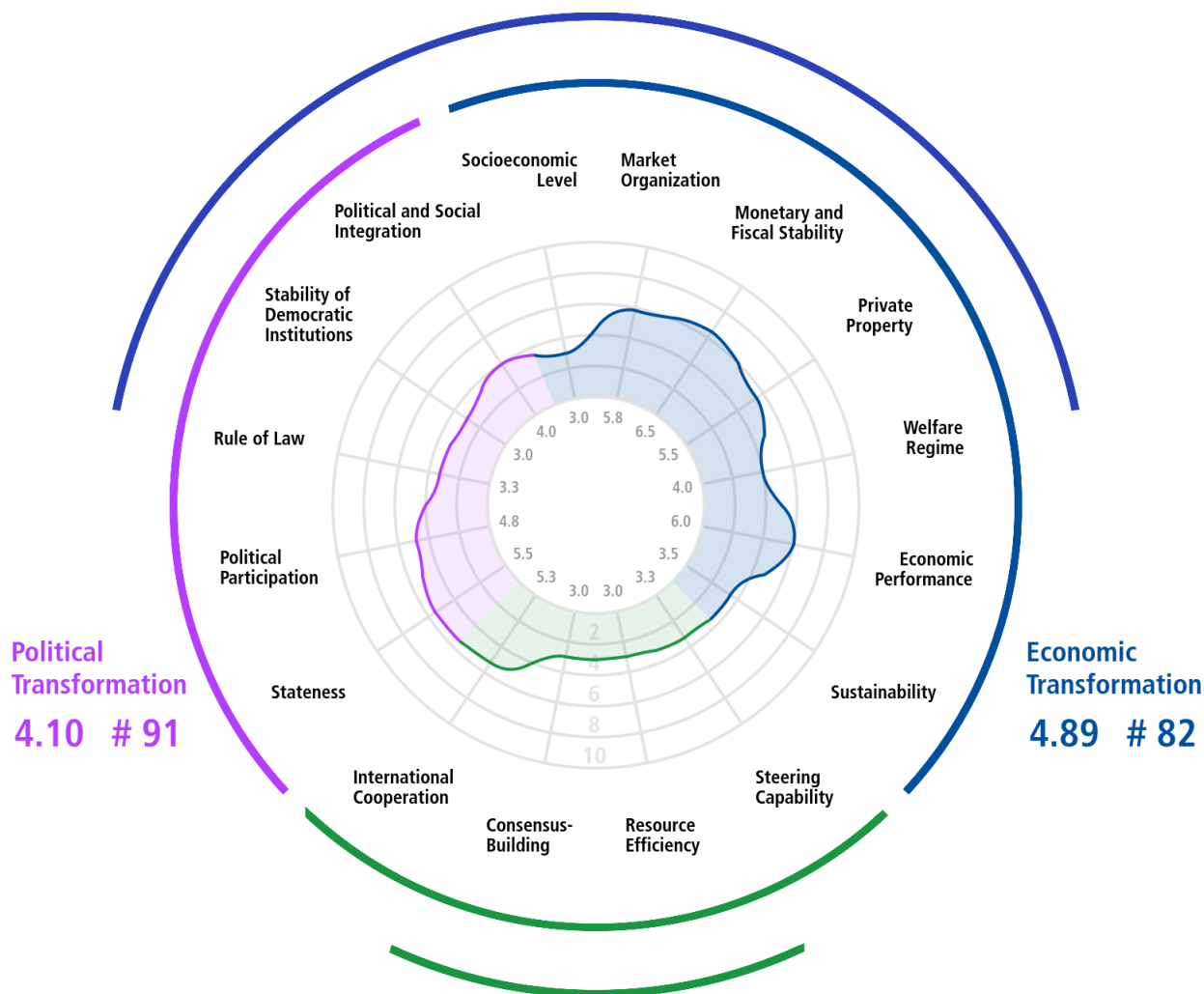


Guatemala

Status Index

4.50 # 92

on 1-10 scale out of 137



Political Transformation
4.10 # 91

Economic Transformation
4.89 # 82

Governance Index

3.36 # 113

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. 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	16.9	HDI	0.663	GDP p.c., PPP \$	8854
Pop. growth ¹	% p.a.	1.5	HDI rank of 189	127	Gini Index	48.3
Life expectancy	years	74.3	UN Education Index	0.519	Poverty ³	% 24.4
Urban population	%	51.8	Gender inequality ²	0.479	Aid per capita \$	23.7

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Guatemala's political transformation has increasingly come under threat, as its democratic framework has increasingly come to include autocratic structures that protect corruption and impunity. The period under review is marked by the cancelation of the International Commission against Impunity in Guatemala (CICIG) by former president Jimmy Morales and the restructuring of impunity led by the "pacto de corruptos" (corruption pact) in the legislature with the support of sitting President Alejandro Giammattei, in office since January 2020. Democracy has been undermined by the criminal control of the Supreme Court, the Constitutional Court, and the Public Ministry. Civil society organizations that promote anti-corruption have been under attack as have independent media that investigate abuse of power and corruption. Protests against the executive and legislature have been repressed by security forces, thereby reducing freedom and expectations that anything will change for the better.

As a consequence, Guatemala's main development challenges, which include unequitable and unsustainable development, institutional instability, corruption and the infiltration of state institutions by criminal networks, have persisted. Although homicidal violence has decreased, the state's capacity to reduce the influence of criminal organizations in public policy decisions is limited. Acceptance of use of the military in support of public security goals increased drastically during the first year of Giammattei's government, despite objections from the United States and democratic actors in the country. The review period was also marked by strong polarization surrounding initiatives to reduce corruption. Civil society organizations are vulnerable to government campaigns that aim to discredit them and subject them to court proceedings. The international community has lost trust in the government and raised concerns about anti-democratic measures that protect entrepreneurs and politicians from prosecution, including President Morales, legislators and judges.

Although the economy remained relatively stable during the review period, the pandemic is projected to reduce economic performance, with increasing poverty and inequality; about one million additional people will likely descend into poverty. Meager GDP per capita growth through 2019 was followed by a 4.4% decline in 2020, relatively low by regional comparison. The fiscal deficit might increase to over 5% of GDP in 2020. Public debt grew from 26.6% of GDP in 2019 to 32.4% of GDP in 2020. Remittances from the United States, however, did not decline during the pandemic but increased in the second half of 2020.

The COVID-19 pandemic has exacerbated structural deficits. From January 2020 to January 2021, a total of 153,890 cases of COVID-19 were confirmed, along with 5,456 deaths (about 32 per 100,000, thereafter rising to 55 per 100,000). Management of the pandemic was improvised, and although financial resources were allocated, there were delays in spending on prevention and treatment. The capacity of public health facilities was quickly exceeded, and health workers called for government support. Social and economic support programs were designed without considering the needs of vulnerable populations. The lack of positive results led to protests and declining trust in the government. In November 2020, citizen protests occurred because the executive and legislative branches used the pandemic as an excuse to divert public attention. The protests were suppressed by the security forces, which increased polarization.

History and Characteristics of Transformation

The signing of the Guatemalan peace accords in December 1996 promised to intensify a democratization process initiated a decade earlier during an armed conflict. In 1984, the armed forces held elections for a constituent assembly, followed by parliamentary and presidential elections in 1986. However, the spectrum of political actors in these elections remained limited, as the political left was largely excluded. Democratization was still limited at this stage, but constitutional reforms recognized the formal legal equality of all citizens and a commitment to the rule of law. A de-escalation of violence and the formal end of the civil war (December 1996) increased mobilization and political action by civil society actors.

In the early postwar years, Guatemala faced the challenges of implementing the terms of the peace accords and repairing the damage of war while still pursuing macroeconomic structural adjustments initiated during the administration of President Álvaro Arzú (1996 – 2000). Core objectives included a reduction of the budget deficit through a restrictive monetary policy, an increase in the value-added tax, and efforts to combat widespread tax evasion. An urgent issue for Guatemalan political and economic development became the battle against illegal and criminal elements of the economy; these have mushroomed since the 1990s, and rely mainly on corruption, the drug trade, money-laundering, weapons sales and human trafficking. During the administration of President Alfonso Portillo (2000 – 2004), the ties between these criminal networks, politicians, and the state apparatus became increasingly evident. The government of Óscar Berger (2004 – 2008) made some timid attempts to counter this development but was not able to effect serious change. Six months before leaving office, President Berger confirmed that the state was unable to

fight violent crime successfully. President Álvaro Colom (2008 – 2012) made fighting crime a top priority but was equally ineffective even with an approach less repressive than his predecessors.

Efforts by President Pérez Molina (2012 – 2015) to close down CICIG and to promote loyalists in the Public Ministry reflected his concern with avoiding any personal fallout from his involvement in the criminal network known as La Línea. Nevertheless, the investigation led to the incarceration of both President Otto Pérez Molina and Vice President Roxana Baldetti. Massive citizen protests marked the end of Pérez Molina's administration and led to the emergence of new social movements promoting political reforms, justice and transparency. In this context, Jimmy Morales (2016 – 2020), a comedian with no political experience, was elected president. Morales, his Vice President Cabrera, and several members of the political party FCN-Nación SOON were prosecuted for illicit financing of electoral campaigns. Morales led a powerful alliance of private sector associations, corrupt politicians, members of Congress and the Supreme Court, and finally managed to close down CICIG in 2019, thereby eliminating checks and balances.

Regarding economic transformation, Guatemala's economic policies have remained generally unchanged since the end of the civil war and subsequent adjustment policies under the rule of President Arzú. Fiscal austerity, inflation control and a managed floating exchange rate contributed to average GDP growth of about 3% over the past two decades, while the economy diversified only slightly. Conversely, the main features of socioeconomic development also remained unchanged, with a persistently high poverty rate, including high levels of child malnutrition, exorbitant inequality and emigration that contributed to an increasing share of remittances over time. Deep-rooted social divisions between different social groups (rural and urban, indigenous and Ladino) have persisted ever since. The widespread informal sector limits not only the opportunities of 70% of the population, but also access to the legal system and other basic entitlements. Guatemala has failed to improve its economic framework and, as a result, has been overtaken by other countries with a faster pace of reform.

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

The state's monopoly of the use of force has been further strengthened, although it is still challenged by criminal networks with a potential for the use of force, which have been largely under control during recent years. The last year in government of Jimmy Morales and the first year of Alejandro Giammattei contributed to a restructuring of criminal networks engaged in illegal economic activities and deeply embedded in public institutions. However, these networks, including drug traffickers, have not used violence to control and maintain their illegal activities. This may be the result of a political elite that controls key institutions such as the Public Ministry, the Supreme Court and the police, which protect major criminal activities. Currently, corrupt networks are mainly embedded in the legislative, neutralizing the work of security institutions to fight organized crime, especially at the local level through mayors and deputies.

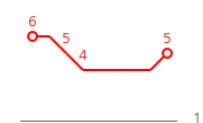
Homicide rates continue decreasing in the country. Rates fell from 46.4 homicides per 100,000 inhabitants in 2009 to 30 in 2015, 22.5 in 2018 and 15.3 in 2020. According to the National Institute for Forensic Studies (INACIF), 3,500 homicides were reported in 2020, which is 1,569 fewer than the previous year. Perceptions of insecurity may have changed due to the reduction of homicides and extortions, along with the work of specialized police units fighting extortion. The proliferation of non-state armed actors operating in urban areas and rural border areas engaged in drug-trafficking, human trafficking and smuggling, represent potential drivers of violence. Although they remain present, violence, as resource to protect illegal businesses, is being gradually substituted by increasing corruption and strong political-criminal nexuses. Local drug-trafficking organizations interact with international criminal groups without using violence.

Question
Score

Monopoly on the
use of force

5

'06 '22 10



The peace accords in Guatemala defined the state as multicultural, plurilingual, and multiethnic. Yet a referendum designed to enshrine these as constitutionally mandated failed in 1999. While there has been some progress in terms of combating racism and discrimination (e.g., a law against discrimination, the establishment of institutions such as the Office for the Defense of Indigenous Peoples, and the introduction of anti-discrimination education), these problems remain part of the everyday experience for Guatemala's indigenous people, who make up around 50% of the population. However, their situation has not led them to question or reject the nation-state as a whole.

In 2016, several constitutional reforms were proposed. These reforms have created much confrontation, especially those reforms that seek to recognize indigenous justice systems. After a political struggle among members of Congress, the executive branch, and anti-CICIG organizations, indigenous organizations decided to remove reforms related to indigenous rights in order to support the continuity of the constitutional reform process. These reforms remain blocked in the Congress. In 2020, leaders of the 48 Cantons, an indigenous organization in the highlands, demanded the resignation of President Alejandro Giammattei due to widespread corruption and repression of citizen protests in the capital city. Indigenous organizations blocked the Pan-American Highway in several departments.

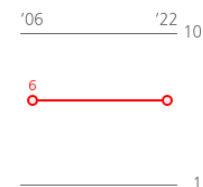
Formally, the organization and functions of Guatemala's state have no grounding in religious dogma. However, during the Morales government a high degree of religious influence was observed, especially promoted by neo-Pentecostal churches aligned with conservative politicians from the United States. This political influence translated into Morales's decision to move the Guatemalan Embassy in Israel to Jerusalem, as a sign of political support for Zionists and Republican political groups. Top-level evangelical representatives have shown public support for Morales's fight against CICIG and the Office of the Attorney General and have held public ceremonies declaring him as "anointed by God to rule the country." The same support has been provided to Alejandro Giammattei since the beginning of his presidency. Religious leaders pressured Giammattei to delay the lockdown of churches during the COVID-19 pandemic. Churches were included in the economic reactivation plan initiated in August 2020.

Evangelical churches pressured Congress to issue the law for the protection of life and family and threatened to mobilize votes in the 2019 election against legislators opposing the law. The law proposes increasing prosecutions against abortion, introducing sexual education according to the values of the Church in public education and strengthening regulations against the LGBTQ+ population. It remains under consideration by Congress.

The Catholic Church is still influential, but it has lost ground to the rising popularity of evangelical churches. There is no current data about the proportion of Catholic vs. evangelical populations. Several evangelical church leaders participate directly in

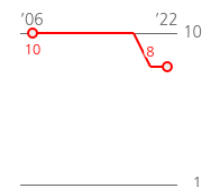
State identity

6



No interference of religious dogmas

8

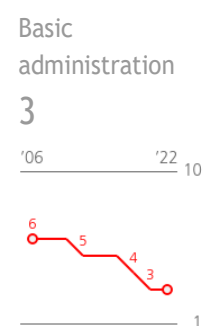


political party politics, while the Catholic Church continues to work through its official mechanisms when participating in the political arena. The Catholic Church mirrors the fragmentation of Guatemalan society – while some bishops support the many and varied activities of civil society to reform the social system, others support conservative economic and political groups that advocate the status quo.

Though state infrastructure in principle extends to the whole of the country, operations of all kinds are severely impaired by embedded corruption as well as the government’s inability to maintain law and order and deliver basic social services to the most remote rural areas. State organizations suffer from a lack of professionalism, the arbitrary use of power by state actors, and the influence of personal and criminal networks. Thus, the ability to access public services and public goods is highly dependent on power relations in a given area within public administration, as well as that area’s general access to state funds or programs.

State institutions are concentrated in Guatemala City and in the main cities of each department. The country’s western, northern and northwestern areas, where most of the indigenous population lives in conditions of overwhelming poverty, frequently lack even basic state services. The absence of a state presence in border municipalities enhances their appeal to drug and human trafficking networks. Promoting administrative decentralization, international actors have tried to encourage the provision of public services even in remote areas (mostly in the indigenous western highlands).

Infrastructure, including roads, hospitals and schools deteriorated dramatically under the Morales government. An illustrative example is the fraud committed by officials in the Ministry of Communications with the direct participation of Jimmy Morales in the construction of the road called Libramiento de Chimaltenango. The road was constructed and inaugurated but immediately closed down after revealing structural defects. The Office of the Attorney General is investigating the process of adjudication of the contract, due to major signs of corruption involving several public officials, private companies and President Morales. Hurricanes Eta and Iota in November 2020 damaged important roads and other key infrastructure and there is concern that reconstruction projects will create new opportunities for corruption, given the lack of oversight over infrastructure projects.



2 | Political Participation

Universal suffrage by secret ballot is guaranteed throughout the country. The last national elections – presidential and legislative – were held in June and August 2019 and assessed as minimally free and fair. Although the elections were less affected by incidents of political violence than previously, the OAS EOM still lamented frequent incidents. (During the first round, this included 10 deaths.) A few days before the election, the head of the Electoral Crimes Prosecutor’s Office left the country due to direct threats that threatened his safety and that of his family. While 26 parties (19 of which won seats) and 19 presidential candidates with different platforms were allowed to run, the Supreme Electoral Tribunal (TSE) excluded popular candidates Thelma Aldana and Zury Ríos from the race. Nominally independent, the TSE became the target of political pressure and threats during the election year, including bribery and intimidation of TSE members.

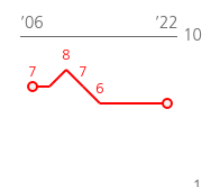
Particularly troubling was the case of Thelma Aldana, that attorney general who had made a furor by prosecuting corruption cases against powerful business and political figures in collaboration with the CICIG. According to numerous reports, opponents of her anti-corruption platform eventually put sufficient pressure on the TSE and the courts to disqualify her from the presidential race – for allegedly invalid account certifications. After the U.S. Drug Enforcement Agency (DEA) warned her of an assassination plot, Aldana fled the country; in February 2020, the United States granted her asylum, days after President Giammattei filed an extradition request for alleged irregularities during her tenure.

Another factor clouding the fairness of the elections was the issue of party and campaign financing, which is embedded in a complex, illicit structure that once again became increasingly opaque after the end of the CICIG mandate. In August 2019, shortly before the CICIG left the country, it released its report (in Spanish), “Guatemala: A Captured State,” which states that corruption networks “have distorted democratic institutions and used them to their advantage, perverting elections, the party system, and various mechanisms of participation and representation,” and furthermore, “The illicit financing present in most campaigns and parties comes mainly from criminal groups, corruption, and businessmen.” Despite the lauded 2016 reform of the Election and Political Parties Law, which included strengthening the TSE to audit political parties, there is no report on its effectiveness.

Giammattei won the runoff with 57.95% of the vote against 42.05% received by rival Sandra Torres. Voter abstention was 57.3%, significantly higher than 43.7% in 2015.

Free and fair elections

6



Government capacities are mainly restricted by the influence of informal veto powers and interest groups such as economic associations and especially criminal structures embedded in the public administration, known as illegal bodies and clandestine security apparatuses (CIACS). Since these organizations were not dismantled during the country's transition to democracy, they have managed to obstruct fundamental reforms in the justice system and criminal investigation institutions. Since 2007, investigations by the CICIG and the Office of the Attorney General led to the dismantling of powerful corruption networks that even involved President Morales.

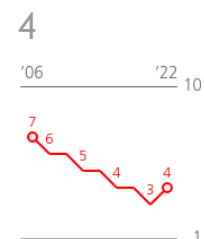
These investigations, alongside other important cases conducted by CICIG and the Office of the Attorney General, led to a strong political struggle against any attempt to reform the political system and prosecute corruption networks. A coalition composed of private sector representatives, members of Congress, and former military personnel was established to fight against CICIG and civil society organizations, known as "Pacto de Corruptos" (Pact of the Corrupted). It deployed a media strategy and several legal actions against civil society organizations and CICIG, especially against Iván Velásquez, the CICIG commissioner.

In January 2019, Morales announced the cancelation of the agreement between the United Nations and the government of Guatemala regarding CICIG. His fight against the CICIG was supported by the Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations (CACIF), the most important private sector association, as well as other civil society organizations supporting the president. President Giammattei has not given any indication of supporting the attorneys still working on CICIG cases. Giammattei created an institution called the Centro de Gobierno that duplicated the work of ministries and blocked accountability with regard to public investments; it was formally dissolved in December 2020. During the period covered by this report, the main force undermining democracy was the presiding officers in Congress, who are legislators linked to networks of corruption.

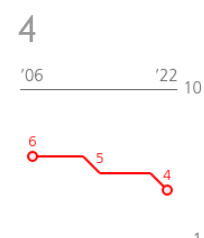
Freedoms of association and assembly are guaranteed by the constitution, but severe restrictions apply. The ability to establish trade unions and organizations is hindered by various mechanisms such as those involving the removal of union leaders who oppose companies and sending them to other operating units, as well as recent cases of corruption within unions. Additionally, labor rights are violated with impunity and contractual regulations allow continued labor and human rights violations. Human rights advocates and indigenous peasant rights groups in particular face high levels of intimidation and violence. Indigenous peasants, human rights advocates, and social activists are targets of violence and judicial abuses.

The Morales administration ended with a complete rejection of dialogue with social organizations and movements. Consequently, all citizen demands were left unresolved. During the first year of Alejandro Giammattei's presidency, communities protesting for agrarian and environmental rights were met with zero tolerance. The

Effective power to govern



Association / assembly rights



harassment of human rights advocates initiated during the Morales administration increased in the first year of Alejandro Giammattei's presidency. Consuelo Porras, current attorney general, has been accused of being part of corruption networks engaged in dismantling advances in criminal investigation. The most effective forms of harassment involve trials and smear campaigns. An example is the harassment of Helen Mack, one of the country's most important human rights and anti-corruption activists, who faces several trials, an extensive smear campaign and intimidation. Giammattei allowed security forces to repress a peaceful demonstration in November 2020 where several journalists, activists and citizens were injured and incarcerated. The protesters were criticizing irregularities in the national budget that reduced investments in health, poverty reduction and other social priorities.

Regarding COVID-19, all restrictions were legal and some (for example, prohibition of largescale sport and cultural events) were reinstated in January 2021 for a short period of time. President Giammattei has implemented several states of emergency as part of security and public health policies. The COVID-19-related lockdown prevented social organizations – especially human rights defenders – from working freely and from demanding accountability from the army and the police during the pandemic.

Freedom of opinion and freedom of the press are guaranteed by the constitution. However, as the media is dominated by economic interest groups, there is relatively little independent reporting. At the same time, new and more independent print and online publications have been created and promote independent journalism, although they have a relatively small audience compared with traditional mass media. Social media (Facebook and Twitter especially) provides an outlet for the dissemination of information. Guatemala ranks 116th out of 180 countries in the 2020 World Press Freedom Index.

Investigations by the CICIG and the attorney general demonstrated how the mass media is controlled by corrupt entrepreneurs and politicians, and how it is used for illicit financing and propaganda during electoral campaigns. The government of Jimmy Morales engaged in several attacks designed to discredit the media. Ever since his electoral campaign, Giammattei has also attacked the media. In September 2019, Sony Figueroa, an independent journalist, was severely injured and incarcerated by members of the president's security detail days after the publication of an investigation on the Centro de Gobierno. The investigation reported on how the Centro de Gobierno conducted business and that its creation was not only expensive, but also unjustified. At the same time, the independent media outlet Plaza Pública was also subjected to attacks by the presidency for investigating the same entity. The Supreme Court and the Human Rights Ombudsman's Office declared that the incarceration of Sony Figueroa constituted an abuse of power in open violation of her human rights.

Freedom of
expression

5

'06 _____ '22 10



1

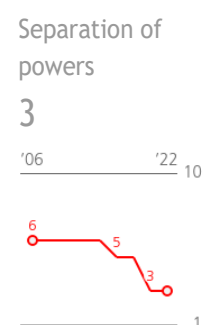
Access to information was limited during the pandemic lockdown, since the main source of public information was the presidential press office. Obtaining information on the spending of public funds on the pandemic has been extremely difficult for journalists. This difficulty was reinforced by the declaration of states of emergency that formally allow public spending to occur without accountability.

3 | Rule of Law

There is a formal separation of powers between the executive, legislative and judicial branches of government. However, checks and balances have in fact completely been hollowed out during the period under review as an informal coalition of the government, Congress, the Office of the Attorney General and related networks sidelined the last remaining advocates for Guatemala's (already weakened) rule of law: the CICIG, the Constitutional Court and the Special Anti-Impunity Prosecutor's Bureau (FECI). President Morales and several politicians investigated by the CICIG took control of the Supreme Court and Office of the Attorney General and have fought the Constitutional Court, due to its support of the international commission. An example of the lack of checks and balances has been Morales's open disrespect of the Constitutional Court's decision regarding the CICIG's continued presence in the country. This attack on those fighting corruption continued during Alejandro Giammattei's first year in government.

During the period under review, the legislative branch's primary activities have entailed undermining or diluting reforms rather than monitoring them. In 2020, several laws were blocked and other approved via procedural irregularities. The most significant example is the national budget for 2021, which was approved without proper legislative debate. Another example of irregularities was the intentional delay of an election for a new Supreme Court. Although the Constitutional Court requested the legislature to proceed with the election, this will not occur before the new legislative period in 2021. In addition, the Office of the Attorney General, under the direction of Consuelo Porrás, has advocated for dismantling the CICIG's advances. She has harassed FECI attorneys and ordered the prosecution of FECI director, Juan Francisco Sandoval.

Beginning under the government of Jimmy Morales and continuing during the first year of Alejandro Giammattei's administration, the legislature, the Supreme Court and the Office of the Attorney General do not perform any government oversight functions. On the contrary, informal negotiations constantly balance power between the executive and the legislative branches. These occur primarily to benefit political parties or promote private interests within the government. Both the legislative and the judiciary have reduced their capacities during the pandemic. There are no clear signs of measures implemented to overcome delays that occurred beginning in 2019.



Throughout 2020, President Giammattei implemented states of emergency as part of security and public health policies. The executive declared a state of emergency on March 5, 2020 due to the pandemic, which was ratified by Congress and extended several times during the review period.

The independence of the judiciary is heavily impaired by political influence and high levels of corruption. At the same time, the improvements achieved by the investigative and prosecutorial work of the CICIG and the Office of the Attorney General during the period under review have been largely dismantled due to attacks and obstacles from corruption networks in the legislature and the Office of the Attorney General. The support the CICIG and other international and national actors provided did not prevent the continued manipulation of the judiciary, including of the election processes for the Supreme Court and the Constitutional Court.

Control of the Supreme Court is determined by its election process. Corrupt legislators, especially the presiding officers led by Allan Estuardo Rodríguez, establish and endorse pacts and arrangements. One mechanism to control the Supreme Court has been to delay the election of magistrates for a new five-year period, ignoring the Constitutional Court's requests for the election. When no new court is elected, the previous one remains in office until Congress finalizes the election process. Several civil society organizations have filed legal actions demanding an election. The legislative period ended in December 2020 without conducting the election of a new Supreme Court.

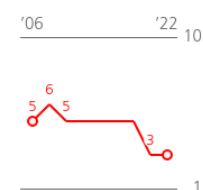
Coopting the Supreme Court and the Constitutional Court guarantees impunity at all levels. The inefficiency of the judiciary is the result of political interference in the process of institutional reform by organized crime bodies, the private sector and political parties. Powerful economic elites exert significant influence over the judiciary through groups such as lawyers' associations. Influence ranges from extensive corruption to small bribes. Business groups have strongly opposed constitutional reforms aimed at strengthening the control mechanisms in the election of members of the Supreme Court. Other problems, such as a lack of professionalism and resources, also affect the performance of judicial institutions.

Corruption is a key problem in Guatemala. Although officeholders who break the law have begun to be prosecuted, the power of corruption networks – supported by Presidents Morales and Giammattei, as well as most legislators and judges – undermines the reforms the CICIG and the Office of the Attorney General promoted. Jimmy Morales was able to stop the CICIG's operations, and the work of the Office of the Attorney General was curtailed by the appointment of Consuelo Porrás as attorney general, who supports corruption networks. There is a widespread lack of transparency and accountability in the judiciary.

The FECCI has continued to investigate corruption networks, although harassment against it has been intense. There are 47 different cases against Francisco Sandoval,

Independent judiciary

3

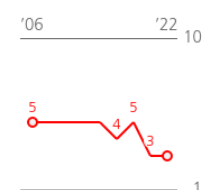


10

1

Prosecution of office abuse

3



10

1

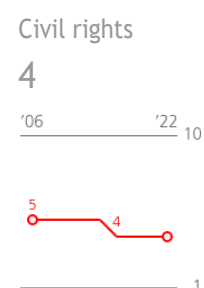
the director of FECCI, aiming to interrupt his work. Cases investigated by the FECCI include the prosecution of Erik Archila, former Minister of Energy and Mines under Pérez Molina's government. The FECCI found that Archila headed a corruption network of politicians and businessmen. Another investigation was conducted against José Luis Benito, former Minister of Communications during Morales's administration, who is accused of money-laundering after approximately \$16 million in cash was found in a house on his property. The former minister remains a fugitive. Two other cases involve former deputies and family members of former ministers. In one FECCI case that dates from the Morales administration, the construction of the Libramiento de Chimaltenango highway, corrupt judges attempted to stop prosecutions.

Since the prosecution of Pérez Molina, corruption networks have increased their control over judicial institutions and maintained impunity. President Morales disregarded the Constitutional Court and allowed the appointment of Consuelo Porras. Alejandro Giammattei has not implemented any measures to help reduce corruption. NGOs exist to monitor corruption at various levels, but their successes are limited by the weak capacity of prosecutors in the Public Ministry and the obstruction of judicial investigations.

Civil rights are formally guaranteed but violated in practice, with indigenous people often the victims of abuses. Most cases of human rights violations involve community leaders, women or activists who oppose corruption and mining projects with environmental impact. A common mechanism of repression is to prosecute leaders and activists. Prosecutions of social movement and civil society representatives harm their capacity to sustain transformative efforts because they require investing resources in the costs of legal defense. At the same time, public defamation affects personal and family relationships and causes severe emotional distress. During his last year in office, Jimmy Morales dismantled political protections for civil society organizations supporting the CICIG and the Office of the Attorney General. This resulted in civil society advocates being subjected to attacks by corrupt politicians and businessmen.

The state is unable to guarantee the safety of communal leaders from religious fanaticism and local acts of violence. In June 2020, a well-known Mayan natural healer was lynched in Petén by community members who accused him of witchcraft. Violence against women remained high, especially during the lockdown; at least 455 femicides were reported in 2020. The pandemic increased the risk of gender-based and sexual violence at home. Victims had particular difficulty seeking protection as security and justice institutions were closed or involved in lockdown-related operations.

The judiciary cannot guarantee equality before the law, equal access to justice or due process. As a result, vigilante justice is common. This has led to the emergence of a number of so-called social cleansing groups ("limpieza social"), many of which have



been linked to cases of lynching. Their activities increased during the lockdown as several neighborhoods restricted access and intensified patrols to prevent contagion. Cases of attacks on health workers in neighborhoods that vigilante groups control have been reported.

The only institution attempting to safeguard human rights is the Office of the Human Rights Ombudsman, headed by Jordan Rodas, who has denounced abuses by both the Morales and Giammattei governments. He has been the target of attacks by mafia groups embedded in public institutions. However, Rodas has gained legitimacy among civil society organizations. His role in monitoring the human rights situation during the various states of emergency declared by President Giammattei has been fundamental in keeping the security forces in check.

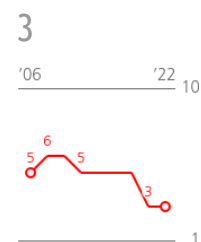
4 | Stability of Democratic Institutions

Democratic institutions are formally established, but their effectiveness is limited due to a lack of stability and continuity, as well as the powerful influence of corruption networks. Since 2015, when a corruption network led by former President Otto Pérez Molina was exposed, Jimmy Morales focused on dismantling all the advances the CICIG and the Public Ministry had achieved. During the period under review, democratic institutions have been undermined and coopted by corruption networks unified around a large group of members of the legislature. They delayed the election of the Supreme Court and have appointed corrupted judges to the Constitutional Court. The Public Ministry is currently led by Consuelo Porras, who is also committed to avoiding the strengthening of the institution and allows corruption networks to continue with impunity.

President Morales ended his term in government by disrespecting the Constitutional Court without impeachment. Alejandro Giammattei has upheld the legacy of Morales. Congress protects anti-democratic decisions the executive makes. Security institutions have been severely changed in order to allow political manipulation and the political role of the military has increased during Giammattei's administration.

Many actors accept democratic mechanisms only as long as their dominant position in Guatemalan society is not challenged. Economic elites do not support democratic procedures, especially regarding the administration and transparency of justice. The decision of President Morales to disrespect the Constitutional Court was broadly supported by private sector interest groups and the political elite. They also supported President Giammattei and the legislature with regard to guaranteeing impunity and harassing human rights activists and FECCI attorneys. This situation was evident after the prosecution of members of prominent business groups for tax evasion and illegal financing of electoral campaigns. On the one hand, business groups claim to be transparent, but on the other, they opposed the continuity of the CICIG in the country.

Performance of democratic institutions



Commitment to democratic institutions



Apart from his open disrespect of the Constitutional Court, Morales obstructed CICIG investigations and manipulated public opinion, while Giammattei has treated independent media with disrespect and used states of emergency as government policy. This has increased the role of the military in activities beyond its specific mandate, as well as distrust due to the suspension of transparency during the states of emergency. The legislature has demonstrated its lack of commitment to democratic procedures by approving laws (including the national budget for 2021) without due processes. The legislature has also delayed the election of Supreme Court magistrates, disregarding requests from the Constitutional Court and civil society organizations.

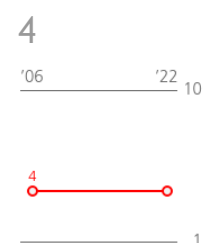
5 | Political and Social Integration

The party system is highly fragmented, with many parties appearing and disappearing before and after elections. A total of 26 parties participated in the 2019 elections, 10 of which were newly founded. Of the 26 parties, 15 won seats in parliament. Otto Pérez Molina's political party, Patriota, and Manuel Baldizón's party, LIDER, were canceled in June 2017. In November 2019, FCN-Nación, the party of Jimmy Morales, was dissolved and several members, including former President Morales, are under investigation for illegal campaign financing. Other minor political parties have also been dissolved or are under investigation. Alejandro Giammattei's party, VAMOS, was created in 2017 with few followers. He won the election through an alliance of several political parties during the second round of elections in November 2019.

Consequently, voter volatility is high. There are few programmatic differences between parties beyond election propaganda. Polarization between them is not an issue since informal negotiations generally prevent confrontations and major conflicts. Parties are established based on personal relations and interdependence (mostly with an asymmetric structure) and not on a shared political program. Parties lack mechanisms of internal democracy and accountability, and women and indigenous people are poorly represented. Both legislators and mayors change party affiliation frequently while in office, thus providing for personalized rather than party-based forms of stability. The weakness of the existing party system thus represents one of the major problems, not only for the stabilization of the political system but also for the broadening of political representation.

Illegal financing of electoral campaigns allows private actors to benefit from public resources. The alliance between politicians and the private sector to extract and channel public resources for financing electoral campaigns was one of the main focus of investigations by the CICIG and the prosecutor's office. The CICIG demonstrated that most political parties in the country work as mechanisms for corruption among politicians, entrepreneurs and organized crime.

Party system



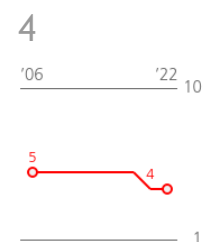
Guatemalan society is highly fragmented. A few players dominate political debates with a latent risk of polarization. Economic elites are fragmented regarding business interests, although during the period in question they have shown a high degree of unity regarding resistance to structural changes such as political system reform and the prosecution of business groups and politicians. Differences among economic elites have decreased, particularly due to their common interest in interrupting the work of the CICIG and FECI. The most powerful actors supporting the status quo, particularly the industrial lobby (represented by the CACIF), the agri-business sector (Cámara del Agro), evangelical churches and the military, lobby for their interests predominantly through informal channels. The alliance between the private sector and political elites is based on the preservation of impunity in all dimensions, but especially regarding the use of public resources.

For their part, civil society organizations are weak, fragmented and under frequent criticism. Human rights and anti-corruption movements have come under pressure through judicial persecution and campaigns to discredit them. This requires them to pay for legal defense, which civil society organizations are not able to cover, and consequently reduces their capacity to promote change. Additionally, while some show a growing level of professionalism, this endangers their roots in popular social movements. The ability of reform-oriented and civil society organizations to participate in politics has been limited to engaging successive governments in dialogue. Due to the country's neoliberal economic model and the weakness of the formal labor market, unions are ineffective and sometimes corrupt. Social movements such as anti-mining and peasant protest movements have little lobbying capacity, which forces them to conduct large street demonstrations in order to make their demands known.

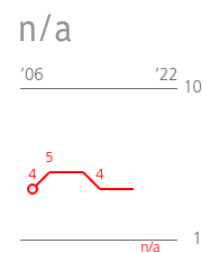
Approval of democracy in Guatemala is very low compared to the rest of Latin America. According to the most recent Latinobarómetro survey 2018, support for democracy remains the lowest among Latin American countries, with a 28% approval rating (compared to the Latin American average of 48%). The percentage of those saying that democracy is comparatively the best political system is higher but shows the same trend, dropping to 50% in 2018 (Latin America: 65%). Satisfaction with the democratic regime's performance has been consistently lower than the rate of regime support, decreasing from 56% in 2008 to 26% in 2017 and 18% in 2018 (Latin America: 24%).

The prosecution of top politicians and the dissolution of several political parties contributed to a loss in legitimacy of the party system and the traditional political establishment. According to national experts, this created an environment of "electoral depression" that allowed Alejandro Giammattei to win the election. Giammattei began his administration in 2020 with considerable acceptance from the population. However, a lack of transparency, misinformation and arbitrary decisions shortly after the COVID-19 pandemic outbreak led to a rapid decline in credibility and trust in the government.

Interest groups



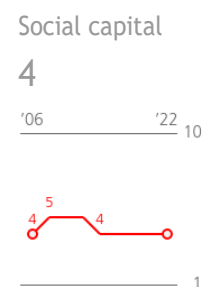
Approval of democracy



According to Latinobarómetro 2018, trust in specific institutions is very weak, mostly below the average of the Latin American countries surveyed: parliament 17% (Latin America: 21%); judiciary 22% (Latin America: 24%); political parties 11% (Latin America: 13%); military 33% (Latin America: 44%); and the police 25% (Latin America: 35%). The most-trusted institution is the church, with 71% trust (Latin America: 63%), with the media far behind at 36%.

The legacies of war, violence and fear limit trust and cooperation in society. Beyond this, the existence of rampant corruption and violence have reduced people's capacity to collaborate and bond. Additionally, the dynamics of crime and delinquency create situations where people either must confront crime through violent means or engage in criminal activities in order to survive in high-violence environments. While there are many civil society organizations, their work is directed mostly toward specific goals and issues. Interpersonal levels of trust have not changed significantly in recent years and are medium to low when compared with other Latin American societies. There is no recent data on interpersonal trust; in 2017 it was low (13%).

New forms of social organization, such as youth groups, cooperatives and religious associations, demonstrate that social cohesion and collective action are not restricted to indigenous communities. In most urban areas, the main factor undermining self-organization and personal trust is the perception of a high degree of insecurity. This situation led to the formation of about 1,200 local security committees that are not controlled by the state and that engage in vigilante justice. During the COVID-19 pandemic, several cases of physical attacks were reported, and the violent closure of communities and neighborhoods makes it difficult for health services to provide assistance. Social distancing has translated into increasing distrust among citizens and the lockdown exacerbated the lack of social capital.



II. Economic Transformation

6 | Level of Socioeconomic Development

Guatemala is a middle-income country with a long history of social exclusion, which is quantitatively and qualitatively extensive and structurally ingrained. Social exclusion reflects the main dividing lines in Guatemalan society, between mestizos and indigenous people as well as between urban and rural settings. The small, rich, urban, white and Ladino elites control most of the resources, while the majority of the indigenous rural population lives below the poverty line. According to the World Bank, poverty increased to 59.3% in 2019; according to the National Statistics Institute (INE), 23.4% of the population lives in extreme poverty. According to World Bank projections, during 2020, more than one additional million individuals will have



descended into poverty because of the COVID-19 pandemic, which represents an increase in poverty of 6 percentage points. The INE also reports that 79% of the indigenous population lives in poverty and 40% of them lives in extreme poverty. Indigenous populations suffer from discrimination and exclusion, which makes it very difficult for them to evade poverty.

Guatemala's HDI score has increased slightly during the last few years (0.626 in 2012; 0.652 in 2015; and 0.663 in 2019). However, the dismantling of social policies during the Pérez Molina and Morales administrations account for a rapid deterioration in the social and economic conditions experienced by the majority of the population. In addition, the legislature approved a national budget for 2021 that included a significant reduction in funding for programs to reduce poverty.

According to the World Bank, Guatemala has rather high levels of income inequality, with a Gini coefficient of 48.7 in 2014. Guatemala's inequality-adjusted HDI (IHDI) score was 0.481 in 2019 – below the global average of 0.58. According to the Union Bank of Switzerland (UBS), 260 Guatemalans own 56% of the national economy, meaning that 0.001% of the population owns more than half of the country's wealth. The social group most vulnerable to poverty and inequality are indigenous women living in rural areas. The female HDI score for Guatemala was 0.639 in 2019, compared to 0.679 for males; despite improvements since 2010, the GII (0.479) is the second-worst in the region, only ahead of Haiti.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	71654.1	73208.6	77020.0	77604.6
GDP growth	%	3.1	3.3	3.9	-1.5
Inflation (CPI)	%	4.4	3.8	3.7	3.2
Unemployment	%	2.5	2.4	2.4	4.7
Foreign direct investment	% of GDP	1.4	1.3	1.5	-
Export growth	%	1.5	-0.3	0.1	-4.4
Import growth	%	2.8	3.9	4.9	-4.6
Current account balance	\$ M	857.1	622.3	1791.1	4249.0
Public debt	% of GDP	25.1	26.5	26.5	31.5
External debt	\$ M	23264.9	24274.9	25034.6	25136.1
Total debt service	\$ M	4171.5	1175.9	1890.4	3033.6

Economic indicators		2017	2018	2019	2020
Net lending/borrowing	% of GDP	-1.4	-1.9	-2.2	-
Tax revenue	% of GDP	10.6	10.6	10.5	-
Government consumption	% of GDP	10.6	11.1	11.1	11.5
Public education spending	% of GDP	3.0	3.1	3.2	3.3
Public health spending	% of GDP	2.1	2.1	-	-
R&D expenditure	% of GDP	0.0	0.0	-	-
Military expenditure	% of GDP	0.4	0.4	0.5	0.5

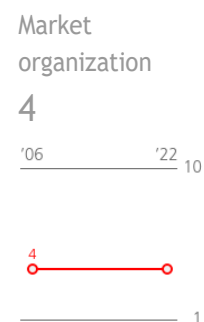
Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition in Guatemala still operates under a weak institutional framework. Market-based competition is present and quite stable, although mainly within the formal sector of the economy. Most of the country's economically active population are underemployed or work in the informal sector according to the National Labor Survey. The size of the informal sector was estimated at 79.7% in 2018, according to the Economic Commission for Latin America and the Caribbean (ECLAC) (compared to about 69% between 2014 and 2016) and over 80% in rural areas. According to the Banco de Guatemala, in 2019, the informal economy represented the equivalent of 22% of GDP.

In the formal sector, the country continues to suffer primarily from security-related and corruption costs that hinder the functioning of institutions, followed by an inadequate level of infrastructure, inefficient government bureaucracy, and an inadequately educated workforce, according to the 2018 Global Competitiveness Report. The report shows that Guatemala's very low innovation capacity levels are the result of a low-quality education system. The Doing Business Report ranked the country 89th in 2019 and 96th in 2020 out of 190 economies with regard to starting a business (six procedures, 15 days and a cost of 17.1% of income per capita). However, bureaucratic hurdles and confusing regulations can still impede opening private businesses.

According to the Heritage Foundation's 2020 Index of Economic Freedom, the rule of law is weakly established and defects in titles and ownership gaps in the public record can lead to conflicting claims of land ownership, especially in rural areas. Corruption and mismanagement remain widespread, especially in the customs and tax offices. Crime, violence and corruption are endemic and affect market



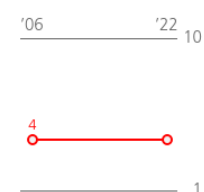
organization. Price controls are rare, but subsidies on key products are common. Lack of access to long-term financing is a significant impediment to business development and job growth. During the COVID-19 pandemic, there was no significant government support to protect markets from an increase in the informal and illegal economies.

Guatemala delayed approval of competition legislation, although this regulation has been a requirement of the Association Agreement with the European Union since 2016. The most likely explanation for this delay is pressure exercised by cartels and monopolies, which abuse their political power in order to preserve their privileges. While the formation of monopolies and oligopolies is somewhat regulated and there is limited legislation covering the issues of antitrust and unfair competition, Guatemala does not have a competition authority. However, regulators are responsible for applying merger control legislation within specific sectors (e.g., as the Superintendency of Banks does for financial institutions). The main merger provisions are set by the Commercial Code, the Law on Banks and Financial Groups, and the Law on Financial Private Corporations. Monopolies have recently made a comeback, especially with respect to power generation and the exploitation of raw materials such as oil and minerals. In addition, the lack of appropriate regulations on competition has historically enabled the perpetuation of monopolies throughout Central America. This situation can be seen in the poultry industry, the banking system and the telecommunications sector. Guatemala's foreign investment regime allows foreign nationals to invest in most sectors of the economy, where they generally receive treatment comparable to that accorded to domestic investors.

Foreign trade has been extensively deregulated, but the spread of benefits beyond economic elites has been at best minimal. According to the 2020 Index of Economic Freedom, Guatemala has improved, moving from last place out of the countries considered moderately free to ranking 73rd out of 186 countries. The country increased 1.4 points compared to the previous year. There are some non-tariff barriers that hamper trade, including import-licensing requirements, access restrictions to the services market, bureaucratic delays, and inadequate infrastructure. The free trade agreement between the United States, Central America and the Dominican Republic (CAFTA-DR) has neither brought more formal employment to Guatemala nor lowered its trade deficits with the United States. Nevertheless, CAFTA-DR is particularly important for Guatemala, as three-quarters of its trade in goods takes place with parties to the agreement. Implementation of this agreement has led to trade reforms. In 2012, Guatemala, as part of the Central American region, signed an association agreement with the European Union to strengthen commerce, political dialogue and cooperation. The agreement foresees trade liberalization, although it has yet to produce significant changes. Guatemala has been a member of the WTO since 1995. (The WTO does not provide data on the simple average MFN applied tariff.)

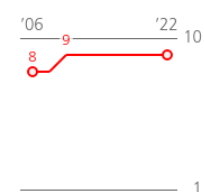
Competition policy

4



Liberalization of foreign trade

9



Guatemala's financial system is relatively small and capital markets are considered weak, though in principle they operate under international standards. The Superintendency of Banks (SIB) is responsible for bank supervision and transparency, and its position has been strengthened over the last years. According to the IMF, there has been progress in legislation (e.g., the passage of a banking law), but additional necessary reforms have not yet been enacted and implementation remains weak. The Guatemalan government has affirmed on several occasions its commitment to continuing to strengthen the regulatory framework. The bank capital-to-assets ratio was rather low in 2019 at 6.9%, down slightly from 7.0% in 2018. Non-performing loans were 2.3% of total loans in 2017 and 2.2% in 2019.

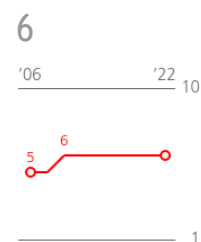
Despite a formal commitment by both the previous Morales and the current Giammattei administrations, controls over money-laundering remain weak. Investigations conducted by CICIG and the prosecutor's office into embedded illicit networks have demonstrated the involvement of banks in money-laundering and illegal financing of electoral campaigns and political parties. Fernando Peña, the president of the country's third largest bank, BANRURAL, was charged with money-laundering in the same case. This produced a strong reaction from business groups in alliance with President Morales, who took action to block advances achieved by the CICIG regarding transparency of the banking system. In November 2019, Fitch placed five Guatemalan banks on negative rating watch, after taking similar action regarding the sovereign rating.

8 | Monetary and fiscal stability

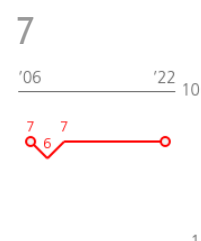
Inflation has been relatively stable in the period under review, staying within the central bank's target range of 3.7% in 2019, according to the World Bank, and 3.4% according to the ECLAC, which reports 5.0% for 2020 and a fluctuation between 2.3% and 6.2% throughout the decade. The exchange rate between the quetzal and the U.S. dollar has experienced only limited fluctuations in 2019 and 2020. However, according to ECLAC data, the real effective exchange rate index (2005: 100) shows a successive decline, from 89.5 in 2011 to 77.0 in 2015 and (preliminarily) 66.2 in 2020.

The central bank is formally independent of government influence. However, the prosecution of Edgar Barquin, the former president of the Bank of Guatemala, has shown how powerful networks linked to private sector interests and corruption continued to use the institution for illegal financing of political parties and electoral campaigns. The control of key financial institutions in Guatemala has been traditionally negotiated by each new government, thereby demonstrating the veto power of the private sector over the central bank's monetary board. Private sector participation in this sphere has been monopolized by elite economic associations (particularly CACIF), while other important sectors such as cooperatives are excluded. This affects foreign exchange policy, for example, which is formally free floating but allows for intervention by the central bank to avoid volatility.

Banking system



Monetary stability



Despite strong opposition to fiscal reform, the fiscal deficit has been kept below 2% since 2013 but showed a slight uptick to 2.3% in 2019. However, according to an evaluation by the IMF, the results of the country's tax reform have been disappointing, yielding an increase of just 0.25% of GDP. During 2016, the fiscal deficit was significantly reduced due to the intense prosecution of tax evasion cases in the private sector. Fiscal constraints remained mainly driven by corruption during the period under review, especially after the dissolution of the CICIG and developments in the tax institution (Superintendencia de Administración Tributaria, SAT). Several cases investigated by the CICIG demonstrated how taxation has been negatively impacted by evasion by powerful economic elites.

Efforts to stop prosecution of tax evasion among private sector actors and to impede anti-corruption measures were reflected in an increase of the fiscal debt by 2.5 percentage points of GDP in 2019 (27.9%). It is estimated that after the first year of the COVID-19 pandemic, the fiscal deficit in Guatemala may increase to above 5% of GDP in 2020. According to the ECLAC, public debt increased from 26.6% of GDP in 2019 to 32.4% of GDP in 2020. Guatemala benefited from the World Bank's COVID-19 fast track facility when it received \$500 million to support its efforts to mitigate the pandemic's impact. Additionally, the IMF approved Guatemala's request for emergency financial assistance of about \$594 million to help the country with its urgent balance of payments due, stemming from the COVID-19 pandemic.

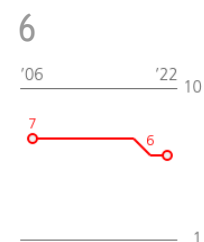
In January 2020, the French government removed Guatemala from the list of countries that do not collaborate with the exchange of tax information, after the country signed the Council of Europe/OECD Convention on Mutual Administrative Assistance in Tax Matters.

9 | Private Property

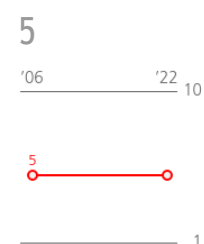
Property rights and regulations governing property acquisitions are in place, though the deficiencies in the rule of law take their toll. Property rights are mostly a problem for poor segments of the population, who lack access to the legal system. There have been many conflicts over land titles in recent years and during the period under review, closely related to mining and hydropower exploration. Cases of illegally diverting rivers to benefit sugar and African palm plantations demonstrate how irregularities in property rights enable abuse of power affecting poor communities. These conflicts have led to harassment of environmental activists, criminalization and killings in some cases.

At a technical level, the lack of a land registration system is a major obstacle, as is the presence of powerful figures seeking to maintain the status quo. There have been no improvements in land registration systems, which, according to national and international observers, creates a convenient situation for abuses and even illegalities. The inefficiency of record and oversight institutions presents criminal groups with considerable opportunities to engage in fraud. Prosecution of criminal groups engaging in land fraud are blocked and most capacities to prosecute these crimes have been dismantled.

Fiscal stability



Property rights



The most vulnerable populations are small peasants and indigenous communities, who have to confront powerful national and international interests – legal and illegal – and, as a result, protect their properties through social protests. Disrespect and disinterest among presidents regarding land conflicts has been common. Recently, Alejandro Giammattei insulted indigenous leaders and threatened them with military action, if a conflict between two communities in the department of Sololá was not resolved. Instead of seeking peaceful mediation and legal resolution of the conflict, the president chose to use military repression.

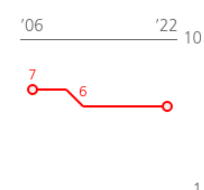
In principle, private enterprises are institutionally viewed – perhaps too much so – as the primary engines of economic production, and de facto they are. But because of the intertwining of state, (legal) private and illegal interests in a captured state, legal safeguards are volatile under a rather weak rule of law. Some economic relations are intertwined with the informal and criminal sectors, where they are determined by prevailing power relations and rarely by the rule of law. All cases of public corruption that were prosecuted by CICIG and the prosecutor’s office involved prominent private sector representatives, including: tax evasion in customs; illegal contracts for medical supplies to the Social Security Institute; the building of roads and infrastructure; public transportation; illegal financing of political parties; and money-laundering through the banking system.

The legal framework regulating financial and commercial activities in the private sector allows criminal networks to conceal money-laundering and trafficking of illegal goods across the country. Additionally, private enterprises generate a lot of income through tax evasion. The legal framework allows for the existence of so-called “front men” (testaferros), individuals who represent companies whose real owners remain anonymous and without legal responsibilities. New regulations for prosecuting criminal activities have improved controls over private enterprises by prohibiting the existence of anonymous individuals on the boards of private enterprises.

Since the 1990s, most state enterprises have been privatized. According to the U.S. Department of State, with the exception of the National Electricity Institute (INDE) and two state-owned ports, Guatemala does not have significant state-owned enterprises, and currently no privatization program. In addition, privatization did not proceed consistently on the basis of market principles – it occasionally created oligopolies, as in the energy and telecommunications sectors.

Private enterprise

6



10 | Welfare Regime

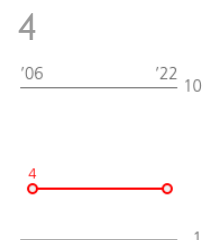
The cleavages within Guatemalan society are evident in the unequal access to basic health care services, justice, and education, as well as in life expectancy, which varies according to social strata. Access to social insurance systems is segmented and varies widely according to location, social stratum, and sector. Social safety nets that were once pervasive, especially in indigenous village communities, were largely destroyed by 36 years of civil war and limited postwar reforms. Public spending on health was around 6.2% of GDP in 2014, 5.8% in 2017 and 5.7% in 2018. It is therefore low by international standards. Additionally, the legislature approved a national budget for 2021 that significantly reduces spending on public health.

Despite the lack of a genuine formal social security system, informal social safety networks provide some level of protection, especially in areas with strong communal organization structures. Remittances provide support to communities where the presence of the welfare system is precarious or altogether nonexistent. Illegal and informal drug cartel networks have served as a substitute for the state’s welfare system in recent years, at least in areas where they are active. They provide health centers, schools, sport centers, and basic services.

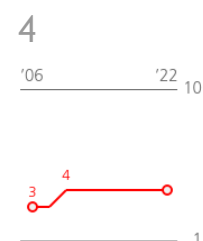
Most of Guatemala’s population has a precarious hold on employment in the formal economic sector, thus reducing their access to basic social services. This is particularly detrimental to women’s ability to find a role in the labor market. During the pandemic in 2020, there was no support for the informal social safety and public funds for the formal system were delayed and insufficient. Alejandro Giammattei offered money transfers to vulnerable people affected by increased unemployment during the pandemic. The program was not effective because it required people to present receipts of payments to public utilities (water, electricity, telephone) which the most vulnerable in the population do not have. The government also offered electricity subsidies and other temporary financial support to people unable to work. The government announced it would make direct payments of \$9 a day for a period of three months to 300,000 workers. To date, there is no data about the results of these programs.

Equal opportunity exists only formally. In practice, discrimination follows the fault lines of social cleavages – racism against the indigenous population and gender-based discrimination remain widespread. This is particularly visible in education and public health, where indigenous women are widely under-represented. Overall, gross enrollment data (2019) indicates a sharp decline from primary (101.9) to secondary (51.1) to tertiary education (21.8). According to UNICEF, the enrollment rate of women increased from 67.3% in 2012 to 81.9% in 2016 in primary school. The ratio of female to male enrollment (GPI) for Guatemala is 1.0 in primary and secondary and 1.1 in tertiary education. The gross enrollment ratio of girls in pre-primary

Social safety nets



Equal opportunity



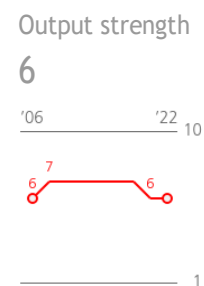
education was 45.65% in 2016, indicating a sharp decrease from 74.67% in 2009. Job opportunities and access to public services remain limited. According to a national census in 2018, 78% of women and girls over seven years of age can read and write compared to 85% of men and boys. The literacy rate is the second lowest in the Western Hemisphere.

According to the UNDP, 61.9% of the indigenous population of relevant age was outside the school system in 2011. Only 20.9% of indigenous children attend pre-primary school. The main cause of girls and young women failing to complete school is a lack of money and the patriarchal structures that prevent girls from completing education. In 2011, 42.9% of girls between 16 and 18 years of age abandoned school due to a lack of economic resources. In 2016, this figure was 38.3%, attributed to malnutrition and a lack of teachers in the countryside.

11 | Economic Performance

GDP per capita growth has been relatively stable but meager over the past five years, reaching 1.2% in 2018 and 1.9% in 2019, according to the ECLAC; estimates for 2020 indicate a decrease of 4.4% in 2020, comparatively low in the region. Economic growth in recent years has reduced poverty only marginally with an increase of poverty during the last two administrations. The economy remains dependent on traditional economic sectors such as sugar and new economic activities such as resource extraction and foreign investment, and is highly vulnerable to fluctuations in international prices, which favored the mineral sector in recent years. Remittance levels remain high, but these are dependent on the migration policies of the U.S. administration. Remittances were estimated at \$7.2 billion in 2016 and \$10.7 billion in 2019. In 2019, remittances represented 13.8% of the GDP, an increase compared to 12.9% in 2018. Contrary to the expectation that the COVID-19 pandemic would reduce remittances due to lockdowns in the United States, from January to November 2020, a total of \$10,176 billion were received in remittances. The Trump administration's policy of deportations generated a massive flow of remittances during the period under review as migrants sought to repatriate their resources and save money, given their fears of being deported. Due to this, the current account balance remained in surplus in 2019 and 2020 at about \$1.9 and \$1.7 billion, respectively.

The fiscal deficit has been kept at 2% or below since 2012 but could rise above 5% of GDP in 2020. Public debt increased from 26.6% of GDP in 2019 to 32.4% of GDP in 2020. The tax-to-GDP ratio in Guatemala decreased from 12.4% in 2017 to 12.1% in 2018. In comparison, the regional average was 23.1% in 2018. The unemployment rate is comparatively low, at 2.5% from 2016 through 2020, with urban unemployment a bit higher (3.4% in 2016, 3.2% in 2017, and 3.9% in 2018), according to ECLAC data. However, underemployment and informal jobs are



widespread. The impact on economic performance is reflected in contractions in the sectors of accommodation and food services (-27.7%), education (-16.6%), transportation and storage (-14.8%), in other services (-14.3%), construction (-14.1%) and in the supply of electricity and water (-2.6%).

12 | Sustainability

Environmental concerns take a back seat to economic growth. Though the Ministry of Environment and Natural Resources (MARN) and several specialized agencies exist, their work is seen as rather ineffective. The diagnosis presented in the “Environmental Pact 2016 – 2020” by the former interim government (September 2015 to January 2016) revealed that Guatemala has weak environmental policies, norms and laws and few resources to implement them. It also has weak institutions with a low budget, overburdened and sometimes unprepared staff, and little capacity for law enforcement. These difficulties must be seen in the context of an overall climate of impunity, which also affects environmental regulation. Accordingly, core environmental problems persisted or even worsened under Jimmy Morales’s administration due to a total lack of interest in environmental policies. During his first year in government, Alejandro Giammattei has not taken any significant measures to control environmental damage, especially during the COVID-19 pandemic, which raises concerns about waste disposal of biosecurity products.

The main unaddressed environmental problems include the illegal diversion of rivers and contamination of water and increasing levels of deforestation and pollution produced by sugar cane and African palm plantations. Negative environmental consequences related to mineral resource extraction (such as gold mining) have led to a series of conflicts, mostly over the use of water. In the tourism sector, there is a rising interest in the possibilities presented by ecotourism. However, this has not led to any tangible measures for protecting the environment or support from government or incentives. Most programs seeking to address environmental concerns are financed and promoted by the international community.

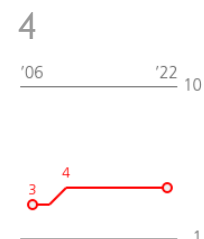
Advocating for sustainable development can be dangerous, as this affects the economic interests of society’s powerful legal and criminal sectors. President Jimmy Morales has increased political confrontation over socio-environmental conflicts, accusing environmental and social organizations of creating instability in the country. Large-scale projects are prioritized within the current government’s macroeconomic policy. However, there is no political will to establish democratic mechanisms for discussion of those projects with local communities. Civil society organizations were not included in the discussion of reforms to environmental legislation, and they are given no oversight role in the development of such projects. Environmental conflicts are addressed through repression by security forces and incarceration of community leaders. Alejandro Giammattei declared more than six states of emergency and deployed the military during his first two months in government in areas with sensitive environmental conflicts.



While literacy and primary school enrollment have increased, the enrollment rate in secondary education was just 65.3% in 2016. The literacy rate of 79.1% is the second lowest in Latin America, after Haiti. Access to education reflects the existing societal cleavages (between men and women, Ladino and indigenous people, and urban and rural populations – see also “Equal opportunity” for details). Public schools are poorly equipped and underfinanced, and wealthier citizens send their children to private schools in Guatemala or abroad. According to the UN Education Index, Guatemala ranks 91st out of the 133 BTI countries with a score of 0.519 – 20th in the region, ahead of only Honduras and Haiti. Public expenditure on education has remained stable for the past decade at around 3% of GDP, reaching 3.2% in 2019. Investment in R&D is negligible, averaging about 0.05% of GDP over the last decade.

The last educational reform was implemented during Otto Pérez Molina’s administration. Although the reform was justified due to the precarious state of the country’s education system, it produced no significant results and does not cover primary education. Social policies implemented by President Colom led to a slow improvement in access to education, especially in rural areas. However, these programs stalled during President Pérez Molina’s term and the Morales government made no improvement of the education system.

Education policy /
R&D



Governance

I. Level of Difficulty

Structural constraints on governance are moderate to high. Guatemala is a middle-income country with a medium education level, high ethnic and social fragmentation, and fragile institutional stability. The heritage of 36 years of civil war, violence and destruction still is evident. Disparities between urban and rural areas as well as between ladino and indigenous populations are structurally ingrained. Additionally, high levels of inequality and structural poverty continue to affect most of the population. The extent and depth of corruption in public institutions has become a major structural issue, affecting the quality and legitimacy of public services, increasing impunity, and reducing the legitimacy of government authorities.

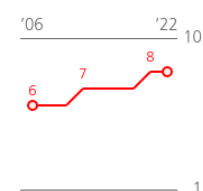
Guatemala's geographical location makes it highly vulnerable to natural disasters such as hurricanes and earthquakes. Every year, storms contribute to the destruction of the country's already poor infrastructure, particularly roads and bridges, and they also destroy important areas used for exports and subsistence agricultural production. In November 2020, two tropical storms hit the country, Eta and Iota. It is estimated that more than three million people were affected, of which more than one million were direct victims. The economic impact of both storms could reach \$770 million.

The COVID-19 pandemic increased structural deficits. The public health service's capacity was rapidly overcome. From January 2020 to January 2021, a total of 153,890 cases of COVID-19 were confirmed, as well as 5,456 deaths (about 32/100,000, thereafter rising to 55/100,000). More severe have been the effects of lockdowns and the global economic slowdown. While GDP p.c. growth contracted by "only" 4.4%, the effects on poverty and inequality – which were already huge before the pandemic – have been tremendous. The World Bank estimates an increase in the poverty rate by 6 percentage points to about 65% (an increase of around one million poor).

Civil society traditions are still weak in Guatemala. Civil society organizations (CSOs) work either on specific issues or merely on a local basis. Fragmentation, a low degree of institutionalization, conflict, and mutual distrust are the main characteristics of civil society. Additionally, a number of CSOs depend on international cooperation, which increases the risk of long-term sustainability. Organizations try to negotiate benefits from the government on an individual basis, and they only occasionally try to organize a consensus-based approach with other actors. Distrust is widespread and is easily revived by violence, repression, and

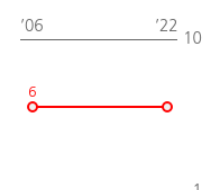
Structural
constraints

8



Civil society
traditions

6



intimidation after 36 years of war. The current crisis afflicting institutions of justice has given CSOs some public space and room to maneuver in the prosecution of corruption, transparency and justice reform. NGOs in this area are highly professional, but most lack significant support.

After massive citizen mobilizations in 2015, new social movements emerged, most of which were initiated by youth without links to traditional civil society organizations. The new movements are characterized by a strong presence in social networks such as Facebook and Twitter, although they suffer from a lack of societal roots and high levels of atomization. They present themselves as a youth alternative to the traditional political establishment and representatives of the conservative private sector. In 2015 and 2016, these movements publicly exerted an important influence over efforts to reduce corruption and promote political reform – and for the first time since the war, managed to build a broad-based coalition that rallied the indigenous peasantry and the urban poor.

During the review period, however, CSOs lost the political support they had received as allies of the CICIG in the fight against corruption and were increasingly subjected to a campaign of harassment by the government and its allies. In November 2020, CSOs nationwide called for street protests against the legislature and the president, but security forces suppressed the protests with tear gas and arrested several citizens, including leaders of social organizations and journalists.

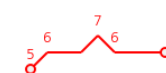
Guatemalan society remains deeply split and polarized along ethnic and social lines. Criminal violence in rural areas, which is normally driven by issues of land tenure as well as drug-trafficking, has decreased. However, criminality and intrapersonal violence are common in most urban areas. Despite decreasing, Guatemala's homicide rate is one of the highest in Latin America, primarily in urban areas and border regions. Conflicts related to mining and hydropower have led to high levels of polarization and ideological radicalization. Most confrontations between communities, on the one hand, and security forces and private armies hired by companies, on the other, result in the death or incarceration of community leaders, abuse and intimidation of women, and destruction of communal property. The lack of opportunities is one of the core drivers of the growth of youth gangs that control many poor suburbs in big cities and are quickly entering smaller municipalities as well.

During the period under review, conflicts increased as a result of polarization around the issue of corruption. On the one hand, civil society organizations are mobilizing the urban middle class against power abuses, mainly committed by the president and the legislature. On the other hand, private sector representatives, politicians and evangelical leaders support the continuity of a corrupt political system. In November 2020, part of the legislature building was set on fire during a massive street protest. It is not clear if the fire was intentionally set by the government to justify repression of street protests or if it resulted from the radicalization of the population attending the protest.

Conflict intensity

6

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II. Governance Performance

14 | Steering Capability

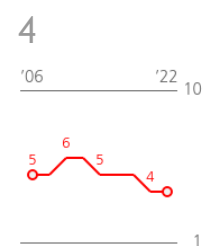
During the period under review, the last year of the Jimmy Morales government prioritized on the fight against the CICIG from a non-democratic perspective, and the first year of Alejandro Giammattei's government focused on managing the COVID-19 pandemic. Other strategic priorities have been postponed or changed due to structural constraints such as pressure from certain groups, which affects governance and private interests. As a whole, the government suffers from serious limitations in its ability to prioritize and organize its policy measures. Priorities change with every presidential transition and are renegotiated each year during discussions to approve the national budget. Fiscal reform has been a priority since 1996, but several governments have failed to negotiate reform with economic elites.

Typically, each administration spends the first year in government defining its policy priorities, usually without taking previous policies into consideration. The following years are invested in negotiating policy implementation. The result is a lack of consistent or long-term policy agendas. During the period under review, the priorities of the government focused on balancing institutional power in order to support the continuity of corrupt networks and block advances in the prosecution of corruption. Additionally, the government focused on managing the COVID-19 pandemic. Alejandro Giammattei failed to define plans and programs to support the health system and to coherently use funding assigned to face the health crisis. All administration decisions have been short-term and reactive in the face of public opinion. Although the government provided several support and recovery programs, there is no information about results or transparency regarding the use of public funds. An example is the delay in signing agreements to purchase vaccines and to devise a plan to deliver them to the population. Currently, after the first year of the pandemic, there is no viable plan for economic recovery built upon consensus.

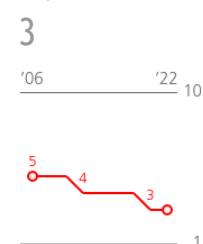
New governments in Guatemala tend to implement short-term policies without establishing continuity with previous governments' policies. Consequently, implementation tends to be hindered or undermined by several factors, including the influence of electoral interests, patronage networks and sectors that oppose reforms. Policy initiatives are commonly used for political and electoral interests. A case in point is development plans established either by the government or by local development councils (depending on the power of actors in the field and the participation of different societal sectors). These plans are used as corruption mechanisms among municipalities and members of the legislature. Established plans

Question
Score

Prioritization



Implementation

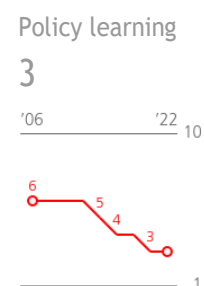


and investment priorities are frequently altered in Congress to match the personal priorities of congressmen or to favor their personal clients. As a result, public investment favors the country's richer regions, not the poorest. This holds true for departments such as Petén (which has gradually become a zone mostly controlled by organized crime), Escuintla, Retalhuleu, and Jutiapa. The government's failure to improve the efficiency of the tax system reflects its strong political dependence on elite groups and its overall conservative character.

The Morales and Giammattei administrations have also combined the traditional lack of a defined policy agenda with efforts to dismantle previous developments (e.g., concerning fiscal authority, the Ministry of the Interior, the Office of the Attorney General, and the national police force). Both administrations have been marked by inconsistent institutional and policy reforms, which either lacked political support or could transition from political discourse to defined policy, as was the case with the regulation of illegal drugs and the reform of the constitution. Giammattei did not develop a plan for governing. During the first three months of his administration, the focus was on security, which included imposing states of emergency and deploying military forces to several territories. This changed drastically after the pandemic struck. All programs announced by the government were delayed or not implemented at all. Most support for the health system was provided by donations and international cooperation. Giammattei has used the pandemic to justify the lack of results during the first year of his administration instead of changing government priorities. An example is the social support programs during COVID-19 oriented toward transferring economic support to vulnerable population. The funding for these programs was allocated but not used and consequently the funding was lost.

Guatemala's political leadership responds to mistakes or failed policies with follow-up reforms or changes, but this usually means it has given in to pressure from interest groups. At the same time, the political leadership is highly influenced by responses to corruption from the leading media sources and the public. While the media are dependent upon the private business sector, the implementation and results of policy are used by the opposition and the media to attack the political leadership, with the aim of lowering its public opinion ratings. The media are used to either downplay or to overstate policy results.

The degree of policy failure and success is unknown due to the lack of monitoring and evaluation. Policies lack proper impact evaluation mechanisms and civil society is not included in assessments of their implementation. When problems arise, the solution is to change the personnel responsible for program implementation rather than to evaluate policy approaches. President Morales changed key technical authorities in the ministries of public health, interior, tax administration, foreign affairs, and national police. The administration has clearly demonstrated how little policy implementation relies on the expertise or technical personnel of previous administrations. Additionally, past and present administrations have experienced



serious difficulties in creating a qualified government team. This is because governments are reluctant to incorporate professionals from previous administrations and because technical professionals distrust the new administration.

In general, the greatest obstacles to innovation are corruption and elite sectors protecting the status quo. There is no professional civil service and policymakers are not individuals with specialized technical knowledge – they are instead members of patronage networks who benefit from the party in power. Decisions regarding the pandemic were made without coherent plans and resulted in high levels of improvisation. There were no clear criteria for defining the lockdowns or for delivering financial and other support to vulnerable members of the population. The same occurred with regard to border closures, which occurred without consulting with neighboring governments. Decisions were also made without reliable information, due to the government’s lack of capacity to track the evolution of the pandemic in the country.

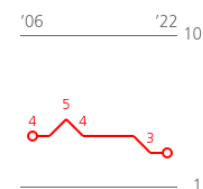
15 | Resource Efficiency

The government is still unable to efficiently use available resources. Structural corruption and patronage associated with budget allocations lead to a misuse of financial resources and the power to make public appointments. While the fiscal deficit was moderate until 2019 (about 2% of GDP) and then rose due to the pandemic (to about 5%), fiscal constraints continue due to corruption and disappointing results of the tax reform. There is a lack of competitive recruiting procedures and training programs. The results of international support and state initiatives seeking to modernize public administration are mediocre or have been blocked. The combination of continually replaced officeholders, patronage appointments, and structural corruption lead to institutional stagnation and prevent the state’s performance from improving. Each government starts its administration from zero, both in terms of policies and human resources. According to the Central American Institute for Fiscal Studies (ICEFI), it is estimated that in 2015 approximately \$550 million in public funds were lost due to corruption in Guatemala. Corruption is considered the main source of inefficient use of public resources.

From a common good perspective, the greatest waste is the termination of the CICIG for particularistic reasons. The CICIG was the cornerstone for creating a bona fide rule of law, the lack of which is at the core of the country’s multiple problems. Now the only institution that can audit the public administration is the Comptroller General, but it is controlled by political parties, thus preventing independent audits. Financial resources allocated to address the pandemic were not spent on time. After 100 days from the first COVID-19 cases, only 29% of available funding had been distributed. As of October 2020, only three ministries out of 10 that received funding to manage the effects of COVID-19 had spent 50% of the allocated funds. There is no current data about the use of public resources allocated to manage the pandemic.

Efficient use of assets

3



Government policy coordination efforts are deficient, although the government has tried to improve its performance. This is due in part because the government bypasses formal coordination mechanisms by establishing new commissions or councils. This leads to conflicting responsibilities or patronage policies that lack accountability and undermine policy sustainability. However, the primary reason for the lack of policy coordination is the absence of a consistent policy agenda, which is substituted by the influence of corrupt interests in public contracts and investments.

Most coordination occurs through informal mechanisms and personal relationships. President Giammattei created an institution called Centro de Gobierno that duplicated the role of cabinet ministries. The Centro de Gobierno was comprised of more than 20 advisers who answered to the president and served as a bridge between him and the ministries. They made recommendations about investments, contracts and government programs. The Centro de Gobierno was dissolved in November 2020 after mass protests.

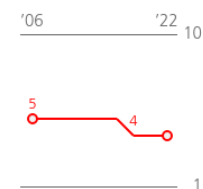
Alejandro Giammattei has not presented a governance plan. Decisions have been improvised and tainted by suspected corruption. Giammattei has also dissolved institutions created as result of the peace agreements. In August 2019, the president dissolved the Secretariat for Agrarian Affairs (Secretaría de Asuntos Agrarios), the Secretariat for Peace (Secretaría de la Paz) and the Presidential Commission for Human Rights (Comisión Presidencial de los Derechos Humanos). These decisions were considered a setback in terms of implementing the peace agreements.

Corruption remains widespread and deeply embedded in the political system to the point of putting the state at risk of being captured by criminal organizations. The extent of corruption means that integrity mechanisms (audits of state spending, transparency of public procurements, party/campaign financing) exist only formally, without independent capacities. Legislation on transparency and public information was passed in 2008 and came into effect in 2009, but positive results were only achieved after the CICIG and the Public Ministry agreed to create the Special Attorney Office Against Impunity (FECI). A new law for the civil service was introduced in 2008; however, it has still not been passed because it was widely criticized by important political actors and unions. If approved, it would be the basis for the professionalization of the public service. Today, most administrative staff in high positions is dismissed with each change in government.

In 2012, after 10 years of discussion, the legislature finally approved an anti-corruption measure, “the Law Against Illicit Enrichment.” Analysts from Acción Ciudadana argued that the law qualified as strong legislation, but also noted a lack of legal clarity regarding the return to the state of assets confiscated from criminals and corrupt public officials. The Law on Strengthening the Fiscal System to Fight Fraud and Smuggling, known as the “Anti-Evasion Law,” was passed by the legislature in 2016. This aims to strengthen fiscal controls over businesses. These regulations, among others, were highly criticized by the business sector and remain ineffective

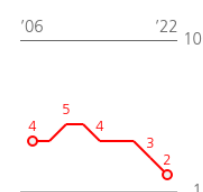
Policy coordination

4



Anti-corruption policy

2



due to a lack of political will to implement them. The cases prosecuted by the CICIG and the prosecutor's office since 2015 have demonstrated that the laws on the books are insufficient to reduce the growth of corrupt networks.

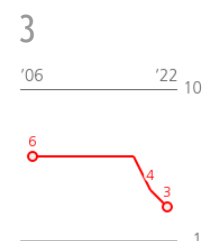
The events around the CICIG have demonstrated that the anti-corruption policy – if it ever existed – has been completely reversed. This includes dubious appointments to core positions (such as the attorney general) and prosecution of corruption fighters (such as the director of FECCI, Juan Francisco Sandoval). These actions are supported by a large group of legislators known as the “pacto de corruptos” (the pact of the corrupt), who preside over Congress. Most cases investigated by the CICIG and the Public Ministry are stagnant and at risk of being buried. New cases prosecuted by FECCI may face the same fate once they enter the justice system. Private sector representatives support efforts to prevent the strengthening of oversight institutions and international participation, while civil society organizations involved in anti-corruption work lack political protection. Most activists face judicial processes that prevent their work. Helen Mack, a well-known human rights activist, currently faces several trials, some of them promoted by Fundación Contra el Terrorismo, an organization created to fight against reform and the CICIG. President Giammattei has not opposed institutional changes that seek to dismantle advances achieved by the CICIG and the Public Ministry.

16 | Consensus-Building

At a rhetorical level, most major political actors agree on democracy and a market economy with social safeguards. However, their levels of understanding of these concepts vary significantly. For most, these are marked by the protection of their private and sectorial interests. The traditional political and economic elites see democracy and a market economy as mechanisms to maintain the status quo, while social organizations and civil society groups aim to use them as instruments for fundamental social reform. This means that Guatemala's elites are conditionally supportive of democracy if democratic rules do not interfere with their economic model or privileges. During the review period, political and economic elites joined forces to limit reform processes aimed at curbing impunity and corruption, which entails accepting the almost-complete dismantling of the rule of law.

There is no alternative model to the market economy in the country, and government efforts aim to satisfy the demands of the economic elites by adapting legal frameworks and financial support. The market economy is defended by ideological arguments rather than macroeconomic benefits. The economic elites call for less government intervention in economic affairs and more repression to protect their private interests. The differing priorities are most obvious between rural and urban settings, particularly in relation to energy policy, land ownership, and mining. Economic elites tolerate corruption, and some sectors directly benefit from illegal actions. This is part of a model for economic priorities that limit the potential of the market economy in order to protect powerful economic groups.

Consensus on goals



Anti-democratic actors with veto power are deeply embedded in public institutions and political parties. While some governments have sought to co-opt reformers (in the broad sense) or to control veto powers, these efforts have become more complicated due to, 1) the increase in power of criminal networks that seek to reverse this process; 2) the fact that the last two governments have not favored reform and have been heavily involved in corruption; and 3) a corrupt alliance between economic and political elites. The influence of these criminal and corrupt networks in elections and policymaking processes is a case in point. Financial support for candidates often leads to pressure for political favors as recompense. Since 2015, there has been a struggle between reform processes promoted by CICIG, the prosecutor's office and civil society organizations, on the one hand, and resistance to these changes by the private sector, the government, and traditional political sectors, on the other. During the period under review, anti-democratic actors, represented by the so-called pacto de corruptos, regained control of the institutions that provide them with impunity.

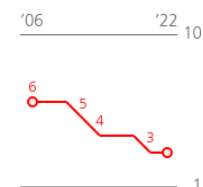
The military has demonstrated its corporative interest by supporting and tolerating the anti-democratic actions of Presidents Morales and Giammattei. Former military personnel exploit their networks of civilians for corruption and other illegal activities, and to control defense and police institutions. Former military officers are also part of the "pacto de corruptos." There is a strong conservative and anti-democratic discourse among different actors, some of whom are former military personnel who are now members of the Foundation Against Terrorism, and among private sector associations such as the CACIF. During the period under review, evangelical churches have been part of the network supporting anti-democratic veto actors, both by promoting conservative discourse and influencing policymaking.

The ability of the government to manage cleavage-based conflict has been low. The level of conflict is high in many areas, and it is related to disputes over land access, labor rights, and civil rights. As the rural population is mostly indigenous, many of these conflicts have an "ethnic" component. Post-conflict governments exacerbated polarization by criminalizing protesters and using repression as the chief responses to social demands, especially those related to conflicts over extractive industries, hydropower and agrobusiness. During the period under review, the main sources of conflicts were corruption and anti-democratic actions on the part of the legislature.

The confrontational and aggressive rhetoric of President Giammattei increased polarization during the pandemic. He has not changed the way with which the government deals with conflicts. On the contrary, government rhetoric tends to exacerbate social polarization and intensify attacks on international actors. This highlights the legacy of decades of government indifference to improving its conflict mediation capacities. The economic elites, who put pressure on the government to implement heavy-handed solutions to social unrest, delegitimize and reject dialogue and negotiation. Giammattei's attempt to establish dialogue after citizen protests in November 2020 were rejected by civil society and social movements, which claimed

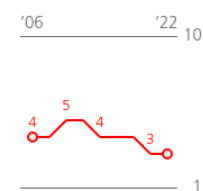
Anti-democratic actors

3



Cleavage / conflict management

3



to distrust the government's intentions. The government ignores demands for responsibility with regard to human rights and environmental, increasing tensions and violent confrontations with communities and social organizations.

During the period under review, formal mechanisms for consultation between civil society and the government were dismantled. These mechanisms were ignored by Jimmy Morales. Alejandro Giammattei began his presidency by making serious threats against non-governmental organizations and media outlets he considered opponents, shutting down dialogue and restricting accountability. At the same time, Giammattei promoted a law to control and limit NGOs.

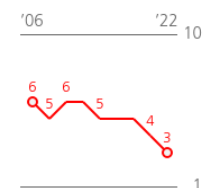
One of the country's most important formal participative mechanisms are the commissions charged with selecting key public officials such as the prosecutor's office, the Supreme Court, the appellate courts and the Comptroller General. The commissions are comprised of representatives from different social sectors, who assess individual candidacies and select a shortlist from which the president of the republic chooses the officials. However, during both the Morales and Giammattei administrations, the recommendations these commissions made have been ignored, and powerful groups with private and even illegal interests have strongly influenced official decisions. The Colegio de Abogados y Notarios de Guatemala (the lawyers' association) has played an important role in the degradation of participative mechanisms by promoting corrupt candidates to the Supreme and Constitutional Courts. Other formal mechanisms have been ignored by the state for decades, for example, consultative processes guaranteed by the ILO convention 169.

The capacity of civil society to influence decision-making and protect democracy has thus been further undermined. Co-optation has been replaced by judicial harassment to prevent civil society participation. To the extent that there is a silver lining, CSOs remain undeterred. They continue to organize, mobilize and lobby for reforms of the political system. In November 2019, civil society mobilized citizens to protest decisions by the legislature and the executive. However, the protests were repressed by security forces, thereby undermining the motivation of the urban middle class to protest and demand reforms. The government also ignored civil society during the pandemic, although support from such organizations has been key to compensating for government delays regarding provisions of equipment for health workers.

Guatemala's political leadership does not recognize the need to deal with past violence and fails to promote reconciliation beyond providing token financial compensation. In addition, the national compensation program has come under serious attack, as the biggest share of the money seems to have been spent on bureaucracy and not on victims. During past administrations, there was some symbolic recognition extended to the relatives of victims, and there have been a few trials of lower-ranking military and paramilitary personnel.

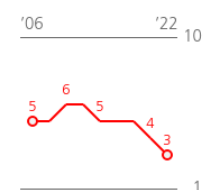
Civil society participation

3



Reconciliation

3



Nevertheless, the trial of former General Efraín Ríos Montt, charged with genocide, was an important step toward justice in the country, although it also demonstrated the difficulties of addressing past human rights violations. Ríos Montt was convicted in 2013, but the verdict was overturned by the Supreme Court. The First Court of Appeals suspended the trial indefinitely in 2016. In 2017, another trial was initiated against Ríos Montt for his role in the Dos Erres massacre, but it ended with his death in April 2018. In 2015, a former chief of the National Police was sentenced to 90 years in prison for ordering an attack on the Spanish Embassy in 1980 that killed 37 people and for murdering two students around the same time. In January 2016, former General Benedicto Lucas García was arrested along with other high-ranking military officials accused of crimes against humanity and human rights violations in 1981 and 1982.

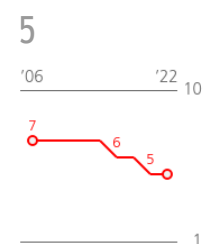
In January 2019, a reform to the National Reconciliation Law was approved by the Congress. According to the United Nations High Commissioner for Human Rights, Michelle Bachelet, the reform means total impunity for perpetrators of human rights abuses and crimes against humanity and creates a risk of retaliation against victims seeking justice. In 2020, President Giammattei dismantled three important institutions created after the peace agreements the purpose of which was to promote peace and reduce conflicts: the Secretary for Peace (Secretaría de la Paz), the Secretary for Agrarian Affairs (Secretaría de Asuntos Agrarios) and the Presidential Commission for Human Rights (Comisión Presidencial para los Derechos Humanos). This is the result of long-standing pressure from conservative groups against reconciliation and human rights.

17 | International Cooperation

Guatemala's political leadership works with bilateral and multilateral donors but only partially uses such support to improve policy implementation. Most international resources are used to cover fiscal deficits and public debt. There has been no clear long-term development strategy since the peace accords were no longer considered a viable "roadmap" for the country. In terms of economic development, the last three administrations have promoted strategies focused primarily on supporting mining and hydropower projects. This policy has not only generated social conflict but has also raised questions over the genuine contribution of these projects to human development. Other areas of international support, for example, infrastructure development, have been subject to corruption.

In the political realm, public security is an important issue. The extent of the military's role in public safety has been reduced as a result of the 12 conditions defined by the United States as part of the Alliance for Prosperity. However, during the last year of the Morales government and the first year of Giammattei's administration, the role of the military in public security was again increased. The

Effective use of support



main focuses of international cooperation have been bolstering the CICIG and the Office of the Attorney General in their fight against corruption, and the policing of drug-trafficking and urban delinquency. This priority was drastically changed during the last months of the Morales administration. Giammattei continues to support the dismantling of advances in those areas.

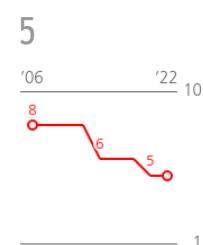
The IMF approved \$594 million in June 2020 to assist Guatemalan efforts to combat the pandemic. By November, approximately 50% of the funds had been invested in different programs. There is no available data on how the funds were used, but relevant beneficiaries, for example, the health system, have indicated a lack of government support on several occasions.

Guatemala's last three governments have adopted the same posture in relation to the international community, albeit with declining credibility. The CICIG was the unique cornerstone of international cooperation to provide for a strengthening of Guatemalan rule of law and the fight against impunity. However, the CICIG was canceled, and its achievements have been successively undermined. Otto Pérez Molina's administration is associated with embedded corruption as is Jimmy Morales's, which has expressed no commitment to addressing corruption. President Morales supported anti-democratic and corrupt groups and Giammattei shows no signs of doing otherwise.

The fight against the CICIG and the Public Ministry and the dismantling of advances in combatting corruption have reduced the credibility of the political class. The legislature is currently the main source of anti-democratic decisions that benefit the so-called pacto de corruptos. International governments have expressed concerns about the alliance of politicians, the private sector and criminal organizations. The United States has requested that the legislature and the executive take strong measures against corruption and announced the creation of a regional mechanisms to strengthen attorneys. However, the government's actions to control the Supreme and Constitutional Courts and to attack civil society leaders continue.

The lack of results regarding funding distribution during the pandemic has not been criticized by international actors, other than for demands for transparency. Corruption is the primary target of international actors, mainly because the pandemic has been used as a smokescreen to strengthen corrupt networks in the public administration.

Credibility



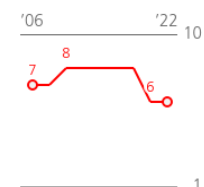
Guatemala's political leadership cooperates within the framework of the Central American Integration System (SICA) and complies with the rules set by regional and international organizations. Good relations with United States are crucial due to the high number of Guatemalan migrants (about 10% of the population) living in that country, as well as the level of economic dependence in terms of commerce and cooperation. The new government under Joe Biden has launched a new strategy for the Northern Triangle that updates and enhances the goals of the Alliance for Prosperity. This new initiative contains conditions for, but does not require, regional cooperation. Guatemala's main condition is to reduce corruption and strengthen prosecution and judicial capacities, to which the Giammattei administration has not demonstrated any commitment.

During the Trump administration, Guatemala was included as a "third safe country" for migrants from the region along with El Salvador and Honduras. There was no cooperation but increased militarization of borders. In December 2019, a caravan of Honduran migrants – some 2,000 people affected by tropical storms Eta and Iota – was stopped in Guatemala by military forces. There were no human rights violations, and the use of force was minimal – no tear gas or arrests. Although this military action occurred peacefully, more caravans are imminent and may represent a risk of human rights violations. Honduras and Guatemala have blamed each other for not containing migration properly, instead of engaging in cooperation to control it.

Cooperation with Mexico and countries in Central and South America is generally strong. There have been no incidents that might lead to conflict. Migratory policies are an exception, as this issue is one of the more challenging ones faced by Central American states, Mexico and the United States. The historical border conflict with Belize remains unresolved, despite mediation by the OAS.

Regional cooperation

6



Strategic Outlook

The Morales administration put Guatemala on the path to becoming a criminal state controlled by powerful corrupt networks, both public and private. President Giammattei has given no indication that he intends to change this course. Democratic checks and balances have been undermined or totally disabled. Cancelling the CICIG means that democratic institutions are more vulnerable and civil society more exposed to retaliation for engaging in its work. While the economy has remained somewhat stable over time, enormous social inequalities remain and were exacerbated by the pandemic, leading to even more emigration. In this context, there are high expectations that the new government in Washington will focus its foreign policy toward Guatemala on combatting corruption as a mechanism to reduce migration and drug-trafficking. Together with strong influence from the United States, the main areas of priority should include the following:

First, social policies to reduce inequality and poverty should be designed or strengthened to facilitate access to basic social services for the most vulnerable. This would require a reorientation of the economic framework, a sound tax system to provide additional resources and an active development cooperation strategy.

Second, concerning horizontal accountability, a systematic reform of the judicial system should be implemented to reduce corruption and impunity. The government should guarantee transparency and the rule of law to make such reform sustainable. In this context, the role of the Office of the Attorney General should be significantly strengthened to allow for more stringent prosecution in all of its investigative units. So far, only the Special Unit Against Impunity has been strengthened, while other law enforcement units remain weak. In this regard, the election of a new attorney general is crucial, as the current attorney general has not shown support for anti-corruption policies. In parallel, the prosecution of tax evasion in the private sector should continue in order to demonstrate determination to fight corruption. This includes strengthening the tax and (especially) the customs authorities, as they are the focus of the most powerful organized criminal networks. The prosecutor's office and the judiciary should be transformed so that they no longer protect prominent members of the government and the private sector. Prosecuting illicit economic and political networks should be a priority. A strong commitment from the U.S. government to fight corruption in Guatemala would constitute a fundamental step in the process to revive citizen support for political change.

Third, with regard to vertical accountability, increased support for the Constitutional Court and the Electoral Tribunal is essential to ensure electoral transparency. In addition, the administration should create and support mechanisms for democratic dialogue that enable communication with social movements and civil society in general, particularly regarding conflicts over mining and hydropower, as well as citizen support for anti-corruption initiatives.

Fourth, the government should rethink its approach to public security and place emphasis on preventive measures and strengthening civil and democratic institutions. This is particularly important when it comes to social protests, which should no longer be met with repression, but

through mediation and nonviolent conflict resolution. Police reform should be reinitiated. This would help reduce corruption and criminal activity within the police. The military's involvement in public security and other institutional functions should be reduced.

Regaining trust and legitimacy after the pandemic will be a major challenge. Infection and death rates increased after the end of the review period, while the vaccination program did not take off; by mid-July 2021, only 5.6% of the population had been vaccinated, and only 1.4% were fully vaccinated. In addition, the immunization schedule should not be controlled by private or corrupt interests. Social and economic support programs are needed for the next period, but they must be redefined to achieve their original goals.