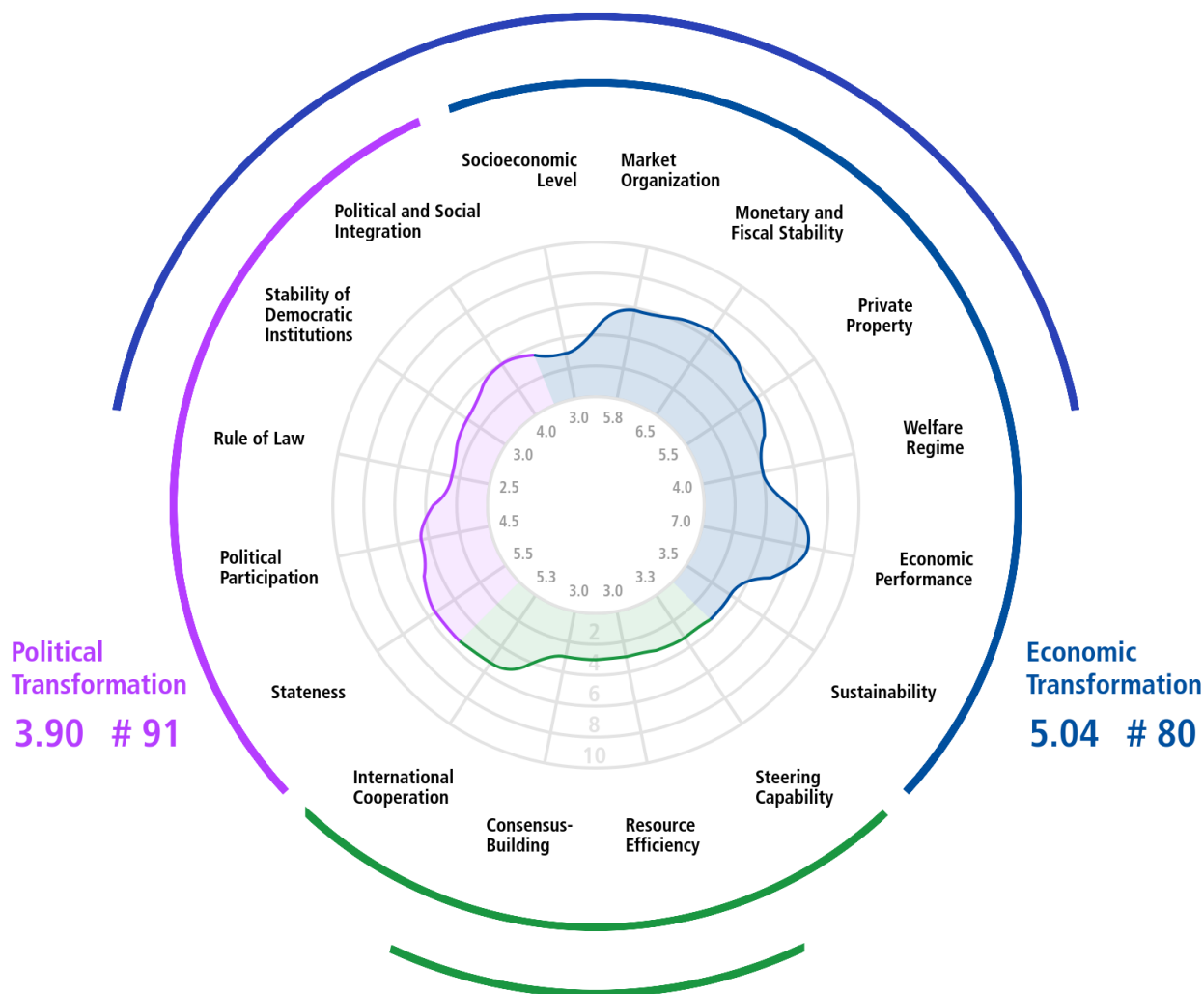


# Guatemala

## Status Index

**4.47 # 91**

on 1-10 scale out of 137



**Political Transformation**  
**3.90 # 91**

**Economic Transformation**  
**5.04 # 80**

## Governance Index

**3.38 # 111**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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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## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### **Sabine Donner**

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### **Hauke Hartmann**

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### **Sabine Steinkamp**

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>17.4</b>	HDI	<b>0.627</b>	GDP p.c., PPP \$	<b>10818</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.4</b>	HDI rank of 189	<b>135</b>	Gini Index	<b>48.3</b>
Life expectancy	years	<b>69.2</b>	UN Education Index	<b>0.483</b>	Poverty <sup>3</sup>	% <b>25.9</b>
Urban population	%	<b>52.7</b>	Gender inequality <sup>2</sup>	<b>0.481</b>	Aid per capita \$	<b>29.9</b>

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

The path of political transformation in Guatemala faces growing challenges as the government strives to eliminate any chance of independent oversight and accountability. This includes its own institutions tasked with prosecuting corruption, as well as civil society organizations, NGOs and a free press. For example, in mid-2022, the president of *El Periódico*, the leading opposition print newspaper, was arrested after publishing an article exposing President Giammattei's acceptance of bribes from Russian mining interests in Guatemala. Moreover, two key government offices, the Attorney General and the Special Attorney for the Prosecution of Corruption (FECCI), have become extensions of the executive branch. Supreme Court justices have remained in their positions beyond the expiration of their terms four years ago. As a result, the 10-year effort by the International Commission against Impunity in Guatemala (CICIG) to combat corruption has largely been reversed. Instead, the so-called Pact of the Corrupt, an unofficial alliance of business elites, influential politicians and military officers, now wields power and operates without accountability to any oversight body. This power has been reaffirmed in the months following the review period. Following the unexpected election of opposition candidate Bernardo Arévalo as president in August 2023, the established forces made concerted efforts, both legal and illegal, to restrict his room for action to the bare minimum. Nevertheless, Arévalo assumed office on January 14, 2024.

Against this backdrop of reversals of the rule of law and democratic freedoms, the economy has been recovering from the impact of COVID-19. GDP growth was 4.0% in 2019 but contracted by 1.8% in 2020 due to the implementation of lockdowns and travel restrictions. However, the economy rebounded strongly, expanding by 8.0% in 2021, and is projected to grow by another 3.4% in 2022. The composition of GDP has remained unchanged since the onset of COVID-19. Agriculture continues to account for around 10% of GDP, manufacturing maintains a steady level

of around 21% to 22%, and the service sector remains the largest contributor at approximately 62%. The remaining 6% consists of government-funded services, including education, the armed forces, the judiciary and health care.

However, as the World Bank points out, significant risks remain within a rapidly changing global environment and the possibility of resurgent local COVID-19 outbreaks. From January 2020 to March 2023, Guatemala reported a total of 1,203,380 cases of COVID-19, resulting in 20,812 deaths – a rate of 120 deaths per 100,000 inhabitants – similar to that of Honduras. In comparison, Costa Rica reported a much higher COVID-19 death rate of 180 per 100,000 inhabitants, despite having a more developed public health care system. This discrepancy is most likely due to the significant underreporting of COVID-19-related deaths in Guatemala and Honduras. As of the end of 2022, only 37.7% of Guatemalans were fully vaccinated against COVID-19.

Much more lasting and intractable are Guatemala's chronic development challenges, which include inequitable and unsustainable development. Attempts to change the constitution to acknowledge the equal and unique existence of the country's Indigenous nations have been defeated on the basis of the argument that the country is one and cannot be divided to suit the desires or demands of specific groups. The problem with this argument is that all available data indicates that government investment in social services and infrastructure and the country's legal system favor Indigenous people the least. In other words, the country is already divided into populations that are better or worse off along ethnic lines.

## History and Characteristics of Transformation

The signing of the Guatemalan peace accords in December 1996 promised to expedite the democratization process initiated in 1984 during the civil war. At that time, the government, which was under the control of the armed forces, conducted elections for a constituent assembly. This was followed by parliamentary and presidential elections in 1986. A reduction in violence and the formal conclusion of the civil war (in December 1996) provided an opportunity for greater mobilization and political engagement among civil society actors. This included left-wing parties that had previously been marginalized.

In the first postwar years, Guatemala faced the challenges of implementing the terms of the peace accords and repairing the damage of war, while pursuing macroeconomic structural adjustments under the presidency of Álvaro Arzú (1996 – 2000). Core objectives included reducing the budget deficit, increasing the value-added tax and combating widespread tax evasion. Another urgent issue was the battle against illegal and criminal elements, which had increased significantly since the 1990s, profiting mainly from corruption, the drug trade, money laundering, weapons sales and human trafficking. During Alfonso Portillo's presidency (2000 – 2004), the ties between these criminal networks, politicians and the state apparatus intensified.

Óscar Berger's government (2004 – 2008) made some timid attempts to counter this crime wave but was unable to effect significant change. His government signed an agreement with the United Nations to set up the International Commission against Impunity in Guatemala (CICIG), tasked with assisting the Guatemalan public prosecutor and the national police in investigating corruption and impunity in the government and the private sector. President Álvaro Colom (2008 – 2012) made fighting crime a top priority but with few positive results. Still, the CICIG had begun to show results, prompting President Otto Pérez Molina (2012 – 2015) to try to close it down and promote loyalists within the office of the attorney general to protect himself from being prosecuted. Nevertheless, investigations proceeded, leading to the arrest, incarceration and trial of both President Pérez Molina and his vice president, Roxana Baldetti.

The extensive citizen protests that marked the end of Pérez Molina's government revealed the emergence of new social movements advocating for political reform, the rule of law and transparency. In this context, Jimmy Morales (2016 – 2020), a comedian with no prior political experience, became president. Morales, along with his vice president and several party members, faced prosecution for the illicit financing of electoral campaigns. Morales spearheaded a powerful coalition consisting of private sector associations, corrupt politicians, and members of Congress and the Supreme Court, which ultimately led to the dismantling of the CICIG in 2019. The subsequent government, led by President Alejandro Giammattei, has taken steps to dismiss officials associated with the CICIG's work and appoint individuals who are willing to overlook ongoing government corruption.

Through all this political turmoil, Guatemala's economic policies have remained generally unchanged. Fiscal austerity, inflation control and a managed floating exchange rate have contributed to an average annual GDP growth rate of about 3% over the past two decades, while the economy has diversified only slightly. The country's main socioeconomic characteristics have also remained unchanged, with a persistently high poverty rate, high levels of child malnutrition, profound income inequality and massive emigration that have contributed to increasing remittance flows. Deep-rooted ethnic divisions between different social groups (e.g., rural and urban, Indigenous and Ladino) have persisted. The widespread informal sector not only limits the opportunities for personal advancement of 70% of the population but also denies them access to the legal system and other basic entitlements. Guatemala has failed to improve its economic and social framework, and, as a result, many are convinced that the only real alternative is to seek a better future elsewhere.

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

While the 1996 peace accords defined Guatemala as a multicultural, plurilingual and multiethnic state, these features failed to be enshrined in the constitution. There has been some progress in combating racism and discrimination (e.g., a law against discrimination, the establishment of the Office for the Defense of Indigenous Peoples, and the introduction of anti-discriminatory educational practices). Still, Guatemala remains a country deeply divided along ethnic, linguistic and cultural lines, which negatively impacts the poor, especially Indigenous people, who make up 40% – 50% of the population. However, this has not led them to question or reject the nation-state as a whole.

The government, dominated by white and Ladino populations, has long neglected and disparaged Indigenous people as second-class citizens. While these groups do not necessarily question the legitimacy of the nation-state, many – especially those residing in the rural Western Highlands, where poverty is rampant – have emigrated in large numbers since the early 2010s.

All citizens are issued identity papers and can exercise their voting rights. Local or regional concerns from areas with a high proportion of Indigenous population might not be satisfactorily addressed by the central government. Nevertheless, grievances have not given rise to separatist or autonomist political movements. Until now, grievances continue to be channeled through the state's established institutions, together with pressure from local or regional organizations.

Question  
Score

Monopoly on the  
use of force

6

'06 '24 10



1

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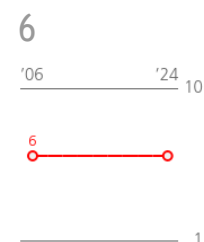
The government, dominated by white and Ladino populations, have long neglected and disparaged indigenous people as second-class citizens. While these groups do not necessarily question the legitimacy of the nation-state, many – especially those residing in the rural Western Highlands where poverty is rampant – have emigrated in large numbers since the early 2010s.

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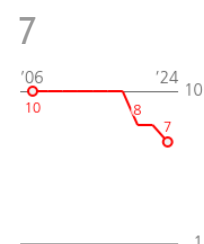
The Guatemalan state is formally secular. However, the Roman Catholic Church has always had a strong presence and influence in politics. Since the 1970s, Protestant churches have grown considerably, and, at present, about 40% of the country’s population belongs to a Protestant (Evangelical, Pentecostal) church, whose votes are explicitly sought by candidates for public office. The government of Jimmy Morales (2016 – 2020) was particularly close to the Evangelical churches, with several Evangelical leaders supporting his decision to end the CICIG and move the Guatemalan embassy in Israel to Jerusalem. They generally support conservative positions with regards to issues of gender identity, sex education and abortion rights.

President Giammattei is a devout Catholic and has included religion as an important component of his political leadership. In March 2022, he participated in ceremonies to declare Guatemala the “Pro-Life Capital of Iberoamerica” in opposition to abortion rights. However, he simultaneously requested that Congress shelve a law that would increase jail terms for those convicted of performing abortions (which are still legal if the mother’s life is in peril) because they contravened Guatemala’s international obligations. In June 2022, he visited the United States and defended his government from criticism, which he said had to do with his faith. Religious pronouncements are also openly expressed in other branches of government. The president of the legislature suggested that government was instituted and protected by divine authority and should be obeyed accordingly.

#### State identity



#### No interference of religious dogmas



The Pacific coastal area of Guatemala is home to most of the population and is the best connected region in terms of land transportation. In contrast, the northern and northwestern parts of the country are generally poorer, more rural, with more limited transport infrastructure.

Guatemala has a total road network of 16,950 kilometers, of which 9,740 kilometers are unpaved. The road network grows at a rate of about 200 kilometers per year, but the government estimates that it needs to be more than twice as large – 38,000 kilometers – to provide adequate access for producers and consumers throughout the whole country.

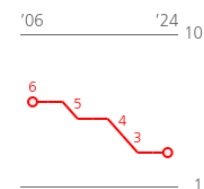
The state, however, lacks the professional competence and resources to undertake the necessary investments in infrastructure, in addition to inefficiencies produced by corruption and arbitrary administrative decisions. Thus, people's ability to access public services and goods is highly dependent on power relations within public administration. State institutions are concentrated in Guatemala City and in the main cities of each department, while the absence of state presence in border municipalities enhances drug and human trafficking networks. International development agencies have supported administrative decentralization as a means to improve the provision of public services, particularly in remote areas (e.g., the Indigenous Western Highlands).

Public services at the community level have improved in some areas but not in others. Electric energy is now available to 97.1% of the population, with rural areas somewhat lower (96.6%) than urban areas (97.5%). Access to potable water is available to 94% of the population, but only 55.8% of homes have piped water. Sanitation services (sewage lines, latrines) are available to only 68% of the population. Internet access is still limited to 51% of the population.

The administration of justice has improved somewhat. New field offices and courts have been opened in underserved areas, and the number of judges, prosecutors and technical staff has increased. However, there are still significant gaps in coverage. A 2019 study of the justice system found that the Public Prosecutor had offices in only 20% of the country's municipalities, and the number of judges was low (six for every 100,000 inhabitants, compared to the global average of 17). This inevitably leads to backlogs and excessive caseloads. Although improvements could be made with additional funding for the judicial branch, the government's approved budget for 2023 allocates only 6.1% of total expenditure to state institutions involved in the provision of justice.

Basic  
administration

3





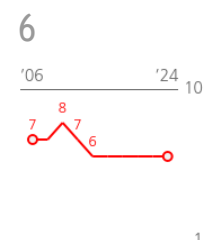
## 2 | Political Participation

Universal suffrage by secret ballot is the norm throughout the country. However, election campaigns have turned violent and candidates have been threatened, which undermines the idea of “free” elections. The last national elections – presidential and legislative – were held in June and August 2019 and assessed as minimally free and fair. In total, 26 parties and 19 presidential candidates representing various platforms contested the elections. However, voter abstention was 57.3% in the second and final round of the presidential election, significantly higher than 43.7% in 2015, a reflection of increasing disenchantment with electoral politics. The 2019 election campaign underlined two of Guatemala’s political peculiarities: very few parties exist for more than one term, and no one party has ever held a majority in the legislature. This makes for complicated political negotiations that involve appointments to public office and government contracts in order to achieve a minimum level of governance.

Another factor clouding the fairness of the elections is the issue of party and campaign financing, which is embedded in complex, illicit structures that became increasingly opaque after the end of the CICIG mandate in 2019. Shortly before the CICIG left the country, it released its report, *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.” The report adds, “The illicit financing present in most campaigns and parties comes mainly from criminal groups, corruption and businessmen.”

The upcoming June 2023 national elections will seemingly repeat past experiences. At last count, there were 17 candidates running for president, and 19 parties have candidates running for the legislature and municipal councils. Candidates for the presidency and Congress must be vetted by the Supreme Electoral Tribunal, the Comptroller General, the Attorney General and the Supreme Court. All these bodies have been singled out for the corrupt appointment of their members and their heavily politicized decisions. These have led to the qualification of regime-favored candidates convicted or charged with serious crimes, including drug trafficking, corruption and illicit criminal association, as well as the banning of the more progressive and democratic candidates on trumped-up charges of alleged malfeasance. Hence, Guatemalans and international observers have expressed deep cynicism about the fairness and transparency of the forthcoming ballot.

Free and fair elections



The government's ability to govern is primarily constrained by the influence and informal veto powers of special interest groups (e.g., business associations) and criminal structures embedded within 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 undermine the work of institutions involved in criminal investigations.

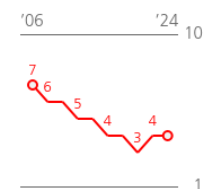
The work undertaken by the CICIG and previous attorney generals led to the dismantling of powerful corruption networks within the government until the CICIG's abolishment in 2019. Since then, a coalition known as the Pacto de Corruptos (Pact of the Corrupt) – composed of private sector representatives, members of Congress and former military personnel – has emerged to prevent further investigations into corrupt networks within government. President Giammattei's government has continued to impede any meaningful corruption investigations by appointing a complicit attorney general, as well as loyal assistant attorneys and judges. These measures have been supported by the Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations (CACIF), the most important private sector association, as well as other CSOs allied to the president.

Freedoms of association and assembly are guaranteed by the constitution, yet constitutionally sanctioned restrictions can be applied by the government (e.g., a state of exception or siege). Human rights advocates and Indigenous peasant rights groups face high levels of intimidation and violence from a state that considers them subversive for requesting redress of grievances. Peasant communities are also repressed when they demonstrate against actions by the state or businesses that affect their livelihood. Those who are not outright confronted by police officers or soldiers wielding batons and tear gas (or worse) can find themselves in court, facing lengthy judicial proceedings and possible prison time. For instance, in October 2021, the government declared states of prevention and siege for 30 days in response to protests in a municipality in the northeast of the country. The demonstrations were sparked by a mining company continuing to operate, despite a court order that had suspended its license. Security forces fired tear gas at protesters, and a curfew was imposed to clear the roadblocks set by the protesters.

President Giammattei also decreed various states of emergency during the COVID-19 pandemic, which prevented social organizations – especially human rights defenders – from working freely and demanding accountability from security forces for their actions. In addition, legislators amended the law governing NGOs in February 2020, making it more difficult for them to register and to receive funds from abroad. In August 2020, the government required foreign NGOs to register with the Ministry of the Interior, which was given broad authority to disband CSOs.

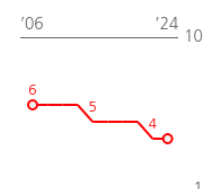
Effective power to govern

4



Association / assembly rights

4



Workers are still denied the right to organize, while union members are subject to intimidation, blacklisting and violence, and have even been murdered, especially in rural areas where private interests are more powerful than state institutions. In urban areas, trade union organizing and operations are hindered by the removal or transfer of union leaders and by corruption within the unions, which the state ignores.

Generally, the Guatemalan state is concerned that any dissidence might get out of hand and become a major crisis, so it prefers to keep an eye on even the most innocuous forms of social organization and react strongly when dissent turns into open protest.

Freedom of opinion and the press are guaranteed by the constitution. Mainstream mass media does relatively little independent or investigative reporting on its own and has been found to be controlled by corrupt entrepreneurs and politicians who use it for illicit financing and propaganda during electoral campaigns. New and more independent print and online publications promote independent journalism, although they have a relatively small audience compared with traditional mass media. Guatemala's rank in the 2022 World Press Freedom Index (124th out of 180 countries) represented a drop of eight places compared to 2020.

Under Giammatei's administration, journalistic investigations into corruption, human rights violations and illicit practices by private businesses have resulted in attacks on the media, ranging from smear campaigns to police harassment and criminalization. One particularly serious case is the arrest and imprisonment of José Rubén Zamora, editor of *El Periódico*, a print media outlet that has a long history of investigative reporting. Zamora was arrested in late July 2022 and charged with blackmail, influence peddling and money laundering. However, the real reason is likely to be his newspaper's publication of corruption allegations involving President Giammattei and bribes received from Russian mining interests in Guatemala. He is still in prison as of January 2023. The print edition of *El Periódico* was discontinued in November 2022, the digital edition in May 2023.

Access to information was restricted during the COVID-19 pandemic, including the lack of accountability for public funds spent during the state of emergency.

Freedom of  
expression

4

'06 \_\_\_\_\_ '24 10



1

### 3 | Rule of Law

Guatemala has a formal separation of powers between the executive, legislative and judicial branches of government. However, checks and balances have been replaced by an informal coalition of the executive branch and Congress, which also includes those institutions charged with the observance of the law, such as the Office of the Attorney General, the Constitutional Court and the Special Attorney's Office against Impunity (FECI).

Today, all these institutions are under the control of the executive. The ruling coalition in Congress enables the executive to neutralize any oversight initiative and to remove officials who cannot be controlled otherwise. The most significant action taken by President Giammattei in this regard was the reappointment of the attorney general, Consuelo Porras, who had served under former president Morales and overseen the closing down of the CICIG. Since then, Porras has shut down cases and fired the special prosecutors who were investigating allegations of corruption by officials close to Giammattei.

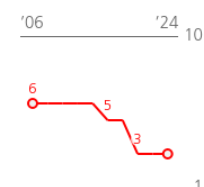
To shore up support for his government, Giammattei called on the army to defend the nation's sovereignty against criminal networks engaged in people and drug smuggling, and against those who want "to come and tell us what to do," a clear reference to concerns expressed by Washington and other Western capitals about the disregard for the rule of law in Guatemala. This appeal to the army is concerning because it means that President Giammattei might consider using it to support his political agenda and against his opponents.

The independence of the judiciary is heavily impaired by high levels of political interference and widespread corruption in the appointment of judicial officials. The improvements and advances achieved by the investigative and prosecutorial work of the CICIG and the Office of the Attorney General prior to 2019 (when the CICIG was abolished) have been largely dismantled or shelved during Giammattei's presidency. The Office of the Attorney General has been gutted by the appointment of Consuelo Porras, who has proceeded to stop specific prosecutions and has fired attorneys who persisted in doing so.

The case of Juan Francisco Sandoval is particularly revealing because he was fired as head of the Special Attorney's Office to Combat Impunity (FECI) in mid-2021 when he discovered preliminary evidence of malfeasance among "officials close to" Giammattei. He had to flee the country after receiving threats against himself and his family, and he will be arrested and charged if he returns to Guatemala. Over the last two years, more than 30 prosecutors and judges have fled the country to avoid arrest.

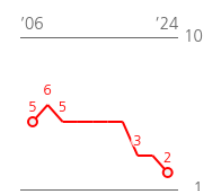
Separation of powers

3



Independent judiciary

2



Furthermore, the Pacto de Corruptos has prevented the election of the 26 new justices of the Supreme Court (their term ended in 2019) and of 225 judges of appellate courts who should have been appointed in 2019. The nominating commissions were impugned for including individuals who were associated with corrupt practices, and the Congress has simply postponed the election of a new Supreme Court. Meanwhile, the sitting Supreme Court has prosecuted judges who have ruled against individuals involved in corruption and human rights abuses.

The impunity enjoyed by public officeholders in Guatemala was summarized by the U.N. High Commissioner for Human Rights, Volker Türk, in a statement released on January 18, 2023: “It is dramatic, given Guatemala’s history, that those fighting for accountability for gross human rights violations are the ones now being persecuted ... Equally concerning are the attacks against those trying to combat one of the worst viruses to afflict any society: corruption.”

His statement could be applied to any moment in Guatemala’s recent past, especially since the cancellation of the CICIG in 2019, which had initiated numerous investigations together with Guatemalan prosecutors against corrupt politicians and businesspeople. Since then, individuals facing legal action or termination of employment have been those who sought to uphold accountability among officeholders and expose corrupt associates in civil society.

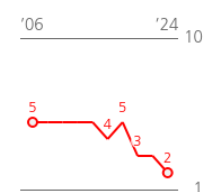
The last significant successful prosecution of a public officeholder involved the resignation in 2015 and subsequent trial and conviction of former president Otto Pérez Molina and his vice president. It was precisely the investigations handled by the CICIG and government prosecutors that uncovered a corrupt operation of reduced customs duties in exchange for bribes that was run by Pérez Molina and Baldetti. Although both remain in prison, their fate convinced the remaining corrupt officeholders that the work of the CICIG and the Office of the Attorney General could not continue unrestricted. Hence, the CICIG was unilaterally dissolved by then-President Jimmy Morales with the full backing of the armed forces and the business community.

President Giammattei continues to neutralize the judiciary’s independence by reappointing a pliant attorney general and firing judges and prosecutors who attempt to remain independent. The only remaining channels for public debate regarding the issue of judicial independence are the press and NGOs working in the fields of human rights and corruption. But even these actors find their work under direct attack, as exemplified by the politically motivated arrest of José Rubén Zamora in mid-2022. Zamora was the editor of the most important independent newspaper in the country. The charges were brought by the Office of the Special Attorney, which is charged with fighting impunity and corruption (FECCI).

Within this context of judicial persecution, it is practically impossible for independently minded prosecutors and judges to pursue corruption cases against public officeholders. There are no expectations that things will change in the short term.

Prosecution of  
office abuse

2



Civil rights are formally enshrined in the constitution and secondary legislation but are frequently violated. Indigenous people (especially community leaders, women, and activists involved in fighting corruption and extractive economic activities) often fall victim to abuse. A common mechanism of repression involves the judicial prosecution of community leaders and activists, which compels them to invest resources and time in their legal defense.

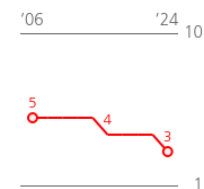
One of the most prevalent violations of civil rights is the arbitrary arrest of individuals critical of government policies and actions. Although the law specifies that no one can be arrested without a warrant issued by a judge or held for more than six hours before being presented in court, these stipulations are often ignored by the police. Once arraigned, the indicted can be held in pretrial detention for months, if not years. As of late 2021, about 46% of all prison detainees were being held in pretrial detention. Former president Otto Pérez Molina, who is being prosecuted for corruption while in office, has been held in pretrial detention since 2016. In addition to politically motivated reasons, pretrial detention is linked to slow investigations and the failure of judges to issue the court orders required to release prisoners who have served their sentence.

The prison system is notoriously underfunded, overcrowded and improperly run. In mid-2021, there were nearly 25,000 inmates in facilities designed to hold no more than 7,000 individuals. Reports mention frequent cases of killings and assaults, in addition to inadequate sanitation and food services. The most important prisons are under the control of criminal gangs and drug cartels.

Generally, equality before the law is still seriously lacking. The state must supposedly provide attorneys for those unable to pay for one, but this is not always the case. There is an ingrained bias in favor of those who can afford a private lawyer or who are well-connected. Women, as well as individuals who belong to an Indigenous group or who identify as LGBTQ+ are also at a disadvantage when it comes to equal access and due process under the law. During the first half of 2021, nearly 400 women were killed (femicides), an increase of 30% over the same period in 2020.

### Civil rights

3



#### 4 | Stability of Democratic Institutions

Democratic institutions formally exist at the national and local levels of government. However, their effectiveness is limited due to a lack of political stability and scarce financial resources. The powerful networks of corrupt politicians further impede the normal operation of public institutions, as they facilitate the appointment of officials who are willing to participate in unlawful public contracts and allocate resources in favor of certain interests.

Although the country is divided into 22 departments headed by governors appointed by the president, these are purely administrative divisions. It is the national government and the 334 municipalities that actually assign and spend fiscal resources. Guatemala's government revenues represent only 12% of GDP, meaning that public services and investments are very limited. They are even more limited in the outlying rural municipalities, which receive subsidies from the national government but must otherwise depend on property and sales taxes and assorted other minor revenues to cover their own obligations (including urban planning, waste collection, water supply and road maintenance).

National government revenue and spending are decided by Congress annually. However, in some years, given the complexities of party representation and the negotiations required to secure a working majority, the budget presented by the executive is not approved and the government continues to function under the previous year's budget, highlighting dysfunction within the legislature. Congress has also held off electing Supreme Court justices since 2019, further affecting its credibility. Its oversight functions have also been largely neglected.

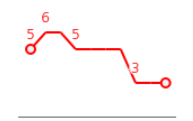
Finally, public administration is generally deficient in the absence of a trained, professional civil service. Politically tainted appointments to public office do not result in the best choices, but rather the most politically expedient.

After the signing of the 1996 peace accords, competitive and fair elections for public office became the norm and have since been largely accepted as such by all political forces and actors. However, democratic mechanisms of governance (justice, taxation, oversight) come under stress when powerful economic and political groups feel that their dominant position in society is being challenged. This was particularly noticeable during the years that the CICIG and Guatemalan attorneys prosecuted members of prominent business groups for tax evasion and illegal financing of electoral campaigns. The CICIG was disbanded in 2019. Subsequently, these powerful economic and political forces supported former president Morales, current president Giammattei and the legislature in order to influence judicial appointments and weaken prosecutions that affected their interests. Thus, it is not the legitimacy of the institutions or the organization of government as such that is questioned, but rather the policies and decisions of officeholders when they stretch the law and

Performance of democratic institutions

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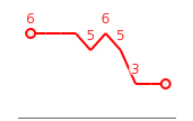
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Commitment to democratic institutions

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ignore, suspend or bypass established procedures. This issue was starkly evident when Congress delayed the election of Supreme Court magistrates and when the attorney general dismissed independent prosecutors who were investigating politically sensitive matters. A particularly worrisome undermining of democratic principles is the increasing role of the military in police functions beyond its specific mandate.

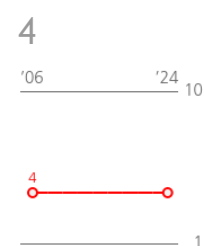
## 5 | Political and Social Integration

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, and 15 won seats in the parliament. For the June 2023 general elections, 21 parties (out of 29 in existence) have presented candidates for president and vice president. However, only a few candidates have any real chance of winning a substantial number of votes, and none will likely secure a majority in the first round. Furthermore, not all of the parties have had their candidates duly registered and authorized by the Tribunal Supremo Electoral, as several have been impugned by rivals and are awaiting a court decision.

Voter volatility is high. There are few substantial differences between parties, either in terms of platforms or ideology. They are established around personal relations 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, and political alliances are designed to win or remain in office. For example, President Giammattei won only 14% of the vote in the first round in 2019, while his main opponent won 25.5%. In the run-off, Giammattei won 56% and Torres ended up with 42%. Voter turnout decreased from 61.8% in the first round to 42.7% in the second.

The weakness of the existing party system represents a major problem, not only for the stability of the political system but also for the broadening of political representation and participation. 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 a key focus of investigations by the CICIG and the Prosecutor's Office before 2019. 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 along class and ethnic lines. A few players among the Ladino (Hispanized) population dominate political debate, which at times becomes highly polarized when constitutional or legal reforms are on the table. Economic elites are fragmented regarding business interests, although during the last few years they have shown a high degree of unity regarding resistance to structural changes, political system reform, and the prosecution of business groups and politicians involved in corruption. The most powerful actors supporting the status quo – particularly the industrial lobby (represented by 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, especially regarding the use of public resources.

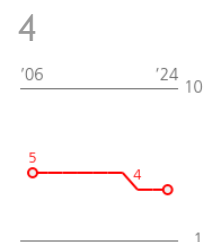
For their part, CSOs are weak, fragmented and subject to frequent criticism. Human rights and anti-corruption movements have come under pressure through judicial prosecution and campaigns to discredit them. This requires them to pay for legal defense, which CSOs are not always able to afford, and consequently reduces their capacity to promote reform. While some CSOs show a growing level of professionalism, this may undermine their roots in popular social movements.

Additionally, Giammattei’s government has introduced legislation to limit the work of NGOs. A law that came into effect in June 2021 gives the executive branch wide discretionary powers to dissolve NGOs and prosecute their directors if their activities might “alter the public order.” A second law currently making its way through the legislature will allow the government to arbitrarily decide the “viability of an organization” and close it down if it does not meet the government’s requirements.

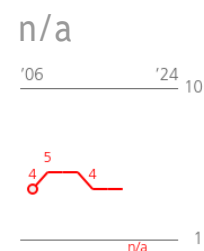
Other forms of social organization, such as labor and craft unions, have been weakened by a relatively small formal labor market. Surviving unions are ineffective and sometimes corrupt. Social movements such as environmental and peasant protest movements have little lobbying capacity, which forces them to conduct street demonstrations or highway blockings in order to make their demands known, despite the risk of confrontations with police.

Approval of democracy in Guatemala is low compared to the rest of Latin America. According to the most recent Latinobarómetro survey (2021), support for democracy rose to 37% in 2020 from 28% in 2018. However, only 37% of Guatemalans think that democracy is better than any other political system (down from 50% in 2018). On the other hand, 57% would not mind a non-democratic government if it “could resolve problems,” although 45% reject a military government under any circumstances.

#### Interest groups



#### Approval of democracy

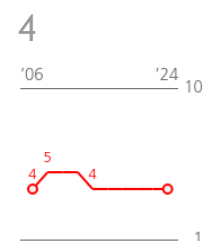


According to Latinobarómetro, overall satisfaction with the way democracy functions in Guatemala is quite low at only 25%, most likely due to evident corruption in the government. Although some of these cases have been prosecuted – which speaks well of the justice system up to a point – impunity and judicial persecution of opponents continue unabated. Thus, it is not only democracy that is perceived to be failing in Guatemala but also the institutions of the state itself. The most trusted institution is the army, with a 34% approval rating, followed by the police at 28% and the Presidential Office of Giammattei at 27%. The legislative branch fares poorly at 18%, and the judiciary ranks only marginally better at 20%. The worst-performing institutions are political parties at 9%, although the electoral authority that oversees their operations fares better at 20%. Overall, public perception of the state’s operation is very negative.

The legacies of war still limit trust and cooperation in Guatemalan society. Rampant corruption and the ever-present threat of violence also reduce people’s capacity to collaborate and bond. In certain situations, the dynamics of crime create conditions where people confront delinquents violently by taking the law into their own hands (lynchings and beatings) or organize around informal vigilante groups in the absence of a police presence. While these initiatives fall under the category of cooperation and mutual support, they are not regulated by the state and can break the law.

There are many charities and social assistance CSOs, mostly affiliated with religious groups and international aid agencies, that are engaged in youth and education issues, health care and cooperatives. Their work suggests that social cohesion and collective action are not restricted to Indigenous communities, as has been traditionally maintained. However, new laws seek to restrict their funding and operation, thereby threatening their existence. Their work is not made any easier by the high levels of personal mistrust as reflected in the Latinobarómetro 2021 report: only 15% of Guatemalans stated that one could trust a majority of people. All Latin American countries, except Uruguay, scored below 20%.

#### Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Guatemala is a middle-income country with a long history of social exclusion, evident in a pronounced divide between Ladino/mestizo and Indigenous populations. According to the Institute of National Statistics, 44% of inhabitants self-identify as Indigenous, while the Ladino/mestizo population comprises the majority. A small, white, urban elite controls most of the country's resources.

According to the World Bank, as a consequence of the COVID-19 pandemic, the poverty rate increased from 47.8% in 2019 to 52.4% in 2020. Poverty especially affects Indigenous households (79.2%) and rural households (76.1%). Poverty is translated into very high chronic malnutrition rates, the fourth highest in the world, with Indigenous and rural populations disproportionately affected. Guatemala also has high levels of income inequality, with a Gini coefficient of 48.7 in 2014 (the most recent data available), which particularly affects women. The female HDI score was 0.596 in 2021, compared to 0.650 for males. Despite improvements since 2010, the country's Gender Inequality Index score for 2021 (0.481) was the third worst in the region, only ahead of Honduras and Haiti. Furthermore, the inequality-adjusted HDI (IHDI) score was 0.460 in 2021 – below the global average of 0.58. According to the Human Development Report for 2021/22, the richest 1% of Guatemalans receive 20% of income, while the bottom 40% receive about 17%.

Guatemala's HDI score increased slightly over several years to 2019, reaching 0.663 in 2019. However, it dropped to 0.627 in 2021, with the country ranking 135 out of 191 countries, as a consequence of the COVID-19-related economic downturn and the dismantling of social policies during the Pérez Molina and Morales governments (2012 – 2020). The national budget for 2021 included a significant reduction in funding for programs aimed at reducing poverty.

COVID-19 put an end to three decades of economic growth in Guatemala. However, the recovery has been rapid and substantial. In 2021, GDP grew by 8%, with 3.4% growth projected for 2022. Despite this progress, there are still several economic uncertainties linked to the pandemic. For instance, by the end of 2022, only 37.7% of Guatemalans were fully vaccinated.

Question  
Score

Socioeconomic  
barriers

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	77172.3	77715.2	86053.1	<b>95003.3</b>
GDP growth	%	4.0	-1.8	8.0	<b>4.1</b>
Inflation (CPI)	%	3.7	3.2	4.3	<b>6.9</b>
Unemployment	%	2.2	3.4	2.9	<b>2.6</b>
Foreign direct investment	% of GDP	1.5	1.3	4.2	<b>1.4</b>
Export growth	%	0.2	-7.5	10.3	<b>7.0</b>
Import growth	%	4.9	-5.8	19.5	<b>4.4</b>
Current account balance	\$ M	1821.5	3918.1	2113.3	<b>1319.4</b>
Public debt	% of GDP	26.4	31.5	30.8	<b>29.2</b>
External debt	\$ M	25034.6	24813.1	26964.6	-
Total debt service	\$ M	2040.4	3495.7	1536.9	-
Net lending/borrowing	% of GDP	-2.2	-4.4	-1.2	-
Tax revenue	% of GDP	10.4	10.0	11.6	-
Government consumption	% of GDP	11.1	11.5	11.3	<b>11.5</b>
Public education spending	% of GDP	3.2	3.3	3.1	<b>3.2</b>
Public health spending	% of GDP	2.4	2.5	-	-
R&D expenditure	% of GDP	0.0	0.0	0.1	-
Military expenditure	% of GDP	0.4	0.4	0.4	<b>0.5</b>

Sources (as of December 2023): 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 continues to operate under a weak institutional framework. Market-based competition is largely restricted to the formal sector of the economy, while most of the country's economically active population is either underemployed or works in the informal sector. Both the World Bank and the ECLAC estimated that the size of the informal sector was about 80% of the economically active population in 2018, although a survey conducted by the government's statistics office in 2021 placed that figure at 71%. The Bank of Guatemala estimated that the informal sector contributed to about 22% of GDP in 2019. Thus, the formal sector employs far fewer people but produces nearly four-fifths of all goods and services in Guatemala.

The formal sector continues to face problems involving security and corruption, in addition to government inefficiency, and an insufficiently trained and educated workforce. The economy is open to the world in terms of trade (Guatemala has signed free trade agreements with the United States, the European Union and many Latin American nations), and capital and profit remittance flows are unrestricted. The national currency, the quetzal, has remained remarkably stable in relation to the U.S. dollar over the last decade.

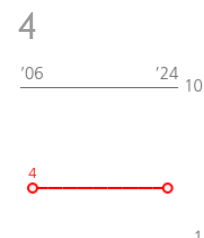
In general, prices are determined by market forces, which increasingly include goods produced abroad that enter the country under Free Trade Agreements (FTAs) and low tariffs. Cross-border labor flows are also largely unrestricted, although predominately limited to the informal sector, such as coffee and sugar harvesting.

The Heritage Foundation's 2022 Index of Economic Freedom categorizes Guatemala as "moderately free" and ranks it 69th out of 177 countries worldwide. The foundation emphasizes that a weak legal framework hinders the proper protection of property rights, particularly with regards to land ownership in rural areas. Additionally, the report highlights pervasive corruption in government procurement and customs.

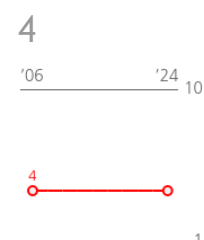
Guatemala does not have specific legislation or a competition authority that addresses monopolies. However, the constitution includes a provision that allows the state to limit the operation of companies that concentrate production on certain lines of goods. The FTA with the United States (2006) and the association agreement with the European Union (2012) require Guatemala to enact specific legislation that aligns with international standards. The banking sector is the only exception, as it is regulated and supervised by the Office of the Superintendent of Banks. For all other sectors of the business industry, regulation is outlined in the Commercial Code.

The pressure brought to bear by companies and cartels that exercise market dominance is the most likely explanation for the lack of anti-monopoly legislation. This is especially evident in industries such as beer, poultry and derivatives, cement and telecommunications. Otherwise, foreign investors can operate in most sectors of the economy under generally equal rules.

Market organization



Competition policy



Foreign trade in Guatemala is largely unrestricted, although there are still some non-tariff barriers, such as import license requirements and bureaucratic delays. In 1995, Guatemala became a member of the WTO. Additionally, the country entered into the Central American Free Trade Agreement (CAFTA) with the United States in 2006 and established an association agreement with the European Union in 2012. These agreements have significantly impacted Guatemala's trade relations.

According to the WTO, the country's simple average MFN applied tariff rate was 5.6% in 2021. The majority of tariffs do not exceed 15%. However, certain imports pay higher duties that aim to protect local producers. For example, the duties on sugars and confectionery amount to 11.7%, animal and dairy products range from 11.9% to 13.4%, coffee is subject to a duty of 13.4%, beverages and tobacco face a duty of 17.5%, and clothing has a duty of 14.9%. Thanks to long-standing FTAs among Central American nations, most agricultural imports from another Central American country are not subject to any duties.

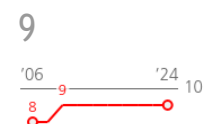
The financial system encompasses 17 banks, mostly of national ownership. The Superintendency of Banks (SIB) is responsible for monitoring the operations of the banks, which are required to present regular audited statements. According to the 2022 IMF country report, the supervisory and regulatory framework needs to be improved to bring Guatemalan laws (still pending in the legislature) in line with Basel and FATF standards.

The capital-to-assets ratio of all the country's banks was 9.6% in December 2022, up from 9.4% in 2021 and 9.3% in 2020. Meanwhile, non-performing loans stood at 1.3% in December 2022, down from 1.7% in 2021 and 1.8% in 2020. The banking system's operations are "prudent," and the results are consistent with this appreciation. During 2022, the most important bank credit lines as percentages of total credit included consumption (housing, goods and services) at 40.9%, retail businesses at 13.8% and manufacturing at 12.7%.

Apart from the generally sound operation of the banking system, there is considerable room for improvement. Controls over money laundering remain weak. Investigations conducted by the CICIG (prior to its dissolution in 2019) and the attorney general demonstrated the involvement of banks in money laundering and the illegal financing of electoral campaigns and political parties. The IMF country report for 2022 states that economic prospects will improve if effective anti-corruption and governance measures are implemented. These measures include strengthening the Office of the Attorney General and reducing bureaucratic impediments.

The banking system's operations are mostly limited to middle- and upper-class Guatemalans and business clients. Poorer Guatemalans do not qualify for regular bank credit. There are foundations and credit unions that provide loans for small farmers and businesses, but their reach and size are limited. Many individuals end up in the hands of loan sharks, who charge very high interest rates and demand repayment in the short term, leading to permanent indebtedness.

#### Liberalization of foreign trade



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#### Banking system



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## 8 | Monetary and fiscal stability

The Guatemalan national currency, the quetzal, has remained remarkably stable in relation to the U.S. dollar. Since 2005, its value has oscillated between GTQ 7.5 and GTQ 8.20 per U.S. dollar. At the end of 2022, the exchange rate stood at GTQ 7.85 per U.S. dollar. The quetzal's stability is the result of several factors. First, the Guatemalan central bank, the Banco de Guatemala (Banguat), intervenes by selling or buying foreign exchange at auction to limit excessive volatility in an otherwise market-determined rate for the quetzal. The Banguat and its Junta Monetaria (monetary board) are essentially beholden to the large export producers (especially sugar and coffee) that identify with conservative monetary policies to control inflation and labor-intensive production costs. Secondly, remittance flows have increased dramatically over the last decade, accounting for nearly 17% of GDP in 2022. And thirdly, Guatemala's economic growth, including its export sector, has been quite dynamic. Thus, the current account balance has been generally positive.

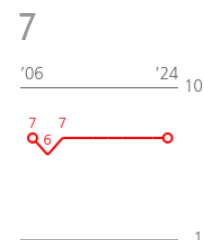
While the central bank is formally independent of government influence, it can sometimes be influenced by powerful networks connected to private sector interests and corruption. The control of key financial institutions in Guatemala has traditionally been negotiated by each new government, showcasing the private sector's veto power over the central bank's monetary board.

Inflation prior to 2021 was relatively low, ranging between 2.3% and 5.6%. However, an increase in inflationary pressures worldwide translated into a domestic inflation rate of 9.24% in 2022. Projections for the coming years indicate that inflation will remain within the band set by the Banguat of  $4\% \pm$  one percentage point, although predicting inflationary pressures originating abroad is challenging.

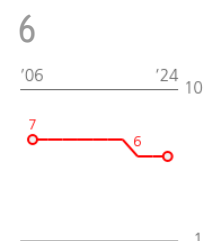
Guatemala's fiscal policy over the past few years has been described as prudent, indicating that budget deficits and deficit spending have been minimized. However, this approach has had consequences, such as limited spending on social and infrastructure programs, as well as exceptionally low social transfer rates, which are the lowest in Latin America. Despite maintaining an economic growth rate of 3% to 4% throughout the last decade (excluding the 2020 COVID-19-related contraction), widespread corruption and inefficiencies in tax collection have hindered the government's ability to foster social and economic progress.

Total fiscal revenues accounted for 11.2% of GDP in 2019, while expenditures amounted to 13.5%, resulting in a fiscal imbalance of -2.2% of GDP. In 2020, the first year of the COVID-19 pandemic, revenues decreased to 10.7% of GDP, while expenditures escalated to 15.6%, resulting in a fiscal imbalance of -4.9%. In 2021, the fiscal imbalance was less severe at -3.4% of GDP and is projected to further decline to -2.3% in 2022, which is equivalent to the 2019 figures.

### Monetary stability



### Fiscal stability



Guatemala's public debt as a proportion of GDP increased from 26.4% in 2019 to 31.5% in 2020, 30.8% in 2021 and 30.5% in 2022. Roughly three-fifths of public debt is held by local creditors and two-fifths by foreign creditors. The significant surge in public debt in 2020 resulted from the economic contraction caused by the COVID-19 pandemic.

Fiscal constraints continue to be primarily driven by corruption, particularly following the dissolution of the CICIG in 2019 and the volatile capacities of the tax institution, the Superintendencia de Administración Tributaria (SAT). Various cases investigated by the CICIG revealed how tax evasion by influential economic elites had a detrimental impact on fiscal revenues.

## 9 | Private Property

Guatemala has a long history of conflicts over property rights, particularly land property. By the mid-19th century, when production for export became one of the country's most vital economic activities, a significant portion of the land and labor belonging to Indigenous communities was acquired or controlled – either through legal means or by force – by the political elite. Ever since, disputes over land rights have remained a persistent challenge to Guatemala's pursuit of economic development and social equity.

Article 39 of the constitution guarantees private property as an inalienable right of every person and requires that the state provide the conditions that will allow the property owner to make the best use of it for the benefit of the country as a whole. However, property rights are a particularly serious problem for poorer, more rural segments of the population who have limited access to the legal system and are affected by the encroachment onto their lands by mining and agribusiness interests. Many of the country's poorest rural inhabitants occupy land that is not legally theirs and can be evicted without notice.

In recent years, there have been many conflicts over land titles closely related to mining, hydropower and agribusiness interests, including nickel deposits and African palm plantations. These conflicts have been complicated by limited improvements in land registration systems, which exacerbate land insecurity and poverty. In response, affected peasants and Indigenous communities resort to social protests and forceful measures (e.g., blocking highways), which the government responds to by deploying troops.

Land distribution in Guatemala is highly skewed, with 3.2% of the largest farms (i.e., farms over 22 hectares) controlling almost two-thirds of total agricultural land. This disparity not only impacts domestic dynamics but also influences Guatemala's international standing. Rural populations, who lack access to land, are most likely to emigrate north, thereby exacerbating tensions with the United States regarding illegal immigration.

Property rights

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The 2022 International Property Rights Index (IPRI) ranks Guatemala 103rd out of 129 countries worldwide, with an overall score of 4.023. Although its score for intellectual property protection in 2022 remained relatively unchanged compared to 2021, its score for physical property protection declined from 6.565 to 4.569. This decline was primarily attributed to a significant drop in the score for the property registration process, which decreased from 9.201 in 2021 to 3.21 in 2022.

The Guatemalan economy is the largest in Central America and is based on private enterprises. The government currently only owns and operates the two main seaports and a small electric generation company. Government-owned companies involved in power distribution, telephone services and grain storage were all privatized in the 1990s. While there have been no recent privatizations, previous privatizations did not consistently follow market principles and occasionally resulted in the creation of oligopolies, such as in the energy and telecommunications sectors.

Foreign-owned companies operate under the same set of rules and regulations as companies owned by Guatemalans. There are no restrictions on foreign investment – the government is eager to attract foreign investment, especially in offshore production (maquila) and the service sector.

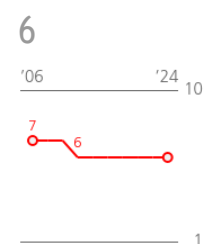
Guatemala has issued all the appropriate rules and regulations that seek to provide the business sector with the necessary guarantees and safeguards for normal operation. However, because of the weak rule of law, the state's interests are sometimes intertwined with illegal (corrupt) private interests, wherein safeguards are ineffective and the costs of doing business are high. All cases of public corruption prosecuted by the CICIG and the Attorney General's Office in the 2010s involved prominent private sector businesses.

## 10 | Welfare Regime

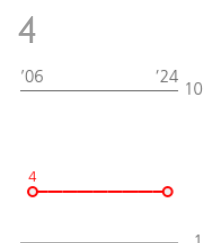
All formally employed Guatemalans are covered by medical insurance provided by the Instituto Guatemalteco de Seguridad Social (IGSS). The IGSS is funded by contributions from employers, employees and the state. In 2022, a total of 1,510,278 individuals were enrolled in the IGSS, with 64.6% being men and 35.4% women. The total number enrolled represents one-fifth of the economically active population. Additionally, there were a total of 579,632 spouses and 856,095 children under the age of seven who were covered. Overall, 17.1% of the total population is covered for medical services by the IGSS.

Those not enrolled in the IGSS must seek private medical services or use the state system of public hospitals and clinics, which are operated by the Ministry of Health. The Ministry of Health's budget for 2023 is 10.67% of total budget expenditures – the third highest item after education and public debt service but less than what was spent in 2021 and 2022 when COVID-19 expenditures were prioritized. Government spending on health care was 6.21% in 2019, which is low by international standards.

### Private enterprise



### Social safety nets



Despite the lack of a comprehensive, formal social security system, informal social safety networks provide some level of protection, especially in areas with strong communal organizational structures. Remittances support families in communities where the presence of the state welfare system is precarious or nonexistent. In recent years, drug cartels have substituted the state welfare system in areas where they are active. These networks provide health care centers, schools, sports centers and basic services. Additionally, there are charitable medical services run by religious institutions and NGOs.

A minority of Guatemalans work in the formal economic sector, according to the National Statistics Institute. In 2021, 70.8% of the working-age population was employed in the informal sector, with 68.0% of working-age men and 75.7% of working-age women. This limitation on their access to basic social services has a greater impact on women. Structured retirement plans are only available to IGSS members and military personnel.

Article 4 of the constitution ensures equal opportunities and responsibilities for both men and women, and Article 102 guarantees their equal pay for work. Guatemala is also a signatory to the Convention on the Elimination of All Forms of Discrimination Against Women. There is still some way to go to achieve these objectives.

Access to education has improved. Literacy among 15- to 24-year-olds was 94.6% in 2018, compared to the national average of 80.8% and 49.1% among those over 65. However, when access to education is broken down by levels, the fault lines of social cleavages become evident, especially among Indigenous and rural populations. In 2021, net enrollment at the primary school level was 88.5%, 40% at the secondary school level and barely 22.1% (in 2019) at the tertiary level. This is partly due to the increasing cost of education at each successive level and reflects older children and adolescents entering the workforce to cope. Moreover, almost complete gender parity is achieved at all levels, with girls and women doing slightly better than boys and men by 1% to 2%.

Still, Indigenous people, who make up nearly half of Guatemala's population, are under-represented in terms of participation and welfare. According to a 2018 UN Special Rapporteur report on the rights of Indigenous peoples in Guatemala, Indigenous children have very limited access to education, with only half attending school. Indigenous girls fare much worse, receiving an average of only two years of schooling compared to six years for non-Indigenous girls. Indigenous and rural schools suffer from insufficient funding, classrooms lack basic teaching tools and teachers are unprepared to work in multicultural environments. "Free" public schooling is not always available, leading Indigenous children to drop out of school. The critical state of public education in Guatemala is largely a result of inadequate spending, representing only 3.1% of GDP in 2021 and 23.0% of total budget outlays, the largest share.

Equal opportunity

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The 2022 Global Gender Gap Report ranks Guatemala 113rd out of 153 countries, with a score of 0.664, when measuring gender disparities. Women and men are practically on a par for educational attainment, health outcomes and life expectancy rates. However, women are significantly under-represented in political empowerment (0.113), and economic participation and opportunities (0.589). Although women have access to contraception, abortion is illegal, except when the mother's life is in danger. In 2020, women in Guatemala had an average of 2.5 children, down from 3.4 in 2010.

Informal discriminatory practices have a significant impact on the LGBTQ+ community, which can face harassment and physical violence. Society strongly opposes same-sex marriage and civil partnerships.

## 11 | Economic Performance

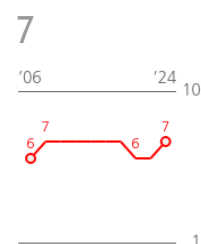
The economy has performed solidly, with government spending and borrowing kept within limits that are amenable to business interests (both local and foreign), on the one hand, but insensitive to the overwhelming social and economic disadvantages that affect most of the population, on the other. GDP has grown continuously over the last five years, from \$71.6 billion in 2017 to \$86.0 billion in 2021, with a lower rate in 2020 followed by a strong rebound in 2021. Per capita GDP growth has been less impressive given Guatemala's relatively high population growth rate (1.5% in 2021). It was 2.3% in 2019, then dropped by -3.0% in 2020 due to COVID-19 and rebounded by 5.9% in 2021. Nonetheless, 47% of the population lived in poverty in 2020.

Very conservative fiscal policymaking has kept public debt within manageable bounds. Due to COVID-19, additional spending was required, causing public debt to increase by more than five percentage points to 31.5% of GDP in 2020, declining marginally to 30.8% in 2021. Taxation is also low. The tax-to-GDP ratio rose slightly from 9.2% of GDP in 2017 to 10.6% in 2018, declining to 10.5% in 2019 and to 10.0% in 2020.

Official unemployment rates have remained very low over the last five years, ranging from 2.2% to 3.6% in 2021. While a majority of working-age individuals are employed, the informal sector accounts for approximately 70% of total employment, as stated in the 2021 ILO country report. Within this sector, around 10% of individuals are underemployed. This situation contributes to the relatively high rates of both employment and poverty.

The export sector remains dependent on traditional products (e.g., bananas, sugar, coffee), while maize, beans, vegetables, meats and fruits are produced for local consumption. More recent export activities include resource extraction (nickel) and niche agricultural products (cardamom, nutmeg, mace). Exports have dropped somewhat as a proportion of GDP, from 18.5% in 2017 to 17.8% in 2021, but

Output strength



remittances have played an increasingly important role as a source of foreign currency in recent years. By 2021, remittances accounted for 17.9% of GDP up from 11.7% in 2017.

The combination of consistent export earnings and considerable remittance flows means that the current account balance for Guatemala is very positive. It rose from \$857.1 million in 2017 to \$3,823.4 million in 2020, before dropping to \$2,177 million in 2021. A positive current account balance also contributes significantly to the stability of the local currency and makes the country attractive for foreign investment, which has remained stable, ranging between 1.3% of GDP in 2017 and 1.4% in 2020. Exports, remittance flows and foreign investment are subject to the vagaries of global markets, particularly those of the United States, which is Guatemala's principal trading partner.

## 12 | Sustainability

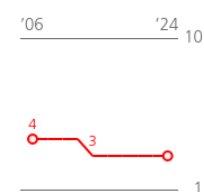
Environmental concerns in Guatemala are often overshadowed by the priority given to economic growth. According to official documents, Guatemala's greenhouse gas emissions are minimal in comparison to the global scale. Despite the existence of the Ministry of Environment and Natural Resources (MARN), and various specialized agencies, their efforts have proven to be ineffective. Guatemala has endorsed the Paris Climate Agreement and, in May 2022, submitted its third version of the Nationally Determined Contribution (NDC). This contribution sets forth a plan to reduce greenhouse gas emissions by 11.2% by 2030 through local resources, potentially achieving a reduction of up to 22.6% with international assistance.

Progress up to now has been limited to research and project design. For instance, in 2022, the Directorate of Climate Change of the MARN conducted a cost-benefit analysis to identify mitigation options in the industrial and solid waste sectors. These options include methane capture in landfills, composting, energy efficiency and the generation of renewable electricity for domestic consumption. Furthermore, the government has developed a comprehensive electric generation plan for the period from 2022 to 2052. One interim goal of this plan is to achieve 80% green electric energy generation by 2027. However, the plan does not address the greenhouse gas emissions resulting from automobiles, buses and trucks. Additionally, it fails to provide tax incentives for conservation or the production of green energy by individual households or companies.

Aside from climate-related proposals, numerous unaddressed environmental problems persist, including the illegal diversion of rivers and contamination of surface waters, as well as escalating levels of deforestation and pollution stemming from sugarcane and African palm plantations. Moreover, negative environmental consequences associated with mineral resource extraction, such as gold and nickel mining, have resulted in a series of conflicts primarily revolving around water usage.

Environmental  
policy

3



To address these environmental conflicts, the government employs repressive tactics by security forces, which includes incarcerating community leaders. In his initial two months in office, President Giammattei declared over six states of emergency and deployed the military in regions embroiled in sensitive environmental disputes.

Most programs seeking to address environmental concerns are funded and promoted by the international community. The National Strategy for Development with Low Emissions of Greenhouse Gases, presented in 2018, was financed by USAID. Due to the weak, underfunded and overburdened nature of Guatemalan public institutions, international assistance will likely be essential for the effective implementation of environmental and climate-related policies and projects.

The overall literacy rate was 80.8% in 2018 but was 94.6% among the 15 to 24 age group, indicating an improvement in school attendance at the primary level. However, in 2021, gross enrollment in secondary education was only 50.4% of the corresponding age group, dropping to 22.1% at the tertiary level. The primary reason limiting attendance at higher levels of education is widespread poverty, which compels young individuals to enter the workforce prematurely. Furthermore, there are fewer and more centralized educational institutions as one progresses up the educational ladder. As a result, university education and formal technical training remain unattainable for the majority of the population.

Public schools in Guatemala are poorly equipped and underfinanced, prompting wealthier citizens to send their children to private schools both within the country and abroad. According to the 2021 UN Education Index, Guatemala is ranked 101st out of 137 countries listed, with a score of 0.483. This places Guatemala between Cambodia and Uganda. The country's public spending on education has remained relatively stable over the past decade, hovering at around 3% of GDP. This figure falls below the 5% recommendation set by international development organizations. Additionally, education expenditures represent 23% of total budget expenditures.

Investment in R&D is negligible and has averaged about 0.05% of GDP over the last decade. In 2019, it was zero. Industries and agribusinesses rely on foreign technology in order to drive innovation in their production processes. Guatemalan universities focus on teaching business administration, law and the social sciences; the only hard science they offer is medicine, which is also heavily reliant on imported knowledge.



## Governance

### I. Level of Difficulty

Structural constraints on governance in Guatemala have both natural and social origins. The country's southern coastal region – where most of the population lives – is located on the confluence of two tectonic plates (the Caribbean and Cocos) and is traversed from north to south by an important fault (the Motagua Fault). Thus, the country is prone to frequent earthquakes and volcanic eruptions. In November 2020, two successive tropical storms hit the country, affecting over three million people and causing more than \$700 million in damages. The government response to disasters is always lacking, and international assistance is never sufficient to compensate for losses.

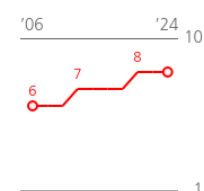
Poverty in Guatemala is historically ingrained and concentrated disproportionately among Indigenous peoples, who make up nearly half of the population. According to the World Food Programme, two-thirds of the population live on less than \$2 per day, and nearly half of children under five are stunted due to malnutrition. Guatemala has the fourth highest rate of chronic malnutrition in the world and the highest in Latin America, according to the World Bank. Poverty and malnourishment hold back prospects for sustainable growth and development, in addition to creating conditions for political and social conflict.

Governments have always invested little in social and human development, concentrating instead on providing a good environment for business opportunities, especially production for export that requires an abundant and inexpensive labor force. The government's spending on education is only 2.8% of GDP, far less than the regional average and that recommended by international development organizations, in addition to inefficiencies and corruption in the educational system. Consequently, many students drop out before they finish their schooling. The majority of young Guatemalans do not reach complete high school.

Migration has become a structural characteristic of Guatemalan society and reflects the inadequate and insufficient efforts to promote development from within. Poverty and lack of opportunities have fueled high emigration rates, with 90% of emigrants heading to the United States. The remittances they send back to Guatemala every year are now greater than the government's budget.

Structural  
constraints

8



Civil society traditions are weak due to years of dictatorship and a decades-long civil war that ended in the 1990s. Since then, civil society organizations (CSOs) have proliferated and are engaged in specific issues across the country or are concerned with local matters. However, conflict and mutual distrust still characterize CSOs and society at large. Additionally, several CSOs depend on international funding, which places their long-term sustainability at risk.

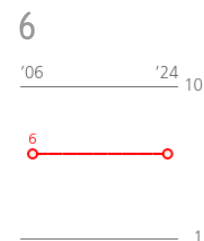
After widespread citizen mobilizations against government corruption in 2015, new social movements emerged, most of which were initiated by young people without links to traditional CSOs. These new movements were characterized by the extensive use of social networks, although they lacked societal roots. They saw themselves as an alternative to the traditional political establishment and the conservative private sector. In 2015 and 2016, these movements played an important role in efforts to reduce corruption and promote political reform. In addition, for the first time since the civil war, they managed to build a broad-based coalition that rallied the Indigenous peasantry and the urban poor.

However, the end of the CICIG in 2019 weakened the movement for political reform and accountability, which was 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 and arrested several people, including leaders of social organizations and journalists.

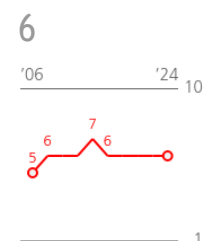
Giammattei's government has increased the pressure on CSOs by issuing legislation and directives that provide the government with greater discretion in registering CSOs and renewing their operational authorization. A law that came into effect in June 2021 gives the executive branch wide discretionary authority to unilaterally dissolve CSOs, if they present a threat to "public order," and empowers the state to prosecute CSO directors. This measure aims to weaken the activities of CSOs by threatening them with dissolution and prosecution, if they become excessively vocal in their demands.

Guatemalan society has been deeply split and polarized along ethnic and social lines for decades. Violence in rural areas has usually been driven by conflicts over land tenure. More recently, conflicts associated with mining and hydropower projects have increased polarization and ideological radicalization. Confrontations between communities, on the one hand, and security forces and private guards hired by companies, on the other hand, have resulted in the death or incarceration of community leaders, abuse and intimidation of women, and destruction of communal property. In several more remote areas, drug trafficking is a key driver of violence, too. In principal cities, the lack of opportunities has given rise to youth gangs that control poor suburbs and are sometimes linked to wider criminal networks.

#### Civil society traditions



#### Conflict intensity



Homicide rates have decreased in Guatemala from a high point of 45 homicides per 100,000 inhabitants in 2009 to around 17 a year between 2020 and 2022. According to the government, this decline reflects improved policing, including better intelligence, more police officers and soldiers, cross-border operations against drug trafficking and community outreach programs. However, the COVID-19 lockdowns have contributed, too. And urban gangs have also centered their activities more on drug-peddling and small-scale extortion and less on fighting over territory with rival gangs. Nevertheless, homicide rates in Guatemala persistently surpass the 10 per 100,000 inhabitants mark, a level deemed “epidemic” by the WHO.

Political confrontation has intensified dramatically in recent years. In their battle to reverse a decade-long process of judicial reform, the government and its allies in the private sector have criminalized the judges, prosecutors, civil society activists and journalists who spearheaded or advocated for the reforms.

## II. Governance Performance

### 14 | Steering Capability

Over the last few decades, Guatemalan governments have been characterized by conservative fiscal policy, and – with very few exceptions – moderate investment and spending on social programs. Even transitions of executive power between alternating political parties have not changed this reality. Thus, strategic thinking and planning are practically nonexistent. Instead, successive governments have been more attuned to the immediate concerns of political and economic elites that affect the stability and predictability of the social environment, mostly involving the control and suppression of social protests. The limited capacity of government institutions to produce results must also be factored in. For example, during the last two years of the Morales government (2016 – 2020), the government prioritized fighting the CICIG, while President Giammattei’s initial two years in government were focused on managing the COVID-19 pandemic.

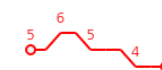
As a whole, the government suffers from serious limitations in its ability to prioritize and organize policies. Priorities change with every presidential transition and are renegotiated each year during discussions to approve the national budget. Typically, each administration spends the first year in government defining its policy priorities, usually without taking existing policies into consideration because it does not want to be associated with the record of the previous government. The following years are invested in negotiating policy implementation. The result is a lack of consistent, long-term policy agendas.

Question  
Score

Prioritization

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The last two years of Giammattei's presidency have partly focused on appointments and measures to block the prosecution of corrupt officeholders. The government has also acted aggressively to counter social protests and muzzle the press. In line with Giammattei's personal convictions, the government has insisted on preserving very restrictive reproductive and gender legislation.

Giammattei has also underlined his government's commitment to promote economic growth, especially after the COVID-19-related downturn. His government has been very interested in attracting more foreign investment in production for export to Mexico and the United States, establishing free trade zones and guaranteeing low taxes, as well as streamlining bureaucratic procedures for setting up new companies. Giammattei has also underlined government investment in transportation infrastructure (highways, ports) and tourism, in line with the recommendations of the McKinsey report presented to the government in 2020.

New governments in Guatemala tend to implement short-term policies associated with their campaign promises and slogans. As a result, new governments do not seek to establish continuity with the previous government's policies. Implementation is also undermined by the influence of campaign contributors, patronage networks and sectors that oppose reforms. The absence of a stable, career-oriented civil service also leads to improvisation and inefficiencies when policy measures are implemented.

A case in point are the development plans devised either by the national government or by local development councils. These plans are used as corruption mechanisms among municipalities and members of the legislature. Established plans and investment priorities are frequently altered in Congress to match the personal priorities of legislators or to favor their political clients. Consequently, public investment flows toward the country's richer regions.

The government's failure to improve the efficiency of the tax system and increase spending on social issues reflects its strong political dependence on elite groups and its overall conservative character. The Morales and Giammattei governments (2016 – 2024) have invested much effort in dismantling previous reforms regarding fiscal administration, the Office of the Attorney General and the national police force. Giammattei had no governing strategy beyond an initial emphasis on security, which included imposing states of emergency and deploying military forces to several territories.

One private sector think tank (FUNDESA) hired McKinsey Consulting Group to prepare a national, long-term development plan, which was duly presented and adopted by the Giammattei government in October 2020. The plan is structured around five main strategic areas: investment (foreign and domestic), human capital, infrastructure, tourism, and competitiveness and the rule of law. By the end of 2022, FUNDESA reported: an office had been set up to provide information for interested investors; 24,000 scholarships to study English and computer programming had been

Implementation

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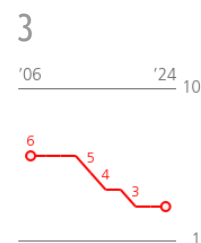
awarded; 8% of designated infrastructure projects had been completed and another 33% were well advanced; tourism was being reactivated by providing updated information and improved security; and discussions were underway to expand the use of digital technology in government operations (especially to modernize the judiciary). Of particular interest is a commitment to reach a “national agreement on transparency” in consultation with public institutions and civil society. This is a veiled reference to the problem of corruption, which is not mentioned as such anywhere in the document.

Although the COVID-19 pandemic required the government to redirect funds to finance the construction of hospitals, purchase equipment, and provide direct support for families in need, Giammattei has insisted that his government continue to prioritize economic growth and foreign investment, passing laws to develop free zones and providing tax incentives. He has emphasized that no additional taxes have been introduced to finance COVID-19-related assistance programs. Instead, he claims the tax base has been enlarged. This has been the government’s policy with regard to economic growth and social development. The proposal prepared by the McKinsey Group must still face the test of time. Presently, it represents a voluntary and limited commitment by government institutions and the private sector, which offers no guarantee that the next government will continue to support it.

Guatemala’s political leadership sometimes responds to mistakes or failed policies with follow-up reforms or changes. However, this usually means it has given in to pressure from interest groups or has tried to respond to criticism from leading media sources and the public. There are no government offices that engage in systematic policy or program evaluation. At most, the office of the government’s comptroller prepares audits that gauge the level of execution (spending) of approved budget expenditures. Some NGOs have monitored government performance in education and health care. International human rights advocacy organizations (both public and non-governmental) also monitor compliance with respect for human rights and issue recommendations for compliance. The only regularly monitored and evaluated projects are those financed by international aid agencies that are required to present evaluations and audits to their own governments. Otherwise, the degree of policy failure and success is unknown except for statistics on education (enrollment, expenditures), health care (number of patients and type of assistance received) and public security. Projects lack proper mechanisms to evaluate impact, and civil society is not included in assessments of project implementation. When problems arise, the solution involves changing the personnel responsible for program implementation rather than evaluating results.

Changes in government also involve personnel changes, as the incoming president and ministers look to surround themselves with loyalists. This means that new governments rarely rely on the expertise of qualified personnel who were employed by previous administrations. Governments are reluctant to retain professionals

#### Policy learning



employed by previous administrations. Meanwhile, qualified professionals who are concerned about ethical standards do not always feel confident working in government.

Generally, the greatest obstacles to innovation are corruption and the elite sectors protecting the status quo by installing officeholders who are part of patronage networks of the ruling party group. There is no professional civil service, policymakers lack specialized technical knowledge and reliable information for formulating policy options is not readily available.

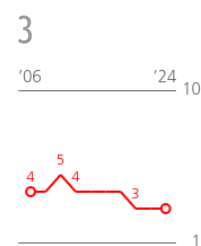
## 15 | Resource Efficiency

Public sector employment in Guatemala comprises two levels: the national government and municipalities. The total number of national government employees is not precisely known. According to the office that oversees the civil service, there were 211,400 employees in the national government at the beginning of 2022. However, according to the Social Security Institute, the total number was 341,000. Meanwhile, the National Statistics Office reported that the total number of government employees was nearly 433,000 in 2021.

A comprehensive study of government employment with the assistance of the World Bank and the European Union in 2019 reported a total of 292,000 employees, of whom some 260,000 worked in executive branch ministries. The Ministry of Education accounts for 57.7% of all national government employment, followed by the Ministry of Government (17.8%) and the Ministry of Health (13.8%). According to this study, total national government employment represented about 6.4% of the economically active population (compared to 15% in OECD countries) and absorbed about 60% of budget outlays.

The finances of the Guatemalan government have been administered under very conservative (prudent) criteria, with fiscal deficits of around 2% of GDP. However, it is not certain that the distribution or amount of budget expenditures is based on the criteria of national priorities. There have been years when the legislature has been unable to agree on a budget, and the previous budget is repeated by default. Additionally, corruption and patronage associated with budget allocations lead to the misuse of financial resources and appointments to public office. Consequently, there is a lack of competitive recruiting procedures and on-the-job training programs. The results of international support and state initiatives seeking to modernize public administration are mediocre. The combination of continually replaced officeholders, patronage appointments and ingrained corruption lead to institutional stagnation and prevent the state's performance from improving.

Efficient use of assets



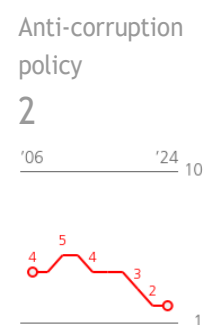
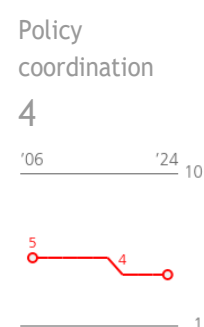
The Central American Institute for Fiscal Studies (ICEFI) has stated that the government's budget must reflect a clear preference for state support of basic rights, especially the eradication of infant and childhood malnutrition, and greater investments in programs for children and adolescents. To date, most governments have preferred to minimize expenditures for social programs in order to avoid discussing tax reform, which would be necessary to finance the social programs. Furthermore, there has not been any concerted effort to rein in corruption since the CICIG's abolishment. At present, the only institution that can audit the public administration is the Office of the Comptroller General, but it is controlled by political parties, preventing independent audits.

Government policy coordination is possible when there is policy and when established procedures allow for engagement between ministries and departments. However, both of these criteria are lacking in Guatemala. President Giammattei began his term by creating the Center of Government (Centro de Gobierno). Staffed by supposedly qualified staff, the center channels information and instructions from the president to the ministries, and vice versa. Staff members make recommendations to the president concerning investments, contracts and government programs. However, the Center of Government duplicated the role of cabinet ministers and was abolished in 2020.

Subsequently, the Secretariat for Planning and Programming of the Presidency (SEGEPLAN) put together the Strategic Institutional Plan (2021 – 2025), a blueprint for involving different levels of government in planning their own activities. The plan aims to identify institutional priorities and provide input for making decisions and allocating resources. The implementation of the plan will be measured by the achievement of relevant indicators. However, strictly speaking, it is not a national development plan.

Other mechanisms have been employed by the president to improve the efficiency of the government's operations. Sometimes presidential commissions or councils are established to bypass formal coordination mechanisms or to simply neglect an issue.

Corruption within Guatemala's government and party system was so widespread and ingrained that it persuaded conservative president Óscar Berger in 2006 to ask the United Nations to cosponsor the creation of an institution to assist Guatemalan judicial and police authorities in prosecuting difficult and sensitive cases of corruption that the Guatemalan authorities alone were unable to handle. Thus was born the CICIG, which worked alongside Guatemalan officials to prosecute hundreds of cases of illegal campaign contributions, government contracts and appointments to public office. In 2019, as the CICIG's prosecutorial work began to implicate those in top government positions, it was terminated by presidential order. Those units in the Office of the Attorney General that had worked with the CICIG were weakened, marginalized or closed down.



This unique collaborative experiment, which involved Guatemalan authorities working alongside the CICIG, produced some spectacular results, despite only scratching the surface. Corruption remains deeply embedded in the political system, which means that mechanisms for oversight and accountability exist only on paper and lack independent capacities. Legislation on transparency and public information passed in 2008 led to the creation of the Office of the Special Attorney Against Impunity (FECI). A new law for the civil service was also presented, although it is yet to be passed by Congress following opposition from important political actors and unions. If approved, the civil service law would form the basis for the professionalization of the civil service.

During the CICIG's years, laws were approved to combat "illicit enrichment" by officeholders (2012), and tax fraud and smuggling (2016). These regulations were criticized by the business sector and remain ineffective due to a lack of political will to implement them. The cases prosecuted by the CICIG and the prosecutor's office since 2015 demonstrate that existing laws are inadequate to tackle the growth of corrupt networks.

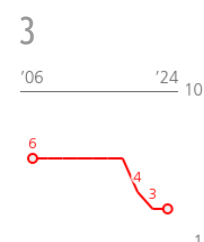
After the dissolution of the CICIG, presidents Morales and Giammattei reversed the work of government anti-corruption offices, appointing a compliant attorney general, and dismissing and prosecuting officials who were investigating cases of corruption. These actions have the support of a large group of legislators who control Congress under the so-called Pact of the Corrupt. Private sector representatives also oppose the strengthening of oversight institutions and international participation, while anti-corruption CSOs lack political support and protection. In many cases, anti-corruption activists face judicial processes initiated by the government that seek to prevent their work.

A 2020 public opinion survey confirms corruption reporting, indicating that 64% of respondents believe that the president and his staff are involved in corruption, and 51% believe the same about the Congress, followed by "certain families" (48%), the police (45%), judges (34%) and businesspeople (31%).

## 16 | Consensus-Building

Rhetorically, most major political actors agree on democracy as the preferred system of government. However, there are important differences of opinion concerning the purpose of democracy. For traditional political and economic elites, democracy is a means of maintaining the status quo. Meanwhile, social organizations and civil society aim to use democratic freedoms and rights to achieve fundamental social reform, which they claim the country urgently needs. In other words, Guatemala's elites are conditionally supportive of democracy if democratic rules do not interfere with their economic model or privileges. In recent years, political and economic elites have joined forces to limit reforms aimed at curbing impunity and corruption, which entails dismantling important components of the rule of law.

Consensus on goals



Guatemalan democracy is still very incomplete. The participation and representation of the country's large Indigenous population are still very limited. Aside from cultural barriers, leadership positions for Indigenous politicians are limited. The electoral authority can reject a candidate on a technicality, as occurred recently with Thelma Cabrera, a Maya leader who is running for president in the June 2023 elections. In her previous presidential bid in 2019, she finished fourth after being subjected to a negative campaign for being a woman, Indigenous and a social activist. In Congress, Indigenous representatives make up only 10% of members, even though nearly half of the country's population self-identify as Indigenous. Any Indigenous candidate for national office also faces the problem of funding, which is channeled mostly to non-Indigenous candidates by the principal economic interests. Since Indigenous populations are the poorest sector of society, they are hardly in a position to provide abundant financial support for Indigenous candidates.

Overall, voter participation in elections varies. In presidential races since 2000, all votes have gone to a second round as a result of the proliferation of competing political parties. In 2019, the first round involved 62.2% of registered voters, but the run-off vote only attracted 40.4%. When compared to the total number of registered voters in 2019, Giammattei received only 23.4% of the votes in the second round.

There is consensus on the convenience and viability of a market economy in Guatemala. The government's conservative fiscal policy aims to assure the private sector that the economic environment is predictable and welcoming for investment and trade. The stability of the national currency has also been maintained, and economic growth of 4% to 5% per year has been the norm over the last 20 years. However, this commendable economic performance has come at the cost of pronounced income and ethnic inequality. The government's fiscal income of about 11% of GDP means that it has limited resources for investment in health care, nutrition and education, especially in those areas where most people of Indigenous descent live and poverty rates are highest.

The lack of effective redistributive policies means that wealth is highly concentrated. In 2021, the richest 10% of the population received 53.3% of national income, whereas the poorest 50% received 9.3%. The very high level of employment in the informal sector (about 70%) also explains why income is so unequally distributed.

Anti-democratic actors with veto power are deeply embedded in public institutions and political parties that defend vested interests and corrupt networks. The pro-democracy actors defending due process, human rights and freedom of assembly proceed with little or no support from those state institutions that should supposedly side with them. Contrarily, the state uses legal and judicial methods to prosecute political opponents (e.g., preventive detention, prolonged trials and high bails).

Not even criticism by foreign governments (especially the United States and the European Union) has hindered the gradual weakening of democratic institutions. While elections continue to be held and the press is allowed to publish, there will always be the threat of more drastic state action against opponents. The incarceration

Anti-democratic actors

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in mid-2022 of the publisher of the main opposition newspaper is a case in point; he continues to be held in prison, despite national and international appeals for his release.

The government's ability (or willingness) to manage cleavage-based conflict has been quite limited. Conflict related to disputes over access to land and labor and civil rights is high in many areas, with many conflicts having an "ethnic" component and geographically localized in Indigenous rural areas. Since 1996, some governments have exacerbated social polarization by criminalizing protesters and chiefly using repression to respond to social demands, especially those related to mining, hydropower and agribusiness interests. Political polarization has been centered on issues of corruption and anti-democratic measures passed by the legislature. There have also been contentious debates about the legacy of the civil war, specifically concerning reparations for victims and accountability for perpetrators.

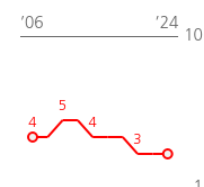
The underlying nature of cleavage-based conflict in Guatemala is related to race. Powerholders belong to the Hispanized majority of the population and have developed narratives that underscore their rights and privileges in terms of ethnic and cultural differences, which are endangered (supposedly) by demands from Indigenous communities and social movements. Giammattei's confrontational and aggressive rhetoric reflects these ingrained attitudes. Economic elites are also quick to put pressure on the government to implement heavy-handed solutions to social unrest, while delegitimizing and rejecting dialogue and negotiation.

The last two governments (2016 – 2024) have maintained a contentious relationship with CSOs and individuals over issues ranging from corruption to press freedom and environmental rights. Formal mechanisms for consultation between civil society and the government have been largely dismantled. Judicial harassment has become the preferred mechanism to prevent civil society involvement and influence policy debates. Under Giammattei, a law has been enacted to control and limit the work of NGOs. NGOs and media outlets have been threatened with prosecution over the supposed mismanagement of funds from abroad.

The commissions charged with selecting candidates for key public offices (e.g., the attorney general, Supreme Court and appellate court judges, and the comptroller general) are important formal mechanisms of civil society participation. The commissions are comprised of representatives from different social sectors, who assess individual candidacies and select a shortlist from which the president chooses the officials. However, under both the Morales and Giammattei governments, these recommendations have been ignored and vested interests have influenced final decisions. The lawyers' association (Colegio de Abogados y Notarios de Guatemala) has played an important role in the degradation of participatory mechanisms by promoting corrupt candidates to the Supreme Court and the Constitutional Court.

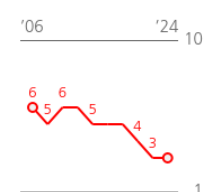
Cleavage /  
conflict  
management

3



Public  
consultation

3



Guatemala's political leadership does not generally recognize the need to deal with past violence because it believes that the state acted in self-defense in the 1970s and 1980s against guerrilla aggression. It does not believe that the population had or has legitimate grievances then or now and does not support the need for reform. Some symbolic recognition has been extended to the relatives of victims of the civil war, and a few trials of lower-ranking military and paramilitary personnel have been conducted. General Efraín Ríos Montt, who led a military government in the early 1980s, was charged with genocide. This was an important step for justice but also evidenced the difficulties of addressing past human rights violations. Ríos Montt was convicted in 2013, although the verdict was overturned and further prosecution was stopped upon his death in 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 1981–1982.

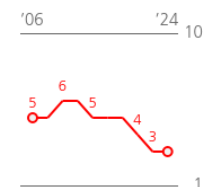
In 2020, soon after assuming office, Giammattei dismantled three important institutions created after the peace agreements to promote peace and manage conflicts: the Secretariat for Peace, the Secretariat for Agrarian Affairs and the Presidential Commission for Human Rights. This is the result of long-standing pressure from conservative groups that are against reconciliation and human rights and aim to maintain the status quo, especially that of the poor Indigenous population whose cheap labor is essential for agricultural exports. Thus, reconciliation is not only a problem associated with a post-conflict situation. It is also associated with long-standing issues of social and economic justice, of ethnic discrimination and exclusion, and of national development policies that advantage a segment of the country's population over others.

## 17 | International Cooperation

The two major foreign assistance providers are USAID and the European Union. USAID works with the government and the private sector in Guatemala over a range of projects, including poverty reduction, economic growth and job creation, health care and education, security and justice, and the protection of the rights of vulnerable and marginalized groups. U.S. assistance to Guatemala is aimed at reducing migratory flows toward the United States by improving the economic and social conditions of the population and creating opportunities for foreign direct investment. USAID also works with the government to improve security and justice by strengthening key justice institutions, combating international criminal networks and human trafficking, reducing gang violence and criminal impunity, and strengthening borders.

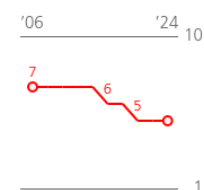
### Reconciliation

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### Effective use of support

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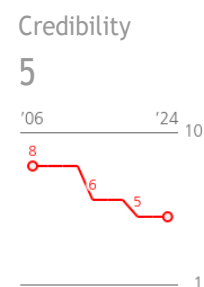
EU projects in Guatemala support the rule of law, defense of human rights, food security, disaster prevention and socioeconomic development, all of which help specific sectors and populations (e.g., Indigenous peoples, women and youth). These projects are largely managed by national and European NGOs. Sweden and Norway have assistance programs that focus on grassroots challenges, especially poverty reduction, and the empowerment of rural and Indigenous communities, as does the Japan International Cooperation Agency (JICA).

Net official development assistance (ODA) received by Guatemala consists of loan disbursements (net of repayments of the principal), as well as grants from official development agencies, multilateral institutions and governments to promote economic development and social welfare. In 2020, this amounted to \$472 million (4.1% of government expenditure and 0.6% of GNI).

It is difficult to estimate the impact of foreign assistance in terms of concrete outcomes and its contributions to national development. The objectives of foreign assistance, however, may not align with the Guatemalan government's policy objectives, which focus on supporting large investments in mining and hydropower projects in association with multinational corporations. At one point, Giammattei threatened to suspend foreign aid programs to Indigenous populations because of their supposed "political interference" in Guatemala's internal affairs. A more serious concern, however, is the lack of a clear and coherent set of nationally determined development goals that foreign aid agencies can support.

Guatemala is a signatory to the Paris Declaration on Aid Effectiveness, which commits donors and recipients to establish priorities for development agendas via consultation and consensus-building, including with local CSOs. Given the Guatemalan government's contentious relationship with CSOs, and the lack of transparency in government operations, aid agencies do not feel sufficiently confident that international cooperation can be put to effective use.

Guatemala's crisis of governance, as reflected in the lack of oversight and judicial independence, has been duly noted by governments in North America and Europe. The cancellation of the CICIG in 2019 was a particularly significant event because it announced to the world that the Guatemalan government was unwilling to permit the prosecution of corruption among officeholders. Some governments expressed their concern in private or in carefully worded statements of reproach. The United States proceeded to implement punitive measures against individuals singled out for corrupt practices by including their names in the so-called Engel List whose U.S. visas are canceled. The first list, issued in July 2021, included 20 Guatemalans, among them a Supreme Court justice, a legislator, a chief of staff of a former president and a judge. The second list, issued in July 2022, included four businessmen, three judges, the anti-corruption prosecutor and a former president of the national university, out of a total of 16 individuals.



The Guatemalan government is a signatory to a host of international agreements on trade, labor and women's rights, global warming, and human rights, among others. Compliance with these agreements varies. Trade agreements are generally respected and are particularly important in the case of neighboring countries (El Salvador, Honduras and Mexico) and the United States, with which Guatemala conducts most of its commerce. Labor rights are a serious problem because the country has a long history of repressing labor organizing, including the assassination of labor leaders. The International Trade Union Confederation (ITUC) included Guatemala in its 2022 list of the 10 worst countries for workers and trade unions globally. To this should be added the right to associate in general, which particularly affects Indigenous communities. In more general terms, human rights in Guatemala are sorely compromised. In January 2023, the U.N. High Commissioner for Human Rights called out the Guatemalan government for persecuting judicial officials involved in cases of violations of human rights and the rule of law.

Guatemala signed the Paris Agreement on Climate Change but has yet to devise concrete measures to reduce greenhouse gas emissions, claiming it does not have the resources to do so. The government has invested in renewable energy (hydro, wind, solar), but the number of private automobiles has increased dramatically.

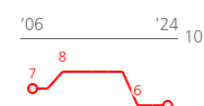
Guatemala's political leadership cooperates regionally within the framework of the Central American Integration System (SICA). Geographic proximity with the other Central American countries makes for intensive cross-border migratory movements of workers and tourists and trade flows. El Salvador depends heavily on imports from Guatemala for foodstuffs and has special arrangements to expedite cross-border traffic; El Salvador also makes intensive use of Guatemalan ports on the Caribbean coast for its import-export trade with the United States and Europe.

In 2021, about a third of Guatemala's exports went to the United States and another third to the Central American region, but only 10.5% of its imports came from the latter. The United States provided a third of Guatemala's imports, Mexico 9.3% and China 16.8%, although Guatemala still recognizes the Taiwanese government.

Besides trade, Guatemalan-U.S. relations are crucial due to the large number of migrants living in the United States. Guatemala is also situated on a significant route for migrant flows from Central and South America and has been caught up in the debate in Washington over how to address this issue. Under the Biden administration, increased development aid has been announced to improve social and economic conditions that drive emigration. Drug trafficking is the other important U.S. concern that is associated with corruption in Guatemala and has strained relations between the two governments.

Regional cooperation

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## Strategic Outlook

Any long-term set of development policies must consider Guatemala's future as a functional democratic state committed to respecting human and civil rights and improving social well-being. This ambitious undertaking will require a meeting of minds among Guatemalans and foreign governments and institutions in order to achieve development objectives, including economic and social change and political reform.

For many Guatemalans, social and economic improvement opportunities are severely restricted by poverty and exclusion. Priority should be given to the regions in greatest need of assistance. One option would be to focus development efforts on departments with the highest poverty levels. This approach could be structured around a public, non-partisan corporation that coordinates the allocation of human and material resources to improve education outcomes, health care and housing provision. Similar experiences in other parts of the world justify a thorough examination of this proposal. Of particular concern are nutritional deficiencies, which affect many Indigenous and underprivileged children in Guatemala. Addressing this concern will require an assertive program of targeted food subsidies, combined with agricultural modernization and diversification. Education and nutrition must go hand in hand to ensure that children and young people stay in school for as long as possible. When devising programs for social and economic improvement, remittances from Guatemalans living abroad must be taken into account.

Such a regional initiative is likely to generate resentment among other segments of the population that are excluded. The most effective approach to addressing this issue involves enhancing the overall functioning of the government. Initially, the government should prioritize funding and supporting social policies aimed at reducing inequality and poverty. This will ensure the provision of essential social services to the most vulnerable individuals. Achieving this goal will necessitate the establishment of a robust tax system to obtain the necessary additional resources, including taking legal action against tax evasion and corruption in the allocation of public funds.

Second, a systematic overhaul of the judicial system is necessary to strengthen its capacities and increase its independence – essentially, what the CICIG tried to accomplish. The Office of the Attorney General and specialized prosecutors must have sufficient resources and institutional protection to work independently of the other branches of government. Judicial independence is key to improving the business and investment environment and the country's standing in the community of nations.

Third, the electoral system needs reforming to make it more competitive and responsive to citizen demands. The country's numerous political parties need more effective regulation in order to convert party activity into an exercise in genuine political representation and not simply a means of protecting special interests or rewarding electoral support with public contracts and employment. Party funding is a particularly sensitive issue that must be addressed.

Fourth, public security should place more emphasis on preventive measures and strengthening civil society and democratic institutions. This is vitally important when it comes to social protests, which should no longer be met with repression but with mediation and non-violent conflict resolution. Police reform needs to be reinitiated, and military involvement in public security should be reduced.