

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**GUATEMALA**

**COMPETITIVENESS AND FINANCING OF COFFEE GROWING IN GUATEMALA**

**(GU-M1059)**

**DONORS MEMORANDUM**

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## PROJECT SUMMARY

### COMPETITIVENESS AND FINANCING OF COFFEE GROWING IN GUATEMALA (GU-M1059)

In Guatemala, the coffee growing industry is in the midst of a significant crisis caused by the recent coffee rust epidemic and the volatility and low price of coffee on the commodity market. This has affected 60% of the 305,000 hectares of coffee plantations in the country, leading to low coffee production and the loss of some 100,000 jobs per year.

As the current industrial competition model is based solely on commodity volumes and prices, this project seeks to change that paradigm through public private partnerships (PPPs), in order to shift the industrial competition model towards a market based on the sale of differentiated coffee with value added, where cultural practices are adapted to climate change, and access to finance is a critical input to catalyze change. These PPPs will make it possible to establish a structured credit platform<sup>1</sup> for the sector that can be scaled up nationally. The proposed model targets aspects of demand with project beneficiaries in five departments of the country, validating and systematizing technology packages that enable climate proofing and sizeable increases in productivity and quality. The sound management of these aspects will make it possible to better manage operational risks in the field. This will be the core of the new technical assistance system of the National Coffee Association of Guatemala (ANACAFE) and can be replicated in the seven coffee growing regions of the country.

In parallel, efforts on the supply side consist of developing a new system for marketing differentiated coffee, under which ANACAFE can support coffee growers in linking up with international buyers. This linkage to buyers will be made viable through mechanisms based on networks and information technology. The system will provide a direct link to buyers, guarantee traceability, and enable the identification of quality profiles, origins, and volumes offered and sold.

Lastly, to provide financing to renew the plantations affected by coffee rust, adopt the new technology package, and access direct sales contracts with corporates, the ANACAFE project will enter into agreements with its partners MiCoope, Seguros Columna, and Guatelvierte. This interaction will be the base for a structured credit methodology for coffee growers, the first agricultural insurance registered and provided by the country's local industry,<sup>2</sup> and will adapt and improve the collateral credit guarantees product to support the use of banking services by beneficiary small and medium-sized coffee growers in rural Guatemala.

The three large blocks of actions described above will interact synergistically in the sector to influence **change in the industrial competition model of coffee growing in Guatemala**, led by the private sector, but in full partnership with the public sector. This new competition model will lead to increased competitiveness and is an important

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<sup>1</sup> The term structured credit refers to financing tailored to the client. The credit is designed based on the client's tenors and cash flows and includes the use of tools for transfer and hedging of the risk associated with the credit, as well as direct technical assistance to each beneficiary.

<sup>2</sup> There is an agricultural insurance product designed by ProAgro in Mexico, specifically to be used by Guatelvierte, which is reinsured by ProAgro. The local industry acts only as a frontier.

innovation in the strategies to support and strengthen the coffee growing sector. The MIF's role is very important in creating partnerships, methods, products, and systems in synergy with ANACAFE.

The project is aligned with the IDB's strategy in Guatemala as it relates to rural productive development, as well as the IDB Group's strategy in terms of social inclusion and equality, sustainable management of environmental conservation, climate change adaptation and mitigation, increased productivity, and the creation of methodologies to incorporate organized groups of coffee growers into global value chains under free trade agreements, thereby supporting the objective of economic integration. The project also will also support the Climate Change Sector Framework Document by facilitating investments in adaptation and mitigation in the land use sector.

## **ANNEXES**

Annex I	Results Matrix
Annex II	Budget Summary

## **APPENDICES**

Proposed resolution

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

Annex III	Itemized budget
Annex IV	Diagnostic needs assessment (DNA) of the executing agency
Annex V	Project status reports (PSRs), achievement of milestones, fiduciary agreements, and institutional integrity
Annex VI	Operating Regulations
Annex VII	Priority municipios under the Plan of the Alliance for Prosperity in the Northern Triangle

## **ABBREVIATIONS**

ANACAFE	Asociación Nacional del Café de Guatemala [National Coffee Association of Guatemala]
CEDICAFE	Centro de Investigaciones de ANACAFE [ANACAFE Research Center]
CERCAFE	Centros rurales de capacitación en café [rural coffee training centers]
CMF/IFD	Capital Markets and Financial Institutions Division
DNA	Diagnostic needs assessment
FENACOAC	Federación Nacional de Cooperativas de Ahorro y Crédito [National Federation of Credit Unions of Guatemala]
GuatelInvierte	GuatelInvierte Trust for Rural Development
IFD/CMF	Capital Markets and Financial Institutions Division
MiCoope	Trademark of the unified system created by FENACOAC
MIF	Multilateral Investment Fund
MIF/CGU	MIF staff at the Bank's Country Office in Guatemala
PCU	Project coordination unit
PSR	Project status report

**GUATEMALA**  
**COMPETITIVENESS AND FINANCING OF COFFEE GROWING IN GUATEMALA**  
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**EXECUTIVE SUMMARY**

<b>Country and geographic location:</b>	Guatemala, with activities in the departments of San Marcos, Huehuetenango, Alta Verapaz, Zacapa, and Chiquimula		
<b>Partner agency:</b>	Asociación Nacional del Café de Guatemala [National Coffee Association of Guatemala] (ANACAFE)		
<b>Focus area:</b>	Climate-smart Agriculture		
<b>Coordination with other donors/Bank operations:</b>	Access to finance is coordinated with the Capital Markets and Financial Institutions Division (IFD/CMF). The project will coordinate synergies in terms of access to the global coffee market with operation RG-M1269, "Sustainable Agriculture, Food, and the Environment Platform (SAFE)." At the same time, it complements the Rural Value Chains program, financed by USAID and executed by ANACAFE in Guatemala.		
<b>Project clients:</b>	1,000 rural families that depend on the production and sale of coffee. The indirect beneficiaries are the national coffee sector and the public and private financial sector.		
<b>Financing:</b>	Technical cooperation:	US\$ 1,969,499	16.0%
	Investment:	US\$ 000,000	
	Loan:	US\$ 000,000	
	Other:	US\$ 000,000	
	<b>Total MIF contribution:</b>	US\$ 1,969,499	
	Counterpart:	US\$ 3,551,473	28.8%
	Cofinancing (if any; include a separate line for IDB cofinancing, if applicable):	US\$ 6,800,000	55.2%
	<b>Total budget cost:</b>	US\$12,320,972	100.0%
<b>Execution and disbursement period:</b>	36 months execution and 42 months disbursement.		
<b>Special contractual clauses:</b>	The following will be conditions precedent to the first disbursement: (i) selection of the project director; (ii) signature of an interagency agreement among all project partners; and, (iii) no objection to the Operating Regulations.		
<b>Environmental and social impact review:</b>	This operation was pre-evaluated and classified on 18 July 2016 in accordance with the requirements of the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Since the impacts and risks are limited, the proposed classification for the project is category "C."		
<b>Institutional integrity:</b>	No report. See IDBDOCS 40450621.		

## I. THE PROBLEM

### Description of the problem

- 1.1 The main source of income and employment in rural Guatemala is coffee growing, which covers 305,000 hectares and involves 125,000 growers (80% are small-scale producers). The sector creates an estimated 500,000 jobs, equivalent to 9% of the country's economically active population.
- 1.2 Factors such as climate change, the use of coffee varieties susceptible to diseases, and the extreme vulnerability of low-yield plantations that were not renewed over time (15 to 25 years old) favored the spread of the recent coffee rust epidemic that affected 60% of Guatemala's coffee growing areas, leading to the loss in 2014 alone of close to 100,000 rural jobs and foreign currency income equivalent to US\$372 million. The situation has also had a significant impact on the incomes of the poorest households,<sup>3</sup> since 70% to 80% of the workforce are women. Although the work of these women is mainly picking the coffee, they also participate in planting, maintenance, harvesting, processing, and selling.
- 1.3 Given these conditions, Guatemalan growers need to invest in climate-change-resilient business models that incorporate plantation renewal, the use of rust-resistant varieties of coffee, integrated pest and disease management, soil and water management, and other measures.
- 1.4 However, they face two challenges: access to the value chain and access to finance, and linkage between these two aspects. In terms of access to the value chain, international buyers are unwilling to establish platforms or lending programs for growers, since they do not consider it their core business. There are, however, certain exceptions based on corporate social responsibility policies, which do not offer long-term sustainability through practices that are scalable to the supply chain. In addition, access to capital and financing for agriculture is limited in Guatemala. Therefore, there is little capacity to make the coffee sector competitive, resilient, and a stable source of income. The private financial system generally views agriculture, and specifically coffee growing, as a risky activity, linked to volatile international prices, with little added value, low differentiation, and high vulnerability to climatic factors. In the past, the sector was supported by several public facilities created to provide access to finance. Unfortunately, in some cases, resources ran out after being allocated and, in other cases, a range of factors such as subsidy policies, lack of market access, and the absence of value-added or an appropriate structuring of sector risk led to the creation of credit portfolios with high levels of arrears and bad debt.
- 1.5 The government has a guarantee fund called GuateInvierte that provides partial coverage of agricultural sector debt. Although this fund has become financially stronger in recent years, it has no experience in the coffee sector and

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<sup>3</sup> The coffee rust crisis caused serious problems for the poorest households. As a result, the World Food Plan and the Guatemalan government implemented a cash transfer program that benefitted 2,000 women. They received cash to create assets on the condition that they would clean, prune, and plant new coffee bushes to enhance their own coffee plots. The beneficiaries that do not have their own coffee crops have been trained to produce seedlings to sell.



needs to improve its policies, procedures, and institutional design to establish a growth and sustainability strategy.

## II. THE SOLUTION

### Description of the project

- 2.1 The solution presented through this project is the coordination of public and private actors strategically positioned to establish a new paradigm in the industrial competition model of the coffee sector in Guatemala.
- 2.2 Four partners will also be strengthened through the project so that the sector risks can be comprehensively structured and managed by bringing together ANACAFE's agricultural technical capability and ability to access markets, the financial capacity of the MiCoope system of credit unions, the financial strength of insurance company Columna to offer agricultural insurance and strengthen GuatelInvierte's system of guarantees, facilitating these partners' access to sustainable and climate-change-resistant technology packages, financing, and new markets.
- 2.3 The pilot project will put the fundamental building blocks in place to change key aspects of the competition model of the coffee sector in Guatemala: (i) the first is to modernize and manage the operational aspects of demand by designing and implementing sustainable, climate-change-resilient technology packages that support the production of high-yield specialty coffees with greater value-added processes; (ii) the second is to establish direct sales contracts between rural growers organized into partnerships and corporate buyers of specialty coffees on terms that facilitate financing; (iii) the third is to design and validate a structured credit methodology for capital investment and working capital that comprehensively manages sector risk based on an optimal blend of interlocking financial products, such as credit, partial guarantees, and agricultural insurance.
- 2.4 The project **beneficiaries** will be 1,000 coffee growers cultivating some 3,000 hectares in regions of the departments of Huehuetenango, San Marcos, Alta Verapaz, Zacapa, and Chiquimula that produce high-quality coffee. The project will work in some of the priority municipios under the Plan of the Alliance for Prosperity in the Northern Triangle (see Annex VII). These beneficiaries cultivate an average of 3 hectares, the majority relying on family labor. The project will work with indigenous people of at least four of the 22 ethnic groups in the country and will support specific activities for the technical capacity-building of women working in the sector. As a result of the coffee rust, the productivity of these growers fell from between 12 to 14 quintals of parchment coffee per hectare to approximately 5 quintals per hectare. These are growers who have not had access to credit for renewal and working capital, due to a lack of security and insurance, limited ability to negotiate, and, first and foremost, lack of interest in coffee from the financial sector.

### Innovation

- 2.5 The innovation of this project is the creation of a public-private partnership (PPP) among partners strategically positioned to support establishment of the new paradigm in the industrial competition model of the coffee sector in Guatemala,

which is being promoted by ANACAFE. This new competition model focuses on making it viable to shift away from selling coffee to middlemen as a commodity with traditional technology and toward an increase in productivity, direct access to differentiated markets, greater value-added, and access to finance for the country's coffee growers.

- 2.6 The project offers a way to implement and validate agroforest technology packages to build more productive systems that are resilient to climate change without changing the current agroforest/woodland coverage created by shaded coffee plantations; as a result, this project reduces emissions by nearly half a million tons of CO<sub>2</sub> equivalent. Through the project, climate smart agriculture (CSA) approaches can be implemented with corporate participants in the value chain, local and central governments, academia through research, and the local private sector represented by all the small-scale farmers and financial services providers (insurance, partial guarantees, and lending).

## **Components**

### **Component I: Productivity and climate-change resilience of small-scale coffee growers (MIF US\$830,836; ANACAFE US\$2,376,960)**

- 2.7 The objective of this component is to help coffee growers implement “technology packages,” i.e., the sum of best practices in smart-climate crop management integrated with access to differentiated coffee markets,<sup>4</sup> to improve productivity and climate-change resilience. The Centro de Investigación del Café [Coffee Research Center] (CEDICAFE)<sup>5</sup> and ANACAFE's National Technical Office will develop and field test certain technology packages and provide coffee growers, both men and women, with intensive training in their use and implementation. Part of this training will be given on site, and part at the centros rurales de capacitación en café<sup>6</sup> [rural coffee training centers] (CERCAFE), whose regional teams will receive training under the project. The project may also have access to studies by World Coffee Research (WCR), which will soon begin operating in Central America (<https://worldcoffeeresearch.org/news/world-coffee-research-announces-central-american-regional-headquarters-el-salvador/>).
- 2.8 Lastly, the beneficiaries will receive training on the objective, conditions, and ways of using the different financial services. (For more details on the activities to be financed, see Annex II, Itemized Budget.)

### **Component II: Access to differentiated markets (MIF US\$180,279; ANACAFE US\$919,851)**

- 2.9 The objective of this component is to support coffee growers so that they can establish direct links with end buyers in the value chain, coffee roasters, and

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<sup>4</sup> The use of these technology packages is different in each coffee growing area, owing to soil type, altitude, weather, and other factors.

<sup>5</sup> CEDICAFE has developed and validated research supporting the technical solution to the problems facing coffee growers, such as control of coffee rust, planting systems, resistant varieties, cultural practices for crop management, use of shade, and organic compounds for crop management. [http://anacafe.org/glifos/index.php?title=Cedicafe\\_Investigaci3n](http://anacafe.org/glifos/index.php?title=Cedicafe_Investigaci3n).

<sup>6</sup> Managed by ANACAFE's technical assistance teams, located at its regional offices. Onsite technical assistance instrument.

exporters, mainly those focused on differentiated coffee. The change in ANACAFE's activities involves expanding the service it has been offering to focus on small and medium-sized growers, doing so transparently through an information technology platform for monitoring; an additional task will be to determine coffee profiles and find buyers interested in those profiles. This will enable coffee growers to establish contracts on conditions that facilitate access to finance and on favorable terms based on quality and specialty. ANACAFE will establish a mechanism for coordination with the SAFE platform, which is cofinanced by the MIF, to expand the network of international corporate contacts, support the transfer of skills and best practices, and share the development of the structured financing system to be implemented by ANACAFE. All the training and coordination with operators in specialized markets will be supplemented with promotional posters and attendance at international fairs and forums on technology platforms for coffee.

**Component III: Access to financial services  
(MIF US\$587,774; ANACAFE US\$164,662; MiCoope<sup>7</sup> cofinancing  
US\$4 million; GuatelInvierte cofinancing US\$2.8 million)**

- 2.10 The objective of this component is to facilitate the necessary access to financial services for coffee growers to renew old plantations, implement the new technology packages, and directly access differentiated markets.
- 2.11 This includes specific support for MiCoope to design and implement a lending product adapted to the conditions and characteristics of the project beneficiaries, for Seguros Columna to design agricultural insurance for the project beneficiaries, and, lastly, for GuatelInvierte to effectively offer partial guarantees that will expand the use of banking services in the sector. The resources contributed by MiCoope and GuatelInvierte as credit and capital strength for guarantees constitute the project cofinancing. The MiCoope system is an open system of cooperatives that are highly competitive with interest rates of around 12%, whereas microfinance institutions, the other channel available to small coffee growers, offer interest rates of 25% to 40%.
- 2.12 The combination of the design of specific financial products for this pilot project and the lessons that can be learned from their implementation will make it possible for the participating entities to scale up their operations and work to expand the market beyond the project beneficiaries. An opportunity will also be sought to affiliate this project with the catastrophe microinsurance project executed by MiCRO, which specializes in catastrophe insurance and is supported by the MIF, the Swiss Agency for Development and Cooperation (SDC), and KfW (RG-M1215).

**Project outcomes, impact, monitoring, and evaluation**

- 2.13 The project objective is to improve the economic conditions of small-scale coffee growers.

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<sup>7</sup> MiCoope is the name of the system of the Federación Nacional de Cooperativas de Ahorro y Crédito [National Federation of Credit Unions of Guatemala] (FENACOAC), comprised of 25 credit unions, an insurance company, a company that facilitates foreign-currency operations, and a deposit guarantee fund.

2.14 The project contributes to the MIF's aspirational indicators as follows:

***Aspirational Indicator 1: Reduce the productivity gap between small and large firms by 50%***

- At the plantations that are not renewed but implement the new technology package, a 20% productivity increase is projected in the gross revenues of the coffee growers.
- At the plantations that are renewed, a 50% increase in productivity is projected.
- To achieve these increases, the project will make access to finance viable for the beneficiaries in the form of at least US\$4 million in credit to invest in the renewal of coffee plantations and working capital.

***Aspirational Indicator 2: Reduce CO<sub>2</sub> emissions by 50% to 1.14 gigatons***

- The project will lead to a reduction in greenhouse gas emissions by avoiding change in land use and supporting the renewal of 1,500 hectares of coffee plantations for 439,000 tons CO<sub>2</sub> eq.<sup>8</sup>

2.15 The project will have a monitoring and evaluation system designed to oversee the activities of ANACAFE and its partners. The linkages and information technology platforms of ANACAFE and its partners are compatible, and the monitoring system can be constructed by connecting them through simple interfaces. Aside from this system, the project, like all MIF projects, will be required to deliver six-monthly project status reports (PSR) and a midterm and final evaluation. A base line study will be done to establish the most important features of the beneficiaries, specifically, gender breakdown, description of the role of the women, and average income. The project will have midterm and final evaluations to establish the project's relevance (Did the design meet the needs of the country/the farmers/the executing agency?); effectiveness (Was the design appropriate for meeting the stated objectives? What was the cost/benefit ratio achieved by the project, measured as the ratio of total investment to the outcomes achieved?); efficiency (Was the executing agency a good administrator of resources? Was there coordination with other areas of the Bank and other outside entities? Were the planned and budgeted activities sufficient?); and sustainability (What factors influenced attainment of the project objectives? Is there a sustainability strategy? Was a business case demonstrated?).

### **III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND PROJECT RISKS**

#### **Alignment with the IDB Group**

3.1 The project is aligned with the Institutional Strategy 2016-2019 of the IDB Group, inasmuch as it promotes social inclusion and equality by offering production alternatives that enable coffee growers, both men and women and including indigenous peoples, to raise their income and sustainably manage environmental

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<sup>8</sup> Own calculation based on Couchet 2010, which reports 80 tons of carbon per hectare for shaded coffee plantations in Guatemala.

conservation and climate change mitigation and adaptation. The innovation of the model presented is promoting an increase in productivity by building knowledge and capacity at major country institutions as well as the ability to scale up this initiative, supporting the objective of productivity and innovation. Lastly, the project will support the creation of methodologies to incorporate organized groups of coffee growers into global value chains under free trade agreements, supporting the objective of economic integration.

- 3.2 **The IDB Group's country strategy with Guatemala.** The project supports the strategic pillar of rural development, specifically in the area of productive development, where, given the importance, coverage, and number of coffee growers in the sector, the future impact of this successful pilot presents an important opportunity to scale up the model. The project also supports the Climate Change Sector Framework Document through the diversification of financing sources and the promotion of innovative financial instruments as important facilitators of investments in adaptation and mitigation in the land use sector, which additionally contributes to generating a model to support REDD+ financing from the private sector. The IDB Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy proposes lending activities in strategic areas for the climate change agenda, including: sustainable management of natural resources, decrease in land use change, and reduction in climate change vulnerability, all of which are strategic areas aligned with this project. Therefore, this MIF project can provide a platform both as a sector competition model and as a structured financing methodology for the IDB Group.

### **Scalability**

- 3.3 This project provides significant opportunities for upscaling, since it is being developed with the specific objective of being replicated by the coffee sector at the national level. Under this scenario, the opportunities generated by the project will be as follows: (i) public and private institutions at the national and sector levels will be strengthened and work together, including GuatelInvierte, ANACAFE, and MiCoope; (ii) within the IDB Group, the CMF/IFD was involved in the design, and INO/SMC sent comments to analyze the feasibility of scaling up the project in the country and the region.
- 3.4 As mentioned in paragraph 2.11, the experiences of the different entities working together are expected to be documented, and strategies developed to scale up and replicate the project. This is especially important for the GuatelInvierte partial guarantees mechanism, a commercial support strategy for coffee growers with a financing mechanism.
- 3.5 This project plans to coordinate and share experiences with the Sustainable Agriculture Food and the Environment (SAFE) Platform. This collaboration will take place through the following activities: (i) dissemination of project outcomes through the SAFE Platform's various channels of communication; (ii) sharing of the information generated by the project beneficiaries in terms of good practices in farm management; (iii) sharing of information generated on the financial products introduced under the project; and (iv) sharing of the tools or other knowledge products generated by the project. The SAFE Platform, in turn, will provide ANACAFE and the project beneficiaries with business contacts and sales agents that can generate opportunities to sell coffee directly to the highest value markets;

(ii) tools and knowledge products that can be generated through the SAFE Platform's initiatives; and (iii) opportunities for exchange through participation in events or training workshops generated within the platform.

- 3.6 MIF staff at the Bank's Country Office in Guatemala (MIF/CGU), in their supervision role, will provide feedback and communicate during project execution with the Climate Change and Sustainability Division (CCS) and the Capital Markets and Financial Institutions Division (IFD/CMF), which were involved in the project design, as well as with the IIC, to identify private firms (corporates in the export chain and financial institutions) with which the models created under this project could be replicated and adapted in Guatemala and other coffee-producing countries in Latin America and the Caribbean.

### **Project risks**

- 3.7 The main project risks are: (i) price instability of the international coffee market; (ii) potential worsening of climate change; (iii) failures in coordination among the different entities; and (iv) failure by one of the partners to secure the necessary institutional support to devote part of its resources to the structured financing for the project. In relation to the first risk, the project will help to position Guatemalan coffee as a product for the differentiated markets, avoiding the influence of commodity prices. To support coffee growers in managing climate risk, the project provides technical assistance and training to beneficiaries through the creation and transfer of technology packages, as well as financial products geared toward climate change adaptation and the creation of climate resilience, specifically through agricultural insurance. To minimize the risk of a coordination failure among actors, ANACAFE will organize an execution unit with strong technical and administrative capacity. A high-level coordination committee will also be formed, so that the partners prioritize coordination and consolidation of the strategic partnership forged by this project. Lastly, to mitigate the risk of a partner not participating, the first disbursement is being made contingent on signature and ratification of the interagency agreement among ANACAFE, Guatelvierte, MiCoope, and Seguros Columna by the relevant government authorities.

## **IV. COST AND FINANCING**

- 4.1 The project has a total cost of US\$12,320,972. Of this amount, the MIF will contribute US\$1,969,499, the counterpart will contribute US\$3,551,473, and US\$6,800,000 will be cofinancing. See Annexes II and III, Budget Summary and Itemized Budget, respectively.
- 4.2 Up to US\$100,000 in counterpart expenditures, incurred on or after 1 March 2016, may be recognized retroactively.

Budget					
Components	MIF	Counterpart ANACAFE	Cofinancing		Total
			MiCoope	GuatelInvierte	
Component 1. Productivity and climate-change resilience of small- and medium-scale coffee growers	830,836	2,376,960	0	0	3,207,796
Component 2. Access to differentiated markets	180,279	919,851	0	0	1,100,130
Component 3: Access to finance	587,774	164,662	4,000,000	2,800,000	7,552,437
Administration	251,100	90,000	0	0	341,100
Execution and supervision	45,000	0	0	0	45,000
Contingencies	74,509	0	0	0	74,509
Total	1,969,499	3,551,473	4,000,000	2,800,000	12,320,972
% of financing	16%	28.8%	32.5%	22.7%	100%

## V. PROJECT PARTNERS AND IMPLEMENTATION STRUCTURE

### Description of project partner(s)

- 5.1 The executing partner of the project will be Asociación Nacional del Café de Guatemala [National Coffee Association of Guatemala] (ANACAFE), which will sign the agreement with the Bank. ANACAFE is an autonomous private institution with a public-service orientation, separate assets, and private funding established by the Coffee Act in 1960. Its main objective is to strengthen the national economy through the production and export of coffee. Its role includes representing the coffee sector, granting export licenses, developing and implementing the coffee growing policy, and promoting Guatemalan coffees. ANACAFE had operational and administrative structures active in the seven coffee growing regions of the country, which facilitates the implementation of projects. ANACAFE also has experience in managing public and international cooperation funds. The diagnostic needs assessment (DNA) indicated low risk in all respects. For more information, see <http://www.anacafe.org>.

Other project partners are:

- 5.2 **GuatelInvierte Trust for Rural Development** will be the financial risk hedging instrument for the project. Initially created and capitalized by the Government of Guatemala, this fund was created to provide financial risk hedging to facilitate access to credit for beneficiary farmers of Ministry of Agriculture programs. Recently, GuatelInvierte instituted reforms to improve its performance and expand into strategic productive sectors in the country, thus making it the only installed capacity in Guatemala. GuatelInvierte is administered by the financial institution G&T Continental<sup>5</sup> as trustee. It has an execution unit that coordinates operations, funding, partnerships, and other activities. GuatelInvierte has a strong interest in its own sustainability and scalability.
- 5.3 **MiCoope** will finance lending to the project beneficiaries with its own funds. MiCoope is the system established by Federación Nacional de Cooperativas de Ahorro y Crédito [National Federation of Credit Unions of Guatemala] (FENACOAC) to pool the capital of its 25 member credit unions with nationwide coverage. MiCoope, a global example of cooperative savings and loan management, brings

together the largest volume of rural sector savings and has the second largest portfolio in the country (in terms of credit volume), and 30% of its credit portfolio is allocated to the rural agriculture sector. MiCoope has its own savings guarantee fund, a currency exchange, and a system for standardizing processes, systems, and best practices (<http://www.micoope.com.gt/>).

- 5.4 **Seguros Columna** is a young, socially conscious firm that originated 25 years ago in the credit union sector. Seguros Columna was established and operates under the laws governing insurance activities in the country (Decree-Law 473 and its regulations, Commercial Code) and is supervised by the Superintendency of Banks of Guatemala under constitutional mandate (<http://www.seguroscolumna.com/quienes-somos/mision-y-vision>). The financial indicators of Seguros Columna depict an institution with excellent levels of financial strength, returns, and liquidity (see [IDBDOCS-#40652003-Resultados financieros Seguros Columna](#)).

### **Project governance**

- 5.5 The project's governing authorities will be a project coordination unit (PCU) and a Project Coordination Council. The PCU will be an operational unit reporting to the ANACAFE General Manager's office. The Project Coordination Council will be made up of representatives of ANACAFE, FENACOAC-MiCoope, Seguros Columna, and GuatelInvierte. It will be chaired by ANACAFE and meet four times per year and upon request by any of the partners.

### **Implementation structure and mechanism**

- 5.6 The PCU will have a project director and financial/administrative coordinator. (The terms of reference for these positions and the roles and responsibilities of these bodies are part of the project Operating Regulations, Annex VI.) The members, coordination mechanisms, roles and responsibilities of these bodies, as well as the terms of reference for the PCU positions, are part of the project Operating Regulations.
- 5.7 ANACAFE will be responsible for delivering project status reports (PSRs). ANACAFE will provide the necessary structure to execute the project activities and manage the project resources effectively and efficiently. The Operating Regulations will also describe the operational coordination among actors and rural activities.
- 5.8 ANACAFE will deliver PSRs within 30 days after the end of each six-month period, including an update of the work plan, financial plan, and procurement plan, which must have been previously agreed upon, as described above in the "Project governance" section.
- 5.9 **Operational coordination.** The MIF will be responsible for project supervision. However, the PSR reports, other reports required by the MIF, and the project annual work plans will be shared and reviewed by the areas of the Bank directly and indirectly involved in the project design: IFD/CMF and IIC.

## **VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS**

- 6.1 **Results-based disbursements and fiduciary arrangements.** ANACAFE will agree to the standard MIF arrangements concerning results-based disbursements,



procurement, and financial management, as specified in Annex V. Disbursements under the project will depend on liquidity needs, generally for six months, and will be contingent upon verification of the fulfillment of milestones based on the means of verification agreed upon by the executing agency and the MIF. ANACAFE further agrees to the following:

- i. Modality and frequency of ex post supervision: annual review of disbursements and procurement. These reviews will include: (a) the revenue received by the MIF and the counterpart, including other sources such as the project partners; (b) all payments made with funds from the MIF contribution; and (c) the statement of expenditures and cumulative investments, referring to expenditures reported in the investment or project component categories.
- ii. The project budget includes a line item for “Training in financial management and procurement” with the explicit goal of strengthening the needs identified in the diagnostic needs assessment (DNA). ANACAFE will complete these improvements during the first quarter following to the first disbursement. The necessary improvements relate to: (a) consulting services to prepare procedures and manuals for (i) procurement management and (ii) financial management; and (b) based on the results of (a), implement a modern information technology system for financial management.