Guatemala

COSOP results review

Main report and appendices

Document date: February 20, 2017
Report no: 4445-GT

Latin America and the Caribbean Division
Programme Management Department
Contents

Abbreviations and acronyms.............................................................................................................................................. 3
Map of IFAD Operations in Guatemala ............................................................................................................................ 4
I. Introduction........................................................................................................................................................................ 5
II. Have there been major changes in the country? ........................................................................................................... 5
III. Have any of the risks materialized or have new risks appeared? .............................................................................. 6
IV. Are the country development goals supported by the COSOP still relevant? ......................................................... 6
V. Are the COSOP objectives still relevant and likely to contribute to the country development goals confirmed above? 7
VI. Has the combination of lending and non-lending activities presented at COSOP approval been updated and is it likely to deliver the expected outcomes? ........................................................................ 8
VII. Is implementation on track? ........................................................................................................................................ 8
VIII. What progress has been made in achieving the results described in the results management framework? ...... 9
IX. What changes should be made to the results management framework, if any? Are the targets still relevant? ...... 10
X. Which lessons from COSOP implementation could be valuable for other countries or regions? .................... 10
XI. Does the COSOP period need to be extended or a new COSOP developed? ...................................................... 10
Appendix 1: COSOP results management framework at design ..................................................................................... 12
### Abbreviations and acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGEXPORT</td>
<td>Guatemalan Exporter’s Association</td>
</tr>
<tr>
<td>ANACAFE</td>
<td>Coffee National Association</td>
</tr>
<tr>
<td>COSOP</td>
<td>Country Strategic Opportunities Programme</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of UN</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoG</td>
<td>Government of Guatemala</td>
</tr>
<tr>
<td>MAGA</td>
<td>Ministry of Agriculture, Livestock and Food</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>OFID</td>
<td>OPEC Fund for International Development</td>
</tr>
<tr>
<td>RMF</td>
<td>Results Management Framework</td>
</tr>
<tr>
<td>SO</td>
<td>Strategic Objective</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>UNDAF</td>
<td>United Nations Development Assistance Framework</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNW</td>
<td>UN Women</td>
</tr>
<tr>
<td>WFP</td>
<td>World Food Programme</td>
</tr>
</tbody>
</table>
Map of IFAD Operations in Guatemala

Guatemala
IFAD-funded ongoing operations
COSOP

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.
I. Introduction

1. During the course of RB-COSOPs, IFAD carries out a continuous process of monitoring and learning from implementation. Regarding the RB-COSOP guidelines, the country team engages with stakeholders in the country every three years to undertake an RB-COSOP Results Review (CRR) in order to assess progress towards results, learn lessons and make mid-course corrections if needed. During these exercises, a short self-assessment document answering key questions is prepared, summarizing progress in implementing the RB-COSOP and reviewing the continuing relevance of the strategy. As the validity period of the strategy is adjusted during the course of implementation, CRRs offer an opportunity to reflect changes in country demand and priorities, and resulting adjustments in the strategy and results framework.

2. The RB-COSOP of Guatemala was approved by the Executive Board during its Ninety-fifth Session on 25 November 2008. The document proposed three strategic objectives: 1) Promoting the market-driven development of agricultural and non-agricultural rural businesses and microenterprises; 2) Developing social and human capital; and 3) Enhancing pro-poor rural policy dialogue and sector planning. The COSOP addresses the following cross-cutting concerns: the need to reduce vulnerability to the impact of climate change and food price increases; the need to affirm the multicultural and multilingual identity of the country’s indigenous peoples; and the need for greater gender and intergenerational equity. The original validity period of the RB-COSOP was four years, from 2008 to 2012, which was extended to 2016.

3. This document summarizes the evidence collected at country level about the national context and the portfolio performance. IFAD Country Office in Guatemala conducted a series of workshops from July 2016 to February 2017 to find out the main perceptions about rural poverty, institutional capacities and public policies.

II. Have there been major changes in the country?

4. Guatemala is a predominantly poor and rural country characterised by a markedly unequal distribution of wealth, assets and opportunities. Between 2000 and 2014, rural poverty increased from 74.5 per cent to 76.1 per cent while extreme rural poverty increased from 23.8 per cent to 35.3 per cent. This situation reflects the profound marginalisation of the rural population concerning the country’s social, economic and political development. Eight out of every ten indigenous households live in poverty and, of these eight; nearly five suffer from extreme poverty. Chronic malnutrition affects almost half of all children under the age of five, and it predominantly affects those living in rural areas (53.0%) indigenous people (61.2%). The Gini indices for rural income was 0.490 (2014), evidence of the profound inequality that exists among the country’s rural areas. Indigenous women and youth face the greatest challenges.

5. According to IFAD’s Rural Development Report 2016, between 2002-2012 Latin American countries reduced their rural poverty rates by an average of 26%. However, Guatemala has taken a step backwards, as its rural poverty increased from 74.5% to 76.1% between 2000 and 2014, while extreme rural poverty increased from 23.8% to 35.3%. This situation reflects the profound marginalisation of the rural population concerning the country’s social, economic and political development.
III. Have any of the risks materialized or have new risks appeared?

6. The COSOP identified the assumptions on which the strategic objectives are based, namely that: (i) the Government’s agenda for rural development and poverty reduction maintains its stated high priority; (ii) the social and economic stability of the country is preserved; and (iii) the sub-regional and other external markets for traditional and non-traditional products favor the growth of the country’s production. Some of the risks were materialized during the period of implementation, especially those related to insufficient prioritization of rural development policies from Government’s side, and social and economic stability given changes to government (see below).

7. As a result of the deep political crisis undergone during 2015 - generated by public accusations of corruption uncovered by the Prosecutor- General’s Office and by the International Commission against Impunity in Guatemala (CICIG) - there was a serious political and institutional crisis that has virtually paralyzed public spending, and this has also affected externally-funded programs.

8. Risk related to implementation arrangements. IFAD-funded programs in Guatemala have faced great delays before becoming effective. Of the four last approved projects, three were delayed by approximately three years and the fourth underwent a review process and awaited ratification by Congress for 30 months, which forced IFAD to cancel its implementation. The cause of this significant problem is the cumbersome legal framework that must be navigated in order to have loans approved in Guatemala. However, it is also due to the fact that themes relating to rural poverty and inequality have not been strong political priorities.

9. Currently, there are two ongoing programs which are implemented by the Ministry of Agriculture (MAGA), PRODENORTE and PNDR Oriente, and both present low levels of physical and financial implementation. These programs have very complex legal frameworks, which have generated the need for a great deal of micromanaging and high transaction costs to approve elements of the AWPB.

10. Previous programs implemented through the National Peace Fund (FONAPAZ) had higher disbursement rates than those implemented by MAGA, since the latter is subject to more rigorous legal, financial, administrative and reporting requirements. However, FONAPAZ has face intense scrutiny recently for corrupt practices, which may result in closure.

11. Limited fiscal space given to projects on an annual basis, and difficulties in the disbursement of national counterpart funds, significantly decreases the resources that are available to achieve the intended objectives, are also factors which have negatively impacted the implementation.

IV. Are the country development goals supported by the COSOP still relevant?

12. Yes, they are still supported by the COSOP. The Government’s General Policy 2016–2020 is framed within the K’atun National Development Plan: our Guatemala 2032, which is the coordinating strategy for all of the country’s policies. This plan aims to consolidate the relationship between democracy, development and human rights, and it provides a space for sociocultural, economic, territorial, environmental and political transformation, as well as for the State as a whole. The main pillars of K’atun are: (i) reducing the gaps between
urban and rural Guatemala; (ii) enhancing the people’s well-being; (iii) wealth for all; (iv) natural resources for today and for the future; and (v) the State as guarantor of human rights and driver of development.

13. The core policy framework guiding the rural sector is the National Integrated Rural Development Policy (PNDRI), whose objective is to achieve the full realization of human rights for the rural population so that they may progressively and permanently improve their quality of life, with an emphasis on the population suffering from the greatest levels of social vulnerability. It prioritizes the rural population living in poverty and in extreme poverty; indigenous communities and peasants with insufficient land, especially indigenous people and rural women, permanent or part-time workers, artisans, small-scale rural producers and micro and small-scale rural entrepreneurs.

14. The Guatemalan Government has launched the Agenda Rural in November 2016, as part of the PNDRI, seeking to promote four major pillars for rural development: food security and nutrition, productive inclusion, social development and rural infrastructure. A significant amount of fiscal resources are expected to be invested within this agenda between 2017 and 2020.

V. Are the COSOP objectives still relevant and likely to contribute to the country development goals confirmed above?

15. Yes, the objectives still relevant and likely to contribute to the country’s development goals. A detailed mapping has been established of the social and economic conditions of the rural population. The country’s diverse rural and ethnic populations have been identified based on their ethno-cultural, geographic and agro-ecological characteristics. This mapping, together with the IFAD Policy on Targeting and its gender policy, have facilitated the identification of the Fund’s target groups, which are: i) subsistence agricultural producers; ii) emerging commercially oriented agricultural producers; iii) landless farmers/rural workers; iv) agricultural and non-agricultural micro-entrepreneurs; v) traditional handcraft artisans/ cultural product creators; and vi) rural and indigenous women.

16. IFAD’s strategy in Guatemala is still aligned with the new country’s policy framework, especially with the K’atun National Development Plan 2032, which recognizes the need to "promote an economic, social and environmental model in rural regions that will foster the democratization of access to means of production for people living in poverty". This is linked to the Integrated National Rural Development Policy, as well as to the government’s initiatives in terms of productive inclusion. The strategy is also consistent with the government’s recently announced Agenda Rural (2016-2020), and supports major pillars of that strategy (food security and nutrition, productive inclusion and social development in the form of minimum guaranteed incomes).

17. In response to constraints and opportunities faced by the Fund’s target groups, the COSOP 2008-2012 consists of three interrelated and complementary strategic objectives outlined above. The strategy to address the distinct needs of communities, municipalities and the diverse ethnic populations, while utilizing dedicated social and geographic targeting mechanisms, the COSOP program is being executed through a two-pronged and complementary strategies: (i) expansion of development investments and action in selected, priority communities and municipalities, currently not serviced by any development project (inclusion to development strategy); and (ii) consolidation of investments made in the more developed zones of action of the ongoing IFAD programs,
under a strategy of business consolidation, entrepreneurial chains and market access of rural microenterprises (rural modernization strategy).

18. From the analysis of trends in the country context and the policies established above, it is concluded that the Strategic Objectives remain relevant, responsive to the needs of poor rural people and consistent with government policy.

VI. Has the combination of lending and non-lending activities presented at COSOP approval been updated and is it likely to deliver the expected outcomes?

19. The present portfolio has had a great opportunity, participating in the Market Access Programme for Rural Associative Micro, Small and Medium-sized Enterprises in Central America (PROMERCADOS). Implemented by AGEXPORT, this was a special initiative in support of market access and rural enterprise development. IFAD and PMUs are managing the knowledge generated in this initiative to improve our impact in target group.

20. Currently, three small country grants are ongoing, all contributing in different areas to the lending portfolio. Following an abstract of each initiative:

21. The Institutional Strengthening Project for the Ministry of Agriculture in Guatemala is contributing to the improvement of the management of rural development projects within the Ministry of Agriculture. The main expected outputs of the grant are: i) international and national organizations related to Ministry of Agriculture implement coordinated institutional strengthening activities; ii) IFAD PIUs are completely integrated and effectively working within the Ministry's operational structure; and iii) the Ministry of Agriculture has improved its operational processes, mainly in the procurement area.

22. The second grant is Strengthening a productive and organizational model of Cooperativa Mujeres 4 Pinos. Its goal is that 450 indigenous women of Cooperativa Mujeres 4 Pinos are able to achieve rural development based on market competition, while also increasing their self-development, and the development of their families and organizations.

23. The third grant is Broadening usage of ICTs in coffee chain for mitigate risks in the production and commercialization Project, which is implemented by ANACAFE. The goal of the project is to enhance the access to and use of ANACAFE's technical services by small coffee producers to facilitate better decision-making process around production and market access.

24. In order to achieve the strategic objectives, the following cross-cutting themes are emphasized with the non-lending operations: i) climate change adaptation strategies for small-scale producers; ii) the rights of indigenous peoples living in rural areas; iii) economic options for rural youth; and iv) the economic empowerment of rural women.

VII. Is implementation on track?

25. Implementation progress of the ongoing COSOP projects is on track, however some issues are still affecting the effectiveness, like (i) delayed allocation of counterpart funding and (ii) slow project execution linked to public administrative procedures and institutional weakness.
26. Several lessons have been learned through the management of IFAD’s portfolio in the country in recent years, and these need to be internalized both at the operational level (i.e. current projects) and at the strategic level (COSOP).

27. At the operational level, the importance of introducing new financing agreements for signature and negotiation at the right moment in the budgetary and political cycle has proven to be a critical step to ensuring that IFAD loans are read and approved by the Congress in a timely fashion. Lending from multilateral sources tends to be grouped during certain periods of the political cycle, and IFAD should try to comply with these time frames.

28. Additionally, it has become clear that national legislation (mainly the Law for Public Procurement and Contracting) and the projects' operational manuals must be harmonized as much as possible, so that these manuals can effectively guide the portfolio's implementation and, thus, increase its effectiveness. Similarly, in response to the challenges inherent in inter-institutional coordination, it is important that the portfolio continue to be regularly monitored with authorities from the Ministries of Public Finance and sectoral ministries (agriculture, social development, etc.). This has allowed the implementation of operational plans and the general implementation of projects to be carried out with foresight and in an expedited manner.

29. At the strategic level, it is critical that regular policy dialogue be reactivated with various actors from civil society and key actors within the Legislative Branch and other branches of government. This policy dialogue has two objectives: first, to raise awareness on rural development priorities and, secondly, to facilitate credit operations that, by law, require the legislative body's approval prior to their enactment. Therefore, the Commissions of Finance and Currency; of Agriculture, Livestock and Fisheries; of Congressional Decentralization and Development; and key actors within the Executive Branch, such as presidential Commissioners, Ministers and Secretaries in related fields, as well as members of the Monetary Board and the Presidential Secretariat for Planning and Programming (entities responsible for issuing technical advice in the approval of loans from international agencies), are all especially relevant.

30. On the other hand, during 2017 a new operation will be designed focused on promote renewed rural development models in Guatemala by combining social protection programs with helping the poorest to reach minimum basic incomes, and graduate them towards greater productive inclusion. This program will be implemented by the Social Development Ministry through its Social Development Fund.

VIII. What progress has been made in achieving the results described in the results management framework?

31. Based on the RMF and the RIMS reports between 2011-2016, we can identified the following results achieved:

- 110 rural businesses/microenterprises access markets and operate sustainably after three years (55% of target);
- 1606 new jobs created through established businesses (80% of target, also 37% women);
- 11 productive projects created by women’s groups (17% of target);
- 0 out of 220 km of new rural roads expected to be constructed (0% of target);
IX. What changes should be made to the results management framework, if any? Are the targets still relevant?

32. No changes are proposed based on the above analysis. However, it could be desirable to establish the contributions of the COSOP to the Sustainable Development Agenda 2030, to the UNDAF in Guatemala and to IFAD’s Strategic Framework 2016-2025.

33. The targets of the COSOP Results Management Framework were not fully achieved by 2016. ICO Guatemala is closely managing the portfolio, with the objective of improving performance and achieving results. **PNDR Oriente**, a recently extended operation, is expected to make a large contribution towards the achievement of results.

X. Which lessons from COSOP implementation could be valuable for other countries or regions?

34. COSOP implementation has resulted in valuable insights in the following areas:

- Ensuring that extension training subject matter and format is responsive to farmers’ needs;
- Timing the introduction of IFAD operations in accordance with national political timeframes and priorities;
- Careful design of revolving fund groups to foster sustainability;
- Need for program and project strategy to be backed by robust, strategically oriented M&E capacity including the ability to understand and measure economic impacts at household, community and macro levels; and
- Monitoring closely the risks identified at COSOP’s formulation phase.

XI. Does the COSOP period need to be extended or a new COSOP developed?

35. For the reasons discussed above, the targets of the COSOP Results Management Framework were not fully achieved by 2016. Furthermore, IFAD would like complete the three country grants and the older loan operation (**PNDR Oriente**) within the period of this COSOP, in order to be able to report a more comprehensive performance at the end of the COSOP period. Following this CRR process, the CPM and the country team are proposing the following recommendations:

- Extend the current COSOP to December 2017;
- Accelerate the portfolio execution to achieve COSOP RMF goals and develop the COSOP Completion Review, improving and extending our partnerships at country level;
- Design a new COSOP, incorporating the lessons learned from the four projects to be completed in the following 10 months (one loan and three grants), as well as the final recommendations from the IOE evaluation of “PRONADER Occidente”.
Appendix 1: COSOP results management framework at design

<table>
<thead>
<tr>
<th>COUNTRY STRATEGY ALIGNMENT</th>
<th>KEY RESULTS</th>
<th>INSTITUTIONAL/ POLICY OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Poverty Reduction Strategy and Targets</strong></td>
<td><strong>Strategic Objectives</strong></td>
<td><strong>Outcome that IFAD Expects to Influence</strong></td>
</tr>
<tr>
<td><strong>General Objective:</strong></td>
<td>SO1: Promoting market-driven agricultural and non-agricultural rural business and microenterprise development. This is the principal strategic objective. This SO will be achieved through: (i) support to the establishment and consolidation of local and external markets, production chains and microenterprises; (ii) the expansion of technical, managerial and rural financial services seeking improved productivity of food and higher value crops; the diversification of traditional and non-traditional products, and rural business competitiveness; and (iii) the extension of the rural road network in priority regions.</td>
<td>COSOP overall objective: The target groups increase their agricultural and non-agricultural production, employment and incomes through better linkages to production chains and greater market access</td>
</tr>
<tr>
<td><strong>Specific Objectives:</strong> (i) Combating poverty while fulfilling the Peace Accords, the Law of Social Development, and the MDGs Targets; (ii) Generating the necessary conditions for the creation of employment, productive projects and financing for social growth; (iii) Developing the country’s production capacities of goods/services, including basic services and social and productive infrastructure; (iv) Guaranteeing productivity through training/formation and technical/financial assistance in support of micro and small enterprises; and (v) Strengthening environmental policies to conserve/develop the country’s natural resources, sustainably.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Axes:</strong></td>
<td><strong>Transversal concerns:</strong> Reduced vulnerability to the impact of climate change, basic food price increases and other external economic factors; affirmation of the multicultural/multilingual identity of the country’s indigenous peoples; and greater gender and intergenerational equity, through the social and economic empowerment of rural women and young people. The overall intervention strategy is also based on partnership building with the private sector and other stakeholders, enhancing and cooperation with the donor community, and adherence to the principles of the Paris Declaration for aid effectiveness.</td>
<td><strong>500 km of rural roads rehabilitated;</strong> 100 Rural communities with all-weather road access, enabling them to market their produce; 50 municipalities enhance their rural development planning, monitoring and evaluation capacities.</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Priority action on the poorest people; gender equity; investments on infants and children; interculturality; ethics and morality; environmental conservation; citizen’s participation; and protection of human rights.</td>
<td><strong>Action Strategy:</strong> To address the distinct needs of communities, municipalities and the diverse ethnic populations, while utilising dedicated social and geographic targeting mechanisms, the COSDP programme will be executed through a two-pronged and complementary strategy: (i) expansion of development investments and action in selected, priority communities and municipalities, currently not serviced by any development project (Inclusion to Development strategy); and (ii) consolidation of investments made in the more advanced zones of action of the ongoing IFAD programmes, under a strategy of business consolidation, entrepreneurial chains and market access of rural microenterprises (Rural Modernization strategy).</td>
<td>(* ) Indicative figures of aggregate results of what IFAD expects to accomplish by 2012 through the implementation of all its investment programmes. The figures will be refined and validated through the formulation of annual programmes of work 2009 and a special planning workshop.</td>
</tr>
<tr>
<td><strong>BASELINE:</strong></td>
<td><strong>TARGETS:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Population (2008):</strong></td>
<td><strong>Poverty Indicators (2012):</strong></td>
<td></td>
</tr>
<tr>
<td>13.6 million; 41% indigenous/ 59% non-indigenous; 48.3% male/ 51.1% female; 54% rural/ 46% urban.</td>
<td>Rural poverty reduced from 76% to 60%; Malnutrtions reduced by 5%</td>
<td></td>
</tr>
<tr>
<td><strong>Poverty:</strong></td>
<td><strong>IFAD’s contribution to target by 2012:</strong></td>
<td></td>
</tr>
<tr>
<td>Poor population: 51%, of which: 35.3% are poor; and 15.3%, extremely poor. This poverty is concentrated in rural areas (approx. 70%). Human Development Index, 0.699 (2007), places Guatemala in the 110th position among 177 countries. It is the lowest in Central America.</td>
<td>Client-beneficiaries taken out of poverty: Approximately 45 000 families.</td>
<td></td>
</tr>
</tbody>
</table>