

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

GUATEMALA

**ORGANIZATION, PRODUCTIVE DIVERSIFICATION, AND
MARKETING FOR SMALL PRODUCERS IN GUATEMALA'S MAYAN
COMMUNITIES**

(GU-M1055)

DONORS MEMORANDUM

This document was prepared by the project team consisting of Alejandro Escobar (MIF/AMC), Project Team Leader; Nicole Rossell (MIF/CGU), Project Team Co-Leader; Fernanda López (MIF/AMC); Carmen Albertos (CID/CID); Brian Muraresku (LEG/NSG); Dora Moscoso (MIF/DEU); Ana Grigera (MIF/AMC); and Christina Lengfelder (MIF/KSC).

Under the Access to Information Policy, this document is subject to public disclosure.

CONTENTS

PROJECT ABSTRACT EXECUTIVE SUMMARY

I.	BACKGROUND AND RATIONALE	1
A.	Diagnosis of the problem to be addressed by the project.....	1
B.	Beneficiaries.....	3
C.	Contribution to the MIF mandate, Access Framework, and IDB strategy.....	4
II.	OBJECTIVES AND COMPONENTS.....	5
A.	Objectives.....	5
B.	Description of the model/solution/intervention	5
C.	Components	5
D.	Project governance and execution mechanism.....	8
E.	Sustainability.....	9
F.	Lessons learned from the MIF and other institutions on project design	10
G.	MIF additionality	11
H.	Project outcome.....	11
I.	Project impact.....	11
J.	Systemic impact	11
III.	MONITORING AND EVALUATION STRATEGY.....	12
IV.	COST AND FINANCING.....	13
V.	EXECUTING AGENCY.....	14
VI.	RISKS.....	15
VII.	ENVIRONMENTAL AND SOCIAL IMPACTS	16
VIII.	ACHIEVEMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS	16
IX.	ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY	17

PROJECT ABSTRACT

ORGANIZATION, PRODUCTIVE DIVERSIFICATION, AND MARKETING FOR SMALL PRODUCERS IN GUATEMALA'S MAYAN COMMUNITIES (GU-M1055)

In coordination with the Centre for International Studies and Cooperation, the MIF will design and implement a participatory organization, productive diversification, and marketing model that will enable 15,000 Mayan small farmers in the central region of Guatemala (Alta Verapaz, Baja Verapaz, El Quiché, and areas surrounding the Chixoy River basin) to increase their incomes.

The project will seek to reverse two interrelated problems: nearly total dependence on cardamom as the small farmers' main commercial crop and the lack of other productive opportunities that could provide additional income to improve their quality of life.

Cardamom production represents about 3% of Guatemala's exports. Cardamom is primarily grown by small farmers and is known as the "queen of spices" with its characteristic green color and sweet fragrance. The product is sold to markets in India, Europe, and the Middle East and is primarily used by the food and spice sector. Despite the fact that farmers are dependent on this crop, cardamom's production chain is highly fragmented and, along with low market prices and the incidence of pests, does not produce real benefits for the farmers.

In contrast, the communities found in the Chixoy River basin are characterized by basic grain farming for own consumption (corn, beans, and rice to a lesser extent), the sale of livestock, and the inhabitants' work as day laborers. This area suffers in particular from a lack of access to basic services and road infrastructure, among other deficiencies that not only affect the population's quality of life but also prevent them from bringing their products to markets with greater ability to pay.

One group of activities will focus on providing technical assistance and training so that farmers can boost their productivity and capture higher values from their existing crops (through improvements in standardization, implementation of traceability systems, and training in post-harvest processes). Another group of activities will focus on introducing additional species, commercial crops, and other activities (such as animal husbandry) that foster cleaner production.

The project includes the participation of the Asociación Nacional de Exportadores de Cardamomo [National Association of Cardamom Exporters] (ADECAR), a group of 10 cardamom export companies (Del Trópico S.A., Monte de Oro S.A., Bixa S.A., Agrodiversas S.A., Exportaciones Múltiples S.A., Excara S.A., Exportadora Dinámica S.A., Imexa S.A., OverseasExport S.A., and Cardomino S.A.), and a large horticulture export company (Unispice) interested in buying the new crops that will be introduced in the region.

ANNEXES

Annex I	Logical Framework
Annex II	Summary Budget
Annex III	Quality for Effectiveness in Development (QED) Matrix

APPENDICES

Proposed resolution

**INFORMATION AVAILABLE IN THE DOCUMENTS SECTION OF THE MIF PROJECT
INFORMATION SYSTEM**

Annex IV	Itemized Budget
Annex V	Preliminary List of Milestones
Annex VI	Diagnostic of Executing Agency Needs (DNA)
Annex VII	Project Status Reports, Achievement of Milestones, Fiduciary Agreements and Institutional Integrity
Annex VIII	Procurement Plan
Annex IX	Schedule of Activities
Annex X	Operating Regulations
Annex XI	Terms of Reference for the Project Coordinator
Annex XII	Monitoring and Evaluation Plan for Impact Assessment

ABBREVIATIONS

ADECAR	Asociación Nacional de Exportadores de Cardamomo [National Association of Cardamom Exporters]
AGEXPORT	Asociación Gremial de Exportadores [Trade Association of Exporters]
CECI	Centre for International Studies and Cooperation
COCAHICH	Coordinadora de Comunidades Afectadas por la Construcción de la Hidroeléctrica Chixoy [Coordinator of Communities Affected by Construction of the Chixoy Hydroelectric Plant]
COPIASURO	Cooperativa de Producción Integral Apicultores del Sur Occidente, R.L. [Southwest Beekeepers' Integrated Production Cooperative]
PEU	Project execution unit
PSR	Project status report
Q	quetzal
QED	Quality for Effectiveness in Development

GUATEMALA
ORGANIZATION, PRODUCTIVE DIVERSIFICATION, AND MARKETING FOR SMALL
PRODUCERS IN GUATEMALA'S MAYAN COMMUNITIES
(GU-M1055)

EXECUTIVE SUMMARY

Country and geographic location:	Guatemala. Rural communities in the departments of Alta Verapaz, Baja Verapaz, Huehuetenango, Izabal, and El Quiché and in the Chixoy River basin.		
Executing agency:	Centre for International Studies and Cooperation (CECI).		
Access area:	Access to Markets and Capabilities Unit.		
Agenda:	Helping small farmers access higher-value markets.		
Coordination with other donors/Bank operations:	The preparation of this operation was coordinated with technical cooperation operation GU-T1226, <i>Cultural Identity Strengthening of Maya Achi'</i> , approved in December 2013.		
Direct beneficiaries:	The project will benefit at least 15,000 small farmers (20% women), distributed among Alta Verapaz (65%), Quiché (20%, including farmers and persons with no prior farming experience), Baja Verapaz (5%), Huehuetenango (5%), and Izabal (5%).		
Indirect beneficiaries:	60,000 people (assuming four members per family).		
Financing:	Technical cooperation:	US\$2,004,113	70%
	Investment:	US\$ 000,000	
	Loan:	US\$ 000,000	
	Total MIF contribution:	US\$2,004,113	
	Counterpart:	US\$ 877,160	30%
	Cofinancing (if any):	US\$ 000,000	0%
	Total project budget:	US\$2,881,273	100%
Execution and disbursement period:	48 months for execution and 54 months for disbursements.		

Special contractual conditions:	Conditions precedent to the first disbursement will include submission to the Bank's satisfaction of: (i) the annual work plan for the first year of the project; (ii) evidence that the Project Coordinator has been appointed; and (iii) approval by the Bank of the cooperation agreement between the Asociación Nacional de Exportadores de Cardamomo [National Association of Cardamom Exporters] (ADECAR) and CECI.
Environmental and social impact review:	This operation has been pre-evaluated and classified in accordance with the requirements of the IDB Environment and Safeguards Compliance Policy (OP-703). Given the limited impacts and risks, it is proposed that this be classified as a category "C" operation.
Unit responsible for disbursement:	Country Office in Guatemala.

I. BACKGROUND AND RATIONALE

A. Diagnosis of the problem to be addressed by the project

- 1.1 The project will seek to reverse two interrelated problems identified in the central region of Guatemala:¹ nearly total dependence on cardamom as the principal commercial crop of the region's small farmers and the lack of other productive opportunities² that could provide additional income for the farmers.
- 1.2 Cardamom was introduced in Guatemala by German entrepreneurs and families after the Second World War. Despite the fact that farmers are dependent on this crop, the chain is highly fragmented and underdeveloped. Most of the cardamom is produced in remote areas far from access roads; the crop is harvested entirely by hand and thus the logistics are inefficient for the nearly 350,000 small farmers who make up this supply chain. Also part of that chain are some 1,000 intermediaries who play various roles from transportation and storage to roasting and marketing. Lastly, there is a group of 12 exporters who ultimately purchase the roasted seed for final export. This long intermediation chain, along with weak or nonexistent community organization, makes small farmers more vulnerable to key production and market factors.
- 1.3 Although the cardamom sector has had boom periods, it has been affected by problems related to poor production quality and farmers' lack of organization. Since 2012, disease (thrips) has also affected 35% of production; by way of reference, the current price per kilogram of the finest cardamom is US\$9 while the lower quality product sells for US\$2/kg. Many cardamom farmers who also grow coffee have experienced the same scenario in which their coffee plantings have been affected by coffee rust, low prices, and disease.
- 1.4 In contrast, the Chixoy River basin region is characterized by basic grain farming, sale of livestock, and the population's work as day laborers growing various crops in the area and other neighboring regions. The food security of most of the population is based on production for own consumption (corn, beans, and rice to a lesser extent). This area in particular suffers from a lack of access to basic services and road infrastructure, among other deficiencies, impairing not only the

¹ For purposes of the project, this region includes the departments of Alta Verapaz, Baja Verapaz, Huehuetenango, Izabal, and El Quiché and neighboring areas in the Chixoy River basin.

² MULTIPSA, [Informe Final del Plan Estrategico de Desarrollo Integral para las Comunidades Afectadas por la Construcción de la Hidroeléctrica de Chixoy](#) [Final Report of the Strategic Plan for Integral Development for Communities Affected by Construction of the Chixoy Hydroelectric Plant].

- population's quality of life but also preventing them from being able to bring their products to markets with greater ability to pay.³
- 1.5 Three principal causes have been identified as responsible for the problems of dependency on cardamom and the absence of other commercial crops that could generate additional income for the farmers:
- 1.6 **Farmers' limited or nonexistent ability to organize:** There are an estimated 350,000 farmers producing cardamom, very few or none of whom are organized in their agricultural communities,⁴ due in large part to the area's characteristic geographic and logistical dispersion. This limits the farmers' ability to negotiate prices, work on coordinated production plans, buy inputs in bulk, and gain access to credit. Any work to improve the quality of production is done on an isolated basis since the marketing plans provide no clear incentives for working on quality. The cardamom value chain in Guatemala is highly inefficient and fragmented, with more than eight levels of intermediation identified between the farmers and the exporters. Some efforts are being made to reduce the obstacles in the chain, but much remains to be done. The export companies, organized under the Asociación Nacional de Exportadores de Cardamomo [National Association of Cardamom Exporters] (ADECAR),⁵ have begun to look for ways in which they can join forces to address these problems.
- 1.7 **Low production levels and quality problems among small cardamom farmers:** A recent study of the cardamom value chain reveals many similarities with the coffee value chain, in which coffee exporters and processors capture most of the economic gains.⁶ Various factors contribute to this situation: on one hand, the lack of good farming practices has an impact on yields and production. On the other, farmers usually sell their cardamom unprocessed, because they do not have strong organizations that enable them to have the minimum volumes needed to maintain processing facilities and fetch higher prices. The price ratio between raw cardamom and dry processed cardamom can be as much as 10 to 1.

³ The Government of Guatemala, with support from projects in execution financed by the Bank and with own resources, has set as a priority investing in basic infrastructure and access to social services in the Chixoy River basin over the next two years (education, health, water and sanitation, rural electrification, and rural road and bridge infrastructure). Other IDB interventions in the Chixoy area are the Multiphase Rural Electrification Program (loan 2033/OC-GU), the Mi Escuela Progresá (My school is making progress) program (loan 2018/OC-GU), Improved Access and Quality of Health and Nutrition Services – Phase I (loan 2328/OC-GU), and Rural Economic Development Program (loan 1733/OC-GU).

⁴ According to information obtained by ADECAR.

⁵ The companies belonging to ADECAR and actively participating in the project are Del Trópico S.A., Monte de Oro S.A., Bixa S.A., Agrodiversas S.A., Exportaciones Múltiples S.A., Excara S.A., Exportadora Dinámica S.A., Imexa S.A., Overseas Export S.A., and Cardomino S.A.

⁶ Centro de Estudios de la Realidad (CER), "Impacto de las exportaciones de cardamomo en la economía de Guatemala, en las comunidades y en las familias productoras" [Impact of cardamom exports on Guatemala's economy, in the communities, and in farming families].

In 2012, the price of one bag of cardamom in the pod varied from Q 250 (US\$31) to Q 380 (US\$47), paid on the plot, while a bag of processed (dry) cardamom was sold at Q 2,500 (US\$312).⁷ This does not include some of the other services (transportation, selection, storage, packaging) that farmers must do without due to lack of capacity, which limits profitability. In the case of transportation, for example, it is much more expensive to transport wet cardamom than dry cardamom, since the latter weighs less. Lastly, farmers lack basic tools and knowledge that would allow them to make improvements in terms of quality and yields and to reduce their vulnerability to pests and diseases such as thrips, which has affected nearly 35% of national production since 2013.⁸

- 1.8 **Access to markets and limited development of commercial crops:** Farmers grow corn, beans, and potatoes for own consumption by their families and have not diversified to include commercial crops other than cardamom. This is due in part to the absence or weakness of producers' associations⁹ and in part to the need to see to the family's food security first. Another factor inhibiting the production of other commercial crops is the distance between the communities and other dynamic markets. Some communities are totally isolated, far from highways and infrastructure and surrounded by water. Other crops such as onion, tomato, amaranth, radishes, and cilantro grow well in the region but have not been properly promoted, or market access has not been sustained.

B. Beneficiaries

- 1.9 The project's beneficiaries are identified as rural Mayan communities of the Achi', Q'eqchi', Poqomchi', and K'iche' populations living in the central region of Guatemala. The project will benefit at least 15,000 small farmers (65% in Alta Verapaz, 20% in Quiché (including farmers and persons with no prior farming experience), 5% in Baja Verapaz, 5% in Huehuetenango, and 5% in Izabal). The families living in this area have annual incomes of no more than US\$2,000.¹⁰ In most cases, farmers depend on subsistence agriculture and receive minimum incomes from selling their products, the large majority of which are grown on one hectare plots. Some farmers also work as day laborers and have little access to the

⁷ <http://www.s21.com.gt/pulso/2013/07/29/zona-cardamomo-sigue-pobreza>.

⁸ The cardamom sector is currently going through a pricing crisis caused by overproduction of about 18,000 metric tons. The per hectare yield of Guatemalan cardamom is falling. While in 2011 the average yield per hectare was 15 quintals (with an estimated area of production of 31,067 hectares), in 2012 the average yield was 12 quintals (with an area of production of 59,769 hectares).

⁹ Today the production system in Guatemala's Mayan communities is primarily for family production for own consumption. In the project's area of intervention, very few partnering initiatives for production have been found, since most production is at the family level. The principal crops, related to the Mayan world view and spirituality, are corn and beans, which are still sown and harvested on unfertile soil without allowing the land to rest, with no technology, increasing use of pesticides, and degraded seeds that do not allow for high production yields.

¹⁰ The poverty map for the project is available at <http://geocommons.com/maps/186171#>.

technical education or schools that would allow them to acquire technical capacities focused on production.

- 1.10 The departments of Alta Verapaz and Quiché have a younger population (with an average age of 15 to 17 years)¹¹ that is primarily rural and indigenous (90% in Alta Verapaz and Quiché, 65% in Baja Verapaz). In addition, in the last household survey conducted, two out of every five inhabitants identified themselves as belonging to the maya, garifuna, or xinca linguistic community.¹²
- 1.11 In the three departments, the human development index ranges from 0.61 to 0.65—below the national average of 0.70. This situation is even more troubling when broken down by municipio, with the lowest index falling below 0.40. In terms of schooling, Alta Verapaz, Huehuetenango, and Quiché are the municipios with the highest illiteracy rates (29%, 24%, and 31%, respectively).¹³ The United Nations Development Programme (UNDP) report indicates that indigenous populations generally live in more precarious conditions than the rest of the population. On average, about 83% of the indigenous population of Alta Verapaz, Baja Verapaz, and El Quiché lives in poverty with limited access to basic services, restricted levels of consumption, and overcrowding.

C. Contribution to the MIF mandate, Access Framework, and IDB strategy

- 1.12 The project will support economic growth and poverty reduction in Guatemala by improving the technical and productive capacities of small Mayan cardamom farmers and by promoting other production-related activities that take into account opportunities and conditions existing in the areas of intervention.
- 1.13 **Link to the Agenda.** The project falls within the framework of the MIF Agenda objective promoted by the Access to Markets and Capabilities Unit (AMC) of linking small producers to high value agriculture markets. This agenda seeks to strengthen the efforts of organized productive units to reach higher value markets, through strategies involving improved techniques, improvements in standardization, and traceability in order to open markets up to the region's small farmers. In this case, the joint efforts of ADECAR, CECI, and their members is the driving force behind the project, which is supported by the MIF and contributes to the initiative with financing and working knowledge in other similar projects in which joint effort makes it possible to reach new markets.
- 1.14 **Collaboration with the IDB Group.** The project is aligned with the country strategy, specifically in the area of productive development. By creating profitable productive opportunities, the project seeks to improve the rural Mayan population's quality of life in the departments of Alta Verapaz, Baja Verapaz, and

¹¹ Based on information available in 2006.

¹² United Nations Development Programme, "Human Development Figures for Alta Verapaz, Baja Verapaz, and Quiché," 2011.

¹³ "Transformando vidas a través de la alfabetización" [Transforming lives through literacy], National Literacy Committee, Guatemala 2013.

Quiché, including communities surrounding the Chixoy River basin. The preparation of this operation has been closely coordinated with the Country Department Central America, Mexico, Panama and the Dominican Republic (CID/CID) and with the activities included in technical cooperation operation GU-T1226, *Cultural Identity Strengthening of Maya Achi'*, approved in December 2013.

II. OBJECTIVES AND COMPONENTS

A. Objectives

In terms of impact, the project seeks to increase the income levels of rural communities in the central region of Guatemala.¹⁴ In terms of outcomes, it seeks to establish a model for organization, productive diversification, and marketing for small producers in the departments of Alta Verapaz, Baja Verapaz, and El Quiché.

B. Description of the model/solution/intervention

- 2.1 CECI, a nongovernmental organization with experience in rural economic development, will execute the project. The **initial** focus will be on the **community organization** of the farmers. **Secondly**, the project will improve **production practices for both cardamom and other commercial crops**. For cardamom, training and the incorporation of demonstration plots and nurseries will be led by community agricultural extension workers. This phase also includes the **introduction of additional species, commercial crops, and other activities (such as animal husbandry)** the viability of which will be determined by a consultant contracted using project funds. A **third group of activities** will focus on **post-harvest value added processes** (such as drying, packaging) that will facilitate linkages with local markets.
- 2.2 The model includes the participation of a group of cardamom export companies and a horticulture export company interested in purchasing new crops that will be introduced in the region on a sustainable basis.

C. Components

Component I: Community and business organization (MIF: US\$197,150; Counterpart: US\$81,800)

- 2.3 The objective of this component is to support the creation of community organizations and to strengthen the business capacities of the beneficiary communities. A diagnosis of existing and culturally relevant capacities will guide the design of demonstration tools that will provide training services and support to organizations of small farmers. The activities included in this component are:
(i) consulting services to strengthen community organization, taking into account

¹⁴ For purposes of the project, this region includes the departments of Alta Verapaz, Baja Verapaz, El Quiché, and areas surrounding the Chixoy River basin.

ancestral practices and traditional community organizations, as well as participatory planning methodologies and transfer of good business practices; and (ii) assistance for farmers on issues of partnership-based community organization so they can become organizations recognized at the municipal level, including the training of trainers, workshops on participatory planning and community organizations that are culturally relevant, and support for the development and execution of community work plans.

- 2.4 As a result of this component, in the fourth year of execution the following will have been achieved: (i) at least 4,000 male/female producers are members of community productive organizations; and (ii) at least 120 business plans (designed on a community basis and culturally relevant) are being executed.

Component II: Good production practices and productive diversification (MIF: US\$1,138,150; Counterpart: US\$249,600)

- 2.5 This component seeks to improve the quality of agricultural production by transferring good practices and diversifying agricultural production using an approach that emphasizes sustainable agroforestry systems. In the case of cardamom, the activities included are: (i) design and implementation of a training plan on good production practices including integrated crop management,¹⁵ soil, and forest conservation; (ii) improvement of production methods including demonstration plots to facilitate the transfer of good agricultural practices; (iii) pest management; and (iv) community nurseries for shade trees for the cardamom plots.

- 2.6 **Productive diversification:** The objective of these activities is to support the transfer of best practices related to the introduction/sustainable improvement of species, spices, and other productive activities that are most needed in the areas surrounding the Chixoy River basin, where farmers' productive capacities are quite basic. The activities included are: (i) the contracting of a consultant who will focus on identifying potential areas for the introduction of new timber species for energy and/or production according to the agricultural and climate potential; (ii) the implementation of demonstration agroforestry plots with annual crops, such as cinnamon, cloves, vegetables, sesame, and corn, among others; and (iii) training in integrated management of recently introduced crops/spices or animal production.

In the fourth year of execution of this component, the following will have been achieved: (i) at least 15,000 farms will be receiving training (annual training program in good agricultural practices); and (ii) at least six new species or varieties will have been introduced.

¹⁵ Integrated crop management primarily includes: fertilization, caring for plants, irrigation, and phytosanitary management.

Component III: Support for marketing (MIF: US\$322,125; Counterpart: US\$20,000)

- 2.7 The objective of this component is to strengthen post-harvest processes (including handling, drying, packaging, and marketing) to allow beneficiaries to generate more value and improve their position in the value chain. The activities included are: (i) training in the handling and processing of recently introduced spices promoted by the diversification plan; (ii) training in good practices for the management of post-harvest processes for both cardamom farmers and processing plants; (iii) analysis and studies of safety, traceability, and sustainability, both for cardamom and for the spices introduced; and (iv) support for marketing and business linkages so that farmers can establish direct relationships with ADECAR member companies that will participate in the project.
- 2.8 In the fourth year of execution of this component, the following will have been achieved: (i) at least 3% of the beneficiaries' production will be marketed directly through export companies without intermediation; (ii) 15% of new products will be marketed, with respect to the beneficiaries' production capacity; (iii) 400 farmers, processors, and marketers will have been trained in good manufacturing processes (post-market handling, drying and packaging, transportation, etc.); and (iv) a 25% reduction will be achieved in the estimated risk of product contamination, thanks to the implementation of traceability and process certification systems in models established all along the chain from the farmer to the exporter.

Component IV: Knowledge management and communication strategy (MIF: US\$45,000; Counterpart: US\$116,600)

- 2.9 The objective of this component is to ensure the capture, systematization, and dissemination of outcomes and knowledge arising as part of project execution and that can help to expand on its results. This project will help to reduce knowledge gaps in the area of linking small producers to high value agriculture markets. The aim is to find out which common and differentiated strategies can be implemented so that rural small farmers (who live in the same area of intervention but have different resources and productive capacities) can enter and improve their position in productive chains. The objective of this component is to systematize, document, and disseminate the experience and knowledge generated from the project in order to publicize a methodology developed so that small farmers can participate in high value markets.
- 2.10 The strategic audience for this project's knowledge products includes: (i) Guatemalan farmers who are not participating in the project and who are interested in or have experience in the production of cardamom and other alternative crops that will be supported by the diversification plan; (ii) export chambers (e.g., ADECAR in the case of cardamom) and private sector export companies (e.g., Unispice) that are interested in using the beneficiary community's production as their source of supply; and (iii) other

nongovernmental organizations and international development agencies interested in developing similar diversification projects.

- 2.11 In order to satisfy the public's knowledge needs, the executing agency will include local personnel who speak the language of the area of intervention for purposes of training sessions and participatory planning. The following knowledge products will be developed under the project: (i) ADECAR will develop and disseminate the Methodological Guide explaining the methodology used to support small farmers in diversifying their crops, and the mainstreaming of the cultural relevance and gender approaches; and (ii) at least two events will be organized with the participation of the beneficiaries and the intermediary institutions, with activities for disseminating results, good practices, and lessons learned under the project. Each year, CECI will update the Project Factsheet (model provided by the MIF), which contains basic information on the project, its challenges, the intervention strategy, and the results.
- 2.12 As a result of this component, in the fourth year of execution the following will have been achieved: (i) at least 50 institutions belonging to the target audience access the Methodological Guide; and (ii) at least 15 institutions participate in the events organized as part of the project.

D. Project governance and execution mechanism

- 2.13 CECI will set up a project execution unit (PEU) to implement this project that will be directly responsible for the financial administration and technical execution of the project. A Project Coordinator will be hired, who will be responsible for project planning and financial, administrative, and operational management and for preparing periodic monitoring reports. Since the project's area of intervention is spread across several departments and includes remote communities, the project will have three subcoordinators who will supervise the field work and provide technical support to the beneficiaries.
- 2.14 The CECI National Office will be responsible for: (i) selecting and contracting the PEU staff; (ii) supervising the PEU to fully meet the project's objectives and targets; (iii) reviewing the execution budget and the operating plan; and (iv) locating financial resources to ensure the continuity of the project, in coordination with the PEU. The terms of reference and principal functions of the PEU are included in the Operating Regulations.
- 2.15 **Advisory board.** To ensure access to knowledge and potential support for ensuring continuity in the activities to be undertaken by the project, an Advisory Board will be established, comprising a group of organizations involved in this intervention. It will be a voluntary board and will not have any authority over the PEU. Board members will contribute their experience, strategic guidance, and knowledge of the subject, to identify and possibly provide additional technical assistance resources in support of the project. The members for this Advisory Board that have been identified are:

Stakeholder*	Role in the project
ADECAR	The companies that make up this association have the capacities to receive and directly purchase from organized producer groups and even have the infrastructure for classifying and receiving product in the main marketing centers. The Cardamom Export Agricultural Network recently formed by ADECAR will play a catalytic role in the project.
AGEXPORT	A national entity that promotes exports and supports the cardamom sector.
Heifer	A U.S. nongovernmental organization that will invest own technical and financial resources for communities of cardamom producers in organization, good practices, and diversification, in coordination with the MIF project.
COCAHICH	Association of communities affected by construction of the Chixoy River Hydroelectric Plant. Its participation is vital to ensuring the start-up and implementation of actions within communities around the Hydroelectric Plant.

* The project seeks to shorten the chain of wholesale intermediaries and include organizations like AGEXPORT and Heifer in providing technical assistance on agricultural issues.

E. Sustainability

- 2.16 Project sustainability will be achieved through: (i) cardamom producers' involvement in higher value added activities; (ii) the establishment of sustainable markets (whether local or international) for the species, spices, and productive activities to be promoted by the project; and (iii) the contractual relationship to be established between export companies, farmers, and their associations. In order for the project to have a sustainable impact, farmers' associations will be essential to: (i) help farmers achieve economies of scale when purchasing inputs; (ii) improve farmers' ability to negotiate to obtain better prices; and (iii) help farmers implement better agronomic practices so as to achieve a higher quality product and ensure their position on higher value markets.
- 2.17 The project's diversification component is also fundamental and will allow farmers and their families¹⁶ to reach markets with new crops and establish new relationships with buyers who have expressed interest in the region's high value

¹⁶ The project will comply with national laws providing protection against child exploitation and promoting children's rights.

horticulture. At least one year before the end of the project execution period, a sustainability workshop will be held with the participation of representatives from the MIF, the executing agency, and others to be agreed. Its purpose will be to evaluate progress made and identify the measures and actions needed to ensure continuity of action once project funds have been exhausted. The scope of this workshop will be agreed upon sufficiently in advance.

F. Lessons learned from the MIF and other institutions on project design

- 2.18 In the case of the MIF, collaboration will be sought with three projects being implemented in Guatemala that work with groups of farmers in neighboring areas and in similar socioeconomic contexts. These are Root Capital (RG-M1153), the Barrillense Farmers Association (ASOBAGRI) (GU-S1022), and the Southwestern Beekeepers' Integrated Production Cooperative (COPIASURO) (GU-S1023). The experiences of Root Capital and COPIASURO in honey production and other farm diversification products will make a special contribution to this project. The specific materials on crops and certifications, as well as methodologies and practical guides for working with rural adult populations are transferable, and CECI can use them as a basis in designing strategies and preparing supporting materials.
- 2.19 In 2013, ADECAR and its member companies implemented the project called "ChabilTziRubel Mu" that in the Q'eqchi' language means "Good cardamom is grown in the shade,"¹⁷ a project executed with funds from the AL INVEST program and the Asociación de Cardamomeros de Guatemala [Guatemalan Association of Cardamom Producers]. The project successfully provided technical assistance to more than 2,000 farmers in 604 communities in the Verapaces on the integrated pest management of thrips. It also conducted 120 training workshops for cardamom farmers in an equal number of communities to build agronomic capacities in the management of this crop, seeking to introduce new technology. Furthermore, it provided technical assistance to 303 cardamom processing plants in five of the country's departments (Huehuetenango, Quiché, Izabal, and Alta and Baja Verapaz), delivering training on the implementation of good manufacturing practices in the drying of cardamom.
- 2.20 These specific technical assistance actions made it possible to awaken small farmers' interest in improving their practices and thus their products. They also laid the foundation for a broader-based project that will work with all links in the cardamom chain. As the principal weakness in the region is the lack of organization in the productive base, this project will make it possible to address this weakness from a comprehensive perspective, giving priority to the need to generate additional sources of income for the region's inhabitants.

¹⁷ Other ADECAR initiatives focused on developing suppliers include: (i) the IFAD Promoting Market Access project, aimed at improving production and post-harvest management and strengthening business and commercial management capacities; and (ii) creation of the Cardamom Export Agricultural Network, which currently has 28 member cooperatives and 22 in the process of joining.

G. MIF additionality

- 2.21 **Nonfinancial additionality.** The MIF contributes to this project with its extensive experience in developing agricultural value chains. Some of the best projects targeting value chains were carried out in Central America, with crops such as coffee, cacao, and honey. The MIF and the executing agency, CECI, contribute these experiences through sharing information on the projects, the replication of methodologies, the adaptation of various manuals, and capacity building.
- 2.22 **Financial additionality.** MIF financing is essential for the project. There are no other donors working in these regions with the communities that the project plans to support. Although each of the different project partners has resources available, each organization faces limitations in terms of the amount of resources that can be allocated to the activities mentioned above. MIF financing will be the core financing needed to leverage the remaining funds available and will help to finance components and activities that could not be financed otherwise.

H. Project outcome

- 2.23 The outcomes anticipated at the end of the project are as follows: (i) 240 organizations of male/female producers legally registered in their respective municipalities and have established strategic links; (ii) 2,400 farms have adopted new agricultural/production-related technologies or practices according to the conditions in each agro-ecological area and that are relevant in terms of culture and gender; and (iii) 10,000 quintals marketed in new products and/or varieties introduced.

I. Project impact

- 2.24 In terms of impact,¹⁸ the project seeks to increase income levels of rural Mayan communities of the Q'eqchi', Achi', Poqomchi', Kanjobal, Ixily, and K'iche' peoples located in the departments of Alta Verapaz, Baja Verapaz, and Quiché in order to improve their living conditions. At the end of the project, the following is expected: (i) an increase in annual gross income of 20% (for cardamom producers) and of 15% (for producers in the Chixoy basin); (ii) the number of farms with growth in annual sales (over the baseline) reaches 6,000 (cardamom) and 500 (Chixoy basin); and (iii) 30% of producers in the Chixoy basin are able to sell their production in local markets.

J. Systemic impact

- 2.25 The methodology to be developed will contribute to systemic change by promoting a highly replicable model of diversification that expects to introduce at least six new species or varieties and that can benefit both other cardamom producers who will not participate directly in the project as well as departments in the country that have vulnerable rural populations with high levels of poverty and

¹⁸ Since the project will work with target populations with different technical capacities and production levels, in some cases the same indicator is used, broken down by type of beneficiary.

food insecurity. The creation of producers' organizations and the implementation of traceability and process certification systems will extend the systemic impact beyond the project implementation period.

III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline.** During the first six months of the project, the technical specialists hired by the executing agency will visit the beneficiary communities to establish a statistical database that is representative of the universe of beneficiaries, consistent with the Logical Framework indicators. It will include data broken down by sex and by Mayan people for reporting on the beneficiaries' economic and social indicators, using indices of income, languages, consumption, employment, production and sales, installed capacity and potential growth, production characteristics, education, hours of agricultural work, hours of work in the home, location of employment, and other important parameters.
- 3.2 **Monitoring.** The executing agency will be responsible for submitting project status reports (PSRs) to the MIF within 30 days following the end of each six month period or more frequently, and on dates determined by the MIF with at least 60 days advance notice to the executing agency. These reports will follow a format previously agreed upon with the MIF, will report on progress made in terms of project execution, the achievement of milestones, results obtained and their contribution to achievement of project objectives, based on what is indicated in the Logical Framework and in other operational planning instruments, and will report on problems encountered during execution and possible solutions. Within 90 days following the conclusion of the execution period, the executing agency will submit a final PSR to the MIF detailing the results achieved, the sustainability plan, and lessons learned.
- 3.3 **Financial monitoring.** The executing agency will establish and be responsible for maintaining an adequate system of internal and accounting controls and project filing systems, following generally accepted standards and practices and IDB/MIF policies related to financial management. The IDB/MIF may contract or request that the executing agency contract an independent external auditing firm to conduct the audit of the financial statements prepared by the executing agency. In addition, supporting documents for disbursements will be reviewed annually on an ex post basis. The application and frequency of reviews may be modified by the MIF based on the results of institutional reviews and/or evaluations performed during project execution.
- 3.4 **Evaluation.** Two evaluations will be performed by independent consultants selected and contracted by the Bank and charged against the operation. The midterm evaluation will be conducted 24 months into execution in order to analyze the project's operational viability. The final evaluation will be conducted upon conclusion of the project execution period.

- 3.5 The midterm evaluation will consider, *inter alia*: (i) the effectiveness of actions taken and the degree to which programmed activities and targets have been achieved, along with the development of the Logical Framework indicators; (ii) the performance of the consultants, technicians, and team involved in project execution in terms of the efficiency and quality of service provided to the farmers, companies, and CECI; (iii) the beneficiaries' satisfaction with the services provided; and (iv) the steps taken to facilitate the sustainability of the project. In the event of significant variations in the execution of activities, corrective measures will be recommended in the operation and emphasis will be placed on lessons learned.
- 3.6 The final evaluation will include analysis of the results achieved as compared to the baseline and the Logical Framework objectives and will also examine the following aspects: (i) the sustainability of the actions undertaken; (ii) the degree to which the project's purpose and objectives have been achieved; (iii) the public that benefited from the project; (iv) the project's impact on support for local development; (v) the products that have generated greater value and that can be replicated in other localities; and (vi) lessons learned from project execution.
- 3.7 **Closing workshop.** Three months prior to the end of the project execution period, the executing agency will organize a **closing workshop** to evaluate, in conjunction with other entities involved, the results achieved, identify additional tasks to ensure the sustainability of actions initiated by the project, and identify and disseminate lessons learned and best practices.

IV. COST AND FINANCING

- 4.1 The total cost of the project is US\$2,881,273, of which US\$2,004,113 (70%) will be contributed by the MIF. Of the remaining counterpart contribution, US\$877,160 (30%) will be provided by ADECAR, Heifer, and CECI. The execution period will be 48 months and the disbursement period, 54 months.
- 4.2 **Retroactive recognition of counterpart funds.** The Bank may recognize as part of the local contribution expenses incurred up to the equivalent of US\$50,000 to cover salaries for five technicians contracted since April specifically for the project, technical support for the design and implementation of the project monitoring system, and other expenses incurred prior to approval but after the operation is declared eligible, provided the procedures established by the Bank have been followed.

	MIF	Counterpart	Total
Project components			
Component 1. Community and business organization	197,150	81,800	278,950
Component 2. Good production practices and productive diversification	1,138,150	249,600	1,387,750
Component 3. Support for marketing	322,125	20,000	342,125
Component 4. Knowledge management and communication strategy	45,000	116,600	161,600
Execution and supervision components			
Executing/administrative agency	181,688	372,710	554,398
Baseline	15,000	0	15,000
Monitoring system	20,000	21,450	41,450
Midterm and final evaluation	20,000	0	20,000
Ex post reviews	20,000	0	20,000
Contingencies	25,000	15,000	40,000
Subtotal	1,984,113	877,160	2,861,273
% of financing	70%	30%	100%
Agenda account	20,000	0	20,000
Grand total	2,004,113	877,160	2,881,273

V. EXECUTING AGENCY

- 5.1 The Centre for International Studies and Cooperation (CECI) will be the executing agency for this project and will sign the agreement with the Bank. CECI is a Canadian non-profit organization headquartered in Montreal, Canada that has been working on issues related to economic development, human security, equality between women and men, and responses to emergency situations since 1958 and has been working in Guatemala since 1992.
- 5.2 Since its creation, CECI's mission has been to combat poverty and exclusion and for this purpose to strengthen the development capacities of disadvantaged communities; support peace, human rights, and equity initiatives; mobilize resources; and promote the sharing of experiences and knowledge. In Latin America, these values are reflected in a range of programs and projects with small farmers and the rural population. CECI's experience includes fair trade initiatives focusing, for example, on access to markets for the alpaca and llama wool industry in Bolivia, support for economic renewal and environmental protection in Haiti, as well as direct intervention with at-risk populations in El Salvador.
- 5.3 Through its intervention in Guatemala, CECI provided support for the development of community tourism in 12 of the country's municipios. It also provides training and technical assistance for the production and marketing of handicrafts, benefiting 650 artisans (most of them women) who successfully gained entry to fair trade markets in the European Union, United States, and

Canada. With the support of Guatemalan and Canadian volunteers, CECI also supported the creation of a liaison center for small producers in Guatemala's social economy.

- 5.4 **Asociación Nacional de Exportadores de Cardamomo [National Association of Cardamom Exporters] (ADECAR)** is made up of 10 of the 13 exporters of this spice. Its objective is to support Guatemala's leadership in the international cardamom market. The project seeks to enhance the work ADECAR has been doing in three areas: reducing the intermediation chain, reducing the risk of product contamination, and promoting quality. ADECAR member companies will play an important role in the project, not only in financial terms but also in terms of commercial guidance, the contribution of their technicians' time, and various other activities including training, extension work, nurseries, and other activities. The mechanism of direct relationships with the project will be based on a written and notarized agreement with CECI, whereby ADECAR's actions and commitments to the project will be made explicit.
- 5.5 CECI will establish a PEU and the structure necessary to effectively and efficiently execute activities and manage project resources. CECI will also be responsible for submitting status reports on project implementation. The details regarding the structure of the PEU and the requirements of the status reports appear in Annex VII in this operation's technical files.

VI. RISKS

- 6.1 The risks identified for the project include the following: (i) **Climate risks:** Due to its geographic location, the project's area of influence is vulnerable to natural disasters, particularly tropical storms that can cause flooding, as well as other climate change effects. To mitigate this risk, one of the criteria to be evaluated in the diagnosis of the communities will be their vulnerability to climate change. Based on this analysis, measures will be proposed for mitigating and/or adapting to specific risks for each community participating in the project. (ii) **Risks related to the entrepreneurial attitude of the direct beneficiaries:** The project will face limitations related to the level of formal education of cardamom farmers as well as the members of the communities in the Chixoy River area, in addition to resistance to change and to the paradigms of business management. The pattern of production in these Mayan communities is primarily family-based rather than associative or communal. To address this challenge, the project will adopt a participatory methodology that is appropriate to the context of each community and takes into account current and potential capacities, including a culturally relevant approach, involving traditional authorities and gender aspects in particular. (iii) **Resistance from the stakeholders involved:** The lack of willingness or means on the part of certain key stakeholders for playing a role during project execution may be a threat due to the context of the project area. In addition to the participatory methodology, the executing agency will ensure that a close relationship is forged with the partners in formulating a coordinated work

plan in the areas of intervention; currently it is working in coordination with COCAHICH so that social concerns are taken into account together with gender equality and equity concerns of the communities. (iv) **Technical challenges:** The geographic dispersion and remoteness of the beneficiary communities poses coordination challenges for implementation and establishing the baseline. To minimize this risk, the establishment of a PEU is proposed, with subcoordinators who will establish direct contact with the beneficiaries at the start of the intervention. (v) **Risks associated with diversification:** The impact of the diversification strategy will depend on the selection of productive activities (crops or others) for which there is sufficient demand to generate earnings for the communities that undertake those activities. The project includes consulting services to evaluate feasible productive activities, based on existing capacities and conditions in the beneficiary communities, with emphasis on development of local markets and crops that promote food security, particularly in the case of the most vulnerable communities.

VII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 7.1 The project will support economic initiatives and activities that will have a positive social and environmental impact, seeking to develop knowledge of ecosystems using a culturally relevant and gender-based approach. Implementation of the project seeks to ensure that all activities will generate knowledge to inclusively protect ecosystems that may now be subject to pressures from production-related activities.
- 7.2 Technical assistance will focus on promoting cleaner production in each productive activity developed. Training activities and technical assistance for companies will include raising awareness of the importance of conserving natural resources and cultural identity, as well as ways in which local organizations and traditional authorities can directly contribute to this conservation.
- 7.3 More specifically, as a measure for mitigating risks and negative impacts, the project includes monitoring, documentation, and dissemination activities to increase the environmental benefits to the community.

VIII. ACHIEVEMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will agree to the standard MIF arrangements regarding results-based disbursements, procurement, and financial management as specified in Annex VIII.
- 8.2 Under the risk- and performance-based project management method, disbursements will be contingent upon achieving the milestones agreed upon with the executing agency. Achievement of the milestones does not relieve the

- executing agency of its responsibility for achieving the project targets in accordance with the Logical Framework.
- 8.3 The first disbursement will be made upon fulfillment of the conditions precedent established in the agreement. Subsequent disbursements will be made against verification of the achievement of milestones and the amount thereof will be calculated based on spending needs until achievement of the next milestone.
- 8.4 **Procurement and contracting.** The executing agency will handle the procurement of goods and services and the contracting of consulting services as provided in the project, in accordance with the provisions of Bank policies (documents GN-2349-9 and GN-2350-9 or their revised versions), particularly Appendix 4, and the technical cooperation guidelines issued in the context of those policies, as well as the provisions of the procurement plan. Before initiating project contracting and procurement, the executing agency will submit the Procurement Plan for consideration by the Bank. This plan will be reviewed and updated every six months. The application and frequency of reviews (ex post annually, in this case) may be amended by the MIF based on results from reviews conducted during project execution.
- 8.5 In the event that the beneficiary receives a favorable evaluation from the Bank, it will be considered acceptable to use the executing agency's procedures provided they are consistent with private sector commercial practices and the aforementioned policies.

IX. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 9.1 Access to information. This project is categorized as public in accordance with the Bank's Access to Information Policy.