opportunities/alternatives to enhance its performance. The Ministry of Economy (MINECO), as the selected implementing agency, with its extensive network of private agribusiness stakeholders, has broad expertise in implementing rural investment programmes funded by international organizations such as the World Bank.
  - Promoting KM and lessons learned about inclusive, sustainable rural transformation is key to achieving development objectives. It helps inform policy decisions and strengthen in-country use of evidence-based approaches. Thus, the project's design ensures that key lessons learned and best practices will be captured through a constant cycle of KM leveraging country and regional strategic partnerships and programmes.
  - Strengthening strategic partnerships with the private sector in the framework of the implementation of IFAD projects has made it possible to improve



access to markets, technology and financial resources. The current pandemic has greatly accelerated the establishment of these strategic partnerships, especially regarding ICT4D and e-trade activities.

## II. Project description

### A. Objectives, geographical area of intervention and target groups

17. The project's development objective is to promote an agro-industrialization strategy that reduces food losses, increases the adoption of climate-resilient technologies and supports the COVID-19 emergency response for beneficiaries in selected value chains.
18. The project will support eligible micro, small and medium agribusinesses and agro-industries, producers' associations and groups, collectively referred to as MSMEs, in the context of this project. In addition to vulnerable groups such as women, youth and indigenous peoples, the project will include Afro-descendants.
19. The project will impact over 450,000 people and directly benefit approximately 1,900 MSMEs, producer groups and individual producers. Regarding the subcomponents cofinanced by IFAD, subcomponent 1.3 will reach 100,000 people with nutrition-sensitive communication campaigns; subcomponent 2.1 will directly reach over 44,550 beneficiaries in targeted value chains, allowing them improved access to financing and investments to enhance post-harvest practices and primary production.
20. The project will be implemented at the national level, prioritizing territories with high poverty levels.

### B. Components, outcomes and activities

21. Project components will be:

**Component 1:** Productive and inclusive transformation of the post COVID-19 agrifood system, (US\$19 million World Bank; US\$0.33 million IFAD). The objective of this component is to support the post-pandemic economic recovery and the productive transformation of the agro-industry sector;

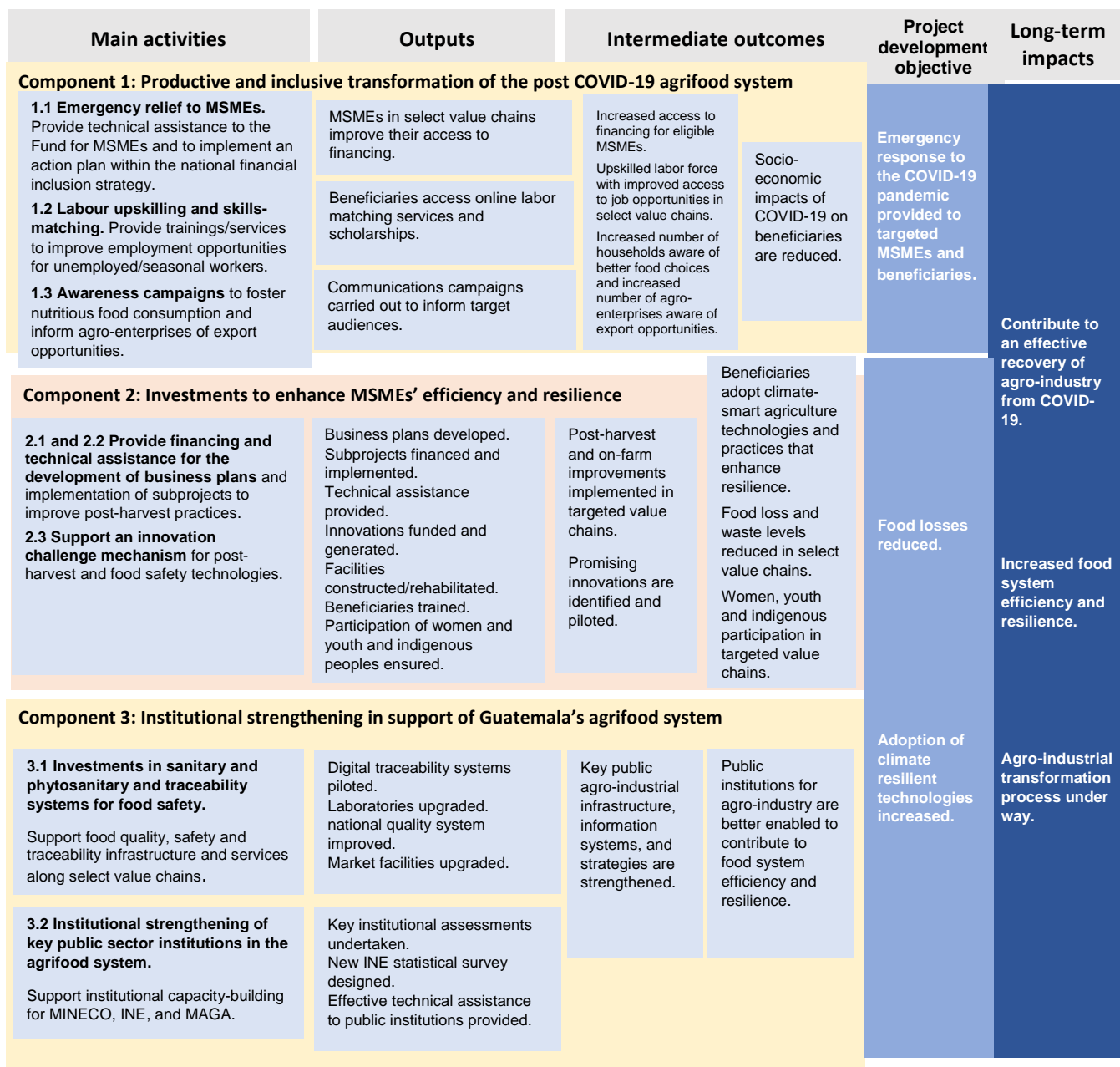
**Component 2:** Investments to enhance MSMEs' efficiency and resilience (US\$100 million World Bank; US\$11 million IFAD; US\$17.67 million beneficiary contribution). The objective of this component is to improve post-harvest efficiency, reduce post-harvest losses, and increase on-farm resilience. Activities will take place at the national level, focusing on investment subprojects in strategically selected value chains. Investments in this component will be made through business plans financed with grants from the project, plus contributions from the beneficiaries;

**Component 3:** Institutional strengthening in support of Guatemala's agrifood system (US\$25 million World Bank). The objective of this component is to strengthen public sector institutions that are considered strategic in making the country's agrifood system more efficient. Investments will be made to help bring about institutional strengthening; and

**Component 4:** Monitoring, evaluation and project management (US\$6 million World Bank). This component will finance activities related to overall project management such as the development of a monitoring and evaluation (M&E) system, periodic beneficiary satisfaction surveys and an impact evaluation study. Investments in this component will ensure compliance and monitoring of the project's environmental and social standards; fiduciary requirements; project implementation, coordination and administration; internal controls and audits; and developing and administering citizen engagement mechanisms such as beneficiary satisfaction surveys and a project-specific grievance redress mechanism (GRM).

### C. Theory of change

22. The World Bank guidelines on theory of change do not include a narrative. However, an explanatory diagram is shown below.



### D. Alignment, ownership, and partnerships

23. The project is fully aligned with strategic objective 1 (SO1) of the 2018-2021 country strategy note (CSN) for Guatemala, which focuses on generating sustainable economic opportunities for poor rural people, with a particular emphasis on women, youth and indigenous peoples. Furthermore, it will contribute to SO2, which focuses on KM and SSTC, as it relates to promoting KM processes on best practices and lessons learned about inclusive, sustainable rural transformation under an SSTC approach.
24. Likewise, the proposal will contribute to SO1 of IFAD's Strategic Framework (2016-2025), which aims to increase the productive capacity of rural people. The project also contributes to the achievement of Sustainable Development Goal (SDG) 1 (end poverty), SDG 2 (zero hunger), SDG 5 (gender equality), SDG 8 (inclusive

and sustainable economic growth), SDG 12 (responsible consumption and production), SDG 13 (climate action) and, in part, SDG 17 (partnerships).

25. At the country level, the proposal will support the 2020-2024 National Government Policy, the K'atun National Development Plan<sup>2</sup> and the COVID-19 National Emergency and Economic Recovery Plan. In addition, the proposal will contribute to the implementation of the following highly prioritized public policies:
  - Grand National Crusade for Nutrition, covering food loss reduction, awareness campaigns for healthy nutrition and income generation to increase communities' access to food.
  - National Competitiveness Policy (2018-2032) implemented by MINECO, in which selected value chains are prioritized.
26. Regarding country-level policy engagement, IFAD investments in subcomponents 1.3 and 2.1 will help the Government of Guatemala to advance with the implementation and monitoring of the above-mentioned public policies, in particular with regard to nutritional requirements and consumption patterns, as well as inclusive micro and small agro-industrial enterprises in rural areas. To this end, IFAD will provide technical support, background studies and exchanges of experiences with other developing contexts.
27. It is important to note that policy engagement has different angles, and this project will help the Government to implement several policies, including the Emergency Law to Protect Guatemalans from the Effects Caused by the Coronavirus Pandemic COVID-19, and the National Strategy for Financial Inclusion. The project also incorporates an independent research group to produce a rigorous impact assessment, including policy-making products, especially those linked to institutional capacity-building processes focused on the project's main stakeholders. SSTC activities are part of the CSN but are covered by complementary actions, such as national and regional grants and other related activities implemented with the support of IFAD's Country Office in Guatemala. The project design team has already incorporated a number of IFAD's priorities into the project appraisal document, but it is not realistic to impose them all within a joint operation design.
28. The proposal will directly contribute to the implementation of the United Nations' 2021-2025 Sustainable Development Cooperation Framework, to be signed between the Government and the United Nations system in 2020.

## **E. Costs, benefits and financing**

29. Project component 2, investments to enhance MSMEs' efficiency and resilience, is partially counted as climate finance. In line with the multilateral development banks' methodologies for tracking climate adaptation and mitigation finance, the total amount of IFAD climate finance for this project/programme is preliminarily calculated as US\$8.25 million.

### **Project costs**

30. Total project costs are approximately US\$179 million. In terms of the main assumptions of costing, the exchange rate was estimated at GTQ 7.78:US\$1, and price contingencies were considered at 4 per cent for local inflation and 2 per cent for international inflation (when applicable). No physical contingencies were considered for IFAD's contribution, which is US\$11.33 million distributed among components 1 and 2 of the project.

---

<sup>2</sup> <https://www.pnd.gt/Home/Vision>.

Table 1  
**Project costs by component and financier**  
 (Thousands of United States dollars)

<i>Component</i>	<i>IFAD loan</i>		<i>World Bank</i>		<i>Beneficiaries' contribution</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
Component 1: Productive and inclusive transformation of the post COVID-19 agrifood system	330	3	19 000	12.67	-	-	19 330
Component 2: Investments to enhance MSMEs' efficiency and resilience	11 000	97	100 000	66.67	17 670	100	128 670
Component 3: Institutional strengthening in support of Guatemala's agrifood system	-	-	25 000	16.67	-	-	25 000
Component 4: Monitoring, evaluation and project management	-	-	6 000	4	-	-	6 000
<b>Total</b>	<b>11 330</b>	<b>100</b>	<b>150 000</b>	<b>100</b>	<b>17 670</b>	<b>100</b>	<b>179 000</b>

Table 2  
**Project costs by expenditure category and financier for IFAD Financing**  
 (Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>
1. Grants	11 000	100	11 000
2. Goods, services and technical assistance	330	100	330
<b>Total</b>	<b>11 330</b>	<b>100</b>	<b>11 330</b>

Table 3  
**Project costs by component and project year (PY)**  
 (Thousands of United States dollars)

<i>Component</i>	<i>PY1</i>		<i>PY 2</i>		<i>PY3</i>		<i>PY4</i>		<i>PY5</i>		<i>PY6</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
Component 1: Productive and inclusive transformation of the post COVID-19 agrifood system	55	16.7	55	16.7	55	16.7	55	16.7	55	16.7	55	16.7	330
Component 2: Investments to enhance MSMEs' efficiency and resilience	-	-	2 200	20	3 850	35	2 750	25	1 650	15	550	5	11 000
<b>Total</b>	<b>55</b>	<b>0.5</b>	<b>2 255</b>	<b>20</b>	<b>3 905</b>	<b>34.5</b>	<b>2 805</b>	<b>25</b>	<b>1 705</b>	<b>15</b>	<b>605</b>	<b>5</b>	<b>11 330</b>

### Financing and cofinancing strategy and plan

31. Total project costs are approximately US\$179 million: US\$150 million in World Bank financing, US\$17.67 million in counterpart financing from beneficiaries, and US\$11.33 million in IFAD financing. IFAD funding will focus on component 2 activities, financing the in-farm support packages (97.1 per cent) in the amount of approximately US\$11 million. In addition to this, IFAD will contribute to component 1 with up to US\$0.33 million (2.9 per cent).

### Disbursement

32. The borrower will open a designated account under the Single Treasury Account in the Bank of Guatemala, in United States dollars to be used exclusively for resources provided by IFAD. Funds will be transferred in local currency from the designated account to the operational accounts of MINFIN/MINECO. Pari passu will be applied for components cofinanced by the World Bank and IFAD. The project will submit a withdrawal application to World Bank for review, in accordance with the

World Bank's disbursement policies and procedures. IFAD disbursements will be processed based on the World Bank's prior approval.

### **Summary of benefits and economic analysis**

33. The economic and financial analysis (EFA) of this project is an ex-ante evaluation of the project's future performance, taking into account estimated incremental benefits and costs of project-related investments. Investment models have been prepared in order to assess the financial impact from the point of view of beneficiaries and provide the basis for the economic assessment. The models applied to the EFA were derived from the activities planned under component 2 (the largest investment supported by the project), as well as models to identify and assess benefits generated through investment activities in components 1 and 3.
34. The economic analysis shows that the project is an economically viable investment for the economy. The project's economic net present value (NPV) (the social discount rate applied is 12 per cent) is US\$167.9 million, with an economic internal rate of return of 34.1 per cent for the base case scenario. Following the most recent World Bank guidelines (2017), the project's economic analysis indicators were also estimated using a higher carbon price assumption (US\$80 per ton of CO<sub>2</sub>e) and a lower carbon price assumption (US\$40 per ton of CO<sub>2</sub>e) to estimate economic benefits from reducing greenhouse gas emissions. The greenhouse gas analysis indicates that, over the implementation period of 20 years, the project could reduce carbon emissions by 368,037 million tons of CO<sub>2</sub> equivalent from direct and indirect project activities. This implies an average mitigation of 18,402 tCO<sub>2</sub>e per year. Under the high carbon price scenario, the economic rate of return (ERR) for the entire project is 36.42 per cent and the NPV is approximately US\$179.77 million. Under the low carbon price scenario, the ERR was 35.22 per cent and the NPV was approximately US\$173.8 million.

### **Exit strategy and sustainability**

35. The entire project framework aims to create a more resilient and better-prepared agrifood space, which will contribute to sustained recovery from COVID-19 impacts beyond the acute phase of the crisis. The agribusiness transformation agenda is a high priority for the Government, which shows strong commitment and ownership of project activities.
36. Enhanced competitiveness leading to improved market access and sales will be a strong channel for the sustainability of subproject investments. It is expected that the project's support to more efficient and resilient value chain production together with its post-harvest investments and financing of technological improvements will result in the increased profitability of beneficiaries' agro-industrial activities. The sustainability of productive investments will be improved through rigorous design and independent assessment of technical, financial, and environmental and social (E&S) viability. Long-term sustainability will rely on the development of human capital (adequate capacity-building and technical assistance provision) together with increased adaptation to climate change based on the enhanced adoption of resilient approaches and technologies. In addition, the emphasis on leveraging private sector financing and establishing new mechanisms for private financial institutions to invest in rural producers will lay the foundation for promoting sustainable agribusiness development beyond the project's time frame.
37. The sustainability of the project's achievements will also be fostered by the strengthened strategic and operational capacities of sectoral institutions and improved sanitary and phytosanitary, traceability, and information systems. The combination of improved capacities, regulations, systems and mechanisms will permit the establishment of an effective framework for continuing to assist rural enterprises, limiting food losses and monitoring and maintaining high standards in food quality and safety beyond the project's lifetime. The project will support the

establishment of commercial relations for beneficiary organizations, giving them follow-up and support in obtaining commercial contracts that guarantee the sustainability of product sales. In addition, it will support the establishment of close relationships with unions, chambers and second-level producer associations, among others, which will allow them to competitively manage their business relationships.

### III. Risks

#### A. Risks and mitigation measures

38. Given the country's current situation, several risks are identified at national level that could have implications for the project, such as uncertainties in the socio-political, economic and COVID-19 context. IFAD will establish monitoring and analysis mechanisms so that timely decisions can be made with the Government (first year of implementation), ensuring that implementation support and supervision missions include risk analysis and systematize lessons learned (throughout the life of the programme).
39. The fiduciary risk was evaluated as substantial at design, based on an assessment of the National Competitiveness Programme's (PRONACOM) financial management capacity carried out by the World Bank. The main risks identified were high inherent country risk, complex implementation arrangements which require further clarification pending the roll-out of a tailored financial management system and the hiring of additional qualified staff. Mitigation measures such as the establishment of a properly staffed project management unit (PMU), have been agreed with the Government, supported by appropriate training and technical assistance by World Bank fiduciary experts and regular implementation support visits.

Table 4  
Risks and mitigation measures

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	High	Substantial
Sector strategies and policies	Moderate	Moderate
Environment and climate context	Substantial	Moderate
Project scope	Substantial	Moderate
Institutional capacity for implementation and sustainability	Substantial	Moderate
Financial management	Substantial	Substantial
Project procurement	Moderate	Moderate
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Low
<b>Overall</b>	<b>Substantial</b>	<b>Moderate</b>

#### B. Environment and social category

40. The project has been classified as category B. Although the potential adverse E&S risks and effects emerging from project activities are not likely to be significant, the combined E&S risk is substantial because of contextual factors and borrower capacity. Mitigation measures are addressed in E&S instruments. Because the exact scope, location and risks of subprojects will not be confirmed until implementation, the project has adopted a framework approach and two-phase preparation of E&S instruments. This approach also accommodates project preparation with condensed procedures under paragraph 12 of the Investment Project Financing Policy in response to COVID-19. MINECO and PRONACOM developed and disclosed an advanced draft Stakeholder Engagement Plan (SEP), including a project-level GRM and an Environmental and Social Commitment Plan

(ESCP). The draft SEP and ESCP were posted on the World Bank external website on 9 June 2020, and by the Government of Guatemala at on 26 June 2020.<sup>3</sup>

41. In addition, MINECO will develop, consult and disclose, within 90 days of effectiveness of the World Bank Agreement, an Environmental and Social Management Framework (ESMF); labour management procedures with a dedicated GRM for project workers; an Indigenous Peoples Planning Framework; and a final SEP. The ESCP reflects government commitment to implementing the E&S instruments and periodically reporting on compliance. Subproject-specific environmental and social management plans and Indigenous Peoples Plans will be developed as needed. All required construction-phase mitigation, management and monitoring measures identified in the ESMF will be reflected in bidding and contracting documents. The PMU will include dedicated environmental, social and gender specialists who will support implementation and compliance and report regularly to the World Bank and IFAD. MINECO will implement the project in line with the World Bank safeguards.

### **C. Climate risk classification**

42. The project presents a moderate climate risk. The risk of the project increasing climate vulnerability due to exposure to droughts, floods and other climatic events is moderate, because of the low-to-medium adaptive capacity of rural populations, livelihoods, ecosystems, economic assets and infrastructure in the face of climate variability and threats.

### **D. Debt sustainability**

43. According to the World Bank-International Monetary Fund Debt Sustainability Analysis of June 2020, government debt is expected to remain sustainable. Public debt continues to be resilient to short-term shocks. The long-term negative effects of the COVID crisis are expected to be limited, and there is a strong commitment to timely and full payment of debt service obligations. Guatemala's low debt levels prior to COVID-19 permitted a targeted fiscal response to COVID-19 while preserving debt sustainability.

## **IV. Implementation**

### **A. Organizational framework**

#### **Project management and coordination**

44. Overall project management and implementation will be the responsibility of PRONACOM's Vice-Ministry of Investment and Competition. A dedicated PMU will be established within the programme. The unit will be responsible for the project's day-to-day implementation and coordination in alignment with the project's objectives and in line with applicable World Bank policies and procedures. The PMU will be adequately staffed during the project's implementation period. A general project coordinator will be appointed to oversee the project's overall coordination, implementation and operations. The project coordinator will also be responsible for overall technical coordination with other MINECO directorates, departments and units, as well as beneficiary institutions (MAGA and the National Institute of Statistics [INE]). The PMU will include dedicated procurement, financial management, environmental, social, gender and M&E specialists who will support implementation and compliance, and contribute to regular reporting to the World Bank and IFAD.

#### **Financial management, procurement and governance**

45. Financial management. The PMU is responsible for the project's financial management. The World Bank will be appointed as cooperating institution, and it will be responsible for managing and supervising the implementation of IFAD's financing based on a letter of appointment, which includes details of supervision

<sup>3</sup> <https://www.pronacom.org/biblioteca/>.

arrangements such as missions, financial reporting and audits. To simplify implementation arrangements, IFAD will accept the application of the World Bank's financial policies and procedures. IFAD has reviewed these in order to ensure their alignment with IFAD's fiduciary requirements.

46. Financial documentation will be retained in line with the World Bank's requirement to maintain financial records for up to three years after the project closes, or for 18 months after receipt by the World Bank of an acceptable final financial audit, whichever is later.
47. External audit. The project's annual accounts and financial statements will be independently audited in compliance with international auditing standards and World Bank policies and procedures. The audited financial statements shall be submitted to the World Bank and IFAD no later than six months after the end of every fiscal year.
48. Procurement will be conducted in accordance with the World Bank Procurement Regulations for Investment Project Financing.

## **B. Planning, monitoring and evaluation, learning, knowledge management and communications**

49. A M&E team will be established within the PMU to monitor day-to-day project activities and outputs; generate and systematize information for management; support the planning and budgeting process; monitor project outcomes and progress against indicators; provide inputs for communication of project results and lessons learned; ensure effective communication between the ministry's central and field staff; and promote accountability for resource use. It will also provide feedback to and from stakeholders, including via the GRM and other citizen engagement mechanisms; and conduct or commission special evaluation studies (including an impact evaluation) to assess the project's results and achievements.
50. In total, 11 IFAD core indicators were included in the Operational Results Management System and the logical framework. Programme evaluation is based on three key milestones: (i) baseline study; (ii) midterm review; and (iii) final evaluation.
51. In terms of KM, the proposal incorporates lessons learned from recent experiences in family farming, climate-smart agriculture and the economic empowerment of rural women and rural youth. These are being supported by IFAD through non-lending initiatives, including SSTC interventions. A specific annex on this key topic was prepared in close coordination with the IFAD KM & SSTC Centre in Brazil. It has been included in the project implementation manual.

### **Innovation and scaling up**

52. Long-term sustainability will be promoted at the individual and agro-enterprise levels through capacity-building and technical assistance, together with the adoption of climate-resilient technologies. In addition, the establishment of an enabling environment for enhanced private investment in MSMEs will lay the foundation for financially sustainable agribusiness development beyond the project's lifetime.
53. IFAD will also promote the use of ICT4D tools, especially the apps that were developed internally such as AGRiPlan and Arvest.

## **C. Implementation plans**

### **Implementation readiness and start-up plans**

54. The World Bank's Executive Board will analyse the proposal on December 15, 2020.
55. The dialogue in the national congress is expected to last about six months, considering that the project is a high priority for the Government.



**Supervision, midterm review and completion plans**

56. IFAD and the World Bank will conduct one implementation support mission and one supervision mission on a yearly basis. It will also conduct the start-up workshop, midterm review and completion mission in accordance with World Bank and IFAD supervision guidelines. Furthermore, the IFAD Country Office will constantly support the implementation of the project in coordination with the Panama Hub and headquarters in Rome, as well as with the World Bank office in Guatemala.

**V. Legal instruments and authority**

57. A financing agreement between the Republic of Guatemala and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.
58. The Republic of Guatemala is empowered under its laws to receive financing from IFAD.
59. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

**VI. Recommendation**

60. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Guatemala in an amount of eleven million three hundred and thirty thousand United States dollars (US\$11,330,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President

## Negotiated financing agreement

### Convenio de financiación negociado: Respuesta al Covid-19: Cadenas De Valor Agroalimentarias Modernas Y Resilientes

(Negociaciones concluidas el 8 diciembre 2020)

Número del Préstamo: \_\_\_\_\_

Proyecto: *Respuesta al Covid-19: Cadenas De Valor Agroalimentarias Modernas Y Resilientes* (el "Proyecto")

El Fondo Internacional de Desarrollo Agrícola (el "Fondo" o el "FIDA")

y

la República de Guatemala (el "Prestatario")

(cada uno de ellos por separado la "Parte" y los dos colectivamente las "Partes")

acuerdan lo siguiente:

#### Preámbulo

CONSIDERANDO que el Prestatario ha solicitado al Fondo cofinanciar el Proyecto y el Fondo acepta proporcionar un préstamo para apoyar en la financiación del mismo.

CONSIDERANDO que el Proyecto será cofinanciado por el Banco Internacional de Reconstrucción y Fomento (el "Banco")

CONSIDERANDO que el Banco ha acordado proporcionar financiación en forma de préstamo al Prestatario por una cantidad de ciento cincuenta millones de dólares de los Estados Unidos de América (USD 150,000,000), para cofinanciar la ejecución de algunas de las actividades del Proyecto conforme al convenio de préstamo a celebrarse entre el Banco y el Prestatario (el "Acuerdo Banco");

CONSIDERANDO que el Prestatario acepta que las actividades del Proyecto sean cofinanciadas de conformidad con el presente Convenio;

El FIDA ACUERDA conceder un Préstamo de sus propios recursos al Prestatario para asistir en la cofinanciación del Proyecto de acuerdo con los términos y condiciones establecidos en el presente Convenio; y

Las Partes acuerdan además lo siguiente:

#### Sección A

1. Los siguientes documentos en su conjunto conforman colectivamente este Convenio: el presente documento, la descripción y las disposiciones de ejecución del Proyecto (Anexo 1), el cuadro de asignaciones (Anexo 2) y las condiciones generales. En caso de conflicto entre este documento y cualquiera de los Anexos, prevalecerán las disposiciones de este documento.

2. Se adjuntan al presente Convenio las *Condiciones Generales para la Financiación del Desarrollo Agrícola* de fecha 29 de abril de 2009, enmendadas en diciembre de 2018 (las "Condiciones Generales") que aplicarán al presente Convenio en sus sucesivas versiones enmendadas, salvo las disposiciones enumeradas en la Sección E, párrafo 4 de este Convenio. A los efectos del presente Convenio, los términos definidos en las condiciones generales tendrán el significado en ellas indicado.

3. El Fondo proporcionará un Préstamo al Prestatario (la "Financiación" o el "Préstamo"), que el Prestatario utilizará para ejecutar las actividades indicadas en el Anexo 1 del presente Convenio.

4. A los efectos del presente Convenio:

"MOP" significa el Manual de Operaciones del Proyecto preparado bajo el Acuerdo Banco;

"Regulaciones de Adquisiciones para Prestatarios en Proyectos de Inversión" se refiere a las Regulaciones definidas en el Acuerdo Banco ("*Procurement Regulations*");

## **Sección B**

1. El monto del Préstamo es de Once millones trescientos treinta mil dólares de los Estados Unidos de América (USD 11 330 000)

2. El Préstamo se concede en condiciones ordinarias por un plazo de 32 años incluyendo un período de gracia de 6 años a partir de la fecha en que el Fondo haya determinado que se han cumplido todas las condiciones previas para el retiro de fondos indicadas en las Condiciones Generales y en la Sección E. 3 del presente Convenio.

3. El Préstamo estará sujeto a intereses sobre el capital de préstamo pendiente al tipo de interés variable de referencia de FIDA con un margen proporcionado por el FIDA

4. La moneda de pago del servicio del Préstamo será en USD.

5. El primer día del ejercicio financiero aplicable será el 1º de enero.

6. Los pagos del capital y los intereses serán pagaderos cada 15 de febrero y 15 de agosto.

7. El Prestatario, dentro de la cuenta única existente en el Banco de Guatemala por la Tesorería Nacional, identificará una cuenta secundaria denominada en USD a nombre del Proyecto para la recepción de los desembolsos, seguimiento y utilización de los recursos del Préstamo ("cuenta designada/secundaria").

## **Sección C**

1. El Organismo Responsable de la ejecución del Proyecto será el Ministerio de Economía (MINECO) a través del Programa Nacional de Competitividad (PRONACOM).

2. La fecha de terminación del Proyecto será el sexto aniversario de la fecha de entrada en vigor del presente Convenio o cualquier prórroga de la fecha de terminación

del Proyecto que el Fondo pueda designar mediante notificación al Prestatario.

3. Aplicaran a la Gestión Financiera del Préstamo FIDA las normas del Banco en calidad de Institución Cooperante así como las instrucciones indicadas en el MOP y en la Carta de Información Financiera y Desembolsos ("*Disbursement and Financial Information Letter*") mencionada en la Sección III del Anexo 2 del Acuerdo Banco, que el Banco enviará al FIDA.

4. La adquisición de bienes y la contratación de obras y servicios financiados con los recursos de la Financiación se realizarán de conformidad con las disposiciones especificadas en las Regulaciones de Adquisiciones para Prestatarios en Proyectos de Inversión del Banco en calidad de Institución Cooperante.

#### **Sección D**

1. El Proyecto será supervisado por el Banco y el FIDA cada quien en el ámbito de su competencia, y el Préstamo administrado por el Banco en calidad de Institución Cooperante conforme a la Sección 3.03 de las Condiciones Generales

#### **Sección E**

1. Se considera que es motivo adicional a los especificados en la Sección 12.01 de las Condiciones Generales, para la suspensión del derecho del Prestatario a solicitar desembolsos que el derecho del Prestatario a solicitar desembolsos bajo el Acuerdo Banco haya sido suspendido, cancelado o terminado, en su totalidad o en parte, o el Préstamo del Banco haya vencido y sea pagadero antes del vencimiento acordado.

2. Se considera motivo adicional para la cancelación de este Convenio: que el Acuerdo Banco haya sido terminado.

3. Se considera que son condiciones generales adicionales previas a las establecidas en las Condiciones Generales para el desembolso de fondos del Préstamo las siguientes:

- (a) que el Prestatario haya abierto la cuenta designada;
- (b) que el Acuerdo Banco haya entrado en vigor;
- (c) que el Prestatario haya cumplido con las condiciones para el desembolso de fondos establecidas en el Acuerdo Banco;

4. Las Secciones 7.05 (Adquisiciones) y la Sección 7.01 (b) (ii) y el Artículo 8 (Informes e Información de Implementación), Sección 9.01, 9.02 y 9.03 a) y b) de las Condiciones Generales no se aplicarán al presente Convenio y en su lugar se aplicará lo siguiente:

- (a) todos los bienes, obras y servicios requeridos para el Proyecto y que serán financiados con el Préstamo FIDA serán adquiridos de acuerdo con las Regulaciones de Adquisiciones para Prestatarios en Proyectos de Inversión.
- (b) el Organismo Ejecutor supervisará y evaluará el progreso del Proyecto y preparará Informes, así como Planes de Trabajo y Presupuestos Anuales (POA), de conformidad con el Acuerdo Banco y el MOP.
- (c) la preparación del informe anual de estados financieros, la selección de los auditores independientes, los plazos de entrega de las auditorías y el período de retención (resguardo) de documentos y registros del Proyecto se realizará de

conformidad con lo estipulado en la Carta de Información Financiera y Desembolsos ("*Disbursement and Financial Information Letter*") preparada por el Banco Mundial correspondiente exclusivamente al Financiamiento FIDA, que enviará al Prestatario tras la no objeción del FIDA.

5. El presente Convenio no está sujeto a ratificación por parte del Prestatario.

6. Se indican a continuación los representantes designados y las direcciones que han de utilizarse para cualquier intercambio de comunicaciones relacionados con el presente Convenio:

Por el Fondo:

El Presidente  
Fondo Internacional de  
Desarrollo Agrícola  
Via Paolo di Dono 44, 00142 Roma

Por el Prestatario

Ministro de Finanzas Públicas  
Dirección: 8ª avenida 20-59 C  
entro Cívico, Zona 1  
+(502) 23743000  
Guatemala, C.A

Organismo Responsable del Proyecto:

Ministro de Economía  
8ª Avenida 10-43 Zona 1  
+ (502) 2412-0200  
Guatemala, C.A

El presente Convenio, de fecha \_\_\_\_\_, se ha preparado en idioma español en dos (2) copias originales, una (1) de las cuales es para el Fondo y la otra para el Prestatario.

REPUBLICA DE GUATEMALA

\_\_\_\_\_  
Ministro de Finanzas Públicas

Fecha: \_\_\_\_\_

FONDO INTERNACIONAL  
DE DESARROLLO AGRICOLA

\_\_\_\_\_  
Presidente

Fecha: \_\_\_\_\_

## **Anexo 1**

### *Descripción del Proyecto y disposiciones de ejecución*

#### **Descripción del Proyecto**

El objetivo del Proyecto es promover una estrategia de agro-industrialización que reduzca las pérdidas de alimentos, aumente la adopción de tecnologías resilientes al clima y apoye la respuesta de emergencia de COVID-19 para los beneficiarios en determinadas cadenas de valor.

El Proyecto consiste en las siguientes partes:

#### **Parte 1. Transformación productiva e inclusiva del Sistema Agroalimentario, post COVID-19.**

61. Brindar asistencia técnica a: (a) el MINECO para apoyar la implementación de la Estrategia Nacional de Inclusión Financiera (ENIF), y (b) aumentar la funcionalidad del Fondo Micro, Pequeña y Mediana empresa (MIPYME) para responder a la emergencia de COVID-19.
62. Apoyar el desarrollo de habilidades y la equiparación de las habilidades laborales a través de: (a) la prestación de asistencia técnica para establecer un mecanismo de becas y capacitación para mejorar las aptitudes de los beneficiarios elegibles; (b) la financiación de becas y estipendios para los beneficiarios elegibles; (c) financiamiento de capacitación para los beneficiarios elegibles; (d) la realización de actividades de divulgación específicas; y (e) el fortalecimiento de la plataforma de servicios de interconexión de la mano de obra de las cadenas de valor, todo ello conforme a lo dispuesto en el MOP.
63. Realizar campañas de sensibilización de los consumidores para: (a) fomentar las preferencias de los consumidores nacionales hacia hábitos de nutrición más diversos y saludables y menos desperdicio de alimentos; y (b) promover las oportunidades de exportación.

#### **Parte 2. Inversiones para mejorar la eficiencia y la resiliencia de las MIPYMES.**

Apoyar las inversiones elegibles en las cadenas de valor estratégicas a través de:

1. El otorgamiento de Micro Donaciones a los Beneficiarios de Micro Donaciones para la realización de Sub-proyectos Elegibles.
2. El otorgamiento de pequeñas donaciones a los beneficiarios de pequeñas donaciones y de donaciones medianas a los beneficiarios de donaciones medianas para la ejecución de los Sub-proyectos Elegibles.
3. El otorgamiento de donaciones para la Innovación a los Beneficiarios que ejecuten Sub-proyectos de Innovación.

#### **Parte 3. Fortalecimiento institucional en apoyo al Sistema Agroalimentario del Prestatario.**

1. Invertir en sistemas sanitarios, fitosanitarios y de trazabilidad para la seguridad alimentaria a través de, entre otras cosas: (a) brindar asistencia técnica y equipo

para la mejora de los sistemas sanitarios, fitosanitarios y de trazabilidad en colaboración con el MAGA; b) brindar asistencia técnica y equipo al Sistema Nacional de Calidad del MINECO; y c) brindar apoyo al MAGA para proporcionar asistencia técnica y equipo a los laboratorios públicos para la inocuidad de los alimentos.

2. Fortalecer las instituciones clave del sector público en el sistema agroalimentario a través de, entre otras cosas, la prestación de asistencia técnica, la creación de capacidades y el suministro de equipo a determinadas dependencias técnicas del MINECO, del MAGA y del INE.

#### **Parte 4. Monitoreo, Evaluación y Gestión del Proyecto.**

Llevar a cabo actividades de gestión del proyecto, entre ellas: (a) el desarrollo de un sistema de monitoreo y evaluación, que incluya encuestas periódicas sobre la satisfacción de los beneficiarios y un estudio de evaluación de impacto; (b) la realización de actividades para garantizar el cumplimiento y monitoreo de los estándares ambientales y sociales del Proyecto; (c) la realización de la administración fiduciaria, los controles internos y las auditorías del Proyecto; y (d) el desarrollo y aplicación de un mecanismo de participación ciudadana y un mecanismo de reparación de quejas para el Proyecto.

Los fondos del FIDA cofinancian los sub componentes 1.3 y 2.1 del Proyecto.

#### **Ejecución del Proyecto**

El Proyecto se ejecutará por el MINECO a través de PRONACOM, de conformidad con las disposiciones de la Sección I (Mecanismos de ejecución) del Anexo 2 del Acuerdo Banco. Así mismo, se seguirán las disposiciones descritas en el MOP descrito en el Acuerdo Banco.

El Prestatario por intermedio del Organismo Ejecutor ejecutará el Proyecto de conformidad con las disposiciones de los estándares ambientales y sociales del Banco.



## Anexo 2

### Cuadro de Asignaciones

1. *Asignación de los recursos del Préstamo.*

a) En el cuadro que figura a continuación se presentan las Categorías de Gastos Admisibles que se financiarán con cargo al Préstamo y la asignación de los montos del Préstamo a cada Categoría, así como los porcentajes de los gastos correspondientes a los rubros que se financiarán en cada Categoría:

Categoría	<b>Monto del Préstamo asignado (expresado en USD)</b>	<b>Porcentaje a ser financiado por el FIDA</b>
<b>1. Asistencia Técnica</b>	330,000	100% excluyendo cofinanciación Banco Mundial
<b>2. Subproyectos productivos</b>	11,000,000	100% excluyendo cofinanciación Banco Mundial y aporte beneficiarios
<b>TOTAL</b>	<b>11,330,000</b>	

b) *Definiciones:*

Por "Asistencia Técnica" se entiende los gastos de asistencia técnica, consultorías especializadas (incluyendo encuestas) y campañas de concienciación dirigido a productores, empresas, consumidores y productores en el área de producción y nutrición, bajo el Componente 1.3 del Proyecto descrito el Anexo 1 del Acuerdo Banco.

Por "Subproyectos productivos" se entiende los fondos transferidos a organizaciones de beneficiarios de base o de otro nivel para la implementación de planes de negocios, bajo el Componente 2.1 del Proyecto descrito el Anexo 1 del Acuerdo Banco.

## Logical framework

Jerarquía de los resultados	Indicadores				Fuente de verificación	
	Nombre	Línea de base	Medio término	Meta final	Fuente	Frecuencia
Alcance	<b>1.b Estimación correspondiente del número total de miembros del hogar</b>				M&E System	Annual
	Miembros de los hogares - Número de personas	0	101185	144550		
	<b>1.a Número correspondiente de hogares beneficiarios a los que se ha prestado apoyo</b>				M&E System	Annual
	Hogares encabezados por mujeres - Número	0	10119	14456		
	Hogares no encabezados por mujeres - Número	0	15178	21682		
	Hogares - Número	0	25297	36138		
	<b>1 Número de personas que reciben los servicios promovidos o apoyados por el proyecto</b>				M&E System	Annual
	Mujeres - Número	0	10119	14456		
	Hombres - Número	0	15178	21682		
	Jóvenes - Número	0	17707	25297		
	No jóvenes - Número	0	7590	10841		
	Población indígena - Número	0	20237	28910		
	Población no indígena - Número	0	5060	7228		
	Número total de personas que reciben servicios - Número de personas	0	25297	36138		
<b>Objetivo de desarrollo</b> Promote an agro-industrialization strategy that reduces food losses, increases the adoption of climate-resilient technologies, and supports the COVID-19 emergency response for beneficiaries in select value chains.						
<b>Efecto directo</b> Component 1: Productive and inclusive transformation of the agrifood system, post COVID-19	<b>1.2.9 Hogares cuyos conocimientos, actitudes y prácticas en materia de nutrición han mejorado (KAP)</b>				M&E System	MTR/Completion
	Hogares de población indígena - Número	0	14165	20236		
	Hogares de población no indígena - Número	0	3542	5060		
	Hogares encabezados por mujeres - Número	0	7082	10118		
	Hogares no encabezados por mujeres - Número	0	10625	15178		
	Hogares (número) - Número	0	17707	25296		
<b>Producto</b> Component 1: Productive and inclusive transformation of the agrifood system, post COVID-19	<b>1.1.8 Hogares que recibieron apoyo específico para mejorar su estado nutricional</b>				M&E System	Annual
	Hogares - Número	0	25297	36138		
	Población indígena - Número	0	20237	28910		
	Población no indígena - Número	0	5060	7228		

	Jóvenes - Número	0	17707	25297		
	No jóvenes - Número	0	7589	10841		
	Hogares encabezados por mujeres - Número	0	10119	14456		
	Hogares no encabezados por mujeres - Número	0	15178	21682		
<b>Efecto directo</b> Component 2: Investments to enhance MSMEs efficiency and resiliency	<b>1.2.2 Hogares que declaran haber adoptado prácticas, tecnologías o insumos nuevos o mejorados</b>				M&E System	MTR/Completion
	Hombres - Número	0	10625	15178		
	Mujeres - Número	0	7082	10118		
	Jóvenes - Número	0	12395	17707		
	No jóvenes - Número	0	5312	7589		
	Población indígena - Número	0	14165	20236		
	Población no indígena - Número	0	3542	5060		
	Hogares - Número	0	17707	25296		
	<b>IE.2.1 Individuos que presentan una mejora de empoderamiento</b>				M&E System	MTR/Completion
	Mujeres - Porcentaje	0	40	80		
	Hombres - Porcentaje	0	50	80		
	<b>2.2.1 Empleos nuevos creados</b>				M&E System	MTR/Completion
	Beneficiario de empleo - hombres - Número	0	5420	10841		
	Empleos nuevos - Número	0	9034	18069		
	Beneficiario del empleo - mujeres - Número	0	3614	7228		
	Beneficiario del empleo - población indígena - Número	0	7227	14455		
	Beneficiario del empleo - población no indígena - Número	0	1807	3614		
	Beneficiario del empleo - jóvenes - Número	0	6324	12648		
	Beneficiario del empleo - no jóvenes - Número	0	2710	5421		
	<b>2.2.2 Empresas rurales apoyadas que declaran que aumentaron sus ganancias</b>				M&E System	MTR/Completion
	Porcentaje de empresas - Porcentaje	0	75	90		
	<b>3.2.2 Hogares que declaran haber adoptado prácticas y tecnologías sostenibles desde el punto de vista ambiental y resilientes al cambio climático</b>				M&E System	MTR/Completion
	Hogares - Porcentaje	0	20	40		
	<b>SF.2.1 Hogares satisfechos con los servicios apoyados por el proyecto</b>				M&E System	MTR - completion
	Hogares no encabezados por mujeres - Número	0	0	17346		

	Hogares encabezados por mujeres - Número	0	0	11564		
	Hogares (%) - Porcentaje	0	0	80		
	Hogares (número) - Número	0	0	28910		
<b>Producto</b> Component 2: Investments to enhance MSMEs efficiency and resiliency	<b>2.1.1 Empresas rurales que acceden a servicios de desarrollo empresarial</b>				M&E System	Annual
	Empresas rurales - Número	0	156	195		
	<b>2.1.2 Personas capacitadas en actividades generadoras de ingresos o gestión empresarial</b>				M&E System	Annual
	Mujeres - Número	0	10119	14456		
	Hombres - Número	0	15178	21682		
	Población indígena - Número	0	20237	28910		
	Población no indígena - Número	0	5060	7228		
	Jóvenes - Número	0	17707	25297		
	No jóvenes - Número	0	7590	10841		
	Personas capacitadas en actividades generadoras de ingresos o gestión empresarial - Número	0	25297	36138		
<b>Efecto directo</b> Component 4. Monitoring, evaluation and project management	<b>SF.2.1 Hogares satisfechos con los servicios apoyados por el proyecto</b>				M&E System	MTR/Completion
	Hogares de población no indígena - Número	0	0	5782		
	Hogares de población indígena - Número	0	0	23128		
	Hogares no encabezados por mujeres - Número	0	0	17346		
	Hogares encabezados por mujeres - Número	0	0	11564		
	Hogares (%) - Porcentaje	0	0	80		
	Hogares (número) - Número	0	0	28910		

## Integrated project risk matrix

Risk category / Subcategory	Inherent risk	Residual risk
Country context	High	Substantial
Political commitment	Substantial	Moderate
Governance	High	Substantial
Macroeconomic factors	High	Substantial
Fragility and security	High	Substantial
Sectoral strategies and policies	Moderate	Moderate
Harmonisation of policies	Low	Low
Formulation and application of policies	Substantial	Moderate
Environmental and climate context	Substantial	Moderate
Vulnerability of the project to environmental conditions	Substantial	Moderate
Vulnerability of the project to the effects of climate change	Moderate	Low
Scope of the project	Substantial	Moderate
Relevance of the project	Moderate	Low
Technical soundness	Substantial	Moderate
Institutional capacity for implementation and sustainability	Substantial	Moderate
Implementation mechanisms	Substantial	Moderate
Monitoring and evaluation mechanisms	Moderate	Low
Financial management of the project	Substantial	Moderate
Organisation and staffing of the project	Substantial	Moderate
Elaboration of the project budget	Substantial	Moderate
Flow of funds and disbursements	Substantial	Moderate
Internal controls of the project	High	Substantial
Presentation of the project's accounting and financial information	Substantial	Moderate
External auditing of the project	Moderate	Low
Procurement and contracting	Moderate	Moderate
Legal and regulatory framework	Moderate	Low
Accountability and transparency	Substantial	Substantial
Public procurement and contracting capacity	Moderate	Low
Public procurement and contracting processes	Moderate	Low
Environmental, social and climate impact	Moderate	Low
Biodiversity conservation	Moderate	Low
Efficiency in use of resources and prevention of contamination	Moderate	Low
Cultural heritage	Moderate	Low
Indigenous Peoples	Moderate	Low
Employment and working conditions	Moderate	Low
Community health and safety	Moderate	Low
Physical and economic resettling	Low	Low

<b>Risk category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
Greenhouse gas emissions	Moderate	Low
Vulnerability of the target populations and ecosystems to climate variability and threats	Moderate	Low
Stakeholders	Moderate	Low
Stakeholder engagement and coordination	Moderate	Low
Stakeholder grievances	Moderate	Low
Overall risk	Substantial	Moderate
Country context	High	Substantial
Political commitment	Substantial	Moderate
<p><b>Risk:</b></p> <p>The new Government, which took office on 14 January 2020, has committed to increasing economic growth and reducing migration through the creation of an “economic wall” of opportunities. Before the emergence of COVID-19, the Government had aimed to achieve GDP growth of 6 per cent through the implementation of strategic activities in the framework of the National Government Policy’s economy, competitiveness and prosperity pillar. These activities include: advancing policies that promote investment and partnerships between the public and private sectors; investments in human resource capacities; and supporting the creation of formal and decent employment as the principal mechanism to contribute to economic growth, poverty reduction, and strengthened productivity, competitiveness and efficiency.</p> <p>Even in the context of the global pandemic, the commitment to economic competitiveness has remained firm, and the project is framed within this objective. Its implementing agency, the Ministry of Economy (MINECO) has demonstrated a strong influence on the Government cabinet and the organised private sector. This risk is considered Moderate.</p>	Substantial	Moderate
<p><b>Mitigation measures:</b></p> <p>Maintain dialogue between IFAD-WB and the Government to ensure that the operation remains a high priority, especially when the annual General Budget is being formulated, at which time budgetary space is allocated to external sources (loans).</p> <p>Constant involvement of collaborating entities (the Ministry of Economy [MAGA], National Institute of Statistics [INE] and municipalities) so they exert their influence to maintain this prioritisation.</p>		
Governance	High	Substantial
<p><b>Risk:</b></p> <p>For a long time, several Guatemalan institutions have faced capacity- and governability-related challenges that have limited the efficient, transparent and effective provision of services.</p>	High	Substantial
<b>Mitigation measures:</b>		

To mitigate these challenges, the team is working with key counterparts, including MINECO and MAGA, to build a solid partnership to support the project's timely approval and subsequent effective implementation. The team is also engaging the private sector to ensure their participation in the coalition that is supporting this agenda.		
Macroeconomic factors	High	Substantial
<b>Risk:</b> Currently, the entire globe is living in a state of macroeconomic uncertainty. With the global coronavirus crisis, macroeconomic volatility has increased. It is anticipated that the impacts of the virus on many of the region's economies, including Guatemala, will be significant, but the specific magnitude of the impacts is not yet known. In this context of greater macroeconomic uncertainty, volatility and vulnerability, this risk is considered High.	High	Substantial
<b>Mitigation measures:</b> The contingent emergency response component is designed to provide some relief in the face of the fiscal tensions that are related to the crisis, which will allow the Government to respond to the effects and consequences of COVID-19 on the sector.		
Fragility and security	High	Substantial
<b>Risk:</b> The global COVID-19 pandemic could have unprecedented repercussions on global and local food supply and demand which, as mentioned above, represents a high risk. Most countries in the world, including Guatemala, have been almost closed in an attempt to contain the spread of the virus, and this has had socio-economic repercussions. During the third week of March 2020, Guatemala closed its international airports to try to limit the spread of the virus, and its main trade partners have also closed their borders. As a result, global value chains have been impacted and Latin American countries are increasingly affected by the economic costs of commercial losses.	High	Substantial
<b>Mitigation measures:</b> In this context of global uncertainty, the project includes a contingent emergency response component to help Guatemala address the most urgent threats of COVID-19 on the food system, while creating medium-term private and public capacities; however, given the uncertainty surrounding what lies ahead, this risk is High.		
Sectoral strategies and policies	Moderate	Moderate
Harmonisation of policies	Low	Low
<b>Risk:</b> The project has been designed to support the National Government Policy 2020-2024 [Política General de Gobierno 2020-2024], the K'atun National	Low	Low

<p>Development Plan 2032 [Plan Nacional de Desarrollo K'atun 2032] and the COVID-19 National Emergency and Economic Recovery Programme [Programa Nacional de Emergencia y Recuperación Económica del COVID-19]. The proposed project is perfectly aligned with the first pillar of the new Government's strategic objectives to promote economic growth, competitiveness and prosperity through the development of (i) strategic and adequate agro-industrial infrastructure; (ii) micro, small and medium enterprises (MSMEs); (iii) human capital capacities, and (iv) more and better formal jobs.</p> <p>The project is also aligned with the K'atun Plan 2032, which aims to improve the competitiveness of rural areas through: (i) the development of better connectivity between rural areas and markets and/or production zones, including infrastructure and information systems; (ii) the promotion of productive projects that improve current levels of food security; (iii) the increased competitiveness of producers and the development of agricultural enterprises with lower production costs, especially for transport and/or logistics; and (iv) improved post-harvest management processes to reduce production costs. Furthermore, the project contributes to objectives (i) and (iii) of the COVID-19 National Emergency and Economic Recovery Programme.</p> <p>The risk of the country's rural and agricultural policies and strategies not being favourable enough is considered Low, given the solid alignment that exists, as well as the policies and mandate of IFAD and the World Bank.</p>		
<p><b>Mitigation measures:</b></p> <p>Provide specialised technical assistance in mainstreaming themes, to underscore their importance and ensure that they are integrated into the approaches and investments.</p> <p>Promote public policy dialogue spaces in which the project's contributions and the institution can be highlighted in higher-level policies.</p>		
<p>Formulation and application of policies</p>	<p>Substantial</p>	<p>Moderate</p>
<p><b>Risk:</b></p> <p>Several government agencies and ministries are responsible for public services and the creation of relevant agro-industrial policies.</p> <p>MINECO is the entity responsible for formulating policies to protect consumers and promote competition. Specifically, this entity creates and implements policies related to national and foreign investment, the promotion of competitiveness, and industrial and commercial development. Furthermore, by delegation of the President of the Republic, this entity is responsible for negotiating bilateral and multilateral international agreements and treaties. It also proposes, in coordination with other ministries and state agencies, the specifications and technical standards related to the quality of domestic production, and it facilitates the competitive development of MSMEs through the provision of financial services and business development.</p>	<p>Substantial</p>	<p>Moderate</p>



<p>MAGA's functions include the implementation of the food and nutrition security policy, and promoting community organisation through agricultural productive projects, extension services, training and technical assistance. It is also responsible for generating, processing and disseminating geographic and cartographic information, as well as information related to food security and risk management.</p> <p>The risk of rural and agricultural policies and strategies not being sufficiently grounded in empirical data, not being representative of the opinions of rural organisations, not having sufficient resources or being supported by legal and regulatory frameworks, or not being sustainable is considered Substantial. This could adversely affect the project's implementation and the achievement of its development objectives.</p>		
<p><b>Mitigation measures:</b></p> <p>Provide specialised technical assistance in monitoring, evaluation and strategic planning to MAGA, INE, MINECO and the National Competitiveness Programme (PRONACOM), to increase their evidence-based strategic planning capacities.</p> <p>Provide spaces for coordination and the exchange of experiences among partner institutions at the level of government, the private sector and grassroots organisations.</p>		
<p>Environmental and climate context</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Vulnerability of the project to environmental conditions</p>	<p>Substantial</p>	<p>Moderate</p>
<p><b>Risk:</b></p> <p>In the project area, environmental vulnerability is defined by the current processes of natural resource degradation: (i) water quality is very poor, as a result of household wastewater discharges and the use of agricultural agrochemicals (affecting approximately half of the catchment areas in the project area); (ii) deforestation due to the advancing agricultural and livestock frontier (affecting approximately one-third of land area); (iii) soil loss due to deforestation and poor agricultural and livestock practices (most erosion occurs in agricultural areas); and (iv) forest fires, caused mainly by the inappropriate use of fire in agricultural and livestock practices. Therefore, the existing environmental risks that could affect the project's implementation are classified as Substantial, as determined during the project design in accordance with the World Bank's environmental guidelines (this classification is equivalent to the Social and Environmental and Climate Assessment Procedures' environmental and social category "B").</p>	<p>Substantial</p>	<p>Moderate</p>
<p><b>Mitigation measures:</b></p> <p>To manage the project's environmental risks, the Environmental and Social Management Framework (ESMF) will be developed, consulted and implemented within 90 days of the project's start date. The ESMF will define specific actions to mitigate the possible environmental impacts that may be present when the project's different components are implemented. In addition, the Government of Guatemala, through the</p>		

<p>Environmental and Social Commitment Plan (ESCP), will implement a series of institutional measures to ensure that environmental risks are managed according to the guidelines and procedures established under the World Bank's Environmental and Social Standards (ESS).</p> <p>During supervision missions, it will be determined whether these risks have occurred during the project's implementation, and if the measures established in the ESMF and ESCP are being implemented; these will be included in the supervision mission report in the Operational Results and Management System (ORMS), so they can be monitored.</p>		
<p>Vulnerability of the project to the effects of climate change</p>	Moderate	Low
<p><b>Risk:</b></p> <p>The project's main climate risks are associated with climate threats due to droughts, flooding and other climate events (according to some forecasts, economic losses from droughts, flooding and other extreme climate events will reduce GDP by between 1.3 per cent and 3.7 per cent by 2050).</p> <p>The project's climate evaluation has determined that the climate risk level is Moderate. It is important to note that COVID-19 and exposure to the effects of climate change exacerbate existing risks and vulnerabilities.</p>	Moderate	Low
<p><b>Mitigation measures:</b></p> <p>The Borrower will implement significant measures and actions so that the project reduces the climate vulnerability of the population and prioritised value chains through a climate vulnerability study on the selected value chains, and the project's operating instruments (business plans) will incorporate a climate section that assesses risks and establishes the corresponding climate measures to be implemented.</p> <p>The World Bank's ESS and the ESPC must also be considered, as they establish significant measures and actions, as well as the specific documents or plans that are required and the deadlines for their completion.</p>		
<p>Scope of the project</p>	Substantial	Moderate
<p>Relevance of the project</p>	Moderate	Low
<p><b>Risk:</b></p> <p>The project is pertinent and relevant, both in terms of the Government's agenda and the beneficiary groups' interests. The Government has also included the project in the National Emergency and Economic Recovery Programme. It is anticipated that the project will play a fundamental role in contributing to the Government's objectives related to job creation, inclusion and sustainable growth in the context of building capacities to recover from the impacts of the COVID-19 pandemic.</p> <p>The current risk is inherent to the precedents in terms of the instability and changes in policy priorities in the country, and the need to implement</p>	Moderate	Low

inclusive methodologies that allow support for MSMEs and cooperatives to effectively help the most vulnerable beneficiaries.		
<p><b>Mitigation measures:</b></p> <p>Specialised technical assistance in new and more effective and efficient approaches to reducing rural poverty.</p> <p>The project's inclusive approach will be demonstrated through the selection of regions and prioritised value chains with high potential for food security and job creation, by targeting agro-industrial MSMEs and ensuring the participation of historically disadvantaged groups such as women, youth, Indigenous Peoples and Afro-descendants, proactively seeking to reduce some of the historical gaps that characterise rural areas and agro-industry.</p>		
Technical soundness	Substantial	Moderate
<p><b>Risk:</b></p> <p>The risk associated with the project's technical design is categorised as Substantial. The project has been designed in collaboration with MINECO and other key actors in the sector such as IFAD; as such, it has become somewhat complex in order to reflect the urgent needs of the country's food systems.</p> <p>The additional emergency response component adds another level of necessary complexity in the current context, given the need to respond to the impacts of COVID-19 on Guatemala's food systems.</p>	Substantial	Moderate
<p><b>Mitigation measures:</b></p> <p>Strengthening institutional capacities will help to ensure that MINECO and other actors in the sector have the necessary capacity to carry out the proposed activities.</p> <p>IFAD will play a strategic role in supporting the value chain's more efficient production (while post-harvest aspects receive the project's support), but this adds a certain level of complexity.</p> <p>The team will mitigate the challenges inherent to the project's complex design by closely supporting the client throughout implementation and building technical and institutional capacities among the sector's actors.</p>		
Institutional capacity for implementation and sustainability	Substantial	Moderate
Implementation mechanisms	Substantial	Moderate
<p><b>Risk:</b></p> <p>The risk associated with institutional capacities for implementation and sustainability is considered Substantial. MINECO was chosen to be the implementing agency due to its demonstrated capacity to implement World Bank projects and its link with IFAD grants. Since the new Government took office in January 2020, MINECO has also incorporated new leadership with a strong vision for the sector. Despite its strengths,</p>	Substantial	Moderate

MINECO has not implemented a World Bank project in several years, and it has never implemented an IFAD project. Moreover, the lessons learned in the context of the PDER highlight some weaknesses in this ministry's implementation of the previous project.		
<b>Mitigation measures:</b>  The project will mitigate these risks through a focus on strengthening the Project Management Unit (PMU) (including an environmental and social team), strengthening their capacities to implement the World Bank's procedures and requirements, and supporting the PMU in developing some of the Bank's instruments.		
Monitoring and evaluation (M&E) mechanisms	Moderate	Low
<b>Risk:</b>  The project will monitor and evaluate the project's progress and outcomes at the technical, financial, social and environmental level.  A Planning, Monitoring and Evaluation Unit will be established within the PMU. This unit will: (i) monitor the daily activities and outputs of the project that generate and systematise information for management; (ii) support the elaboration of the project's budget; (iii) monitor the project's outcomes and the progress of indicators at the end of each semester; (iv) monitor technical, financial, environmental and social outcomes; (v) comment on the communication of the projects' outcomes and lessons learned; (vi) establish a communication mechanism with the ministry's field staff; (vii) promote accountability for resource use in relation to the achievement of objectives; (viii) provide and receive feedback from stakeholders, and (ix) carry out special assessments and generate comments for the dissemination of the project's results and lessons learned, and for periodic evaluations.	Moderate	Low
<b>Mitigation measures:</b>  IFAD and the World Bank will jointly develop implementation support and supervision missions, as well as a mid-term and final review. Provide technical assistance for M&E with World Bank and IFAD initiatives, to strengthen the PMU's capacities and better align the M&E approaches of both financial institutions.		
Financial management of the project	Substantial	Moderate
Organisation and staffing of the project	Substantial	Moderate
<b>Risk:</b>  Previous projects in IFAD's portfolio have been implemented in cooperation with MAGA. IFAD has no experience or knowledge of MINECO's financial management. MINECO/PRONACOM has experienced staff but still must hire additional personnel for the project's financial management.	Substantial	Moderate
<b>Mitigation measures:</b>		

Assign staff to the project's financial management that has the necessary knowledge of all of the Government of Guatemala's financial systems and procedures, and that also has experience with development projects promoted by the World Bank community. Provide training on World Bank systems and procedures.		
Elaboration of the project's budget	Substantial	Moderate
<b>Risk:</b> Complex administrative, fiscal, financial, accounting and budgetary legislation that may lead to delays in guaranteeing fiscal space that ensures the availability of funds for the project.	Substantial	Moderate
<b>Mitigation measures:</b> Ensure that the budget process is complete to guarantee the availability of funds for the project's implementation.		
Flow of funds and disbursements	Substantial	Moderate
<b>Risk:</b> The Government will maintain a bank account in USD in the Bank of Guatemala for the purpose of receiving funds from the IFAD loan. The pari passu mechanism will be implemented for components that are cofinanced by WB-FIDA. Lack of definition of the implementation arrangements within MINECO. The elaboration of the Project Operations Manual (POM) is ongoing, with the support of a Financial Management Services Division consultant with ample experience in IFAD.	Substantial	Moderate
<b>Mitigation measures:</b> Establish an agreement on the timely submission of information and financial reports that will be prepared by the PMU for disbursements. Agreement between the World Bank and IFAD, which will be communicated to the project, on how to operationalise pari passu arrangements and use a joint account for payments to organisations, consultants and/or providers.		
Internal controls of the project	High	Substantial
<b>Risk:</b> In accordance with local regulations, PRONACOM has procedures for processing payments, based mainly on the Integrated Governmental Accounting System (SICOIN), and issuing cheques or bank transfers, with clear roles and responsibilities, including the registration and approval of payments, and specific flow charts for procurement and financial management processes. These will be reflected in the POM.  Component 2 includes monetary transfers to organisations that are cofinanced by IFAD. Lack of monitoring of fund transfers to organisations resulted in ineligible expenditures in the IFAD-financed PRODENORTE project.	High	Substantial

<b>Mitigation measures:</b>  The following mitigation measures will be implemented in the framework of the subprojects: partial disbursements, close monitoring of timely reports, and the regular verification of supporting documentation.		
Presentation of the project's accounting and financial information	Substantial	Moderate
<b>Risk:</b>  MINECO/PRONACOM has solid financial management systems for the flow of funds. Financial reports are generated in a concise and reliable manner.	Substantial	Moderate
<b>Mitigation measures:</b>  Develop a financial management system/tool to manage, reconcile and report on subprojects, preferably built into the Government of Guatemala's Integrated Financial Management System [Sistema Integrado de Gestión Financiera del Gobierno de Guatemala] (SIGF) (SICOIN)		
External auditing of the project	Moderate	Low
<b>Risk:</b>  Requirements and deadlines for submitting financial reports and financial statements to the World Bank comply with IFAD's regulations.	Moderate	Low
<b>Mitigation measures:</b>  Establish an agreement on the timely presentation of financial information and reports that the PMU will prepare for financial reporting and auditing.		
Procurement and contracting	Moderate	Moderate
Legal and regulatory framework	Moderate	Low
<b>Risk:</b>  The country's procurement risk is considered Moderate, with a rating of "C" for ID 24 "Procurement". Since the national system has no provisions on the standardisation of procurement documents, and the governing body has no models published on its official website "guatecompras", there is a moderate risk associated with the lack of definition of the rules of procedure for awarding or implementing contracts. This could lead to administrative complaints or contract disputes that delay processes or create conditions for inadmissible expenditures.	Moderate	Low
<b>Mitigation measures:</b>  The integration of administrative, financial and procurement processes in a single regulatory framework, established in the POM, will facilitate the monitoring and evaluation of procurement and strengthen the implementing agency's capacities.  The procedures, methods and instruments for managing procurement and the applicable advertising requirements will be described in the POM and in the procurement strategy approved by the cooperating entity.		
Accountability and transparency	Substantial	Substantial

<p><b>Risk:</b></p> <p>The country's Corruption Perception Index score is 26. There is no agency that adjudicates complaints related to procurement with public funds that meets the criteria defined by best practices, as complaints are managed by the authority itself and there are not two levels of management. The processes will be advertised through the World Bank's procurement system.</p>	Substantial	Substantial
<p><b>Mitigation measures:</b></p> <p>The POM must outline the procedural remedies that are applicable to administrative decisions, and it must present the guidelines on the prevention of fraud and corruption of the contracting entity of October 2006, revised in January 2011 and July 2016, and the cross-consultation system for disqualifications and sanctions.</p>		
Public procurement and contracting capacity	Moderate	Low
<p><b>Risk:</b></p> <p>There is a moderate risk associated with PRONACOM's capacity to manage procurement, since this entity has had limited experience with the World Bank's new regulatory framework for procurement, which will be applied to this operation. This could lead to delays in the start-up of activities, and the planning and implementation of contracting.</p>	Moderate	Low
<p><b>Mitigation measures:</b></p> <p>To ensure the appropriate management of procurement, the project will seek to:</p> <p>(i) train PMU, ensure that procurement specialists are considered essential staff, and make their hiring a requirement for the project's start-up.</p> <p>(ii) identify, in the POM, the functions related to the management of institutional procurement, as well as those related to the technical assistance included in the production component's subprojects.</p> <p>(iii) develop implementation guides for subproject investments that are simplified and easy to understand, and that promote capacity-building in management and accountability processes.</p>		
Public procurement and contracting processes	Moderate	Low
<p><b>Risk:</b></p> <p>Moderate risk has been identified in market structures as a result of: (i) scarcity due to commercial restrictions because of COVID-19, including interruptions in the global supply chain; (ii) potential delays in distribution due to restricted mobility in the country at the time of implementation; and (iii) the number of procurement processes underway that could create risks associated with contract management, which could undermine healthy competition.</p>	Moderate	Low
<p><b>Mitigation measures:</b></p> <p>The POM will establish:</p>		

(i) an appropriate procurement strategy that identifies market particularities, transaction values and complex processes; (ii) advertising mechanisms, from procurement planning to contract closure, through advertising in the World Bank's procurement system; (iii) appropriate bundling of procurement processes that stimulates the national and local suppliers market, and that promotes the efficient delivery of contracted products; (iv) post-delivery visits to all beneficiary facilities to ensure that goods, works and services are being used as prescribed.		
Environmental, social and climate impact	Moderate	Low
Biodiversity conservation	Moderate	Low
<b>Risk:</b>  The risk that the project will threaten biodiversity and ecosystem services, or lead to the loss of these, was assessed as Moderate, considering that the project will not promote medium- or large-scale investments; changes in soil use will not be permitted; and projects will not be financed in protected areas.	Moderate	Low
<b>Mitigation measures:</b>  The project has an ESMF that outlines the measures that will be implemented to manage the risks that could negatively impact biodiversity. In addition, the business plans will implement an environmental and social management plan that will establish specific measures to conserve biodiversity.		
Efficiency in the use of resources and prevention of contamination	Moderate	Low
<b>Risk:</b>  This risk is Moderate because the project will promote the use and application of agrochemicals to increase producers' agricultural production, and these could lead to the contamination of soil and water; eutrophication; soil acidification; human health risks; resistance to pests, damage to non-targeted organisms and secondary pest problems.	Moderate	Low
<b>Mitigation measures:</b>  The project has an ESMF that outlines the measures that will be implemented to manage the risks that could affect natural resources, and to prevent contamination. In addition, the business plans will implement an environmental and social management plan that will establish specific measures to prevent, avoid or mitigate pollution and improve the efficiency of resource use.		
Cultural heritage	Moderate	Low
<b>Risk:</b>  The risk that the project could cause the degradation of cultural or physical resources, including threats to resources of historical, religious or cultural significance, or the loss of these.	Moderate	Low
<b>Mitigation measures:</b>		



The ESCP outlines the implementation of a “fortuitous finds” mechanism in each environmental management plan by zone. This mechanism must be elaborated by MINECO within the ESMF within 90 days after the project’s effectiveness date.		
Indigenous Peoples	Moderate	Low
<b>Risk:</b> The risk that the project will have significant negative physical, social or economic effects on Indigenous Peoples, or that it will threaten resources of historical or cultural significance to them or lead to the loss of these resources.	Moderate	Low
<b>Mitigation measures:</b> The Indigenous Peoples Planning Framework (IPPF) is established in line with the World Bank’s EAS7. This implies the corresponding Free, Prior and Informed Consent (FPIC), and its updating and publication.		
Employment and working conditions	Moderate	Low
<b>Risk:</b> The risk that the project will give rise to exploitative labour practices (such as forced or childhood labour), gender violence, and discriminatory, unhealthy and unsafe working conditions for people who are working specifically in relation to the project, including third parties and primary suppliers.	Moderate	Low
<b>Mitigation measures:</b> Labour Management Procedures will be developed in accordance with World Bank guidelines. These procedures must be approved by MINECO within 90 days after the project’s effectiveness date. They also include a “complaints and grievances mechanism” for workers, which can act as a safeguard in case of irregularities associated with working conditions. It is also proposed that, for subprojects, specific Occupational Health and Safety measures be developed (including emergency preparation and response measures, when appropriate) and included in the corresponding Environmental and Social Management Procedures.		
Community health and safety	Moderate	Low
<b>Risk:</b> The risk that the project could have significant negative consequences on the health status or physical, mental, nutrition or social security of a person, group or population as a result of, among other things, gender-based violence.	Moderate	Low
<b>Mitigation measures:</b> The project is not planning the implementation of activities that could lead to the degradation of the health status or physical, mental, nutrition or social security of a person, group or population. To the contrary, it supports		

<p>measures that may control these effects, such as work safety, occupational health, targeting of vulnerable groups, formulation of affirmative actions for the inclusion of youth and women, consultations with Indigenous Peoples, and the ESMF's inclusion of measures to prevent and respond to gender-based violence and sexual abuse/exploitation/assault, proportional to the risks of the project (mapping of support services, code of conduct for contractors, and an adequate grievance mechanism). Furthermore, it proposes the inclusion of an emergency response plan that can be beneficial to the population.</p> <p>However, it is necessary to always be careful in the implementation of consultation and respect the use of the population's mother language, and their customary uses, in teaching and decision-making processes.</p>		
Physical and economic resettlement	Low	Low
<p><b>Risk:</b></p> <p>In the World Bank's ESMF, there is no foreseen risk of the project causing significant negative physical, social, cultural or economic effects, especially for marginalised groups, that would derive from the acquisition of land and the involuntary loss of land, assets, access to assets, sources of incomes or livelihoods.</p>	Low	Low
<p><b>Mitigation measures:</b></p> <p>Pursuant to the World Bank's ESMF, there will be no investments in subprojects with this type of implications.</p>		
Greenhouse gas (GHG) emissions	Moderate	Low
<p><b>Risk:</b></p> <p>Guatemala's contribution to global GHG emissions is low in comparison with other countries: in 2011, the country's emissions were 3.4 tCO<sub>2</sub>e per capita (half the average per capital emissions for LAC). Agriculture is one of the strategic sectors for Guatemala's climate change mitigation objectives according to the Nationally Determined Contributions of the United Nations Framework Convention on Climate Change. Therefore, the risk that the project will generate GHG emissions is considered Moderate, given the low potential for the project to become a source of emissions deriving from the activities contemplated in the project design.</p>	Moderate	Low
<p><b>Mitigation measures:</b></p> <p>The project will implement, in business plans and in the construction of the selected value chains, practices and technologies to reduce emissions stemming from food production waste, and vegetation will be removed from small areas. However, mitigating actions (reforestation or restoration) will compensate for these, for which reason a neutral balance or low emissions are foreseen.</p>		
Vulnerability of target populations and ecosystems to climate variability and threats	Moderate	Low
<b>Risk:</b>	Moderate	Low

The risk that the project will increase climate vulnerability due to exposure to the treat of drought, flooding and other climate events is Moderate, considering the low to medium adaptive capacities of the rural population, livelihoods, ecosystems, economic assets and infrastructure to climate variability and threats.		
<b>Mitigation measures:</b>  The project is designed to reduce the climate vulnerability of rural families and value chains, to which end a study will be carried out on the climate vulnerability of the selected value chains, and the project's operational instruments (business plans) will incorporate climate measures to increase resilience capacity and manage risks associated with climate variability and threats.		
Stakeholders	Moderate	Low
Stakeholder engagement and participation	Moderate	Low
<b>Risk:</b>  According to the project's model for engaging and coordinating with stakeholders, there is a possibility that, at the territorial level, the target population will not be fully integrated into the project's interventions to promote good environmental and social practices.	Moderate	Low
<b>Mitigation measures:</b>  Promotion, implementation and monitoring of the Stakeholder Engagement Plan (SEP), developed by IFAD and the World Bank with MINECO. The PMU will carry out regular visits and meetings with project beneficiaries and partners to establish communication/coordination with units within the government, and the reports from these visits/meetings will be reviewed and monitored during supervision missions. The Indigenous Peoples Planning Framework (IPPF), to be developed by IFAD and the World Bank with MINECO, will also be monitored during supervision missions, as it may have additional guidelines for stakeholder engagement.		
Stakeholder grievances	Moderate	Low
<b>Risk:</b>  The risk that the project will not have an effective grievance redress mechanism (including measures to address complaints about the lack of fulfilment of IFAD's environmental, social and climate regulations, fraud, corruption, or cases of sexual exploitation and abuse), which can lead to stakeholders' complaints remaining unaddressed. This could jeopardise the project's implementation and the achievement of its development objectives.	Moderate	Low
<b>Mitigation measures:</b>		

<p>Within the SEP, guidelines have been established for a mechanism to address and resolve grievances and complaints. The PMU will develop, at the beginning of implementation, a detailed manual on the functioning of the grievance mechanism, which will be included in the POM; it will also socialise and provide training on the procedures for addressing and resolving complaints, as foreseen in the SEP. Subsequently, during IFAD-WB supervision missions, the reports will be reviewed to monitor the addressing and resolution of grievances and complaints that are received.</p>		
---	--	--