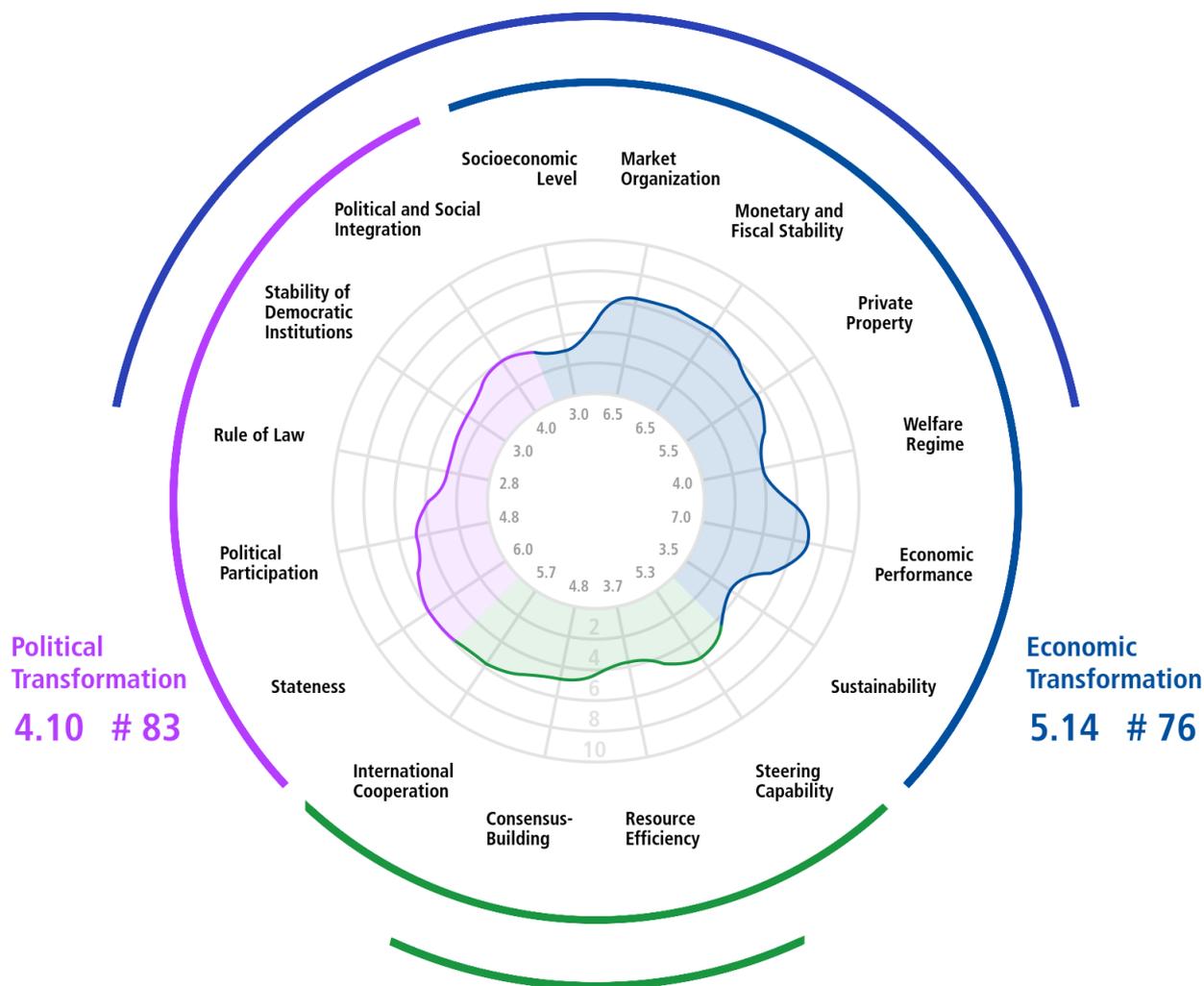


# Guatemala

## Status Index

**4.62 # 84**

on 1-10 scale out of 137



## Governance Index

**4.48 # 74**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>18.4</b>	HDI	<b>0.662</b>	GDP p.c., PPP \$	<b>14369</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.5</b>	HDI rank of 193	<b>137</b>	Gini Index	<b>45.2</b>
Life expectancy	years	<b>72.6</b>	UN Education Index	<b>0.492</b>	Poverty <sup>3</sup>	% <b>25.9</b>
Urban population	%	<b>53.5</b>	Gender inequality <sup>2</sup>	<b>0.480</b>	Aid per capita \$	<b>24.7</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

The 2023 elections in Guatemala marked a historic shift in the country's political landscape. Bernardo Arévalo, the Movimiento Semilla candidate, secured a decisive victory with nearly 61% of the vote, defeating former first lady Sandra Torres of the Unidad Nacional de la Esperanza (UNE). Arévalo's anti-corruption and pro-social-reform platform resonated with voters, particularly in urban areas. However, his victory was immediately contested by the Guatemalan Public Prosecutor's Office (Ministerio Público, MP), which accused the Semilla party of using fraudulent signatures during its formation, declaring the elections invalid. However, despite repeated interventions by the judiciary and the entrenched political elite, the Constitutional Court (CC) upheld the election results, and Arévalo took office in January 2024.

However, progress during President Arévalo's first year has been slow. The president has sought to navigate a divided Congress while also confronting significant opposition from corrupt elites who perceive him as an existential threat to their economic and political power. As of the close of the review period, Arévalo had faced 13 impeachment petitions since his inauguration, as well as six attempts to lift his immunity from prosecution. Attorney General Consuelo Porras, who heads the MP and is perhaps Arévalo's staunchest opponent, has also led several legal attacks on Semilla party leaders. These have hampered the government's reform agenda, especially in the area of judicial reform. Despite these adversities, Arévalo remains in office and has taken some important first steps toward advancing his administration's ambitious goals, which include improving the country's infrastructure, education and security; boosting social spending; and implementing democratic reform.

Given the fragmentation in the Congress, Arévalo's administration initially struggled to gain support for its legislative agenda. This was particularly true for the election of the governing committee in Congress, a process that underscored the legislature's fragmentation. The judicial ruling that suspended the Semilla party, which barred its members of Congress from participating in congressional leadership or on committees, further complicated the government's effort to make

progress on its legislative agenda. Despite these setbacks, the administration secured cooperation on immediate matters such as passing the national budget and advancing infrastructure projects. By the end of the legislative period, Congress had approved 36 fundamental laws or decrees, including an antitrust law. However, deeper reforms in the judiciary and public institutions remain contentious. The announced reduction in USAID functions and the closure of its main office in Guatemala shortly after the review period have further complicated policy implementation. Democratic reforms and anti-corruption initiatives have been especially hard hit by the resulting funding gap. The lack of funds also limits the government's ability to advance key reforms in areas vital to Guatemala's long-term democratic health (for example, strengthening judicial independence and tackling systemic corruption).

Economically, structural challenges persist. The administration prioritized infrastructure development and social reforms, with a focus on alleviating poverty and improving conditions for marginalized sectors, including Indigenous communities. However, significant progress in diversifying the economy and addressing deep-rooted inequalities has been slow. The administration's ability to enact meaningful economic reforms will depend on overcoming challenges posed by entrenched political and economic interests and the weakened environment for international cooperation.

In conclusion, while Arévalo's administration has made strides in securing some democratic reforms and advancing critical infrastructure, the path forward appears fraught with resistance. The government's ability to navigate the complex political landscape will be decisive in shaping Guatemala's democratic and economic future. The next years will be critical with regard to fostering sustainable and inclusive economic growth, and will hinge on the government's ability to fulfill its reform promises.

## History and Characteristics of Transformation

Guatemala's trajectory toward democratic governance and market-economic reforms began with the liberalization process that followed the end of the military dictatorship that dominated the country for much of the 20th century. A significant transformation began with the election of the first civilian president in 1985. This was further cemented by the 1996 peace accords, which ended the brutal 36-year civil war and laid the groundwork for democratic consolidation. However, the country faced significant challenges, including widespread poverty, social inequality and deep political polarization.

Throughout the 1990s, Guatemala underwent a series of market-oriented reforms, including trade liberalization, privatization of state-owned enterprises and deregulation. These neoliberal reforms were intended to integrate the country into the global economy and stimulate economic growth. However, these policies provided uneven benefits and favored urban elites, thereby marginalizing rural and Indigenous populations. Economic inequality persisted, and the social structures that contributed to the country's historical injustices remained largely intact.

Another urgent issue facing Guatemala was the presence of criminal elements that profited mainly from corruption, the drug trade, money-laundering, weapons sales and human trafficking. During Alfonso Portillo's presidency (2000 – 2004), the ties between criminal networks, politicians and the state apparatus intensified. Óscar Berger's government (2004 – 2008) made timid attempts to counter the crime wave but failed to effect significant change. His government signed an agreement with the United Nations to establish the International Commission against Impunity in Guatemala (CICIG), tasked with assisting the Public Prosecutor's Office and the national police in investigating corruption and impunity in the government and the private sector. President Álvaro Colom (2008 – 2012) made fighting crime a top priority but achieved few positive results.

The CICIG played a crucial role in exposing high-level corruption and bringing several cases to justice. In 2015, the CICIG revealed the collusion between government officials and business elites in a customs fraud scheme, the so-called La Línea scandal. This was a pivotal moment in Guatemala's democratic development. The scandal sparked massive protests, leading to the resignation of President Otto Pérez Molina (2012 – 2015) as well as his vice president. However, the commission's successes in uncovering corruption made it a target for powerful vested interests. The citizen protests that led to Pérez Molina's resignation revealed the emergence of new social movements advocating for political reform, the rule of law and transparency. In this context, Jimmy Morales (2016 – 2020), a comedian with no prior political experience, became president. Morales, along with his vice president and several party members, faced prosecution for the illicit financing of electoral campaigns. Morales spearheaded a powerful coalition of private sector associations, corrupt politicians, members of Congress and the Supreme Court (CSJ) that ultimately led to the dismantling of the CICIG in 2019. The expulsion of the CICIG highlighted the ongoing challenges faced by reformists in Guatemala and marked a significant setback for democratic institutions. The subsequent government, led by President Alejandro Giammattei (2020 – 2024), dismissed officials associated with the CICIG and appointed individuals willing to disregard government corruption. During his term, the criminalization of activists, human rights defenders, and prosecutors and judges who had been involved in anti-corruption cases forced dozens of these professionals into exile. These developments enabled corrupt structures to regain influence within Guatemalan institutions. During the COVID-19 pandemic, widespread corruption intensified, and the country entered both a financial and a political crisis.

Throughout the political turmoil, Guatemala's economic policies remained largely unchanged. Fiscal austerity, inflation control and a managed floating exchange rate have contributed to an average annual GDP growth rate of about 3.54% since 2002. The country's main socioeconomic characteristics also stayed largely the same. High levels of poverty and child malnutrition persisted, income inequality remained profound, and massive emigration increased remittance flows. Structural factors limited access to basic services and productive job opportunities, contributing to a large informal sector. Deep-rooted ethnic divisions among social groups endured. In rural areas, especially those with significant Indigenous populations, the gap between the rich and poor remained stark, and economic opportunities were limited.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

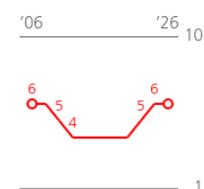
Guatemala's state monopoly on the use of force remains largely intact, even as challenges persist from organized crime, drug cartels and gang-related violence. These issues are particularly evident in border regions, along drug-trafficking routes and in urban areas with a strong gang presence. The Arévalo administration has intensified efforts to combat organized crime, with record drug seizures and a stronger interagency approach to law enforcement. Efforts include advanced surveillance measures, increased military and police presence, and greater coordination with international partners, especially the U.S., to target key drug transit routes. However, organized crime groups remain resilient, challenging state control in multiple areas. This is particularly true in border regions such as Petén, Izabal, Huehuetenango and San Marcos, which remain key drug transit points. Gang violence also persists in urban areas, with Zones 1, 6 and 18 of Guatemala City, as well as Villa Nueva and Mixco, experiencing significant criminal activity. Corruption within law enforcement remains a major issue, weakening efforts to fully reassert state control. While recent measures have put greater pressure on criminal organizations, these entities' ability to adapt and shift the locus of their operations suggests that the state's monopoly on the use of force remains partially contested.

Guatemala's nation-state legitimacy remains widely accepted, with no significant separatist movements active in the country. All citizens are issued identity papers and can exercise their voting rights. Local and regional concerns from areas with high proportions of Indigenous people might not be addressed satisfactorily by the central government, yet grievances have not given rise to separatist or autonomist political movements. Ethnic, gender and socioeconomic disparities continue to limit full political participation and access to state resources for historically marginalized groups, particularly Indigenous communities and women. Guatemala remains deeply divided along ethnic, linguistic and cultural lines, which negatively affect the poor, especially Indigenous people, who make up around 40% to 50% of the population. Recent public opinion surveys from CID Gallup (2024 – 2025) reflect mixed

Question  
Score

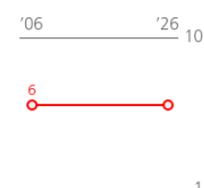
Monopoly on the  
use of force

6



State identity

6



perceptions regarding state legitimacy and inclusion: 64% of respondents believe that Indigenous communities lack adequate political representation and 48% feel that the government has not sufficiently addressed Indigenous rights. These figures indicate that while national identity remains uncontested, dissatisfaction with governance, representation and institutional performance persists, particularly among marginalized communities.

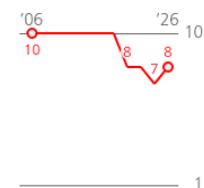
According to its constitution, Guatemala is formally a secular state that guarantees freedom of religion and separates religious institutions from government affairs. However, in practice, religious influence remains significant, particularly in shaping political discourse, legislative decisions and social policies. Historically, the Catholic Church held a dominant role in political affairs, but in recent decades, evangelical and Pentecostal churches have gained influence, especially among conservative political actors. This shift has led to religious lobbying efforts that directly affect legislative debates on social issues (for example, with regard to reproductive rights, LGBTQ+ rights and education policies).

Religious groups have successfully lobbied for restrictive laws on abortion, sex education and LGBTQ+ rights. In 2022, Giammattei declared Guatemala the “Pro-Life Capital of Ibero-America,” reinforcing state alignment with religious principles. However, pressure from international organizations prevented the passage of more extreme measures, such as increased penalties for abortion providers. Additionally, evangelical organizations have served to make connections with anti-democratic lobbies, particularly those in the United States, where they have helped promote political agendas that undermine democratic values. While the judiciary remains independent of religious authorities and the legal system is based on secular principles, religious influence in decision-making continues to shape policies, particularly in areas related to gender equality, reproductive health and secular education.

Guatemala maintains a functioning administrative structure that provides essential public services throughout most of the country. However, significant deficiencies persist due to corruption, inefficiency and a lack of resources, particularly in rural and Indigenous communities. While the state ensures the provision of judiciary services, tax administration and basic services in major urban areas, accessibility and effectiveness are inconsistent in remote regions. For instance, although about 94% of the population has access to an improved water source, only 55.8% of households receive piped water, often with irregular service. In rural areas, access rates are significantly lower. Similarly, sanitation coverage remains inadequate, with only 68% of the population having access to sewer or latrine services. The share of the population with access to electricity is higher in urban areas (94.2%) than in rural areas (78.1%). Moreover, urban centers benefit from the presence of relatively well-maintained roads, public transportation networks and electricity coverage, while rural regions are subject to chronic underinvestment. Only 44% of the country’s road network is paved, contributing to difficulties in connectivity and economic integration.

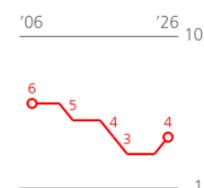
No interference of religious dogmas

8



Basic administration

4



President Arévalo has prioritized Indigenous and rural inclusion through direct engagement with ancestral authorities and the implementation of infrastructure-improvement policies, among other mechanisms. Key government initiatives include Plan Conecta, which aims to improve road infrastructure in Indigenous and rural areas. Despite such initiatives, Miguel Ángel Díaz Bobadilla, the minister of communications and infrastructure, has called 2024 “a lost year” with regard to implementing infrastructure projects due to the persistent political pressure from the government’s opponents. Some Indigenous groups are also dissatisfied with government efforts. The 48 Cantones of Totonicapán, a highly influential Indigenous council, has expressed discontent over the lack of tangible economic improvements and infrastructure development as well as concerns over rising food prices and limited access to basic services. In the tax administration system, authorities have made progress with regard to tax collection and compliance monitoring. However, tax evasion and the narrowness of the tax base continue to limit state capacity. Guatemala has one of the lowest tax-to-GDP ratios in Latin America, a fact which restricts funding for infrastructure, education and health services.

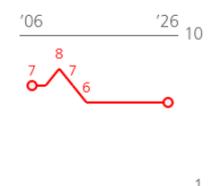
## 2 | Political Participation

General elections were held on June 25, 2023, with a presidential run-off on August 20. Bernardo Arévalo of the center-left Movimiento Semilla won the elections with nearly 61% of the vote in the second round. The voter turnout rate was significant at 60.7% in the first round and 45.2% in the run-off, reflecting both electoral enthusiasm and voter fatigue after months of judicial uncertainty. The elections took place in a highly polarized political environment, with multiple legal and institutional challenges that raised concerns about their fairness, competitiveness and transparency. Despite these challenges and undue judicial interference, international observer missions (e.g., from the EU Election Observation Missions, the Organization of American States and the Misión de Observación Electoral de Guatemala) recognized the elections as being sufficiently free and competitive.

The Supreme Electoral Court (TSE) managed the elections and ensured logistical efficiency with regard to voter registration, ballot distribution and polling station operations. However, the process was marred by legal actions and politically motivated suspensions of several candidates, including the disqualification of presidential candidate Carlos Pineda just weeks before the election. Moreover, media access and campaign conditions were uneven. While major parties had media visibility, the actions of state-aligned media outlets and legal maneuvers served to restrict coverage of opposition figures. There were also reports of intimidation and misinformation campaigns, particularly in the digital space. The use of the courts to suspend political parties and disqualify candidates undermined political competition and raised concerns about the independence of electoral authorities. The vote-counting process and result verification were largely transparent and technically sound. However, post-election developments, including attempts to criminalize TSE officials and nullify the election results, prompted instability.

Free and fair elections

6

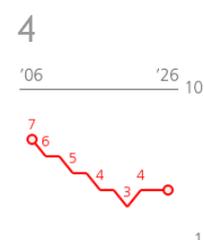


1

The judicial system and incumbent legislators made several attempts to annul the election results and diminish the capacity of Semilla legislators. The Public Prosecutor's Office (MP) issued an order in November 2023 that suspended Movimiento Semilla's legal status as a political party. While the suspension did not mean that Semilla legislators lost their congressional seats, they were designated as independent representatives, which prevented them from chairing committees or from holding leadership positions in the legislature. In a bid to disqualify Arévalo from the presidential run-off election, the Special Prosecutor's Office Against Impunity (FECI) announced Semilla's suspension as it began investigating the party for allegedly falsifying signatures during the party's official registration proceedings. However, the Constitutional Court (CC) allowed Arévalo to continue his candidacy after Semilla filed an amparo, or writ seeking the protection of constitutional rights. In September 2023, the MP raided the TSE's headquarters without due cause and illegally took possession of sealed boxes of certified ballots in a failed attempt to overturn the presidential election results. In early December 2023, prosecutors from the Attorney General's office requested that the presidential election results be annulled. However, the opposition's efforts failed, and in mid-December, the CC issued a ruling that allowed Arévalo's inauguration to go forward. This took place on January 15, 2024.

Throughout 2024, Arévalo's ability to govern effectively was significantly limited by resistance from entrenched interest groups, particularly within the judicial system, the legislature and segments of the private sector. The Attorney General's Office was Arévalo's most ardent opponent, using dubious legal mechanisms to prosecute government officials and to delay and undermine government initiatives. Attorney General Consuelo Porrás also made several failed attempts to strip Arévalo of presidential immunity and by the close of the review period had initiated 13 impeachment petitions against the president, all of which were eventually blocked. The divided Congress also posed a significant challenge for the new administration. Semilla party lawmakers made up a minority bloc in Congress, making alliance-building imperative for the purposes of practical governance. High levels of political transactionalism prevailed, with some legislators aligning with anti-democratic coalitions, making consensus-building difficult. Economic elites, who have historically aligned with conservative and military sectors to retain their privileges, also exerted significant influence over policymaking and limited the government's ability to engage in economic reform. Despite these challenges, Semilla's 23 lawmakers brokered consensus on some issues, and Congress approved 36 key laws and decrees.

Effective power to govern



The rights to freedom of association and assembly are guaranteed in the constitution, yet their full exercise is limited. There is no comprehensive policy framework to protect human rights defenders in Guatemala. Under the previous administration, the Law on NGOs (Decree 4-2020) was enacted and took effect in mid-2021. The reforms allow the government to cancel the registration of NGOs deemed to violate “public order,” a vaguely defined criterion that could allow discretionary state interference. However, these reforms have not been actively enforced. Environmental, Indigenous and human rights advocates continue to face violent attacks and criminalization for their work. Trade unions are frequently denied the right to organize, while union members are subject to intimidation, blacklisting and violence, especially in rural areas.

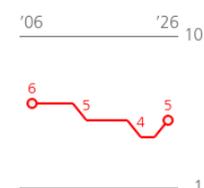
Under the new administration, repression no longer stems from the highest levels of government, but rather from entrenched figures within the justice system who aim to preserve impunity and obstruct institutional reforms. Legal attacks against the Semilla party have targeted key figures in an apparent effort to weaken the party’s political standing. The arrests of several Semilla members, including former Semilla candidate Eduardo Masaya, were politically motivated, and some members, such as Cynthia Rojas, fled the country because of fears of prosecution. Semilla was also temporarily suspended as a political party.

The right to assemble is not always protected, as exemplified by recent mass protests. Mass demonstrations, including roadblocks and sit-ins, took place from June 2023 through January 2024 in response to election interference and efforts by the judicial system to block Arévalo’s inauguration. Security forces occasionally used force to disperse protests, sometimes resulting in injuries. There were also isolated incidents of violence by masked assailants, resulting in at least one death, according to Amnesty International. These demonstrations, along with pressure from external actors such as the U.S., forced institutions to uphold the electoral results, ultimately leading to a peaceful transfer of power.

The freedom of expression is constitutionally guaranteed. However, political opponents, figures fighting corruption and impunity, and human rights advocates and journalists continue to be targeted by politically motivated persecution. Many prominent journalists critical of corruption or government-linked actors have been targeted on social media, where anonymous and coordinated accounts spread disinformation. This includes accusations that independent outlets receiving funds from USAID or European cooperation agencies are engaged in “foreign interference” or are part of a broader effort to destabilize the country. These narratives seek to delegitimize critical media and discourage investigative reporting. Journalists are also subject to intimidation and harassment by corrupt networks and organized crime, resulting in internal displacement or exile. Self-censorship is a common practice among journalists investigating sensitive topics, such as corruption, drug-trafficking and organized crime.

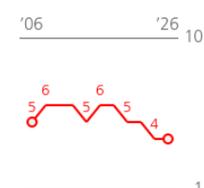
#### Association / assembly rights

5



#### Freedom of expression

4



The Public Prosecutor's Office (MP), under the leadership of Attorney General Consuelo Porras, has filed multiple complaints against independent judges, prosecutors and journalists who have sought to investigate corruption and abuse of power. One of the most emblematic cases is that of Juan Luis Font, director of the radio program *Con Criterio*. He has lived in exile since 2022 after facing unfounded and politically motivated charges of money-laundering and collusion. In December 2024, Guatemalan authorities issued an arrest warrant for him based on charges that Font claims are meant to intimidate and silence critical journalism. Other Guatemalan journalists have also gone into exile due to threats and judicial persecution. During the 2019 – 2024 period, at least 20 journalists fled the country, citing harassment by the Attorney General's Office. Another high-profile case is that of José Rubén Zamora, founder of the newspaper *El Periódico*, who was arrested in 2022 on money-laundering charges and spent more than 800 days in prison without conclusive evidence of his guilt. After Zamora was briefly released, a judge who received threats from unknown individuals ordered his return to prison in March 2025 after the review period. Reporters Without Borders stated that despite some progress under President Arévalo's administration, the criminalization of journalists in Guatemala persists. The organization has urged the government to take stronger measures to dismantle the repressive judicial apparatus inherited from previous administrations and to ensure a safe environment for independent journalism.

### 3 | Rule of Law

The separation of powers in Guatemala remains a critical issue, particularly regarding judicial independence and institutional checks and balances. The judiciary has been subject to weaponization by corrupt networks and a political establishment that views the new administration as an existential threat to its political and economic power. The judicial system is the primary source of imbalance, with courts frequently issuing politically motivated rulings. The Attorney General's Office has played a central role in these efforts, initiating investigations and taking unfounded legal actions against anti-corruption officials, Semilla party members, elected leaders and civil society advocates. This selective prosecution has been widely condemned by national and international observers as a strategy intended to weaken the rule of law and protect entrenched interests.

The judicial system suffers from significant deficits in independence and effectiveness because of external influence and entrenched corruption. Judicial corruption remains endemic, with judges frequently accused of accepting bribes or issuing rulings based on external pressure rather than on legal merit. Political and economic elites have co-opted legal institutions to serve their interests, often at the expense of justice and the rule of law. This co-optation of courts has allowed impunity rates to remain above 97%, effectively shielding corrupt officials and criminal

Separation of powers

4

'06 '26 10



Independent judiciary

2

networks from prosecution. Moreover, judicial appointments are prone to high levels of political interference. The 2024 – 2029 selection process for Supreme Court judges and appellate court judges was marred by accusations of a lack of transparency, conflicts of interest and favoritism toward candidates aligned with corrupt networks. Reports indicate that many nominees had ties to actors previously implicated in judicial manipulation and corruption.

The Attorney General’s Office has played a central role in undermining judicial independence by weaponizing the legal system against political opponents, independent judges and anti-corruption figures. At least 91 lawyers, including judges and prosecutors, have been forced into exile since 2022 due to politically motivated prosecutions and harassment. Prominent figures such as judge Erika Aifán and prosecutor Juan Francisco Sandoval fled the country after facing retaliation for investigating high-level corruption. In addition, Virginia Laparra, an anti-corruption prosecutor, was imprisoned on dubious charges, highlighting the use of judicial processes as a tool for political persecution. The judiciary’s lack of independence was also evident during the recent elections and in their aftermath, when the Attorney General’s Office and select judges attempted to overturn Arévalo’s electoral victory and suspended Semilla’s registration as a political party.

Guatemala’s justice system continues to fail to hold public officials accountable for corruption and abuse of power. Guatemala receives among the world’s lowest national rankings for the prosecution of abuse of office because of the political capture of judicial bodies, the clear pattern of impunity for high-ranking officials and the dismantling of anti-corruption institutions. Even when corruption cases reach the courts, legal loopholes and tactics such as dismissals, procedural delays and favorable rulings from co-opted judges prevent meaningful prosecution. Former President Otto Pérez Molina and his vice president, once emblematic of “La Línea,” Guatemala’s largest corruption scandal, were convicted but have managed to negotiate favorable legal outcomes. Former Communications Minister Alejandro Sinibaldi, who was accused in multiple high-level corruption cases, including “Construcción y Corrupción” and Odebrecht, has avoided trial through procedural maneuvers and judicial co-optation. Alejandro Giammattei, who led a government plagued by corruption allegations, has faced no legal repercussions despite international sanctions against him. His closest associate, Miguel Martínez, has been linked to multiple corruption schemes, yet remains protected by the country’s justice system.

Attorney General Consuelo Porras has also transformed the Public Prosecutor’s Office into a shield for corrupt elites rather than a guardian of justice. The media outlet Plaza Pública reported that during Porras’s leadership at least 118 defendants in corruption and human rights cases have had charges against them dropped or have otherwise benefited. Prosecutors and judges who have attempted to uphold the rule of law or led anti-corruption efforts have faced persecution, exile or imprisonment, further eroding judicial independence. The country’s justice system has become a mechanism of impunity rather than accountability.



Prosecution of office abuse

2



The de jure framework for civil rights protection remains intact, but the de facto reality is one of widespread human rights violations, systemic impunity and selective prosecution. Under the leadership of Attorney General Consuelo Porras, the MP has ramped up retaliatory cases against opposition figures as well as independent judges and prosecutors. Since 2021, at least 70 justice officials, including judges and anti-corruption prosecutors, have been forced into exile due to political persecution. Those who remain face criminalization, intimidation and even imprisonment. Arbitrary arrests and pretrial detentions have also been widely used against opposition figures, activists and independent journalists. The case of newspaper founder José Rubén Zamora exemplifies the misuse of the criminal justice system to silence dissent. As of 2024, approximately 45% of detainees in Guatemalan prisons were awaiting trial, a situation exacerbated by judicial delays and selective prosecution. Political prisoners and individuals facing corruption-related charges often endure prolonged incarceration without trial, while others evade justice due to selective prosecutorial practices.

The prison system remains severely overcrowded, with more than 27,000 inmates held in facilities designed for fewer than 7,000. Reports indicate widespread instances of torture, cruel treatment and the lack of needed medical attention. In high-profile cases, prolonged isolation and degrading conditions are used as forms of punishment. The U.N. special rapporteur on torture has urged the Guatemalan government to take immediate action, but no meaningful reforms have been enacted.

While there has been some recent progress in the area of minority rights, serious challenges persist. Despite the establishment of direct dialogue between some Indigenous authorities and the government, Indigenous leaders defending the territory and rights of their peoples have been criminalized. Amnesty International reports that although state authorities recently took steps to recognize human rights violations against women, systemic failures in the justice system have often led to the dismissal of cases involving sexual violence against girls. Even when cases proceeded, accountability was rare. In addition, NGOs report that more than 60 LGBTQ+ people were assassinated in 2023 – 2024. These figures are likely underreported due to generalized discrimination and persistent stigma against non-normative sexual orientations and gender identities in Guatemala.

### Civil rights

3



#### 4 | Stability of Democratic Institutions

Guatemala has a long history of political instability, marked by power struggles, corruption scandals and a deep lack of public trust in its institutions. Democratic institutions face numerous challenges that affect their ability to perform effectively. The judicial system's susceptibility to influence from political and economic elites and corrupt actors undermines its effectiveness and independence. The judiciary also struggles with inefficiency and a growing backlog of cases.

On the administrative side, Guatemala has made some progress in decentralizing power, but regional governments still face significant obstacles to implementing policies. These challenges often stem from the influence of limited resources, political interference and poor coordination with central government agencies. At the local level, many government institutions are unable to carry out their functions effectively, particularly in rural areas where poverty rates are high and access to services is limited. In some cases, the appointment of loyalists to local government positions also hinders effectiveness.

In addition to structural challenges, the TSE was embroiled in a crisis as of the close of the review period, with four of its magistrates suspended and facing criminal charges over the purchase of the system used to transmit preliminary election results in 2023. These legal challenges, combined with politically motivated attacks on the TSE during the general elections, have undermined the institution's credibility and functioning. The situation is further complicated by internal conflicts within the TSE, particularly the dispute over the presidency of the tribunal. In early 2025, the crisis was continuing with disagreements among magistrates and suspensions from duties. This division has raised serious concerns about the institution's ability to function effectively, which in turn undermines public confidence and the stability of the democratic system.

Many actors accept democratic mechanisms only so long as their dominant position in Guatemalan society remains unchallenged. Economic elites do not support democratic procedures, especially those relating to the administration and transparency of justice. Private sector interest groups opposed the continuation of the U.N.-backed International Commission against Impunity in Guatemala (CICIG) and openly supported Attorney General Consuelo Porras, who is under sanction for corruption in more than 40 countries and has forced dozens of human rights defenders, journalists, judges and prosecutors involved in human rights and anti-corruption investigations into exile. The attorney general has also steadily harassed and persecuted President Arévalo, his administration and his political party. The suspension of the political party that won the presidency and the weaponization of the judiciary by entrenched political and economic actors are significant indications that relevant actors reject democratic institutions.

Performance of democratic institutions

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Commitment to democratic institutions

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## 5 | Political and Social Integration

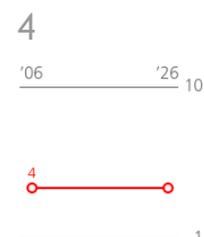
Guatemala's party system remains highly fragmented, volatile and structurally weak, while additionally lacking deep social roots and institutional stability. In 2023, according to the Laakso and Rein Taagepera model, the effective number of presidential parties was 9.03, and the effective number of legislative parties was 7.25. These figures indicate a high level of fragmentation, exacerbating governance challenges and making coalition-building difficult. The fragmentation index for the 2023 presidential election was 0.8893, demonstrating that political power was highly dispersed among multiple parties. No single party obtained overwhelming support during the first round of the presidential election. Moreover, electoral volatility remains significantly high at a level of 44.25%, reflecting widespread shifts in voter preferences. The decline of formerly dominant parties, such as National Unity for Hope (UNE) and Vamos por una Guatemala Diferente, underscores the lack of long-term political loyalty among voters. Conversely, newer parties like Cabál and Voluntad, Oportunidad y Solidaridad (VOS) emerged, displacing previously relevant actors. Despite the fragmentation, Guatemala's political polarization has remained relatively moderate compared to previous elections. The 2023 Dalton polarization score was 2.96, slightly lower than in 2019 (3.38), yet reflected ideological divisions, particularly between progressive reformists and conservative establishment parties.

The electoral system continues to encourage clientelism and personalist leadership, preventing the consolidation of structured political parties with clear ideological platforms. Many parties serve as vehicles for individual candidates rather than as stable political organizations, leading to frequent party switching, weak grassroots engagement and high turnover in leadership.

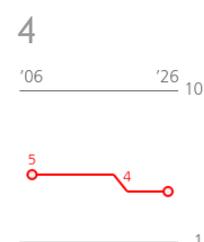
Guatemala's party system lacks institutional strength, and parties' failure to act as reliable intermediaries between society and the state weakens democratic representation. This was evident in the post-election crisis of 2023, when Movimiento Semilla faced legal persecution and judicial challenges to its legitimacy despite securing a spot in the presidential run-off and winning it. Such attempts to undermine electoral integrity further erode trust in political institutions and exacerbate democratic backsliding.

The 1985 constitution institutionalized business participation in key state bodies such as the Monetary Board, the Guatemalan Social Security Institute (IGSS) and the Ministry of Economy. This structure has led to an uneven distribution of political influence, in which economic elites play a predominant role in shaping policies, often at the expense of broader social representation. The business sector has direct representation in at least 58 state institutions, granting it privileged access to information and decision-making power over economic, fiscal and regulatory matters. This institutionalized participation contrasts with the declining influence of

Party system



Interest groups



labor unions since the 1990s and the continued marginalization of Indigenous and community-based organizations. Although civil society organizations (CSOs) remain active in advocating human rights, transparency and social policies, their impact is considerably weaker than that of the business elite. This asymmetry creates a system in which a small group of powerful actors dominates the policymaking process, limiting broader societal participation and overshadowing the voices of marginalized communities in the formulation of public policy.

In response to this imbalance, legislative efforts have emerged to reduce the private sector's direct influence on public institutions. Notably, Congressman Samuel Pérez introduced a bill to remove organized private sector representatives from state boards. This initiative seeks to democratize decision-making processes and ensure that public interests are prioritized over private ones. In November 2024, Guatemala enacted its first comprehensive Competition Law (Decree 32-2024), which establishes rules to regulate market practices and promote fair competition. The board of the new regulatory body, the Superintendency of Competition, was intentionally composed without private sector representation to prevent conflicts of interest and promote impartiality in regulatory matters.

Support for democratic norms and procedures in Guatemala remains critically low, with the country ranking among the least supportive of democracy in the region. In the 2024 Latinobarómetro survey, only 35% of Guatemalans indicated support for democracy. Although this figure reflects a slight increase from 2023, Guatemala continues to have one of the lowest rates of approval for democracy in the region, alongside Suriname and closely followed by Honduras. Levels of satisfaction with democracy also remain exceptionally low, with only 28% of Guatemalans expressing any satisfaction with the system's functioning. Over the past decade, this figure has steadily declined, illustrating a growing disillusionment with democratic governance. While dissatisfaction with democracy is common across the region, Guatemala ranks among the countries with the least satisfied populations, alongside Bolivia, Honduras and Ecuador. The gap between the shares indicating support for democracy and satisfaction with democracy also remains significant, highlighting the widespread perception that democracy has failed to deliver tangible improvements.

Public confidence in elections has reached a historic low, with only 27% of the population expressing trust in the electoral process, a five-point drop from 2021. The Public Prosecutor's Office and the judiciary are widely seen as politically instrumentalized, contributing to skepticism about the independence of democratic institutions. The erosion of democratic norms is further reflected in growing authoritarian attitudes among the population. A staggering 67% of Guatemalans agree that a nondemocratic government would be acceptable if it could solve the country's problems, the second-highest such rate in the region. Additionally, 46% support the idea of the president bypassing the legislature and institutions to achieve political goals, while 47% believe the country should eliminate elections and entrust decision-making to experts.

Approval of  
democracy

n/a

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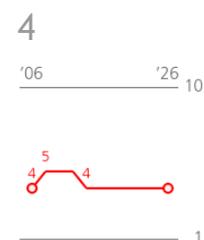


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Levels of interpersonal trust among Guatemalans remain critically low. In the 2024 Latinobarómetro survey, only 15% of Guatemalans said they believed most people could be trusted, a figure consistent with historically low levels of interpersonal trust across Latin America. The legacies of war, rampant corruption and persistent violence continue to hinder social cohesion and limit people's ability to collaborate effectively, with the exception of Indigenous communities, which generally have a high level of self-organization. Despite these challenges, Guatemala has a relatively active civil society with many charitable and social assistance organizations, often affiliated with religious groups or international aid agencies. These organizations focus on areas such as youth education, health care, cooperatives and LGBTQ+ needs, demonstrating that collective action extends beyond Indigenous communities. However, recent legal restrictions and cuts to international funding, particularly the cancellation of most U.S. foreign assistance provided through USAID shortly after the close of the review period, put the sustainability of these initiatives at risk.

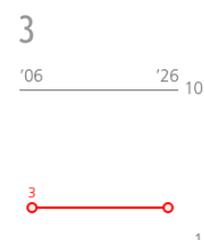
Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Stark gaps in access to resources and essential services, along with persistent income inequality and structural discrimination, severely limit development opportunities for large segments of the population, especially those living in rural areas and among minority groups. In 2024, 56% of the population lived in poverty, while 16.2% lived in extreme poverty. Rural areas were the most affected, with 66.4% of the population living in poverty compared to 46.7% in urban areas. Only 14.1% of households living under conditions of extreme poverty have access to a sewer network, and just 2% have residential internet service. In rural areas, access to services is even more restricted. About half of Guatemalan children also suffer from chronic malnutrition.

Question  
ScoreSocioeconomic  
barriers

The Gini coefficient in 2024 was 0.42, indicating a high level of inequality. The highest income quintile captured 59.88% of total consumption, while the lowest quintile accounted for only 3.45%. Guatemala's Human Development Index (HDI) score for 2023 stood at 0.662, ranking the country 137th out of 193 and reflecting a medium level of human development. When adjusted for inequality, the HDI score dropped by 27.6%. Gender inequality is another factor of exclusion, with the country's Gender Inequality Index score of 0.462 highlighting disparities in access to economic and social opportunities. Indigenous peoples, who make up nearly half of the country's population, face systematic exclusion in education and well-being.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	86455.5	95641.4	104368.4	<b>113199.6</b>
GDP growth	%	8.0	4.2	3.5	<b>3.7</b>
Inflation (CPI)	%	4.3	6.9	6.2	<b>2.9</b>
Unemployment	%	2.2	3.1	2.3	<b>2.2</b>
Foreign direct investment	% of GDP	4.2	1.5	1.6	<b>1.6</b>
Export growth	%	10.3	7.5	-2.4	<b>2.2</b>
Import growth	%	19.5	4.9	5.4	<b>9.0</b>
Current account balance	\$ M	1873.4	1116.1	3212.1	<b>3332.7</b>
Public debt	% of GDP	30.6	29.0	27.2	<b>26.3</b>
External debt	\$ M	26313.4	25269.5	25364.8	-
Total debt service	\$ M	1688.8	4140.6	1756.2	-
Net lending/borrowing	% of GDP	-1.1	-1.7	-1.3	-
Tax revenue	% of GDP	11.6	11.8	11.6	-
Government consumption	% of GDP	11.2	11.5	11.2	<b>10.9</b>
Public education spending	% of GDP	3.1	3.2	3.1	-
Public health spending	% of GDP	2.4	2.4	-	-
R&D expenditure	% of GDP	0.1	-	-	-
Military expenditure	% of GDP	0.4	0.5	0.4	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Guatemala has taken significant steps to enhance market-based competition, particularly with the enactment of its first comprehensive Competition Law in 2024. The country's regulatory framework, including the Foreign Investment Law, ensures that foreign investors enjoy the same rights as Guatemalan citizens regarding property ownership and investment, except for restrictions on land bordering rivers, oceans and international boundaries. Nonetheless, bureaucratic inefficiencies such as lengthy permitting and licensing procedures, as well as inconsistent regulatory enforcement, can create hurdles to market entry and exit. Bureaucratic processes and regulatory uncertainties often favor established businesses, creating disadvantages

Market organization

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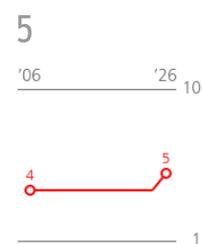
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for smaller or newer enterprises. In the 2025 Index of Economic Freedom, Guatemala's economic freedom score improved by one point to 63.4, with its economy ranked as the 71st-freest worldwide. Despite these advances, the effective implementation of the new Competition Law will be crucial to addressing existing barriers to market competition and ensuring that all businesses, regardless of size or ownership type, operate on a level playing field. This does not yet appear to be the case, as 71.1% of Guatemalans are employed in the informal sector. The formal sector continues to face problems involving security and corruption, in addition to government inefficiency and an insufficiently trained and educated workforce.

Guatemala explicitly prohibits monopolies in its constitution, particularly via Article 130, which aims to guarantee free competition and prevent economic concentration. The Arévalo government passed the Competition Law (Decree 32-2024) to regulate market practices and curb monopolistic behavior. The regulatory framework explicitly prohibits absolute anti-competitive practices such as price-fixing, market segmentation and collusion in public bidding. It also establishes a “rule of reason” approach to assess dominant market conduct, ensuring that only actions that significantly restrict competition and harm consumer welfare are penalized. The law introduces a mechanism for reviewing mergers and acquisitions that may result in excessive market concentration, requiring preauthorization from the newly established Superintendency of Competition (SC) if certain financial thresholds are met. The law also mandates the creation of an independent regulatory authority responsible for enforcing competition rules, investigating market abuse and sanctioning violations.

The full impact of the Competition Law will depend on its implementation, transparency and the independence of the enforcement authorities tasked with carrying out the regulations. The government has committed to phased implementation, with key provisions on economic concentration and antitrust enforcement taking effect by 2026. However, Guatemala's historical challenges with regulatory capture, political interference and weak institutional enforcement may undermine the effectiveness of the framework's implementation. The law is also likely to face resistance from sectors with entrenched market power, which may attempt to mute its impact through legal challenges or by exploiting regulatory loopholes.

Competition policy



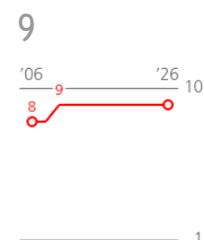
Guatemala has made significant strides in liberalizing its trade policy, with a simple average most-favored-nation (MFN) applied tariff rate of 5.6% as of 2023. This reflects Guatemala's commitment to maintaining relatively open market access. However, certain exceptions remain. Agricultural products such as sugar, confectionery, animal products, dairy products and coffee face higher tariff rates, ranging from 11.7% to 17.5%. These tariffs are designed to protect local industries and producers. Additionally, tobacco products are subject to a duty of 15.6%, and clothing items face a tariff of 14.9%, reflecting the protective measures in place for these sectors.

Guatemala has benefited from a number of trade agreements, including its membership in the WTO and in the Central American Free Trade Agreement (CAFTA). Imports of agricultural products from other Central American countries are often duty-free, thanks to long-standing regional trade agreements. Despite the country's overall openness to trade, some protectionist measures still exist to safeguard domestic industries. Import quotas and licensing requirements, as well as bureaucratic delays, are among the non-tariff barriers that can hinder the flow of goods into Guatemala. The country also employs safeguards and contingency trade barriers, including antidumping measures, to protect certain sectors from external competition. This combination of liberalization and selective protectionism means that Guatemala's foreign trade is generally open but still subject to sector-specific regulations and exceptions that prioritize the interests of local industries. Other sectors benefiting from higher tariff rates include vehicles, with import duties of up to 20%, and textiles, with a tariff rate of about 10%, ensuring protection for domestic manufacturing.

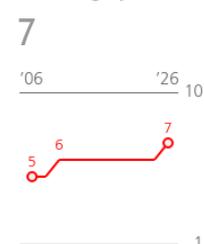
Guatemala has made notable progress in building a solid banking system largely in line with international banking standards, particularly those outlined in the Basel Accords. In 2022, Guatemala's bank capital-to-assets ratio was 6.422%, reflecting a reasonable level of capital relative to risk-weighted assets and aligning with global financial practices. Authorities require banks to maintain sufficient capital buffers to absorb potential losses from lending and investment activities, ensuring that the sector remains robust. Guatemala's banking system has demonstrated resilience, with a non-performing loan (NPL) ratio of 2.2% in 2024, which, although slightly higher than the previous year, remains within a manageable range. This suggests that banks are maintaining a relatively low level of bad loans, a key indicator of financial stability. Guatemala's banking sector has been working to strengthen risk management practices, particularly regarding credit risk regulations under the Basel III framework.

Regarding capital markets, Guatemala's financial system is gradually developing, though it still faces challenges compared with more mature markets. The country has a nascent capital market, with few active investors and a narrower range of investment instruments than in larger economies. The regulatory framework is still

### Liberalization of foreign trade



### Banking system



evolving in the direction of facilitating broader market access and increasing investor confidence. However, Guatemala has taken significant steps to improve transparency and market integrity. These efforts include new banking laws, improved disclosure rules and the creation of independent financial regulatory bodies.

Additionally, the authorities have been working to improve the independence of financial regulators and to establish stronger enforcement of disclosure rules. These actions aim to ensure that companies, banks and the public sector adhere to stricter fiscal discipline, promoting a more stable, accountable financial ecosystem. The introduction of enhanced supervisory review processes is another key reform that improves the overall functioning of the financial sector.

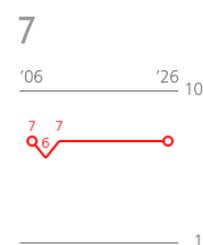
## 8 | Monetary and fiscal stability

Guatemala's monetary authority pursues a consistent stabilization policy focused on controlling inflation and managing exchange rates. The inflation rate for 2025 was 2.19% in January, with a forecast of 3.64% for December 2025, after the review period. Longer-term inflation expectations for 2026, 2027 and 2030 are stable, hovering around 3.5%. The consistency of these projections reflects the authority's efforts to manage inflation effectively, avoiding excessive volatility that could create greater uncertainty for economic actors.

Guatemala follows a managed floating exchange rate system. The real effective exchange rate index (ITCER) against the U.S. dollar stood at 53.07 at the end of 2024, suggesting relative stability with regard to the country's international competitiveness. The monetary authority intervenes actively in the foreign exchange market, as evidenced by a \$164 million sale in January 2025 intended to manage fluctuations. This proactive approach aims to mitigate potential risks arising from exchange rate movements that could affect inflation or trigger speculative attacks. Moreover, the exchange rate policy appears reasonably successful in aligning with the country's inflation-control objectives and efforts to sustain stability against external pressures.

The monetary authority is largely independent, with a clear focus on maintaining price stability and avoiding political influence. While formal independence can be a weak guide, the authority communicates effectively with financial market participants and works cooperatively with the government to ensure that monetary policies are aligned with broader economic goals. The cooperation mechanisms appear robust, as the monetary authority balances its objectives with the government's economic priorities, although challenges from external economic pressures and fluctuations in global markets persist.

### Monetary stability



The government has sought to maintain fiscal stability by managing debt levels and accumulating reserves. However, the rising fiscal deficit and public debt, coupled with a projected narrowing current account balance, suggest ongoing challenges in maintaining a stability-oriented fiscal policy. The fiscal deficit was projected to rise to 3.1% of GDP in 2025, up from an estimated 1.1% in 2024. This trend indicates that fiscal consolidation efforts may face difficulties. The government plans to finance the deficit through domestic financing, mainly by issuing treasury bonds, as well as through external borrowing. Guatemala's total public debt is rising. By the end of 2024, it was expected to amount to 26.5% of GDP, a slight decrease from 27.2% in 2023. It was then expected to rise again to 27.2% in 2025, indicating a growing reliance on borrowing.

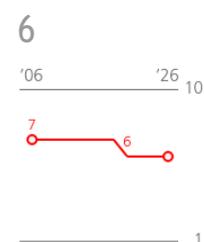
External debt is projected to reach \$13.57 billion by the end of 2024, up \$1.13 billion from 2023. This reflects increased external borrowing by the government to finance the budget deficit. The current account balance has shown a deteriorating trend, with a worsening forecast for 2024 and 2025 compared with 2023. This deterioration raises concerns about the country's external stability, as it continues to rely on external financing to cover its deficits. On the positive side, the country's international reserves have mounted, reaching \$24.15 billion by the end of 2024. This is a significant increase compared with 2023 and represents 9.2 months of imports, thus providing a strong buffer against external shocks.

## 9 | Private Property

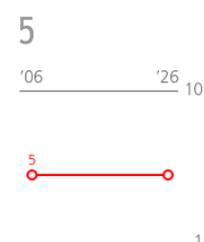
Guatemala's regulatory framework for private property rights faces notable challenges, despite constitutional guarantees and laws designed to protect land and property ownership. These laws are implemented and enforced inconsistently, particularly in rural and Indigenous communities. These communities often face difficulties with land registration, and property disputes are common, especially in areas where mining, hydroelectric, agribusiness and other large-scale interests operate. As a result, many rural inhabitants live in uncertain conditions, with frequent evictions, limited legal recourse and inadequate protection of property. Guatemala was not ranked in the 2023 International Property Rights Index (IPRI), but the 2022 IPRI ranked Guatemala 103rd out of 129 countries, with a score of 4.023. This indicates a significant gap in the effective enforcement of property rights, which are not always adequately safeguarded from arbitrary state intervention or illegal infringements.

Private companies are generally permitted and protected under Guatemala's legal framework, which guarantees national treatment for foreign investors through the Foreign Investment Law. There are no significant restrictions on foreign investment except in the case of certain constitutional limits, such as those related to the exploitation of forestry or maritime resources. The government has adopted regulations to ensure a business-friendly environment, including tax incentives for foreign investors and programs to facilitate trade and investment. Foreign investment

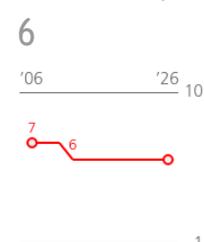
### Fiscal stability



### Property rights



### Private enterprise



is especially encouraged in the service and manufacturing sectors. However, the implementation and enforcement of legal protections for private companies are inconsistent. This is due first to the country's weak rule of law, as political interference in the justice system results in unpredictable protection of property rights and contracts. Second, high levels of corruption, particularly in the public sector, can undermine the effectiveness of the legal framework meant to safeguard private companies. These challenges, along with insecurity in Guatemala, deter many foreign investors.

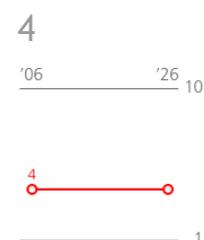
Guatemala has a history of privatizing state-owned enterprises, especially in the 1990s in sectors such as telecommunications, energy and grain storage. However, these privatizations did not always follow market principles, thus leading sometimes to monopolies or oligopolies, notably in the energy and telecommunications sectors. Although there have been no recent large-scale privatizations, the legacy of these earlier privatizations still influences the current business environment.

## 10 | Welfare Regime

Guatemala's social safety nets provide a combination of cash transfers, subsidies and public services aimed at compensating for social risks, including unemployment, poverty, old age, illness and disability. The main social safety nets are managed by the state, especially through the Ministry of Social Development and the Ministry of Public Health, though some private sector initiatives and non-governmental organizations are involved. While the coverage and inclusiveness of social safety nets are improving, challenges remain especially in rural and marginalized areas. Efforts such as the Registro Único de Beneficiarios (RUB) have helped identify and prioritize vulnerable households. Barriers for noncitizens persist, as most programs are designed for Guatemalan nationals. However, some initiatives, particularly in health emergencies or for food security, may extend assistance to migrants and refugees in certain contexts.

The Bono Social is a key form of compensation, particularly for families living under conditions of (extreme) poverty. Conditional cash transfers are provided to families who meet specific requirements, such as ensuring that children attend school and receive necessary medical care. In 2024, the Bono Social benefited 31,420 families and focused on pregnant women and children younger than five. Transfers were made contingent on the recipient's participation in health care services provided by the Ministry of Public Health. Similarly, the Bono Social Educación program incentivizes school attendance for children and adolescents, further reinforcing the role of education in breaking the poverty cycle. Public subsidies also play an essential role, particularly for electricity. For instance, in 2024, an estimated GTQ 930.79 million was allocated to the social tariff program, benefiting over 2 million users. This is part of a broader effort to reduce the economic burden on low-income households by making essential services more affordable.

### Social safety nets

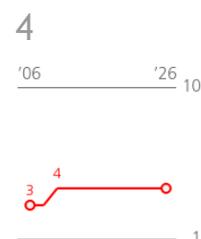


Funding for these programs comes primarily from public resources through taxation and redistribution. Public spending on health and welfare services has increased over time, reflecting the government's commitment to supporting vulnerable populations. For instance, in 2025 the Ministry of Public Health received 10.2% more funding than in 2024, emphasizing expanded access to health care services. Investments to address health inequalities and expand access to essential services have increased. Life expectancy at birth in Guatemala reached 72.7 years in 2024, up from 67.1 years in 2000, indicating progress in the area of public health.

Notable gaps remain in providing equal opportunity, especially for women, Indigenous people and rural communities. While Guatemala's legal framework includes laws to prevent discrimination, such as those promoting gender equality and nondiscrimination in employment, enforcement remains weak. This is especially true in rural and Indigenous communities, where cultural and social barriers limit access to education, health care and economic opportunities. In terms of access to education, there are still disparities based on socioeconomic status. For instance, while the literacy rate is generally high in urban areas, it remains much lower in rural and impoverished areas. The gender gap in education is particularly evident when looking at youth engagement with educational opportunities. The share of youth aged 15 to 24 who are neither working, studying nor receiving training is 29.3% overall. Among young women, 46.3% are disengaged in this way, compared with only 10.2% of young men, highlighting a gender-based disparity in opportunities. Noncitizens and Indigenous populations also face discrimination in accessing educational opportunities, with many people struggling to access public services due to structural inequalities.

Regarding gender-based equal opportunity, women continue to face challenges in accessing equal job opportunities, wages and career advancement. Labor force participation rates among women remain lower than among men. In Guatemala's 2023 general elections, only 32 out of 160 congressional seats (20%) were won by women, a minor increase from the 31 seats won by women in 2019. There were 257 female mayoral candidates, a 78% increase compared with the 2019 elections (which saw 144 female candidates), but this paled in comparison with the 3,370 men who ran for local office in 2023. Only 13 women won local office positions in 2023. In addition, women hold only 16% of seats on Guatemala's municipal councils, and about one-third of the country's 340 municipalities have no women on their councils.

#### Equal opportunity



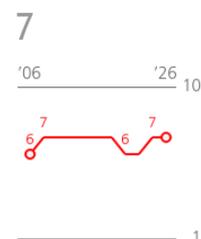
## 11 | Economic Performance

Guatemala's economic performance in 2024 reflects moderate yet stable growth, driven by strong domestic consumption and positive trends in several key sectors. Real GDP growth for the third quarter of 2024 reached a rate of 3.5%, supported by increased household consumption, government spending and investment, along with improved exports and imports of goods and services. Key sectors contributing to this growth included commerce, manufacturing industries, financial activities, real estate, and information and communications, with some of these sectors exhibiting notable levels of growth, including financial activities (up 9.4%) and information and communications (up 5.8%).

Inflation is projected to remain relatively stable over the medium term, gradually rising from 2.69% in January 2025 to 3.64% by December 2025. These projections fall within the central bank's target range, indicating that the country is maintaining price stability. They are favorable for investment and consumer purchasing power, suggesting a controlled economic environment. The labor market remains relatively stable, with a low unemployment rate, although more than 70% of the population works in the informal sector. Formal employment, measured by the number of contributory affiliates to the Guatemalan Social Security Institute (IGSS), increased 7.24% from the previous year. While formal employment growth is a positive indicator, the high level of informality still poses challenges for ensuring broad-based economic inclusion.

Guatemala's attractiveness as an investment destination is growing. The country is expected to attract FDI of about \$1.815 billion in 2025, and discussions are underway with 31 companies that could invest \$1.648 billion. These investments span sectors such as food processing, pharmaceuticals, IT, software and business services, and are expected to create thousands of jobs. This points to a promising outlook for expanding domestic markets and diversifying the economy. However, infrastructure bottlenecks and the need to further digitize government processes remain. The current account balance is another focus, with a projected surplus of 2.5% of GDP (\$2.856 billion) in 2024. This narrowing compared to the 3.1% surplus in 2023 is driven by a widening trade deficit (albeit partially offset by strong remittances). Although the slight surplus decrease from the previous year points to some external challenges, Guatemala still holds a strong external position, and the 2024 surplus indicates healthy external trade and capital flows.

Output strength



## 12 | Sustainability

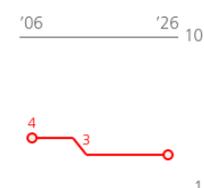
Environmental concerns are often overshadowed by the priorities of economic growth, political challenges and corruption. Although the Ministry of Environment and Natural Resources (MARN) exists, enforcement of environmental regulations remains inconsistent. Guatemala has committed to international climate agreements, submitting its third Nationally Determined Contribution (NDC) in 2022. It has set a goal of reducing greenhouse gas emissions by 11.2% by 2030, with the potential to achieve a reduction of up to 22.6% if the country receives sufficient international support. Despite this, CO<sub>2</sub> emissions continue to rise, showing a 6.87% increase in 2023 from the previous year, reflecting the challenges posed by industrialization and the transportation sector. Nonetheless, Guatemala's contribution to global emissions remained minimal overall. Additionally, Guatemala faces significant environmental challenges such as deforestation, water contamination and pollution from mining activities. In response to environmental conflicts, particularly those involving water use, Guatemalan authorities often deploy military forces and imprison community leaders.

MARN has drafted a comprehensive electricity generation plan covering 2022 – 2052, with a target of achieving 80% green electricity by 2027. However, the plan fails to address transportation-sector emissions and lacks tax incentives to promote green energy production among households and businesses. Under the leadership of Minister Ana Patricia Orantes, MARN also initiated a plan to propose a law regulating water tenure and has worked to optimize solid-waste management practices. The government is also working to integrate methane-reduction strategies as part of the National Short-Lived Climate Pollutants (SLCP) Plan, which aims to address emissions from the waste and industrial sectors. However, these initiatives are often subordinated to political and economic priorities, and enforcement remains weak.

Guatemala faces significant challenges in establishing strong institutions for basic, secondary and tertiary education, as well as for R&D. The country allocates only 3.2% of GDP to education, below the regional average and an insufficient amount to guarantee high-quality education at all levels. The literacy rate is between 80% and 85%, which represents modest improvement but still trails many other Latin American nations. Literacy rates are generally higher in urban areas than in low-income households and rural areas. Among young people aged 15 to 24, those not in extreme poverty have a literacy rate of 95.2%, whereas those in extreme poverty have a rate of 87.1%. Furthermore, only 60% of children ages 0 to 18 have access to educational programs, highlighting substantial gaps in educational access, particularly in rural and predominantly Indigenous areas. According to a U.N. report, only half of Indigenous children attend school, and Indigenous girls receive an average of only two years of education, compared to six years for non-Indigenous girls.

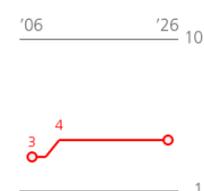
Environmental  
policy

3



Education policy /  
R&D

4



At the secondary education level, Guatemala continues to face problems with dropout rates, as many students leave school because of financial barriers or a lack of nearby schools. Education quality also remains a concern, especially in rural areas where schools suffer from inadequate resources and infrastructure. At the tertiary education level, public universities, such as San Carlos University, face significant budget constraints that limit their ability to improve the quality of education and research. Private universities, while better funded, remain out of reach for most low-income students.

Guatemala's investment in R&D remains minimal. Historically, the country has invested about 0.06% of GDP in R&D, well below the 2% the OECD recommends for competitive nations. This underinvestment limits the country's ability to innovate and develop a competitive knowledge-based economy. Despite some international collaborations, Guatemala's research infrastructure is insufficient, and research output remains low.

## Governance

### I. Level of Difficulty

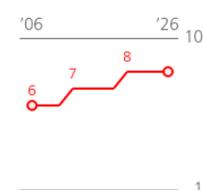
Guatemala faces significant structural constraints on the political leadership's capacity to govern. These constraints are deeply rooted in natural and social factors that cannot be swiftly overcome by the current political leadership. The country's extreme poverty is a major challenge, with about 59% of the population living in poverty and 23% in extreme poverty, according to the 2023 Encuesta Nacional de Condiciones de Vida (ENCOVI). Poverty is disproportionately concentrated among Indigenous people, who comprise nearly half of the country's population. Additionally, chronic malnutrition affects nearly half of the country's children under five years of age, one of the highest rates in Latin America and the world.

The country's education system remains a major obstacle to overcoming these structural constraints. According to ENCOVI 2023, only 33.6% of people aged 15 to 24 participated in formal or nonformal education in the past year, with males participating at a higher rate (35.8%) than females (31.6%). The participation rate among adults aged 25 to 64 in education was even lower – just 7.3% – with 8.6% of men participating and 6.3% of women. A shortage of educated workers severely limits the country's economic diversification and its ability to meet the demands of modern industries.

Geographically, Guatemala also faces disadvantages. Situated at the confluence of two tectonic plates, it is highly prone to earthquakes and volcanic eruptions. In addition, the country faces severe infrastructure shortcomings, with poor roads, underperforming ports and inefficient transport networks that increase logistics costs and hinder trade. The country's vulnerability to natural disasters further exacerbates these difficulties. Guatemala is among the 10 countries most severely affected by climate change. Major storms are becoming more frequent, and dry spells are lasting longer. These trends particularly affect agricultural and poorly connected areas. This is a key driver of migration, especially in rural areas already afflicted by poverty, food insecurity and land inequality. The Arévalo government has set forth ambitious reforms to improve infrastructure, yet effective implementation will be crucial if they are to have the expected impact.

Structural  
constraints

8



Guatemala faces significant challenges related to its civil society traditions, which are deeply influenced by historical factors and the current sociopolitical climate. The country's civil society has been shaped by a long history of dictatorship, a brutal civil war and ongoing political repression. Because of a lack of government responsiveness, CSOs have proliferated in recent decades, focusing on specific local issues and policy areas. However, these organizations often lack broad public support and face persistent tensions within society. Conflict and mutual distrust characterize the relationship between CSOs and the government. This relationship was exacerbated when reforms to the NGO Law entered into force in 2021, although they have not been enforced.

Many CSOs have relied heavily on international aid to sustain their activities, especially on USAID funding. USAID has been a major contributor to various sectors in Guatemala, particularly in the areas of health, education, migration and governance. Between 2001 and 2024, USAID disbursed more than \$2.5 billion in support of Guatemala, with a significant portion directed toward projects involving governance and civil society. Shortly after the close of the review period, a sharp reduction in USAID funding left numerous projects in Guatemala canceled or in limbo. This includes vital initiatives aimed at enhancing transparency, combating corruption and supporting CSOs in their efforts to monitor government accountability.

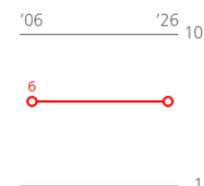
Guatemala experiences a range of political, social and ethnic conflicts that significantly affect its governance capacity. Levels of societal polarization are high, particularly along ethnic and social lines. The Indigenous population faces systemic exclusion, poverty and marginalization, further fueling social tensions. Ethnically motivated disputes are especially pronounced in the western highlands, where conflicts over land and resources have led to prolonged territorial disputes.

Beyond territorial disputes, Guatemala's social conflicts often take the form of protests, blockades and violent incidents linked to resource allocation, land use and environmental concerns. The country's inadequate governance structures, which do not allow discontent to be channeled effectively, exacerbate these tensions. During the 2023 post-election protests, Guatemala saw 21 days of roadblocks at as many as 146 locations nationwide. Estimates suggest conflict-related costs could reach \$309 million in 2024. Outside the 2023 post-election conflict, disputes often involve rejection of large infrastructure projects, such as mining and energy projects, in which local communities resist intrusion by outside companies because of fears of environmental degradation or loss of land.

Violence remains a key feature of Guatemala's political landscape. The country is plagued by high levels of criminal activity, including gang violence often exacerbated by organized crime and drug-trafficking. Urban areas such as Guatemala City are especially susceptible to this violence. Guatemala recorded a homicide rate of 16.1 per 100,000 inhabitants in 2024, a slight reduction compared with 2023. The

#### Civil society traditions

6



#### Conflict intensity

6



weakening of civil society has made addressing these issues more difficult. The closure of USAID shortly after the review period, with the subsequent reduction in international cooperation, has left many critical programs in health, education and governance suspended, creating a vacuum that the government has struggled to fill. This reduction in support is being felt especially keenly in communities that rely on international funding for services and development projects.

## II. Governance Performance

### 14 | Steering Capability

The Arévalo administration demonstrated an ability to set and maintain strategic priorities, especially in the areas of social progress and economic development. The government's first-year achievements included significant investments in social programs, infrastructure development and efforts to reduce poverty. The president's rhetoric has highlighted the administration's focus on long-term goals such as improving education, health care and social housing, exemplified by programs such as "Mi Primera Casa," "Mano a Mano" and "Becas para nuestro Futuro."

The government's key priority projects for 2025 include the development of infrastructure to enhance roads, bridges and paths across the country through "Plan Conecta," which focuses on maintaining and constructing new routes to improve connectivity, as well as the "Crédito Tob'anik" program, a new agricultural credit initiative offering low-interest loans to small farmers that is intended to promote agricultural productivity and development. The latter initiative is supported by a budget of GTQ 500 million. The government has also articulated a "Plan Retorno al Hogar," a comprehensive strategy for the reception and reintegration of returning migrants. The initiative emphasizes dignified reception and long-term reintegration opportunities. Moreover, to build opportunities for youth, especially the less privileged, it has launched the "Becas para nuestro Futuro" scholarship program.

Sustaining these efforts will depend on the administration's ability to overcome political deadlock, strengthen institutional capacities and maintain external financial support for long-term development projects. Additionally, the government's strategic priorities are often subject to short-term political bargaining, particularly as it navigates the demands of powerful interest groups. Despite these challenges, the government's focus on education, infrastructure and poverty reduction, as well as its efforts to increase transparency and reduce corruption, demonstrate a clear commitment to improving the country's social and economic conditions.

Question  
Score

Prioritization

5

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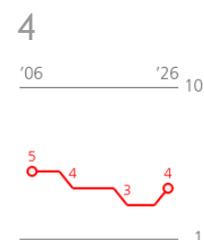
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Arévalo's government made significant strides in setting and maintaining strategic priorities, particularly in areas such as social development, infrastructure and poverty reduction. Programs such as "Mi Primera Casa," "Mano a Mano" and "Becas para nuestro Futuro" demonstrate the government's clear focus on social progress. These initiatives have achieved measurable results, for instance by providing housing for families, improving the country's educational infrastructure and expanding access to health care. The creation of the National Anti-Corruption Commission also highlights the administration's commitment to improving governance and transparency.

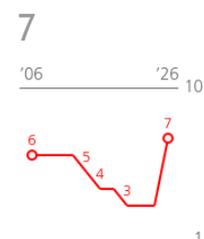
The survey data and the government's achievements to date show that the capacity to fully implement these policies has been inconsistent. Effective implementation of the established priorities has been hindered by a number of factors. Institutional inefficiencies, lack of coordination between government agencies and bureaucratic delays have slowed progress in some areas. For example, efforts to combat chronic malnutrition, despite being a priority, have faced challenges due to insufficient funding, poor interagency coordination and lack of a robust monitoring system. Similarly, the government's attempts to improve educational infrastructure have been delayed by administrative barriers. Another significant constraint is Guatemala's relatively low national budget, which, amounting to 15.8% of GDP for 2025, is one of the smallest relative to GDP in the region. This consequently limits financial capacity, and, combined with political pressures exerted by powerful interest groups and the fragility of the government's coalition in Congress, complicates efforts to implement policies effectively over the long term. External factors, including reduced international aid due to the suspension of USAID programs shortly after the close of the review period, further complicate execution of government initiatives. The country's history of clientelism and entrenched corruption also pose obstacles to the achievement of lasting structural reforms, as these factors influence both the composition of the government and its ability to advance long-term policy goals. The successful execution of the administration's long-term plans will depend on overcoming institutional inefficiencies, securing additional funding and ensuring continued political support.

The Guatemalan government under President Arévalo has shown a growing commitment to innovation and flexibility in its policymaking. However, the extent to which these efforts are institutionalized and consistently applied is still evolving. The government has expressed a clear intent to modernize public administration, with public innovation as a central component of its agenda. Initiatives such as the Secretariat for Planning and Programming's (SEGEPLAN) promotion of a public innovation center reflect a forward-looking approach aimed at improving public service delivery through new governance methods. The government has also sought to integrate interdisciplinary expertise from both the social and exact sciences, as well as perspectives from marginalized communities, particularly Indigenous peoples and women, to ensure that public policies are more inclusive and culturally sensitive.

#### Implementation



#### Policy learning



The government's commitment to learning from past experiences is evident in its approach to policy experimentation. Public innovation is viewed as an ongoing process of "learning by doing," in which policies are adapted based on real-world results. This approach is being applied to address persistent issues such as chronic malnutrition, with lessons from previous initiatives used to adjust strategies. Additionally, the government's collaboration with international organizations such as the United Nations Development Programme (UNDP) and local civil society groups plays a crucial role in this process. The incorporation of good practices, knowledge exchange and international experiences into local contexts has become a key part of policy innovation.

Although mechanisms exist to foster innovation, the institutionalization of policy learning remains a work in progress. The government has recognized the need for more robust mechanisms to facilitate innovation, including cross-departmental coordination and the creation of spaces for collaborative policymaking. Feedback loops from the public and experts have been used to refine policies on an ongoing basis.

## 15 | Resource Efficiency

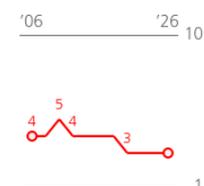
The Guatemalan government makes only partial use of its available human, financial and organizational resources. Approximately GTQ 46 billion is allocated to salaries and benefits for public servants, representing about 43% to 50% of the total budget. However, the public sector workforce remains inefficient because of clientelism, with hiring often driven by political motivations rather than merit. Efforts to decentralize are also stymied by these entrenched clientelist systems, which prevent meaningful reform.

Furthermore, discrepancies in the reported number of public employees reflect the absence of a precise, reliable system for tracking government workers. Estimates vary widely. Sources such as the Office of National Civil Service (Onsec) report about 211,000 employees, while figures from the Guatemalan Social Security Institute (IGSS) suggest a total of more than 341,000. The National Human Resources Census of 2017 – 2018 reported about 292,000 employees, and the National Employment and Income Survey (ENEI) estimates 432,000. These inconsistencies further underscore the lack of clarity and reliability in data management, which exacerbates inefficiency and fosters clientelism in hiring practices.

On the financial side, the government has struggled to implement a balanced state budget, with such efforts exacerbated by the inefficient use of public funds, including payments for ghost workers or nonexistent positions, which further escalates public spending. This inefficiency is exacerbated by fraudulent hiring, in which positions are filled under false pretenses, draining resources. In addition, a lack of transparency in budget planning and implementation processes, along with ineffective auditing, results in mismanagement of public funds.

Efficient use of assets

3

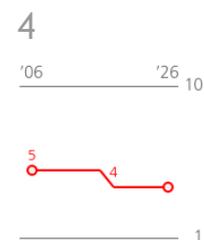


The Guatemalan government faces significant challenges in coordinating conflicting objectives into coherent policies, which is essential to effective governance. A major issue is centralized decision-making under the Secretariat of the Presidency, which has led to duplicated functions and unclear roles across government entities. While there are established coordination mechanisms such as the Specific Cabinet for Social Development and the Specific Cabinet for Economic Development, these bodies are often overshadowed by the Secretariat, which assumes control of their operations. This centralization undermines interministerial coordination, leading to a lack of transparency in task assignment, redundant efforts and inefficiencies in policy execution.

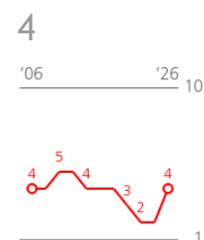
Moreover, conflicts among branches of government further complicate coordination. The Secretariat of Social Communication and the Secretariat of the Presidency often clash over overlapping responsibilities, contributing to disorganization and poor policy management. Despite efforts to streamline and coordinate through cabinets and councils, this fragmentation weakens the government's capacity to implement coherent policies across departments. In addition, coordination with Congress has been complex, as evidenced by the approval of the 2025 national budget, which totaled GTQ 148 billion. While this approval signals some collaboration between the executive and legislative branches, ongoing political tensions and the involvement of multiple actors with competing interests have made it difficult to craft unified policies.

The Guatemalan government has made some progress in containing corruption, although it still faces significant challenges. A number of institutional arrangements and mechanisms intended to address corruption have been implemented, but their effectiveness is still evolving. Key initiatives include the Code of Ethics for the Executive Branch, which promotes responsibility, transparency and the public good, and seeks to ensure that all public servants and contractors in the executive branch adhere to these standards. The code was officially implemented in April 2024 under Decree No. 62-2024. In 2024, the National Anti-Corruption Commission (CNC) was established to coordinate and implement anti-corruption measures, promote integrity networks across government agencies and monitor government officials' conduct. The CNC has been instrumental in approving the Code of Ethics and establishing systems for monitoring officials' behavior. The government also introduced audit and accountability mechanisms such as the Corruption Files dashboard, which tracks corruption cases and provides transparency in the prosecution process, seeking to make sure that public institutions remain accountable for their actions. Efforts to regulate party financing, improve public procurement and ensure citizen access to information have been put in place to prevent corruption in contracting processes. This has included measures implemented by the Ministry of Finance. Furthermore, the government has proposed legislation to protect whistleblowers, creating mechanisms to shield them from retaliation and ensuring they can report corruption

#### Policy coordination



#### Anti-corruption policy



without fear of reprisal. Access to public information also improved under the Arévalo government, with the Secretariat of Social Communication of the Presidency showing increased openness to the media.

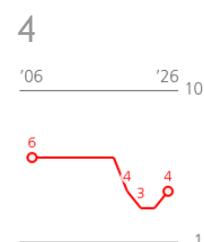
Despite these efforts, Guatemala continues to struggle to prosecute corruption effectively and to ensure that its anti-corruption mechanisms operate without interference. The independence of the judiciary and the Public Prosecutor's Office remain critical concerns. The country must strengthen these institutions to ensure that corruption cases are prosecuted effectively and that individuals involved in corrupt practices face appropriate consequences. Guatemala's public sector has long been plagued by corruption, and although mechanisms exist to combat it, historical practices of state capture by corrupt elites and political patronage continue to undermine the effectiveness of anti-corruption efforts. The CNC's work to build a national anti-corruption system and strengthen the integrity of government institutions is essential, but it requires time and consistent political will to bear fruit.

## 16 | Consensus-Building

In Guatemala, major political actors largely agree that democracy is an appropriate long-term goal. However, this agreement has significant nuances. While most political elites rhetorically support democracy, their commitment to its principles is often conditional. Traditional political and economic elites primarily view democracy as a means to preserve the status quo and maintain existing privileges and power structures. By contrast, social organizations and civil society see democracy as a tool for substantive social reform, for example by addressing long-standing issues including inequality and corruption. A key example of this tension is the continued marginalization of the Indigenous population in political leadership. Although they constitute nearly half the national population, Indigenous people remain under-represented in positions of power, and candidates such as Thelma Cabrera face systemic barriers, including limited funding and cultural discrimination. This divide highlights the disparity between the elites on one side, who often limit democratic reforms as a means of safeguarding their interests, and social movements on the other, which push for deeper democratic changes. While there is widespread rhetorical support for democracy, these divisions weaken efforts to forge a robust, cohesive democratic vision, and reflect the incompleteness of the existing democracy.

Political actors broadly agree on the market economy's importance to Guatemala's long-term growth. The government has consistently pursued conservative fiscal policies to maintain a stable economic environment attractive to investors and conducive to trade. Over the past two decades, this approach has produced steady economic growth, generally 4% to 5% annually. Yet the benefits have not been equally distributed. Income inequality in Guatemala remains stark, with wealth concentrated in the top 10% of the population. This concentration is compounded by

Consensus on goals

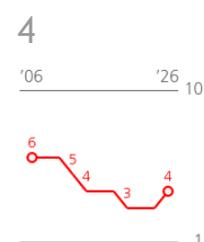


high levels of informal employment, making it difficult to address persistent structural inequalities. Despite the government's focus on fiscal stability, the lack of effective redistributive policies has left the most vulnerable populations, especially Indigenous communities and rural residents, without adequate access to quality health care, education and social services. Although the market economy is seen as a fundamental driver of growth, failure to implement policies that share its benefits more widely means it remains a source of tension, exacerbating social inequalities rather than resolving them.

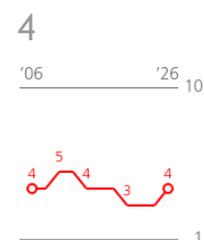
President Arévalo, the Movimiento Semilla political party and other reformers in Guatemala face resistance from powerful anti-democratic actors who pose significant challenges to the democratic reform agenda. The main anti-democratic forces include the current attorney general, an ardent opponent of the reformist agenda who aims to maintain the status quo and protect those involved in corruption; the military, whose retired personnel, especially those involved in illicit activities (e.g., in the Clandestine Security Apparatus), continue to exert significant influence; business elites, such as the Coordinating Committee of Agricultural, Commercial, Industrial and Financial Associations, who play a key role in defending economic privileges and resisting any policy or action that might disrupt their control over resources; and kleptocrats, who use their political positions for personal enrichment. The strategy employed by reformers such as Semilla is to counteract the power of these anti-democratic actors through public discourse, political pressure and legal means. However, the country's significant political polarization and the lack of alignment within key democratic institutions (e.g., the judiciary) make it difficult to secure a sustainable majority for reform. Furthermore, the high transaction costs in the legislative process, influenced by the entrenched power of the elites, severely hinder reform efforts. While reformers can exclude or co-opt anti-democratic actors in some instances, their ability to do so is limited by the structural power of these groups. Any effort to co-opt these actors is constrained by their vested interests in maintaining the status quo and undermining democratic institutions. Reformers face an uphill battle in overcoming the resistance posed by anti-democratic actors, with the likelihood of success depending on their ability to build a broader consensus, manage the political elite and mitigate the powerful vetoes of these entrenched forces.

Guatemala's leadership, particularly under President Arévalo, has faced significant challenges managing cleavage-based conflicts, especially those tied to ethnic, political and socioeconomic divisions. These cleavages are deep-rooted, with tensions primarily centered on the historical marginalization of Indigenous communities and the concentration of power among the Hispanized majority and economic elites. Although President Arévalo's government has made efforts to engage in dialogue with Indigenous groups and other marginalized sectors, including through the National Dialogue Assemblies, its ability to resolve or deescalate these conflicts has been limited. The ongoing conflicts over land rights, access to resources and civil rights, particularly in Indigenous rural areas, remain unresolved and are exacerbated by historical grievances and systemic inequality.

Anti-democratic actors



Cleavage / conflict management

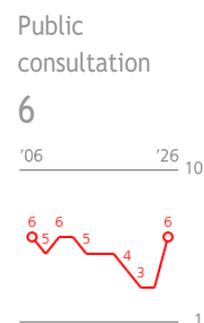


Additionally, political polarization in the country, centered on issues such as corruption and the legacy of the civil war, further complicates the government's ability to moderate these conflicts effectively. Despite the government's attempts to address these issues through policies such as the Tob'anik economic reactivation program and investments in Indigenous communities, the entrenched power structures, including the military, business elites and other anti-democratic actors, have obstructed meaningful progress.

The political leadership has been unable to build a broad, lasting consensus across these cleavages or depolarize structural conflicts within society. Polarization has persisted; the government has often relied on repression, particularly in response to protests over natural resources and land disputes. This has led to further social tensions and a deepening divide between sectors of society.

Under President Arévalo, the government has made significant efforts to engage civil society in the policymaking process. In addition to talks with Indigenous authorities, it has maintained ongoing dialogue with the private sector. The private sector has participated in consultations on infrastructure, competitiveness and formal employment, reflecting the government's willingness to integrate this key actor's perspectives into decision-making. The result was a shared agenda with the business sector focused on boosting economic development and encouraging investment in the country. Meetings between the government and business organizations have helped identify common priorities; create favorable conditions for investment and employment generation; and promote inclusive, sustainable economic development.

While efforts have been made to engage other civil society actors (such as civic and professional associations, community organizations and academics), the difficulty lies not in participation but in reaching concrete agreements. Despite ongoing dialogues with various sectors, including rural and Indigenous communities, the Arévalo government has faced significant challenges in reconciling the often conflicting interests of these diverse groups. Guatemala's historical difficulties in reaching broad societal consensus continue to present obstacles to achieving lasting agreements. Entrenched power structures, especially those dominated by the economic elites and traditional political factions, make it challenging to foster consensus across various sectors of society despite the government's efforts to do so. In terms of policy implementation and monitoring, consultation with civil society has been a positive step, but transparency and responsiveness to the broader demands of civil society remain areas under development.

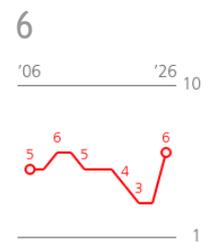


Under President Arévalo, Guatemala has made significant gestures to acknowledge past injustices, particularly human rights violations committed during the civil war. The president has publicly apologized for specific cases such as forced adoptions and disappearances, and has emphasized the importance of not forgetting the past in order to build a peaceful future. These symbolic actions show a willingness to confront the country's painful history.

However, reaching a point of reconciliation between victims and perpetrators remains a challenge. Despite some progress, the pursuit of justice has been slow and marked by legal setbacks. A notable example is the CREOMPAZ case, which involved the discovery of more than 500 skeletal remains in Cobán, Guatemala. The case centers on human rights violations, including forced disappearances and killings at a military base that became a clandestine burial site during the conflict. In 2016, it was recognized as one of the largest cases of forced disappearance in Latin America. However, recent developments resulted in the case's annulment, with the Second Court of Appeals ruling on November 5, 2024, that previous judicial decisions were invalid and ordering the release of the military personnel involved. The case, involving 14 retired military officers, has been one of the most significant efforts to hold those responsible for war crimes accountable. The appeals court's ruling has severely hindered progress toward reconciliation, demonstrating the difficulties of securing justice.

Recent actions – including the legal battles over the CREOMPAZ case and the dismantling of key institutions designed to address past wrongs (especially the Secretariat for Peace and the Presidential Commission for Human Rights) – highlight the continuing resistance to full accountability. The lack of broader societal agreement on how to handle the past continues to impede national healing. Guatemala's history of ethnic and social divides, particularly the marginalization of Indigenous populations, exacerbates the challenge of reconciliation. Powerful sectors, including the military and business elites, continue to resist the pursuit of justice and accountability, creating significant barriers to comprehensive reconciliation. Despite these challenges, President Arévalo has taken steps to initiate dialogue and push for justice, but the slow pace and setbacks in the judicial process underscore the continuing difficulty of reconciling the country's fractured past.

## Reconciliation



## 17 | International Cooperation

Guatemala has worked with international partners, especially in areas such as economic growth, security, health and governance. The country has benefited from substantial support, particularly from U.S. agencies such as USAID, which has funded projects in the areas of poverty reduction, human rights, infrastructure and migration control. However, recent developments, including the closure of USAID offices and cuts to USAID programs under U.S. President Donald Trump's administration shortly after the close of the period under review, have severely affected Guatemala's ability to effectively integrate international assistance into its strategy.

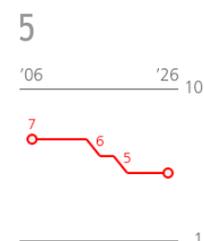
The recent dismantling of USAID operations and the lack of coherence in the government's long-term development vision highlight significant challenges in using international aid strategically. The government has directed foreign assistance to immediate issues such as drug-trafficking and migration but has struggled to create a unified long-term development framework. Guatemala has also had difficulties coordinating international cooperation. The government has been unable to consistently align foreign aid with domestic policies, often prioritizing short-term needs over long-term development goals.

The Guatemalan government is a signatory to numerous international agreements on trade, labor and women's rights, global warming, and human rights, among other areas. Its degree of compliance with these agreements varies. Trade agreements are generally respected and are especially important with neighboring countries (El Salvador, Honduras and Mexico) and the United States, with which Guatemala conducts most of its commerce. Labor rights are a serious problem because the country has a long history of repressing labor organizations, including assassinations of labor leaders. In 2024, the International Trade Union Confederation (ITUC) again included Guatemala in its list of the 10 worst countries for workers globally.

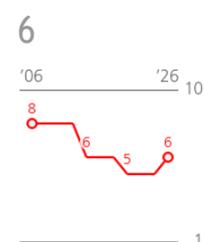
Under President Arévalo, Guatemala has demonstrated a commitment to maintaining strong relationships with international partners, particularly the United States, as evidenced by agreements reached during Secretary of State Marco Rubio's visit. These agreements include cooperation on migration, security, infrastructure development and efforts to combat transnational crime. The government has emphasized its role as a reliable partner in these areas, taking an active stance on global cooperation, particularly in addressing regional issues such as migration and crime.

However, Guatemala has faced significant challenges in maintaining consistent, long-term engagement in its international commitments. The recent disruption in international cooperation, particularly the abrupt cessation of USAID operations shortly after the end of the period under review, reveals the difficulties the

Effective use of support



Credibility



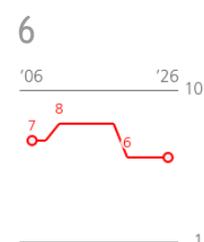
government faces in sustaining stable and productive partnerships. Despite these setbacks, the government has pursued a diplomatic approach, as shown by its management of the crisis sparked by the Trump administration’s “America First” policy. Guatemala avoided the imposition of retaliatory punitive measures such as trade tariffs or restrictions on remittances, both of which would have significantly affected the country’s economy. The government’s ability to mitigate these risks and continue cooperation with the United States on mutually beneficial issues such as migration and infrastructure projects highlights its resilience in navigating complex international relations.

Under President Arévalo, Guatemala has demonstrated a commitment to cooperating with neighboring countries, particularly in the areas of migration management, security and regional economic integration. Guatemala has maintained productive relations with Mexico, as both countries share significant concerns regarding migration flows and have pursued joint efforts aimed at combating human trafficking, drug-trafficking and organized crime. Additionally, both nations have worked together in regional frameworks such as the Central American Integration System (SICA), which promotes cooperation in the areas of infrastructure, trade and security. Guatemala’s cooperation with the United States has also been strong, especially in addressing migration issues, facilitating the reintegration of deported individuals and increasing collaboration on security. However, the government’s ability to maintain consistent and reliable relationships with neighboring countries has been complicated by the rise of authoritarian governments in the region, notably in El Salvador and Nicaragua. The close ties between El Salvador’s President Nayib Bukele and the “Make America Great Again” movement in the United States, along with Bukele’s animosity toward President Arévalo’s government, have strained relations with some neighbors. Bukele’s hard-line policies, including restrictions on democratic norms, present challenges to deeper regional cooperation, particularly regarding alignment with democratic principles that Guatemala’s government seeks to uphold.

Although Guatemala has engaged with the United States and some regional partners, internal political dynamics – including the criminalization of the opposition by the Public Prosecutor’s Office and the influence of veto powers over the justice system – pose significant challenges to the country’s ability to be a consistently reliable partner. Moreover, Guatemala’s diplomatic relationship with China and Taiwan complicates its interactions with some neighboring countries, particularly as it remains one of the few nations in the region to have recognized Taiwan diplomatically.

In conclusion, although Guatemala remains a critical regional partner, particularly with the United States, its political leadership faces internal and external challenges that may hinder consistent cooperation with neighboring countries. Geopolitical tensions within Central America, coupled with regional shifts toward authoritarianism, limit Guatemala’s potential to fully engage in regional and international integration efforts.

#### Regional cooperation



## Strategic Outlook

Guatemala stands at a critical juncture where its ability to consolidate democracy and foster sustainable economic growth hinges on its institutional and governance capacities. Despite the Arévalo administration's progress in reforming anti-corruption measures and infrastructure, significant challenges persist due to fragmented governance, institutional resistance and external constraints (for example, a reduction in international aid). To ensure efficient governance and strengthen decision-making processes, the government should design and implement comprehensive strategic management tools across public institutions. This includes developing a centralized platform to monitor and manage policy execution, thus improving coordination among ministries and agencies. These tools should be designed to track real-time progress on government priorities, assess impact and measure the performance of key initiatives.

The government should also establish systematic reporting systems and protocols for interministerial collaboration, particularly in the areas of health, education, infrastructure and the judiciary. These tools would promote transparency, optimize resources and prevent duplicative efforts among agencies. Regular reports should be made public to enhance government accountability and foster trust in public administration.

The Secretariat of Strategic Intelligence (SIE) plays a pivotal role by providing foresight and risk analysis essential to effective governance. The government should enhance the SIE's capacity to conduct in-depth, data-driven analysis, including prognostic studies that focus on governance, economic stability and public security. Predictive models and scenario analysis would enable the SIE to identify emerging trends, risks and opportunities that could guide strategic decision-making. The SIE should also develop early warning systems for political and economic crises (e.g., social unrest or economic downturns).

Maintaining open, ongoing dialogue with key actors, including CSOs, the private sector, marginalized groups and opposition parties, is critical to advancing democratic governance. Regular consultations with these groups should be institutionalized to ensure the consideration of their interests in policy decisions. Public access to these dialogues and their outcomes would ensure transparency. International actors could serve as mediators or facilitators of dialogue between the government and these actors. By providing neutral facilitation and incentives for cooperation, international actors can help bridge divides and move Guatemala toward more sustainable political solutions. Furthermore, cross-sectoral dialogue between political parties in Congress will be key to promoting consensus and ensuring the passage of reforms.

Arévalo's administration should also develop a strategic communication plan that aligns with the government's core objectives of reducing corruption and inequity and of developing and improving infrastructure. Clear, transparent communication that highlights the government's goals, progress and challenges will be crucial to maintaining public support. Regular updates, for instance in the form of quarterly progress reports and transparent budget allocations, can help build trust and demonstrate the government's commitment to its reform agenda. Using communication strategies to showcase achievements is vital.

International partners should provide technical support to Guatemala in its efforts to refine and implement its strategic management tools and data analysis frameworks. External support would enable government entities to collect, analyze and act on data that inform governance decisions. Support could also include funding for advanced software systems and data analytics platforms that facilitate government coordination and improve policy execution. Foreign partners, particularly development agencies, can help strengthen the institutions responsible for implementing judicial reforms and anti-corruption measures. This includes providing expertise in best practices for managing justice system reforms, assisting with legislative modernization, and offering resources to train public sector employees in areas such as ethics, transparency and accountability.