Provision of Financial Services to Agricultural Producers in Guatemala

Productores del Campo
Más Prósperos y Organizados (PROCAMPO)
This learning brief presents findings from an assessment of the efficiency, effectiveness, relevance, sustainability, and impact of a USDA-funded PROCAMPO activity that provides financial services to small and medium-sized agricultural producers in Guatemala. It finds that the provision of small loans to agricultural producers in Guatemala can be an effective and efficient way to boost production and improve household income and wellness with little risk to financial institutions. The brief concludes with recommendations for future programming.

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About Counterpart International

Counterpart International partners with local organizations around the world to build inclusive, sustainable communities in which people thrive. A 501(c)(3) nonprofit, it forges community-based partnerships between citizens, government, civil society, and the private sector in the areas of food security, democracy, rights and governance, women’s empowerment, and climate resiliency to build the capacity of communities to shape their own destinies. Since 1965, Counterpart has operated in more than 65 countries across Africa, Asia, Latin America, the Caribbean, the Middle East, and Eastern Europe.
PROCAMPO’s Learning Series

Counterpart International has implemented USDA’s Food for Progress project in Guatemala, known as PROCAMPO (Productores del Campo Más Prósperos y Organizados) for over a decade. As the program comes to a close, the project team has gathered data from various participants, implementing partners, and other key stakeholders to document PROCAMPO’s accomplishments, successes, and lessons learned. The PROCAMPO Learning Series covers topics of financial services, accredited certification, trade fairs, and the impact of project activities on agricultural producer groups. The following brief focuses on the impact of engaging agricultural producer groups in activities aimed at improving agricultural production and market access opportunities in Guatemala.

PROCAMPO Overview

In 2016, Counterpart International began implementing PROCAMPO in Guatemala’s Western Highlands departments of Huehuetenango, Quetzaltenango, San Marcos, Sololá, and Quiche. PROCAMPO’s goal is to improve agricultural productivity and expand trade of agricultural products in Guatemala.

The project works in partnership with the Guatemalan Ministry of Agriculture (MAGA), the National Coffee Association (ANACAFE), the Federated Cooperation of Credit Unions (MICOOPE), the Agronomy Faculty of the University of San Carlos (FAUSAC), and the University of California at Davis (UC Davis) to improve the agriculture extension system, agricultural productivity, market systems, access to loans, and value chain development.

Counterpart International has delivered permanent, scalable solutions by:

- Re-establishing a functioning National Rural Extension System and creating the only academic rural extension training program in the country
- Strengthening the capacity of coffee and other agricultural producer groups, associations, cooperatives, and Rural Development Learning Centers by providing technical assistance to smallholder farmers
- Providing capacity-building grants to competitively selected producer groups to support agricultural development activities such as technical services, on-farm equipment, and agricultural inputs
- Expanding the outreach and availability of financial services in the agricultural sector
- Implementing trade promotion activities to enhance producer marketability, supporting farmers to obtain certifications to expand sales into new and established markets, participate in trade shows, and connect with buyers
- Providing training and technical assistance to agricultural producers on production practices, technologies, and farm management

Since its inception, PROCAMPO has graduated 420 extension agents from the Certificate Rural Extension Program, provided 191 in-kind and cash grants for improved agricultural productivity, provided over $60 million USD in agricultural financial loans to 9,757 smallholders and coffee producers, facilitated 58 contracts signed between buyers and sellers to support producer groups to expand sales and establish new markets, achieved $6.2 million USD in sales from 2,806 MT of coffee produced by project coffee producers, trained 54,972 coffee producers and smallholders on agricultural sector productivity or food security, created 2,946 new jobs, and benefitted 72,663 individuals directly as a result of USDA assistance.
The provision of small loans to agricultural producers in Guatemala can be an effective and efficient way to boost production and improve household income and wellness with little risk to financial institutions. This learning brief presents significant findings from an assessment of the efficiency, effectiveness, relevance, sustainability, and impact of a PROCAMPO activity that provides financial services to small and medium-sized agricultural producers in Guatemala.

Methodology
A consulting firm carried out the study, employing a multi-layered analysis approach that integrated data from financial service providers of the Federated Cooperation of Credit Unions (MICOOPE) and 10 benefiting cooperatives in the departments of San Marcos, Quetzaltenango, Sololá, Huehuetenango, Totonicapán, and Quiché. A comparative analysis was used to analyze quantitative project data and qualitative data from focus group discussions.

Results
With support from PROCAMPO, financial services were provided and expanded to individual producers who did not previously have access to them, resulting in improved production, increased income, expanded market access, and improved quality of life. The following results show the efficiency, effectiveness, relevance, sustainability, and impact of loans distributed by MICOOPE through the PROCAMPO project.

Efficiency. The agricultural loans provided by MICOOPE are implemented efficiently because they:

- **Are paid back on time.** Loan recipients reported that they were able to pay back their loans on time without any inconvenience 97.3% of the time, an increase from 90.2% in 2017.
- **Consider risks.** Loans are evaluated for risk, and loan adjustments and training are provided to producers to mitigate risks, as needed.

Effectiveness. The agricultural loans provided by MICOOPE are implemented effectively because they:

- **Are invested as intended.** Loans are invested to improve agricultural productivity, their intended purpose, among 87% of producers.
- **Meet producer needs.** Loans meet producer needs for capital to purchase supplies, labor, land, and improved agricultural equipment and vehicles, among others.
- **Improve financial access over time.** Agricultural producers are able to secure larger loans over time, which allows them to continue expanding operations to improve incomes and livelihoods.
Relevance. The agricultural loans provided by MICOOPE are relevant to producers because they:

- **Finance their main livelihoods.** Agricultural activities, including horticulture and coffee production, are the main source of income for 80% of loan recipients.

- **Are accessible.** Loans are typically valued at $628 or less per person, which makes them more accessible to a broader range of agricultural producers who may not qualify for larger loans due to lack of collateral or credit history.

- **Are feasible.** Loan recipients reported satisfaction with the flexible loan terms provided by MICOOPE. Of them, 67% valued loan repayment duration, 58% valued loan interest rates, and 57% valued customer service, all of which were major obstacles for farmers prior to receiving loans from MICOOPE. The flexible loan terms provided by MICOOPE make it easier for farmers to obtain loans and pay them back on time.

- **Are in high demand.** During the last five years, 74% of loan recipients report that loans provided by MICOOPE are their sole source of credit.

Sustainability. The agricultural loans provided by MICOOPE ensure continued access to financial services that meet producer needs because they:

- **Reflect a high level of customer satisfaction.** Of loan recipients, 96% indicated they were likely or very likely to continue requesting loans.

- **Will be recommended to other producers.** Of loan recipients, 56% indicated they are likely or very likely to recommend MICOOPE loans to others.

Impact. The agricultural loans provided by MICOOPE greatly impacted producers because they:

- **Increase quality and quantity of production.** By investing loans into expanded cultivation area, increased mechanization, and implementation of new production technologies, 52% of producers increased their production area, 61% increased yields, 52% improved farm management, and 56% improved quality of production.

- **Improve market outcomes.** Loan recipients were able to expand into new markets, where 74% achieved better prices, 47% expanded their client portfolio, 30% increased sales, and 54% improved financial management.
• **Increase income.** Of loan recipients, 99% reported increased income, which was reinvested into:

• **Improved food security and health outcomes.** Of loan recipients, 89% reported increased quantity of food consumed, 70% reported improved quality of food consumed, 77% reported no issues paying for health care for their family, and 40% reported improved overall health of their family.

• **Improved household welfare.** Of loan recipients, 68% invested in more food for their household, 47% invested in more clothing for their family, and 33% invested in household improvements.

**Conclusion**

The data demonstrate a substantial financial and market advantage for producers that receive loans through MICOOPE. Based on the data, it is evident that loans provided by MICOOPE are efficient, effective, relevant, sustainable, and impactful.

The evaluators compiled the data into an unweighted composite index to quantify the project’s impact. PROCAMPO’s financial services activity received an overall impact index of 4.63 out of 5 points, which is considered “very good” and associated with achieving most of its desired impacts.

Financial services provided by MICOOPE can be a valuable intervention for producers seeking to improve production, increase income, and expand into new markets.
Recommendations for Future Programming

**Strengthen Technical Assistance.** There is a need to strengthen technical assistance to accompany financial services for loan recipients, such as training in financial literacy and business management for producers. Farmers who are successfully implementing credits should be used as a model for strengthening lower capacity producers through partnerships, training, resource sharing, and encouraging recipients to diversify their financial products to cater to the needs of the agricultural community.

**Anticipate and Mitigate Future Risks.** There is a need to increase focus on risk mitigation. Improved risk assessment tools need to be implemented to address the several potential risks identified by producers and MICOOPE members. These risks to agricultural productivity include climate change, market fluctuations, blight, and pests. It is important that financial service providers encourage producers to invest in climate smart production techniques that mitigate potential for crop losses.

**Ensure Continued Access to Financial Services.** There is a need to ensure continued presence and expansion of credit unions offering agricultural financial services. Microfinance options for low-value loans must be maintained or increased to ensure access for new and existing smallholder farmers. Additionally, there is a potential opportunity for scale-up by facilitating access to larger loans for qualified producers, aligned with the growth of their agricultural businesses.

**Focus on Gender Inclusivity.** There is a need to address the gender gap in financial service provisions. Loans are being distributed at an unequal rate among men and women. Of total credit distribution, 38% of loans are provided to women and 62% of loans are provided to men. To bridge this gap and ensure inclusive economic empowerment, there is a need for gender-specific interventions that focus on enhancing financial inclusion for women, such as targeted outreach, financial products designed specifically for women, and capacity-strengthening to improve financial literacy and creditworthiness. It is also essential to regularly monitor and evaluate the impact of credit distribution on the livelihoods of both men and women to ensure that the benefits of financial access are equitably shared.