



Coordinación de ONG y Cooperativas
CONGCOOP

***FONTIERRAS: Structural Adjustment and access to land in
Guatemala.
An analysis and future perspectives***

Executive Summary

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¹*Fondo de Tierras* (*FONTIERRAS*) in Guatemala is an autonomous decentralized State body, formed by the Peace Accords with national scope and authority, is legally registered and has its own resources. In this text the names *FONTIERRA* and *Fondo de Tierras* are used interchangeably.

INTRODUCTION

Guatemala is one of the Latin American countries that continues to be characterized by the extreme importance of agricultural activities both socially and economically. Historically the agricultural sector has had an important impact on the national economy, representing 23% of the Gross National Product in 1997 and 61.4 % of the national population lived in rural areas in 2000.²

Unequal land distribution is one of the fundamental issues faced by Guatemala, which is one of the Latin American countries with extreme inequality in land distribution. According to the Ministry for Agriculture, Grains and Food (MAGA in Spanish³) in 1998, 96% of producers cultivated 20% of the land mass and lived in subsistence conditions. At the same time 0.2% of producers possessed 70% of the landmass, which was used for production of agricultural exports.

These figures show that after more than thirty years of different government policies, initially promoted by the State and then later through structural adjustment theory, with market forces as the only regulator, land access and distribution in Guatemala remains highly exclusive.

The policy of colonization simply reallocated land, replicating the latifundio-minifundio model without any impact on the existing land distribution and access structure. It did not represent integrated agrarian reform, instead corruption, plundering and monopolizing of land distorted any possibility of reform. The traditional structure and concentration of land ownership was not challenged. Colonization did however maintain the seasonal labor force that worked on the large plantation farms producing agricultural exports.

Principle criticisms of the reformist model illustrate that this model did not promote substantial changes in the existing agricultural structure. Instead it maintained the previous land distribution model whilst also generating a dual agricultural system; the agro export industry and the internal consumption of agricultural products. The agro export industry modernized, obtaining high productivity levels, whilst the traditional small-scale *campesino*⁴ farmers faced low productivity and poverty. This model generated tension and secular conflict, high levels of instability, violence, social and political regression. By the 1980's there was a radical move towards adjustment and market mechanisms as a solution to the agrarian problem.

This new model totally dismantled the Sector Público Agrícola (SPA⁵ in Spanish), promoting a business approach, employing Social Funds and purchasing land through the market. The Peace Accords presented a renewed approach in market assisted land reform. Nevertheless, five years after the signing of the Peace Accords and more than 20 years of adjustment, access to land, land use and holding remains practically the same.

² UNDP, 2001.

³ Ministerio de Agricultura, Ganadería y Alimentación

⁴ Campesino: Latin American word used to describe poor rural farmers, who in Guatemala are predominately Indigenous and living in extreme poverty.

⁵ SPA refers to all institutions, including the State that work in agriculture and agro industry.

This summary of “*FONTIERRAS: The market model and access to land in Guatemala*” presents the combined research undertaken by the Coordination of NGO and Cooperatives (CONGCOOP in Spanish) and the National Coordination of Campesino Organizations (CNOOC in Spanish).

This study evaluates the role of the *Fondo de Tierras (FONTIERRAS)* which is the only option for Guatemalan campesinos to access land, using a broad theoretical framework that incorporates national and international issues related to the feasibility of market orientated land reform in developing countries.

The theoretical framework of this study draws upon the conclusions of a series of studies undertaken by sectors of national and international civil society. These studies critically evaluate the impact of structural adjustment policies in developing countries, and illustrate that this approach does not provide a satisfactory solution to the social problems in developing countries. For land access policies to be efficient reforms must be accompanied by additional policy changes and general strengthening of the State to enable it to undertake a more protagonist role.

The methodological framework of the study consisted of an in-depth literature review, semi-structured in-depth interviews, consultative workshops were held with the affected population in different regions of the country, case studies and visits to eight communities who are beneficiaries of *FONTIERRAS* in different regions of the country.

The literature review revised papers by international financial organizations on the land market as well as critical analysis of “market assisted land reform” conducted by international networks and civil society organizations from countries in which this model has been implemented, and *FONTIERRAS* Guatemala documents.

Representatives from Washington based international finance organizations (USAID, World Bank, Inter American Development Bank), officials of *FONTIERRAS* and the Guatemalan Ministry for Agriculture, Grains and Food, experts on the land market in Guatemala, Peace Accord negotiators, leaders of campesino organizations and other civil society organizations working on land issues were interviewed.

Consultative workshops were held in 23 *Fondo de Tierras* beneficiary communities in four regions of the country (Petén, the Northern, Southern and Western regions). The workshops provided a wealth of in depth information on the situation faced by the communities.

The eight communities for the field visits were selected according to the following criteria to ensure a comparison of different situations: geographic location, membership or not of CNOOC, different technical assistance firms and different phases in the land access process.

Two extensive workshops were held in consultation with national experts on the theme as well as a series of meetings to discuss study progress.

1. THE “MARKET ASSISTED LAND REFORM” MODEL AND PEACE ACCORDS IN GUATEMALA

It is a widely accepted fact that land ownership is highly concentrated in Latin America. According to international organizations such as the World Bank, the Inter American Development Bank, Food and Agriculture Organization and the Economic Commission of Latin America and the Caribbean (ECLAC), this concentration of landholding presents two main disadvantages; limited efficiency in the use of land resources and very little social equity, which in turn causes extreme poverty. There is general consensus that an increase in the number of producers causes a positive effect in production, efficiency and equity, whilst excessive concentration of land generates an opposite effect. In this sense it is clear that improved distribution of land via agrarian reform is desirable and necessary.⁶

Several different ideological approaches for promoting and achieving necessary changes exist. Whilst some demand a high level of State intervention, for example with land expropriation, governments and international institutions advocate for a market based solution.

The concept of “market assisted land reform”, first presented by the World Bank, is now one of the core elements of land access and reform research and policy formation amongst international organizations.

The emergence of market assisted land reform theory is related to two phenomena: the perception that traditional agrarian reform and colonization, both implemented by the State, have failed; and secondly the change in productive paradigms towards neoliberal theory that reduces the role of the State to a minimum, substituting the State with the market where possible. Application of this neoliberal economic theory in developing countries is applied through structural adjustment policies.

According to this hypothesis, market forces function and once restrictions that affect the land market are removed; this resource will be assigned according to its most appropriate use, as defined by the market.

The principle elements defining market assisted land reform are the following: transfers are voluntary, are based on identifying land that is attractive to beneficiaries, this means that the beneficiaries are responsible for selecting the land and negotiating the price whilst the government just mediates the negotiations between the purchaser and vender. Land reform focuses on regions with surplus land, thus avoiding increased land prices.

Agencies have diverse roles such as assisting to determine the correct price for the sale of land and proposing subsidiaries. They also assist beneficiaries in developing productive projects and promote their competitive advantage through capacity building, technical assistance and access to credit and markets. Implementation is decentralized and the majority of services provided for beneficiaries are presented by the private sector. Therefore the role of the government is limited to providing credit and/or donations and establishing a decentralized market for land. The State does not administer of the whole process. Removing the State from the selection and negotiation

⁶ Riad El-Ghonemy, 1999; Banerjee Abjihit, 1999; Kilusang Magbubukid ng Pilipinas, 2000; Carlos Felipe Jaramillo, 1998; Melmed-Sanjak, 1998.

of land eliminates inefficiencies, reduces administrative costs and the possibility of corruption.

There are no explicit objectives for the distribution of land that could eventually be achieved and no defined timeframe.

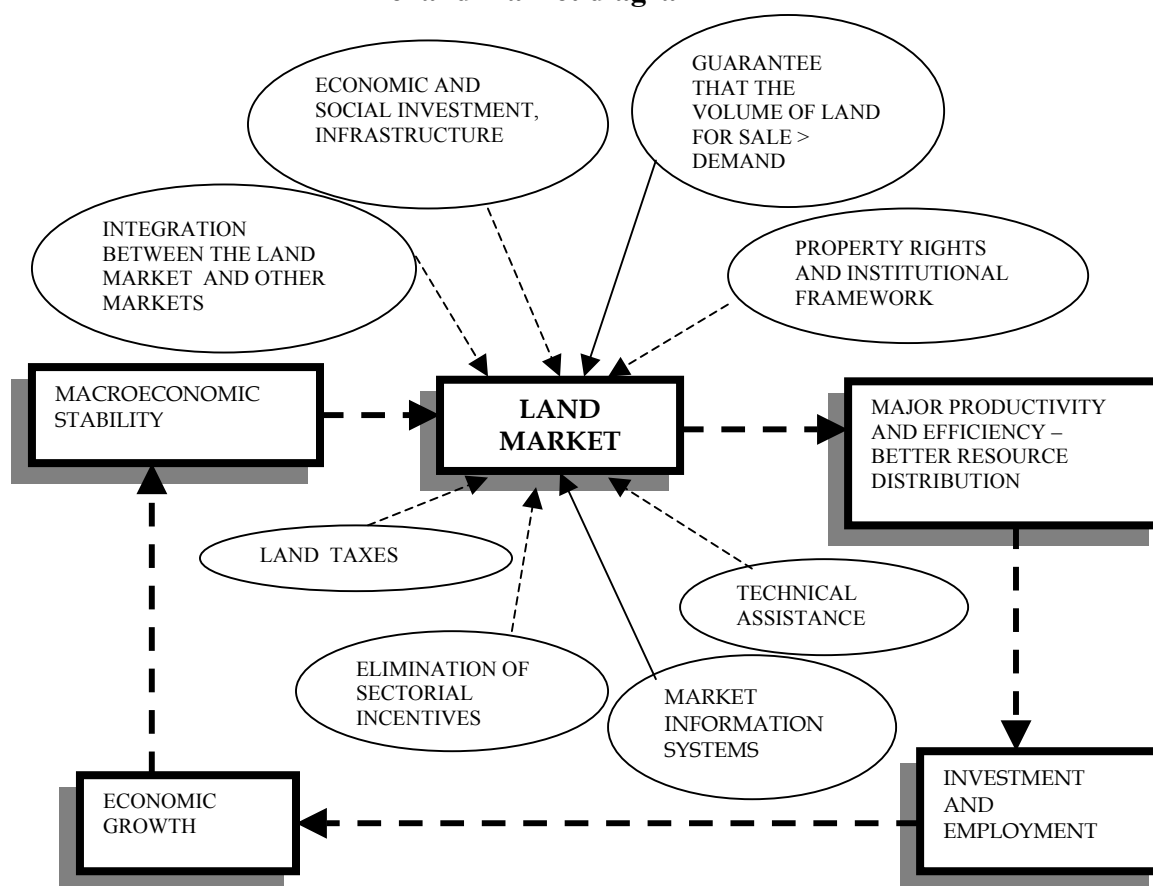
The basic condition required in order for “market assisted land reform” to be successful is a land market that functions. For the market to function the following conditions are required:

1. Factors that stimulate investment:
 - a. Clearly defined and legally recognized Property Rights
 - b. Institutional framework necessary to guarantee protection of these rights
 - c. Improved integration between the land market and other markets (particularly the financial market)
 - d. Technical assistance.

2. Factors that prevent distortion of land prices and unproductivity:
 - a. Elimination of sectorial incentives (tax advantages, credit, subsidies etc)
 - b. Land taxes
 - c. Macroeconomic stability which prevents landholding motivated by investment and speculation
 - d. The volume of land for sale is greater than the demand

3. Other factors that strengthen market functions:
 - a. Market information systems
 - b. Rural infrastructure and basic services

The land market diagram



Source: own materials

An analysis of the Guatemalan Peace Accords identifies major similarities with the proposal for “market assisted land reform”. The only difference is the demand for recuperation of land fraudulently given to the military and the politics of the Franja Transversal del Norte and the Petén (FTN).⁷ This situation leads one to believe that it is precisely the “market assisted land reform” approach that was imposed during the negotiations of the Peace Accords and afterwards in signing the Accord on Socio-Economic Aspects and the Agrarian Situation. The Peace Accords propose that the land market functions as the central mechanism for promoting transformation of landholdings and increased efficiency and productivity. Proposals for the land market include; strengthening of property rights (regulation policies), registration and a Cadastre, implementation of taxes, improvement of financial mechanisms to facilitate access to land (land purchase), technical assistance and capacity building, complimentary social and economic investment, as well as protection of the environment.

Despite coinciding with the neoliberal proposal, these measures have not been fully implemented. Activities related to the proposals that have been implemented have been

⁷ *Ibid*, III. Situación Agraria y Desarrollo Rural. La Franja Transversal del Norte includes all of the lower northern part of the country, from the department of Huehuetenango to Izabal, passing through Quiché and Alta Verapaz.

isolated. This is to say that the PAN Government, which signed the Socio-Economics Accord, did not even demonstrate any interest in executing the neoliberal measures of the Accord on Socio-Economic Aspects and the Agrarian Situation. This leads to the conclusion that PAN interests correspond to an even more conservative position than that presented in the Accord. Therefore the creation of the *Fondo de Tierras* remains an isolated measure, developed outside the context required to ensure success.

Table 1
Peace Accords and the Land Market

The Peace Accords	Land Market
<p>Access to land ownership: land trust fund The land trust fund will have prime responsibility for the acquisition of land through Government funding, will promote the establishment of a transparent land market and will facilitate the updating of land development plans.</p>	<p>Access to land via the market.</p>
<p>Access to land: funding mechanisms Promote, through all means possible, the development of a dynamic land market that would enable tenant farmers who either do not have land or have insufficient land to acquire land through long-term transactions at commercial or favorable interest rates with little or no down payment.</p>	<p>There is no contradiction with the market, which also indicates the need for subsidies and/or credit mechanisms for land purchase.</p>
<p>Productive projects: Develop sustainable productive projects especially geared towards boosting productivity and the processing of agricultural, forestry and fishery products in the poorest areas of the country.</p>	<p>The market approach also focuses on productivity.</p>
<p>Basic Infrastructure: Engage in judicious public investment and foster a climate conducive to private investment with a view to upgrading the infrastructure available for sustainable production and marketing, especially in areas of poverty and extreme poverty; Develop a rural development investment program with emphasis on basic infrastructure (highways, rural roads, electricity, telecommunications, water and environmental sanitation) and productive projects.</p>	<p>Social and Economic investment. Specific promotion of private investment. Create additional infrastructure required.</p>
<p>Training and technical assistance: Strengthen, decentralize and broaden the coverage of training programs, especially programs designed to enhance rural people's managerial skills at various levels. The private sector and non-governmental organizations will be enlisted in the implementation of this action; Develop technical assistance and job training programs that will upgrade the skills, versatility and productivity of the labor force in rural areas.</p>	<p>Strengthening of capacity building systems. Opportunities should be opened for the transfer of government functions to the private sector (preparation of projects and technical assistance).</p>
<p>Information: Develop an information collection, compilation and distribution system for the agriculture, forestry, food processing and fisheries sectors, one that will provide small producers with reliable information on which to base their decisions relating to seeds, inputs, crops, costs and marketing.</p>	<p>Strengthening of information systems and capacity building.</p>
<p>Legal Reform: Promote a legal reform which will establish a juridical framework governing land ownership that is secure, simple and accessible to the entire population. This reform will need to simplify the procedures for awarding title and registering ownership and other real estate rights, as well as to simplify administrative and judicial formalities and procedures.</p>	<p>Legal law and order. Regulation of land ownership, titling, strengthening of property rights and reduction of transaction costs. Territorial law and order. Assigning</p>

Promote the establishment of an agrarian and environmental jurisdiction within the judiciary through the enactment of the relevant legislation by the Congress.	property rights through land ownership regulation projects.
Conflict resolution: By 1997, to have started the operations of a Presidential office for legal assistance and conflict resolution in relation to land, with nationwide coverage and the task of providing advice and legal assistance to small farmers and agricultural workers with a view to the full exercise of their rights.	
Land Register: By 1997, to have started the operations of a Presidential office for legal assistance and conflict resolution in relation to land, with nationwide coverage and the task of providing advice and legal assistance to small farmers and agricultural workers with a view to the full exercise of their rights. Likewise, the Government undertakes to initiate, by January 1997 at the latest, the process of land surveying and systematizing the land register information.	Strengthening of the institutions that assist the land market (registration, land office, judicial bodies and policies). Establish a register and trustworthy land office that offers legal certainty and property stability.
Land tax: Promoting, by 1997, the legislation and mechanisms for the application, in consultation with municipalities, of a land tax in the rural areas from which it is easy for the municipalities to collect revenues. The tax, from which small properties will be exempt, will help to discourage ownership of undeveloped land and underutilization of land. Taken as a whole, these mechanisms ought not to encourage deforestation of land use for forestry; Establishing a new tax schedule for the annual tax on undeveloped land which imposes significantly higher taxes on privately owned unutilized and/or underutilized land.	Land taxes should be established that provide incentives to make the land productive.

2. FONDO DE TIERRAS IN GUATEMALA

Fondo de Tierras (FONTIERRAS) in Guatemala is an autonomous decentralized State body, formed by the Peace Accords with national scope and authority, is legally registered and has its own resources.

The creation of *Fondo de Tierras* has received significant support from the World Bank even though the loan granted to Guatemala designed to assist *FONTIERRAS* was not approved until April 2000. The World Bank states that this project “*will assist the Government initiative to implement market assisted land reform.*”⁸

Fondo de Tierras has two principal functions: regulation and granting credit for land purchase. This study focuses on the second function as the only land access mechanism in Guatemala.

Since its beginning on 15th October, 2001, 9,874 families have received 54,611.94 hectares and a total of US \$ 42,821,782⁹ in credit and US \$ 20,427,1779 in subsidiaries. To date the total amount invested in technical assistance is US \$ 2,783,410¹⁰

The total number of applications received by *Fondo de Tierras* stands at 747. One-hundred and thirty-three credit programs have been granted, whilst 11 credit programs

⁸ Guatemala-*Fondo de Tierras* Project, November 1997.

⁹ Exchange rate of 7.8 Quetzals to the US\$.

¹⁰ Information Area of *FONTIERRAS*, properties granted at 5/10/2001.

are about to be granted. Two-hundred and seven cases have been closed. Fifty-seven cases remain inactive and/or are classified as difficult. Therefore 339 cases are being processed as normal. The cost of the credit program for the 339 cases will reach US \$ 115,467,824 and the subsidiaries will reach US \$ 52,538,295. This means that a total of US \$ 168,031,927 is required just to meet the demands of the normal cases, without taking into consideration operational costs.

Of the cases that have been closed, 95% did not continue the process, in 4% of the cases the group disintegrated and in 1% of cases they were attended to by FONAPAZ. A high percentage of the groups did not continue the process because of excessive procedures (around 30), which is not manageable for groups who do not have organizational assistance. Other reasons for not continuing the process include: not meeting the family quota, the landholder withdraws their offer and no other offer is made, or the group can not reach agreement amongst themselves – particularly when the group consists of people from different communities.¹¹

Of the 57 cases that are inactive or classified as very difficult, the majority presented incomplete documents, which delays the process. This is caused by the very same factors mentioned in the previous paragraph.

3. CONCLUSIONS ON THE LAND MARKET IN GUATEMALA

Taking into consideration the conditions previously discussed that should exist in the land market for the “market assisted land reform” model to function, it is evident that the following limitations exist:

Clearly defined and legally recognised property rights

The lack of legal certainty on property ownership, the level of distrust in the property register, the non existence of a Cadastre present serious limitations in the land market. The study identified three farms that have problems with boundary disputes and as such do not have legal registration. *“For example in the Petén, all of the farms are subdivisions of two larger farms, thus it must be determined who is the property holder....Without a Cadastre there is no legal guarantee for the purchase of land, registering the land provides some security but there is no definite security. There are problems and there will be more problems....”*¹²

Institutional framework to guarantee protection of those rights

With the signing of the Peace Accords, there was an attempt to develop State policy to promote institutional changes required for land issues, through the “Herradura”¹³. However with the new government and more specifically its first Minister for Agriculture (who held this office for six months), all of the institutional changes

¹¹ Interview Gilberto Atz, 28th February 2002.

¹² Interview with Sergio Mollinedo, September 2001.

¹³ Herradura: the Peace Accords tried to establish a State development policy for land issues, through a concept called the Herradura, which included: Geographical Information System (IGN), Land Register and Cadastre (RIC), the Presidential Office for the Resolution of Land Conflicts (CONTIERRA), Fondo de Tierras (FONTIERRAS), Land tax and taxes on idle land and investment for Productive Agricultural Development and Rural Development.

developed by the Peace Accords were dismantled. This indicates the fragility of the institutional structure that had been implemented.¹⁴

Improved intergration between the land market and other markets (in particular the financial sector)

The deficiency in monetary policies, exchange rates and credit which stimulates savings, investment within both the medium and short term has reduced the availability of resources for production. Neither the financial system nor the national bank have policies in favor of rural credit, with the exception of BANRURAL; the cooperatives sector and some non-government organizations play an important role in financing the rural area.

For *Fondo de Tierras* beneficiaries the deficiency in access to credit implies that they are unable to obtain basic services and infrastructure. The subsidy is not sufficient to cover such investments, thus they are denied integrated development.

Technical Assistance

Technical assistance came under the previous Public Agricultural Sector mandate, however when this office was dismantled in accordance with the social adjustment policy, there remained a vacuum that neither the State nor the private sector has addressed. With the exception of *Fondo de Tierras* beneficiaries, Guatemalan campesino farmers do not receive technical assistance. The omission of technical assistance implies that land is not being used in the most productive manner and there is no strategy for territorial organization. Both factors affect the land market.

Problems faced by the *Fondo de Tierras* in providing concrete technical assistance were evident in the study. In summary it can be stated that the private sector providing technical assistance does not adequately address training and capacity building needs of beneficiaries. Capacity building is required in identifying land, negotiation, awareness and understanding of credit conditions etc. The fact that this social service has been privatized has presented other problems, such as:

- Failure to complete duties: because the technical assistance is provided by the private sector, rather than being addressed as a social issue it is approached from a business perspective. The purpose of many businesses is not to solve a specific problem but to achieve the most economic benefit with the least economic cost. This implies that less personnel are contracted than the number specified in the contracts, that the personnel spend less time in the communities and do not have the necessary qualifications. These problems have been evident in field work.
- Corruption: as previously mentioned, private sector technical assistance contracts have been subject to various criticisms as it seems that *Fondo de Tierras* officials are involved in the “business” of contracting.

Elimination of sectorial incentives (tax advantages, credit, susideries etc.)

¹⁴ Interview with Carlos Cabrera, UTJ, 4th July 2001.

The Guatemalan economy is affected by a combination of privileges or false incentives exonerations, exceptions and deductions that distort efficient allocation of resources. *“There are fiscal privileges at the Constitutional level for private schools as well as individuals and legal firms that make donations to the universities, cultural or scientific entities. Such donations are deducted from the total rent sum calculated for the rent tax - ISR. Fiscal privileges and in some cases exemption of duty taxes, ISR, Value Added Tax - IVA and the property tax – IUSI, are awarded to certain productive sectors. Productive sectors, such as the clothing industry, businesses located in the free trade zones, the energy industry and sugar refineries amongst others, receive fiscal privileges according to specifically formulated laws.”*¹⁵.

Land Taxes

*“The Only Tax on Property (IUSI in Spanish), is practically insignificant, in 1990 it reached 48.4 million Quetzales which is 0.13% of Gross Domestic Product. In 2000 a reaudit calculated another 7.5 million Quetzales, equivalent of 0.01% of the Gross Domestic Product. The total loss of registration of IUSI funds collected has been a consequence of Fiscal decentralization that accelerated after 1998, protests against the new tax, overturning of the tax and consequently implementation of the previous tax. All of which has caused a collapse in collection and calculation of the total amount of income generated by the tax.”*¹⁶.

The Guatemalan IUSI tax is politically a very sensitive tax and there have been very tense discussions related to implementation. The later is due to the unequal distribution of land within the country. In this sense, despite the reduced efficiency in terms of generating tax income, this law is politically important for land reform. The Repeal of the IUSI Law has eliminated any possibility of taxing idle lands, as there is now no legislation that contains such a tax.

Macroeconomic Stability required to prevent investment and speculation landholding

Macroeconomic stability creates secure context for economic agents, who provide a more dynamic formal land market. In Guatemala the principle limiting factor in this sense has been the high interest rates and the restriction of credit.¹⁷ Macroeconomic stability is not the same as stability in prices, there is no macroeconomic stability if there is no increase in the Gross Domestic Product and employment generation.

The existence of sectarian incentives, economic instability and lack of land taxes causes repercussions for *Fondo de Tierras* operations. The main repercussion is that the land prices are distorted by speculation and do not represent land productivity.

Guarantee that land supply is greater than demand

This study estimates that there are currently 316,000 families seeking land.

There does not exist sufficient public property or vacant land to create land reserves to meet this demand, therefore the State can not be considered as the land supplier.¹⁸ Private supply is very dependant on incentives to sell, which in Guatemala are very low

¹⁵ Maynor Cabrera y Carlos Barreda, 2001.

¹⁶ Cabrera y Barreda, *op. cit.*

¹⁷ Carrera, 1999.

¹⁸ *Ibid.*

due to the macroeconomic instability and the lack of taxes. In this sense the private supply of good quality land is very limited, which causes disequilibrium between supply and demand.

This study found that groups have to invest significant time just to find suitable land. This illustrates that supply is scarce in comparison to demand, even through the real demand for land in Guatemala is not fully represented. Land that is easy to access and on the list of land offers at *Fondo de Tierras* is poor quality land, thus the fundamental conditions necessary for the land market to function do not exist.

Market information systems

Even though the Accord for the Resettlement of Refugee Communities establishes the need for a study on land supply in order to meet demand, such a study was never undertaken.¹⁹

Rural Infrastructure and basic services

State investment in infrastructure development programs, provision of services and withdrawal of services all affect the land market. Despite having constructed roads and increased the electrical service, the country still lacks vital infrastructure in telecommunications and electrical energy (24.6% of the rural population in 1998), clean drinking water (24.7% of the population in rural areas in 1998), health services and education, especially in rural areas. This factor along with the lack of rural infrastructure (markets, irrigation etc.) means that properties are extremely heterogeneous, another element that distorts land prices. Thus prices are not defined solely by the profitability of the land but rather by the accessibility of the land, location in respect to principle agricultural product markets, the availability of water for irrigation and the internal and external infrastructure of the property. Only after considering all of these factors, the productivity and size of the property are taken into consideration.

Precarious social services were a major characteristic of many of the communities visited during this study. The main problem after establishing a market for their products is the poor accessibility of the land. Furthermore the majority of communities visited did not have formal living structures, clinics, drinking water or electricity.

Analyzing the factors that influence the land market it is apparent that practically none of the factors required to establish a functioning land market are present and that the land market in Guatemala is non-existent. “*In the case of Guatemala it is utopian to think that land reform can be achieved through the market*”²⁰. However *Fondo de Tierras* represents “market assisted land reform” and is confident that the market will solve the problem of unequal distribution of land. This proves that international finance organizations do not take into consideration local factors when implementing and promoting their policies.

Another aspect that draws attention to this factor is the market model established in the Peace Accords. It can be seen that in the name of peace, market mechanisms are being

¹⁹ Entrevista Laura Hurtado, 18 de mayo del 2001.

²⁰ Carlos Caberea.

implemented by international organizations in the same manner as applied to other developing countries. This means that Guatemalan characteristics related to the peace process disappear within the normal common development model.

4. CONCLUSIONS ON THE FUNCTION OF THE FONDO DE TIERRAS

- a. Bureaucracy: The process required for submitting a complete land application presents several difficulties. The beneficiaries have to invest a significant amount of time and economic resources in searching for land that meets *Fondo de Tierras* requirements. This situation prevents groups with limited economic resources from continuing their application. The process itself is bureaucratic and complicated. This in turn creates an automatic elimination process of groups that do not have the necessary education level, experience or assistance of a campesino organization. Furthermore, it is becoming more and more bureaucratic in an attempt to hide the financial inability of *Fondo de Tierras* to met very concrete demand. The average time required to accept and process an application and grant credit has increased from 13 months in 1998 to 24.5 months in 2001.

Table 2
Number of months from initial application to granting of credit

Period	Farms granted	Quarterly average	Annual average
1998 jan-june	3	2.94	
1998 july-dec	10	16.00	12.99
1999 jan-june	3	16.73	
1999 july-dec	14	14.96	15.27
2000 jan-june	4	16.25	
2000 july-dec	41	20.39	20.03
2001 jan-june	36	21.27	
2001 july-dec	23	24.33	22.46

Source: Study material developed based on *Fondo de Tierras* data, Farms granted by December 2001.

This highlights that market mechanisms do not solve the problem of bureaucracy, even though bureaucracy has been one of the main criticisms of traditional land reform with State intervention.

- b. Administrative abnormalities: It can be illustrated that market mechanisms do not necessarily solve this problem; to the contrary they perpetuate it. It should be noted that contracting of private entities could be distorted and misused, if it is not done so according to established guidelines.²¹

²¹ Irregularities in *Fondo de Tierras*: During the research interviewees highlighted several cases of corruption:

- The existence of technical assistance businesses that are owned by *Fondo de Tierras* officials and employees, whose services are imposed on the beneficiaries.
- A network between assistance organizations, landowners, officials of CONTIERRA and FONTIERRAS to ensure their own benefit from the purchase of land.
- Abnormalities in the property valuation and intermediaries who charge a commission and are related to *Fondo de Tierras* officials.

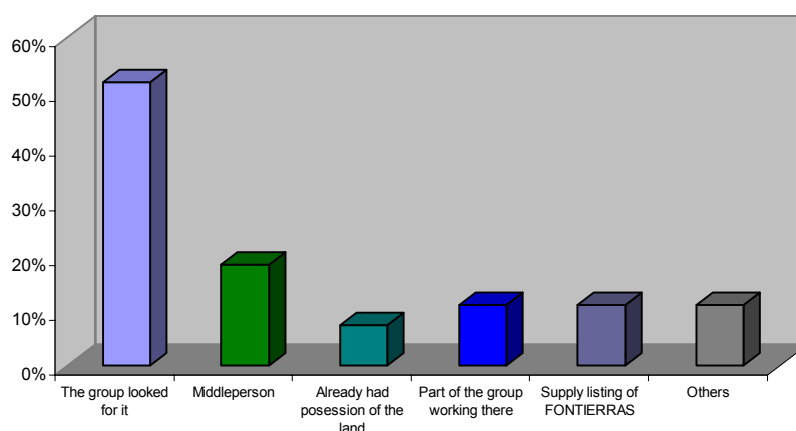
c. Loopholes and bad practice in the identification and selection of beneficiaries:

- In practice the groups that are assisted by an organization or institution, in particular communities that are associates of CNOC, have increased possibility of accessing *Fondo de Tierras* in a shorter timeframe.
- In several cases the selection of beneficiaries by the Socioeconomic Area of *Fondo de Tierras* has not been thorough, given that on some of the properties there were people with stable economic resources, employment in urban areas and some even have profitable production of various crops in other communities and in other situations the communities had homes with all basic services. In this sense the Fondo de Tierras Law does not adequately define the target population as specified in the Peace Accords.
- Enormous errors in selecting beneficiaries, absent beneficiaries, adjudication to women due to the lack of qualifying men, displacement of past workers on the property and excessive numbers of beneficiaries add to the complications.²²
- There is a significant advantage (in terms of land quality and price, time required for the process etc) for groups that are assisted by an organization over those who begin the application process on their own.

d. Granting poor quality properties:

- The *Fondo de Tierras* property listing generally consists of poor quality properties. This suggests firstly that *Fondo de Tierras* gives landowners the opportunity to rid themselves of poor quality property or avoid paying indemnification of property workers, instead of providing real alternatives for campesinos without land.
- Where good or reasonable quality properties were visited, the acquisition of such land was largely due to the active participation of the beneficiaries in searching for the property and the significant amount of time invested. One practice used by beneficiaries is to use an intermediary (see the following diagram), their payment being inclusion in the list of beneficiaries. There have also been cases of the exact opposite, in which the intermediaries are contracted by the property owners.

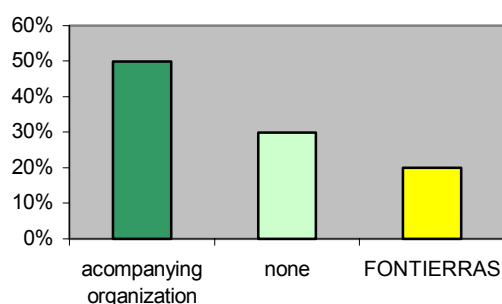
Graph 1: Mechanisms to locate land



²² Leopoldo Sandoval group discussion, 1st December 2001.

e. Unequal negotiations: Due to a lack of capacity (as illustrated in the following diagram, only 20% of the groups surveyed were given capacity building by *Fondo de Tierras*) the groups have a disadvantage in negotiation. Unless they are assisted by an organization the groups enter into negotiations with no preparation and negotiation is unequal due to the higher education and experience of the landowners. *FONTIERRAS* gives the beneficiaries example prices, based on the property valuation and in this sense there is some intervention, so in some cases the outcome has been a good purchase price. However it is not very clear what role Fondo de Tierra really holds in negotiation.

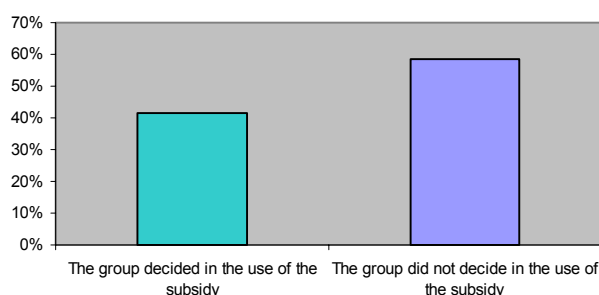
Graph 2: Training for the negotiation process



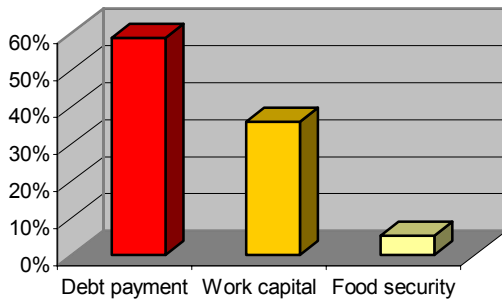
f. In many cases the application of a subsidiary is not decided by the beneficiaries: In 59% of the cases the groups did not participate in the application of the subsidiary. As a result a limited amount of funds are allocated to food security and work capital.

- Insufficient work capital can cause desertion of the property, seasonal migration, lack of motivation to organize and may prevent the implementation of productive projects. All of which mean that the beneficiaries will not be able to pay for the property, let alone generate income, save and achieve integrated sustainable development.
- Insufficient subsidiary allocated to food security (this item includes transport and basic housing) delays and obstructs transport and the initiation of projects. The poor management of funds by the communities also affects funds allocated to food security and the reduction in these funds obviously causes other problems.

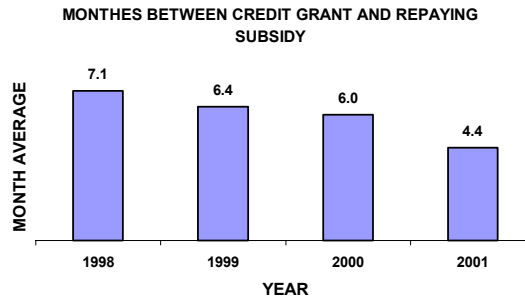
Graph 3: Participation in the definition of subsidy use



Graph 4: Subsidy distribution

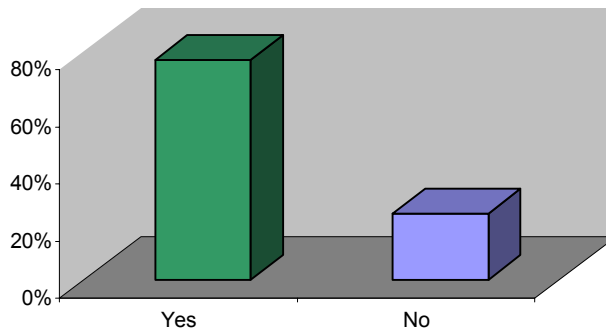


g. Delays in repaying the subsidy: 41% of the groups mentioned delays in paying the subsidy. As a consequence productive projects are delayed. In the meantime the interest free term is calculated from the date the subsidy is received. Delays in repayments effects the groups economically. Subsidy delays have diminished however it continues to exist and affect beneficiary populations.



h. Desertion: The principal causes of desertion (refer to the following diagram) are the lack of basic essential services (water, housing, electricity, health and education services) and because the community does not believe they can pay for the property.

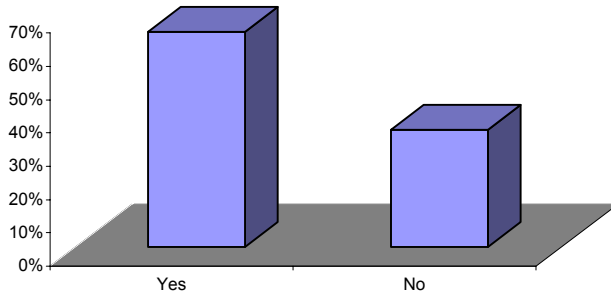
Graph 6: Desertion



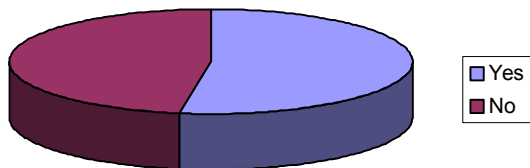
i. Lack of information about credit conditions: Information concerning debt, interest, terms and the interest free period is generally only managed by members of the Board of Directors of the groups, although in many cases even they are not informed. This lack of formation and clarity concerning the terms and conditions of the debt illustrates inefficient capacity building and awareness raising by *Fondo de*

Tierras. There is confusion about the debt (35.3% were not sure of the total sum), the terms (45.8% did not have exact information), interest (47.3% did not have exact information about interest) etc. On the other hand these figures show that the groups are mainly interested in obtaining immediate access to land and not in the purchase conditions.

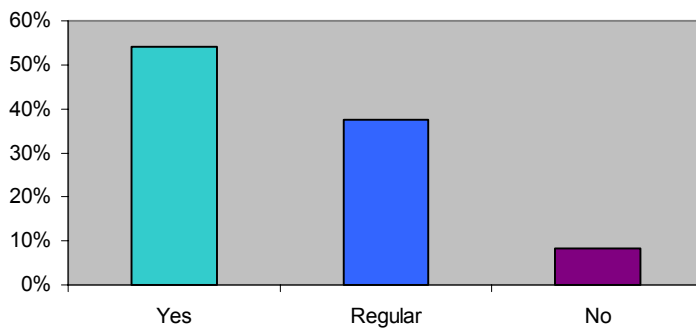
Graph 7: Knowledge of the debt



Graph 8: Knowledge of the interest



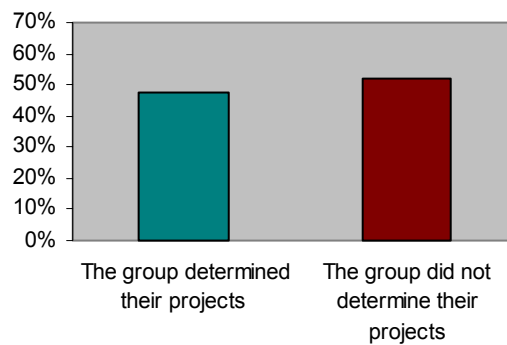
Graph 9: Knowledge of the terms



j. Weaknesses in productive project studies:

- Technical assistance firms undertaking feasibility studies of productive projects, without even reading previous feasibility studies previously undertaken by independent consultants are duplicating workload and resources.
- The groups do not participate in the planning of productive projects (48% of the groups mentioned that they had not participated).

Graph 10: Productive projects



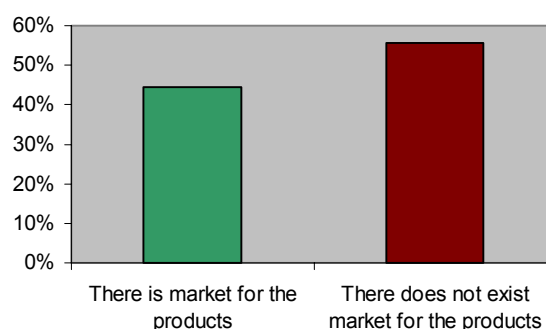
- The major difficulty faced by productive initiatives is the lack of markets and uncertainty in produce prices. This fact is not adequately addressed in the feasibility study nor in the technical assistance consultancy firm work plan.

k. Unprofitable productive projects:

- Productive projects have not been profitable in the majority of the properties. This is mainly due to inadequate technical assistance, lack of sufficient capital for the project or the lack of markets and stable prices.
- The development of productive projects is limited by minimal resources for food security and work capital, the lack of basic services, desertion and delays in reception of subsidiaries and technical assistance. These factors, along with poor quality land and property location further contribute to deterioration in the feasibility of the productive projects.

l. Lack of markets and commercialization channels: In 56% of the groups surveyed no market exists.

Graph 11: Commercialization

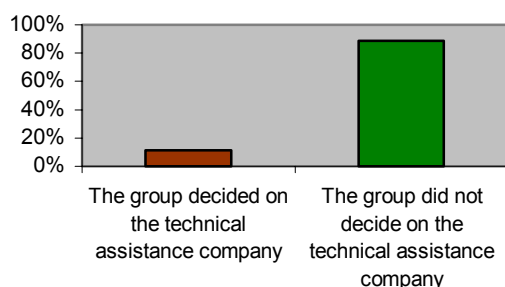


m. Food Security: The majority of projects implemented in the properties are basic grains, followed by vegetables and livestock. Very few properties have implemented fruit or reforestation projects. However *FONTIERRAS* tries to make communities “aware of” the advantages of commercial production (domestic or export), for a doubtful market, before producing basic grains. Thus endangering community food security.

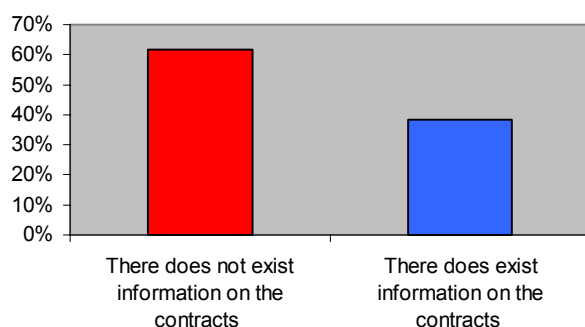
n. Problems in selecting technical assistance firms and their practice:

- In general groups have not participated in the selection of the technical assistance firms, rather *FONTIERRAS* alone has selected and imposed the technical assistance firm (89% of the groups surveyed did NOT participate in the selection of the firm). This affects the technical assistance contract and practice. In 62% of cases the groups were not aware of the contract conditions between Fondo de Tierra and the technical assistance firms.
- There is no standard methodology for the presentation of technical assistance services. Some firms have an agricultural technician permanently based at the property, others visit for a week each month and yet others only make one visit a month. Furthermore all claim to use the “learning through practice” strategy. With the introduction of new technological kits and crops, this strategy becomes “learning from your losses”. This causes grave economic losses for the campesinos, distrust in new technology and resistance to change, which is lethal for the beginnings of the development process. They try to transform subsistence farmers into commercial producers within one single agricultural cycle. What is more likely to occur is the transformation into subsistence farmers, who are even poorer than before, given that they now have bank debts.
- The technical assistants employed by the firms do not speak the Mayan languages spoken in different regions. This presents serious problems in communication, transfer of knowledge and capacity building for the beneficiaries.
- The technical assistance focuses only on agricultural and forestry production and is not directed towards integrated development. The largest deficiency exists in the lack of capacity building in organization and in the production and marketing processes. Without organization there is no development and even less integrated rural development.
- *Fondo de Tierras* has practically no supervision over the work undertaken by the technical assistance firms, which implies that the private firms practically have total autonomy and there is no control of the nature and fulfillment of their contract. This is dangerous given that many of the firms selected by *Fondo de Tierras* do not have a real commitment to the communities but rather function according to business transaction ethics (as would any other business) and not for social benefit. Furthermore there are two properties (two of those surveyed) that currently do not have any technical assistance.
- Beneficiary communities are unable to pay for a part of the technical assistance after the second year (in 100% of cases) as established in the *Fontierras Law*. This means that the presence of the private firm decreases, there is less accompaniment and less successful production.

Graph 12: Decision about technical assistance company

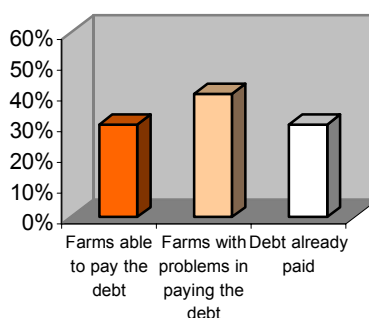


Graph 13: Information on FONTIERRAS' contracts with the technical assistance company



o. Debt payment: Some of the beneficiary communities are able to pay for the property but this alone does not guarantee that they obtain integrated development, especially given that there is a tendency to subdivide the property once the debt has been paid. Even when they are able to pay for the property with the subsidiary, the properties are generally such poor quality that productivity and/or marketing of products is unachievable. For this reason the communities can not break free from poverty. There are very few groups for whom integral development can become reality.

Graph 14: Ability to pay debt



p. Inadequate attention to gender equity:

- o The organizational structure is centralist and male dominated. The administration, community needs and interests as well as decision

making related to these issues are recognized as men's rights. This is further illustrated in the Junta Directiva in the communities, which consist only of men. During the organizational assemblies women's participation is restricted to listening, they do not have the right to vote or to have their voices heard.

- Women's training has been limited to registration of Women's Committees. There has been no permanent or consistent community awareness raising processes that stimulate organization and women's participation.
- Institutional recognition of women's rights by FONTIERRAS and the private capacity building firms is evident only in discourse and theory, in practice attitudes and processes reflect that women's rights are not seen as important elements in project implementation.

Many of the problems experienced by *FONTIERRAS* in Guatemala coincide with problems experienced in other countries where market assisted land reform policies have been implemented. This confirms that the difficulties experienced are not specific but rather structural and inherent to the model that does not provide an adequate solution to problems faced in the countries where it has been implemented. Examples of coincidences are:

- Priority for the beneficiaries is accessing land and not the price of land²³
- The beneficiaries do not have real negotiating power²⁴
- Lack of real participation of the beneficiaries²⁵
- Deficit in land offers → not enough quality land available²⁶
- Program focused on efficiency and not equity (the programs are designed for *campesinos* who already have some productive experience and can illustrate that they are capable of implementing an economically viable project)²⁷
- Bureaucracy in the agencies responsible for land reform²⁸

Based on the *FONTIERRAS* budget, present and possible impact and the current conditions in which *FONTIERRAS* operates, *FONTIERRAS* has no mayor influence in increasing access to land. Even though the implementation of *Fondo de Garantías* would create more impact, taking into account annual budget appreciation for the next two years, the impact on land purchases would be insignificant. Without *Fondo de Garantías*, study findings show that in the year 2006 only 1.16 % of demand (created by demand from people who do not have access to land, those who do have access or own less than 436.8 square meters²⁹) will be met.

With *Fondo de Garantías* over the next few years, between 1.80 % and 2.0% of the demand would be met³⁰. At the same time population increases³¹ will cause demand for

²³ Schwartzman, 2000.

²⁴ *Ibid*

²⁵ FIAN, *Vía Campesina*, 2000.

²⁶ El-Ghonemy, 1998; Tom Lebert, 2000.

²⁷ FIAN, *Vía Campesina*, *op. cit.*

²⁸ Kilusang, 2000.; Schwartzmann, *op.cit.*; El-Ghonemy, *op. cit.*

²⁹ Una cuerda: measurement of land commonly used in Guatemala, equivalent of 436.8 meters squared.

³⁰ Consists of the *campesino* population who do not have access to land, have access or ownership of land that is less than una cuerda.

³¹ Annual population increase is estimated at 2.51%.

land to continue rising every year. Therefore it is not possible to achieve changes in landholdings structure necessary for “land reform”.

Table 3
Impact of FONTIERRAS, per thousand

YEAR	Demand*	% annual increase in demand	Beneficiary Families	% covered	Deficit
1979	181.40		0.00	0.00	181.40
1998	290.53		1.09	0.38	289.44
1999	297.83	7.29	1.32	0.44	296.51
2000	305.30	7.48	2.58	0.85	302.72
2001	312.96	7.66	4.89	1.56	308.08
2002	320.82	7.86	4.50	1.40	316.32
2003	328.87	8.05	6.57	2.00	322.30
2004	337.13	8.25	6.66	1.98	330.47
2005	345.59	8.46	6.96	2.02	338.62
2006	354.26	8.67	6.38	1.80	347.88

Source: Study calculations based on The National Agrarian Census 1979 and the National Population Census 1980, United Nations Human Development Report 2000.

5. GENERAL CONCLUSIONS

Apart from the concret functional problems faced by *Fondo de Tierras*, there are two structural problems, addressed previously, that restrict impact; the budget available and the lack of conditions necessary for a functional land market, in particular limited supply.

World Bank officials are aware of the structural limitations that exist in practically all developing countries in relation to the creation of land markets and the real possibilities of successful “market assisted land reform“. They maintain that *“the proposal of “land reform from the communities” is complementary to other proposals, it does not substitute the laws that enable the State to expropriate land that has been (and in some countries continues to be) an important instrument to break the resistance of large landholders....”* and that *“we are very aware that global recipes do not exist rather that the proposal applied in any country must be adapted specifically according to local conditions.”*³²

Dispite this awareness, the “market assisted land reform“ model remains the preferred option and local characteristics have not been taken into consideration (the post-war process in Guatemala and the lack of conditions that determine the function of land markets). In terms of prioritizing the beneficiaries, it is brought to attention that contrary to the declaration of the Socio-economic Area of *Fondo de Tierras*, the World Bank maintains that demobilized populations should not be given priority. This is a further contradiction given that the World Bank has a division (“Post-conflict Peacebuilding & Reconstruction Unit”) that works within the thematic framework of demobilization and intergration of demobilized populations, specifically because in the post-conflict environment this group has been identified as a key factor in establishing minimal security and preventing the return of conflict. In this sense it can be seen (on behalf of the World Bank) that the World Bank continues to work within a post-conflict context

³² Robert L. Thompson, Director Rural Development Department of the World Bank, in a letter addressed to Rafael Alegria de la Via Campesina, responding to a “call for land reform”, 18 of January del 2001.

as if it were a normal common development process, skipping the particular characteristics of the Peace Process (and in particular the Peace Accords).

Civil society criticisms are considered “*ideological*”³³. One reaction to these criticisms was to change the name of the model from “market assisted land reform” to “land reform administered by the communities”³⁴. This new term does not change the context nor the scope of the model, it simply aims to remove the ideology behind the model and highlight the participative aspect.

The participative aspect presents an interesting focus if and when it is managed within the specific context. This is to say that it is taken into account that in reality the majority of the population have very scarce access to education levels that would enable them to participate equally in the market. According to the principal World Bank expert on land reform, Klaus Deininger, in Colombia a program has been implemented in which the municipal rural populations received six months capacitation, *before* beginning the selection and negotiation process. This strategy strengthens demand and liberates the population of the previously existing State paternalism.³⁵

What is not clear is how the World Bank seeks to solve the problem of limited supply. It is obvious that in this situation much stronger intervention of the State is required. Not only to continue advances in the Peace Accords mechanisms identified to strengthen the market (Cadastre, registration and regulation) but to also to recuperate lands that were illegally granted, without fearing expropriations (although these are compensated). By any other means it would be impossible to break the feudal structure that exists in Guatemala, especially given that the market, in neither the long nor short term, offers incentives to sell unproductive land and even less incentive for redistribution of productive land.

Finally, a rural development strategy should encompass more than just access to land. On the one hand it is necessary to strengthen the State institutions (Cadastre, property register etc), on the other hand the State must invest in the rural areas. In particular: rural and social infrastructure, with an emphasis in capacity building and education for rural communities, specifically capacity building in organization.³⁶ Such measures call for a strong and active State, that should not leave a space to the market that, at least in the context described, does not correspond to the market.

³³ Group discussion with World Bank experts, 3 July 2001.

³⁴ World Bank, 2001

³⁵ Interview with Klaus Deininger, 3 July 2001.

³⁶ See UNDP, 2000: „poverty reduction is based on poor people organizing themselves in communities, this is the best antidote against the lack of power, a basic source of poverty. Once organized, poor communities can influence local Government...they can also form wider alliances in order to influence decisions in regional and national planning. For this reason, what poor communities need more than anything are resources to develop their organizational capacity.“.

6. PROPOSAL

This study clearly shows the operational and budgetary limits of *Fondo de Tierras* in addressing demand for land, it also highlights specific structural characteristics that demonstrate the infeasibility of the market justifying the unequal distribution of land in Guatemala.

The study recognizes the need for the State to take a stronger position, which should include several additional mechanisms in order to facilitate access to land apart from the purchase of land through *FONTIERRAS*. One important factor is the recuperation of land that has been illegally granted, as highlighted in the Peace Accords. This would strengthen supply, as would the application of inheritance taxes, property taxes and taxes on idle lands. These measures would deter large property holdings and promote land sales. Nevertheless, it is necessary to explore and further study different mechanisms that could broaden the impact of modifications to the current highly concentrated structure of land holdings. The latter leaves no doubt of the need to improve not only the operational functions of *Fondo de Tierras*, with the aim of achieving a better impact, but also the need to further study the additional mechanisms for access to land as well as the development of a State policy for rural development, that addresses the agrarian and rural problems in Guatemala with an integrated approach.

The *Coordinadora Nacional de Organizaciones Campesinas CNOC* (National Coordinator of Campesino Organizations) presented a proposal of diverse options for access to land, as an alternative to addressing the problematic structural injustice of land ownership in Guatemala. This proposal needs to be further studied and developed before implementation, to ensure that specific characteristics of land reform in the country are not overlooked. Options proposed include access to compensation for groups whose land was illegally taken from them during the internal conflict, expropriation in accordance with Article 40 of the Constitution of the Republic, which permits the expropriation of private property for common collective use, social benefits and public interest properly controlled. Labor compensation can be solicited on agricultural or cattle properties where colonial serfs have worked more than ten years without receiving labor benefits or compensation. In this situation, if the landholders do not possess financial resources, they can pay with land; *access through conflict resolution*³⁷; and *through civilian or individual processes* that exist in cases of the right of possession versus the right of landownership or for cases of double land titling.

Apart from promoting alternative mediums for access, promotion of rural development strategy and access to land is urgently required. There are a series of initiatives from different sectors and social groups working towards the conception of a rural development and land policy. The same *campesina* organizations, the Catholic Church, research centers and non-government organizations, as well as the government and international organizations are working towards this goal.

The diversity of proposals illustrates that a rural development strategy can not fail to include as transversal themes, Nation identity and in the long term, the multiethnic,

³⁷ The most common conflicts are: incorrect land measurement, double land titling (property already registered is inscribed a second time, due to lack of information, poor location, inefficiency of the current register or corruption), and property rights versus ownership rights

multilingual and pluricultural characteristics of the country, social participation, the need for a strong State that promotes development and dissemination of income equity, decentralization, and special attention to the marginalized and excluded, in particular the Indigenous and women.

Objectives of the diverse proposals for a rural development strategy highlight the need for State strengthening so that the State is able to undertake the following responsibilities; Promote, orientate and regulate economic and social development, strengthening of an agrarian institution such as the Cadastre, property registration and application of property taxes, idle land taxes as well as the elimination of privileges, exemptions and exonerations. Re-establish the Public Agricultural Sector, basically in the areas of technical assistance and marketing; investment in rural and social infrastructure. Deliver free universal basic services and intensive promotion of productive investments. Restructuring of the primary exports model. Restructuring, diversification and modernization of the agricultural market, strengthening of the internal market and agro industry. Promotion of exports, as well as a society that promotes respect, development and participation of Indigenous peoples, cultural diversity and the participation of women.

The proposal recognizes *Fondo de Tierras* as one of the mechanisms for accessing land, however it is an insufficient mechanism, and recommends further improvement and the establishment of other complimentary options for access to land and rural development policies to achieve integrated development for men and women *campesinos*. The proposal addresses two elements: 1) the operation of *Fondo de Tierras* and 2) the *Fondo de Tierras* budget.

1. IMPROVING FONDO DE TIERRAS OPERATIONS

a. Property selection, negotiation and organization

- Establish a *Fondo de Tierras* policy of accompaniment for beneficiary groups that are initiating their application process, assigning economic, human and material resources to ensure successful proceedings.
- Accompaniment of the groups could be undertaken by campesino organizations via the *Coordinadora Nacional de Organizaciones Campesinas* (CNOC). *Fondo de Tierras* and CNOC would jointly establish respective working agreements with detailed criteria on economic, technical and material support as well as capacity building³⁸.
- The role of the *campesino* organizations could be: organizational capacity building, ensuring authenticity and representation in the formation of groups, capacity building in negotiation, capacity building and formation in production, selection and negotiating the property (verifying the legal accreditation of the

³⁸ CNOC accompaniment of groups initiating their application should in principle follow three paths: establishing the quality of the property, assistance in property negotiation and assistance in selecting the technical assistance firm. CNOC or campesino organizations give accompaniment and assist the groups in what technical assistance entails, what activities the technical assistance firms should complete and criteria by which to select such firms.

land, demanding a registration map and a thorough inspection of the property), and the integration of beneficiaries documentation.

- Awareness raising should be undertaken with both men and women, so as to ensure participation of women in the community groups formed. Discriminatory practices and attitudes regarding women's participation should be overcome when identifying land and in the negotiation process.
- A less exclusive, masculine and vertical approach to community organization should be promoted. An approach that is oriented towards improving access to land, to organizational structure and decision making within the community for women should be adopted. This approach should also promote participation of women and practical recognition of women's rights within the community.
- It is also necessary that the person responsible for ensuring women's participation and organization is female and has experience in working with a gender perspective.
- Improved mechanisms for ensuring authenticity and representation of beneficiary groups, with the aim of eliminating individuals with economic resources and employment in urban areas from benefiting and affecting the integration and development of the group. Ensuring authenticity and representation of the groups should be coordinated between the Socioeconomic Area of *Fondo de Tierras* and the *campesino* organizations represented in CNOC. Criteria should include:
 - e. To guarantee the selection of the poorest of the poor, reduce the maximum amount for qualification as a beneficiary to two minimum salaries.
 - f. To guarantee group cohesion and avoid desertation; clarify that the land is purchased and must be paid for, use bilingual personal and strengthen organizational processes through accompanying organizations; guarantee the formation of co-operatives, associations or *campesino* businesses.
- Priority should be given to the following groups: women (widows), displaced and demobilized populations. A part from these groups, cases should be processed according to the date of submission.
- Define a policy for the purchase of properties in accordance with the potential agricultural and forestry productivity and that does not accept the purchase of poor quality land. Land selection comes under the responsibilities of the accompanying organization (CNOC).
- The "capacity building" in negotiation currently offered as a formation activity should be restructured as a formation process that guarantees the ability of the beneficiaries in successful negotiating. This capacity building should also create awareness of the property value and not just seeing the negotiation as an opportunity to purchase land. Capacity building falls under the responsibilities of the accompanying organization (CNOC).

- The beneficiaries should be aware of and understand the property valuation.³⁹.

b. Property Valuations

- Improve and increase transparency of valuation procedures, in order to prevent over valuing and determine one standard methodology. Valuations could be undertaken by one firm or institution (BANRURAL⁴⁰ or the Department of Property Valuations (DICABI in Spanish) within the Ministry of Public Finances).
- Professionals who undertake valuations should present their conclusions under a legally binding oath, swearing that the description, explanation and conclusions of their reports are true and that they do not have any legal conflicts of interest or obstacles preventing them from undertaking the valuation and will not delegate or subcontract other firms or individual valuers for activities specified in respective contracts.
- Approval of the valuation should be conducted in the presence of the potential beneficiaries, accompanying organizations and the technical assistance firm. The format, methodology and contents of the valuation should be defined in a manner that facilitates evaluation and/or verification. Independent consultants should undertake the audit or financial review of the valuation and define a system of financial indicators.
- As part of the methodology for each valuation, a thorough inspection of the whole property and soil analysis should be undertaken. This should include complete measurement of the property boundaries so as to confirm the actual property size with the property description in legal documents and property registration. Potential beneficiaries, the accompanying organization, *Fondo de Tierras*, the property owner and the firm contracted to complete the valuation should all be present for the inspection.

c. Supervision

- *Fondo de Tierras* should consider developing an area or department to monitor, evaluate and follow up on all aspects of its mandate.
- Internal standards for implementation of the *Fondo de Tierras* policies should be revised in order to reflect internal multisectorial functions. This means that the Directive Council, the highest decision making body, not the executive managing body should direct and define the *Fondo de Tierras* policies.

d. Credit Approval

- To avoid duplication of workload, the technical assistance firm should assume responsibility for the productive project feasibility analysis. This

³⁹ Currently, in theory, the property valuation is not known neither by the property vender nor the purchaser but in practice the purchasing community take the valuation into consideration when negotiating.

⁴⁰ BANRURAL - Rural Bank

should be incorporated into the technical assistance framework, pre-contract and be the basis for developing the productive plan for the property. This will ensure that the technical assistance firms become involved in the selected properties earlier in the process and will be dedicated to quality and efficient selection processes. The initial productivity analysis will be the basis for the evaluation and outcome of their future work. This will save time in initiating and implementing selected projects based on the real productive capacity of the property⁴¹

- The productivity analysis should be undertaken only by the technical assistance firm and should include several transparency criteria such as:
 - a. The professionals contracted by the technical assistance firms should present their study, analysis and conclusions in a legally binding document in which they swear under oath that their findings are true and correct.
 - b. Standard format, methodology and contents should be established for the analysis so as to facilitate evaluation and verification.
 - c. The productivity analysis should include criteria related to productivity and not only the financial possibilities as is presently the case.
 - d. The role of the independent consultants who currently complete the diagnostic productive study could be to audit the study undertaken by technical assistance firms according to the terms defined by *Fondo de Tierras*.
 - e. Members of the beneficiary communities and not just the board of directors of the community (as is currently the practice) should be consulted during the productive study.
 - f. The productivity study should include an analysis of soil capacity and land use .
 - g. The professional qualifications and fulfillment of technical, legal and tax requirements of the technical assistance firms contracted for the productivity analysis should be revised.

e. Subsidiaries

- Effective participation of the beneficiaries in defining subsidy use must be guaranteed.
- The subsidy amount per family should be increased. The *FONTIERRAS* law indicates that the subsidy should be no less than 26 minimum salaries, with the option of increasing the amount. Results of this study show that the subsidy amount is insufficient and does not cover food security costs (such as transport to the property), in particular work capital. In some cases, despite having fully paid for the property, there are no resources remaining for employment generating capital. In other cases funds remaining are insufficient to cover the

⁴¹ Presently the productivity study and productivity management plan of the property is undertaken with the objective having the property purchase approved. This means that the productivity study determines the productivity and purchase of the property, as well as the amount and destiny of the subsidiary. Even though these studies are the basis for the decision-making process and purchase of the property, they are based on one requisite and later duplicate work, when the technical assistance firm completes the majority of the study a second time.

operational plan for the property, which is designed based on the productive capacity of the property and productive projects, to generate conditions to enable payment of the property.⁴² This situation is further complicated when vacant land and not properties with existing infrastructure are purchased⁴³. The fertile productivity of the land is exhausted from previous poor management, deforested and eroded, for this reason the land is not considered to be a productive property.⁴⁴ The subsidy should be based on the property productivity management plan and be increased to be more than the 26 minimum salaries.

- The following should be prioritized within the subsidy:
 1. Increases in the percentage and quantity of the subsidy allocated to the move to the property, food security and basic housing for the beneficiaries. This aims to strengthen food security and prevent dissertations.
 2. Increases in the percentage and quantity of the subsidy for capital investment according to the productive management plan for the property.
- The subsidy should be granted at the time the beneficiaries move to the property with the aim of initiating productive project simultaneously. The subsidy should be granted at the same time as the property is handed to the beneficiaries, so as to prevent any delays that might affect the move, initiation and implementation of productive projects.
- Subsidy reception and payment should be agreed upon via a participatory process and in consensus with the beneficiaries in order to prevent delays and irregularities. Management of the resources allocated to work capital should be defined by the beneficiaries together with the technical assistance firms and not imposed by the firms and/or *Fondo de Tierras*. Resources received from *Fondo de Tierras* and purchased as part of the subsidy should not be managed solely by the technical assistance firms. Such capital should not be subject to interest fees, which violates the contents and spirit of the *Fondo de Tierras* law.

f. The debt amount, terms, interest free period and interest rates

- All of the beneficiaries should have a clear understanding of the debt amount, terms, interest free period and the interest rates. *FONTIERRAS* should undertake an informative campaign on all elements that affect the credit policy. This campaign should raise awareness of debt magnitude, implications and payment mechanisms. Information on new interest rates and interest free periods

⁴² The amount allocated for capital investment for the productivity study (which in some cases is known by the Board of Directors of the community and never by the community General Assembly), does not coincide with the amount calculated in the property management and project plans designed by the technical assistance firms (management plans are confirmed by the Board of Directors). For this reason other sources of funding must be found, which may be restricted to only funding the beneficiaries. Thus in the majority of properties projects are not viable and do not provide capital for the beneficiaries nor are the projects capable of generating savings and debt payments.

⁴³ Here the study refers to the different experiences when groups have purchased vacant land, and when groups have purchased farms or properties with existing infrastructure, such as housing, sheds etc.

⁴⁴ Due to this situation a greater portion of the subsidy must be allocated to capital investment, which should include resources required to improve soil and similar investments as well as transport to the property and establishment of the community.

should also be included in the campaign as many of the beneficiaries do not have access to this information.

- The interest free period should begin at the same time as the subsidy is handed over, not at the time of receiving the property. The interest free period should be defined in accordance with the productive projects and the productive feasibility of the property as outlined in the productive management plan of the property. Previous experience indicates that this period fluctuates between five and seven years.
- BANRURAL should begin charges from the date of complete granting of the subsidy.⁴⁵
- Communication between *FONTIERRAS* and BANRURAL on national and regional levels should be improved. In some cases the two institutions operate with different debt totals, due to additional debt generated by interest rates. This affects the beneficiaries who have to travel to the *Fondo de Tierras* head office to resolve the problem⁴⁶.
- Repayments should be smaller amounts initially, as beneficiaries have less opportunities for income generation when first starting new productive projects. Such projects require several production cycles before achieving efficiency and implanting new technology, which enables higher returns.
- The terms of debt payment should be drawn up based on the specific conditions of each property which should be determined by a system of indicators.

g. The move and dissertations⁴⁷

- Undertake an informative campaign for the beneficiaries of *Fondo de Tierras*, with the objective of informing communities about interest rates and new interest free periods. Some beneficiaries desert the community because of high debt repayments and initial interest rates.
- Assist the beneficiaries in locating properties in geographic regions with similar climatic and cultural conditions to their place of origin.
- Improve mechanisms for identifying the target population so that all for the beneficiaries move to the new property.
- Promote the signing of a contract or commitment agreement that specifies the condition of moving to the property in order to qualify as a beneficiary.

⁴⁵ At the moment the Economic Reactivation fund, which is part of the capital subsidy has not been received.

⁴⁶ BANRURAL collects the repayments, even when *FONTIERRAS* has not issued the total subsidy amount. There are discrepancies over the debt and interest figures registered with *Fondo de Tierras* and the bank, due to inefficient communication between both institutions.

⁴⁷ There are currently 33 properties that have experienced problems with dissertations. No further funds are assigned until this problem is resolved, for this reason the legal area of *Fondo de Tierra* should resolve the problem. There also exists problems with names and surnames of some of the beneficiaries).

- Manage complimentary investments of basic services before the community moves to the property, such as drinking water, electricity, rural roads, minimum housing as well as education and health.

h. Projects

Design project and productive infrastructure investment strategies for the financial and productive sustainability of the property with the following elements:

- Promote a balance between productive projects for food security and project designed to cover debt payments, as well as projects for exportation and the national market. The later should be based on the need to consolidate organization within the communities and their food security. Therefore the projects should provide food security in the short term and facilitate debt repayment in the long term.
- *Fondo de Tierras* should ensure that beneficiaries are aware of the existence of other institutions such as the Institute for Agricultural Science and Technology (ICTA in Spanish) that could assist with new seeds for basic grains and vegetables, PROFRUTA which could assist in installing fruit nurseries and plantations, the National Forestry Institute (INAB in Spanish) which could assist in reforestation, PLAMAR which could assist with irrigation systems and other national and international entities, government and non-government organizations that fund productive and social projects.
- Promote the implementation of micro regional and intercommunity projects that take advantage of the economies of scale.

i. Technical Assistance:

Fondo de Tierras should define a new policy on technical assistance that includes the following elements:

- The beneficiaries participate in the selection, audit and inspection of the technical assistance firm. The beneficiaries should have a clear understanding of the terms of the contract, and expected results presented in the plan designed by the firm.
- A medium and long term perspective, which incorporates the process of transferring new technology and the transformation of small agricultural producers into highly productive producers with management capacity.
- A holistic approach to rural development, that is not focused only on agricultural and forestry production but also receiving basic services such as education, health, housing, organization, professional capacity building and productive infrastructure investment amongst others.
- Include gender perspective and women's participation in all decision making, such as the productive processes, guaranteeing access to administration of

economic resources and the distribution of economic benefits generated within the community.

- Adopt an approach that takes into consideration the cultural diversity, in particular the language of the beneficiaries.
- Implement one technical assistance methodology, that incorporates the process of introducing new technologies. Apart from crops that have a short cycle, such as basic grains and vegetables, it might be necessary to establish “demonstration plots” for the introduction of new technologies. This ensures that the beneficiaries have the chance to experiment with the use of new technologies, manage the crop and then begin commercial plots. The implementation of this methodology should be established in a technical working agreement between the *Fondo de Tierras* and the Institute for Agricultural Science and Technology, so that the technical assistance firms use this technique to transfer technology.
- The technical assistance firms should contract personal with proven experience in rural development, taking into consideration that the beneficiaries moving to the property will construct a new community and will require significant accompaniment and orientation provided by “technical assistance for integrated rural development” more than by a technical assistance based on agricultural and forestry production.
- Technical assistance provided by firms should be coordinated according to zones, based on the rural development policies that include development zones and “megaprojects” in which various properties participate. These projects lower costs, improve services and increase productivity and profitability of the properties.
 - In order to guarantee transparency contracts should specify, services and quality control mechanisms. A supervisory and social auditing system needs to be developed for the private firms contracted for technical assistance. The system should include the following criteria: human resources and technical education, contents, technology transfer, methodology, timeframe and frequency of the technical assistance amongst other criteria.
 - The technical assistance should be universal and permanent and should be presented over the medium term within the framework of a national capacity building, formation and technical assistance program. This program should be presented by several State institutions. The technical assistance should evolve towards long term assistance. The priorities should be moving towards marketing and identifying markets.
 - Technical assistance should be permanent and definition of contracts should be an efficient and rapid process. As many contracts are currently yearly, recontracting each year causes considerable delays in the productive projects.
 - More attention should be given to the capacity building and formation of women so that they may participate in the productive process.

- Literacy plans for both men and women should be included.
- The *Fondo de Tierras* should help with the organic certification of the agricultural products produced by the beneficiaries.

j. Other FONTIERRAS responsibilities

- The *Fondo de Tierras* should include a marketing and production promoting program for the products generated on the properties. This program should include a regional production system, production diversification, market identification, invest in infrastructure and create alliances between producers and marketers, so as to eliminate the middlemen. The State should implement this program over the medium term as part of a rural development strategy.
- A coordinating body should be established between *Fondo de Tierras*, Social Funds, the Ministry of Agriculture, BANRURAL, and the Institute for Agricultural Science and Technology, amongst other institutes, with the goal of promoting investment in rural development and productive infrastructure.
- *Fondo de Tierras* should develop a fund to strengthen capacity and research in specific topics, tailored specifically for the technical assistance personal, the beneficiaries and accompanying organizations. Agreements between other national and international institutions to develop this program should be promoted. Examples could be: technical assistance support, technology transfer, construction of productive infrastructure and research.

2. BUDGET

a. An increase in the FONTIERRAS budget, so that demand can be met

Given that land access is a problematic issue that has historical roots of great magnitude, there is no rapid short-term solution. A realistic solution over the long term would be to meet the demand that will increase from the year 2003 onwards. If a program of this nature were implemented the demand accumulated by 2002 will remain constant. In relative terms this means that in the medium and long term, percentage wise, demand will reduce as the economically active population in the rural areas increases.

The following table illustrates the estimated increase in financial resources required for land purchase, in order to maintain constant demand in absolute terms. It also shows how many families should have access to land in each of the next few years.

Table 4
Budget required to ensure relative reduction in demand for land

YE A R	<i>FONTIERRA</i> credit in Q.	Loans & Interest paid	Additional <i>Fondo de</i> <i>Garantías</i>	Total Credit	Initial payment in Q.	Debt in Q.	Average price of land	Land granted	Famili es per propert y	Total Benefici aries
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
1998	42,182,946	0	0	42,182,946	7,283,000	34,899,945	3,244,842	13	84	1090
1999	40,387,852	0	0	40,387,852	8,243,000	32,144,850	2,375,756	17	77	1315
2000	64,170,765	0	0	64,170,765	21,246,486	42,924,134	1,426,017	45	57	2583
2001	222,312,906	0	0	222,312,906	70,084,585	152,228,320	3,768,015	59	83	4886
2002	222,000,000	4,138,414	0	226,138,414	65,467,071	160,671,343	3,768,015	60	75	4,501
2003	522,664,451	7,950,131	100,000,000	630,614,582	182,562,921	448,051,660	3,768,015	167	75	12,552
2004	932,717,264	12,614,480	100,000,000	1,045,331,744	302,623,540	742,708,204	3,768,015	277	75	20,807
2005	1,342,554,620	27,903,687	100,000,000	1,470,458,307	425,697,680	1,044,760,627	3,768,015	390	75	29,269
2006	1,782,440,004	48,733,233	50,000,000	1,881,173,237	544,599,652	1,336,573,585	3,768,015	499	76	37,943

Source: Own material.

- (a) Average annual credit.
- (b) Based on previous experience it is calculated that 67% of loans and interest is recuperated.
- (c) Commercial bank funds with market interest rates: 5% +14% subsidy = 19%
- (d) Amount available for new credits (a) + (b) + (c).
- (e) Initial annual payment 28.95% for the years 2002 to 2006.
- (f) From the year 2002 a 7% (equal to inflation) is calculated.
- (g) The total sum when dividing available credit by the price of land.
- (h) Number of beneficiary families is equivalent to the average number for 1998 to 2001
- (i) Average number of beneficiary families per year.

As well as increasing the *FONTIERRAS* budget, it is necessary to increase the budget assigned to the *Fondo de Garantías* and apply complimentary mechanisms that promote commercial participation in resources for land purchase. To simplify calculations the proposal only includes the State budget and funds allocated to Guarantee Fund have been calculated at a set amount. It must be noted that this initiative would also require a substantial increase in the resources allocated to the *Fondo de Garantías*.

Table 5 shows the following results: the *FONTIERRAS* budget needs to increase substantially each year until it reaches a total of US \$ 229 million⁴⁸ in 2006. This figure accommodated demand for the next five years (including 2002), 105 thousand families and the purchase of 1,394 properties. Such an effort, as shown in the following tables, reduces by 50% the demand for land, the number of families that do not have access or ownership of land that is less than 436.8 meters squared in approximately 30 years (tables 5 and 6).

⁴⁸ Calculated at the Exchange rate of 7.75 Quetzals to the US Dollar, 2002

Table 5
Beneficiary families and unsatisfied demand according to scenario 3 (per thousand)

Year	Demand	Families	% demand met	Unsatisfied demand
1979	181.40			
1998	290.53	1.09	0.38	289.44
1999	297.83	1.32	0.44	296.51
2000	305.30	2.58	0.85	302.72
2001	312.96	4.89	1.56	308.08
2002	320.82	4.50	1.40	316.32
2003	328.87	12.55	3.82	316.32
2004	337.13	20.81	6.17	316.32
2005	345.59	29.27	8.47	316.32
2006	354.26	37.94	10.71	316.32

Source: Calculations based on table 4. The National Agrarian Census 1979 and the National Population Census 1980 were used to calculate demand. Human Development Report, United Nations in Guatemala.

Table 6
Percentage of unmet land demand per five years

Year	% respecto de la PEA		
	% demand	% demand unmet	
	(a)	(b)	(b)/(a)
2000	6.42%	6.37%	99.15%
2005	6.39%	5.85%	91.53%
2010	6.36%	5.14%	80.86%
2015	6.32%	4.52%	71.43%
2020	6.29%	3.97%	63.11%
2025	6.26%	3.49%	55.75%
2030	6.22%	3.07%	49.25%

Source: own material

b. The increased FONTIERRAS budget and the possible increase in the Fondo de Garantías budget should be generated through taxes on idle land

The financial impact of the proposed *Fondo de Tierras* budget in relation to the Gross Domestic Product will increase from 0.12% in the year 2002 to 0.68% in the year 2006. If it is assumed that the State budget remains at 13.7% of the Gross Domestic Product as in the current year, then the *FONTIERRAS* budget will be approximately 5% of the budget.

It can be seen that the impact on Gross Domestic Product is minimal, however in relation to the State General Income and Expenditure Budget there are increases, given this is low compared to the Gross Domestic Product and the development needs of the country.

However, the *FONTIERRAS* budget increase is viable as part of fiscal reforms as outlined in the Peace Accords and the Fiscal Agreement, especially if a tax is applied to idle lands and income generated from this tax is allocated to *FONTIERRAS*.

Table 7
Percentage of the FONTIERRAS budget

	GDP	Public Budget
2000	0.04%	0.34%
2001	0.14%	0.94%
2002	0.12%	0.93%

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