

## Socio-economic context and role of agriculture

The Republic of Guatemala is a lower middle income country in Central America, with a GDP per capita of USD 3 331 in 2012. Almost half of the population is rural (49.7 percent) and indigenous account a large stake of the population (over 40 percent of total).

The country has made great progress since the 1996 Peace Accords, which put an end to a 36-year civil war and has led to increased macroeconomic and democratic stability. Nevertheless, Guatemala has the highest level of poverty among Latin American countries. Chronic malnutrition among children is also alarmingly high (49.8 percent), being the highest in the region and among the highest in the world. Contrary to the regional trend, this rate further increased during the review period (2007-2013). In 2012, the Human Development Index for Guatemala was 0.581, placing the country among the most under-developed in the region, above only Haiti.<sup>1</sup>

The agricultural sector is vital for economic and social development, with about 70 percent of total land area dedicated to agricultural and forestry activities. Guatemala has the second most unequal land distribution in the region, with 1.86 percent of the farms owning 52 percent of arable land. Conversely, 45 percent of all holdings are smaller than 0.7 ha in size.<sup>2</sup>

Bananas, sugar, coffee, and palm oil are some of Guatemala's main agricultural exports, although export of non-traditional products has grown significantly during the period.

Selected indicators		2007	2009	2012	
SOCIO-ECONOMIC	GDP (current billion US\$) *	34.1	37.7	50.2	
	GDP per capita (US\$) *	2 561	2 697	3 331	
	Agricultural value added (% of GDP) *	12	12	12	
	Agricultural value added (annual % growth) *	(average 2007-2012)	3.3		
		(2012)	4.8		
	Total population (thousand)	13 318	13 989	15 083	
	Rural population (% of total)	52	51.1	49.7	
	Agricultural labour force (% of total labour force)	39.9	38.8	37.5	
	Human Development Index **	(2012)	0.581 (ranking 133)		
AGRICULTURAL PRODUCTION & TRADE	Per capita cultivated land (1000 ha)	0.19	NA	0.16 (2011)	
	Area equipped for irrigation (1000 ha)	315 000 (2011)			
	Cereal import dependency ratio (%)	(2007-2009) 49.2			
	Top 3 commodities	Production quantity	Sugar cane; Bananas; Maize (2012)		
		Production value	Bananas; Sugar cane; Coffee, Green (2012)		
		Import quantity	Maize; Wheat; Cake of Soybeans (2011)		
		Import value	Maize; Food Prep Nes; Wheat (2011)		
		Export quantity	Bananas; Sugar Raw Centrifugal; Molasses (2011)		
		Export value	Coffee, green; Sugar Raw Centrifugal; Bananas (2011)		
	Top 3 trade partners	Import value	U.S.A.; Mexico; El Salvador (2011)		
Export value		U.S.A.; Mexico; El Salvador (2011)			
FOOD SECURITY & NUTRITION	Top 3 commodities available for consumption (2009)	Maize; Sugar (Raw Equivalent); Wheat			
	Per capita food supply (kcal/capita/day)	2 199	2 244	NA	
	General (g) and Food (f) CPI (2000=100)	163.7 (g), 188.9 (f)	185.7 (g), 221.9 (f)	212.6 (g), 272.2 (f)	
	People undernourished (million)	(2008-2010)	4.1		
		(2011-2013)	4.6		
	Proportion of undernourished (%)	(2008-2010)	29.5		
		(2011-2013)	30.5		
	Prevalence of underweight children under 5 years of age (%)	5.5 (2006)	13	NA	
	Prevalence of stunting among children under 5 years of age (%)	22 (2006)	48	NA	
	Prevalence of wasting among children under 5 years of age (%)	0.3 (2006)	1.1	NA	
Global Hunger Index ^	(2013)	15.5 (Serious)			
Access to improved water sources (% of population) *	92	93	94		

Sources: FAOSTAT; \*WB; \*\*UNDP; ^IFPRI (accessed on 2 June 2014)

- 1 Furthermore, in rural and indigenous areas HDI drops even lower to 0.483, similar to the alarming conditions of malnutrition, infant mortality and health of the poorest countries in Sub-Saharan Africa. Transparency International, 2013, Estudio: Inventario de los subsidios y transferencias en el gobierno central de la República de Guatemala; available at: <http://www.accionciudadana.org.gt/>. The HDI measures national development through health, education and income levels. Data available at: <http://hdr.undp.org/en/countries/profiles/GTM>
- 2 FAO, 2004, "IV Censo Nacional Agropecuario, Características Generales de las Fincas Censales y de Productoras y Productores Agropecuarios, Resultados Definitivos, Vol. I Guatemala"; available at: <http://www.fao.org/docrep/013/i1595e/i1595e01.pdf>

Overall, Guatemala is a food consumption deficit country, being a net importer of maize, rice, black beans and other staple foods.<sup>3</sup> Guatemala still faces major challenges in achieving sustainable

growth in income and poverty reduction, relying heavily on remittances (particularly from the US) and on external aid.<sup>4</sup>

## 1. Government objectives in agriculture, food and nutrition security

Following the elections and the change of the Government in January 2012, some national programmes have undergone a reformulation and changed their names, although their nature has not substantially varied. Relevant national policies and programmes related to agriculture and food and nutrition security, and the objectives they serve, are the following:

- i. The **National Policy on Integrated Rural Development (2009)**, which has the overall objective of “achieving a progressive and permanent progress in the quality of life of the priority subjects<sup>5</sup> [...] through the equitable and sustainable use of productive resources for integrated human development in rural areas”;
- ii. The **National Agricultural Policy 2011-2015** has the goal of creating the conditions for productive actors to generate an equitable and sustainable economic development, fostering employment and reducing poverty and inequality. It prioritizes the promotion of rural economies, indigenous and peasant communities, in order for them to become surplus producers and to invigorate local economies.
- iii. The **National Food and Nutrition Security System (2005)** focuses on the right of all the population to sustainable access to sufficient and quality food. It establishes the Secretariat for Food and Nutrition Security of the Presidency of the Republic (SESAN), responsible for managing all national food security and nutrition programmes and plans.
- iv. The **Zero Hunger Pact (2012)** expresses the government’s ambitious commitment to eradicate hunger and malnutrition, and to reduce chronic malnutrition by 10 percent by 2015. To achieve these actions, provision of micronutrients, nutritional counseling, and promotion of basic hygiene are included in social programmes;
- v. The **Family Farming Programme to Strengthen the Rural Economy (PAFFEC) 2012-2015**, which is the Ministry of Agriculture, Livestock and Food (MAGA) flagship programme and acts under all the above frameworks. The aim is to create dynamic rural economies through: (i) technical assistance to farmers through the National System of Rural Extension; (ii) strategic territorial interventions at municipality level and (iii) improvement of logistics. A total of 1.3 million Guatemalans are currently assisted by this programme.

## 2. Trends in key policy decisions (2007-2013)

### 2.1 Producer-oriented policy decisions

Government policies primarily support small-scale farmers and seek to improve their living conditions, and to increase agricultural production, mainly through input and agricultural modernization programmes. The government does not directly intervene in the market through price support interventions.

#### *Input distribution continued to be the main policy to support farmers*

The National Fertilizers Programme (*Programa Nacional de Fertilizantes* - PNF), launched in the year 2000, is one of the main public programmes targeting small farmers of staple grains, aiming to transform them into surplus producers. The programme continued with few variations throughout the

years: fertilizers have been directly distributed to farmers, with the exception of the period 2009-2011 where input vouchers were utilized. Formally, the programme supplies its beneficiaries with free fertilizers often supplemented with seeds, farming tools and technical assistance.<sup>6</sup> From 2000 to 2013, cumulative budgetary allocations of the PNF amounted to US\$ 355 million. The budget for 2012 was around US\$ 70 million, benefiting 932 000 families but was reduced in 2013 to about US\$ 50 million. Notwithstanding the large budgetary cost, official data shows that maize productivity has decreased in recent years, partly due to climate change, diseases, and poor technical assistance.<sup>7</sup> The government has distributed fertilizers to small farmers also under other programmes, such as the PAFFEC.

3 FAO/WFP, 2010, Crop and Food Security Assessment Mission to Guatemala, available at: <http://www.fao.org/docrep/012/ak344e/ak344e00.pdf>

4 During the 1996-2006 period, Guatemala received US\$ 3.3 billion in Official Development Assistance (ODA) from external donors. Source: UNDP, 2009, “Assessment of Development Results, Evaluation of UNDP Contribution – Guatemala”; available at: <http://www.oecd.org/countries/guatemala/46820221.pdf>

5 Priority subjects are identified as the rural population living in poverty and extreme poverty, focusing on indigenous and peasant communities with insufficient land, indigenous and peasant women, micro and small rural entrepreneurs among others.

6 Although researches demonstrate that in many areas there is no evidence of technical assistance provided to farmers. ASIES, 2012, Metodologías aplicadas en el Programa de Entrega de Fertilizantes -PEF- en Guatemala 2000-2012, available at: [http://www.asies.org.gt/sites/default/files/articulos/publicaciones/asies\\_metodologias\\_del\\_programa\\_de\\_entrega\\_de\\_fertilizantes\\_informe\\_final.pdf](http://www.asies.org.gt/sites/default/files/articulos/publicaciones/asies_metodologias_del_programa_de_entrega_de_fertilizantes_informe_final.pdf)



A local market scene in Guatemala City where small farmers sell their products. Great contrasts are visible in agriculture in the country: modern, export oriented farming opposes subsistence agriculture, often marginalized and excluded from technology and international markets.

### New agricultural credit schemes introduced

Although new programmes have been implemented in recent years, access to public financing for productive activities in rural areas is still weak (agriculture receives only 6.5 per cent of national bank credit as of 2011<sup>7</sup>). The most relevant institution managing rural credit (first and second tier bank) is “Banrural”, a public-private rural development bank created in 1997 through the conversion of a former public bank. Besides this, special credit lines were available during the period, such as trust funds for coffee farmers<sup>8</sup>, micro-credit for women engaged in productive activities<sup>9</sup>, and micro-credit for vulnerable rural communities. The last two were implemented through the programmes *Mi Comunidad Produce*, in place since 2009, and *Pro Rural*, launched in 2008 but discontinued in 2011.

### Moving towards more efficient irrigation systems

A new strategy implemented by the government is promoting the modernization of irrigation systems. The “*Irrigation Development Framework 2013-2023*” aims at improving both irrigation efficiency and sustainability for increasing food production through a plan of public investment in irrigation. It comprises: promotion of modern technologies in water use; incentives to use water efficiently (such as better credit conditions for farmers

who invest in efficiency improvements); development of water regulation works and off-farm infrastructure for water collection and storage.<sup>11</sup> The strategic goal of this policy for the first five years is to increase by eight times the area under pressurized irrigation systems, benefitting 50 000 vulnerable families in dry areas. A national baseline Information System for Irrigation Water (SIAGua\_riego) will also be established in order to measure and evaluate efficiency gains. Since 2012, public funds by MAGA to irrigation have increased considerably and shifted away from the traditional small-scale irrigation systems (“mini-riego”) which had been until then the main irrigation system adopted since the 1980s.

## 2.2 Consumer-oriented policy decisions

Progress has been made in institutionalizing social development programmes in recent years. In January 2012, the Ministry of Social Development (MIDES) was created. The Ministry is responsible for social programmes for segments of the population in poverty and extreme poverty and is intended to provide greater transparency and articulation in these schemes.<sup>12</sup> Rural and indigenous communities, especially pregnant women and children, have continued to be the main beneficiaries, although programmes were reformulated to better target the population.

### Introduction and strengthening of conditional cash transfer (CCT) programmes

The first nation-wide CCT programme, “*Mi Familia Progresada*”, was instituted in the country in 2008, providing poor families with children from 0 to 15 years with regular conditional cash transfers (conditions include sending children to school and completing regular health checks). Benefitting over 872 000 families with a total budget of over US\$ 360 million from 2008 to 2012, it has been the government’s flagship programme for the reduction of poverty and malnutrition. However, it has been criticized for lack of transparency (beneficiary list was not public) and clientelism, as investigations revealed that in certain municipalities beneficiaries were required to be affiliated with the government party.<sup>13</sup> In 2012, the programme was substituted by “*Mi Bono Seguro*”, which aimed at addressing transparency lack and other issues. For example, the list of beneficiaries was reviewed in order to ensure that only families in need would receive the transfer and the total budget for the programme was reduced from US\$ 114 million in 2011 to US\$ 97 million in 2013.<sup>14</sup>

7 MAGA, 2013, Informe de situación del maíz blanco; available at [http://web.maga.gob.gt/wp-content/uploads/pdf/home/diplan/maiz/informe\\_situacion\\_maiz\\_blanco.pdf](http://web.maga.gob.gt/wp-content/uploads/pdf/home/diplan/maiz/informe_situacion_maiz_blanco.pdf)

8 Ministerio de Agricultura, Ganadería y Alimentación, Política Agropecuaria 2011-2015; available at: [http://web.maga.gob.gt/wp-content/uploads/pdf/home/politica\\_agropecuaria\\_2011-15.pdf](http://web.maga.gob.gt/wp-content/uploads/pdf/home/politica_agropecuaria_2011-15.pdf)

9 “Fideicomiso de apoyo Financiero para los Productores del Sector Cafetalero Guatemalteco”, started in 2001 and extended in 2013 for additional ten years.

10 Through the programme “Creciendo Mejor” (Growing Better), see more details in the section 2.2.

11 The Framework is accessible at: [http://web.maga.gob.gt/wp-content/uploads/pdf/home/politica\\_riego.pdf](http://web.maga.gob.gt/wp-content/uploads/pdf/home/politica_riego.pdf)

12 The newly created Ministry substituted the former ‘Council of Social Cohesion’, which was led by the First Lady, posing therefore problems of politicization of programmes and lack of transparency.

13 “Informe Especial: Mi Familia Progresada a punto de colapsar”, available at: <http://vimeo.com/27780512>; and Acción Ciudadana, 2012, “Informe de Auditoría Social de Mi Familia Progresada” available at: [www.accionciudadana.org.gt](http://www.accionciudadana.org.gt).

14 Transparency International, *ibidem*.

### **Institutionalization and scaling up of free food distribution**

Food distribution operations have been regularly implemented in Guatemala, targeting the poorest sectors of the population. In 2008, such distributions were institutionalized through the creation of the programme “*Bolsas Solidarias*” (Solidarity Bags) which consisted of monthly provision of basic food to the poorest families on a national scale. In 2012, the programme was substituted by “*Mi Bolsa Segura*”, which maintained the same objective but redefined beneficiaries. Food-for-work programmes have also been implemented since 2009 (“*Programa Alimentos por Trabajo*”) and soup kitchens have been in place since 2010 (*Comedores solidarios*, converted to *Mi Comedor Seguro* in 2012), both with the support from the World Food Programme (WFP).<sup>15</sup> Most of these programmes are donors funded or co-funded.

### **Programmes to foster nutrition and sanitation increased**

The programme “*Creciendo bien*”, launched in 2005, delivered basic training and workshops on hygiene, health and nutrition to women in rural areas for reducing malnutrition rates among children under the age of 5 and women of reproductive age. In early 2008, the programme was transformed into “*Creciendo Mejor*”, which additionally included the delivery of micro-credits to rural women for productive activities. In 2012, flour enriched with vitamins A and B and other nutrients was distributed to children and pregnant women, as part of the Zero Hunger Pact.

## **2.3 Trade-oriented policy decisions**

Since the 1990s, the government has pursued a trade liberalization policy. No export or import bans on major staple foods were implemented.

## **3. Emerging issues**

Food security and nutrition have been high on the political agenda in recent years, with a certain degree of continuity among the two governments ruling the country from 2007 to 2013. Despite that, malnutrition has increased (see page 1). Attempts to further institutionalize government programmes to reduce ad-hoc interventions in favour of long-term and comprehensive strategies have been observed.<sup>18</sup> Target groups have remained unvaried (rural farmers and vulnerable sectors such as women and children), as well as the overall strategy of fostering social

### **Active role in regional integration processes**

Guatemala has been a member of the Central American Common Market (CACM) since 1960, which provides the framework for its trade policy.<sup>16</sup> Three quarters of Guatemala’s trade in goods is intra-regional. In 2006, the free trade agreement (FTA) among Central American countries, the United States and the Dominican Republic (DR-CAFTA) entered into force. The agreement provides that, with the exception of white maize, within 10 to 15 years all products will freely move within the bloc. Furthermore, during the review period, Guatemala signed free or preferential trade agreements with other countries in the region such as Colombia (FTA in 2008), Panama (FTA in 2009), El Salvador (Customs Union in 2009), Chile (FTA in 2010) and Mexico (FTA in 2011).<sup>17</sup>

### **Sustained application of tariff-rate quotas on main staples**

In June 2008, in the wake of the international food and fuel crisis, the government adopted a zero-tariff import quota for 10 basic food staples and for fertilizers, a common policy in Central America. These temporary tariff-rate quotas on basic staples, such as maize, wheat, wheat flour, rice, poultry, have been extended continuously throughout the entire review period in an attempt to increase supply and curb domestic prices.



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Guatemala has the highest rates of chronic malnutrition among children in the region, particularly among rural and indigenous populations. Targeted programmes such as “*Creciendo Mejor*” (*Growing Better*), have been recently implemented to provide them with basic nutrition, sanitation and hygiene levels.

inclusion with the aim of reducing the alarming rates of poverty, malnutrition and marginalization of a large sector of population.

**Increased attention to young people.** In 2008, the programme “*Escuelas Abiertas*” (Open Schools) was launched as a supplementary education programme based on the Brazilian *Escola Abierta* programme. It aims at providing youth in vulnerable areas with alternatives to poverty, violence and crime. It was implemented in 220 schools in 155 municipalities. In 2012, the programme was renamed “*Jóvenes Protagonistas*”

<sup>15</sup> Soup kitchens were scaled up from 2 in 2008 (both in the Department of Guatemala) to 20 in 2013 and extended to prioritized rural departments of the country.

<sup>16</sup> CACM implies free trade among its members (harmonized to a current 96 per cent of total products, with the exclusion of sensitive products such as coffee, sugar, alcoholic beverages and petroleum derivatives) and a common external tariff system towards third countries.

<sup>17</sup> The FTAs with Panama and Mexico are part of the Central America – Panama FTA the Central America – Mexico FTA, respectively.

<sup>18</sup> It was only in January 2014 that the government created a Unified Register of Users (RUU), listing all users of social programmes (more than 92) from the various ministries and secretaries.

(Young Actors), though with less budget allocated, reducing the coverage to 191 schools in 131 municipalities. Nevertheless, positive changes were introduced to the programme, which now involves other age groups of the population such as interested adults and seniors.<sup>19</sup> The programme “*Mi Beca Segura*” (My Safe Scholarship) was also launched in 2012 as an additional CCT programme for families with children from 12 to 24 years with a school attendance of at least 90 percent.

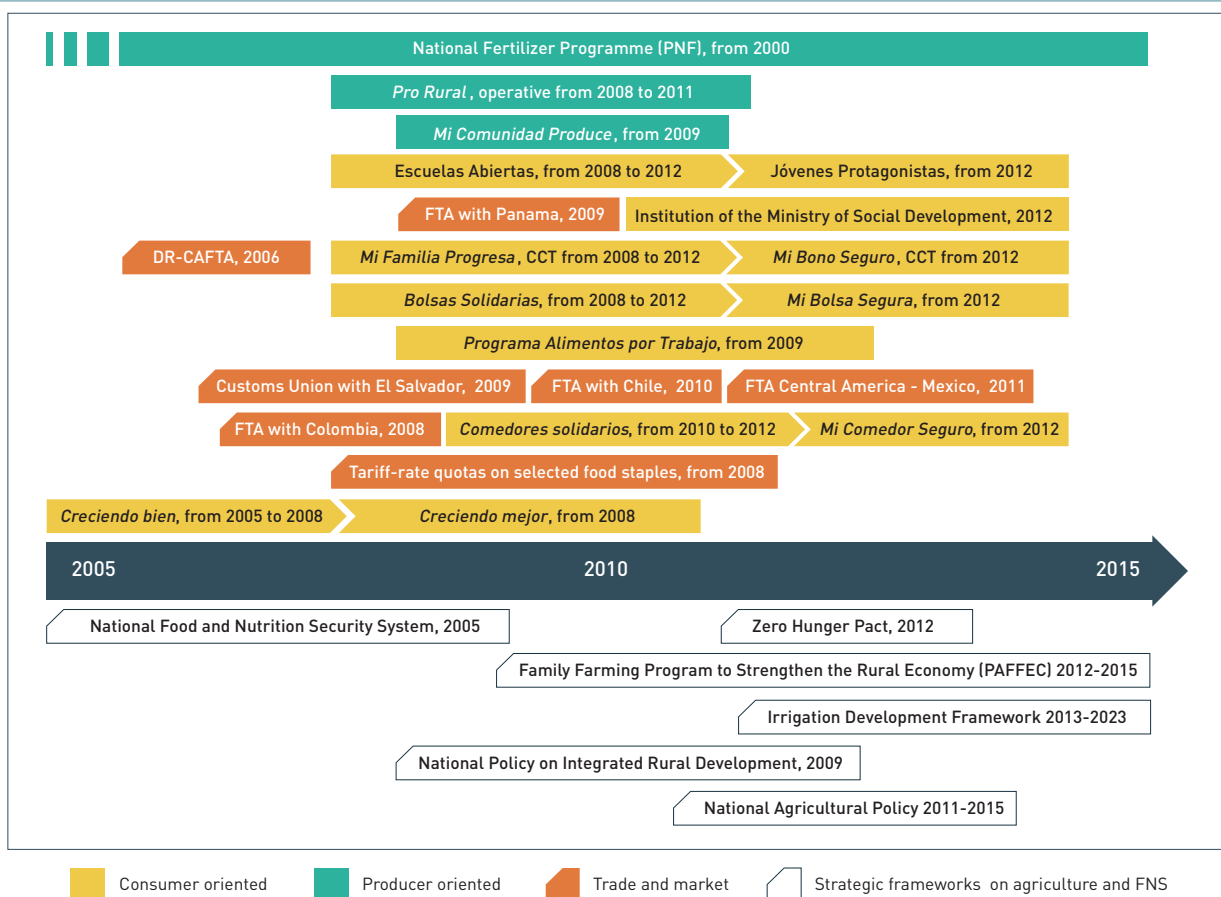
**Weak institutionalization of some fundamental services.**

Agricultural insurance is still at a starting phase in the country; with the exception of traditional agro-exporting companies, small and medium farmers have little access to the insurance market which still operates a traditional portfolio. Penetration rates of agricultural insurance are very low, with less than 1 percent of the crop area insured.<sup>20</sup> It was not until 2013 that MAGA promoted

the project “Development of Agricultural Insurance Market in Guatemala” with support from the World Bank to extend the same insurance coverage to small farmers.<sup>21</sup>

**Lack of ambition on land policy reform.** Guatemala still suffers from severe land inequality (see introduction) and little progress has been made since the Peace Accords of 1996. The *Fondo Nacional de Tierras* (FONTIERRAS), an autonomous decentralized State body created in 1997 to facilitate and coordinate a market-led land reform, has had a marginal impact on redistribution of land. No other relevant initiatives or policies have been implemented by the government to address this issue and the country lacks a general land registry covering a significant part of its territory. Opposition of large estate owners and the increased control of illegal entities in some regions further undermine this reform process.<sup>22</sup>

**ANNEX 1. MAIN STRATEGIES AND POLICIES RELATED TO AGRICULTURE AND FOOD AND NUTRITION SECURITY (SINCE 2000)**



19 Acción Ciudadana, 2013, “Riesgo de corrupción en los Programas Sociales implementados por el Ministerio de Desarrollo Social en Guatemala”.  
 20 World Bank, 2010, “Agricultural insurance in Latin America, developing the market”; available at: [http://www.fao.org/fileadmin/user\\_upload/AGRO\\_Noticias/docs/619630ESW0WHIT0nce0in-0LAC0web0FINAL.pdf](http://www.fao.org/fileadmin/user_upload/AGRO_Noticias/docs/619630ESW0WHIT0nce0in-0LAC0web0FINAL.pdf)  
 21 More information at: <http://web.maga.gob.gt/blog/seguro-agricola-beneficiara-la-produccion-guatemalteca/>  
 22 International Policy Centre for Inclusive Growth, 2012, “Guatemala and Integrated Rural development: Towards Inclusive Growth in the Rural Sector”; available at: <http://www.ipc-undp.org/pub/IPCPolicyResearchBrief37.pdf>

**i** The FAPDA initiative promotes evidence-based decision making by collecting and disseminating information on policy decisions through a freely accessible web-based tool. For more information, please visit: [www.fao.org/economic/fapda](http://www.fao.org/economic/fapda)  
[www.fao.org/economic/fapda/tool](http://www.fao.org/economic/fapda/tool)

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