Investment program for expanded agricultural and livestock economic development in the Adjacency Zone and Polochic Valley
Specific Cabinet for Comprehensive Rural Development, led by the President, endorses the Investment Program supported by the Hand in Hand Initiative.

- **01/22** - The typology of microregions in the agricultural sector of Guatemala has been developed, and an Investment Program designed for the Polochic Valley and the Adjacency Zone.
- **08/22** - Participation of Guatemala in the Hand in Hand Initiative Investment Forum.

**Milestones 2021-2022**

**Estimated investment cost by territory, municipality and final beneficiary**

**Consolidated the Investment Plan with the components of productive infrastructure and sustainable management of natural resources.**

**Incorporated the Investment Plan into the GEDRI Work Plan, promoting multisectoral action between the ministries of Agriculture, Economy, Labor, Social Development and Environment.**

**A National Forum of the Hand in Hand Initiative was developed between the public sector, producer organizations, private companies, banks and investors.**

**The baseline of the Investment Program and the characterization of the prioritized value chains are under development.**

**Complementary investments mobilized in the amount of 74 million USD**

**Progress in 2023**
Section 1: General Overview

- **1.3 million households** are engaged in some form of agricultural activity.\(^1\)
- **1 out of every 3 jobs** comes from the agricultural sector.\(^2\)
- **554,000 young people** between the ages of 15 and 29 are engaged in agriculture.\(^3\)

61% of the economically active agricultural population are family farmers.\(^4\)

<table>
<thead>
<tr>
<th>Nominal GDP 2021 (million USD$)</th>
<th>Contribution of agriculture, livestock, forestry and fishing (million USD$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>93,913.4</td>
<td>8,688.7</td>
</tr>
</tbody>
</table>

The agricultural sector represents 9.3% of the GDP.\(^5\)

The contribution of the main agricultural products to the country’s exports is 20.6%.\(^6\)

**CHALLENGE:** Using the potential of the agricultural sector to boost comprehensive rural development

- **56% of the population** is below the poverty line\(^7\)
- **76% of the rural population** is in poverty\(^8\)

---

1. INE. 2023. 2023 Agricultural EAP Estimates
5. BANCRUAT. (Bank of Guatemala) 2023. Real gross domestic product is measured by the origin of production.
6. INE. 2022. FOB value of exports - general trade in 2022
7. World Bank 2022
Section 1: General Overview

Prioritizes actions to promote greater development of the agricultural sector.

5 of the 10 National Development Priorities are directly related to the agricultural sector.

Create favorable conditions to foster an attractive investment climate for national and international investments.

Prioritizes actions to promote greater development of the agricultural sector.

Promote sustainable food systems so people can access healthy, nutritious, safe, sufficient, and culturally significant food.

Promotes a 10% increase in the Gross Value of Production.

Seeks to improve the quality of life of the inhabitants of rural areas.

-Alignment with national priorities for sustainable development and promotion of the agricultural sector.
Section 2: Enabling environment

Favorable business climate

• The largest economically active population in Central America: 7.4 million people
• 2022 Direct Foreign Investment USD$ 1,352.4 million.
• Macroeconomic stability: 3.5% average growth in the last 8 years.
• Positive agricultural trade balance that has been maintained for the last ten years.

Access to the main markets

• Proximity and Free Trade Agreement with the United States.
• Gateway to the largest market in Latin America, Mexico.
• Opportunity to access the Central American market with a GDP of more than US$ 285,254 million.
• Customs union between Guatemala, Honduras, and El Salvador, with a trade exchange of more than US$5,210.1 million in 2021.


Logistics Platform

Direct access to the Pacific and Atlantic Coast, 250 miles coast to coast

• 2 international airports
• 9 local airfields
• 12 commercial airlines and,
• 11 operating cargo airlines.

Second largest shipping cargo operation in Central America (40.23%) in 3 main shipping ports.
Section 2: Enabling environment

- A look at Guatemala through International indexes -

Doing Business 2020

![Ranking: 96](image1.png)

Score: 62.6

Country Risk Rating

- Fitch Ratings: BB positive
- Moody’s: Ba stable
- Standard & Poor’s: BB positive

Source: World Bank, 2020
Section 3: HiH Investment Note

Investment Program for the Expanded Agricultural Economic Development in the Adjacency Zone and the Polochic Valley (2022-2026)

Goal:
Promote agricultural economic development by incorporating innovation, technology, infrastructure and production support services, therefore reducing poverty and food insecurity.

Prioritized value chains:
Cocoa, cardamom, and coffee

Adjacency Zone
- Total population 174,211, 70% farmers
- 56% of population in poverty
- Potential area for production (ha): cocoa 8,807, cardamom 36,868

The Polochic Valley
- Total population 331,848, 75% farmers
- 91% of population in poverty
- Potential area for production (ha): cocoa 4,605, cardamom 36,993, coffee 14,400.
### Section 3: HiH Investment Note

#### Component 1 - expected results

<table>
<thead>
<tr>
<th>Opportunity 1</th>
<th>Opportunity 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agricultural Development in Prioritized chains</strong></td>
<td><strong>R&amp;D&amp;I in Farms</strong></td>
</tr>
</tbody>
</table>

- 15,420 hectares of agricultural land **under** sustainable production
- 12,500 trained and assisted producers in sustainable agricultural production
- 4,291 hectares benefited **with** improved plants and consumables

#### Component 2 - expected results

<table>
<thead>
<tr>
<th>Opportunity 3</th>
<th>Opportunity 4</th>
<th>Opportunity 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agro-industry development and commercialization</strong></td>
<td><strong>Other value-added initiatives</strong></td>
<td><strong>Organizational strengthening and associative commercialization</strong></td>
</tr>
</tbody>
</table>

- 2,500 producers that improve their participation in value chains
- 50 new units of transformation and added value
- 800 people that have access to better jobs in the value chains

---

**Total cost** 2022-2026: **92.67 Million USD**

**Investment Return**
- **IRR**: 19%
- **NPV**: 24.5 Million USD

**Scope**
- **17,500 producers**
- Indirect beneficiaries: 91,000
- Women: 39,000
- Young people: 23,400

---

- **Opportunity 1**
  - Promote inclusive and resilient agricultural production in prioritized value chains.

- **Opportunity 2**
  - Agroindustry development and commercialization

- **Opportunity 3**
  - Agro-industry development in Prioritized chains

- **Opportunity 4**
  - Other value-added initiatives

- **Opportunity 5**
  - Organizational strengthening and associative commercialization
Section 3: HiH Investment Note

Component 3
Infrastructure for production and related services

Opportunity 6
Roads for the development of rural communities

Opportunity 7
Enabling telecommunications for the development of rural communities

Component 3 - expected results
- 29,882 people improve access to roads
- 9,013 people with access to electricity

Component 4
Sustainable management of Natural Resources and green transformation

Opportunity 8
Agroforestry Conservation

Opportunity 9
Technical assistance, training and education for the sustainable use of natural resources

Opportunity 10
climate change Adaptation practices

Component 4 - expected results
- 700 hectares with improved forestry management
- 500,000 m$^3$ of harvested water
- 5,088 m$^3$ of firewood saved

Total cost 2022-2026 92.67 million USD$

Investment Return
IRR 19%
NPV 24.5 million USD$

Scope
17,500 producers

Indirect beneficiaries 91,000
Women 39,000
Young people 23,400
**Section 3: HiH Investment Note**

**Mobilization of complementary investments**

**Investment Focus**
- Information and evidence for decision making
- Sustainable management of natural resources
- Resilient livelihoods
- Youth employment
- Strengthening MSMEs
- Access to markets
- Inclusive value chains

---

**USD 66.7 million**
Polochic Valley, Adjacency Zone + 3 additional departments

**USD 7.4 million**
Valle del Polochic + 2 additional departments
Investment Opportunities

Investment Program for the Expanded Agricultural Economic Development in the Adjacency Zone and the Polochic Valley (2022-2026)
Opportunity 1: Agricultural development in prioritized chains

Description

Allocation of investment:
- Establishing new agroforestry systems
- Rehabilitation of existing agroforestry systems

Expected results:
Increase in sustainable production volume

Scope

✓ 12,500 producers trained and assisted in sustainable agricultural production.
✓ 15,420 hectares of agricultural land with sustainable production.
✓ 52% increase in GVP.

Location

Cost-benefit metrics

❑ NPV 5.00 million USD$
❑ IRR: 22%
❑ Total investment: 12.9 million USD$
  - Cardamom: 3.2 million USD$
  - Cocoa: 3.2 million USD$
  - Coffee: 3.8 million USD$
  - Basic grains: 1.3 million USD$
  - Other agroforestry crops: 1.4 million USD$

Mitigation of risks

Risks
- Crop loss due to natural disasters.
- Fluctuation of commodity prices.

Mitigation
- Catastrophic agricultural insurance is being implemented.
- Diversification of production

Component 1: Promote inclusive and resilient agricultural production in prioritized value chains.
Opportunity 2: R&D&I in Farms

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
</table>
| **Allocation of investment:**  
Improve the quality of supplies:  
• Clone and cultivar selection center  
• Nurseries for reproduction.  
**Adoption of new technologies**  
• Digital technologies and agricultures 4.0. |
| **Expected results:**  
Increase in sustainable production volume  
Increased production quality through the adoption of technology. |

<table>
<thead>
<tr>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Map of the area]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost-benefit metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• NPV 0.56 million USD$</td>
</tr>
<tr>
<td>• IRR: 35%</td>
</tr>
<tr>
<td>• Total investment: 0.96 million USD$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope</th>
</tr>
</thead>
</table>
| ✔ 1 operational analysis and selection center.  
✔ 58 nurseries with commercial activity meeting local needs.  
✔ 4,291 hectares reached with improved plants and supplies.  
✔ 6,887 producers with access to improved plants.  
✔ 500 hectares (1,000 producers) adopting Agriculture 4.0 initiatives. |

<table>
<thead>
<tr>
<th>Mitigation of risks</th>
</tr>
</thead>
</table>
| **Risks**  
• Natural disasters/climate change.  
• Poor business skills. |
| **Mitigation**  
• Best practices in agriculture, agroforestry systems,  
• Technical assistance in business administration and management. |
Opportunity 3: Agro-industry development in prioritized chains

Description

Allocation of investment:
Establishment of cocoa processing and cardamom drying units.
Increase in sustainable production volume

Expected results:
Added value to production through primary processing of cocoa, coffee, and cardamom.

Scope

✔ 2,180 producers were involved in the drying of cardamom and processing of cocoa and coffee.
✔ 20 cocoa processing units, 20 cardamom processing units, and 10 coffee processing units.

Location

Cost-benefit metrics

- NPV: 0.66 million USD$
- IRR: 22%
- Total investment: 2.03 million USD$
  - Cardamom: 1.4 million USD$
  - Cocoa: 0.4 million USD$
  - Coffee: 0.2 million USD$

Mitigation of risks

Risks
- Lack of financing for investment costs.
- Unexploited capacity.

Mitigation
- Investment promotion in the country and the region.
- Strengthen value chains through associative commercialization.
### Opportunity 4: Other Value-added initiatives

**Description**

**Allocation of investment:**
Promotion of cocoa and cardamom value-adding entrepreneurships

**Expected results:**
Increased level of income through secondary processing of cocoa and cardamom

**Scope**

- ✔ 1,700 producers benefited.
- ✔ 20 value-added entrepreneurships.

**Location**

- [Map of the area]

**Cost-benefit metrics**

- **NPV:** 0.2 million USD$
- **IRR:** 31%
- **Total investment:** 0.44 million USD$

**Mitigation of risks**

**Risks**
- Lack of financing to cover investment costs.
- Poor quality control.

**Mitigation**
- Investment promotion in the country and the region.
- Technical assistance in quality control processes.
**Opportunity 5: Organizational strengthening and associative commercialization**

**Description**

**Allocation of investment:**
Promotion of associativity to strengthen the trade capacities of local producers.

**Expected results:**
Improved market access and negotiation capacity of producers.

**Scope**

- ✔ 2,500 producers improve their participation in value chains.
- ✔ 10% increase in the sale price of marketed products.

**Cost-benefit metrics**

- NPV: 1.27 million USD$
- IRR: 39%
- **Total investment:** 1.34 million USD$

**Mitigation of risks**

**Risks**
- Lack of diversity in producer organizations.
- Lack of knowledge of trade issues.

**Mitigation**
- Encourage the participation of women and youth.
- Commercial technical assistance
Opportunity 6: Roads for the development of rural communities

**Description**

Allocation of investment:
Construction of 60 km, restoration of 219 km, and maintenance of 355 km rural roads.

Expected results:
Increase the asphalted and registered road network.

**Scope**

✓ 29,882 people in rural communities with access to main roads (direct and indirect beneficiaries)

**Location**

**Cost-benefit metrics**

- NPV: 7.64 million US$
- IRR: 15%
- Total investment: 53.1 million US$

**Mitigation of risks**

Risks
- Inadequately and insufficiently maintained rural roads.

Mitigation
- Register rural roads as part of the inventory of the Ministry of Communications.
Opportunity 7: Enabling telecommunications for the development of rural communities

**Description**

**Allocation of investment:**
Installation of 78 km of transmission lines and 10 km of power distribution lines.

**Expected results:**
Increase electric power coverage in rural areas.

**Scope**

✔️ 9,013 people in rural communities with access to electricity

**Cost-benefit metrics**

- NPV: 0.42 million USD$
- IRR: 13%
- Total investment: 8.4 million USD$

**Mitigation of risks**

- **Risks**
  - Inadequate focus.
- **Mitigation**
  - Coordinate with local authorities for proper targeting.
Opportunity 8: Agroforestry conservation

**Description**

**Allocation of investment:**
Establishment of 500 ha of energy forests and 200 ha of riverside woods as part of the cocoa, cardamom and coffee AFS.

**Expected results:**
Increase in the number of hectares of forests under sustainable management.

**Scope**

- ✔ 700 hectares reached (10% under the National Forest Institute, (INAB), incentive programs)
- ✔ 2,000 producers in more resilient habitats

**Location**

- [Map of the area with highlighted regions]

**Cost-benefit metrics**

- **NPV:** 1.31 million US$
- **IRR:** 24%
- **Total investment:** 2 million US$

**Mitigation of risks**

**Risks**
- Lack of legal certainty of land ownership in the Polochic Valley.
- High costs of forest establishment.

**Mitigation**
- Most of these forests will be able to be established in the Adjacency Zone.
- A percentage of the forests will be eligible for forestry incentive programs.
Opportunity 9: Technical Assistance, training and education for the sustainable use of renewable natural resources.

**Description**

Allocation of investment:
Knowledge and prevention of deterioration for the conservation and protection of the environment and natural resources in centers for the adaptation of sustainable production practices.

Expected results:
Trained producers in environmentally friendly agricultural and processing practices.

**Scope**

- 1,200 producers trained in environmentally friendly agricultural practices through Adaptation Centers.
- 10 pilot projects for energy reconversion in coffee, cocoa and cardamom processing units.
- 450 producers involved in pilot projects.

**Location**

**Cost-benefit metrics**

- **Total investment:** 0.6 million USD$

**Mitigation of risks**

- **Risks**
  - Producers’ lack of motivation to participate in training.
  - Lack of interest to participate in pilot projects.

- **Mitigation**
  - Training can be accompanied by some kind of incentive.
  - Show producers the potential cost savings of energy reconversion.
**Opportunity 10: Climate change adaptation and resilience practices in family farming activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Location</th>
<th>Cost-benefit metrics</th>
<th>Mitigation of risks</th>
</tr>
</thead>
</table>
| **Allocation of investment:** Water harvesting and filtration systems, water-saving stoves and seed banks. | ![Map of Investment Area] | ❑ NPV 1.84 million US$  
❑ IRR: 57%  
❑ Total investment: 1.7 million US$ | **Risks**  
• Climate conditions may hinder seed conservation.  
• Community water collection may not reach those who need it most.  
**Mitigation**  
• Study the most appropriate bank model to implement.  
• Proper coordination with municipalities for targeting. |
| **Expected results:** Harvested rainwater, savings in firewood use and availability of seeds. | | | |
| **Scope** | | | |
| ✔ 500,000 m³ of harvested water per year  
✔ 5,088 m³ of firewood saved per year  
✔ 1,500 producers with seed availability (20 seed banks) | | | |
Catalyst opportunities with an approach on productive inclusion

Investment Program for the Expanded Agricultural Economic Development in the Adjacency Zone and the Polochic Valley (2022-2026)
**Transversal Opportunity: Productive Social Inclusion**

### Description

**Allocation of investment:**
Linking of beneficiaries of CCT programs with productive development programs.

**Expected results:**
CCT beneficiaries are integrated into the agro-productive value chain.

### Scope

- ✓ 10,000 Households of subsistence/poor rural producers participating in value chains.

### Location

![Location Map](image)

### Cost-benefit metrics

- ❑ Required investment in Social Protection Programs: 3.9 million USD$.
- ❑ Required investment in Productive Social Inclusion Programs: 0.3 million USD$.
- ❑ Total investment: 4.2 million USD$

### Mitigation of risks

**Risks**
- CCTs not provided frequently or consistently
- Inadequate targeting of beneficiaries.

**Mitigation**
- Multi-institutional participation in the procurement of CCTs.
- Cross-referencing of databases to improve targeting.
Transversal Opportunity: Employability in agricultural production chains

Description

Allocation of investment:
Improve technical and entrepreneurial training to facilitate access to good quality jobs (public or private) generated in agro-productive chains and related services.

Expected result:
Trained workforce in agro-productive chains.

Scope

✔ 800 people have access to employment or improve their employment in the agricultural sector.
✔ 4 out of every 10 trained participants achieve proper labor market insertion.
✔ The number of unemployed poor rural people is reduced by between 1.3% and 3.4%.

Cost-benefit metrics

- NPV 5.35 million USD$
- IRR: 49%
- Total investment: 5 million USD$

Mitigation of risks

Risks
- Difficulty in identifying job offers and vacancy areas in the territories.
- Inadequate targeting of beneficiaries.

Mitigation
- Use the rural Municipal Employment One-Stop Shop (VUME) within the territory.
- Cross-referencing of databases to improve targeting.
### GUATEMALA'S INVESTMENT PROGRAM

#### STRATEGIC INVESTMENTS

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Agricultural development in prioritized chains</th>
<th>R&amp;D&amp;I in Farms</th>
<th>Agro-industry development in prioritized chains</th>
<th>Other value-added initiatives</th>
<th>Organizational strengthening and associative commercialization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost (USD)</strong></td>
<td>US$12.9M</td>
<td>US$0.96M</td>
<td>US$2M</td>
<td>US$0.4M</td>
<td>US$1.3M</td>
</tr>
<tr>
<td><strong>IRR (%)</strong></td>
<td>34%</td>
<td>14%</td>
<td>22%</td>
<td>31%</td>
<td>39%</td>
</tr>
<tr>
<td><strong>NPV</strong></td>
<td>US$1.3M</td>
<td>US$0.1M</td>
<td>US$0.7M</td>
<td>US$0.2M</td>
<td>US$1.2M</td>
</tr>
<tr>
<td><strong>Beneficiaries</strong></td>
<td>12,500</td>
<td>3,500</td>
<td>2,180</td>
<td>1,700</td>
<td>2,500</td>
</tr>
</tbody>
</table>

#### Sustainability benefits

- **Beneficiaries:** 12,500
- **Beneficiaries:** 3,500
- **Beneficiaries:** 2,180
- **Beneficiaries:** 1,700
- **Beneficiaries:** 2,500

#### SUMMARY

<table>
<thead>
<tr>
<th>Total Investment</th>
<th>IRR</th>
<th>Direct Beneficiaries</th>
<th>Indirect Beneficiaries</th>
<th>Increase in per capita income</th>
<th>tCO2-e per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$92.67 million</td>
<td>19%</td>
<td>17,500</td>
<td>91,000</td>
<td>US$1,831.6</td>
<td>-156,902</td>
</tr>
</tbody>
</table>

- **Total investment:** US$92.67 million
- **IRR:** 19%
- **Direct beneficiaries:** 17,500
- **Indirect beneficiaries:** 91,000
- **Increase in per capita income:** US$1,831.6
- **tCO2-e per annum:** -156,902
GUATEMALA INVESTMENT PROGRAM

STRATEGIC INVESTMENTS

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>6</th>
<th>Road management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost (USD)</td>
<td>US$53.1M</td>
<td></td>
</tr>
<tr>
<td>IRR (%)</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>US$7.6M</td>
<td></td>
</tr>
<tr>
<td>Sustainability benefits</td>
<td>Beneficiaries: 597,642</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>7</th>
<th>Telecommunications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost (USD)</td>
<td>US$8.4M</td>
<td></td>
</tr>
<tr>
<td>IRR (%)</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>US$0.4M</td>
<td></td>
</tr>
<tr>
<td>Sustainability benefits</td>
<td>Beneficiaries: 22,534</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>8</th>
<th>Agroforestry conservation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost (USD)</td>
<td>US$2M</td>
<td></td>
</tr>
<tr>
<td>IRR (%)</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>US$1.3M</td>
<td></td>
</tr>
<tr>
<td>Sustainability benefits</td>
<td>Beneficiaries: 2,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>9</th>
<th>Technical Assistance, training, and education for the sustainable use of renewable natural resources.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost (USD)</td>
<td>US$0.6M</td>
<td></td>
</tr>
<tr>
<td>IRR (%)</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>US$1.8M</td>
<td></td>
</tr>
<tr>
<td>Sustainability benefits</td>
<td>Beneficiaries: 1,650</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>10</th>
<th>Climate change adaptation and resilience practices in family farming activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost (USD)</td>
<td>US$1.7M</td>
<td></td>
</tr>
<tr>
<td>IRR (%)</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>US$1.8M</td>
<td></td>
</tr>
<tr>
<td>Sustainability benefits</td>
<td>Beneficiaries: 2,300</td>
<td></td>
</tr>
</tbody>
</table>

SUMMARY

- **US$92.67 million** Total investment
- **19% IRR**
- **17,500 Direct beneficiaries 91,000 Indirect beneficiaries**
- **US$ 1,831.6 Increase in per capita income**
- **-156,902 tCO2-e per annum**

- Beneficiaries: 91,000
- Indirect beneficiaries: 156,902
- tCO2-e per annum: US$ 1,831.6
- Increase in per capita income: US$1,831.6