

**PROJECT TO PROMOTE PRIVATE SECTOR PARTICIPATION
IN TECHNICAL TRAINING IN RURAL AREAS**

(TC-96-03-02-9)

EXECUTIVE SUMMARY

EXECUTING AGENCY: The Fundación para el Desarrollo y Educación de la Mujer Indígena [Foundation for the Development and Education of Indigenous Women] (FUNDEMI) and the Fundación Centroamericana por la Iniciativa del Sector Privado [Central American Foundation for Private Sector Initiative] (FUNDACEN-ISEP).

FUNDEMI provides technical training services combined with advisory services in community development in the department of Alta Verapaz. In order to transfer its extensive experience in technical training with groups of the informal urban sector to rural areas, **FUNDACEN** has initiated programs in training and community organization in the departments of Sacatepéquez and Chimaltenango, generating strong demand for its technical training services in such fields as agriculture, weaving, and basketry.

BENEFICIARIES:

- a. 20 professional specialists with training and experience in organization and transfer of know-how involving agricultural and industrial activities;
- b. 200 facilitators from the communities, who are well-regarded and have leadership skills; and
- c. 2,000 community producers and entrepreneurs in agriculture and industry.

FINANCING:	Modality:	Grant
	Beneficiaries:	US\$ 889,000
	MIF (Window II):	US\$2,000,000
	Total:	US\$2,889,000

TIMETABLE: The project will be executed over 36 months, and the disbursement period will be 42 months (paragraph 5.10).

ENVIRONMENTAL CLASSIFICATION: The Committee on Environment and Social Impact considered this operation at its meeting of September 19, 1997.

OBJECTIVES:

The general objective of the project is to strengthen the capacity of private training institutions to develop technical training methods that will improve the competitiveness of rural producers belonging to the various ethnic groups of the nation.

The specific objectives of the project are to (a) develop and systematize the technical training methodologies of two leading institutions to make them replicable and transferable to other private institutions; (b) validate the methodology by carrying out technical training pilot projects to create a demonstration effect and serve as models for other private training institutions; and (c) establish lines of communication and exchange between participating organizations and other institutions that provide technical training to share experiences and information.

DESCRIPTION:

To achieve its objectives, the project will have three components: (a) development and systematization of technical training methodologies, (b) rural technical training, and (c) sharing of experiences and project dissemination.

Component I (\$395,600 - MIF), which will be carried out during the first six months of the project has as its purpose the development and systematization of the technical training methods of both institutions. During this phase, the following activities will be funded: (a) review and consolidation of the methodological materials of both institutions, (b) acquisition of teaching methods and materials of other Latin American institutions, and (c) adjustment of these materials to actual conditions in rural Guatemala.

The purpose of component II (\$860,800 - MIF) is to validate the methodology to be systematized in the first component. This process will be carried out by implementing the methodology through pilot training projects. This process will also have demonstration effects that will then be disseminated to other public and private institutions and agencies that conduct training programs for the target population.

During Component III (\$26,680 - MIF), in order to consolidate successful results and enhance training methods, two types of activities will be conducted: (a) sharing of experiences with other institutions, and (b) organization of events for the dissemination of results and successful outcomes.

BENEFITS: The strengthening of training programs and the respective methods of FUNDACEN and FUNDEMI and their transfer to other institutions will promote the development of adequate technical training programs designed to meet the special needs of rural producers. In the medium term, the private sector is expected to expand training for producers who lack access to these services.

RISKS: By having as executing agencies two institutions that operate in different geographic regions, it is quite possible that problems will arise in the execution of the project. Establishment of a coordinating committee is anticipated with representatives of each executing agency to facilitate coordination of project activities. The coordinating committee will ensure that the different policies and methods of implementation of each institution will be respected so as to preserve the diversity of their services and their institutional areas of expertise.

**THE BANK'S
COUNTRY STRATEGY:** The proposed project is in line with Bank strategy for Guatemala and complements activities under way or about to be implemented, such as the Social Investment Fund (GU-0071), the community development for peace program (GU-0099), and the project to support educational reform (GU-0037). The two most notable aspects of the strategy are (a) integration of the poor, indigenous, and rural population into the development process, mainly through programs for the development of human capital; and (b) development and growth of the agricultural sector, diversification of nontraditional exports, and promotion of various agribusiness enterprises.

**SPECIAL
CONTRACTUAL
CONDITIONS:** Conditions precedent to the first disbursement: FUNDACEN and FUNDEMI will jointly present evidence to the Bank that: (a) the coordinator (paragraph 5.2) and the financial accountants (paragraph 5.4) have been hired; and (b) the coordinating committee has been organized and has the necessary resources and logistical support to operate effectively. In addition, the agreement will include the necessary provisions for the execution (paragraph 5.5), monitoring (paragraph 5.6), and evaluation (paragraph 10.1) of the project, as well as for the use of Bank procedures for the procurement of goods and the hiring of consultants.

I. COUNTRY ELIGIBILITY

- 1.1 On March 30, 1995, the Donors Committee of the Multilateral Investment Fund (MIF) declared Guatemala eligible for all modalities of technical cooperation.

II. BACKGROUND

A. Economic background and labor market situation

- 2.1 In Guatemala, the lack of investment in human capital has had a very significant negative impact on labor productivity, wage increases, and the development of the sectors that contribute to the overall economic growth of the nation. ^{1/} Lack of investment has been particularly acute in rural areas, which has hindered the development of agroindustry, manufacturing, and construction, highly significant sectors in the economy of those areas of the country.
- 2.2 According to the National Institute of Statistics (INE), 63% of the Guatemalan labor force is located in rural areas and of this, 74.5% works in the agricultural sector. Although this sector contributes 25% of the GDP and 60% of export earnings, a significant number of small farms only have subsistence-level productive capacity due to the use of primitive production techniques. This sector has not achieved its economic potential because a substantial percentage of the labor force works at an inadequate level of productivity.
- 2.3 To supplement their earnings, rural producers have chosen to engage in nonagricultural productive activities. The INE has indicated that more than 20% of the rural labor force works full- or part-time in such activities as manufacturing, textile production, and construction. Nevertheless, these sectors also cope with the same low levels of productivity.
- 2.4 To increase the resources available to rural producers and develop the economy of these regions of Guatemala, it is essential to increase productivity levels in both the agricultural and nonagricultural sectors (building, foodstuffs, carpentry, basketry, electricity, metallurgy, tailoring, and weaving) through technical training. In fact, there is an immediate demand on the part of the rural population for this service. According to a poll taken by the Economic and Social Research Institute (IDIES), 44% of rural producers indicated that technical training and business advisory

^{1/} "Guatemala: An Assessment of Poverty." (1995) World Bank, Washington, D.C.

assistance for agriculture and manufacturing are basic conditions for overcoming their economic problems.

B. Supply of training and technical assistance services

- 2.5 Despite considerable demand, the supply of technical training services in rural areas generally has neither the coverage nor adequate capacity to meet the needs of rural producers. This service sector, therefore, is in an initial stage of development. This is because *public supply*, on the one hand, has been notably slow and inefficient in the service area 2/ and, on the other, *private supply* consists of several small nongovernmental organizations (NGOs) with limited resources, which inhibits development of the quality and coverage of their services.
- 2.6 Despite this situation, there are private institutions with several years of experience and concrete achievements. The Fundación Centroamericana por la Iniciativa del Sector Privado [Central American Foundation for Private Sector Initiative] (FUNDACEN-ISEP) and the Fundación para el Desarrollo y Educación de la Mujer Indígena [Foundation for the Development and Education of Indigenous Women] (FUNDEMI) of the Salesian Association are two institutions with solid institutional capacity and methodologies appropriate to indigenous groups because they take into account the linguistic and sociocultural diversity of the indigenous population. 3/ Technical personnel of both institutions have profound knowledge of the economic dynamics of the rural area and therefore, their programs have resulted in increased earnings for their beneficiaries.
- 2.7 Taking account of the early stage of development of the supply of services, it is important to follow a strategy of providing specific technical assistance to institutions that have demonstrated the technical and management foundation needed to carry out high-quality programs for this target population. The focus of this strategy is based on developing and thus improving the methods and practices of leading institutions in this field so that their programs become more cost-effective and increase productivity of rural workers. Therefore, this strategy is considered effective for the purpose of activating development of the market for training in rural areas.

2/ Historically, the focus of the Instituto Técnico de Capacitación y Productividad [Technical Institute for Training and Productivity] (INTECAP), the principal provider of public training, whose financing comes from the private sector, has been on the formal sector of the economy, mainly in urban areas.

3/ In Guatemala, there are at least 22 ethnic groups, almost all with distinct languages.

C. Institutional capacity of FUNDACEN and FUNDEMI

- 2.8 **FUNDACEN** is a private foundation that coordinates the work of several NGOs in Guatemala, the majority of which conduct technical training programs for the disadvantaged population in both urban and rural areas. The technical capacity of FUNDACEN is based on the experience of the various NGOs affiliated with the foundation, several of which have operated continuously for more than 20 years. Among the NGOs affiliated with FUNDACEN, the **UTZ SAMAJ Rural Development Center** and **Las Gravileas Training Center for Craftswomen** will take part in this MIF project. Therefore, a memorandum of understanding was signed between FUNDACEN and these NGOs, specifying the obligations of each institution with regard to the project and the benefits anticipated for each.
- 2.9 **UTZ SAMAJ** was organized by the Fundación para el Desarrollo Integral [Foundation for Comprehensive Development] (FUDI), which has been providing technical assistance to the *Kaqchikel* population of the departments of Sacatepéquez and Chimaltenango since 1976. Over 200 individuals are enrolled at the center to learn new techniques in the area of product diversification and marketing strategies in the agriculture, livestock, and crafts sectors. Of those trained by the center, 70% are men and 30% women. Through the proposed project, the **UTZ SAMAJ** goal is to improve its training services to foster introduction of nontraditional products, modernization of fruit production, and marketing abroad.
- 2.10 **Las Gravileas**, located in the department of Sacatepéquez, was created by the Asociación para la Cooperación Educativa [Association for Cooperative Education] (ACOE), which has also been training many of the craftswomen in the region since 1976. **Las Gravileas** serves more than 400 women per month, and sponsors community organization to coordinate the production and marketing of crafts, textiles, artificial flowers, and traditional sweets. Although most of the individuals served are women, some men take courses at the center. Through this project, **Las Gravileas** seeks to strengthen training programs to include notions of marketing and catering to client tastes as well as manufacturing with more efficient techniques.
- 2.11 **FUNDACEN** is characterized by active participation of the national business sector in its activities and the high self-financing capacity of each project. The infrastructure and equipment of the **UTZ SAMAJ** and **Las Gravileas** centers were donated by Guatemalan businessmen who appreciate the high level of competence of their graduates. Nearly 80% of the operating and administrative costs of most of their projects are defrayed by contributions of businessmen and trainees. **FUNDACEN** has the technical and administrative personnel required to execute high-quality projects. **FUNDACEN** also has a very broad interinstitutional network that permits it to share pedagogical experiences and technological innovations with

the NGOs affiliated with it and other national and international institutions with high technical standards.

- 2.12 In Guatemala, the Don Bosco Salesian Association has been in Alta Verapaz since 1935. In 1991, the Talita Kuma training program for women of Q'eqchi origin was created. This center administered by FUNDEMI trains about 500 young women annually.
- 2.13 In recent years, FUNDEMI has expanded its sphere of work to supply training services with modules on marketing and business administration for small producers. FUNDEMI likewise prepares self-management committees and outreach agents. Development of its program is due to increased demand by heads of household who recognize the contributions of youth when they return to their communities. In 1993, the program served 35 communities and in 1997, training services were provided to 251 communities. Although FUNDEMI was created to meet the needs of indigenous women, there is equal participation by both genders.
- 2.14 FUNDEMI seeks to expand its services to include training in processing, which would aid small producers to add value to their crops. FUNDEMI guides small producers in legal matters to convert their community groups into cooperatives or self-managed groups to strengthen their bargaining power and ability to market community production.
- 2.15 According to a 1994 UNICEF evaluation of the procedures of 33 training projects in Guatemala, FUNDEMI, focused on training young women and community leaders as facilitators, has a very high potential for increasing worker productivity because it teaches new skills in the local language and cultural context. FUNDEMI has achieved this level of expertise because its personnel has a high level of technical and administrative ability.

D. Justification of the project

- 2.16 Although FUNDACEN and FUNDEMI have had a major impact on the productive level of their trainees and therefore have been catalysts in stimulating increased demand for their services, their experiences and achievements have been neither documented nor analyzed because they lack internal monitoring systems. Their training methods have likewise not been standardized, making it difficult to identify and then share the positive features of a training program. Therefore, it is imperative to systematize and standardize their respective methodologies to make them replicable and thus transferable to other private sector institutions so that they may expand coverage of high-quality services and meet the special needs of rural producers who lack access to these services.
- 2.17 The positive impact of the programs of these centers shows that bigger and better coverage would produce higher incomes for the

producers of these regions. Their efforts could be strengthened by consolidating their respective experiences and exchanging successful training models. Through its urban activities, FUNDACEN has numerous contacts with the private sector and access to the national market but lacks experience in developing community activities. On the other hand, FUNDEMI has extensive experience in community development and rural technical training but is not linked to the productive sector.

- 2.18 The goal of providing MIF funds is to support these two institutions to combine their strengths and the advantages of their respective methods to develop an efficient and cost-effective technical training model. The proposed project calls for the systematization of their methods and creation of a tangible product with **audiovisual** bilingual teaching materials. This model will be validated and its relevance ensured through a series of pilot training programs.
- 2.19 For demonstration purposes and to increase sustainability of the project, the results of the training will be disseminated to encourage use of the methodology. By strengthening their programs and their respective methodologies and transferring these enhanced formats, the development of appropriate technical training programs to meet the special needs of rural producers will be promoted.

III. DESCRIPTION OF THE PROJECT

A. Objectives

- 3.1 The overall objective of the project is to strengthen the capacity of private training institutions to develop technical training methods to improve the competitiveness of rural producers belonging to the various national ethnic groups.
- 3.2 Specific project objectives are to: (a) develop and systematize the successful technical training methodologies of both institutions to make them replicable and transferable to other private institutions; (b) validate the methodology through implementation of technical training pilot projects to create a demonstration effect and serve as models for other private training institutions; and (c) establish lines of communication and exchange between the participating organizations and other institutions that provide technical training to share experiences and information.

B. Project components and activities

- 3.3 To achieve its objectives, the project will consist of three components: (a) development and systematization of technical

training methods, (b) rural technical training, and (c) sharing of experiences and project dissemination.

1. Component I: development and systematization of technical training methods (US\$395,600-MIF, US\$0-FUNDACEN, US\$0-FUNDEMI)

- 3.4 The goal of component I, which will be carried out during the first six months of the project, is to develop and systematize the technical training methods of both institutions. During this phase, the following activities will be funded: (a) review and consolidation of methodological materials of both institutions; (b) acquisition of teaching methods and materials of other Latin American institutions, and (c) adjustment of these materials to actual conditions in rural Guatemala.
- 3.5 As an initial step, a consulting firm will be hired to work together with the specialists of both executing agencies to review their methods and training services in order to share the features of their respective efficient practices that have yielded good results. This component will also finance the acquisition of teaching materials and methods from other Latin American institutions that conduct similar programs. A group of specialists of both institutions will likewise participate in internships to learn the teaching techniques employed by the organizations that supply these teaching materials.
- 3.6 Once a thorough review has been completed of FUNDEMI and FUNDACEN methods and the methodological and teaching materials of other institutions, the consulting firm will work with the specialists of the two institutions to adapt the information to the Guatemalan context. A systematized methodological package will then be produced that includes guidelines for specialists and facilitators who will conduct the training courses and provide audiovisual teaching materials to rural producers. The methodological package will be supplemented with the Bank's "Guide to Improving the Environmental Quality of Credit Operations for Microenterprises." Thus, the training will be certain to include environmental aspects such as proper disposal of agrochemicals, efficient use of organic products, and occupational safety.
- 3.7 The methodology will consist of 12 modules, eight involving eight economic activities and four modules on administrative management.
- 3.8 Economic modules: To identify the eight economic activities with the greatest demand and commercial prospects within the market in which the technical training will be provided, a consultant will be hired to conduct an initial market study to analyze at least 10 economic activities with the greatest importance in the service area. Among others, the study will examine agriculture, livestock, construction, food processing, carpentry, basketry, electricity, metallurgy, tailoring, and weaving. The study will ensure the

relevance of the training in terms of achieving greater integration of producers into national and international markets. Market studies will be conducted regularly as a necessary part of ongoing feedback and adaptation of the methodology and training process to the needs and opportunities that arise.

- 3.9 Management modules: Four administrative management modules will be designed: marketing, business and legal structures, and business administration. The consulting firm in charge of systematizing the methodology will be responsible for designing the modules.
- 3.10 Specialists from both institutions will participate in this component and will be part of the project from the beginning so that they understand the methodology that is designed. To ensure assimilation and appropriate use of the methods by specialists and facilitators, self-assessment and quality control meetings will be held every six months.
- 3.11 Lastly, a team of two consultants (one for each institution) will be hired to perform an institutional analysis. This analysis will identify strong and weak points that affect service delivery and overall management of the programs. The consultants will be available later to give technical assistance for a 12-month period during the project according to the special needs of each institution. Technical assistance will focus on development of the management capacity of FUNDEMI and FUNDACEN in financial and technical matters.

2. Component II: Rural technical training (US\$860,800-MIF, US\$250,200-FUNDACEN, US\$250,200-FUNDEMI)

- 3.12 The purpose of this component is to validate the methodology that is systematized under the first component. This process will be conducted by implementing the methodology through pilot training projects. This process will also produce demonstration effects that will later be disseminated to other public and private institutions and agencies that conduct training programs for this target population.
- 3.13 Following design of the methodology and teaching materials, FUNDACEN and FUNDEMI specialists will implement pilot training programs for three groups of beneficiaries: (a) 20 professionals with training and experience in organizing and transferring know-how involving agricultural and industrial activities; (b) 200 facilitators who are community members and recognized leaders; and (c) 2,000 community entrepreneurs and producers in agriculture and/or industry. The project will encourage the participation of women as technical instructors and facilitators. The participation of women as technical experts and facilitators, especially in nontraditional fields, will offer positive images to female students and motivate their interest and enrollment in the courses.

- 3.14 FUNDACEN and FUNDEMI will recruit qualified technical instructors with experience in providing training. Specialists will be recruited according to the following criteria: (a) minimum of five years' experience in the appropriate professional field and at least three years in training; (b) graduation from an official or unofficial technical center; (c) possession of an academic certificate or degree; and (d) possession of general knowledge of the culture and linguistic features of the indigenous population. Once their knowledge has been updated during the methodological design period and the initial intensive training course, which will last one month, the technical instructors will be in charge of promoting the project in the communities and organizing, and then training the facilitators.
- 3.15 Facilitators for the most part will be community leaders, selected by members of their communities. In addition to having been chosen by their communities, facilitators should meet at least the following requirements: (a) basic knowledge of mathematics and reading and writing, (b) knowledge of the economic activities of the service areas, and (c) openness to technical innovation. Upon completion of the technical training process at the FUNDEMI and FUNDACEN centers, facilitators will return to their communities and offer technical training in their own languages to organized groups of producers in the community.
- 3.16 The training stage for producers will last approximately 30 months and will begin when the training of the facilitators ends. FUNDACEN and FUNDEMI will be responsible for training 1,000 producers each. The project will offer broad guidance to the producers when they enroll in order to present the various training options open to all. To be considered eligible for training in the program, producers must meet the following minimum requirements: (a) be permanent residents of the rural community benefited by the project; (b) be producers in sectors considered appropriate for the service area, and (c) commit themselves to obey the rules of the courses. The project will likewise finance the setup of demonstration production units for teaching the techniques required for processing crops. At the end of the training, producers will be able to rent the units to process their own crops.
- 3.17 To ensure the quality of the instruction by the facilitators, throughout the project the specialists will monitor the level of participation, content, materials, teaching resources, performance, and the results of the learning process. This supervision will permit continuous feedback of the facilitators' experiences, which will enrich the methodology and make good use of educational resources in accordance with new market demands and opportunities.
- 3.18 This component will also finance the hiring of a legal specialist who will provide technical assistance to enable the institutions to support the legalization of producer groups. A Guatemalan expert

will be hired for 12 months during the project according to the specific needs of each institution. As a result of the technical training process, it is expected that producers will be motivated and have the resources to form productive units that will be capable of competing in regional and foreign markets.

3. Component III: Sharing of experiences and project dissemination (US\$26,680-MIF, US\$0-FUNDACEN, US\$0-FUNDEMI)

- 3.19 To consolidate successful experiences and enhance training methods, two types of activities will be included in the project: (a) sharing of experiences with other institutions, and (b) organization of events for dissemination of results and achievements. To share experiences, through their coordinating committee, FUNDACEN and FUNDEMI will distinguish two types of institutions: associated institutions (6), which are located in the service areas of the executing agencies, with which technical assistance agreements are expected to be signed; and participating institutions (between 50 and 70), which are interested in participating in regional and national workshops to exchange methodological information. At the beginning of the project, all the institutions working in the training area will be invited to participate in the development of a systematized methodology. From the interested institutions, the coordinating committee will select six with the following characteristics: (a) possession of legal status; (b) at least three years' experience in technical training; (c) presence in the service area of the executing agencies; and (d) readiness to work with bilingual methods. Participating institutions are expected to meet at least three of these conditions.
- 3.20 Sharing of experiences with associated institutions. Two of the highest level specialists from each of the six associated institutions will be selected to participate with FUNDACEN and FUNDEMI in a program to share and transfer methods through working meetings, traineeships, reciprocal field visits, and exchange of specialists and other trainers. At least six working meetings and regular visits to the areas of the associated institutions will be organized. These activities will be carried out regularly with the same individuals; therefore, a working agreement will specify the commitment and interest of the associated institutions.
- 3.21 Dissemination of the project. Project dissemination events will be organized for institutions working in the area of technical training. To that end, the following activities will be carried out: (i) identify and create of a register of institutions that offer technical training in rural areas; (ii) disseminate teaching methods and materials through regional seminars; and (iii) offer services involving training and adaptation of methods to other institutions. Two regional seminars will be conducted in the respective service areas of FUNDACEN and FUNDEMI, and participating institutions and other public- and private-sector agencies

interested in acquiring more information about the project will be invited to attend.

- 3.22 In addition, during the last year of the project, a national seminar will be held where the methodology and results of the project will be presented to all participating institutions. As in the regional seminars, public- and private-sector entities, such as INTECAP and chambers of commerce, may participate. This activity will also serve as a forum to discuss the possible creation of a network of providers of technical training for the rural population. The project will help to accelerate the flow of communication and information on technical training at the regional and national levels.

C. Sustainability of the project

- 3.23 In the context of the project, sustainability is interpreted at three levels: (a) recovery of costs during execution of the project; (b) sustainability of training in the communities; and (c) institutional financial sustainability.
- 3.24 With respect to the recovery of training costs, both institutions currently recover an average of about 15%, an excellent outcome considering the profile of beneficiaries and the geographical areas of the project. During the project, FUNDACEN and FUNDEMI will make an effort to identify various sources of income to increase the current recovery percentage. In the first place, charges will be instituted for enrollment and course materials. This will be a minimal charge based on the participants' income level and productive activity. It is anticipated that the communities' contribution will gradually increase as producers recognize the benefits of training and increased income. The second source of income will be the sale of services to area producers at the production demonstration units. Total recovery of the operating costs of these units is anticipated. The third source will be charges for occasional technical assistance and training to other providers of technical training.
- 3.25 With respect to sustainability of training in the communities, it is anticipated that the facilitators, having fulfilled their assigned project functions, will remain in the communities as technical advisers to the producers. In this way, the training process will continue within the communities.
- 3.26 Lastly, both FUNDACEN and FUNDEMI have various sources of income and institutional capacity to obtain national and international funding. In addition to having technical and financial assistance from several national companies, FUNDACEN currently receives financing from the Social Investment Fund (FIS) and the governments of The Netherlands and Belgium and expects to receive funds from the Government of Spain and the European Union. In addition, FUNDEMI has succeeded in attracting funds from the Ministries of

Health, Education, and Agriculture and national funds such as the FIS to implement several government social projects, and it recently signed an agreement with KfW to expand its infrastructure. It has likewise obtained funding from USAID, SHARE, CARE, UNESCO, the European Union, the Government of Canada, and INTECAP.

IV. COST AND FINANCING

A. Costs

- 4.1 The total cost of the project is estimated to be approximately US\$2,889,000, of which US\$2,000,000 will be financed with nonreimbursable MIF resources (Facility II), and US\$889,000 will make up the local counterpart funds. The counterpart will be covered by contributions from FUNDACEN and FUNDEMI. A summary of project costs is presented in the following table. A copy of the detailed budget is available in the technical files of the Bank's Country Office in Guatemala and at the Office of the MIF.

Costs in US\$				
	MIF	Counterpart*		Total
		FUNDACEN	FUNDEMI	
I. Component I, Development and systematization of methodology	395,600	0	0	395,600
II. Component II, Rural technical training	860,800	250,200	250,200	1,361,200
III. Component III, Sharing of experiences and project dissemination	26,680	0	0	26,680
IV. Monitoring and evaluation	180,000	0	0	180,000
V. Procurement of small equipment	284,150	0	0	284,150
VI. Technical support	164,130	7,200	7,200	178,530
VII. Administrative expenses	8,640	187,100	187,100	382,840
VIII. Contingencies	80,000	0	0	80,000
TOTAL	2,000,000	444,500	444,500	2,889,000

* 50% of the counterpart consists of contributions in kind.

B. Procurement and disbursements

- 4.2 In project procurement and contracting and in the disbursement of project resources, IDB procedures for the procurement of goods and contracting of services and MIF eligibility criteria will be followed.

V. ORGANIZATION AND EXECUTION

A. Organization

- 5.1 FUNDACEN and FUNDEMI will take charge of the project through a coordinating committee that will be responsible for its execution and the technical and financial control of the project. The coordinating committee will be made up of three representatives from each of the participating institutions and will be supported by a coordinator who will be hired on a full-time basis for three years.
- 5.2 The coordinator will have the following responsibilities, which will be subject to the approval of the coordinating committee: (a) two months before the end of each year of the project, present an operating plan for the following year that includes the goals, activities, schedule, and the resources needed from both the MIF and the local counterpart; (b) authorize expenditures; (c) prepare requests for disbursements; (d) enter into contracts needed for execution of the project; and (e) present regular reports on the status of the project. The coordinator should have at least seven years of experience in directing training projects and preferably have a degree in rural business administration. The coordinator should also have knowledge of environmental issues to ensure that the training complies with the guidelines described in the Bank's guidelines for microenterprises (paragraph 3.6). The Country Office of the Bank in Guatemala will guide and cooperate with the coordinator in proper use of Bank procedures for execution of the project.
- 5.3 The coordinating committee will be responsible for: (a) approving the annual operating plans for execution of the project and overseeing proper execution; (b) ensuring efficient management of resources; and (c) approving applications for disbursements, requests for expenditures, necessary contracts, and reports to the Bank.
- 5.4 Each institution will have its own bank account and will present the financial statements of its respective operations to the Bank each year. For this purpose, each institution will have an accountant. Both will share the expenses of the coordinator, who will support their activities. The coordinator will be responsible for supporting the joint activities of the institutions, for which he will be subject to monthly reviews of accounts. An accounting assistant will handle this task, managing the contributions of the two executing agencies in two separate accounts.
- 5.5 Execution. The coordinating committee will meet at least every six months to verify adequate execution of the project, participate in developing the annual action plans, approve them, review execution

of the plan for the preceding period, review mid-term and final reports, and take measures to correct any deficiencies.

- 5.6 Monitoring. For adequate control and monitoring of the project, the coordinator will prepare and present to the Bank the reports described below, with his corresponding observations and recommendations: (a) the mid-term report, which will serve as a basis for the mid-term evaluation at the end of the first 18 months of execution, will include information on execution of the project in relation to the action plans for the corresponding period and propose needed adjustments; show the progress achieved in each component; review the annual action plans and budgetary requirements; analyze the efficiency of project administration and coordination; and present proposed solutions or adjustments needed for the schedule; and (b) the final report, which will be delivered by the coordinator within 30 days of the end of execution of the project.
- 5.7 Conditions precedent to the first disbursement. FUNDACEN and FUNDEMI will jointly present evidence to the Bank that: (a) the coordinator and accountants have been hired; and (b) the coordinating committee has been organized and has the necessary resources and logistical support to operate effectively. The agreement will also specify the necessary provisions for the execution, monitoring, and evaluation of the project (paragraph 10.1) as well as the use of Bank procedures for the procurement of goods and contracting of consultants.
- 5.8 Four months from the date of the agreement, FUNDACEN and FUNDEMI will present to the satisfaction of the Bank an action plan for each component for the first year of execution. For that purpose, \$20,000 will be provided to facilitate compliance with the conditions precedent. Five months from the date of the agreement, in accordance with the terms of reference previously approved by the Bank, they will present evidence of having hired the consulting agency that will monitor the project and evaluate the results.
- 5.9 Once the conditions precedent to the operation have been fulfilled, at the request of the coordinator and with the approval of the coordinating committee, based on the proposed action plan, a revolving fund will be established with 10% of the MIF contribution to assist FUNDACEN and FUNDEMI in developing project activities during the first 120 days.
- 5.10 Schedule. The project will be executed over 36 months and the disbursement period will be 42 months, except for one payment of up to US\$80,000 to the consulting firm that will perform the ex post evaluation of the project. The disbursement period for that payment will be an additional 12 months. A copy of the schedule of activities is available in the technical files of the Country Office of the Bank in Guatemala and at the Office of the MIF.

VI. FEASIBILITY AND RISKS

- 6.1 Having two institutions operating in separate geographical areas may present problems for the execution of the project. The project provides for establishment of a coordinating committee with representatives from each executing agency to facilitate coordination of the activities of the two organizations. The coordinating committee will ensure that the different policies and implementation procedures of each institution will be respected so as to preserve the diversity of their services and their institutional areas of expertise. The two executing agencies anticipate positive development of their programs through this project. ^{4/}
- 6.2 The purpose of the project is to promote the use of effective and cost-effective methods among private-sector institutions that provide technical training in rural areas. Therefore, participation of the private sector in this project is essential. Nevertheless, many institutions may lack interest in sharing ideas and experiences. To reduce this risk, the project will fund two regional and one national seminar to encourage other institutions to participate in the project and jointly examine the advantages of the methodology developed.

VII. FULFILLMENT OF PROJECT ELIGIBILITY CRITERIA

A. General project eligibility criteria

- 7.1 The proposed program is consistent with the Agreement Establishing the Multilateral Investment Fund, particularly Article I (c) and (d) on stimulating entrepreneurial activities and bearing certain of the costs associated with reforms for expanding the private sector.

B. Facility criteria for project eligibility

- 7.2 The project is consistent with the funding criteria of the MIF's Human Resources Facility, particularly Article 3, Section 3, whose purposes include developing the human resources needed to increase investment flows and enable the private sector to expand its range of activities.

^{4/} In meetings held for the preparation of this project, both institutions indicated that they have already benefited from the preliminary exchange of information.

VIII. COMPATIBILITY WITH THE BANK'S COUNTRY PROGRAM

- 8.1 The proposed project is compatible with the Bank's strategy for Guatemala and will complement Bank activities now under way or about to be executed, such as the Social Investment Fund (GU-0071), the community development for peace program (GU-0099), and the project to support educational reform (GU-0037). The two most notable features of the strategy are: (a) integration of the poor, indigenous, and rural population in the development process, mainly through programs to develop human capital; and (b) development and growth of the agricultural sector with diversification of nontraditional exports and promotion of various agribusinesses.

IX. AVAILABILITY OF MIF RESOURCES

- 9.1 **Financing modality.** It is anticipated that the project will be financed through a nonreimbursable grant. Guatemala was declared eligible for all modalities of MIF funding by the Donors Committee on March 30, 1995.
- 9.2 **Use of MIF funds.** There are no restrictions on the use of MIF funds in Guatemala or for this specific project.

X. EVALUATION

- 10.1 Within five months after the signature of the agreement, FUNDACEN and FUNDEMI will hire a consulting firm or university to develop a monitoring and evaluation system. Both institutions will hire the firm through a national selection process in accordance with the terms of reference approved by the Bank. The firm or university will define the methodology and indicators to be used for both the overall project evaluation and the evaluations of the methodological development and impact of the training under component II. The design of the evaluation methodology will include the manner and schedule for gathering the information for monitoring and control of the implemented activities and overall project evaluation.
- 10.2 The coordinating committee will be responsible for executing the monitoring and evaluation system and the consulting firm will evaluate project operation and propose needed adjustments. The gathering of information for monitoring and evaluation will take account of the views of the specialists who take part in executing component II and will be based on the logical framework presented in Annex I.

- 10.3 Overall evaluation of the project will include three reports: (a) mid-term evaluation, to be presented 19 months after the signing of the technical cooperation agreement; (b) final evaluation at the end of three years; and (c) ex post evaluation one year after the end of the project. The mid-term evaluation will include an analysis of the level of attainment of anticipated goals. The mid-term and final evaluations will analyze the effectiveness and fulfillment of project objectives, and the ex post evaluation will emphasize the impact and scope of the project. The latter evaluation will seek to determine the effect of the project on income level, production, and organization of producers as well as the effect on the ability of the institutions to reduce and recover costs, expand and improve coverage, maintain and strengthen institutional ties, and sustain the project. The evaluation will also measure the level of participation of both genders in planned activities as well as the impact of training in terms of gender issues in the communities.

LOGICAL FRAMEWORK
PROJECT TO PROMOTE PARTICIPATION OF THE PRIVATE SECTOR IN TECHNICAL TRAINING FOR RURAL AREAS

(TC-96-03-02-9)

	INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTION
competitiveness of rural producers nic groups in the areas of ne private institutions in	<ul style="list-style-type: none"> • Annual income of rural producers in areas of influence of private institutions increases by 10% • Production costs drop by 5% and crop and product losses and rejections drop by 5%. • Crops of rural producers are diversified 	<ul style="list-style-type: none"> • Ex post evaluation's follow-up of beneficiaries • Reports from public and private research institutions on socioeconomic conditions in areas of influence 	
capacity of private institutions to nical training methods in rural	<ul style="list-style-type: none"> • Coverage of programs using bilingual and participatory methodologies increases by 20% in three years • The program maintains and expands technical training activities following IDB/MIF contribution • 50% of private-sector institutions form network in three years to share experiences and information to improve technical training methods in rural areas 	<ul style="list-style-type: none"> • Annual progress reports of executing agencies • Final evaluation of the project • Financial statements of each executing agency • Register of institutions • Reports of institutional network 	<ul style="list-style-type: none"> • Governmental policy promotes decentralization of technical training in rural areas • National Institute for Training and Productivity (INTECAP) is prepared to subcontract training to private-sector institutions • Prices of principal crops of rural areas (coffee, cardamom, crafts, etc.) are stable
TS ation of technical training gy that takes account of and cultural diversity.	<ul style="list-style-type: none"> • The consulting firm systematizes 12 training modules (8 economic modules and 4 management modules) in six months • The program has teaching materials before initiating technical training in the field 	<ul style="list-style-type: none"> • Quarterly report of the coordinator • Final report of the consulting firm • Report of the coordinating committee 	<ul style="list-style-type: none"> • There is sufficient information to systematize methodologies
technical training performed using ed methodology.	<p>During the program:</p> <ul style="list-style-type: none"> • 2,000 producers participate in the program • At least 10 entrepreneurial organizations of producers are legalized in the communities • 50% of program participants adopt new production practices • Contribution of payments by producers increases at least 50% • Producers cover all the expenses of operating demonstration production units 	<ul style="list-style-type: none"> • Quarterly report of the coordinator • Annual progress report • Self-evaluation report of the executing agencies • Final project evaluation 	<ul style="list-style-type: none"> • Producers will not oppose formalizing entrepreneurial groups • Producers are willing to absorb part of training costs

	INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTION
es shared and project promoted	<ul style="list-style-type: none"> • Six associated institutions adopt some of the methods before the end of the program • At least 30% of the private institutions contacted request teaching materials and/or services from the program 	<ul style="list-style-type: none"> • Quarterly report of the coordinator • Reports of meetings with associated institutions • Reports of associated institutions • Workshop reports • Reports of coordinating committee meetings • Final project evaluation 	<ul style="list-style-type: none"> • There is sufficient interest on the part of private-sector institutions to adapt services and adopt new methods
<p>nducted of labor market in two areas and 10 economic activities</p> <p>logy consolidated and</p> <p>ed in six months (12 modules)</p> <p>g materials produced and</p> <p>d</p> <p>alists trained in 1 month</p> <p>tators trained and prepared to</p> <p>ew technical information in</p> <p>ducers trained and organized</p> <p>years</p> <p>ated modules in use</p>	<p><u>BUDGET IN US\$</u></p> <p><u>I. Component 1</u></p> <ul style="list-style-type: none"> • Consulting firm hired to conduct studies of market and systematization of methodologies • Duplication of teaching materials • Internships, self-assessment, etc. <p><u>MIF</u> <u>US\$395,600</u></p> <p><u>II. Component 2</u></p> <ul style="list-style-type: none"> • Training and compensation of facilitators • Training and fees of specialists • Transportation and materials <p><u>MIF</u> <u>US\$860,800</u></p> <p><u>Counterpart</u> <u>US\$500,400</u></p>	<ul style="list-style-type: none"> • Report of the consulting firm • Progress report of the IDB specialist • Monitoring by the Country Office of contractual provisions and disbursements • Budgetary reports • Financial statements • Quarterly reports of the coordinator • Annual progress reports • Report of the administrative/financial advisor 	<ul style="list-style-type: none"> • The government supports the correct execution of the program • Communities are willing to select to be trained and to train producers • There are enough institutions willing to participate in the exchange network

	INDICATORS	MEANS OF VERIFICATION	MAJOR ASSUMPTION
<p>developed with names and of all private-sector institutions g training services in Guatemala utions contacted and ting as partners of executing</p> <p>utions contacted and ting in regional and national p discussions onal workshops onal/international workshop lication of seminar results d after 42 months</p>	<p><u>III. Component 3</u></p> <ul style="list-style-type: none"> • Regional and national seminars • Compensation of specialists of associated institutions • Publication of project report, etc. <p><u>MIF</u> <u>US\$ 26,680</u></p> <p><u>IV. Monitoring and evaluation</u></p> <ul style="list-style-type: none"> • Contracting of consulting firm for evaluation <p><u>MIF</u> <u>US\$180,000</u></p> <p><u>V. Procurement of minor equipment</u></p> <ul style="list-style-type: none"> • Demonstration production units • Photocopiers, fax, computer equipment, etc. <p><u>MIF</u> <u>US\$284,150</u> <u>Counterpart</u> <u>US\$ 14,400</u></p> <p><u>VI. Technical support</u></p> <ul style="list-style-type: none"> • Contracting of coordinator, accountants, etc. <p><u>MIF</u> <u>US\$164,130</u> <u>Counterpart</u> <u>US\$ 14,400</u></p> <p><u>VII. Administrative expenses</u></p> <p><u>MIF</u> <u>US\$ 8,640</u> <u>Counterpart</u> <u>US\$374,200</u></p> <p>SUBTOTAL</p> <p><u>MIF</u> <u>US\$2,000,000</u> <u>Counterpart</u> <u>US\$ 889,000</u></p> <p>TOTAL US\$2,889,000</p>		

PROPOSED RESOLUTION

**GUATEMALA. NONREIMBURSABLE TECHNICAL COOPERATION FOR A
PROJECT TO PROMOTE PRIVATE SECTOR PARTICIPATION IN
TECHNICAL TRAINING FOR RURAL AREAS**

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Fundación Centroamericana por la Iniciativa del Sector Privado - FUNDACEN - and the Fundación para el Desarrollo y Educación de la Mujer - FUNDEMI -, and to take such additional measures as may be pertinent for the execution of the project memorandum referred to in Document MIF/AT- with respect to a technical cooperation project to promote private sector participation in technical training for rural areas.
2. That up to the amount of US\$2,000,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Human Resources Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.