

Guatemalan Government

ADVANCES IN RURAL DEVELOPMENT

EXECUTIVE SUMMARY

In compliance with the Peace Agreements, the Guatemalan Government, presided by Mr. Alfonso Portillo, has promoted a State Policy directed towards assisting the population that has been politically, socially and economically cast aside, with the object of reversing the main cause of the country's armed conflict: poverty.

The poverty and extreme poverty indices in the country are around 86% and 72%, respectively. This social scourge is concentrated in the rural area where 61% of the population live.

The Government faces the challenge of Rural Development providing priority attention to the small producers and/or small agricultural or non-agricultural entrepreneurs of the country. To that effect, laws have been created that include: Law of Social Development; Law of Decentralization; Law of Development Councils, and the New Municipal Code. The recently presented Rural Development Policy has, within this framework, executed projects and programs that contribute to the country's Rural Development.

The objective of the document is to demonstrate that the Government of the Republic's investment in Rural Development has began to generate results, placing Guatemala in a favorable position in terms of economic growth, comparing it with other Latin American and Caribbean countries.

The Guatemalan Government's direct investment in Rural Development during the period 2000-2002 is Q.5,722 millions, which has been possible to accomplish thanks to the decided support of the international community. The amount includes the actions initiated by the Ministry of Agriculture, Livestock and Food; Social Funds and specific projects.

During these last three years of government (2000-2002), the Gross National Product has reflected an economic growth of: 3.4% (year 2000), 2.3% (year 2001), 2.0% (year 2002), which is closely related to the investment in Rural Development during the period under study. The analysis of economic growth must consider that the GNP behavior in Guatemala is conditioned by the world environment.¹

In this sense, in accordance with the International Monetary Fund, the GNP diminished in almost all regions of the world. Also, the Latin American Economic Commission –LAEC, notes that there were three factors whose incidence affected Latin America and the Caribbean: the lower economic dynamism of the United States economy for the years 2001-2002, worsened by the terrorist attacks in the United States of America in September 2001; the deterioration of financial conditions; and the deterioration of the terms of exchange of the non-petroleum economies.

Also, other factors of external origin were present that affected in the lower dynamism of Guatemalan economic activity: the fall in the prices of several export products, such as coffee, bananas and non-traditional products.

¹ Official numbers from the Banco de Guatemala; the data for 2002 is pending final approval

Even with world factors that reduced the dynamics of the country's economy, Guatemala reports an economic growth which is higher than that of two thirds of the 32 countries of Latin America and the Caribbean. Therefore, it has gone from position 13 to position 9 during the years 2000-2002.² The place attained by Guatemala indicates that the country has a favorable economic growth with a positive tendency, with regards to other countries with similar conditions.

The country's positive economic growth as compared to Latin America and the Caribbean, reflects the first positive results of the investment that the Government made in rural development during the period 2000-2002. In this context, the programs and projects focused on rural development in some cases are generating results in the short term, but in others, impact can be observed in the mid and long term.

The result of articulating each time more public interventions around rural development, has permitted to start a process to reverse the terms of exchange traditionally in favor of the city as compared to the rural areas, with the purpose of reducing the income gap between those who have and those who don't have. This has allowed to promote a style of economic and social development that puts human beings first, which constitutes an unusual work outline in the country's history that is possibly far from traditional understanding.

² The countries that have the same rate of annual economic growth in the CEPAL table, are in the same position.

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1 INTRODUCTION

Since its beginning, the Guatemalan Government presided by Mr. Alfonso Portillo has promoted a state policy directed towards covering the least favored social and economic sectors in the national development process. This has meant priority attention to small producers and/or agricultural and non-agricultural entrepreneurs, most of whom are located in the country's rural area (Poverty Reduction Strategy, 2002).

The purpose of grouping the actions of the different government agencies is to make known the importance of the work done in favor of the rural population, which has been excluded from the State's assistance and which in the recent past caused the country's armed conflict.³

To face the rural development challenge, one of the short-term goals has been the establishment of public policies, as well as the impulse for plans, programs and projects to promote inclusive and participatory rural development. Among the main laws created to that effect are: the Law of Social Development, the Decentralization Law, the Law for Development Councils and the New Municipal Code. Since the year 2000 under the leadership of the Ministry of Agriculture, Livestock and Food – MALF, the General Office of the Presidency's Planning and Programming – SEGEPLAN – and the Office of Agrarian Affairs, the bases for the Rural Development Policy were set, which were presented to the President of the Republic at the end of 2002.

This document is a summary of the Government's work on Rural Development

during the period 2000-2002. Its content is divided in two sections:

- (i) **The Rural Development challenge**, presents the problem of the rural area, the theoretical development framework and the first results of the investment in rural development, expressed in terms of Guatemalan economic growth in relation to Latin America and the Caribbean.
- (ii) Contribution of the Government to Rural Development, **including:**
 - + Work of the Ministry of Agriculture, Livestock and Food: details the Ministry's advances ordered in accordance with the components of rural development policy that they are responsible for. This section is presented separately because the MALF is the ministry that directs its actions directly to the rural area;
 - + Work of other government offices, describes the actions in favor of rural development undertaken by other government institutions, especially the social funds.

³ The armed conflict appeared in Guatemala due to the gap that existed between rich and poor. The war stopped in 1996 and since then the country is in the process of building a firm and lasting peace.

2 OBJECTIVE

The document does not pretend to make and exhaustive analysis of all the actions related to rural development in the country, but of economic growth, comparing them to other Latin American and Caribbean countries with similar characteristics and history. This reflects that the investment made in the rural area to promote the economic development of the poorest based on social fairness and environmental compatibility, has begun to produce benefits and directs the country towards the sustainable development road.

3 THE RURAL DEVELOPMENT CHALLENGE

3.1 The rural area problems

Sixty point six percent (60.6%) of the total population estimated for 2002 (12 million people) lives in rural areas, and is highly dependent of agricultural employment and income. Most part of the men and women who live in the rural area live in poverty conditions and present indices of poverty and extreme poverty ⁴ of 85.7% and 71.9%, respectively. ⁵ The socio-economic situation in Guatemala is deteriorating due partly to the concentration of wealth. Ten percent (10%) of the population receives 44% of total income, while the remaining 90% receives 56%. Twenty percent (20%) that has the lowest incomes receives around 2% of total income. ⁶

Primary agricultural production represents one fourth of the GNP and supports nearly half of employment and two thirds of exports. This importance increases significantly when

⁴ The population in situation of poverty is that that does not cover the minimum food and non-food costs, which means that it has an income under Q.4,218 per person/year (INE, 2001)

⁵ Presidency's Office of Planning and Programming, Annual Report 2002. Social development and population policy. Guatemala, 2002

⁶ Presidency's Office of Planning and Programming, Guatemala: Population and Development, Socio-demographic Diagnosis. Guatemala, 2001

the productive chains that derive from there are considered. The productive structure is dual, one modern sector oriented towards export products and one sector that is predominantly of marginal agriculture oriented towards the internal market.

The natural renewable resources have rapidly deteriorated during the last three decades, as a result of several factors: poverty derived from the lack of opportunities – the use of processes that are highly damaging to the natural environment, the lack of criteria for environmental conservation in productive investments, and the lack of a general ecological conscience. This, together with other external factors, has provoked deforestation, which is estimated in 90,000 hectares per year.

There is lack of access for the peasants to agricultural land; there is no guarantee or juridical certainty on its use, holding and ownership, which discourages related investments; the availability of productive infrastructure is low or non-existent in some areas of the country; the use of inappropriate technology and the practice of unsustainable production systems make it impossible to observe acceptable competitiveness levels. On the other hand, in the country there are around 2.6 million hectares of land that can potentially be irrigated. However, in 1999 only 129.90 hectares were irrigated, equivalent to less than 5% of the total with potential.

The lack of development in rural non-agricultural activities that generate new sources of employment and income and allow more interaction of the different actors in the productive chain must be added to the limitations presented by the agricultural sector.

3.2 Theoretical framework for rural development

The concept of rural development is “a process of change in the lives of men and

women of the rural area, through economic growth with social fairness and production methods and consumption patterns that sustain ecological balance. (Extracted from the Agreement on Socio-economic Aspects and the Agricultural Situation).

In 2001 the government formulated the "Strategy for the Reduction of Poverty" with the object of directing actions to improve the inhabitants' living conditions and, thus, begin to resolve the greatest problem that society confronts.

In compliance with the government's commitment to take care of the poor, who mostly inhabit the rural area, the "Rural Development Policy" was presented. The objective of said policy is: "To improve the social and material conditions of the rural population, promoting economic growth with

equity, based on the sustainable production of goods and services together with the environment, recognizing the multitude of cultures, the gender perspective and human rights."

3.3 Advances of the Government of the Republic in Rural Development

The Guatemalan Government's investment in rural development during the period 2000-2002 is Q. 5,722 millions (Annex 1). It is important to mention that said investment has been possible thanks to the decided support of the international community in areas of the country's progress. The amount is even higher, because pending still is the inclusion of other works of collective benefit connected to rural development, such as: health, education and construction of social infrastructure (bridges, roads, rural electricity, etc.).

Table No. 1
Guatemala: Gross National Product and Rural Development Investments

INDICATOR	Unit	2000	2001	2002
Gross National Product	Million Q.	149,743	164,736	181,867
Economic Growth	%	3.4%	2.3%	2.0%
Investment in Rural Development	Million Q.	1,610	2,259	1,853

Source: Economic Information, BANGUAT, 2002

Growth of the Guatemalan GNP is conditioned by the rest of the world. According to the International Monetary Fund, the GNP decreased in almost all regions of the world. In fact, the world GNP grew only 2.5% and 2.0% during the years 2001 and 2002, as compared with 4.7% in the year 2000. With this result, the 2002 per capita income was lower than the level for 1997.

According to the Economic Commission for Latin America – CEPAL, there were three factors whose incidence affected the Latin American and Caribbean economies. In first place, the lower dynamism of the United States economy for the years 2001-2002,

aggravated by the terrorist attacks on the United States of America in September of 2001. This translated into a lower external demand for export products. In second place, the deterioration of the financial conditions, that was practically generalized, but that had greater impact in the Southern Common Market – MERCOSUR. In third place, the deterioration of the terms of exchange of the non-petroleum economies, that had their fifth year of losses for this reason.

Besides, there were other factors that had negative effects on the lower dynamism of the economic activity, among which we can mention: the reduction in price of some of the

export products, such as coffee, which continues to be an important generator of employment and foreign currency for the country, as well as a reduction in the price of

non-traditional products. Also, the drought of June and July 2001 had negative effects on national economic development.

Guatemala's Economic Growth, in relation to Latin America and the Caribbean



Even with the factors that reduced the country's economic dynamics, the economic growth that was reached is positive compared to the variations of the GNP in terms of Latin America and the Caribbean (32 countries). During this period, Guatemala occupied a better position, climbing from 13th to 9th ⁷ during the years 2000 to 2002. (Graph). Guatemala's position in the table regarding Latin American and Caribbean economic growth shows that the country has a favorable economic growth and a positive tendency regarding other countries with similar conditions and characteristics. Guatemala's economic growth is privileged, especially considering that some of the countries presented negative variations of their GNP's (for example, Mexico, Haiti, Peru, Barbados, Paraguay, Uruguay, Venezuela and Argentina).

Therefore the economic growth rates for the country reflect the first favorable results of applying the strategy to reduce poverty,

which is executed through investment that the Government has made in Rural Development 2000-2002, within an unfavorable world environment.

It is important to underline that through its programs and projects, the Government has developed actions that in some cases are beginning to bear fruit, but that in others, impact will be seen in the mid and long-terms.

4. GOVERNMENT'S CONTRIBUTION TO RURAL DEVELOPMENT

4.1 Work of the Ministry of Agriculture, Livestock and Food

Among the operational objectives of the Rural Development Policy, the following is the responsibility of the Ministry of Agriculture, Livestock and Food:

- a) To improve food and nutritional security
- b) To promote access to employment and income

⁷ The countries with the same annual economic growth rate in the CEPAL table, are in the same position.

- c) To improve the productive infrastructure
- d) To promote savings and productive credit
- e) To promote the investigation and transfer of technologies
- f) To provide access to land
- g) To propitiate conditions for the development of internal and external markets
- h) To promote agricultural, forestry and hydro-biological productive activities
- i) To promote non-agricultural productive activities (agricultural industry, handicrafts, eco-tourism)
- j) To promote the sustainable management of natural resources within a territorial order.

Also, the 2000-2004 agricultural policy establishes priority areas, specific policies and political actions that the Ministry of Agriculture, Livestock and Food must implement to “contribute to the solution of the problems that affect the agricultural sector, through the incorporation of small and medium producers of the poorest areas of the country, to the agricultural and rural development process, as well as to the development of competitive agricultural markets”.

In order to show the MALF’s contribution to rural development, below are descriptions of the main actions undertaken during the period 2000-2002, the results obtained and the impacts to be generated.

4.1.1 Improvement of food and nutritional security for the population

The Food Security Policy “is oriented towards guaranteeing production, sustainable supply, adequate access and the creation of favorable nutritional conditions for the consumption of basic foods”. For this policy to be applied effectively, the National Council of Food and Nutritional Security – CONSAN- was created. The Food Security Departmental Councils were formed within

this organization, a program for school lunches was formulated, the Food Security Information System was designed and implemented, there is national monitoring of the basic grains’ supply and demand, and the First National Encounter on Food Security took place.

The “identification of the areas and population vulnerable to food insecurity” was done through an agreement signed with the World Food Program – WFP. This allowed planning, programming and attention to the areas with priority in this matter. The Program of Food Assistance MALF/WFP is being executed under this agreement. During the period 2000-2002 it distributed more than 613 thousand quintals of food in family rations, it supported nutritional recuperation centers and school feeding for a value of Q.102.3 millions. With this, almost 900 thousand persons were benefited in 250 municipalities that had priority.

The MALF also has the following programs and/or projects in the process of execution:

- a) “Support for the Basic Grains and Improved Seeds Production Increase Program” in 59 municipalities in 10 departments of the country, through loans with agricultural insurance for an amount of Q.9.72 millions. This program managed to supply around 900 producers with 5,100 quintals of certified and artisan seed, (3,300 quintals of HB-83 corn and 1,800 quintals of light ICTA beans).
- b) “Food Security Project” through 32 local organization that assisted more than 2,600 families of 41 municipalities in 11 departments located in areas that have priority in the reduction of poverty.
- c) “Special Program of Food Security” – PESA, financed with funds from the donation of the Spanish Cooperation Agency and with FAO’s financial

administration. The first PESA project started in communities of the department of Sololá in 1999. At the end of 2001, the PESA work started in the Jocotán area. The main actions taken were directed towards diversification of the productive systems, implementation and production of family horticultural orchards, implementation of agricultural and forestry system and fruit orchards.

- d) The “National Fund for the Reactivation and Modernization of Agricultural Activities” – FONAGRO – granted Q.1.8 million non-reimbursable for certified bean seeds, grants for cattle and fertilizer to 2,125 persons of 46 communities of the municipalities of San Luis, Poptún, Dolores and Sayaxché of the department of Petén, that were damaged by the Iris hurricane.

4.1.2 To promote access to employment and income

Within this policy, the MALF orients its actions toward the formation and training of the human resources for work and labor insertion of the rural population into the productive agricultural and agro-eco-tourism activities, among which are the following:

- a) Through the Schools of Agricultural Formation – EFAs- 2,783 students have been attended during the years 2000-2002. During the last year 158 students graduated (96 in agriculture, 14 forestry specialists, 41 experts in administration of agricultural companies and 7 specialists in agro-eco-tourism).
- b) At the National Central School of Agriculture – ENCA – 1,343 students

received attention during the period 2000-2002.

- c) In 2002 the Ministry of Agriculture transferred more than Q.21 million to formal education (ENCA Q.12 millions and EFAs Q.9.2 millions). During the 2000-2002 period it transferred a total of Q.56.9 millions.
- d) Human resources formation projects have been funded through FONAGRO (strengthening of the Northeastern School of Agriculture, Graduation Work of the School of Agriculture of the University of San Carlos, Formation of Community Promoters of the Business Organization in Petén).

On the other hand, the Ministry's programs and projects provide technical, administrative, business and gender training. Also, within the agricultural diversification promotion of these programs and projects, technical proposals are included that require greater intensity in the use of manpower, generating employment and income for the rural population.

Also, the promotion of low-water agriculture through the PLAMAR, has given impulse to the non-traditional crops for export that generate around 600,000 daily wages.

4.1.3. To improve productive infrastructure in the rural area

The Access to Productive Infrastructure Policy “pursues to overcome the infrastructure deficiencies in support of the production and commercialization of agricultural and non-agricultural products to integrate the rural area to national development”.

The Ministry of Agriculture, through the Action Plan for the Modernization and Promotion of Low-water Agriculture –

PLAMAR, has granted during 2000-2002, 797 loans for growers, for a total of Q.69.5 millions, for irrigation infrastructure for 4,500 hectares approximately.

The Post-crop Handling Program in the period under analysis has transferred technology to build and adequately use more than 50 thousand silos (benefiting the same number of families), with a global storage capacity of almost one million quintals, which means a loss reduction of 150 thousand quintals and, therefore, greater generation of income or availability for family consumption.

The Land Fund, with financing from the World Bank, has given grants for the development of productive infrastructure in the farms given to the people. Among the approved projects are the construction of irrigation systems, gathering centers, electricity installations, cattle infrastructure, rainwater collection and others that contribute to the efficiency of the productive and commercial processes.

By hiring private enterprises, the PRODERT executed infrastructure projects (enlargement and improvement of 14 parts of roads with a length of 47.7 kilometers, building of a paved trench for vehicles and hammock bridges for pedestrians). This is a contribution towards access to the benefited communities and commercialization of their products.

The PROCHORTI has undertaken several productive infrastructure works that benefit the population of the Chorti areas (rehabilitation of rain water reservoir dams, installation of irrigation systems, construction of an ecological coffee mill).

Through its programs and projects, the Ministry of Agriculture, Livestock and Food, with the cooperation of the international community (especially from the Agency for International Development – USAID –) developed actions towards the protection and rehabilitation of farmable lands and

irrigation systems affected by natural phenomena.

4.1.4 To promote the regularization and access to land

As a result of the actions taken in the area of juridical certainty on the use, holding and property of land, the Land Fund has managed to legalize the uncultivated land, registering it as national farms and adjudicating it to the farmers that hold it, benefiting more than 10,000 families with almost 200 thousand hectares.

Also, with the Regularization Program of the Land Fund, deeds were delivered to farmers, thus accrediting them as legitimate owners of the land, which gave them juridical certainty after waiting for more than 30 years because their files had come to a standstill within the adjudication process that other institutions were in charge of. During the period 2000-2002, titles were delivered in 135 communities of 135 departments, benefiting 17,940 families with the regularization of 195.5 thousand hectares.

During the same period the Land Fund also delivered 124 farms through the granting of purchasing loans, for a value of almost Q.400 millions, benefiting more than 10,500 families with 52.6 thousand hectares of land.

Besides, the benefited families received Q.199.3 millions as subsidy destined to debt amortization, purchase of food or working capital.

Through the Juridical Technical Unit of PROTIERRA, the Ministry of Agriculture, Livestock and Food is doing the cadastre in 7 of the country's departments. The PROSELVA in the buffer zone of the protected areas in southern Petén, has undertaken measuring and cadastre actions for the regularization and registration of farms. The Sustainable Development of Petén Project – PDS – is working in the

legalization of 45,000 hectares in the buffer zone of the Mayan Biosphere Reserve.

4.1.5 To promote and facilitate access to credit

As an integral part of the Board of Directors of BANRURAL, the Ministry makes sure that said institution focuses on the small and medium producers. To that effect, it continues to support the concession of loans through special trust funds managed by BANRURAL (Rural Credit, FONAGRO, PROCUCH, PRODERT, PROZACHI, DIAPRYD-PALMAR, Support to the coffee sector). During the period 2000-2002, 24,039 loans were granted for an amount of Q.520.1 millions.

It must be mentioned that because of the coffee crisis a trust was created, called "Support to the Coffee Sector", which, as of November 30, 2002, had granted 5,152 loans for an amount of Q.285.6 millions. Also, the financing for the project for converting and diversifying coffee areas with little marketing perspectives

4.1.6 Investigation and technology transfer

Regarding scientific investigation, the Institute of Agricultural Science and Technology –ICTA- has worked in food products (corn, beans, rice, wheat, garlic, potatoes, tomatoes), export products (tropical fruits, asparagus, broccoli, artichoke), bio-technology (papaya, anturio, bilberry, avocado, fir tree), animal production (sheep, goats) and renewable natural resources (white pine resin, medicinal plants, bamboo, grazing systems).

The AGROCYT Fund was established to finance investigation projects on food. As of December 31 of 2002, 45 investigation projects have been approved that different organizations and institutions are executing.

In order to keep the recognition of Petén as an "area free of plagues that are important economically and from the point of view of quarantines", the Ministry has strengthened the quarantine system, the phytosanitary and the epidemiological vigilance system through the Integrated Handling of Plagues and Technology Transfer Program.

4.1.7 To propitiate the development of internal and external production markets

The Ministry has a system of information on markets and agricultural products that generates weekly bulletins, information and reports on prices and markets. It analyzes supply and demand of agricultural products.,

Regarding agricultural export products, the Ministry has developed, together with AGEXPRONT, market studies for ten promising products.

Besides, the Ministry participates as a member of the Government delegation in the International Commercial Negotiations Unit, which is responsible for negotiating and obtaining concrete free trade agreements for access to the markets for 4,208 agricultural products.

4.1.8 To promote productive activities

Through the fertilizer program, the Ministry has benefited almost 2 million small producers during the years 2000-2002, providing them with 6.3 million quintals of fertilizers at accessible prices. Recently, the distribution of tools and improved seed has been incorporated.

PROFRUTA has promoted the agricultural diversification through the promotion of native and exotic fruit plantations (avocado, citric fruits, mango, pitahaya, pineapple, banana and others) and their transformation (five agro-industrial bottling plants have been installed) with the purpose of generating more added value and contributing to

increase productive employment opportunities.

Through its technical assistance program that complements the irrigation infrastructure, PLAMAR has promoted agricultural diversification, especially in the produce and fruit plantations (lemon and mango).

Besides, all the Ministry's programs and projects have the goal to introduce technology and to diversify products and agricultural activities.

On the other hand, besides the agricultural, forestry and hydro-biological activities that the Ministry's programs and projects foment, these are orienting their actions to strengthen the small and medium producers family economic base, so that they will not depend exclusively on the agricultural activities. For example, the AGIL Project supports some 65,000 micro-entrepreneurs with the object of improving their businesses. The PROCHORTI finances municipal associations to establish community stores. INAB foments eco-tourism at the Laguna Lachúa National Park. The PDS is supporting the excavation and restoration of archeological sites and the formulation of a tourism development plan, among others.

4.1.9 Sustainable handling of national resources

With the participation of the Ministry's programs and projects, the conservation of 1,351 hectares of land has been possible, 36,027 hectares have been planted with trees and adequately managed, among which it is important to mention 8,070 hectares that have the "green seal" that allows to export the forest products.

Through the Forests National Institute – INAB- 17 forestry projects have been executed. The Forest Incentives Program has managed to cover a greater forest area

in a total of 40,000 hectares, which have generated 20,000 jobs.

The Pilot Program for Direct Forestry Support –PPAFD- of the PARPA has implemented payment for environmental services in an area of 13,300 hectares of natural forest in 64 forestry projects, of which 33 correspond to the same number of municipalities, 8 to community organizations and 22 are private.

The program's coverage includes the high and middle parts of the basins located in the central and western part of the country, which contributes to maintain the environmental services that the forest provides, such as: hydrological regulation, soil stability, carbon dioxide storage and biodiversity. During the year 2002, the PPAFD paid the forest owners/holders Q.1.8 million as incentive.

On the other hand, the PARPA formulated 3 proposals for the handling of the country's hydrological resources: National Hydrological Policy, Initiative for a General Law of Waters and the Institutional Framework of the Integrated Handling of Hydrological Resources.

4.1.10 MALF investment

During the period 2000-2002, the Ministry of Agriculture, Livestock and Food – MALF – has destined 95% of its budget to direct investment⁸ to actions oriented towards the attention of small and mid-size producers of the rural area.

In this sense, the Ministry has destined an amount of \$1,984.8 millions to the execution

⁸ Corresponds to the financial execution of the MALF's investment budget plus the operational programs (such as Fertilizers, Post-crop, Pro-fruit, Prozachi, Pcuch, Efas, Improved Seeds, Contierra, Ocret, others) that have amounts assigned to them in the budget. It only excludes the part corresponding to the execution of the "MALF's Central Activities".

of the Rural Development Policy in that period of analysis, distributed as follows:

YEARS	Total budget execution of the MALF	Budget execution oriented towards rural development
2000	397,390.0	356,728.6
2001	879,391.0	847,080.8
2002	818,430.1	781,024.9
TOTAL	2,095,211.1	1,984,834.3

Source: Budgetary Executions, Department of Budget Programming, MALF

The main financing sources for the Ministry's investments in matters of rural development, are: 56% with Treasury resources (33% of current income and 23% with funds from the decrease of cash and banks), 22% with specifically affected Treasury resources (tax income from IVA Paz and other Treasury resources), 1% with the institutions' own resources, 16% with foreign loans, and 5% with foreign donations. This financial structure implies that one third of the Ministry's budget is subject to the collections that the State makes. Also, it is worth to point out that external financing for the programs and projects has decreased in the last few years due to their ending dates.

4.2 Work of other government offices in rural development

Other public sector institutions have also made complementary efforts to promote rural development, expediting the improvement of the natural environment and the basic infrastructure, especially housing, water and sanitation, vicinal roads and the facilities for education and health. Below are some of the most important institutional contributions, which significantly contribute to comply with the Peace Agreement.

4.2.1 Solidarity Fund for Community Development

The fund was created with the purpose of validating the National System of Urban and Rural Development Councils, CODEDUR, to promote administrative/financial

decentralization and dissemination. Its main activities consist of public investment works with multiple financing, uniting efforts with municipalities, government and non-government organizations, cooperatives, the private sector and the communities. Its coverage is at a national level, supporting projects related to transportation, among which it is worth mentioning the opening of secondary roads, bridges for people and vehicles; energy with the introduction and enlargement of the electricity network; health through the construction of sanitation infrastructure such as aqueducts, introduction of drinking water, installation of latrines, health posts, hospitals and water-treatment plants, and promotion of education through the enlargement and repair of the educational centers and libraries. The financial execution during the present government is up to 1,813 millions.

4.2.2. Social Investment Fund – FIS

The Fund invests in activities that improve the living standards of the poor people of the rural areas of the country, through three basic functions: *Financial intermediation*, through which resources are obtained and granted as non-reimbursable contributions; *technical intermediation*, establishment of project eligibility, evaluation and execution criteria, in order to be objective in the decisions; and *organizational intermediation*, through the strengthening of the social capital, giving more importance to the community organization and participation, and giving juridical personality to informal

groups integrated by the poor. The FIS is dedicated to financing of water and sanitation projects, constructing and equipping schools; constructing and equipping health centers; environment development and protection; inter-communication through the construction of rural bridges and roads, and substantial improvement of income through organizing and training managers, loans, mini-irrigation systems, gathering centers, and development of rural entrepreneurs. As of the year 2002, direct investment in the communities was of Q.876 millions.

4.2.3 National Fund for Peace – FONAPAZ

The National Fund for Peace – FONAPAZ that is within the logic of the Peace Agreements, has had the goal to reach authentic integral human development through investment, training and giving technical training to Guatemalans in a situation of poverty and extreme poverty, in the agricultural, commercial and service sectors, and to promote citizen participation to strengthen local power and access of the population to education and preventive and corrective health services.

In support to the construction of the Peace processes, FONAPAZ has executed actions at a national level, through 18 programs financed with resources of the Guatemalan Government and the International Community, which are: PRODEVER, PAREC II, PREAPAZ, PAT, PROCHYS, PRODESFRO, Basic Infrastructure Program, PSL, AVIDEH, DECOPAZ, Technological

Development Program, Endowment of Ceiling-Floor for the Rural Area. During the period 2000-2002, FONAPAZ undertook more than 1,300 social and productive infrastructure works at a national level, with the object of promoting rural development, which represented an investment of over Q.739 millions to benefit the rural population.

4.2.4 Integral Development of Rural Communities –DICOR

The efforts were made towards organization, infrastructure, support for production and productive areas, giving attention to 204 communities of the country. In the activities, emphasis has been given to citizen participation, education according to each community's needs, contribution to environment protection through reforestation and soil conservation programs, promotion of agricultural and micro-entrepreneur activities, and the construction of rural roads. Investment during the present Government is of Q.84 millions.

4.2.5 ALA Project

The European community has contributed to the country's rural development through financing of the ALA projects, which were designed with the purpose of contributing to rural development of the country's inhabitants that live in poverty. The main activities of the projects include: productive infrastructure, loans, social organization and support for commercialization of agricultural products

Table No. 3
EXECUTION OF THE ALA PROJECTS' BUDGET
Period 2000 – 2002

Project	EUROPEAN UNION			GUATEMALAN GOVERNMENT			Total Q.
	Year 2000	Year 2001	Year 2002	Year 2000	Year 2001	Year 2002	
Alta Verapaz	974,000.00	440,000.00	261,000.00	229,000.00	150,000.00	104,000.00	2,158,000.00
Baja Verapaz	1,529,037.50	1,997,258.03	310,438.10	564,286.83	774,624.69	30,020.00	5,205,665.15
Coatepeque	777,679.16	727,784.11	*	354,000.00	300,499.63	*	2,159,962.90
Huehuetenango	1,7797,360.25	*	*	849,297.88	*	*	2,646,658.13
Quiché	1,616,642.40	4,184,497.69	1,255,492.00	1,257,645.00	1,200,746.77	1,314,746.78	10,829,770.74
Totonicapán	1,90008,759.00	1,428,059.00	174,049.00	248,138.67	214,208.85	26,107.35	3,999,321.87
Grand total:							26,999,378.79

4.2.6 Peace Secretariat SEPAZ

The Peace Secretariat was created to ensure that the different departments that form the Executive Branch are congruent with the Government's policies, in order to comply with the commitments of the Peace Agreements. SEPAZ follows-up on the plans and programs of the ministries, departments and other Government entities. It exercises coordination or mediation work when it is necessary in order to ensure compliance with the commitments. It is the institution with which the Verification Mission - MINUGUA – and the Accompanying Commission communicate.

Complying with the recommendations of the Commission for the Historic Elucidation, SEPAZ continues to execute the National Compensation Program through a pilot project in four of the country's departments, having given priority to the departments of Alta Verapaz, Chimaltenango, Huehuetenango and Quiché with a total of 33,000 persons as direct beneficiaries and 164,000 indirect beneficiaries. During the period 1999-2002 the program executed Q.20.7 millions.

4.2.7 Support for the Execution of the Peace Agreements – AID

The Government of the United States, through its Agency for International Development, has given the Guatemalan Government Q.110.35 millions through the Donation Agreement "Support to the

Execution of the Peace Agreements. ID partners and the Guatemalan Government are executing the agreement.

The agreement includes: sustainable agricultural projects that give technical assistance on agricultural and forestry systems, cultivation of non-traditional products, medicinal plants and organic coffee; micro-enterprise activities that promote the development of micro and small enterprises, and a credit program through the two trust funds "FICOTRANS" and "Banrural Credit Trust". Support to woman's integration into society; infrastructure works in the area of Ixcán. Support in the Ixi8l triangle for road reconstruction and employment generation through the intensive use of manual labor; creation of various Electronic Business Centers; training for young men and women as Development Agents and Promoters in the country's rural area.

4.2.8 Contribution to the forest concessions of the RBM

The management of the community forest is the way in which economic and social development for the population that inhabits the Reserve of the Mayan Biosphere in Petén, has been promoted. The strategy consists of giving areas with forest as concessions to the communities, so that they can conserve the existing natural resources, using the forest products in a sustainable way. At this time, the communities are joined together in the "Association of Peten's

Forest Communities” ACOFOP, made up of 19 organizations between cooperatives and civil societies. The area being handled is 500,000 hectares of forest in which the incidence of forest fires has been reduced, decreasing the advance of the agricultural frontier and stopping population invasions in area of high natural value.

The Guatemalan Government has supported ACOFOP through forestry concessions of the National Commission of Protected Areas – CONAP, and the credit support granted by BANRURAL, directed towards the rational exploitation of natural resources for an amount of Q.6.4 millions in the period 2000-2002.

STATISTICAL ANNEXES

Annex 1
Investment in Rural Development (millions of Q.)

<i>Description</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>TOTAL</i>
MALF	357	847	781	1,985
Solidarity Fund	517	582	714	1,813
FIS	385	491	0	876
FONAPAZ	226	213	300	739
DICOR	26	35	23	84
ALA Project (European Community)	85	80	24	189
SEPAZ	6	7	8	21
Support for Peace Agreements-AID	6	2	1	9
ACOFOP (Community Forestry)	2	2	2	6
Rural Development Investment	1610	2259	1853	5,722

Source: Consultation with the mentioned institutions, December 2002.

Annex 2
Main actions of the MALF oriented towards Rural Development
Period 2000 - 2002

CONCEPTS	2000	2001	2002	TOTAL
Food Assistance Program MAGA/PMA				
* Distributed food (000 qq)	131.7	149.9	331.8	613.4
* Total value (Millions of Q)	21.3	23.2	57.8	102.3
* Beneficiaries (thousands of persons)	184.5	204.5	501.7	890.7
* Municipalities	194	204	250	
Formal education for work				
* Students registered in EFAs	771	960	1,052	2,783
* MAGA contribution to EFAs (Millions of Q)	6.9	7.8	9.2	23.9
* Students registered in ENCA	446	406	491	1,343
* MAGA contribution to ENCA (millions of Q)	9.2	11.8	12.0	33.0
PLAMAR: irrigation infrastructure				
* Granted financing (Millions of Q)	16.3	27.2	26.0	69.5
* Irrigated surface (hectares)	970	1,864	1,675	4,509
* Benefited producers (families)	145	252	400	797
Post-crop handling				
* Construction and training in use of silos (units)	15,355	17,886	22,215	55,456
* Storage capacity (thousand of qq)	276.4	321.9	400.0	998.3
* Loss reduction (thousands of qq)	41.5	48.3	60.0	149.8
Land regularization				
* Benefited communities	9	78	48	135
* Benefited families	6,673	6,097	5,170	17,940
* Regularized extension (thousands of hectares)	34.5	94.0	67.0	195.5
Access to land through credit				
* Delivered farms	45	59	20	124
* Extension of farms (thousands of hectares)	17.3	26.8	8.5	52.6
* Benefited families	2,583	5,754	2,237	10,574
* Amount of granted loans (Millions of Q)	64.2	222.3	95.0	381.5
* Amount of subsidies granted (Millions of Q)	42.0	110.7	46.6	199.3
Fertilizer Programs				
* Delivered fertilizers (Millions of qq)	1.6	2.3	2.4	6.3
* Value of delivered fertilizers (Millions of Q)	23.5	77.8	113.0	214.3
* Benefited producers (Thousands)	500	650	660	1,810

Source: MALF/UGD/Follow-up and evaluation

Annex 3

Loan concession from the trusts oriented towards Rural Development. Period 2000 - 2002

CONCEPTS	2000	2001	2002 *	TOTAL
Number of loans	6,540	8,421	9,078	24,039
Rural loans	5,520	5,346	3,961	14,827
FONAGRO	129	890	805	1,824
PROCUCH	191	36	13	240
PRODERT	217	310	128	655
PROZACHI	336	370	73	779
DIAPRYD –PLAMAR-	147	290	125	562
Support to the coffee sector	-	1,179	3,973	5,152
Amounts (Thousands of quetzals)	80,512.6	86,709.7	352,922.5	520,144.8
Rural loans	49,627.8	47,741.8	33,380.9	130,750.5
FONAGRO	5,675.9	3,198.5	12,219.6	21,094.0
PROCUCH	2,795.1	248.4	118.4	3,161.9
PRODERT	4,067.9	4,027.3	1,870.6	9,965.8
PROZACHI	1,900.6	757.1	626.5	3,284.2
DIAPRYD –PLAMAR-	16,445.3	28,470.8	21,417.7	66,333.8
Support to the coffee sector	-	2,265.8	283,288.8	285,554.6

Source: BANRURAL. Statistics: Concession years 2000-2002 as per report of the Trust movements DF-013; amounts as of November 2002

Annex 4

Location of Guatemala with respect to other countries, in terms of Economic Growth

AMERICA LATINA Y EL CARIBE: EVOLUCIÓN DEL PRODUCTO INTERNO BRUTO TOTAL

(En porcentajes, sobre la base de valores a precios de 1995)

Tasas anuales de variación			
	2000	2001	2002
América Latina y el Caribe	3.8	0.3	4.1
Subtotal (20 países)	3.8	0.3	-0.5
Perú	3.0	0.2	4.5
República Dominicana	7.3	2.7	4.0
San Vicente y las Granadinas	1.8	0.3	4.0
Belice	10.5	4.7	3.7
Granada	6.5	-3.3	3.4
Ecuador	2.3	6.0	3.4
Costa Rica	2.2	1.0	2.8
Trinidad y Tobago	6.1	3.3	2.7
El Salvador	2.1	1.9	2.3
Guatemala	3.6	2.3	2.0
Bolivia	2.3	1.3	2.0
Honduras	4.8	2.7	2.0
Gyana	-2.3	2.3	2.0
Jamaica	1.0	1.8	2.0
Chile	4.4	2.8	1.8
Colombia	2.2	1.4	1.6
Brasil	4.0	1.5	1.5
Cuba	5.3	2.5	1.4
México	6.8	-0.4	1.2
Santa Lucía	0.3	-5.0	1.0
Nicaragua	6.4	3.0	0.5
Panamá	2.6	0.4	0.4
Antigua Barbudá	2.6	4.3	0.0
Barbados	3.1	-2.2	-0.4
Haití	1.9	-0.7	-1.5
Saint Kitts y Nevis	5.0	2.0	-2.5
Paraguay	-0.8	2.4	-3.0
Dominica	0.7	-5.2	-6.0
Venezuela	3.8	2.9	-7.0
Uruguay	-1.9	-3.4	-10.5
Argentina	-0.8	-4.4	-11.0
Suriname	-1.2	-	-

Fuente: CEPAL, sobre la base de cifras oficiales expresadas en dólares a precios constantes de 1995.

Nota: Los totales y subtotales, cuando corresponde, excluyen aquellos países para los que no se presenta información

*Estimación Preliminar.

Nota técnica: la posición de un país en la tabla es la misma, para crecimientos económicos similares