

PLAN OF OPERATIONS

Japan Special Fund Poverty Reduction Program (JPO) Community Based Program (CBP)

Development of Small communities Supported by the *Red de Grupos Gestores* (GU-T1058)

EXECUTIVE SUMMARY

Beneficiaries:	Small producers of Cocoa beans and Bamboo growers in the municipalities of San Antonio and Chicacao in the Department of Suchitepéquez, Guatemala, supported by the <i>Grupos Gestores</i> ' Network.		
Project team:	Carlos Miranda (ICF/FMM), Project Team Leader; William Armstrong (FMK/CGU); Nicole Rossell (MIF/CGU); Mónica Lugo (LEG/SGO); Sarah S. Almonte (consultant) and Yolanda Galaz (ICF/CMF).		
Executing agency:	<i>Grupos Gestores</i> ' Network		
Financing:	IDB: (JPO)	US\$	150,000
	Local:	US\$	37,000
	Total:	US\$	187,000
Objectives:	The objective of the project is to contribute to reduce the poverty of small producers of Cocoa beans and Bamboo growers supported by the <i>Grupos Gestores</i> in the municipalities of San Antonio and Chicacao Suchitepéquez by improving their productivity and increasing their income.		
Execution timetable:	The execution term will be 24 months and the disbursement period will be 30 months after Contract signature.		
Special contractual conditions:	Conditions prior to first disbursement will be: (i) GG's Network will present evidence to the Bank of the counterpart team assigned to oversee all the activities related to the execution of this TC; and (ii) adjustments to the Operative Manual of the network to include the special aspects of the project. (iii) terms of reference in accordance with the Bank		
Exceptions to Bank Policies and Procedures:	None		
Coordination with Other Donors:	The Japan Special Fund Poverty Reduction Program (JPO) is funding this initiative.		

I. BACKGROUND AND JUSTIFICATION

- 1.1 The 60% of Guatemala population live in the rural area, 80% is under the limity of poverty and 43% that population are indigenous representing the mayor indigenous concentration in Centeramerica region. Guatemala has aligned itself with the “Millennium Challenge,” which states that countries are to reduce in half prevailing levels of extreme poverty by the year 2015, as well as eliminate hunger and guarantee primary education for the whole population. Such efforts would require Guatemala to build a stronger and more democratic economy that would allow poor communities to identify viable economic activities that would support their own efforts to improve their living conditions. One of the ways to reduce poverty is promoting the economical development at local level through increasing the entrepreneurial base, identifying investment projects in the productive sector, and creating new jobs. In rural areas the mayor problems confronted by the small producers are the lack of: (a) knowledge and experience in productive techniques; (b) knowledge of markets; and (c) seed capital to start their business.
- 1.2 The GG’s represent a local development model based on strategic alliances between the private sector and the local government at the municipal level, which work, on a voluntary basis, to promote their own local economic development. The GG’s are in fact, autonomous, non-profit, permanent civil associations, which seek to promote local economic development on the basis of entrepreneurial principles. It is worth noting that the GG’s take into account the historic, social culture and social traditions of each community in the development of their activities. Furthermore, GG’s articulate and coordinate municipal/community needs with municipal authorities and entities, such that their actions have a measurable impact in the short and medium term. The GG’s consist of community leaders that, once they meet the requirements of the group’s philosophy, form themselves into an association, and dedicate their time to improving the growth of the private sector in their municipalities. The group members are selected on the basis of surveys that identify the leaders in a municipality. This selection process results in a group that is very representative of the community. The members may come from all venues of society, such as education, entrepreneurs, doctors, lawyers, among others; as long as they are recognized as leaders by the community and are willing to donate their time to helping develop their own community. To ensure independence, the GG’s are apolitical, and politicians cannot be members.
- 1.3 The group’s activities are focused on the supporting and enhancement of development projects, which fall into two categories: pre-investment and investment. A pre-investment project doesn’t have a revenue stream associated with it and it is usually a piece of infrastructure that the municipal of federal government should have built but did not. The local GG identifies these projects through a formal screening process that highlights projects with a high

developmental impact. Investment projects are small private sector business proposal that take advantage of the productive features of the local community.

- 1.4 The Bank approved to GGs the ATN/SF-9209-GU for US\$148,000 thousand for: (i) implementation of system of technical assistant for the formulation, promotion and evaluation of productive project evaluation of investment projects; (ii) implementation of a system of communication; and (iii) methodology to quantify impacts from the activities of the groups, specially with regard to investment realized, employment created, elimination of barriers, and productivity increases. This TC is already finished and, given its importance, it is essential for the Bank to continue providing support to the GG network through a new operation. Also the Bank approved last February the ATN/JF-10279-GU for US\$1.5 millions, to strengthening and consolidates the Red Nacional de *Grupos Gestores* philosophy and model. One of the main pillars of the Bank's strategy in Guatemala for 2004-2007 is to reduce poverty through: (i) improving the conditions for efficient production and incorporating excluded sectors into the productive process, and (ii) strengthening human capital with equity. Within this context, the strategy supports assistance to the inclusion of the indigenous people through their incorporation into the productive process. Also during the preparation of this operation the Bank had meeting with professionals of the Japan's Embassy in Guatemala and the Japan International Cooperation Agency (JICA) who are interested in complementing the activities included in this operation. In the case of JICA they have a program of volunteers professional that can provide technical assistance to the beneficiaries of this technical cooperation.
- 1.5 The lessons learned with the ATN/SF-9209 had been used for in the preparation of the ATN/JF-10279-GU and the present operation. These lessons are: the importance to listen the local demand that allowed the GGs to generate in a short time 25 projects for an amount of more than US\$ 8 millions, and the importance to work with associations of the civil society like the GG's Network, that can develop mechanisms to reach the poorest people and work with them in a sustainable manner. Another lesson learned was the importance of providing support the project ideas of the communities with technical assistant in the areas of production and intelligence of markets, and also with training and know how.
- 1.6 The project under consideration will support two municipalities located in the Department of Suchitepéquez: the municipality of San Antonio and the municipality of Chicacao. The municipality of San Antonio has a territorial extension of 64 kilometers square, located to 398 meters, over the sea level, and has a population of 37.840 inhabitants (63.5% indigenous). The municipality shows high poverty levels. Given its geographic location, its hydro resources, this municipality has very high economic potential and it is considered ideal for the agro industrial development. The main economic activities are in the farming and crafts sectors. The project will promote the communitarian organization, with high indigenous participation, and will generate an economic activity in the municipality of San Antonio, as well as in the department of Suchitepéquez. In

addition to the previously mentioned, the project will become a *Grupos Gestores*' pilot project in the agro industrial sector.

- 1.7 The municipality of Chicacao is located 25 kilometers of Mazatenango the main city of the department of Suchitepéquez, with a total of 42.943 inhabitants (60% indigenous). This municipality faces high poverty levels, with an index of 67.51%. Chicacao constitutes one of the 20 municipalities of the department of Suchitepéquez, located to the South West of the country. The main mission of *Grupos Gestores* of San Antonio and Chicacao is to promote actions that will increase the economic level of their municipalities, in order to generate source of employment, to increase the income of the population. As one of the strategies, and with the support of *Grupos Gestores* network, these local organizations developed a workshop, with the participation of diverse sectors, with the purpose of building the municipalities' economic potential, and determine their main economic activities and which one has the greater economic potential to contribute to a better development of its population. The selected projects were Chocolate and Bamboo, due to their high economic performance, their contribution to the conservation of the natural resources, and the active participation of men and women indigenous with limited economic resources.

II. PROGRAM DESCRIPTION

A. Program goal and purpose

- 2.1 The objective of the project is to contribute in the reduction of poverty for the small producers of Cocoa beans and Bamboo growers currently supported by the *Grupos Gestores* in the municipalities of San Antonio and Chicacao Suchitepéquez by improving their productivity and in turn increasing their actual level of income. The communities involved in these activities are mostly low income indigenous communities that have proven their entrepreneurial initiative.
- 2.2 The objective of the proposed project by the *Grupo Gestor* from the municipality of San Antonio is to offer support to the cocoa bean producers, through the building of nurseries and transfer of technology, as well as to improve the production process and the marketing initiatives for marketing the chocolate being produced. The project will give added value to the Cocoa bean; it will also benefit the communitarian's organizations and will generate income for the processors and producers of chocolate. The beneficiaries of the cocoa bean and chocolate project will be at least 100 families from the municipality of San Antonio (the father and his sons generally carry out the agricultural job, and the mother and her daughters produce the chocolate). Also, the project will enable the population to consume chocolate, making available a product of easy preparation with better presentation, hygienic preparation, improved flavor, and 100% organic.
- 2.3 The objectives of the proposed Project by the *Grupo Gestor* from the municipality of Chicacao is the following: (a) establish and develop a nursery for 50,000 plants of bamboo that then will be planted on 320 hectares, (approximately

790.72 acres) that belong to small producers; b) promote (sowing and the interest for the bamboo plantations); c) provide participant producers and surrounding areas to Chicacao with improved quality bamboo plants, also providing technical assistance about how to cultivate it ; and d) promote the use of this plant for exploitation and fabrication of furnishings or furniture , crafts, housewares etc. The *Instituto Técnico de Capacitación* (INTECAP) offers workshops to promote the production of bamboo articles; also the *Grupo Gestor* of Chicacao prepared a project feasibility study, which showed that there is demand for bamboo among producers and farm owners interested in the 50,000 plants of bamboo that will be provided through the project. It is also important to mention that there are three large factories in the area and that one of them exports different kind of wood furnishings or furniture some made with bamboo and exports to the Central American region, the bamboo furniture or furnishings constitute an important alternative for production. Also, it's important to mention that in Suchitepéquez; two more farms are currently exporting bamboo canes as raw material only having gone through the drying and treatment process. Finally there is a very important and growing demand for prefabricated bamboo walls used in low income construction.

B. Components

- 2.4 **Description:** The proposed technical cooperation will finance consultancy services, seed capital and small equipment to implement the following services:
- 2.5 **Component 1. Support to production.** The project will provide technical assistance, for the production and processing of cocoa beans and the construction of a nursery for the production of bamboo plants, raw materials, small equipment and training. These projects will also allow the later incorporation of the producers to productive chains thus improving their current income. The project activities are: transfer of technology, storage techniques, quality control, training, transference of know how and interchange of experience among the GGs (communities involved in similar activities) The project has allocated resources for hiring specialized professionals that will provide services to the producers in the areas mentioned before.
- 2.6 As a result of the execution of this component the following products are expected: in the case of the cocoa bean and chocolate production a) 18,000 pounds of cocoa beans processed per year reaching 72,000 pounds of solvable) chocolate per year, for its commercialization; b) 100 families trained in the process and production of chocolate; c) technical guidelines for the production of cacao and processing of chocolate in a soluble form. In the case of the bamboo project: a) technical guidelines for the producers with a detailed manual of instructions for growing, handling and treating of bamboo nurseries, basic equipment and growing techniques; b) brochures and written materials with methods and content for the processing, sensibilization, training and technical assistance in the production of bamboo; and c) one nursery to supply bamboo plants for 200 families, represented for 30 producers (size of 5 Ha. each) and 170

smaller producers (extension 1 Ha each), to reach 320 hectares (see Annex I Logical framework). The project also contemplates providing resources for purchasing seeds, finance materials and small equipment for the producer's of chocolate soluble and bamboo in accordance with the production cycle.

- 2.7 **Component 2. Training in market technologies.** This component have been orientated to provide technical assistance to the producers of cocoa beans and bamboo, in marketing techniques, sales negotiation techniques as well as training services to promote and connect rural producer organizations with potential buyers. The expected products for this component are: 100 families of producers of cocoa beans and 200 families of bamboo producers trained in marketing and commercialization techniques.
- 2.8 **Coordination and administration.** There is an allocation of resources to finance local experts, transportation expenses, office supplies like furniture for office PCs and regular printers to facility the work of the GGs participating in this operation; auditing and contingencies. As part of the counterpart funds there is US\$18,000 that will be the cost of the support provided to the execution of the project for the professionals of the GG'S Network. To measure the results of the project and its impact in poverty reduction and income increase, funds have been allocated to finance consultant services for the base line and the final evaluation of the project.

III. COST AND FINANCING

A. Summary cost table

- 3.1 The estimated cost of this operation is US\$187,000 of which US\$150,000 will be financed with non-reimbursable resources from the Japan Special Fund Poverty Reduction Program (JSF/JPO), and US\$37,000 will be local counterpart of which 50% must be cash in accordance with the budget table presented hereunder. The JPO will provide 80% of the funding that will allow hiring of the financial experts to carry out this initiative. Local counterpart represents the remaining 20% and will complement the resources provided by the JPO, mainly in the provision of equipment, logistical support and staff to collaborate with the consultants.

Budget US\$

Type of Expense	Number of Months	Cost per Month	JPO Total	Local Counterpart	TOTAL	%
1. Support to production			111,000	23,000	134,000	73 %
1.1. Consultant in bamboo production techniques	12	1,500	18,000	0	18,000	
1.2. Consultant in cacao production techniques	12	1,500	18,000	0	18,000	
1.3 Consultant in process and technology transfer in chocolate production.	10	1,500	15,000	0	15,000	

Type of Expense	Number of Months	Cost per Month	JPO Total	Local Counterpart	TOTAL	%
1.4 Sensibilization events and training events in bamboo, cacao and chocolate products			15,000	5,000	20,000	
1.5 Small equipments			20,000		20,000	
1.6 Materials			25,000		25,000	
1.7 Grupos Gestores support				18,000	18,000	
2. Training in markets technologies			24,000	4,000	28,000	15 %
2.1 Consultant in design, development and sale of bamboo products	5	1,400	6,000	1,000	7,000	
2.2 Consultant in design, and development of cacao products	5	1,400	6,000	1,000	7,000	
2.3 Consultant in markets plan and training in commercialization	5	1,400	6,000	1,000	7,000	
2.4 Commercialization event			6,000	1,000	7,000	
3. Coordination and administration			15,000	7,000	22,000	12 %
3.1 Transportation expenses			4,000	4,000	8,000	
3.2 Office supplies			2,000	2,000	4,000	
3.3 Consultant Base Line	2	2,500	5,000		5,000	
3.4 Final evaluation			4,000	1,000	5,000	
4. Auditing				3,000	3,000	
4.1 Auditing				3,000	3,000	
TOTAL			150,000	37,000	187,000	100%
			80%	20%		

IV. EXECUTING AGENCY AND MECHANISM

A. Executing Agency

- 4.1 The GG's network will be responsible for executing this operation through its Coordination Committee that has professionals with different specialties. This GGs network is integrated by: a) the Assembly, which in turn is constituted by the Presidents of all GG's; b) a Board of Directors elected by the Assembly, and conformed by 5 Presidents; c) an Executive Secretary, the Board of Directors of the GG network will approve the guidelines for the GGs network to execute the project.

B. Executing mechanism

- 4.2 GG's Network will oversee the work to be performed by the consultants in component 1 and 2, with terms of reference in accordance with the Bank. As a condition prior to first disbursement, GG's Network will present evidence to the Bank of the counterpart professionals assigned to oversee all the activities related to the execution of this TC in coordination with staff from SCL/SPH and

the technical cooperation approved on February this year. As a previous condition to the disbursement of the resources for this operation, GG's Network should present to the Bank a new version with the adjustments required for the execution of this project.

C. Program implementation readiness

- 4.3 The TC is ready to commence its activities as soon as it is approved.

D. Execution period and disbursement schedule

- 4.4 This technical cooperation will be executed in 24 months from the day of its official signing by the GG's Network and will be disbursed in 30 months. There will be a revolving fund of 20% to be used by the Executing Agency.
- 4.5 Unused balances of the CBP will be cancelled under the following circumstances: (1) the proposed projects have been withdrawn by the beneficiaries; (2) the projects have not been approved by the Bank for more than 12 months after concurrence from the Government, for six months after the date of eligibility. This termination clause should be specifically stated in the contract with the beneficiary agency and the Bank approval document such as the Plan of Operations.

E. Procurement

- 4.6 The procurement of goods in this operation will follow the Bank's procedures. The contracting of the consultants for the activities of the three components will follow the Bank's procedures for the procurement of services. COF/CGU will collaborate with GG's Network in the processing of the consultant selection. A procurement plan for the project has been agreed with the executing agency following the Bank's policies establish in GN-2349-7 and GN-2350-7

V. MONITORING AND EVALUATION

A. Monitoring

- 5.1 It will be important to conduct close monitoring during execution to ensure timely delivery of all the proposed activities and the Project Team will coordinate and jointly carry out this task. A final independent evaluation will be conducted in order to assess and ascertain the achievements, as well as possible adjustments, to improve future projects of this nature.

B. Technical and basic responsibility

- 5.2 The technical responsibility for this operation will be in the Social Protection and Health Division (SCL/SPH). Mr. Carlos A. Miranda is the Project Team Leader and can be contacted at carlosmi@iadb.org (Phone: 202-623-1590 and fax: 202-623-1953).

VI. PROGRAM BENEFITS AND RISKS

A. Program benefits and developmental impact

- 6.1 The proposed TC will support: (i) adoption of a demand-driven approach emphasizing the fundamental role of local actors in promoting economic development; (ii) encouragement of public-private-civil society partnerships for local development planning and implementation; (iii) promotion of intercultural relationships and the effective integration of the indigenous population; and (iv) strengthening of modern, democratic and plural public multi-sector institutions.

B. Risks

- 6.2 There is always a risk in financing projects in rural areas especially small projects oriented to the reduction of poverty; nevertheless, this risk will be reduced by the methodology and guidelines already developed by the GGs that allowed to choose profitable projects.

VII. ENVIRONMENTAL AND SOCIAL REVIEW

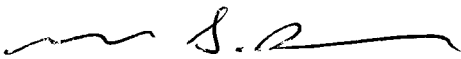
- 7.1 No adverse environmental impacts are foreseen and component 2 even includes specific activities related to environmental assessments. The project classification for this TC is C. Positive social impacts include, among others, developing participatory consultation mechanisms and capacity building for potential participants. The waste and refuse don't have any harm for the environment because it is organic and easy decomposition like the skin and the seed of the cacao, that can be used as an organic fertilizer for the cacao's plantation. This type of agro industry does not produce chemical contamination and the residues are always soon biodegradable. The bamboo plants are very good for the environment and contribute to avoid the land erosion. This operation is following the strategy adopted in the Rural Economic Development Program (loan 1733-OC), which was leadership by a member of IND and complied with the Bank's strategy. Marco Conceptual Ambiental. The recently approved IDB's Strategy on Indigenous Peoples Development establish as one of its main pillars the support to indigenous entrepreneurship, as a way to enhance indigenous opportunities for economic development, stating that "the Bank will facilitate support for the creation of indigenous enterprises" in areas such as environmental services, ecotourism, arts and handicraft, agriculture, food processing, textiles, production and management of water and public and private provision of good and services, among others.

VIII. RECOMMENDATION

- 8.1 Carlos Miranda (ICF/FMM) designated Team Leader of the project, recommends the approval of this operation and the use of resources from the Japanese Special Trust Fund totaling up to \$150,000 in order to finance this Technical Cooperation.

IX. CERTIFICATION

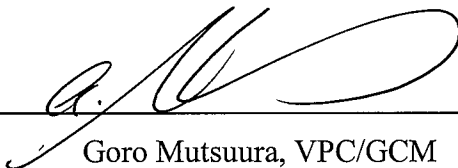
I hereby certify that this operation was approved for financing under the Japan Special Fund Poverty Reduction Program (JPO) through a memorandum dated on February 1st, 2007 and signed by Mr. Keisuke Nakamura, Deputy Manager (RE2/FSS). Also, I certify that resources from the Japan Special Fund Poverty Reduction (JPO) are available for up to \$150,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of five (5) calendar months counted from the date of signature below. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this Plan of Operations. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.



Marguerite Berger, Chief
VPC/GCM

Aug. 29, 2007

Date




Goro Mutsuura, VPC/GCM

Aug 29, 2007

Date

X. APPROVAL



Sixto Aquino, Manager, a.i.
SCL/SPH

Sept 5 / 2007

Date