

## **SUMMARY**

### **GUATEMALA MID-TERM REVIEW of CSP 2007-2013**

### **and NATIONAL INDICATIVE PROGRAMME 2011-2013**

#### **MID-TERM REVIEW OF CSP 2007-2013**

##### **Developments in the Country**

Guatemala is slowly moving away from a post-conflict stage, sharing common problems of Latin American transitional democracies, such as a fragile rule of law, weak institutions, corruption and organized crime, weak political parties, widespread poverty and deep income inequality.

At this stage, Guatemala is going through a crucial political phase in which the new administration led by President Alvaro Colom is striving to implement a rather ambitious plan centred on social cohesion policies, fight against violence, impunity, poverty and exclusion of indigenous peoples. In order to lay down the basis for financing such policies in a sustainable way and help the State to improve its "redistributive" prerogatives, President Colom envisaged a fiscal reform. However, this key initiative aimed at increasing social investments and the percentage of fiscal revenues on the GDP, has been the object of fierce opposition both from the private sector and various political forces in the Congress and is also affected by the impact of the global economic crisis.

More than 50% of population lives in poverty and 16% in extreme poverty, mainly indigenous people (73%) and rural zones (70%). Moreover, Guatemala has one of the highest GINI coefficient (0.55) in Latin. The youth situation is particularly relevant as they represent the large majority of the population. More than half live under poverty conditions, many are unemployed (52% of people between 15-29 years) or work for the informal sector, few follow secondary schools and juvenile delinquency is spreading among them. The assignment to social programs still remains one of the lowest in Latin America. The government has launched a package of new initiatives and programmes under the aegis of the Council for Social Cohesion.

The security situation has greatly deteriorated. This includes higher level of criminality, organized crime and a high rate (98%) of impunity. Discrimination against the indigenous population is still endemic in the society; human rights are threatened, in particular human rights defender. Violence against women continues to be a widespread problem. President Colom is engaged in reforming and purging the security forces, and its "National Accord on the Advancement of Security and Justice" was signed by political forces in April 2009. The UN-sponsored International Commission Against Impunity in Guatemala (CICIG) was created in 2007 for two years mandate extended in 2009 to help national institutions investigate crimes related to clandestine groups and security forces having infiltrated the state. CICIG managed to consolidate its credibility and produce first tangible results.

Increase of the oil and food prices in 2007/2008 and the international financial and economic crisis had negative impacts on GDP growth, trade, tourism and FDI, as well as decreasing levels of remittances and employment losses.

There is increased pressure on Guatemala's high but fragile environmental potential (forest, biodiversity, water) and increased vulnerability to natural disasters. Even if Guatemala has ratified major conventions, the implementation is limited as the administration lacks resources to fulfil the tasks related to environmental protection and to address environmental delinquency.

### **EC Cooperation, implementation of CSP/PIN1 2007-2010**

€87.9 million were earmarked, of which €47.3 million for Social Cohesion and Human Security and €40.6 million for Economic Growth and Trade. One project on Support to the Budget Management (€11 million, AAP 2007), started in 2008. Another project on Institutional Strengthening of the Youth Sector in Guatemala (€5.3 million) starts in 2009. Two other projects, Support the Food Security and Nutrition Policy and Strategic Plan of Guatemala (€33.8 million, sectoral budget support) and Facilitate Guatemala's participation in Regional Integration and the Association Agreement process (€6.8 million) are launched in 2009 together with a €2 million contribution to support the CICIG. Finally, due to the growing violence and alarming level of impunity, a project scheduled for 2010 (€29M) responds to the impelling need to foster a comprehensive reform and support the efforts spelled out in the "National Accord on the Advancement of Security and Justice".

Implementation of the NIP 2007-2010 suffered delays due to elections and the change of government in 2007/2008, the weakness and instability of institutions and the escalating insecurity in Guatemala.

### **Conclusion**

**The priorities of the CSP 2007-2013 are still valid. Guatemala continues to face the challenge of poverty reduction, income inequalities, economic development and insecurity. These challenges are increased due to the current international crisis and the deteriorating security situation in the country. Bilateral as well as regional and thematic projects/programmes will contribute to support Guatemala's efforts to face its challenge.** Guatemala should also benefit of the opportunity offered by the EU-Central America Association Agreement. Due to elections in late 2011 activities foreseen within NIP 2011-2013 might need to be adapted on the basis of dialogue with the new government.

### **THE NATIONAL INDICATIVE PROGRAMME (NIP) 2011-2013 (47.1€M)**

Insecurity and its negative impact on the consolidation of democracy and on economic development require a special attention, aligning with the priorities of the government and of donors. Moreover, it is necessary to continue actions contributing to reducing poverty and to support economic and social development, addressing in particular youth employment and vocational training.

#### **1) Priority Area Social Cohesion and Human Security - Justice and Security- €16.1 million**

The objective is to support the efforts made by the government in the fight against impunity in all its components, along the priorities of the "National Accord on the Advancement of Security and Justice" building on existing and new projects and the knowledge acquired by other donors and the CICIG. This includes supporting the design and implementation of state policies on Justice and Security and the reform of the administration of justice; the development of a proper civil servant career in the area of Justice and Security; fostering the

development of a more efficient and effective criminal investigation; developing prevention strategies in the field of violence and juvenile delinquency; supporting enhanced involvement of civil society organisations and integration of gender, indigenous people and environment-related issues. The project should also contribute to strengthen human rights defenders.

**2) Priority Area Economic Development and Trade - Youth Employment and Vocational Training- €31 million**

The objective is to increase the number of quality employment for Guatemalans, particularly for the young people, building on a current project on youth, that includes a component on insertion of youth in the labour market, and recently finished projects on supporting SME and trade promotion. This includes creation of employment opportunities, especially for young indigenous people in rural and marginal urban areas with identified productivity and/or competitiveness potential; to increase the number of SME, improve the business environment and the entrepreneurial capacities of the economically active population, especially youth, with focus in the traditionally excluded segments of population (indigenous, women, etc); to improve the conditions of economic units and workers in the informal sector and trigger, indirectly, their formalization; to assist authorities in the formulation and implementation of a National Employment Policy; to improve the Guatemalan vocational training system.

**Multi annual programming 2007-2013 (€135 Million)**

<b>Focal Sectors/programmes</b>	2007	2008	2009	2010	2011-2013
<b><u>Social cohesion and Human security</u></b>					
<b>Support to the Budget Management</b>	11				
<b>Institutional Strengthening of the Youth Sector in Guatemala</b>		5.3			
<b>Justice &amp; security</b>				29	16.1
<b>Support to CICIG</b>			2		
<b><u>Economic Growth and Trade</u></b>					
<b>Support the Food Security and Nutrition Policy and Strategic Plan of Guatemala</b>			33.8		
<b>Facilitate Guatemala's participation in Regional Integration and the Association Agreement process</b>			6.8		
<b>Youth Employment and Vocational Training</b>					31
<b>Total</b>	<b>11</b>	<b>5.3</b>	<b>42.6</b>	<b>29</b>	<b>47.1</b>