



EUROPEAN UNION

DELEGATION IN GUATEMALA

**Joint European Union – Member States Strategy for Guatemala
2014 –2020**

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1. Overall objectives of the EU-Member States Joint Programming with Guatemala

Joint programming is based on the commitments agreed with the wider donor community in 2011 in the Busan Partnership for Effective Development Cooperation¹, and on the EU Agenda for Change signed by European Ministers in 2012². It can be defined as a "process whereby the EU takes strategic decisions based on a comprehensive view of European and other donors' support to a given partner country"³. The joint programming process implies a different approach of planning and cooperating of the EU and Member States with the host country, as it builds upon complementarity of strengths and is based on the national strategic priorities.

This Joint EU and Member States Strategy for Guatemala is a result of a joint multi-annual programming exercise between the EU and Member States present in Guatemala⁴. Through this strategy, the EU reaffirms its commitment to support ownership and partnership, and aims to coordinate and synchronise better EU and Member States bilateral cooperation with Guatemala's programming cycle. With this strategy EU partners also keep in mind a long term perspective, as it has been designed to last for two government periods.

This strategy will be revised with a mid-term review following the entry of a new Government in 2016, in order to enable adjustments in programming for the period 2017 to 2020 and to allow for the Government to establish itself prior to designing new EU support programmes.

By providing a single strategy to guide all EU and Member States support to Guatemala and by basing this strategy on Guatemala's development priorities, the EU aims to enhance the **effectiveness, impact and coherence** of its aid. By acting together under a single framework and eliminating gaps and overlaps, the EU is committed to reduce fragmentation and enhance transparency, predictability and accountability of EU support.

Joint programming will also strengthen the mandate of the EU to work together with the Guatemalan Government on matters of common concern, to jointly strive towards full attainment of international commitments such as the Millennium Development Goals, and to promote the core principles and values that guide EU cooperation, such as democracy, good governance and the full respect for human rights.

This strategy has been jointly drafted with Member States following consultations with Government and a wide range of stakeholders, including Congress, other donors, civil society and the organized private sector.

Finally, this Joint EU-Member States Strategy respects Member States' sovereign decisions on their cooperation strategies, and therefore does not encompass bilateral implementation plans.

2. Country Overview

Guatemala is a multi-ethnic, multicultural and multilingual country with considerable economic potential. However, the country is still a post-conflict country that is building its phase of building a fully democratic state based on the rule of law. Transition to democracy started 28 years ago and the 36-year long internal armed conflict ended only 17 years ago. Several of the Peace Accords still need to be fully implemented. It should be noted that the 2005 framework Law on the Peace Accords (Decree 52-2005) elevates the Peace Agreements to State commitments.

¹ http://www.aideffectiveness.org/busanhlf4/images/stories/hlf4/OUTCOME_DOCUMENT_-_FINAL_EN.pdf

² http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/130243.pdf

³ Annex II of the Council Conclusions on the "EU Common Position for the Fourth High Level Forum on Aid Effectiveness"

⁴ Member States present in Guatemala: France, Germany, Italy, The Netherlands, Spain, Sweden and the United Kingdom

The country has made progress since the signing of the Peace Accords in 1996. Economic growth has been stable at an aggregate level, with an average of 1.2% in GDP growth per capita, and prudent macroeconomic policies have kept public debt and fiscal deficit manageable. Advances have been made in the transition towards a more accomplished democracy with free elections and democratic change of power. Guatemala also gradually increased its social expenditure over the last decade, leading to progress toward achieving the Millennium Development Goals on indicators such as primary education coverage. There has equally been a certain reduction in extreme poverty as well as some progress in reducing overall poverty.

Nevertheless, important challenges remain. While considered to be a middle-income country there are dramatic differences in income distribution between rural and urban areas. Implementation of the Peace Accords has been limited, the country has not yet overcome its history of structural exclusion and the state faces major institutional, social and economic challenges to achieve an equitable and inclusive society.

Key challenges to development in Guatemala today are: A) ensure human security, including defending and developing the rule of law and ending impunity, B) fight against structural economic and social inequality, and discrimination, C) guarantee respect of human rights, in particular for the indigenous people, and women and children, and D) combat widespread poverty and malnutrition, in particular in rural areas. Weak legal and institutional capacity of the state and the lack of peaceful dispute resolution mechanisms constitute another area of challenge.

Guatemala's justice and security system continues to suffer from serious deficiencies, and organized crime and violence are widespread. National homicide rates slightly dropped since November 2009, but Guatemala still has the seventh highest homicide rate in the world. Of particular concern is the high rate of femicides in Guatemala. However, the number of homicide cases successfully brought to justice increased over the last years, and the level of impunity dropped from an estimated 92% to 70%. Plans to prevent violence and crime and to improve the reach, professionalism and independence of both the police force and the judiciary as well as continued support to the work of the UN backed International Commission against Impunity in Guatemala (CICIG) are central to cutting crime rates and addressing the prevailing culture of impunity.

Social conflicts are frequent. Currently the government has identified over 2000 social conflicts, over 80 are considered of high intensity. Indicatively, the Secretariat of Agrarian Affairs (SAA) registers almost 1500 pending agrarian conflicts, affecting mainly rural and indigenous areas. Violent protests and a number of high impact conflicts resulting in the declaration of local States of Siege (Santa Cruz Barillas, San Rafael Las Flores) further increased pressure on the Government to ensure the establishment of effective consultation and mediation mechanisms to manage and resolve social conflict at the local level.

Poverty, inequality and discrimination remain an important challenge in Guatemalan society. The country ranks 133rd on the 2012 Human Development Index (out of 187 countries) and over half of the population (53.7%) live below the poverty threshold⁵. Indigenous peoples score significantly lower on social indicators as compared to the non-indigenous population. Effective implementation of programmes to improve the provision of health and education services, especially in rural and indigenous areas, is needed to ensure access for all. There is an urgent need to create more income generating opportunities, in particular for the poor, the women and the young.

The country's levels of food insecurity are amongst the highest in the world, with a chronic malnutrition rate for children under 5 of almost 50% and chronic malnutrition rates reaching over 90% in certain areas in the western highlands.

⁵ ENCOVI 2011

Guatemala also features poor levels of environmental protection and suffers from frequent natural disasters and a high degree of vulnerability to climate change. Guatemala is the fifth most vulnerable country in the world to natural disasters⁶, mainly due to the lack of planning of land use for agricultural activities and urban construction. Population growth and development inequalities have also put pressure on natural resources and contributed to the degradation of soils.

All these issues are compounded by a low level of revenue mobilization and structural institutional weaknesses that hamper the implementation of state policies. In 2011, Guatemala's tax burden was 10.9% of the GDP, one of the lowest levels in the world. In addition to enhancing national resource mobilisation, main institutional challenges are related to: strengthening the civil service, improving the effectiveness of Congress, improving transparency and tackling corruption, and strengthening the linkage between central policy setting and local service delivery. Enhancing the ability of the state to set and measure relevant social and economic indicators will be instrumental in improving policy setting and implementation and in introducing a results-based management approach to the public sector.

The current Government has declared that reforms are required, and has stepped up its response efforts to address the above challenges through the presentation of a reform agenda. Its "Strategic Priorities 2012 - 2016" document identifies five priorities: 1) democratic security and justice; 2) competitive economic development; 3) productive and social infrastructure; 4) social development; and 5) sustainable rural development.

These priorities have been further detailed in three Pacts. The Security, Justice and Peace Pact aims to address the high levels of violence and crime. Some first measures include the establishment of joint police and military task forces to tackle crimes, and the approval of the Directorate-General of Criminal Investigation to create a specialized, scientific investigative police.

The Zero Hunger Pact is the focal point for the Government's social policy and chronic child malnutrition. The Government recently approved an operational plan and protocol for impact assessment. With regard to social development, the new Social Development Ministry and the creation of a tri-partite Social and Economic Council - a result of sustained efforts of different sectors over the last years - to enhance multi-sectoral dialogue are laudable advances.

With regard to the Fiscal and Competitiveness Pact, Congress has approved a limited fiscal reform that includes a law on fiscal modernization and on anti-evasion. The Government also recently launched a national competitiveness agenda (2012-2021). Two major state policies regarding education and environmental protection are being implemented outside the pacts.

In addition, the Government has pushed forward and achieved the ratification of the Rome Statute of the ICC as a clear sign of the importance of the respect of Human Rights. The administration was also granted an extension of CICIG to enhance its fight against impunity and organised crime and created a series of institutions to tackle the issue of social exclusion and discrimination such as a Presidential Commissioner for National Dialogue and a Presidential Commissioner for Rural Development.

At a more operational level the Government has introduced a series of measures to enhance planning and monitoring of the implementation of its policies and eventually of their impact. These include management by results, the establishment of indicative targets and specific budget allocations to reach such targets.

Conscious of the major effort required to succeed in its reform process, the Government has requested support to implement the reform agenda. On the basis of this appeal, the EU and Member States are committed to support the Government's efforts to refine and resource their policies and plans, to ensure effective implementation of the identified priorities over the coming years, and to accompany

⁶ World Risk Index 2011.

Guatemala to achieve its vision of the future. To this end, the EU will maintain a regular political dialogue with the Government and civil society actors, and will support the reform process through its bilateral and regional cooperation instruments and its direct cooperation with organized civil society in collaboration with other donors.

3. EU and Member States strategic priorities for Guatemala

The EU and Member States are committed to give support to the priorities of the current Government as set out in the five priorities defined in the "Strategic Priorities 2012-2016"⁷; the three Pacts on Justice, Security and Peace, Zero Hunger and the Fiscal and Competitiveness Pact, and the national policies on education and environment.

These priorities are in line with the EU Agenda for Change, which has at its core the objective of eradicating poverty and achieving the Millennium Development Goals (MDGs). The Agenda emphasises the two broad areas of 'governance, democracy and human rights' and of 'inclusive and sustainable growth for human development' which are reflected in the Government's stated policies.

The **overall objective** of this Joint EU – Member States Strategy is to "contribute to Guatemala's efforts to create the necessary conditions for sustainable poverty reduction, good governance and pro-poor growth".

Taking into account the challenges identified in the country analysis, the Government's national development agenda – the three Pacts and the national policies - and the on-going work of other development partners in the country, the EU and Member States propose to focus their support over the 2014-2020 period on the following **eight strategic priorities**:

- Reduce food insecurity focused on tackling chronic malnutrition and promote integrated rural development;
- Improve human security by strengthening the justice and security system and supporting violence prevention policies, with an emphasis on the upholding of human rights and on reducing impunity,
- Prevent, reduce and contribute to the peaceful resolution of violent social conflicts;
- Promote economic development and fiscal reform, improve the trade and competitiveness climate with an emphasis on pro poor growth and employment creation, and promote a fair, transparent and predictable environment for doing business ;
- Improve access to high quality social services for all, with a particular focus on health and education;
- Ensure protection of the natural environment and a sustainable, fair and enforced policy on the use of natural resources and adaption to climate change;
- Strengthen the State's institutional capacities in terms of policy setting, revenue raising and implementation, both at central and local level;
- Promote gender equality and reduce gender-based violence.

These strategic priorities can be divided into five areas of intervention, identified by EU and Member States as priority areas for EU and Member States bilateral cooperation over the period of this strategy (see chapter 4).

In all areas of work the EU will aim to ensure the following principles:

- A **holistic** approach and one that involves a variety of partners in planning and implementation.
- A specific attention to the situation of **women, indigenous peoples and youth**.

⁷ 1) Democratic security and justice; 2) competitive economic development; 3) productive and social infrastructure; 4) social development; and 5) sustainable rural development

- The development of human **capacity**.
- The use of **country systems** and untied aid wherever possible,
- **Transparency** and accountability.

In delivering their support, the EU and Member States will ensure to work and promote a regular dialogue with all **national stakeholders**, including Congress and judiciary as well as local governments, civil society actors and the private sector.

4. Priority areas of intervention and in country coordination of labour

4.1 Current intervention areas

Currently, Germany, Spain, Sweden and the EU Delegation maintain sizeable bilateral programmes of support to the country.

Germany has held intergovernmental negotiations with Guatemala in November 2012 with new commitments for 2012-2013. German cooperation will continue to work in three main areas: a) education (with a focus on secondary education and on vocational training); b) democratic governance with equality (including decentralization, fiscal reform and security and conflict prevention programmes) and c) environment and climate change. Bilateral consultations are scheduled for the end of 2013.

Sweden's current strategy covers a) human rights and democratic governance; b) sustainable pro-poor growth in poor regions; and c) health, primary health care and sexual and reproductive health and rights - SRHR. Its cooperation is planned on a multiannual basis for 2008-2014. A new results strategy, tentatively 2014-2020 will be elaborated early 2014 and assumed to be in line with this joint programming strategy.

Spain's bilateral cooperation for 2013-2017 is focused on two areas: a) social cohesion (working on health, education and water and sanitation); and b) governance (with a focus on reducing impunity, gender based violence and on discrimination of indigenous peoples).

The **EU Delegation** has focused its 2007-2013 Country Strategy on two broad areas: social cohesion and human security, and economic growth and trade. Programmes under the current EU strategy are focused on food security (budget support), strengthening the justice and security system, public finance management, strengthening the youth sector and regional integration.

In addition to these four main EU donors, France and the UK maintain more modest portfolios. **France** mainly focuses its support on good governance and justice and on the rights of women and children. **UK** funds support priorities to strengthen human rights, justice and security sector reform, resolve and prevent conflict, empower the next generation of young leaders, incentivise commercial ties and corporate responsibility as well as to improve health and reduce poverty.

Italy is currently awaiting the re-financing of its programme of support, and The **Netherlands** closed its direct bilateral assistance but will continue to cover the country under its regional programme focused on human rights, good governance and democratization.

4.2 In country coordination of labour for the 2014-2020 joint strategy

In line with the Government's pacts and national policies and with the above defined strategic priorities, EU and Member States' bilateral cooperation will take place in five main areas of intervention. Three areas correspond to the Pacts, and two to major national policies.

Out of these areas, **three have been identified as multi-donor areas**: food security; justice, security and peace, and economic development and fiscal reform. Consequently, in order to guarantee complementarity a further coordination of labour will take place in those sectors at a later stage and notably during the formulation stage of the bilateral implementation plans of the different EU donors.

Each intervention area can also be further specified in a way that corresponds to the results pursued under each pact and major national policy. Monitoring of progress towards these results will be based as far as possible on the progress reports of the Pacts (see chapter 9).

The five main areas of intervention of EU-Member States cooperation are the following:

1. Food security

Support to the implementation of the Government policy for combating malnutrition will be based on the Zero Hunger Pact, its Plan as well as the Strategic Plan for Food Security and Nutrition (PESAN⁸), which will prioritize actions in 166 municipalities. Through implementation of these policies the Government aims at reducing malnutrition by 10% by the end of 2015. In order to achieve this target the government has identified a number of results e.g. reduction of maternal and child mortality (MDGs 4 and 5) by 10% by the end of 2015, increase of caloric proteins consumption at family level, access to safe water and sanitation, and improvement of family incomes. Measures to combat levels of malnutrition also include strategies of rural development.

Particular attention is being given to interventions supporting the Scaling-up Nutrition Initiative/Window of 1000 days (*Ventana de 1000 días*), which has a strong focus on primary health and nutrition targeting pregnant women, breastfeeding mothers and children of 0-24 months. The other part of the Plan is multi-sectoral and includes support to small holders agriculture, soil conservation, forest management, water and sanitation and waste management.

In this area, at least four EU donors will participate with various modalities: Sweden, Spain, Germany and the EU Delegation. Concrete results to be pursued will be aligned to the Zero Hunger Pact and include: reduced chronic malnutrition; reduced maternal and infant mortality; increased familiar caloric consumption, and increased family income.

2. Justice, security and peace

The inter-institutional “Pact for Security, Justice and Peace” (*Pacto por la Seguridad, Justicia y Paz*) represents a comprehensive plan to fight crime and improve security and the administration of justice both at central and local level. By adopting an integrated approach tackling different dimensions such as citizen's security, a more inclusive and effective justice system, as well as social and economic development, the pact aims at laying down the foundations of a long-term state policy which transcends single government's platforms.

The Pact's architecture, designed under the leadership of the Interior Ministry, features three components (*ejes*): Security (in all dimensions: citizens' security, democratic security, community security, road security, prevention); Justice (focused on institutional strengthening, improved inter-institutional coordination and a single IT platform); Peace (including the establishment of an early warning system for conflict, strengthening the Human Rights institutional setup, and enhancing the national system for permanent dialogue).

EU partners recognize the importance of strengthening the justice and security system and of contributing to a culture of peace in Guatemala. Therefore, most EU donors (France, Germany, Spain, Sweden, EU Delegation) will intervene in this area. Indicatively, the results to be pursued will be aligned to the Government's strategic priorities: a decrease in homicides, a reduction of overall delinquency as well as youth delinquency; improved access to justice with a special emphasis on

⁸ Plan Estratégico de Seguridad Alimentaria y Nutricional

women in rural areas and a reduction of the level of corruption. In addition, EU partners will also aim to reduce the number of violent social conflicts as well as to reduce domestic violence.

3. Economic Development and Fiscal Reform

The third Pact launched by the Government refers to a fiscal and competitiveness reform. The latter has been translated into a Competitiveness Agenda 2012–2021, which aims at enhancing Guatemala's human capital and infrastructure as well as governance and institutions. In the short term, the agenda is focused on measures to enhance the business environment, including reducing procedures required to start a business and the costs of trading across borders.

A fiscal reform took place beginning of 2012 through a tax reform approved by the Congress together with an anti-evasion law, both initiatives aiming at increasing revenue collection. Moreover, the Government has expressed commitment to strengthen transparency and quality of spending as a package of updated and new laws has been submitted to the Congress. Support will be required for the implementation of these measures, if approved.

Three EU donors (Germany, Sweden and the EU Delegation) will get involved in this area, with an emphasis on pro-poor growth. Results in this area will be amongst others: an increase in formal employment and fiscal revenues, improved competitiveness, including trade promotion, and increased productivity in the poorest departments.

4. Education

The current Government considers the education sector as highly relevant and important to fully develop the potentials of a young society and to reduce social, ethnic and gender discrimination. It is promoting a comprehensive reform of secondary education and exploring better ways to foster the access of youths to the formal labour market.

Germany is the main European partner in this area of intervention and will continue its cooperation in the education sector with a special focus on secondary education and on vocational training, focusing on civil education and the enhancing the access of secondary school students into the formal labour market.

5. Environment and adaptation to climate change

Guatemala is one of the most vulnerable countries in the world to the negative effects of climate change. Population growth and development inequalities have put pressure on natural resources and led to serious adverse effects such as the degradation of soils and pollution of water resources.

The main European partner in this area will be Germany. Results will be focused on supporting national policies on climate change, including efforts to consolidate the national system of protected areas and promoting sustainable and environment-friendly ways of generating income for people living in regions with endangered ecosystems.

As a **cross cutting** issue to these main intervention areas, the EU will pursue to **strengthen the State's institutional capacity**. As such EU and Member States will aim to improve transparency, tackle corruption and enhance the Government's long term planning and implementation capacities through technical assistance provided in the framework of the various bilateral cooperation programmes, as well as through other instruments.

It should also be noted that both the EU and Member States will continue their programmes at regional level as well as their interventions with civil society and local governments. Complementarity of these interventions with the bilateral cooperation strategies will be pursued.

Spain took into account the draft joint strategy for the elaboration of its country strategy 2013-2017. Sweden will take it into account for its dialogue and bilateral negotiations to be held in 2014.

Finally, other European donors (Denmark and Finland, and the Netherlands) who also provide assistance to the country under regional initiatives will be invited to adhere to the Strategy and to use it as a complementary reference for their interventions.

4.3 Indicative amounts

The EU and Member States will indicatively commit the following amounts under this strategy:

- **EU Delegation:** 186.8 million EUR until 2020;
- **Germany** will indicatively commit between 15 and 20 million EUR annually, subject to the approval of the German Parliament.
- **Spain:** 6,3 million EUR annually until 2017. In addition to these new funds, Spain currently has an amount of approximately 82 million EUR already committed but pending to be implemented under this joint strategy;
- **Sweden:** Pending decision by Swedish government of new allocation for Guatemala, tentatively 22 million EUR annually.

Table 1. Indicative amounts (in mios EUR)

	2014	2015	2016	2017	2018	2019	2020
EUDEL Commitments	35	40		70		15.8	26
Germany	15-20	15-20	15-20	15-20	15-20	15-20	15-20
Sweden	22	22	22	22	22	22	22
Spain	6,3	6,3	6,3	6,3			

5. Coordination with other donors

In 2000, a mechanism - known as G6 - was put into place following the Stockholm Declaration on Reconstruction after hurricane Mitch, to support Guatemala in its development efforts. The G6 developed into a G13 (*Grupo de Dialogo*), a coordination group facilitating the exchange of information between donors and the government as well as among donors. The G13 coordinates its efforts at three levels: political, technical/political, and thematic. Along with the EU, the G13 unites the main nine donor countries (Canada, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, United States of America) and multilateral organizations (the Inter-American Development Bank (IDB), Word Bank (WB), International Monetary Fund (IMF), United Nations Development Program (UNDP) and the Organization of American States (OAS)). However, coordination at sector level among donors has lacked response of the Government. Since 2011 some of the agreed coordination mechanisms between Government and donors have not been functioning. In dialogue with the G13 the Government has proposed three new working groups related to the Governments' three pacts. During 2013 the Government will start to lead these working groups in order to improve development effectiveness (see also chapter 7).

6. Political dialogue

In addition to the projects and programmes that the EU and Member States will implement in line with the division of labour detailed above, EU partners will seek to take forward their joint priorities by establishing common political positions. The EU will seek to come to agreement on unified European positions on a number of issues related to state building, human rights and regional integration, linking with other development partners wherever possible. The EU and Member states will further discuss the priorities and define a work plan for the political dialogue in the beginning of 2014.

In the field of the **modernization/strengthening of the State**, the EU and Member States will promote a political dialogue on the following priorities:

- **Reform of the Electoral and Political Parties Law:** Consistent with the recommendations of the EU Election Observation Missions deployed in 2003 and 2007, as well as of the Election Expert Mission carried out in 2011, the EU believes that substantial changes to the current *Electoral and Political Parties Law (Ley Electoral y de Partidos Políticos – LEPP)* are needed to strengthen Guatemala's political and electoral system or democratic governance.
- **Fiscal reform and transparency:** the EU welcomes the Government's emphasis on fiscal reform and supports it strongly. The EU believes that a substantial increase of income tax is needed to finance an increase in social spending which remains among the lowest in Latin America. While acknowledging the successful first stage of fiscal reform, the EU encourages Guatemala to continue its efforts to close remaining legal and factual loopholes, to fight tax evasion, increase transparency, also by complying with internationally accepted standards (i.e. OECD), and improve tax collection. The EU also encourages Guatemala to improve effectiveness and efficiency of public spending by fighting against corruption and improving transparency and accountability within the public administration.
- **Capacity development and professionalization of the civil service:** the EU believes that establishing a robust, stable, professional and apolitical civil service is an important part of Guatemala's state-building and social and economic development. A professionalized civil service is a necessary means to strengthen the Government's capacity to implement both national policies and international cooperation. The EU therefore sees the passing of currently pending legislation for reform of the civil service as a first necessary step and will continue its efforts to develop the capacities and to professionalize the civil servants.

With regards to **human rights and the situation of justice and security**, the EU and Member States will engage in a regular political dialogue to promote the full respect of human rights. In particular, the EU will prioritise:

- **Women's rights and gender equality.** The European Union expresses its concern on the high levels of femicides and other forms of violence against women in Guatemala, as well as on the limited access of women to justice, basic services and the labour market and their limited political participation. The EU promotes full implementation of UN Security Council resolution 1325, which reaffirms the important role played by women in the prevention and resolution of conflicts, peace negotiations, peace-building, peacekeeping, humanitarian responses and post-conflict reconstruction.
- **Rights of indigenous peoples.** The EU expresses its worries about the disadvantaged social, economic and political situation of indigenous peoples in Guatemala, as well as the discrimination and high levels of social conflict affecting indigenous peoples, mainly regarding land tenure and natural resources management. Since Guatemala has signed the International Labour Organization's Convention no. 169, the EU encourages the country's respect and implementation of this convention and will continue to support the government efforts to fully implement the Peace Accords in respect of indigenous peoples' rights.

- **Death penalty:** Guatemala has not yet abolished the death penalty. The EU welcomes Guatemala's ad hoc moratorium, however, it believes that efforts should continue to fully abolish capital punishment and guarantee the protection of human dignity.
- **Justice and security:** The EU welcomes Guatemala's accession to the Rome Statute of the International Criminal Court. The EU will support the State's efforts and capacity building measures to ensure its full implementation. The European Union will also continue to provide its full support to the structural reform of the security apparatus and the justice system. It is of outmost importance to stress the need to combat impunity and to improve access to justice and therefore, the EU continues to support - amongst other activities - the work of the International Commission against Impunity in Guatemala (CICIG).
- **Social injustice:** The EU encourages Guatemala to combat social injustice and strive for a more balanced distribution of wealth. In that context, the EU welcomes the Guatemalan Government's stated intention to promote rural development and improve living conditions of the rural poor. The EU stands ready to support the Government in this endeavour. The EU also welcomes the Government's efforts to improve the private sector's compliance record with existing legislation on minimum salaries, in rural and urban areas.
- **Peaceful settlement of social conflicts:** The EU and Member States will underline the importance for the State to assume the responsibility of creating mechanisms for peaceful settlements of social conflicts and assure that all sectors have equal possibilities to participate and be included in dialogue, negotiations and settlements. To this end, EU and Member States will support mechanisms for peaceful settlements of social and conflicts at different levels. This support will include the reform of state structures and mechanisms, but also cooperation between governmental and non-governmental actors.

In the field of regional integration, the EU-CA Association Agreement is the first region-to-region agreement promoted by the EU. Its implementation will substantially contribute to Central America's integration process and to sustainable development in both regions, as well as increase the commercial ties between Guatemala and the EU. Additionally, the implementation of the Association Agreement provides an opportunity to further encourage and cooperate on international recognized standards and instruments, as it commits both regions to ensure high levels of labour and environmental protection and to cooperate on security issues. The Agreement also contains a human rights clause and a mechanism to ensure accountability towards European and Central American citizens, with regular open meetings between government representatives and citizens and organized civil society.

7. Development effectiveness

Donor support has undoubtedly contributed to the efforts to consolidate Guatemala's democracy and its efforts in favour of social and economic development. However, donor aid could be more effective. In addition to improving delivery and coordination among donors, as is the goal of the present Joint Programming Document, all parties recognise that national policy setting and implementation capacity must also be enhanced, both at the central and local level.

Official Development Aid to Guatemala reaches around €200m per year, supplied by over 40 different donors and delivered through a variety of channels including public institutions, non-governmental organisations and the private sector. This is equivalent to approximately 1% of GDP and about 5% of the State budget⁹. As is the case in many middle-income countries, there is an increasing trend by donors to provide loans rather than grants, with the loans to grants ratio having moved from 1:1 to 2:1

⁹ Primer Informe nacional sobre Cooperación Internacional para el Desarrollo y Eficacia de la Ayuda en Guatemala, 2008-2010. SEGEPLAN

in the last two years. Some donors, such as The Netherlands, have taken the decision to withdraw bilateral support from Guatemala. This is generally part of an overall restructuring and rationalisation of the donors' global aid programme.

The Government-Donor agreements known as **Antigua I**¹⁰ and **Antigua II**¹¹ were signed in 2008 (May and November respectively) and aimed to take forward the principles of the Paris Declaration, namely: ownership, alignment, harmonisation, managing for results and mutual accountability. General intentions were laid out to establish sector plans, increase alignment, decrease fragmentation and improve evaluation. Several Government-donor sectoral working groups, known as "**mesas sectoriales**", were created to facilitate these objectives.

In 2009, the G13 adopted a **Code of Conduct**¹², pledging to focus its members' support on national priorities, use national procedures, develop a common vision, improve cooperation and increase joint work. A mid-level meeting in 2010 once again called for the establishment of sector plans, the standardisation of the work of the *mesas sectoriales*. It also emphasised that better use should be made of the **Development Assistance Database**, an online aid information management system that all donors are supposed to report to¹³.

To date, the G13, the *mesas sectoriales* and the agreements reached have tended to **focus more on process** and less on following up on concrete actions and measurable results. Work has often been concerned with stating intentions, planning, or mapping and has stopped short of making actual changes on the ground or establishing quantitative indicators that could be used to track progress on commitments. The OECD's 2011 Survey on Monitoring the Paris Declaration¹⁴ reflects. The OECD's 2011 Survey on Monitoring the Paris Declaration¹⁵ reflects these conclusions, highlighting that:

- Only 35% of aid is considered to be aligned to national priorities, as opposed to the international community's agreed target of 85%.
- Less than 5% of support is delivered through joint donor initiatives.
- Aid is fragmented with an average of 12 donors working in each sector.
- Only 45% of missions and 23% of analysis are carried out jointly.
- There is a lack of effective mechanisms for ensuring mutual accountability and managing for results.

Further improvements and progress is needed in order to implement the principles enshrined in Antigua I, Antigua II and the Code of Conduct.

During the Spanish presidency, an evaluation of the functioning of the G13 was performed. The current Government has stated its commitment to improve development effectiveness, encompassing both the behaviour of donors and its own performance in planning and disbursing. Discussions have initiated between the G13 and the Government on how to improve coordination and development effectiveness. In 2013, the Government will lead donor coordination through three working groups related to the three Pacts. Several sectoral coordination groups between donors are functioning well.

This Joint Strategy itself represents a key contribution to development effectiveness by aligning European partners with the national timetables and ensuring that they plan their support in a coordinated manner. In the future European partners will be striving to develop cooperation plans at the same time, for the same period, and based on the same overall agreed objectives.

Furthermore, with regard to bilateral cooperation, the lessons learnt from the current strategy should be taken into account in order to ensure better aid effectiveness and the implementation of the foreseen activities:

¹⁰ <http://www.segeplan.gob.gt/downloads/DeclaracionAntiguaI.pdf>

¹¹ <http://www.segeplan.gob.gt/downloads/DeclaracionAntiguaII.pdf>

¹² <http://www.g13.org.gt/content/codigo-de-conducta-g13>

¹³ <http://dad.segeplan.gob.gt/dad/>

¹⁴ <http://www.oecd.org/dac/aideffectiveness/Guatemala%202.pdf>

¹⁵ <http://www.oecd.org/dac/aideffectiveness/Guatemala%202.pdf>

- Improve policy dialogue with all national stakeholders.
- Improve alignment and consistency with national priorities and policies.
- Better alignment with the national budget cycle to address the lack of budget allocations and counterpart funds.
- Request allocation of permanent staff to supervise implementation of projects to avoid the constant change of personnel.
- Cross cutting (gender, environment, children's rights and indigenous people's rights) issues to be fully integrated into projects/programmes.
- Concentration on fewer projects and programmes.

8. Risk assessment

Guatemala presents a series of risks that if not properly addressed, could impair the overall development of the country and the effectiveness of the official development aid. These include:

- **Crime and violence:** These issues pose serious challenges and exact high cost on development. Security concerns, combined with institutional weaknesses, are a destabilizing factor for political, social and economical life in Guatemala. The effective implementation of laws as well as of improved policies on prevention of violence and crime remains an important challenge due to insufficient human and financial resources, as well as expertise in the institutions charged with the follow-up.
- **Social conflict:** special emphasis should be put on social conflicts related to the defence of indigenous peoples' rights and the effective implementation of the ILO Convention no. 169. The EU has a regular political dialogue with state representatives on addressing these issues, based on human rights respect, and is supporting the government plans to combat crime and violence by strengthening the judicial and investigation capacity of state institutions.
- **Political uncertainty, along with deficient state revenues, budget rigidity and corruption:** Of particular concern are the low tax burden (one of the lowest among the countries in Latin America), the low implementation of agreed counterpart funds and the recurrent gridlock between the executive and legislative branches and the lack of "*espacios presupuestarios*" related to both EU funds and national contributions. In that context it should be noted that approximately 90% of the budget is pre-allocated leaving only 10% for new policy initiatives. These two elements could impact the timely and fully implementation of bilateral programmes, as well as the implementation of the Association Agreement between the EU and CA. Corruption and non compliance with rules adds another dimension as is often related to the inefficiency of the state's budget management, the high rotation of civil servants, weak implementing capacity and law enforcement, scarce financial resources, the opposition of political groups in the Congress and considerable influence of the business sector into political and economic decisions.
- **Government's weak implementation capacity** both of national policies as well as of international aid mainly due to the high rotation of staff within the civil service which affect directly efficiency within the public administration and a proper implementation of public policies.
- **Vulnerability to global shocks:** According to the IMF, the economic outlook in the US will continue to dominate Guatemalan growth trends in 2012-16, as it is Guatemala's main export market (38% in 2011) and source of remittances inflows (US\$4.0bn in 2011). This means that a slowdown in the global economy will lower the incomes of the poor disproportionately in an environment when many households have depleted their savings to cope with previous shocks.

- **Rising international food prices:** The volatility of food prices and vulnerability to droughts or flooding that compromise the crops, lead to a lower possibility for people to cope with hunger and poverty, and could aggravate Guatemala's already high levels of malnutrition.
- **High vulnerability to natural disasters.** Guatemala is the 5th most vulnerable country in the world to natural disasters (floods, hurricanes and earthquakes), and population growth and development inequalities have put pressure on natural resources further enhancing this vulnerability. Major climatic and seismic disasters have a significant economic and fiscal impact, as the Government must divert funding to support emergency efforts, reducing allocations for other programs.

To mitigate these risks the EU will use all instruments at its disposal. Indicatively with its cooperation programs the EU supports the Government's "Zero Hunger" Plan, the mandate of the International Commission against Impunity in Guatemala (CICIG) and the efforts of the country to increase its preparedness and disaster risk reduction through the DIPECHO programs. Furthermore, through its thematic lines the EU aims at enhancing the role of civil society and local governments to mitigate the risks. In terms of financial monitoring, the EU has a whole system of ex-ante, on-going and ex-post controls of the implementation of the funds. Last but not least, to address the political risks the EU will resort to policy and political dialogue.

9. Monitoring and reporting

In terms of monitoring this Joint EU Member States strategy to Guatemala's overall development, **two levels of indicators** will be tracked.

Firstly, the EU will monitor **nationally generated indicators** with SEGEPLAN. In particular, the Pacts foresee a number of concrete results which will allow EU partners to monitor progress towards achieving the Government's priorities. Indicatively, main indicators related to the EU intervention areas are summarized in the table below. These will be refined for the multi-donor intervention areas as part of the implementation of the EU-MS roadmap on joint programming.

Secondly, reference will also be made to long term progress through **internationally widely used indicators**, including

- Millennium Development Goals
- Human Development Index
- GNI per capita
- Tax to GDP ratio
- Gini Index
- Poverty rate
- Life expectancy
- Public Expenditure and Financial Accountability (PEFA) assessments
- The World Bank's Country Policy and Institutional Assessment (CPIA)
- The World Bank's "Doing Business" report
- Transparency International's Corruption Perception Index (CPI)

Relevant aid effectiveness indicators, drawn from the monitoring framework of the Global Partnership for Effective Development Cooperation (once agreed internationally)

European partners will aim to support the establishment of an effective monitoring framework for tracking Government results as well as the work of the National Institute of Statistics and the Development Assistance Database (or equivalent) to deliver the necessary data.

Table 2. Indicators for follow up of progress in EU multi-donor intervention areas¹⁶

¹⁶ The indicators marked with * are indicators the EU partners will use for monitoring progress but that are not specifically mentioned in the Government's strategic priorities 2012-2016.

EU strategic priority	Intervention Area	Pact or policy	Main indicators
Reduce food insecurity focused on tackling chronic malnutrition	Food Security	Zero Hunger	Infant and maternal mortality rates
			Chronic malnutrition rates
			Caloric consumption figures
			Family income
Improve human security by strengthening the justice and security system and supporting violence prevention policies, with an emphasis on the upholding of human rights	Security, Justice and Peace	Security, Justice, and peace	Number of homicides
			Number of delinquent acts
			Number of delinquent acts carried out by youth
			Number of cases before justice of women in rural areas
			Number of cases of domestic violence*
Prevent, reduce and contribute to the peaceful resolution of violent social conflicts			Number of violent conflicts*
Improve the trade and competitiveness climate with an emphasis on pro poor growth and employment creation, and promote a fair, transparent and predictable environment for doing business	Economic development and fiscal reform	Fiscal and Competitiveness Pact	% of informal employment
			Fiscal revenues as % of GDP
			GDP in poorest departments*
Improve the access and successful completion of quality formal and non-formal secondary education by the Guatemalan youth, and particularly by those in rural and indigenous areas.	Education	Education policies	A national unit at the Ministry of Education responsible for a comprehensive reform of secondary education has been established and is working.
			A national flexible curriculum for upper secondary schooling (grades 10, 11 and 12) that includes a technical-vocational orientation and citizenship education.
			A new pre- and in-service teacher training strategy aligned with the transformations is envisaged
Provide a sustainable basis for rural development and improve the adaptation and resilience capacity of the rural population with regard to the challenges of climate change	Environment and adaptation to climate change	Environmental policies	Level of Contamination of Surface Water Resources
			Level of Agricultural Production resilient to Climate Change
			Number and Quality of Ecosystem Services offered

ANNEX 1: Country analysis

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1. Country context

Guatemala is a multiethnic, multicultural and multilingual country with considerable economic potential. However, the country is still a post- conflict country that finds itself in the phase of building a fully democratic state based on the rule of law. During nearly four decades, beginning in the 1960's, the country suffered an internal armed conflict characterized by massive human rights violations. The war resulted in 200 000 deaths and some 83 per cent of victims were of indigenous/Mayan descent¹⁷. As noted by the Commission for Historical Clarification, Guatemala has a long history of social, political and economic exclusion, shaped by the country's colonial past and maintained since proclamation of independence in 1821.¹⁸ Democratic experiences are limited to the last 27 years. The only earlier exception was the 10 years of a democratic opening between 1944 and 1954 which came to an abrupt end through the right-wing coup in 1954. The current Constitution from 1985 established a democratic political system.

Guatemala is multicultural and multi-ethnic. Indigenous people are approximately half of the population and twenty-four languages are spoken. While generally considered to be a middle-income country, there are dramatic differences in income distribution. Wealth is highly concentrated in urban centres. Even though a middle class is now larger than before, economic resources are still highly concentrated to rather few powerful economic sectors. The rural areas (where the majority of the indigenous people live) maintain a high dependence on sustainable agriculture and are highly vulnerable to degraded land and natural disasters. Guatemala ranks 133rd¹ on the Human Development Index. Only Haiti has lower social indicators in the Latin America and Caribbean region.¹⁹ Differences between the areas where the majority of the indigenous people live and other areas are substantial.

The Peace Accords signed in 1996 between the government of Guatemala and the Guatemalan National Revolutionary Unity (URNG), emphasised democratisation and the need to implement measures in order to counter the historical discrimination of indigenous peoples, as well as strengthening state institutions, in particular the justice sector. Momentum for the implementation was noticeably diminished in 1999, when a package of constitutional reforms was voted down in a referendum. Several of the Peace Accords still need to be fully implemented. It should be noted that the 2005 framework Law on the Peace Accords (Decree 52-2005) elevates the Peace Agreements to State commitments.

Nevertheless, some progress has been made. Several governmental institutions have been transformed and/or reengineered, and new laws have been drafted and approved. At the same time, the country and its institutions of the justice sector have been affected by rising and very violent criminal networks (mainly on the basis of the illegal drug business) as well as violent gangs. The criminal networks have penetrated both the state and parts of private business.

1.1. Economic profile and growth outlook

Guatemala is the largest economy in Central America with a GDP of US\$46.9 billion (2011). A moderate long-term rate of economic growth of 3.3 percent between 2001 and 2011, has translated into a GNI per capita of US\$2,741 (2010). However Guatemala is one of the most unequal countries in Latin America. Chronic malnutrition among children under five years of age reached 49.8 percent (2008/09), and is particularly pervasive among indigenous population, who represents half the nation's 14 million inhabitants.²⁰ Wealth is concentrated in urban centres, and there are large differences in the

¹⁷ Report of the commission for historical clarification – "Guatemala: Memory of Silence".

¹⁸ Ibidem

¹⁹ <http://hdrstats.undp.org/en/countries/profiles/GTM.html>

²⁰ IBRD and IFC country partnership strategy for the Republic of Guatemala for the period FY 2013-2016, August 17, 2012, page 1, paragraph 2.

GDP/capita among departments²¹. Even though a middle class is now larger than before, economic resources are highly concentrated in few economic sectors. The rates of internal demand growth have been limited, with an average annual increase of 0.15% over the last 10 years²². Around 21% of the active population is unemployed and estimates of economically active population in the informal sector range from 64% to 75%²³.

Guatemala has one of the lowest tax revenues in the region, and the lowest per capita spending on social sectors.²⁴ Tax collection is still far from reaching the 13.2%/GDP target agreed in the 1996 Peace Accords and is far lower than the 19.2 per cent average for all of Latin America. In 2012 the country's tax burden level remained at 11.1% (tax revenues/GDP ratio), nearly the same as in 2011(11.2%). Overall tax collection mostly relies on VAT from imports and customs taxes. Since the country is moving towards trade integration within the region, its weight is likely to decline.

At macro-economic level, Guatemala's economic performance has been solid since the 2008-2009 global financial crisis²⁵. This is in line with the figures released by Guatemala's Central Bank (BANGUAT) which show that economic activity accelerated to 4.2% in 2011 and then slowed down to 3% in 2012. The IMF expects growth to increase slightly to 3.5% in 2013 and 2014 boosted by continuous domestic demand and strong private sector credit.

Fiscal policy remains prudent. According to the Ministry of Finance (MINFIN), the fiscal deficit declined to 2.4% percent of GDP in 2012, down from 2.8% in 2011. Fiscal consolidation was driven by a cut in public spending. In addition, financing from external sources became more important. The Government successfully issued US\$ 700 million of Eurobonds in the international market in February 2013. The MINFIN projects a central government deficit of 2.2% for 2013 which is in line with the IMF's projection (2¼%).

Although the government debt-to-GDP ratio is relatively low (about 24% of GDP), it has been steadily increasing since 2008. However, the debt-to government revenue ratio is very high at 221%. Stabilizing this ratio at its current level would require a permanent improvement in the primary fiscal balance of about 0.75 - 1% of GDP. This emphasizes the importance of raising government revenues which is essential not only to achieve long-term fiscal sustainability and maintain macro stability, but also to allow higher levels of government spending on social programs (health and education), infrastructure, and security, which are all critical to boost competitiveness and growth.

High world food and oil prices pushed up inflation in Guatemala to 6.2% in 2011. In 2012, as commodity prices stabilized and domestic demand pressures weakened, inflation slowed, closing at 3.4%. By June 2013 inflation had reached 4.79%, which is within the Central Bank's target of 4.0% +/- 1%, although it recognizes that there are still some risks for inflation to rise.

The global economy in 2012 was characterized by a complex and unstable situation, due to the fragile economic situation in Europe and the impact on the US economy, which caused a slowdown in Guatemala's foreign trade. Total trade (exports and imports) amounted to US\$ 25,945 million and decreased barely (-0.2%) from 2011. This was caused by a 3.9% reduction in exports and a 2.3% increase in imports. The fall of exports is explained by a decrease in the value of exports of stones, precious & semiprecious metals, coffee and natural rubber which was only partially offset by an increase in the value of sugar exports. While the small increase in imports was mainly due to an increase in imports of consumer and capital goods.

²¹ As an example, the Department of Huehuetenango had a GDP/cap of 4113 GTQ in 2010, as compared to 18,140 GTQ in Quetzaltenango or 29,869 GTQ in Guatemala Metropolitan region. Red Nacional de Grupo gestores, 2012. Estudio El Comercio Interno de Guatemala, p. 22.

²² Red Nacional de Grupo gestores, 2012. Estudio El Comercio Interno de Guatemala, p. 4.

²³ "Estudio de opinión pública sobre trabajo decente y economía informal," ASIES, 2012; and Red Nacional de Grupo gestores, 2012. Estudio El Comercio Interno de Guatemala

²⁴ IBRD and IFC country partnership strategy for the Republic of Guatemala for the period FY 2013-2016, August 17, 2012, page 5, paragraph 14.

²⁵ According to the IMF's latest Article IV consultation report published in August 2013.

The current account deficit declined from almost 3½ percent of GDP in 2011 to just below 3 percent in 2012, as lower prices for traditional export products were more than offset by a strong recovery in remittances from the U.S. Increasing Foreign Direct Investment, as well as official and private capital inflows, more than financed this deficit. Thus, the overall balance of payments posted a surplus (1.0 percent of GDP) and net international reserves reached US\$ 6.2 billion at the end of 2012 (about 4 months of imports). By May 2013 both exports and imports show a positive trend compared to the same month of 2012 (+2.2% and +4.7% respectively).

According to the Bank of Guatemala, Foreign Direct Investment reached a record US\$ 1,206.6 m in 2012, thanks to investments in sectors such as mining, agriculture, finance, commerce and manufacturing. The main investors that year in Guatemala were the United States, Colombia, Russia and the European Union (particularly the UK, Spain and Germany).

The Government's commitment to enhancing competitiveness – encapsulated in its 2012-21 National Competitiveness Agenda – seeks to further increase such investment, including the identification of priority target markets for commercial expansion.

More support is needed for the SME sector to assist entrepreneurs in establishing businesses, to provide a transparent, predictable environment in which they can operate, and to support them in gaining internationally recognised quality certifications and accessing export markets. As regards big business, corporate social responsibility needs to be prioritised to ensure that regulations are enforced and those large companies respect the law in areas such as labour rights, taxation and environmental standards.

1.2. Country Capacities

Guatemala is a democratic state with formal institutions, free and fair elections and a plurality of political parties. At the same time, it is still a country in transition. The Peace Accords that ended the thirty-six-year internal armed conflict were signed 17 years ago. Since then, successive governments have made efforts to consolidate democracy and state-building.

While there have been advances to strengthen Guatemala's governance, the country still ranks below the global average for all six World Bank Governance Indicators. In particular, with a percentile ranking of 28% on the 2011 Government Effectiveness indicator – which measures the quality of public sector government - Guatemala has one of the lowest scores in Latin America²⁶.

Public administration is characterized by a typical spoils system with a high turnover and a lack of continuity in key institutions (such as the Supreme Court of Justice) due to constitutional provisions. An underdeveloped civil service and poor inter-institutional coordination contribute to a lagging implementation capacity. Guatemala also features a weak political party system with fluid allegiance in Congress, hampering effective law-making. In addition, the State has limited control over the territory and a porous border control due to an increasing threat of organized crime.

The State's overall financial capacities are limited, with insufficient revenues to fund public policies and limitations to public spending (around 90 % of annual State budget pre-determined by constitutional provisions). In addition, Guatemala faces a serious corruption problem. Guatemala ranks 113 out of 176 countries on the 2012 Corruption Perception Index of Transparency International²⁷. According to *Acción Ciudadana* (Guatemala's Transparency International chapter), the country's low score is partly the result of the state's incapacity to develop a coherent policy of transparency and to

²⁶ This World Bank aggregate indicator captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Guatemala ranks 16th of the 20 most populated Latin American countries. World Bank Worldwide Governance Indicators: http://info.worldbank.org/governance/wgi/mc_chart.asp#.

²⁷ This index measures the perceived levels of public sector corruption in countries worldwide (based on expert opinion countries are scored from 0 -highly corrupt- to 100 -very clean).

fight corruption. This trend started to be reverted with the approval of the Law on Illicit Enrichment (*Ley contra el Enriquecimiento Ilícito*) in 2012 and could be improved even further with the approval of the Bank Secrecy Act (*Ley del Secreto Bancario*) and the other laws aiming at improving transparency and quality of public spending.

These institutional weaknesses are reflected in the low trust that citizens place in their State. Guatemalan citizens have the most negative perception of the degree of State efficiency and transparency of all Latin American countries, only followed by Dominican Republic²⁸.

With regard to institutional capacities at the **local level**, the legal framework on decentralization (the National Law on Decentralization, the law on Urban and Rural Development Councils and the Municipal Code), adopted in 2002 and partially reformed in 2010, reaffirms the importance of municipalities as promoters of local development, regulates municipal autonomy and creates mechanisms for citizen participation in defining local development policies²⁹. However, municipalities tend to have weak implementation capacities and generally lack sufficient resources to fulfil their role. Only 10% of the state budget is transferred to municipalities³⁰ and their own revenue generating capacities are low. According to the latest available figures, 73% of municipalities collect less than GTQ 95 – or €10 – per capita per year³¹. This contributes to a disconnect between the centre and the local level, impairing the implementation of nationally agreed policies and plans.

Guatemala has over 2,500 Non-Governmental Organizations (NGOs), more than 23,000 community-based organizations, several foundations and research institutes, religious organizations and a number of well-established professional organizations³². Guatemalan **civil society** is not homogenous, with ideological divisions common throughout different sectors and relatively few organizations possessing solid institutional structures. The indigenous and peasant movements are numerically strong, but their voice is not always well represented at political level and more work is needed to safeguard their rights. Trade unions are particularly weak and divided, except for certain public service unions such as those serving the education and health sectors. The women's movement occupies an important position and their lobby has won considerable legal advances on women's rights.

Despite that fact that the country possesses a relatively progressive legal framework on civil society participation in public policy making, there are challenges to meaningful participation, such as limitations in the functioning and selection of participants to the development councils, the mainly sectoral and sometimes ad hoc character of state-civil society dialogue and the lack of tangible results of these dialogue mechanisms to date. It also should be noted that, since early 2012 international cooperation to civil society human rights organizations has been criticized by some conservative and right-wing journalists and columnists.

1.3. Poverty, inequality and social protection

Guatemala ranks 133rd out of 187 countries on the 2012 Human Development Index. The **poverty rate** is estimated at 54 % of which 13% is considered extreme poverty. Poverty in Guatemala is mostly indigenous and rural (72%) in a country where half of the population lives in rural areas³³.

Changes in poverty levels in the last decade were moderate. Between 2000 and 2006, poverty decreased by five percentage points. This positive trend reversed with poverty increasing almost 3 percentage points between 2006 and 2011, as the international crisis affected economic growth in

²⁸ Latinobarómetro, informe 2011, pp. 92-3. <http://www.latinobarometro.org/latino/LATContenidos.jsp>

²⁹ Through the law on Urban and Rural Development Councils (Decreto 11-2002), Guatemala adopted a nationwide system of citizen participation and created Development Councils at level of the community (approximately 8000 COCODES), municipality (334 COMUDES), department (22 CODEDES), region (8 COREDUR) and country (1 national development council).

³⁰ Amounts are assigned according to the municipalities' number of inhabitants and villages and their generated revenue.

³¹ SEGEPLAN (2011) Ranking de la gestión municipal integral, sostenibilidad financiera y gobernabilidad en Guatemala, año 2010.

³² Sanz Corella, Beatriz and Michel Falisse (2009) Estudio de mapeo de la sociedad civil en Guatemala.

³³ World Bank data, 2010, indicates 51%. ECLAC food production trends (2010) mentions 44.1% as an estimate for 2009. ENCOVI mentions 47% of total households of the country.

Guatemala. Extreme poverty declined slightly (from 15 % in 2000 and 2006 to about 13% in 2011), with gains in both rural and urban areas. However, extreme poverty is still widespread in rural areas, where 80 % of the extreme poor live³⁴.

In recent decades Guatemala has made some progress on **inequality** measures. The Gini coefficient for consumption inequality declined from 0.47 in 2000 to 0.39 in 2011. The wealthiest 10 % of the population had consumption levels more than 10 times higher than the poorest 10%, which is a marked improvement from the 18 times registered in 2000³⁵. However, the latest GINI index registers 0.56³⁶ (2006), one of the worst figures in Latin America, which proves that social inequality in Guatemala is still acute.

Only 18% of the formally employed population is covered by the national **social security** system and this percentage includes mostly workers in the private sector. The legal minimum wage is approximately \$240 per month. Nation wide enforcement remains an important challenge - the medium wage is 9% lower than the legal minimum wage - and despite the annual increase of the minimum wage, it is only sufficient to cover 93% of the basic food basket³⁷.

The country's levels of **food and nutritional insecurity** are among the worst in the world. The chronic malnutrition rate for children under 5 is 43.4%³⁸, the highest in the region and the fourth highest globally³⁹. The most vulnerable groups are indigenous women, girls and boys living in rural areas. In parts of the western highlands for example, the chronic malnutrition rate reaches more than 90%⁴⁰.

1.4. Access to social services (health and education)

Over the last years, important advances have been achieved in order to improve access to social services. The most considerable improvement can be noticed in **education**, with access to primary school being almost universal (primary enrolment rate is 98%), with a completion rate which has increased up to 78%. The gender gap in pre-primary, primary and basic cycles shows a decreasing trend, but illiteracy is still very high (34%)⁴¹. The departments with the higher concentration of illiteracy are Alta Verapaz, Huehuetenango and Quiché – all 3 departments with over 50% indigenous population⁴²- which also register high indices of poverty.

The country still faces challenges regarding the student performance, coverage at secondary and university level, and the quality of education, which is to be improved to correspond to Latin American standards. Education in indigenous languages is also an important challenge in terms of both the quality of bilingual teachers and coverage (the 4 main indigenous languages are covered for only 50%). Public expenditure on the education system is estimated at 3.2 % of GDP⁴³.

Despite improvements in the **health** sector during the last years, the situation remains challenging and needs an appropriate response in order to fully achieve MDG's 4 and 5. Guatemala still has the 3rd highest level of maternal mortality in Latin America (140 out of 100,000 women⁴⁴), with only one third of births attended by the services of the Ministry of Health⁴⁵. The country also has the second

³⁴ World Bank (2012) IBRD and IFC Country Partnership Strategy for the Republic of Guatemala for the period 2013-2016.

³⁵ World Bank (2012) IBRD and IFC Country Partnership Strategy for the Republic of Guatemala for the period 2013-2016.

³⁶ World Bank Statistics 2006

³⁷ Instituto Nacional de Estadística/2012

³⁸ Encuesta Nacional de Salud Materno Infantil (ENSMI) de 2008-2009

³⁹ WFP- 2010

⁴⁰ ENSMI 2008/2009

⁴¹ ENCOVI 2011

⁴² The Total Ethnicity Index (*IET – Índice de Etnicidad Total*) for Huehuetenango is 0.57, for Quiché 0.89, for Alta Verapaz 0.90, Encovi 2011.

⁴³ UNDP Human Development Reports 2011

⁴⁴ Diagnostico Nacional de Salud, MSPAS, Marzo 2012

⁴⁵ MSPAS. 2009. V Ensmi 2008/2009

highest child mortality rate in Latin America (32 per thousand live births)⁴⁶. As regards HIV/AIDS prevalence, Guatemala takes 3rd place in Latin America with rates up to 0.8 % among the 15 to 24 age group⁴⁷. Resource allocation to the health sector in Guatemala is one of the lowest in Latin America (2.5% of GDP).

Access to public health assistance is limited due to the insufficient number of medical centres, especially in rural areas. In general only those with sufficient income to afford private healthcare receive adequate medical attention. The adolescent (15-19 years) fertility rate is 107.2 births per every 1000 women.⁴⁸ In 2011 of the total births, 20% (49,231) were registered in young girls age 10-19. Out of these, 3,049 of the births were registered in girls below 14 years old⁴⁹, which according to the Guatemalan legislation is considered as sexual violence.

1.5. Security and Justice

Crime and violence have become the strongest destabilizing factor for Guatemala's political, social and economic life.

The reform of Guatemala's security apparatus and criminal justice system was an important objective of the Peace Accords. In particular, the "Accord on the Strengthening of Civil Society and the Role of the Army in a Democratic Society" acknowledged that one of the greatest structural weaknesses of the Guatemalan State was its justice system. The most remarkable achievements of this process were the establishment of a new National Civilian Police (*Policia Nacional Civil – PNC*) in 1997 and an independent Attorney General's Office (*Ministerio Publico*).

Since 2000 the security situation has indeed been steadily deteriorating. More than 57,000 were murdered from 2001 through 2011, with the homicide rate climbing from 28 per 100,000 persons in 2001 to a peak of 46 per 100,000 in 2009⁵⁰. However, this trend may be slowly reversing. 2012 witnessed a slight improvement with 5632 murders officially registered by the PNC, as compared to 5618 murders in 2011 and 5960 in 2010⁵¹. This trend has been confirmed in the first half of 2013. Since January 2012, a year-on-year decrease in the murder rate from 44 to 33 per 100,000, equivalent to a drop of 11%, has been registered⁵². The vast majority of crimes are carried out with firearms, with 11 % resulting in the death of women (there were 731 cases of "femicide" reported in 2012).

Despite positive results achieved in 2012, 2013 has registered a raise of social conflict (*conflictividad social*). In this respect, the resort to "states of siege" (*estado de sitio*) or the softer version of "prevention state" (*estado de prevencion*) in various municipalities of the country is a source of concern.

Guatemala's security apparatus and justice system are faced by high levels of corruption, frequent staff turnover, patronage and the activities of clandestine groups also known as *Cuerpos Illegales y Aparatos Clandestinos de Seguridad* (CIACS). Regarded as legacy of the internal armed conflict, these groups are illicit structures that use violence to protect their political and financial interests. They have allegedly established links with state officials at all levels, former and active members of the security apparatus, the business community and organised criminal networks which are active, inter alia, in smuggling activities. Recent studies have calculated that the cost related to insecurity accounts for 8% of the GDP, worth 6.7 billion USD.

In addition, the poor condition of the prison system, faced by overcrowding and increasing control of inmates by criminal networks, is a source of criminality hindering the implementation of effective social rehabilitation programmes.

⁴⁶ The state of the world's children 2012, UNICEF

⁴⁷ UNAIDS data, 2010

⁴⁸ UNDESA 2011

⁴⁹ Acceso Universal a los servicios de salud reproductiva: 11 Julio, Dia mundial de la Poblacion, UNFPA, Guatemala, 2012;

⁵⁰ Carlos A. Mendoza, *Central American Business Intelligence*, 14 March 2012.

⁵¹ Ministerio Publico de Guatemala, 2012.

⁵² Report from the Guatemalan humanitarian non-governmental organisation (NGO) Mutual Support Group (GAM), May 2012.

These phenomena represent a major threat to the consolidation of the Rule of Law and occur against the backdrop of an increasing infiltration of drug-related criminal groups (with a dominating presence of Mexican cartels) and a persistent violence related to youth gangs (*maras*).

Despite existing legislation on key issues such as private security companies and arms and ammunition, poor enforcement still represents an obstacle to the control on approximately 120,000 private security officers (more than threefold the size of the PNC) and over 1 million weapons circulating in Guatemala, some 800,000 of which are unregistered⁵³.

However, some progress has been achieved in the fight against impunity. The slight decrease of impunity rate (from 92 to 70%), mostly limited to the crime of homicide, has benefited from a closer cooperation between the Attorney General's Office and the Interior Ministry, the implementation of new strategic investigation methods based on information cross checking and pattern analysis, as well as the establishment of an "analysis unit" within the Attorney General's Office.

In the fight against impunity, CICIG has played a crucial role in supporting national authorities. The last extension of its mandate until September 2015 will focus on an exit strategy designed to gradually transfer capabilities and expertise to Guatemala's relevant counterparts (Attorney General's Office, Interior Ministry and the Judiciary).

Of special concern to the EU are the attacks against Human Rights Defenders, the phenomenon of femicide and the attacks against trade unionists and journalists.

In terms of transitional justice, important progress was made with the ratification of the Rome Statute of the ICC in January 2012 and the continuation of the main trials on genocide and crimes against humanity committed by retired military and members of paramilitary forces during the internal armed conflict⁵⁴. However, the controversial annulment of the trial against former de facto president Efraín Ríos Montt following the first instance ruling for genocide and crimes against humanity, has brought to light the fragility of the timid improvements in the Guatemalan justice system and conflicts within State institutions, namely the Supreme Court of Justice versus the Constitutional Court. The efforts from powerful sectors to seek to have an impact in the trial also exposed the pre-existing fractures within Guatemala's society, particularly between powerful economic elites and the indigenous rural populations

1.6. Agriculture and Food Security

Agriculture accounts for 13% of GDP - or 22% if agribusiness is included⁵⁵. More than a third of the population (38%) is employed in the agricultural sector⁵⁶. Large-scale export-oriented production of coffee, sugar, palm oil, cardamom etc. generally is doing well and generates good profits. But the great majority of farmers encounter huge problems to survive with their small pieces of land or with their very low wages (often below the minimum wage) as workers in the large plantations of big land owners.

Subsistence agriculture is the predominant agricultural system in the country. Plots are often small, have degraded soil and are located on slopes. Only 56% of land is adequate for agriculture, and 24% of this still has severe limitations. Productivity levels are low (production of corn in 2009/2010 was 1.5% lower than in 2008)⁵⁷, production is poorly diversified (mainly corn and beans).

Food and nutritional insecurity is endemic in Guatemala and is the result of a series of structural problems linked to the exclusion of the indigenous population, poor investments in health and

⁵³ CICIG, Informe "Armas y Municiones: Mercado Legal y Tráfico Ilícito, 2010.

⁵⁴ These trials include the high profile files of genocide against former military ruler Efraín Ríos Montt and the so called Dos Erres Massacre.

⁵⁵ At 2001 prices. Excludes paper and furniture production. ECLAC food production trends (2010).

⁵⁶ The rural economically active population living in rural areas represents 38.1 % of the whole EAP. ECLAC food production trends (2010)

⁵⁷ Encuesta Nacional Agropecuaria 2008

education, as well as in productive activities and a historically high concentration of land ownership (2% of the population owns more than 50% of the agricultural land⁵⁸).

Poor households tend to survive on a poor diet, have an unstable income, and live without food reserves. Although Guatemala was the first country in Latin America to enforce nutritional fortification, deficiencies in vitamin A and iron have persisted in children. Deficiencies cause anaemia and affect the immune system of pregnant women and lead to under-weight and stunted children. More than one third of children die before their fifth birthday as a result.

1.7. Environment

While Guatemala is recognised as a mega diverse country⁵⁹, it is also the **5th most vulnerable country** in the world to natural disasters.⁶⁰ Population growth and development inequalities have put pressure on natural resources and led to serious adverse effects such as the degradation of soils and pollution of water resources (lakes and rivers). In addition, the lack of land use planning for agricultural activities and urban construction has increased vulnerability to disasters. Disaster risk management is coordinated by a specific national commission (CONRED) whose presence in the field is very limited. Guatemala risks becoming an emitter of Greenhouse Gas in the next few years due to the pace of deforestation and dependency on oil for energy provision.

Guatemala has a high environmental resource potential (ecological tourism, biodiversity, archaeology, forest resources, mineral resources and hydropower etc.) but extremely fragile forest resources. The **deforestation trend** is particularly alarming due to the key role of forests in watershed and water protection, water infiltration, and the prevention of landslides and soil erosion⁶¹. Approximately one third of the country is currently forested but the annual deforestation rate is estimated at 1.16%, representing a net annual loss of 48,084 ha of forest, most of which occurs in the north of the country (Petén region) and the Atlantic area (Izabal region)⁶². Deforestation is mainly caused by illegal logging, clearance of land for subsistence agriculture, and drug cartels setting up cattle farms as fronts in areas of weak governance. The dependence of poor rural households on wood fuel also remains high. In 1999 wood fuel consumption represented 41% of national energy consumption, of which only 2.4% was legally authorised⁶³. A 2012 study shows that demand for wood fuel exceeds its supply for 5.7 millions dry tonnes per year⁶⁴.

32% of the Guatemalan territory belongs to the national park system. However, the Government's capacity to protect these areas is weak, as is their overall capacity to regulate exploitation of natural resources and to enforce environmental legislation.

A **limited budget for environmental issues** remains a key constraint along with a lack of implementation of existing policies, particularly in the areas of water, forest and soil conservation, and waste management. The regulatory framework is sometimes confusing (at least five laws or regulations on water), inexistent (waste management), or difficult to implement (water and forestry). Although the Ministry of Environment's budget has increased since its creation in 2001, it remains one of the most under-resourced ministries, receiving only 0.3% of the national budget in 2012. Inter-institutional coordination also remains a significant challenge, especially in the water sector which involves nineteen distinct institutions.

⁵⁸ Instituto Nacional de Estadística, IV Censo Nacional Agro-Pecuario, Agosto 2004.

⁵⁹ Megadiverse countries are those that present the highest biological diversity on Earth.

⁶⁰ According to 2011 World Risk Index.

⁶¹ Guatemala (*Quauhtlemallan*) means 'land of many trees' in Náhuatl language.

⁶² INAB, CONAP, Universidad del Valle de Guatemala, "Mapa de Cobertura Forestal de Guatemala 2006 y Dinámica de la Cobertura Forestal 2001-2006", March 2011

⁶³ Perfil Ambiental de Guatemala, IARNA, URL, IIA (2004).

⁶⁴ Woodfuel Integrated Supply/Demand Overview Mapping, INAB, IARNA, PFN, UICN, FAO, Guatemala (March 2012).

1.8. Foreign policy and regional Integration

On **foreign policy**, as a non-permanent member of the UN Security Council (for two years until 31 December 2013), President Perez Molina and the MFA actively engaged in projecting a new image for Guatemala (MFA started by highlighting advances of the government in malnutrition and justice) and the predominance of regional affairs in the current foreign policy.

One of the new government's first actions included the accession to the Rome Statute of the International Criminal Court (ICC), the request for applying the Temporary Protection Status (TPS) to Guatemalan migrants living in the United States (a call repeated soon after President Obama's re-election), and the decision to set the date for a referendum on the question of referring Guatemala's long-standing territorial dispute with Belize to the ICJ (scheduled for 6 October 2013, but currently suspended sine die). In the context of ongoing national concerns about the proliferation of small arms and light weapons, Guatemala continues to support efforts towards a strong and robust Arms Trade Treaty.

As regards post 2015 Agenda, Guatemala wants a separate chapter on access to justice and fight against violence (gender-based and against children)

During its Presidency of the UN Security Council during October 2012, Guatemala had an early success when it successfully oversaw the extension of the mandate of the UN mission to Haiti (MINUSTAH), a priority issue. It also held two Open Debates, on 1) Peace and Justice and the role of the International Criminal Court, and 2) the implementation of the UNSC Resolution 1325 on "Women, Peace and Security". Hurricane Sandy meant the postponement of the second debate, but the UNSC adopted on 31 October a Presidential Statement on Women, Peace and Security.

In addition, the Guatemalan government also launched an international debate on alternative ways to tackle drug-trafficking. At the OAS Summit in Cartagena, the President successfully obtained an agreement for the OAS to produce a report on how to facilitate further dialogue on these alternative measures. The report was delivered in May 2013 shortly before, the OAS General Assembly held in Antigua in June 2013. As a follow-up to this issue, Guatemala will host another summit on drugs in 2014.

According to Guatemala's proposal for alternative ways to tackle drugs, measures would include: compensation based on co-responsibility, establishment of a regional criminal court, decriminalization based on a clear legal regulation on production, transit and consumption, and a stricter regime on seizure of drugs. The issue is part of a wider context of Guatemala's fight against violence and organised crime that has a regional dimension and that will be tackled by the Central America's Regional Security Strategy.

Guatemala is one of four key players in the Central American (CA) **regional integration process** and places this issue high on its agenda. It belongs to all regional integration organizations: SICA, SIECA, CACJ, PARLACEN, and the CA-4 Border Control Agreement and in 2009 agreed to fast-track establishment of a customs union.

The regional integration agenda faces major challenges such as the establishment of common customs union procedures, the liberalisation of trade services and an adequate application of regional legal frameworks for trade facilitation policies and institutional strengthening. The Association Agreement (AA) with the EU was ratified in July 2013 although its final entry into force has been delayed due to objections to GIs.

In the 2012 Exterior Integrated Trade Political Agenda, Guatemala confirms its relations with Central American countries as a priority. Central America represents the second most important market for

Guatemala's exports (29% in 2011)⁶⁵, demonstrating the high level of interdependence in the areas of trade and foreign direct investment.

Concerning other Latin American integration processes, Guatemala is actively supporting CELAC (Community of Latin American and Caribbean States), in view of strengthening the mechanisms of integration at the regional levels of LA and the Caribbean, notably with countries such as the Dominican Republic, Cuba and Haiti. It also participates in the Organization of American States (OAS), aiming at complementarity of the agendas of both regional initiatives.

Furthermore, Guatemala is an active participant in the MERCOSUR, CAN, CARICOM and UNASUR fora, and is a member of the *Arco del Pacífico*⁶⁶. The Government is also exploring the possibility of becoming part of *Petrocaribe*.

As the USA represents the most important export destination (38% of exports in 2011), the CAFTA-DR constitutes one of the most important trade instruments for Guatemala. Depending on economic developments in the USA, Guatemala should be able to benefit more from the agreement and to make better use of its export quotas.

2. Country Response and Development Priorities

2.1 Country Development Priorities

A new Government took office in January 2012, led by President Otto Pérez Molina, a retired general and the leader of the Patriotic Party (*Partido Patriota - PP*). The Government's electoral promises were set out in an "Agenda for Change" (*Agenda del Cambio*). Once in office, it translated these into a **Strategic Priorities** document (*Prioridades Estratégicas*) covering the 2012-16 period. This document sets out five key priorities:

1. Democratic security and justice (*seguridad democrática y justicia*)
2. Competitive economic development (*desarrollo económico competitivo*)
3. Productive and social infrastructure (*infraestructura productiva y social*)
4. Social development (*desarrollo social*)
5. Sustainable rural development (*desarrollo rural sostenible*)

The Government structured these priorities into three operational **Pacts** (*Pactos*):

Zero Hunger (*Pacto Hambre Zero*): this pact aims to tackle malnutrition and improve food security, focusing on the 50% of municipalities that suffer from the highest malnutrition rates. The Pact is supported by a dedicated programme on family agriculture (*Programa de Agricultura Familiar para el Fortalecimiento de la Economía Campesina - PAFEC*) and initiatives on water, sanitation and the environment. It includes coverage of issues such as social and gender equality and administrative coordination and efficiency. Wider components of integrated rural development are also addressed, including access to clean water and electricity and support for sustainable small-scale agriculture. Goals include reducing the prevalence of chronic malnutrition in children under five by 10% by the end of 2015. A focus is also placed on the 1000 days between a woman's pregnancy and the child's second birthday (*Ventana de los 1000 días*). These 1000 days are considered crucial to give children a healthy start at life. In September 2012, the President declared the Scaling Up Nutrition initiative (SUN) of national interest and identified as the following key steps: a) establish a specific programme for identification, monitoring and treatment of malnutrition cases; b) Promote adequate nutritional practices: breastfeeding, supplementary feeding and best hygiene practices like hand washing; c) Promotion of a multiple micronutrient supplementation programme. The direct components of the Zero Hunger Plan are based on the SUN.

⁶⁵ SIECA data 2011.

⁶⁶ Political, economic and trade coordination platform between Asia and Pacific.

Security, Justice and Peace (*Pacto por la Seguridad, la Justicia y la Paz*): This inter-institutional pact, co-signed by the heads of the three State's powers in May 2012, represents a comprehensive plan to fight crime and improve security and the administration of justice both at central and local. By adopting an integrated approach tackling different dimensions such as citizen's security, a more inclusive and effective justice system, and social and economic development, the pact aims at laying down the foundations of a long-term state policy which transcends single government's platforms.

Fiscal Reform and Competitiveness (*Pacto Fiscal y de Competitividad*): under this Pact, the Government aims to increase state revenues by fighting tax evasion, improve the management of public spending, and undertake a number of reforms to strengthen competitiveness, improve the business environment, increase employment opportunities and attract foreign investment. Improving prospects for those working in the informal economy, which currently accounts for some 75% of the workforce, will be a crucial challenge.

These Priorities and Pacts are proposed to be the basis for all international support. In addition the Government released its “Agenda 2032”, setting out a broad vision for the country’s development path for the next 20 years based on the prospects for demographic and economic development and a better link between urban and rural development.

While an important basis for donors, the Government development priorities do not currently cover all challenges Guatemala is facing. They could be considered as the basis for ODA, but certainly they should be complemented by development assistance to policy areas such as education and environment, as well as by targeted interventions to strengthen the capacities of local governments and of civil society to contribute to public policy making and monitor policy implementation. Finally, activities of various stakeholders contributing to conflict resolution and dialogue should also be considered.

2.2. Main progress

In order to enhance overall **state implementation capacity**, the Government strengthened the role of the Planning Secretariat attached to the President's Office (Secretaria de Planificación – SEGEPLAN) and developed a system of results-based management. In an attempt to modernise the State, a constitutional reform proposal was also launched focusing on improving transparency, strengthening the independence of the justice system, and enforcing recognition of the multi-ethnic and multilingual character of the country.

With relation to the three pacts, full operationalization is still underway but some advances can already be noted:

▪ Food Security and Agriculture.

The most notable results at an output level of the Zero Hunger Plan are the following:

- In health more than 827,664 children under 5 years were immunized and 4.6 million doses of supplementary multiple micronutrients were distributed to children. More than 2 million women between 15 and 49 years of age received iron & folic acid supplements and 2.2 million people were given access to basic health services.
- In education, 459,296 people registered for literacy courses, more than 131,302 parents were trained in food security and in 2012 2.5 million pre-primary to primary school students took part in school feeding programmes.
- As for agricultural programmes 1.3 million families vulnerable to food insecurity received food assistance and approximately 500 million tons of improved basic maize and bean seeds were produced and distributed to small farmers. The grain storage capacity of approximately 65,000 families was increased. Last year the Rural Extension and Family Agriculture Programmes provided for 600 rural agricultural training events.

- To further improve budget planning, management and execution as well as the performance and monitoring systems, the Ministry of Public Finance – together with SESAN and SEGEPLAN - developed a specific tool to identify and follow up the implementation of budget lines of the Zero Hunger Plan.
- Congress approved a measure to guarantee that the 2013 budget for the Zero Hunger Plan assignments is not transferred to other programs or budget lines.

The rural development policy (approved in 2008) was re-launched in May 2012 and its plan was presented in September 2013 to demonstrate the Government's commitment to rural development. It is based on two main pillars: promotion of smallholders' economy and of private investment in rural areas. The Family Agriculture Programme (PAFFEC⁶⁷) is the main programme in line with the Rural Development Policy, and was launched in May 2012. The Zero Hunger Pact is supported by the PAFFEC and initiatives on water, sanitation and the environment. Wider components of integrated rural development are also addressed, including access to clean water and electricity. In addition, the national Agenda for Competitiveness (2012-2021) considers promoting rural enterprises and value chains as well as attracting investment in rural areas.

▪ **Security and Justice.** The new Government has identified security and justice as the main priority and has taken a number of measures which include:

- A successful request for the extension of the mandate of the UN-backed International Commission against Impunity in Guatemala (CICIG) until September 2015.
- Actions to prevent violent social conflict and enhance national dialogue, such as the establishment of an early warning system the appointment of a Presidential Commissioner for National Dialogue, charged with strengthening the National System of Permanent Dialogue.
- The appointment of a new Human Rights Ombudsman (*Procurador de los Derechos Humanos*). The Ombudsman's office now faces the challenges of building up its credibility, which has been relatively limited in the past.
- The establishment of a dedicated unit to deal with discrimination against indigenous people within the Supreme Court of Justice.
- The establishment of Special Courts for Femicide and other forms of violence against women⁶⁸.
- Adherence to the Rome Statute of the International Criminal Court.
- Establishment of five multi-disciplinary task forces (*fuerzas de tarea*) to tackle some of the most alarming crimes including murder and femicide, as well as two new military brigades which operate in locations particularly affected by organised crime, predominantly drug and human trafficking.
- Implementation of a new Directorate General of Criminal Investigation within the Interior Ministry that will result in the creation of a specialized scientific investigative police.

Fiscal reform and competitiveness. Main measures that have been undertaken to improve transparency, increase state revenues and improve the competitiveness and business climate include:

Approval of two laws that are the main pillars of the 2012 fiscal reform⁶⁹: During the first quarter of 2013 tax revenues were 7.9% higher than the amount collected in the same quarter of 2012.

- Approval of the Illicit Enrichment Law (09/2012) to fight corruption within public administration. Main result so far has been its dissuasive effect, since any official (public or private) may be investigated and put on trial⁷⁰.

⁶⁷ PAFFEC: *Programa de Agricultura Familiar para el Fortalecimiento de la Economía Campesina*

⁶⁸ Informe Anual Circunstanciado 2011 – Memoria de Labores, Procuraduría de Derechos Humanos Guatemala.

⁶⁹ The Fiscal Modernization Law (Decree 10-2012 *Ley de Actualización Tributaria*) and the Anti-Tax Evasion Law (Decree 04-2012 *Ley Antievasión II*).

⁷⁰ This law was part of the package of initiatives (4461 and 4462) that aim to modify existing laws and to create new ones to promote transparency and quality of public spending, which was submitted to Congress by the Government in March 2012. The other elements of these initiatives are still pending to be approved.

- The Budget Availability Certificate (*Certificado de Disponibilidad Presupuestaria –CDP–*) was included in the 2013 National Budget (article 8), which is a positive measure aiming to control unregistered arrears (floating debt).
- Creation of the Presidential Commission on Transparency and Electronic Government – COPRET (*Comisión Presidencial de Transparencia y Gobierno Electrónico –Acuerdo Gubernativo 360-2012*). Under the coordination of this commission a common front to fight corruption was established in March 2013 by an Inter-institutional Agreement signed between the Judiciary, the Public Prosecutor's Office, the Supreme Audit Institution and the Office of the Attorney General.
- Signing of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (12/2012), which removed Guatemala from OECD's grey list of countries that have not yet substantially implemented the internationally agreed tax standard.
- Guatemala's membership as an associate country of the Construction Sector Transparency Initiative (CoST), an international initiative promoting transparency and accountability in public infrastructure projects.
- Guatemala's acceptance as an Extractive Industries Transparency initiative (EITI) candidate country in March 2011, although a validation deadline extension was requested until end November 2013.
- Launch of three important initiatives to increase competitiveness and generate decent employment opportunities, including the identification of priority target markets for commercial expansion.

Progress has not only been limited to the three Pacts. With regards to the social **sectors**, some important advances include:

- Creation of a Social Development Ministry, in charge with coordinating and institutionalising the social protection system and the ongoing social programmes⁷¹;
- Implementation of social programs to improve literacy and school attendance rates in urban and rural areas;
- Design of strategies to increase the offer of bilingual education and improve the teacher's credentials;
- Implementation in various departments of a methodology that, in its pilot phase, reduced maternal mortality and infant mortality resulting from diarrhoea to zero;
- Reform of the labour policy to facilitate the entry of informal economy workers into the formal economy, create more decent jobs and companies, strengthen the institutional framework and adapt the legal framework
- Approval of a first national employment policy, and increased efforts to improve the social dialogue with trade unions.

With regards to the environment, the Zero Hunger Pact includes actions on forest conservation and the National Forest Authority (INAB)⁷² has recently elaborated a strategy for sustainable production and use of wood fuel for 2013-2022. Guatemala adopted a National Policy on Climate Change in December 2009. A Climate Change Law⁷³ has recently been passed. The country also has plans to combat illegal logging, implement various reforestation schemes, and adopted a Water Policy. With the support of international donors, the Government has elaborated a Multi Annual Sector Plan for Water and Environment (PSMAA 2010-2013). Guatemala has committed to strongly promote hydroelectricity production and to reduce its dependence on oil, currently the source for almost half of the country's electricity.

⁷¹ The previous Government carried out a substantial overhaul of the social protection system in 2008, creating four new programs, all with unlimited duration: *Mi Familia Progresista*, *Comedores Solidarios*, *Bolsa Solidaria*, and *Escuelas Abiertas*. In 2010, these programs reached 47% of the population living in extreme poverty (13% of total population). In 2007, the *Programa Económico del Adulto Mayor* had also been created, followed by the introduction of a system of welfare pensions.

⁷² INAB: Instituto Nacional de Bosques. Autonomous body under the direction of the Ministry of Agriculture.

⁷³ Ley Marco de Adaptación Forzosa y Mitigación Obligada al Cambio Climático.

Overall, major progress registered so far concerns the legislative framework and changes in the institutional set up. It would be vital that these advances be complemented with an enhanced implementation capacity of the State at national and local level, a deciding factor to deliver concrete changes on the ground.

3. Perspectives of other stakeholders

For the preparation of this EU-MS Joint Strategy, a round of consultations was held in October and November 2012 with the following actors: Congress, international financial institutions, UN system, donors, civil society organizations and private sector. Their views - which are set out below - have helped to shape the overall document.

Congress welcomes the joint European strategy and would like to increasingly engage with European donors as well as to see them support the legislative process. European assistance is viewed as of particular value in:

- Reinforcing the institutionalisation of the state and of its implementation capacity. This is seen as key to improving citizens' access to basic public goods, such as health and education, particularly in rural areas.
- Tackling corruption and improving transparency.
- Strengthening the state capacity to maintain the independence of the judiciary, to reform the police system and to enhance the capacity of the Prosecutor's Office.
- Tackling social conflict and social exclusion, particularly among youth, women and the indigenous population.
- Supporting employment creation.
- Sensitising the private sector to the role that they can play in supporting the country's social and economic development.
- Capitalising on the Association Agreement with the EU.

It was highlighted that all support should be oriented on the achievement of sustainable results.

The **International financial institutions, United Nations system and major donors** (World Bank, International Monetary Fund (IMF), Inter-American Development Bank (IDB), Food and Agriculture organization (FAO), United Nations Development Programme (UNDP), World Food Programme (WFP), World Health Organization (WHO), United States Agency for International Development (USAID)) stressed the need to:

- Strengthen the institutional and implementation capacity of the state through technical cooperation at central or local level, in order to ensure a better management of donated funds.
- Improve donor cooperation.

Most of these entities have a current strategy or just initiated a new one, with duration between two and five years, with intervention areas mostly aligned with government priorities (rural development, food security, health, education, justice and security, climate change and environment).

Emerging donors (Brazil, Chile, Cuba, South Korea, Mexico, Peru, and Venezuela) identified various issues of common concern as:

- Tackling poverty with the aim of making faster progress towards the Millennium Development Goals.
- Addressing social inequality and social conflict.
- Supporting the state in reducing impunity and enhancing the capacity of the police and judiciary.
- Addressing health, education and environmental challenges.
- Combating organised crime, with a major focus on drug trafficking.
- Enhancing national institutions, policy making, so as to promote continuity in state policies.

These donors stressed the need to try to ensure that external support to the country is demand-driven. They also highlighted the potential of working together with European donors through triangular cooperation and welcomed the opportunity for increased political dialogue. The Emerging donors do not have multi annual programs, and their work is directed mainly to address the needs of individuals (eg. housing for single mothers, eye surgeries, stipendiums and exchanges for students) and less on processes. Some countries like Chile, Mexico and Colombia support Guatemala in a series of exchanges of civil servants mainly in the security sector.

Civil society highlighted the following issues:

- The key challenges in Guatemala today are seen to be governance, democratic participation, social conflict, corruption, and transparency.
- The three national Pacts provide a welcome basis for development but further work is needed to define the specific activities that they will tackle. They should also form the basis for the drafting of a comprehensive national development strategy.
- There is a need to reinforce the Government's implementation capacity and the link between policy and implementation, as well as better monitoring and evaluation systems with an emphasis on the establishment of measurable indicators. The Government's intention to establish a results-based management approach is therefore to be welcomed.
- A socially responsible private sector is important to foster sustainable and equitable development.

4. Consistency with EU Development Policy

The priorities put forward in the Government Plan 2012-2016, and the three pacts "Security, Justice and Peace", "Fiscal and Competitiveness Pact" and "Zero Hunger", respond to a high degree with the priorities in the EU Agenda for Change Communication.

The Agenda for Change has at its core the objective of eradication of poverty and achievement of the MDGs, underlining as essential conditions a secure environment, good governance, respect of human rights and rule of law. Each one of the pacts contributes to tackling different aspects of these issues.

i) Human rights, democracy and other key elements of good governance

The Security, Justice and Peace Pact addresses rule of law as a main priority, through the strengthening of the judicial system, the decrease in the impunity levels, the fight against organized crimes and the promotion of security for the individual. Its indicators are constructed based on the security-development nexus, starting from the assumption that without promoting a culture of non-violence human development is hampered, and by responding to the basic needs of the people – land ownership, food security, access to education and health, employment – the level of conflict will decrease.

In the governments' pacts, human rights are presented as a cross cutting issue. The Government has ratified most of the major human rights conventions, has undertaken efforts to improve its human rights record and is committed to redesign its human rights institutional system to increase its efficiency. Through the approval of an integrated rural development policy and the strengthening of the existing national dialogue mechanisms, the Government also aims to strike a balance between economic priorities, respect for human rights, community will and good environmental management, which are key factors as presented in the EU Agenda for Change in order to achieve sustainable development.

The Fiscal and Competitiveness Pact focuses on public-sector management, tax policy and administration and the fight against corruption. A priority for the current administration, the government already took certain actions to address these issues. However, adequate enforcement and further measures to improve public finance management will be required.

Strengthening the links with civil society is a priority for the EU, and the pacts emphasize joint responsibility between state authorities, civil society and private sector. The operationalisation of the pacts currently mainly rests with the line ministries, but efforts are being undertaken to enhance coordination or cooperation between all stakeholders.

ii) Inclusive and sustainable growth for human development

For the EU, the foundation of inclusive growth is based on access to social protection, health and education systems. Though the current administration is aware of the deficiencies of these systems in Guatemala, as mentioned in the Government Plan 2012-2016, the action lines do not all figure prominently in the three pacts.

Strengthening of the business environment, the attraction of foreign investment and the regional integration are high on the national and regional agenda. The Fiscal and Competitiveness pact defines measures for creating a favourable business environment and promoting formal employment. In this context the employment policy and the Competitiveness Agenda aim to foster employability of the workforce, develop competitive local private sectors and address the problem of integration of the informal economy which currently employs around 75% of the work force. This would allow for a larger percentage of the population to be covered by a social scheme.

Within the Zero Hunger Pact, combating malnutrition and food insecurity is a priority for the government, as well as providing access to drinking water and electricity. The policy for integrated rural development contains actions directed to small scale sustainable agriculture as well as reforestation and forest conservation actions. Also in spite of a limited public budget for environment issues, it is expected that conservation of forest in national protected areas will remain important as shown by recent international cooperation projects and the interest of Guatemala in ongoing international debates concerning REDD+.

Besides these mitigation and adaptation actions to Climate Change in agriculture and forestry, the pacts do not include measures in other sectors such as transport and industrial processes. Concerning the former, public transport is mostly a municipal/capital city competence while the latter has to some extent been addressed through a donor funded private sector initiative (Guatemalan Centre for Greener Production⁷⁴).

Regarding green energy, investment in infrastructure for hydroelectric plants is foreseen to be strongly promoted under this government. Hydroelectricity is central in the energy policy adopted in 2007 and in the current government agenda. The objective is to reduce the dependence on oil which currently produces nearly half of the country's electricity. The change in the energy matrix sets out that by 2022 the country should mostly rely on hydroelectric power plants and carbon, natural gas and biomass for electricity production.

With regard to fundamental values, the documents put forward by the government mention liberty and legality, universality and equity, solidarity and reconciliation, corresponding to a large extent to the principles that are at the core of the European Union.

Gender equality and multiculturalism – or cultural relevance as defined by the government - are treated as cross-cutting issues within the pacts. Specific measures are envisaged to promote women empowerment and children rights. With regards to the rights of indigenous peoples, the Government proposed in its constitutional reform to enshrine the multi-ethnic, multicultural and multilingual character of the nation, hence recognizing the identity as peoples of indigenous nationals and their related rights. Guatemala also undersigned the ILO Convention 169 on the right of consultation of indigenous peoples. An important challenge for the current Government will be to effectively implement international standards and to ensure effective consultations of communities that might be

⁷⁴ Centro Guatemalteco de Producción mas Limpia <http://www.cgpl.org.gt/>

affected by development projects or the exploitation of natural resources. Environmental sustainability and climate change are mainly addressed in the Zero Hunger Pact, which proposes concrete actions to tackle these aspects. Finally, combating HIV/AIDS is mainly addressed through the UN system in coordination with the Health Ministry.

5. Performance Assessment and Monitoring

Reliable monitoring and performance assessment remains a major challenge.

The 12 **Peace Accords** include several commitments, policy actions and targets to be achieved in different areas such as health and education (50% increase in budget expenditure between 1995 and 2000, 70% alphabetisation by 2000, 50% reduction of child and maternal mortality), housing (min 1.5% of fiscal revenue dedicated to housing), vocational training (min 200,000 workers before 2000), judicial administration and security (increase in budget expenditure by 50% between 1995 and 2000, min. 20 000 police officers by 2000, full demobilization within 1 year), land distribution (min 100,000 ha by 2000), increase of fiscal pressure to 12% (of nominal GDP in 2002) and sustained economic growth of minimum 6%.

Whereas most general commitments were not time bound, most indicators were to be achieved before 1999 and 2000 and full compliance lacked seriously behind. In quantitative terms, most progress can be noted in the increase in social expenditure, where in the areas of health, education and security the State has complied since 1999 with the minimum indicators of the Peace Accords. Other indicators were only recently achieved (e.g. indicator on police officers fulfilled by 2011), and some still have still not been fulfilled to date (e.g. on housing sector, economic growth or fiscal pressure).

It was not until August 2005 the Frame Law on the Peace Accords created the National Council on the Fulfilment of the Peace Accords, in charge amongst others of monitoring compliance of the Accords. Overall, however, monitoring of the Peace Accords has been weak.

Guatemala has made a commitment in relation the **MDGs**. However, it lags behind on reaching a number of these, notably those related to chronic child malnutrition, child mortality and maternal mortality, and has so far not been successful in implementing policies to achieve them within the foreseen time limits.

With regard to the three **Pacts**, while some do contain specific targets i.e. a reduction of 10% of chronic malnutrition (Pacto Hambre 0), others only contain indicative results such as increase of enrolment rate in primary education or increased rate of growth of gross product per person employed, although these have not been broken down into specific targets.

Regarding Results Based Management (RBM), the 2013 State Budget includes a definition of the RBM approach applied to the budget and a list of indicative targets for each of the three main priorities established by the Government (the Zero Hunger Pact; the Peace, Security and Justice Pact; and the Fiscal and Competitiveness Pact). Also, Government institutions have been trained in the Budget by Results methodology and on the operational modifications that have been made to the management system (SIGES) and Integrated Accounting System (SICOIN). This shows that the authorities are working to establish a planning-budgeting system based on priorities and results.

According to the latest IMF review data provision is broadly adequate for surveillance. The authorities have made improvements in the quality of statistics including the production of quarterly national accounts, and a revised methodology for estimating commercial credit flows and stock in the balance of payments. The technical and financial capacities of the National Statistic Institute (INE) need to be strengthened in order to ensure a more precise work of collection and treatment of statistical information in different sectors. Ministries and other national entities usually manage their own data, providing independent statistical reports, which are not double-checked by the INE. Some essential surveys are only performed every four or five years, for example this is the case of the National

Survey on Living Conditions (ENCOVI 2006 and 2011). The government has recently submitted to Congress an initiative to strengthen the institute of statistics.

6. Summary

Guatemala is a multi-ethnic, multicultural and multilingual country with considerable economic potential. However, the country is still a post-conflict country that is building its phase of building a fully democratic state based on the rule of law. Transition to democracy started 28 years ago and the 36-year long internal armed conflict ended only 17 years ago. Several of the Peace Accords still need to be fully implemented. It should be noted that the 2005 framework Law on the Peace Accords (Decree 52-2005) elevates the Peace Agreements to State commitments.

The country has made progress since the signing of the Peace Accords in 1996. Economic growth has been stable at an aggregate level, with an average of 1.2% in GDP growth per capita, and prudent macroeconomic policies have kept public debt and fiscal deficit manageable. Advances have been made in the transition towards a more accomplished democracy with free elections and democratic change of power. Guatemala also gradually increased its social expenditure over the last decade, leading to progress toward achieving the Millennium Development Goals on indicators such as primary education coverage. There has equally been a certain reduction in extreme poverty as well as some progress in reducing overall poverty.

Nevertheless, important challenges remain. While considered to be a middle-income country there are dramatic differences in income distribution between rural and urban areas. Implementation of the Peace Accords has been limited, the country has not yet overcome its history of structural exclusion and the state faces major institutional, social and economic challenges to achieve an equitable and inclusive society.

Key challenges to development in Guatemala today are: A) ensure human security, including defending and developing the rule of law and ending impunity, B) fight against structural economic and social inequality, and discrimination, C) guarantee respect of human rights, in particular for the indigenous people, and women and children, and D) combat widespread poverty and malnutrition, in particular in rural areas. Weak legal and institutional capacity of the state and the lack of peaceful dispute resolution mechanisms constitute another area of challenge.

Guatemala's justice and security system continues to suffer from serious deficiencies, and organized crime and violence are widespread. National homicide rates slightly dropped since November 2009, but Guatemala still has the seventh highest homicide rate in the world. Of particular concern is the high rate of femicides in Guatemala. However, the number of homicide cases successfully brought to justice increased over the last years, and the level of impunity dropped from an estimated 92% to 70%. Plans to prevent violence and crime and to improve the reach, professionalism and independence of both the police force and the judiciary as well as continued support to the work of the UN backed International Commission against Impunity in Guatemala (CICIG) are central to cutting crime rates and addressing the prevailing culture of impunity.

Social conflicts are frequent. Currently the government has identified over 2000 social conflicts, over 80 are considered of high intensity. Indicatively, the Secretariat of Agrarian Affairs (SAA) registers almost 1500 pending agrarian conflicts, affecting mainly rural and indigenous areas. Violent protests and a number of high impact conflicts resulting in the declaration of local States of Siege (Santa Cruz Barillas, San Rafael Las Flores) further increased pressure on the Government to ensure the establishment of effective consultation and mediation mechanisms to manage and resolve social conflict at the local level.

Poverty, inequality and discrimination remain an important challenge in Guatemalan society. The country ranks 133rd on the 2012 Human Development Index (out of 187 countries) and over half of

the population (53.7%) live below the poverty threshold⁷⁵. Indigenous peoples score significantly lower on social indicators as compared to the non-indigenous population. Effective implementation of programmes to improve the provision of health and education services, especially in rural and indigenous areas, is needed to ensure access for all. There is an urgent need to create more income generating opportunities, in particular for the poor, the women and the young.

The country's levels of food insecurity are amongst the highest in the world, with a chronic malnutrition rate for children under 5 of almost 50% and chronic malnutrition rates reaching over 90% in certain areas in the western highlands.

Guatemala also features poor levels of environmental protection and suffers from frequent natural disasters and a high degree of vulnerability to climate change. Guatemala is the fifth most vulnerable country in the world to natural disasters⁷⁶, mainly due to the lack of planning of land use for agricultural activities and urban construction. Population growth and development inequalities have also put pressure on natural resources and contributed to the degradation of soils.

All these issues are compounded by a low level of revenue mobilization and structural institutional weaknesses that hamper the implementation of state policies. In 2011, Guatemala's tax burden was 10.9% of the GDP, one of the lowest levels in the world. In addition to enhancing national resource mobilisation, main institutional challenges are related to: strengthening the civil service, improving the effectiveness of Congress, improving transparency and tackling corruption, and strengthening the linkage between central policy setting and local service delivery. Enhancing the ability of the state to set and measure relevant social and economic indicators will be instrumental in improving policy setting and implementation and in introducing a results-based management approach to the public sector.

The current Government has declared that reforms are required, and has stepped up its response efforts to address the above challenges through the presentation of a reform agenda. Its "Strategic Priorities 2012 - 2016" document identifies five priorities: 1) democratic security and justice; 2) competitive economic development; 3) productive and social infrastructure; 4) social development; and 5) sustainable rural development.

These priorities have been further detailed in three Pacts. The Security, Justice and Peace Pact aims to address the high levels of violence and crime. Some first measures include the establishment of joint police and military task forces to tackle crimes, and the approval of the Directorate-General of Criminal Investigation to create a specialized, scientific investigative police.

The Zero Hunger Pact is the focal point for the Government's social policy and chronic child malnutrition. The Government recently approved an operational plan and protocol for impact assessment. With regard to social development, the new Social Development Ministry and the creation of a tri-partite Social and Economic Council - a result of sustained efforts of different sectors over the last years - to enhance multi-sectoral dialogue are laudable advances.

With regard to the Fiscal and Competitiveness Pact, Congress has approved a limited fiscal reform that includes a law on fiscal modernization and on anti-evasion. The Government also recently launched a national competitiveness agenda (2012-2021). Two major state policies regarding education and environmental protection are being implemented outside the pacts.

In addition, the Government has pushed forward and achieved the ratification of the Rome Statute of the ICC as a clear sign of the importance of the respect of Human Rights. The administration was also granted an extension of CICIG to enhance its fight against impunity and organised crime and created a

⁷⁵ ENCOVI 2011

⁷⁶ World Risk Index 2011.

series of institutions to tackle the issue of social exclusion and discrimination such as a Presidential Commissioner for National Dialogue and a Presidential Commissioner for Rural Development.

At a more operational level the Government has introduced a series of measures to enhance planning and monitoring of the implementation of its policies and eventually of their impact. These include management by results, the establishment of indicative targets and specific budget allocations to reach such targets.

Conscious of the major effort required to succeed in its reform process, the Government has requested support to implement the reform agenda. On the basis of this appeal, the EU and Member States are committed to support the Government's efforts to refine and resource their policies and plans, to ensure effective implementation of the identified priorities over the coming years, and to accompany Guatemala to achieve its vision of the future. To this end, the EU will maintain a regular political dialogue with the Government and civil society actors, and will support the reform process through its bilateral and regional cooperation instruments and its direct cooperation with organized civil society in collaboration with other donors.

ANNEX 2: EU-MS Joint Programming in Guatemala. A roadmap

12 November 2013

1. Based on the Feasibility Assessment submitted to HQ in February 2012, Heads of Mission (HoM) recommended moving forward with a joint programming exercise in Guatemala. In December 2012, a draft joint analysis and strategy was submitted to EC headquarters and European capitals. In the strategy, EU and MS underwrite the fundamental principles of joint programming. This roadmap sets out the steps that will be undertaken to move towards a fully coordinated EU response in Guatemala as from 2017.

2. Currently, Germany, Spain, Sweden and the EU Delegation maintain sizeable bilateral programmes of support to the country. France, the UK and Italy maintain more modest portfolios, but do nevertheless subscribe to the process of Joint Programming. The Netherlands closed its direct bilateral assistance but will continue to cover the country under its regional programme.

3. During the finalization process of this draft joint strategy in November 2013, EU and MS agreed to formulate a 7 year strategy (2014-2020) - contrary to the initially planned 3 year strategy. A mid term review will take place in 2016 - following the entry of a new Government in 2016 – to enable adjustments in programming for the period 2017-2020. The EU and MS bilateral programming cycles are shown in table 1 below.

4. The EU and MS agree to provide indicative allocations for the programming period. These amounts are detailed in the joint EU-MS strategy.

5. In order to put into practice the joint strategy in Guatemala, EU and MS agree to the following two principles:

a) A "division of labour" suggests that the EU and Member States intervene in different 'sectors' or areas in order not to overlap. However, in a country like Guatemala – where total development aid accounts for 1% of GDP and relatively few European donors maintain sizeable programmes - positive synergies could be created by joining efforts. Therefore EU and MS will work in a spirit of "coordination of labour".

b) Ultimately, through this exercise EU and MS aim to contribute to the country's development priorities and results. A focus on development results requires going beyond an approach along sectors, the latter suggesting a merely administrative vision on development. Instead of a traditional sector division, EU and MS therefore commit to coordinate along the country's development results rather than along the traditional definition of sector coordination.

6. To move joint programming forward – and to ensure a fully coordinated EU response by 2017 – EU and MS agree to undertake following actions:

1. Carry out a **joint analysis** for each of the three areas of intervention to which several EU and MS will contribute under the upcoming strategy: 1) Food security, 2) justice, peace and security and 3) competitiveness. At the request of Germany, the EU and Member States will consider to include an analysis on Education, being a key component of the German Strategy. Having in mind the importance of education, it may have implications for the three areas of intervention. The analyses aim to systematize the existing knowledge base, the advances and in particular the intervention gaps

in order to provide input to the identification of possible EU intervention strategies. As part of this exercise, concrete development results will be defined for each of the intervention areas.

The scope of these studies and the identification of the lead Agency or Delegation for each area of intervention will be defined in December 2013. By end of the first semester 2015 EU and MS aim to have completed the analyses. Any analytical work already undertaken earlier will be taken into account.

2. Based on the results of these analyses, develop a **joint intervention strategy and a coordinated response** for each of the areas, ensuring coherence and synergies among ongoing and upcoming EU MS interventions. Interventions carried out by other main donors should also be taken into account. This process will take place throughout 2014 and 2015 and will be based on the results of the analyses.

3. **Implement** all EU MS programmes in a coordinated manner. Possibilities will be explored to implement a joint intervention as a demonstration case in one of the result areas.

4. Elaborate **annually a joint report** on advances in coordination and EU and MS contribution. The first report will cover the period of 2014.

5. Undertake a **mid term review** in 2016. This mid term review will analyze progress made in EU coordination and joint programming, and will enable to adjust the strategy to the development in Guatemala including the plans of the upcoming Government that will take office in January 2016.

ANNEX 3: Programming cycle

Programming Cycles in Guatemala									
	2012	2013	2014	2015	2016	2017	2018	2019	2020
GoG	Present Government Term				Successor Government Term				>>
EU Donors			Joint EU Strategy						
IADB									
Canada	<<								
UN	<<								
USA									
World Bank									

NB: Denmark, Finland, the Netherlands and the UK provide support to Guatemala without maintaining dedicated bilateral portfolios for the country. Italy plans to resume its bilateral support for the country in the latter half of the First Joint Strategy period.

ANNEX 4: GUATEMALA AT A GLANCE⁷⁷



Statistics Division
Millennium Development Goals: Country Profiles



Guatemala

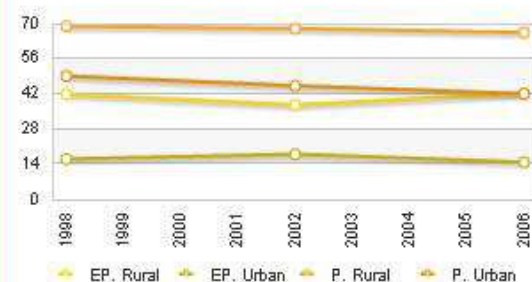
Official Name	República de Guatemala
Capital City	Guatemala
National Currency	Quetzal
Area	108,890 km ²
Population (thousand)	14,688 (2011)
% of urban population	57.2% (2010)
Life expectancy	71.3 years (2011)
GDP per capita (annual dollars)	3,193 (2011)
National Statistical Office	Instituto Nacional de Estadística (INE)
Institution in charge of the production of the National MDG Report	Secretaría de Planificación y Programación de la Presidencia (SEGEPLAN)



The boundaries and names shown on this map do not imply official endorsement or acceptance by the United Nations

Goal 1 Eradicate extreme poverty and hunger

Proportion of population living in poverty and extreme poverty by geographical area



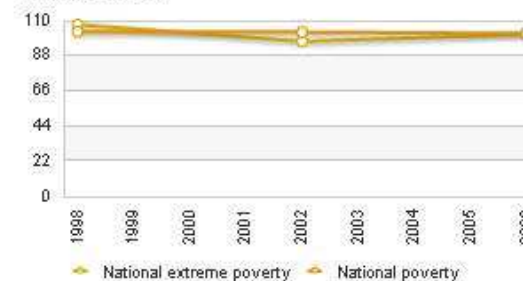
Source: ECLAC on the basis of special tabulations of data from household surveys.

MDG1 Selected Indicators

	1990	2000	2008
Proportion of population below 1 dolar (PPP) per day (%) ^a	39.1 (1989)	11.9	13.5
Proportion of population living in extreme poverty (based on national poverty lines comparable at Regional level) (%) ^b	42.0 (1989)	30.9 (2002)	29.1
Indigence gap ratio (based on national poverty lines comparable at Regional level) (%) ^b	18.5 (1989)	10.7 (2002)	11.3
Share of poorest quintile in national income (%) ^b	2.8 (1989)	3.8 (2002)	2.8
Employment-to-population ratio (%) ^a	...	64.2	61.2 (2004)

Source: ECLAC on the basis of: a) World Bank and United Nations MDG indicators Database; b) Special tabulations of data from household surveys.

Number of poor women for every 100 poor men (Poverty Femininity Index)



Source: ECLAC on the basis of special tabulations of data from household surveys.

⁷⁷ World Bank, Report No. 69229-GT, Guatemala, 17 August 2012, pg. 77-78;
CEPAL, MDG Country Profile, 24 Oct 2012, http://interwd.cepal.org/perfil_ODM/perfil_pais.asp?pais=GTM&id_idioma=2



Goal 2 Achieve universal primary education

MDG2 Selected Indicators

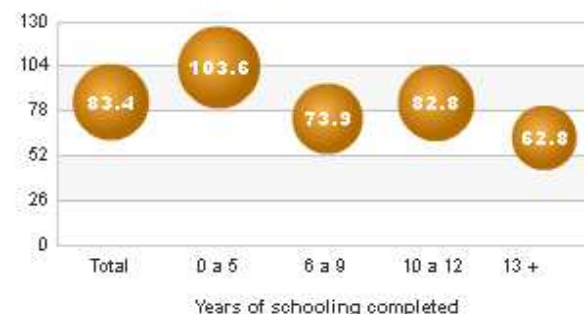
	1990	2000	2010
Adjusted net enrolment ratio in primary education (%) /a	...	86.7	98.6
Percentage of population aged 15-19 who completed primary education (%) /b	40.5 (1989)	60.8 (2002)	62.6 (2006)
Percentage of population aged 20-24 who completed secondary education (%) /b	13.6 (1989)	23.9 (2002)	25.6 (2006)
Literacy rate of 15-24 year-olds, women and men (%) /a	75.0 (1994)	82.2 (2002)	87.0
Public expenditure on education (%) /a	1.7 (1993)	1.6 (1996)	3.2 (2008)

Source: ECLAC on the basis of: a/ UNESCO-IUIS Institute for Statistics /b Special tabulations of data from household surveys



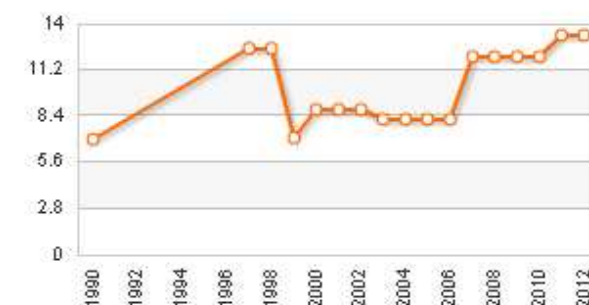
Goal 3 Promote gender equality and empower women

USD earned by a woman for every 100USD earned by a man, by years of schooling completed(2006)



Source: ECLAC on the basis of special tabulations of data from household surveys

Proportion of seats held by women in national parliament

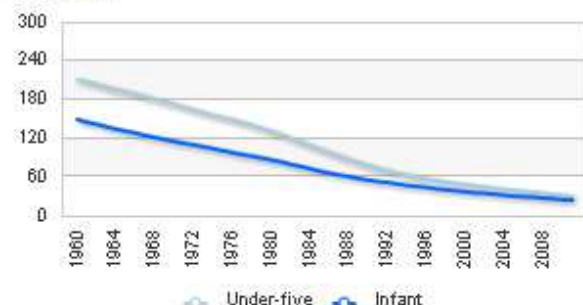


Source: ECLAC on the basis of United Nations, MDG Indicators Database



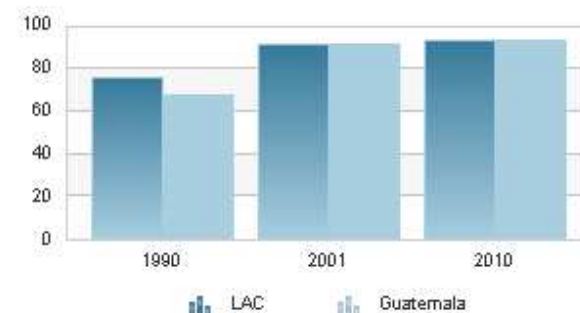
Goal 4 Reduce child mortality

Infant mortality rate and Under-five mortality rate (per 1,000 live births)



Source: ECLAC on the basis of United Nations Children's Fund - UNICEF

Proportion of 1 year-old children immunised against measles



Source: ECLAC on the basis of United Nations, MDG Indicators Database

In September 2000, the largest-ever gathering of world leaders ushered in the new millennium by adopting the Millennium Declaration. The Declaration, endorsed by 189 countries, was then translated into a roadmap setting out goals to be reached by 2015.

The eight Millennium Development Goals (MDGs) build on agreements made at United Nations conferences in the 1990s and represent commitments by all countries to reduce poverty and hunger, and to tackle ill-health, gender inequality, lack of education, lack of access to clean water and environmental degradation.

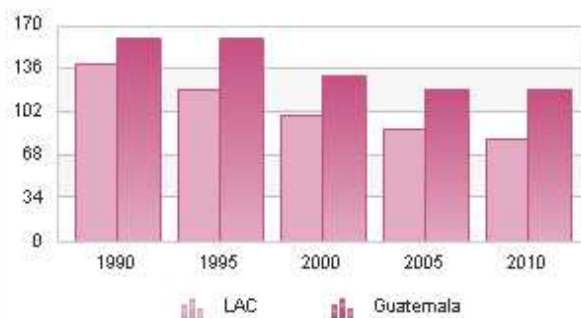
ECLAC as part of the United Nations System contributes to monitoring the countries progress towards the fulfillment of the MDGs.





Goal 5 Improve maternal health

Maternal mortality ratio (per 100,000 live births)



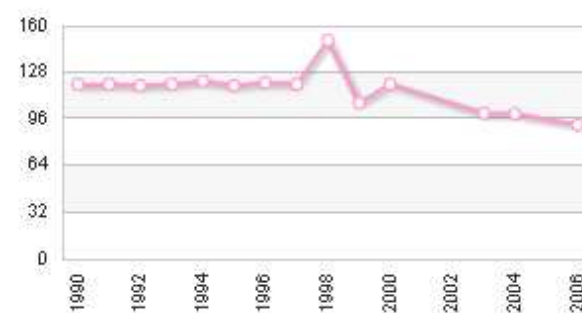
Source: ECLAC on the basis of United Nations Children's Fund - UNICEF.

MDG5 Selected Indicators

	1990	2000	2009
Proportion of births attended by skilled health personnel (%)	...	41.4 (2002)	51.4 (2008)
Contraceptive prevalence rate (%)	...	38.2 (1999)	43.3 (2002)
Antenatal care coverage (n)			
(at least one visit)	...	59.6 (1999)	93.2
(at least four visits)
Unmet need for family planning (%)	...	26.8 (1999)	27.8 (2002)

Source: ECLAC on the basis of United Nations, MDG Indicators Database.

Adolescent birth rate (per 1,000 women)

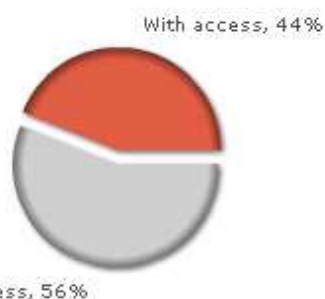


Source: ECLAC on the basis of United Nations, MDG Indicators Database.



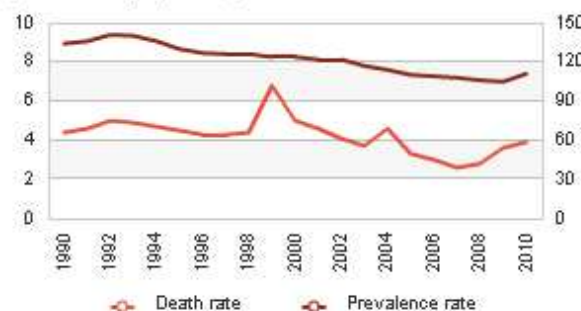
Goal 6 Combat HIV/AIDS, malaria and other diseases

Proportion of population with advanced HIV infection with access to antiretroviral drugs (2009)



Source: ECLAC on the basis of United Nations, MDG Indicators Database.

Prevalence and death rates associated with tuberculosis (per 100,000 population)



Source: ECLAC on the basis of United Nations, MDG Indicators Database.



Goal 7 Ensure environmental sustainability

MDG7 Selected Indicators

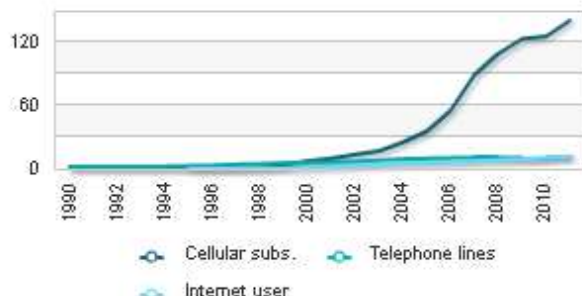
	1990	2000	2010
Proportion of land area covered by forest (%)	43.8	38.8	33.7
CO2 emissions per capita (metric tonnes of CO2)	0.6	0.9	0.9 (2008)
Consumption of ozone-depleting substances (ODP metric tonnes)	360.9	891.1	256.2
Proportion of terrestrial and marine areas protected (%)	24.4	27.3	29.5 (2009)
Proportion of urban population living in slums (%)	58.6	48.1	38.7 (2009)

Source: ECLAC on the basis of United Nations, MDG Indicators Database.



Goal 8 Develop a global partnership for development

Telephone lines, Cellular subscribers and Internet users (per 100 population)



Source: ECLAC on the basis of United Nations, MDG Indicators Database

Targets and Indicators used to measure the degree of compliance with the Goals

Target 1A, Indicator 1.1: Proportion of population living in extreme poverty.

Target 1B, Indicator 1.6: Proportion of employed people living in extreme poverty.

Target 1C, Indicator 1.9: Proportion of population below minimum level of dietary energy consumption.

Target 2A, Indicator 2.1: Adjusted net enrolment ratio in primary education.

Target 3A, Indicator 3.1: Ratios of girls to boys in primary, secondary and tertiary education.

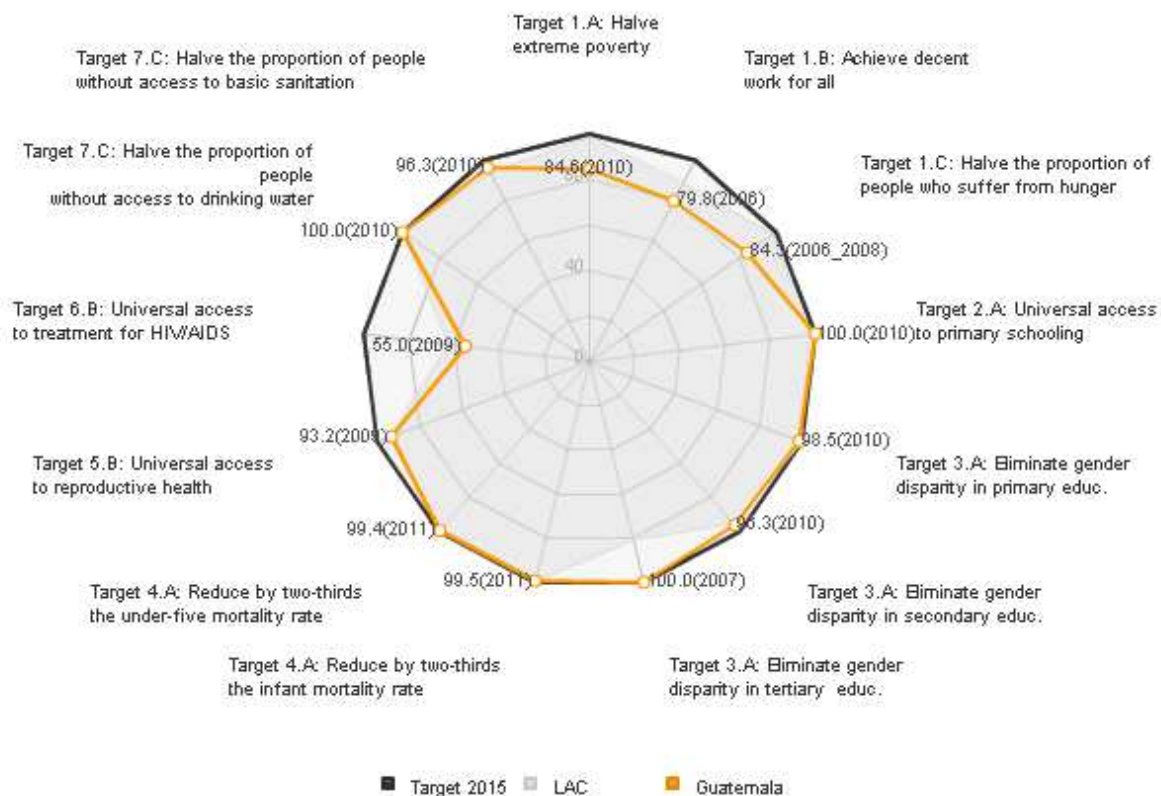
Target 4A, Indicator 4.1: Under-five mortality rate; Indicator 4.2: Infant mortality rate.

Target 5B, Indicator 5.2: Proportion of births attended by skilled health personnel.

Target 6B, Indicator 6.5: Proportion of population with advanced HIV infection with access to antiretroviral drugs.

Target 7C, Indicator 7.8: Proportion of population using an improved drinking water source; Indicator 7.9: Proportion of population using an improved sanitation facility.

Guatemala : Degree of compliance with 2015 Targets of the Millennium Development Goals



Note: The number of indicators (13) can be less if statistical data is not available for the country. For this country 13 indicators are being displayed.

Source: ECLAC, on the basis of different sources (see Technical Notes).

POVERTY and SOCIAL

2010

Population, mid-year (millions)	14.4	583	2,519
GNI per capita (Atlas method, US\$)	2,740	7,733	1,619
GNI (Atlas method, US\$ billions)	39.4	4,505	4,078

Average annual growth, 2004-10

Population (%)	2.5	1.2	1.6
Labor force (%)	4.1	2.0	1.4

Most recent estimate (latest year available, 2004-10)

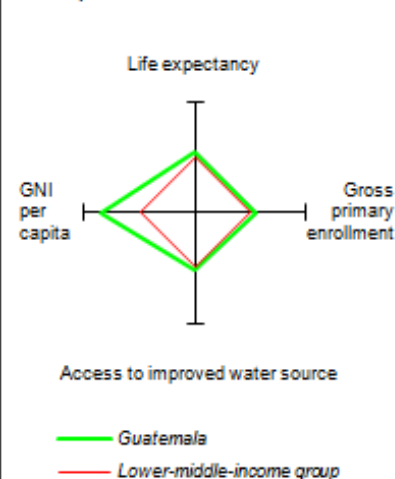
Poverty (% of population below national poverty line)	51	..	..
Urban population (% of total population)	50	79	39
Life expectancy at birth (years)	71	74	65
Infant mortality (per 1,000 live births)	25	18	50
Child malnutrition (% of children under 5)	13	3	25
Access to an improved water source (% of population)	92	94	87
Literacy (% of population age 15+)	74	91	71
Gross primary enrollment (% of school-age population)	116	117	107
Male	119	119	110
Female	114	115	104

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

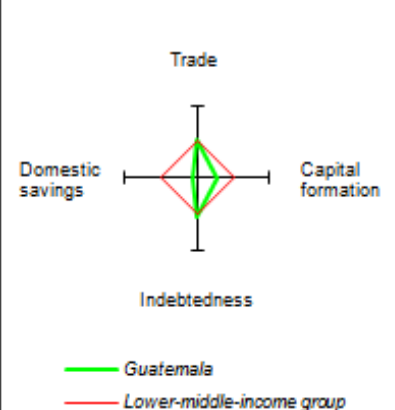
	1990	2000	2009	2010
GDP (US\$ billions)	7.7	19.3	37.7	41.2
Gross capital formation/GDP	13.6	17.8	12.9	14.7
Exports of goods and services/GDP	21.0	20.2	24.0	25.1
Gross domestic savings/GDP	9.8	9.1	3.8	3.8
Gross national savings/GDP	10.7	12.4	13.1	12.9
Current account balance/GDP	-3.9	-5.4	0.0	-2.0
Interest payments/GDP	1.5	1.0	1.8	1.6
Total debt/GDP	37.2	20.0	36.5	34.8
Total debt service/exports	13.8	8.4	13.2	11.3
Present value of debt/GDP	..	..	..	29.4
Present value of debt/exports	..	..	..	86.5

	1990-00	2000-10	2009	2010	2010-14
(average annual growth)					
GDP	4.2	3.6	0.5	2.8	3.2
GDP per capita	1.8	1.1	-1.9	0.2	0.7
Exports of goods and services	6.1	2.3	-2.5	4.4	12.9

Development diamond*



Economic ratios*

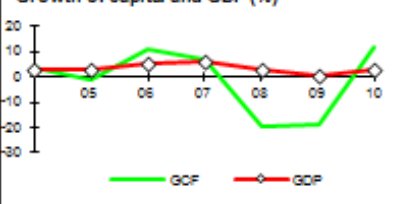


STRUCTURE of the ECONOMY

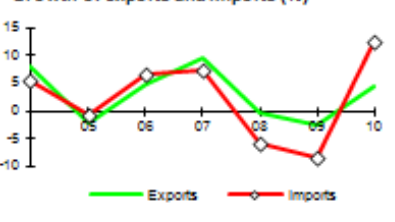
	1990	2000	2009	2010
(% of GDP)				
Agriculture	..	..	12.5	12.9
Industry	..	..	19.9	19.5
Manufacturing	..	..	19.9	19.5
Services	..	..	67.7	67.6
Household final consumption expenditure	83.6	83.9	86.1	85.9
General gov't final consumption expenditure	6.6	7.0	10.2	10.3
Imports of goods and services	24.8	29.0	33.2	36.0

	1990-00	2000-10	2009	2010
(average annual growth)				
Agriculture	2.8	2.9	3.8	0.6
Industry	4.3	2.5	-2.1	0.7
Manufacturing	2.8	2.6	-0.9	3.3
Services	4.7	4.4	1.6	3.9
Household final consumption expenditure	4.2	4.0	-0.1	4.1
General gov't final consumption expenditure	5.1	3.9	14.3	7.8
Gross capital formation	6.1	-0.1	-19.1	12.1
Imports of goods and services	9.2	2.1	-8.2	12.4

Growth of capital and GDP (%)



Growth of exports and imports (%)



Note: 2010 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

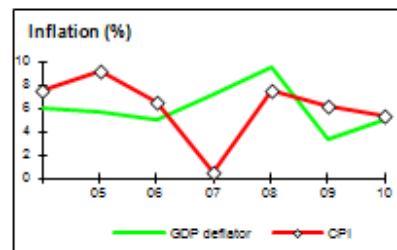
PRICES and GOVERNMENT FINANCE

Domestic prices*(% change)*

	1990	2000	2009	2010
Consumer prices	41.0	6.0	6.1	5.4
Implicit GDP deflator	40.5	6.8	3.4	5.0

Government finance*(% of GDP, includes current grants)*

Current revenue	..	11.0	11.1	11.3
Current budget balance	..	1.9	0.9	0.8
Overall surplus/deficit	..	-1.8	-3.1	-3.3



TRADE

(US\$ millions)

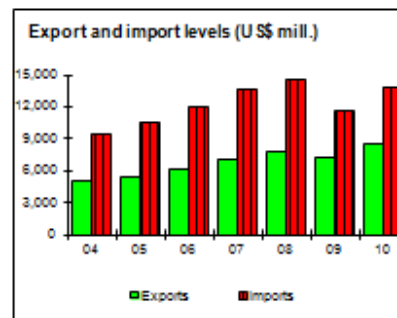
	1990	2000	2009	2010
Total exports (fob)	..	..	7,295	8,566
Coffee	323	575	582	714
Sugar	153	191	508	727
Manufactures	..	..	3,916	4,506
Total imports (cif)	1,670	5,924	11,531	13,836
Food	..	..	2,752	3,167
Fuel and energy	186	541	2,207	2,475
Capital goods	411	1,461	2,109	2,646

Export price index (2000=100)

Import price index (2000=100)

Terms of trade (2000=100)

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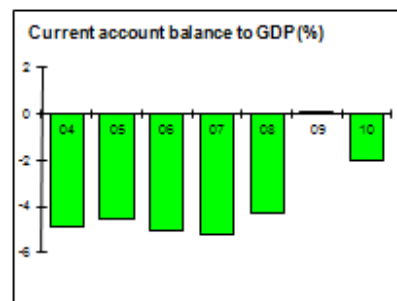
BALANCE of PAYMENTS

(US\$ millions)

	1990	2000	2009	2010
Exports of goods and services	1,612	3,862	9,220	10,782
Imports of goods and services	1,892	5,567	12,727	15,228
Resource balance	-280	-1,705	-3,507	-4,446
Net income	-195	-210	-1,111	-1,200
Net current transfers	..	..	4,626	4,820
Current account balance	-299	-1,049	8	-826
Financing items (net)	394	1,777	463	1,503
Changes in net reserves	-95	-728	-471	-677

Memo:

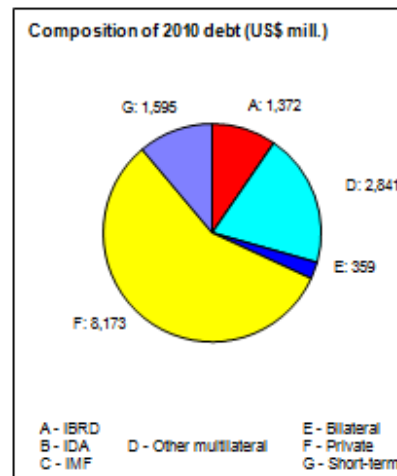
Reserves including gold (US\$ millions)	291	1,811	4,918	5,246
Conversion rate (DEC, local/US\$)	4.5	7.8	8.2	8.1



EXTERNAL DEBT and RESOURCE FLOWS

(US\$ millions)

	1990	2000	2009	2010
Total debt outstanding and disbursed	2,845	3,853	13,764	14,340
IBRD	293	296	1,112	1,372
IDA	0	0	0	0
Total debt service	237	390	1,684	1,587
IBRD	9	34	113	126
IDA	0	0	0	0
Composition of net resource flows				
Official grants	69	145	273	297
Official creditors	67	74	539	616
Private creditors	-12	-52	-624	-88
Foreign direct investment (net inflows)	48	230	600	687
Portfolio equity (net inflows)	0	0	0	0
World Bank program				
Commitments	30	54	570	85
Disbursements	16	51	379	335
Principal repayments	5	13	72	75
Net flows	11	38	306	260
Interest payments	3	21	41	51
Net transfers	8	17	265	209



Note: This table was produced from the Development Economics LDB database.

3/29/12