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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

GUATEMALA

PROJECT PAPER

ECONOMIC SUPPORT FUND (ESF)

AID/LAC/P-868

PROJECT NUMBER: 520-0415  
GRANT NUMBER : 520-K-607

UNCLASSIFIED

CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT		1. PAAD Number 520 K 607 <span style="float: right;">520-0415</span>	
PROGRAM ASSISTANCE APPROVAL DOCUMENT  (PAAD)		2. Country GUATEMALA	
		3. Category CASH TRANSFER	
5. To AA/LAC, Mark Schneider		4. Date	
7. From LAC/DR, Eric Zallman <i>EZ</i>		6. OYB Change Number N/A	
9. Approval Requested for Commitment of \$10,000,000		8. OYB Increase: None  To be taken from: Economic Support Fund	
10. Appropriation Budget Plan Code \$10,000,000 LES-394-35520-KG31 72-113/41037			
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input type="checkbox"/> Formal <input checked="" type="checkbox"/> None	13. Estimated Delivery Period	14. Transaction Eligibility Date

15. Commodities Financed

16. Permitted Source U.S. only	17. Estimated Source U.S.
Limited F.W.	Industrialized Countries
Free World	Local
Cash \$10,000,000	Other

18. Summary Description

The purpose of this program is to assist the GOG in consolidating the democratic process, to assist in the execution of poverty alleviation programs while adopting and maintaining sound fiscal policies that improve the likelihood of continued financial support from the International Financial Institutions. The program is conditioned on presidential endorsement of a draft tax law to improve tax compliance, the nomination of a tax prosecutor, the formal initiation of the GOG's emergency program to augment tax collection, which, inter alia, would increase tax revenue available for poverty alleviation and human capital investment, and issuance to USAID of a Letter of Intent recording the GOG's Fiscal Action Plan for CY 1994.

Program funds will be deposited into a separate, non-commingled account in the Federal Reserve Bank of New York in favor of the Bank of Guatemala (BOG). No local currency will be generated by the use of these dollars for debt service. Methods of implementation, financing, and audit coverage have been provided in accordance with payment Verification Policy Implementation Guidance.

19. Clearances LAC/DR: JHradsky <i>JH</i>	Date 11/29/93	20. Action  <input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
LAC/DPP: JStepanek <i>JS</i>	11/29/93	
GC/LAC: RMeighan <i>RM per MTT</i>	12/15/93	
LAC/CEN: Kellis <i>K.E.</i>	11/29/93	Authorization Signature
ARA/ECP: MGarrison <i>L. Wilson</i>	12/10/93	Date 3-10-94
DAA/LAC: NParker <i>NP</i>	3/7/94	Title Assistant Administrator, LAC
FA/B: JPainter <i>JP</i>	12/9/93	<i>Eric Zallman</i>
FM/A: JUockter <i>JU</i>	3/4/94	Date 3/7/94

**ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC**

FROM: LAC/DR, Eric Zallman

SUBJECT: Guatemala - Approval and Authorization of FY 1994 ESF  
Cash Transfer Program PAAD

Action Requested

Your approval is requested to authorize \$10 million in ESF funds for the Guatemala FY 1994 ESF Cash Transfer Program (520-0415).

Background

On May 25, 1993, Guatemalan President Serrano attempted a self-coup or "autogolpe" against his own constitutional government in an effort to establish autocratic powers. After overwhelming repudiation of the autogolpe by the Guatemalan populace, Serrano was forced to resign. The subsequent constitutional election of President Ramiro De Leon Carpio, the former Human Rights Ombudsman, marked an historic return to democracy, deserving of USG support. The new government immediately faced financial challenges including a burdensome external debt service payment schedule and implementation of an Emergency 180 Day Plan for poverty alleviation. In addition, the GOG began negotiations with the IMF, World Bank and the IDB on a package of economic reforms which would allow these institutions to proceed with additional adjustment lending once agreement with the IMF is reached.

As negotiations with the international financial institutions (IFIs) proceeded, the World Bank sponsored a Friends of Guatemala meeting on September 24, 1993, designed to provide emergency financing of \$150 million to cover the estimated financing gap for the remainder of 1993. Donor pledges at that meeting were approximately \$81 million (excluding an undetermined amount from Japan) and included a USG commitment of \$10 million pledged for disbursement prior to the end of CY 1993. While this disbursement date was not met, the needs remain essentially the same as the Government of Guatemala moves into 1994 with a potential \$170 million external financing need.

Program Description

This \$10 million ESF Cash Transfer aims to help the GOG meet its external financing needs, to assist in the execution of poverty alleviation programs continuing on from the 180 Day Plan while maintaining sound fiscal policies, to support IFI brokered macroeconomic stabilization and adjustment programs, and to support the return of democracy to Guatemala. More specifically, the Cash Transfer is designed to allow the GOG to reduce public sector external debt with the IFIs, thus permitting public funds

which would have been used for this purpose to be used for new social sector spending. The repayment of IFI debt should facilitate the successful negotiation of new agreements with the IFIs.

Program conditionality focuses on instituting policies to assist the GOG resolve the current fiscal crisis and improve fiscal policies in the short to medium term. The following conditions precedent to disbursement will be included in the Program Grant Agreement:

1. Presidential endorsement of draft tax laws to improve tax compliance and to establish a land tax;
2. The nomination of a Tax Prosecutor;
3. The formal initiation of the GOG's emergency program to augment tax collection (Programa de Emergencia para el Aumento en la Recaudacion Tributaria);
4. Issuance to USAID of a Letter of Intent recording the GOG's Fiscal Action Plan for CY 1994.

Once the GOG has met the four conditions precedent, USAID/Guatemala will request disbursement of the program funds in one tranche into an interest bearing separate dollar account opened by the Bank of Guatemala in the Federal Reserve Bank of New York. The Bank of Guatemala will then use these funds directly for payment of IFI debt, and will manage the paper flow to enable a proper monitoring and audit of payments to the IFIs. No local currency will be generated by the use of dollars for debt retirement, nor has the Mission opted to request a local currency set-aside under this program.

### Discussion

The PAAD for the Guatemala FY 1994 ESF Cash Transfer Program was reviewed by the LAC Bureau on November 8, 1993. The PAAD was approved at a funding level of \$10 million, to be obligated and disbursed in one tranche. The DAEC decisions are presented below.

A. Political Process: Concern was expressed that the ESF grant was merely a short term, stop gap measure and that it remained unclear if the USG's assistance would lead Guatemala back to the path of sustainable development. Additionally, the current political crisis between the executive branch and the legislative and judicial branches was still unresolved. It was felt that without resolution to the impasse, the fiscal reforms crucial for Guatemala's consolidation of democratic gains would not occur. However, it was pointed out that negotiations among the three branches were currently under way to resolve the political crisis. Additionally, it was hoped that the plebiscite that had been scheduled for November 28, 1993 would further contribute to a peaceful and democratic resolution of the current political

paralysis.<sup>1</sup> The DAEC committee decided that this is an opening to provide transitional support to the government of President Carpio and that the USG should attempt to keep this window of opportunity open while the GOG negotiates a long term solution to its political and fiscal problems.

B. Conditionality: The review committee agreed that the conditions precedent were appropriate and achievable. However, debate centered on whether additional conditionality should be attached in the form of a signed letter of intent (LOI) with the IMF before disbursement of ESF funds. It was pointed out that the economic team assembled by President Carpio and headed by (former) Finance Minister Aitkenhead was extremely capable and dedicated to fiscal reform and modernization. The DAEC committee resolved that it would not insist on a signed LOI with the IMF, given the level of donor confidence that the economic team enjoys. It was further felt that the GOG would not do anything which could endanger the substantial IFI resources that are being negotiated. The newly appointed Finance Minister, Ana de Molina, has indicated her commitment to continue these policies.

C. Use of Dollar Resources: The DAEC committee agreed that the intention to use dollar resources to retire USG debt had precedence. In fact, U.S. policy states that every preference be given to paying off U.S. debt. However, the review committee decided that the ESF funds would be used more appropriately to reduce the GOG's public sector external debt with the IFIs rather than to retire USG Title I debt. It was felt that by paying IFI arrears, strained relations between IFIs and the GOG would be improved, leading to a prompt conclusion to negotiations for additional adjustment lending. The committee stressed that it had to be made clear to the GOG that USG debt retirement is an important issue and that it would have to begin to service new debt as it becomes due. The Acting USAID/Guatemala Mission Director agreed to make the change in the PAAD, subject to consultations with the U.S. Embassy in Guatemala. The U.S. Embassy in Guatemala later concurred with the recommendation to give priority to IFI debt payment. Although payments to the USG periodically come due, the GOG will not be in arrears with the U.S. Government at the time of disbursement.

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<sup>1</sup> After the DAEC meeting, on November 18th, the Guatemalan Congress and Executive branch agreed on a six point program to end the constitutional crisis. Specific provisions included: agreement on specific constitutional reforms to be submitted to Congress; an agreed upon legislative agenda; agreement to elect a new Supreme Court; the scheduling of Congressional elections; and an agreement to submit the constitutional reforms to public review. The plebescite was subsequently held on January 30, 1994 and resulted in the approval of the constitutional reforms.

### Congressional Notification

A Planned Program Summary Sheet was not included in the FY 1994 Congressional Presentation, hence a Congressional Notification was prepared and submitted to Congress on November 10, 1993. Congress raised human rights issues with respect to this notification, which were the subject of several subsequent consultations with USAID and State. The human rights concerns were ultimately addressed through a letter written by President De Leon Carpio to President Clinton on 17 January 1994 in which, inter alia, he stressed his government's commitment to the protection of human rights, the establishment of a more equitable and pluralistic society, and for a system of representative, democratic government. On receipt of this letter, Congress withdrew its hold on the disbursement of funds for this program.

### Office of the National Drug Control Program (ONDCP)

ONDCP raised concern over the use of funds originally intended for Peru, a drug control priority country, in Guatemala. This concern was addressed to ONDCP's satisfaction by the State Department's written assurance that language will be inserted into the Program Agreement requiring full cooperation from the GOG on curbing the production and trafficking of illicit narcotics. Such language has been included in the Agreement.

### Environmental Determination

The USAID/Guatemala Environmental Officer prepared and the Acting Mission Director, Lars Klassen, approved a recommendation for a Categorical Exclusion under 22CFR 216.2(c)(2)(vi), "Contributions to international, regional or national organizations by the United States which are not for the purpose of carrying out a specifically identifiable project or projects." An Environmental Threshold Decision (LAC-IEE-94-02) was signed on November 10, 1993.

### Waivers

No waivers are anticipated at this time.

### Authority

Delegation of Authority 400 (dated August 16, 1991), in conjunction with Interim Delegation of Authority No. 9 (dated October 1, 1991), provides Regional Assistant Administrators the authority to authorize project and non-project assistance if the activity does not present significant policy issues and does not require the issuance of waivers that must be approved by the Administrator.

Recommendation: That by marking the approval box and signing the attached PAAD Authorization facesheet you approve and authorize \$10 million for the Guatemala FY 1994 ESF Cash Transfer Program (520-0415).

Attachments:

PAAD

Guatemala - Approval and Authorization of FY 1994 ESF Cash Transfer Program

Clearances:

LAC/CEN:Kellis (draft)	<u>KE</u>	Date <u>11/29</u>
LAC/CEN:JVandenbos (draft)	<u>JV</u>	Date <u>11/29</u>
LAC/DR:JWall (draft)	<u>JH</u>	Date <u>11/29</u>
LAC/DPP:JStepanek (draft)	<u>JS</u>	Date <u>11/29</u>
GC/LAC:RMeighan (draft)	<u>Rm</u>	Date <u>12/15/93</u>
ARA/ECP:MGarrison (draft)	<u>LW</u>	Date <u>12/10/93</u>
ARA/CEN:CHerrington (draft)	<u>CH</u>	Date <u>12/13/93</u>
FA/B:JPainter (draft)	<u>JP</u>	Date <u>12/9</u>
FM/A:JDockter (draft)	<u>JAD</u>	Date <u>3/4/94</u>
DAA/LAC:NParker	<u>          </u>	Date <u>          </u>

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## I. SUMMARY

On May 25, 1993, President Serrano of Guatemala attempted a self-coup or "autogolpe" against the legislative and judicial branches of government in an effort to establish autocratic powers. Overwhelmingly, the people of Guatemala manifested their repudiation of the autogolpe and within days were satisfied in their demand for a return to democracy with the election by the Congress of President Ramiro De León Carpio.

The election of De León Carpio was a historical step in the institutionalization of democracy in Guatemala. The move to unseat Serrano brought together for the first time a number of disparate forces - some of which have not always been the strongest democrats. Since his election, De León Carpio has taken a number of steps to further consolidate democracy and strengthen respect for human rights in Guatemala. It is important that the De León Carpio government, as the offspring of popular support for democracy, succeed.

The Serrano autogolpe had important social and economic effects beyond the immediate political consequences. The election of De León Carpio, the popular former Human Rights Ombudsman, raised the expectations of the poorest Guatemalans for increased investments in the social sectors. In economic terms, the political situation exacerbated the deteriorating fiscal situation. At the same time tax revenues were declining, the government had to resume debt payments for parastatals principally due to a legal hold on electricity rate increases. Economic activities were disrupted as a result of the general uncertainty in the country. Fiscal pressures increased and arrears on public sector external debt payments began to accrue.

As the new Government strives to meet the legitimate expectations of the Guatemalan poor for increased social spending and at the same time comply with short term external debt obligations while regaining macroeconomic stability, it confronts a serious financing gap estimated to have been USD 120 million in 1993, and potentially \$170 million for the remainder of 1994. The De León Carpio government appealed to the Friends of Guatemala donor group for fast-disbursing emergency financing to close the 1993 gap and enable De León Carpio to proceed with consolidating democracy in Guatemala.

De León Carpio has publicly embraced many of the sound economic and fiscal policies he inherited from Serrano. He faces a formidable task, however, in addressing popular expectations while remaining in compliance with crucial programs with international financial institutions. De León Carpio has put in place a highly respected economic team which negotiated a shadow agreement with the IMF in late December, and carried on discussions with the World Bank and IDB which have led to a resumption of disbursements from those financial institutions. The longevity of that economic team, and the policies they represent, may to some

extent depend on the success of the continued accelerated investments in the social sectors.

The proposed USD 10 million FY 1994 ESF program aims to demonstrate strong USG support for the return of democracy to Guatemala, help the GOG in meeting its emergency short term financing needs, and to encourage the GOG to get its economic program back on track. Immediate disbursement of the proposed USD 10 million will assist the GOG to implement its poverty alleviation programs without relying on excessive inflationary financing. Similarly, improved financial stability will permit the GOG to continue a higher rate of social investment over the medium term.

The proposed conditionality also encourages the GOG to take urgently needed fiscal measures required to improve revenue performance and thereby increase the GOG's capacity to fund further social investment programs in 1994 and beyond. This is directly supportive of De León Carpio's recent initiatives to enhance revenue collections by expanding the tax base, improving administration and cracking down on tax evaders. Currently, Guatemala has one of the lowest tax burdens in the world, and De León Carpio seeks to change that.

The ESF program is also designed to move the GOG closer to full compliance with its programs with the IMF, the World Bank and the IDB. The conditionality in this proposed program complements and reinforces specific fiscal reforms supported by the IMF stand-by arrangement and the World Bank Economic Modernization Loan.

The proposed program directly supports achievement of the Mission's overall program goal of broadly-based, sustainable growth within a democratic framework in Guatemala. The grant clearly reinforces two of the four program emphasis areas established by the Agency, that is, economic growth and democratic development.

The Mission proposes a USD 10 million cash transfer to the GOG. Dollars will be used to finance priority GOG debt payments to the USG and the international financial institutions (IFIs). No local currency generation or set-aside will occur.

The USG has a strong interest in assisting the De León Carpio administration as it works to consolidate and preserve the democratic process in Guatemala. Macroeconomic stabilization and a resolution of the current fiscal crisis are obviously key elements to successful completion of that process. By providing USD 10 million in ESF resources now, we demonstrate that the USG is sympathetic to the efforts of the GOG to provide increased resources to finance urgent social needs while maintaining fiscal and monetary discipline.

## II. POLITICAL CONTEXT

The autogolpe, and its subsequent resolution, were indicative of both the tenuousness of Guatemala's eight-year experience with democracy under the 1985 Constitution, as well as its growing strength. On the one hand, Serrano's conviction that he could suspend constitutional rights without provoking popular reaction exemplified the apparent fragility of the commitment of part of Guatemala's power elites to democratic processes. On the other hand, even the most seasoned analysts of recent Guatemalan history underestimated the strength and breadth of grassroots opposition to Serrano's actions.

This conflict is at the heart of De León Carpio's current dilemma. His election as President by the Congress was unexpected. As intense pressure grew among all sectors of society for a resolution to the post-Serrano crisis, De León Carpio suddenly emerged as the most viable consensus candidate. Some military concern about his candidacy, based largely on his straight-talk against segments of the security forces on human rights issues, was assuaged. De León Carpio did not have time to prepare for his presidency nor carry out the necessary political legwork which would have lessened the shock of what would lie ahead. To complicate matters, a good deal of euphoria - and excessively high expectations of performance - resulted from the successful resolution of the constitutional conflict following the autogolpe.

A key element in the resolution of the crisis was the formation of the "Instancia Nacional de Consenso" (the National Consensus and Consensus Actions Commission). While De León Carpio emerged as the consensus candidate among all sectors represented in the "Instancia", he did not have a political party base of his own. Events following his election have borne out this contradiction.

Serrano justified the autogolpe as in response to untenable levels of corruption in the judicial and legislative branches over which he had no control. Shortly after assuming the Presidency, De León Carpio identified the same root causes for his difficulties in moving forward with his program of government. Starting in August, De León Carpio's calls for "depuración" or cleansing of the Congress and the Judicial Branch brought the country close to political gridlock, as his newfound political enemies squirmed to defend themselves and their party members.

A "consulta" or plebiscite proposed by De León Carpio was carried out on January 30, 1994 and confirmed popular opinion in favor of De León's call for the resignation of the Congress and the Supreme Court. It is unclear whether the process of negotiation and "consulta" will guarantee a viable political solution to the extremely tenuous situation.

At the same time in 1993, De León Carpio proceeded with an ambitious 180 Day Plan of accelerated investments to aid the neediest Guatemalans. It is crucial that De León Carpio succeed with his poverty alleviation programs - the 180 Day Plan and a soon to be unveiled follow-on program - in order to demonstrate that civilian democratic government can be effective in addressing the nation's problems. This cannot wait until the full resolution of the political situation. The reasons are self-evident. First, Guatemala has a long history of impatience with civilian government and de facto solutions for democratic crisis. Second, the groundswell of participation resulting from the autogolpe generated intensive social and economic demands which require response. If left unaddressed, there will be an undermining of people's faith in democracy, represented at this juncture by the De León Carpio government.

The USG recognizes that De León Carpio has established a clear set of priorities which respond to the need for broad-based political participation and social and economic equity so needed in Guatemala. De León Carpio has demonstrated his intention to respect the Constitution, of which he was an author, and consolidate civilian governance. It is critical that De León Carpio's government demonstrate progress as soon as possible toward his stated goals because, again, on this progress rides the faith of Guatemala's citizens in the democratic process.

However, De León Carpio must operate in a difficult and rapidly changing political context. He has no party and therefore support for his presidency rests on his ability to deliver to those he represents -- the people-- and not the organized political structure of the country.

A strong show of support from the USG for De León Carpio and his program will strengthen his hand as he enters inevitably into a process of dialogue with those he has accused of corruption. Immediate USG support for the consolidation of constitutional democracy will send a strong, unequivocal signal to those elements who fear his commitment to authentic civilian rule and constitutional democracy in Guatemala.

### III. ECONOMIC PERFORMANCE 1986-92

#### A. Background

Guatemala is the largest Central American country in terms of both population and economic activity. The climate is varied and the wide distribution of soils allows cultivation of a variety of agricultural crops including coffee, tropical crops, fruits and vegetables. About 62% of the population lives in rural areas and 47% of the adult population is illiterate. Ten percent of the population receives about 50% of the national income (Table 1). During the 1960s and 1970s, Guatemala's economy enjoyed steady

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growth, reflecting the impact of high prices for the country's traditional commodity exports, the growth of exports to the Central American Common Market (CACM) and significant inflows of foreign resources. At the same time, prudent financial policies, including low fiscal deficits, moderate monetary expansion and flexible wage policies all contributed to low inflation rates, low external debt and maintenance of exchange rate stability.

The favorable trends of the 1960s and 1970s reversed during the first half of the 1980s. The external position of the country worsened as the country's terms of trade deteriorated and trade channeled through the CACM collapsed. The negative impact of these external factors was compounded by expansionary fiscal and monetary policies, adopted to counter the deteriorating external developments. The overall deficit of the nonfinancial public sector rose sharply as overall outlays increased and tax collections collapsed. Bank of Guatemala's (BOG) credit to the nonfinancial public sector expanded rapidly, outpacing the growth in the demand for financial holdings of the private sector.

The GOG tried to mitigate the effects of this deterioration by closing the economy and imposing restrictions on international trade. Non-tariff barriers were tightened, restrictions were placed on the purchase of foreign exchange and the exchange rate system was modified. In 1984, the fixed parity of the quetzal with the dollar was abandoned and replaced with a three-tiered exchange rate system (the official, banking and auction markets).

Macroeconomic conditions continued to deteriorate. The operation of the exchange rate system became disorderly and involved large subsidies by the BOG. The increase in BOG losses added additional pressure to the money supply growth. As a result, the overall balance of payments registered deficits in excess of 3.0 percent of Gross Domestic Product (GDP) compared with the small surpluses registered in the second half of the 1970s.

Upon taking office in 1986 after free, democratic elections, the Vinicio Cerezo administration initiated a financial stabilization program which included several structural changes. Measures initially adopted included a simplification of the exchange rate system and reduction of exchange rate subsidies, deregulation of prices and imports, and reinforcement of government finances through the introduction of a temporary export tax and dropping of fiscal incentives to exports to CACM countries. A variety of additional policy measures were introduced between 1987 and 1989 such as significant tariff reductions, partial revamping of the Guatemalan tax system (1987), opening of the Stock Exchange (1987), unification of the exchange rate (1988) and subsequently adopting a floating rate (1989).

The economy responded quickly to the policy changes.

Real GDP grew by about 3.5% during 1987-89 compared to negative growth during 1980-86 (-0.1%) and inflation declined from almost 40% in early 1986 to about 10% during 1989. The external position remained, however, weak, with a large current account deficit and falling international reserves. To correct the imbalances, in mid-1988 the GOG embarked on a 16-month Stand-By agreement with the IMF which failed because of monetary excesses as the 1990 presidential elections approached, lax tax enforcement, government spending overruns, and weak exchange rate management.

#### **B. Frustrated Stabilization and Adjustment, 1990**

In 1990, the last year of the Cerezo administration, the economic situation deteriorated drastically. The large government deficit, poor management of the exchange rate and negative real interest rates induced a decline in domestic savings and encouraged capital flight. The exchange rate system was changed frequently and generated a great deal of uncertainty which induced additional capital outflows. Moreover, the BOG continued to maintain exchange rate guarantees for oil imports after the floating of the exchange rate in 1989, which increased BOG losses and added to the inflationary pressures (exchange rate guarantees for oil imports were eliminated in June 1991). At the end of 1990, annual inflation rose to 60%, international reserves were almost exhausted, and the build-up of more than USD 100 million in external arrears disrupted Guatemala's financial relations with foreign creditors and donors. Real GDP growth slowed to 3.1%, compared to a slightly higher 3.9% in 1989.

#### **C. Back to Stabilization and Adjustment, 1991**

When President Serrano assumed office in January 1991 following free and fair elections, the country faced serious economic difficulties.

In 1991, dramatic progress was made in restoring economic stability and addressing structural limitations. The new GOG decided early on to negotiate a new IMF agreement rather than attempt to restructure the 1988 agreement. Discussions began with the Fund, but agreement was deferred pending enactment of major fiscal reform (which did not occur until April 1992). Nonetheless, the GOG's successful, self-imposed stabilization program was tougher than the IMF prescription would likely have been.

The financial stabilization program initiated in early 1991 dramatically reduced inflation and led to significant improvement in the external accounts. The BOG raised reserve requirements for commercial banks by 3 percentage points to 23% in early 1991 and intensified open market operations (Table 2) which were complemented by a balanced consolidated central government budget achieved through significant spending reductions, the placement with the public in August 1991 of about Q 500 million of

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compulsory government bonds, and the fruits of a tax amnesty. As a result, the economic situation markedly improved. Economic growth accelerated to 3.3% in 1991 and annual inflation was reduced to about 10% at end-1991 (Table 3). The fiscal deficit fell from 2.9% of GDP to a small surplus. Net international reserves recovered from a negative level (minus USD 102 million) at end-1990 to about USD 450 million (3 months of imports) at end-1991. External payment arrears continued.

Structural changes were also addressed. Electricity rates were raised an average of 47% in August 1991 and government subsidies to the sector were cut in half. The GOG joined the GATT in September 1991 and agreement was reached with the USG on a bilateral trade and investment framework. The first bilateral Trade and Investment Council meeting was held in January 1992. Moreover, the range of import tariffs was reduced from 0-150% to 3-37% in 1990. Import duties were further reduced to 5-30% in 1992 and 5-20% in March 1993. A 3% import surcharge was also eliminated in 1992.

#### **D. Stabilization in Danger Again, 1992**

Despite major fiscal reform and increasing tax revenues, the economic performance became mixed in May 1992. Fiscal revenues did not keep in line with growing expenditure demands, and large transfers to public enterprises, of which the bulk (about Q 500 million or 0.5% of GDP) was accounted for by INDE (the electricity parastatal), continued to erode government finances (Table 4). Private sector credit accelerated, induced by lower but still real interest rates on open market operations. As a result, net international reserves fell by about USD 100 million during May-June 1992, the trade deficit widened as coffee prices fell to an all-time low and annual inflation by mid-1992 accelerated to about 8.9% (Table 3).

#### **E. With Fiscal Reform in Place, IMF, IBRD Talks Resume Mid-1992**

By mid-1992 the GOG restarted discussions with the IMF, IBRD, and IDB to obtain financial support from these institutions to assist in the continuation of the economic modernization that the government had committed to at the beginning of the Serrano administration. A significant modernization in the fiscal area was already in place with the support of the USAID funded Fiscal Administration Project, resulting in a major tax reform being approved by the Congress in mid-July 1992. The 1992 Tax Reform appears to have raised tax revenue collection in both 1992 and 1993 (Table 5).

However, the economic situation deteriorated during July-August 1992 due to increased inflation and cyclicly declining foreign reserves. Fiscal policy was further relaxed as a result of

a 35% increase in public sector wages in July. Private sector credit continued to grow, induced by lower real interest rates on open market operations. As a result, annual inflation increased to 14.2% at the end of 1992 (Table 3). The trade deficit continued to widen, reflecting increased imports, record low export commodity prices, expansionary fiscal and monetary policies and an appreciating quetzal in real terms. Imports were growing 34% in annual terms, while export growth was only 9% annually as the world price for coffee, Guatemala's lead export, dropped (Table 7).

**F. IMF/IBRD Agreements and USAID ESF Program, December 1992**

An IMF stand-by loan of approximately USD 70 million and an IBRD Economic Modernization Loan (EML) of USD 120 million were signed in the second half of December 1992. Discussions with the IDB for a financial sector reform loan also took place during 1992, but were not concluded because of GOG-IDB disagreements focusing mainly on banking legislation and supervision issues that were also dealt with in the EML. The FY 1991 USAID ESF program facilitated the signing of the IMF and IBRD agreements through a USD 50 million disbursement for the clearing of debt payment arrears to the World Bank in December 1992.

**1. The IMF Stand-By loan agreement: The GOG macroeconomic stability framework**

A stand-by loan agreement was signed in the second half of December 1992. The SDR 54 million (about USD 70 million) loan covered a 15-month period. The GOG economic program supported by the IMF aimed at strengthening economic and financial stability, lowering inflation and restoring external viability. To this end, six quantitative performance criteria were specified to control program accomplishment. Access to the stand-by loan disbursement was made conditional on the satisfaction of quarterly performance criteria. The GOG opted to treat the agreement as a "precautionary" one and therefore no loan disbursement has been requested or made by the IMF.

Six quantitative performance criteria or targets were set to assess program achievement: (1) targets for the Central Government balance (deficit); (2) limits to the net domestic credit to the public sector; (3) ceilings on credit by the Bank of Guatemala; (4) targets for the net foreign reserves level; (5) limits on external payment arrears; and (6) limits for the contracting of new non-concessional external debt by the public sector. First targets were set for end-December 1992 and thereafter at the end of each quarter until end-December 1993.

Non-quantitative performance measures were also envisaged in the program referring to a deepening of structural reforms in tax policy and administration, electricity and domestic petroleum pricing, and more efficient monetary policy management.

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Specific actions on structural changes made part of the program were: (1) a gradual adjustment in electricity tariffs to reflect production costs and elimination of government subsidies to INDE; (2) liberalization of domestic petroleum prices before July 1993; (3) legislation by end-March 1993 to strengthen punishment for tax evasion; and (4) the introduction of a land tax during 1993. The program contemplated a mid-term review, which was never completed because of the political crisis and change of government which impeded a definition of economic policies for the remainder of 1993 to correct program misalignments.

**2. The IBRD Economic Modernization Loan: The supportive structural reform framework for macroeconomic stability and medium term growth**

A USD 120 million structural adjustment loan was signed with the IBRD in December 1992. The loan was to be disbursed in three tranches over a period of 12 to 15 months. A first tranche of USD 48 million was disbursed in December 1992 upon loan approval. A second USD 36 million tranche was scheduled to be disbursed in June 1993 upon satisfactory compliance of conditionalities. The release of the third and last tranche was planned for early 1994 after compliance with third tranche conditionalities.

For IBRD Board approval of the loan in December 1992 and approval of the first USD 48 million tranche, the GOG had to meet the following conditions: (1) initiation of an action plan to improve tax and customs administration; (2) incorporation of a 15% real increase in expenditures for primary education and preventive health care in the 1993 budget; (3) initiation of a plan to eliminate government subsidies to INDE; (4) narrowing of import tariffs to a 5-30% range and reduction of non-tariff barriers (NTBs); (5) adoption of an action plan to liberalize the domestic oil market; (6) satisfactory implementation of action plans for CORFINA, BANVI, and BANDESA (public sector financial institutions); (7) initiation of an action plan to improve prudential bank regulations and strengthen the Superintendency of Banks; and (8) establishment of the Social Investment Fund (FIS).

For first tranche disbursement, the IBRD included the initiation of the approval of prudential regulation norms for the banking system since this issue was considered crucial to implement the financial sector reform program which was to be co-financed with an IDB financial sector reform loan (planned to amount to USD 100 million at that time). At end-December 1992, the Superintendency of Banks approved a set of prudential regulations which released the first USD 48 million.

**The ESF Program Status:**

USD 20 million in FY 1991 ESF was combined with USD 30 million remaining undisbursed under the FY 1990 ESF agreement to provide for

a total FY 1991 ESF agreement of USD 50 million. Program disbursement was conditioned upon satisfactory compliance of the following conditionalities:

1. Progress in the implementation of the GOG's economic program, including submission to Congress of fiscal reform legislation;
2. A signed "Letter of Intent" with the IMF; and
3. An acceptable arrears-clearing package to open the financial windows of the IFIs.

The IMF "Letter of Intent" was signed in December 1992, allowing the disbursement of ESF program funds to complete the clearance of arrears with the IBRD. Arrears with the IDB had been cleared in late September 1992.

#### IV. ECONOMIC PERFORMANCE, JANUARY-MAY 1993

##### A. Stabilization and reform programs: New hopes for stabilization and structural changes, January-March 1993

The GOG framework of financial stability and structural transformation set the basis for the December 1992 signing of the IMF stabilization program and the IBRD structural adjustment EML program. During January-March 1993, stability was being restored, consistent with the IMF stand-by agreement signed in December 1992. Accumulated inflation January -March 1993 fell to 1.3% compared to 3.4% during that period in 1992 (Table 3), and foreign reserves increased by about USD 60 million in spite of the continued depressed level of coffee prices. Private sector credit and import growth decelerated.

The stabilization program targets agreed with the IMF were broadly complied with as of December 31, 1992 and March 31, 1993. Although the external (foreign reserves and external payment arrears) and monetary (BOG net domestic assets) targets agreed with the IMF were missed for end-December 1992 and end-March 1993 (the foreign reserve target was missed by only 2.8%), financial stabilization was improved. Agreement was reached on rescheduling bilateral official debt at the Paris Club meeting on March 25, 1993. De Minimis arrears to the USG were not rescheduled. The area of greatest concern was domestic credit extended to the private sector (Tables 7 and 8).

Progress on meeting IBRD conditionality slowed, however. A pre-condition for EML disbursement, the approval of a set of prudential regulations for the banking system, was reversed in the courts in January 1993, jeopardizing future program disbursements. The GOG's nearly 50% average raise in electricity rates in March 1993 was also reversed by a court injunction that led to continued large government subsidies.

The reversal of the bank prudential norms denied the GOG access to the second EML tranche scheduled for release in June 1993. Moreover, some of the other conditionalities for the second tranche disbursement were not met during the first half of 1993, including progress in implementing action plans for BANDESA, BANVI, and CORFINA, satisfactory compliance with the action plan for INDE's financial rehabilitation, and liberalization of domestic petroleum prices.

The Guatemalan Congress blocked liberalization of domestic petroleum prices and the rehabilitation of INDE's financial position was not possible because of the political opposition to the average 50% adjustment in electricity tariffs to reflect electricity production costs.

**1. The IDB planned financial sector reform program:  
The co-financing of the IBRD EML financial reform**

Parallel to the IBRD discussions for the EML, the GOG and IDB began negotiations on a financial sector loan (FSL), originally for a total of USD 100 million, for the co-financing of the modernization of the financial sector in Guatemala. The amount for the FSL was subsequently raised to USD 130 million during the second half of 1993 in support of the De León Carpio's government's request for emergency financial assistance. As of November 1993, the loan is pending signature because of one point on bank prudential regulations, which was also a conditionality of the EML, and the unavailability of a functioning Congress to approve the loan.

The IDB FSL includes the following policy actions: (1) improvement of monetary control through the widespread application of market interest rates; (2) enhancing of competition of the financial system by facilitating entrance and merging, widening banking authorized operations, and upgrading minimum capital requirements; (3) reduction of banking risk exposure by a prudential regulatory framework; and (4) restructuring of the Superintendency of Banks to strengthen its role in financial supervision. The loan was approved by the Monetary Board in late September 1993.

**B. Stabilization and Structural Reform Programs Frustrated Again, April-May 1993**

The fiscal situation deteriorated beginning in April 1993. Tax revenues did not increase as planned by the GOG and government expenditures were overwhelmed by the burden of unplanned subsidies to public enterprises (Tables 10 and 11) primarily because of the electricity rate increase injunction.

The IMF, during its mid-term program review visit at the end of April 1993, expressed some satisfaction with the stronger efforts toward economic/financial stability but raised serious

doubts about the GOG's ability to continue to comply with the IMF program unless adverse trends were corrected quickly. Government expenditures were growing at a faster than anticipated pace and tax revenue collection was lower than GOG initial estimates for 1993 (Table 10).

**C. Political Crisis Jeopardizes Stability and Prospects for Structural Changes, May 25**

During the political crisis precipitated by Serrano's May 25th self-coup or autogolpe, foreign reserves fell by about USD 25 million to USD 480 million. The fall in reserves was the result of a slight deterioration in the trade balance and lower net capital inflows due to lower tourism revenues and other net capital inflows. The spread between the banking and non-banking exchange rate against the USD (selling rate) jumped from almost zero (Q 5.6 per 1 USD) before the beginning of the crisis to about Q 15 cents by the middle of the crisis (Q 5.65 per 1 USD and Q 5.80 per 1 USD). After the crisis, the spread descended to about Q 3 cents. Although the demand for foreign exchange on the daily public auction offerings of the Bank of Guatemala jumped from about USD 27 million on May 24 to USD 51 million on June 4, the amount supplied by the BOG remained at USD 6 million, avoiding, therefore, a risky deterioration in foreign reserves.

On the financial side, withdrawal of private sector deposits in the banking system reduced BOG control of monetary policy as lower commercial banks reserve deposits were placed at the BOG. Monetary management was also impacted by a withdrawal of GOG deposits from the Bank of Guatemala, which reflected the lower revenue performance of the government during the crisis (Table 13). Individuals and firms postponed or avoided tax payments because of the uncertainty created by the crisis. During the two weeks between May 21 to June 4, weekly inflation (as measured by the change in the consumer price index for Guatemala City) increased by 0.22% for the week ending May 31 and 1.03% for the week ending June 4, which was the highest weekly inflation registered during 1993. At the end of the crisis on June 5th, the 12-month inflation rate reached 13.2%, compared to 12.2% on May 21 before the crisis. At the end of September, the 12 month rate was holding at 13.4%.

Fortunately, the acute political crisis was successfully resolved in less than two weeks, minimizing the uncertainty and resultant damage to the economy. Nonetheless, the political events made the achievement of financial stabilization and implementation of reforms within the IMF and IBRD program frameworks very difficult. The IMF mid-term program review was never completed as the GOG was not able to commit to specific actions to correct the fiscal deterioration. The IMF was, in particular, concerned about the delay in passing legislation for punishing tax evasion and a more strict control of government expenditures.

Also, the events further jeopardized the already prolonged negotiations with the IDB for a financial sector loan. Soon thereafter, it became clear that economic stabilization and reforms required a restructuring of the entire economic program and renegotiation of target dates and some targets with the IMF and IBRD. The deviation of macroeconomic performance from program agreements made it technically and politically impossible for the new De León Carpio government to meet the previous government's financial stability and structural goals.

## **V. ECONOMY UNDER THE DE LEÓN CARPIO GOVERNMENT**

Partially as a result of the political crisis, the GOG was out of compliance with five out of six IMF targets by the end of June 1993 and its management of the economy was drifting. USAID/Guatemala estimates that with respect to the agreed-upon IMF end June 1993 targets, credit to the non-financial public sector was excessive, as were Central Government expenditures and credit extended to the private sector. The stock of net international reserves was reduced significantly while the ability to make all external payments was becoming problematic.

The GOG has revised its estimate of the real rate of economic growth downward (from 5% to 4% in real terms) and the inflation rate upward (from 8% to 12%) for 1993. The final figure for annual accumulated inflation for 1993 was 11.6 %, below the revised target (Table 3).

Perhaps one of the most far-reaching detrimental impacts of the Serrano autogolpe on the economy was on tax revenue collection. Except for some seasonal fluctuations, tax revenues declined significantly after the autogolpe and have recovered somewhat during the latter part of 1993. Overall, total tax revenues have, in 1993, only increased by about 11.2% from the 1992 level. This compares very poorly with the target of an increase of 17.5% from the 1992 level established under the GOG-IMF 1992-94 Financial Stabilization Program. The recent lower-than-expected increase in tax revenue could not have happened at a worse time for the new government.

### **A. The New Priorities of the De León Carpio Government**

The Court decision rolling back the increase in electricity rates resulted in an unbudgeted subsidy of Q 364.7 million for 1993 to INDE. That decision also interfered with the implementation of the reform program begun under the IBRD EML, which required that the price of electricity reflect its marginal cost of production as a condition to release the second disbursement of the EML.

In announcing the 180 Day Plan (Annex D) with its 417 public investment projects in June 1993, the GOG asserted its

intention to execute the Plan in 1993. The projects included in the 180 Day Plan had been included in the 1993 Guatemalan national budget approved by Congress and total Q 1,125 million. Investments in housing, transport, health, and education are the focus of the plan which aims to attack the roots of poverty.

To assure the execution of the 180 Day Plan by the end of 1993, all budgetary resources earmarked for public investment projects not included in the Plan were transferred to the projects included in the 180 Day Plan thereby refocusing investment priorities, but not increasing expenditures over budgeted amounts. From July 1 to October 25, nearly Q 451 million or 39 percent of the investments of the 180 Day Plan have been executed. At the end of 1993, President De Leon Carpio announced that approximately 75% of all projects of the 180 Day Plan were executed.

Frozen electricity prices coupled with the GOG's determination to execute the 180 Day Plan with the full FY 1993 investment budget despite lower than expected tax revenues, created a significant financing gap for 1993. Only by recourse to external financing could the De León Carpio administration stave off pressures to undertake inflationary financing of the fiscal gap. At the same time, the GOG moved to negotiate a shadow program with the IMF, and to renegotiate the IBRD EML in addition to requesting emergency financing from friendly countries in order to preserve as much as possible of the sound elements of Guatemala's macroeconomic policy framework.

On December 23, 1993, the Government of Guatemala signed a shadow program with the IMF. While there is no IMF resources committed, the 1994 shadow program signifies that there is agreement between the GOG and the IMF on a macroeconomic framework to ensure financial stability in 1994. Subsequent to the signing of the 1994 shadow program, the GOG successfully renegotiated a rescheduled EML with the IBRD and finalized the negotiation with the IDB on the Financial Sector Loan.

Having successfully completed the negotiations with the IFIs, the GOG reaffirmed its commitment to continuing investments in the social sectors within a proposed two year poverty alleviation program which will be presented to the donors in June 1994 during the Consultative Group meeting. To execute its 1994-96 poverty alleviation program, the GOG is seeking approximately USD 260 million in external financing (both in terms of project financing and balance of payments support) in 1994.

**B. The GOG 1993 Emergency Financing Request and Donors' Response**

On September 24, 1993, the GOG presented a request for emergency financing of USD 150 million for 1993 in a meeting of the Friends of Guatemala sponsored by the World Bank. As presented by

the GOG, that amount constituted the additional external resources needed over and above the GOG's own resources to enable the GOG to stay current on its debt servicing, absorb the roll back in electricity prices and finance the politically imperative 180 Day Plan without resorting to money creation during 1993. In order to avoid the printing of new money as a last resort, the GOG asked that the emergency financing from the Friends of Guatemala be disbursed prior to the end of 1993.

The response from the donors to the GOG request for emergency financing was as follows:

- Mexico pledged USD 50 million in bridge financing against the first disbursement of the IDB FSL, which has now been disbursed (October 20);
- Venezuela pledged to advance disbursement of a USD 11.2 million loan to 1993 and make the entire amount available as balance of payments support;
- The Central American Bank for Economic Integration (CABEI) pledged a USD 10 million loan;
- Japan is considering an undetermined amount of co-financing to be disbursed in conjunction with either the World Bank EML second disbursement or the IDB FSL first disbursement; and,
- The U.S. pledged a USD 10 million grant to be disbursed prior to the end of 1993.

A positive response to the GOG request for emergency financing was received from the IFIs as well. In an attempt to meet the GOG's expectations of an EML second tranche disbursement in late 1993/early 1994, a World Bank team came to Guatemala in October to negotiate the restructuring of the EML. These negotiations resulted in an agreement in principle to preserve the integrity of the EML policy reform program, but restructure the conditionality and disbursements as follows:

- The fulfillment of some of the initial 19 conditions precedent for the disbursement of the second tranche (such as those relating to the prices of electricity and petroleum products) will be deferred to the third tranche, and perhaps modified;
- With fewer conditions precedent, the second tranche will be lowered from USD 40 million to USD 25 million; the third tranche will be raised from USD 40 million to USD 55 million; and,
- Under the newly agreed upon timetable, the second

disbursement may take place prior to the end of 1993 and the third disbursement will take place six months later.

In late 1993, World Bank representatives cautioned, however, that they would not present the restructured EML for approval to their Board of Directors nor disburse the second tranche until the GOG has reached agreement with the IMF on a "Letter of Intent" for a new 1994-95 Financial Stabilization Program. The shadow program negotiated with the IMF substituted for a formal stabilization program, the restructuring of the EML proceeded and second disbursement was made in the first part of 1994.

In response to the GOG emergency financing request, the IDB accelerated negotiations with the GOG on the terms of the FSL and agreed to increase the loan amount from USD 100 million to USD 132 million. It is expected that the FSL will be disbursed in three tranches of USD 62-35-35 million, based upon satisfaction of agreed upon conditions precedent. The first tranche of the FSL was disbursed in February 1994.

President De León Carpio made a strong speech in support of responsible economic policies October 11. In that economic message, De León Carpio identified policy measures propitious for the GOG to come to an agreement with the IMF on a new financial stabilization program, asserting that the GOG will:

- maintain fiscal discipline and therefore not incur a budget deficit (despite the tightening budget difficulties for virtually every ministry at the moment);
- not borrow from the BOG and therefore not resort to unwarranted printing of money;
- seek ways to reduce BOG losses;
- work to raise the tax burden from 8% of GDP to at least 10% of GDP;
- improve tax collection through enforcement of tax compliance with new legislation, sanctions and a newly nominated Tax Prosecutor;
- restructure the 'para-public sector through demonopolization and eventual privatization of state-owned enterprises;
- restructure the GOG bureaucracy to improve its efficiency and limit its role vis-a-vis the private sector; and,
- restructure the economy by ensuring that private investment is the engine of growth.

Since the September 24 meeting of the Friends of Guatemala, certain donors have already translated their pledges into actions. Venezuela disbursed its USD 11.2 million loan in the first week of October 1993 and Mexico disbursed its USD 50 million bridge loan on October 20, 1993.

Given that the 1994 external financing target under the 1994 shadow program is USD 260 million, the GOG will still be needing approximately USD 174 million in project and balance of payments support in 1994 to execute its 1994-96 poverty alleviation program.

## **VI. CONSTRAINTS ANALYSIS**

While the overall economic policy framework now in place remains relatively sound, there is growing concern regarding fiscal performance. Prior to the change in administration last June, the GOG had been implementing an economic program aimed at 5 percent real growth while containing inflation at the consumer level to 8 percent. The principal program components included maintenance of a "managed" flexible exchange rate regime, disciplined monetary and credit management, and fiscal restraint.

In the President's October 11 economic message, the De León Carpio government reiterated its intent to leave the overall macroeconomic policy framework essentially intact. Monetary policy remains relatively tight with real interest rates near 10 percent and commercial bank legal reserves set at 36.5%, and the current "managed" flexible exchange rate regime will be maintained. Similarly, the De León Carpio government plans to pursue a responsible fiscal policy.

Nonetheless, due to a number of factors, many of which were beyond the control of the new administration, the fiscal situation has deteriorated substantially since May/June 1993. Prior to June 1993, the low level of tax revenue collection was traceable to a narrow tax base, low tax rates, a tax code biased in favor of taxpayers and a relatively weak tax administration system.

Indeed, while the political turmoil prompted a decline in tax revenues from GOG's 1993 projections, a weak (but improving) tax revenue collection system existed prior to the May 25 autogolpe. With the implementation of the 1992 tax modernization program supported by USAID/Guatemala, the GOG had expected that total tax revenues for 1993 would increase to 8.9 percent of GDP (approximately Q 5,117 million), a significant increase from the 8.4 percent of GDP (Q 4,512 million) for 1992 and 7.4 percent of GDP (Q 3,470 million) for 1991. However, recent estimates by the GOG point to a 1993 tax yield which is much lower than expected, 7.9 percent of GDP rather than the projected 8.9 percent, resulting in an actual tax revenue shortfall for 1993 of Q 283 million.

While the recent decline in the rate of increase of tax

revenue could perhaps have been avoided by a stronger system of tax collection, administration and control, the real culprit is the lack of tax compliance and appropriate legal means to enforce tax payment. Indeed, while the tax system was reformed in 1992 to improve tax administration and compliance with a focus on the individual and company income taxes and the value added tax, code provisions related to penalties for tax evasion were left unchanged. According to GOG and IMF analyses, the 1991 Tax Code is heavily biased in favor of taxpayers. In addition, it was endorsed by the President and enacted by Congress in spite of strong objections from the Ministry of Finance. Thus, the GOG has not had adequate legal means to enforce tax compliance as Guatemala moved from a tax system which relied mainly on indirect taxes and customs duties to a tax system which relies more on direct and value-added taxes. The lack of appropriate means to enforce tax compliance coupled with the political uncertainty which has plagued the country since late May 1993, and persistent rumors of an impending tax amnesty, explain the overall decline in tax revenues from expected levels.

The recent decline in tax revenue has compounded problems created by the existing low level of tax revenues. The low level of tax revenue results from a narrow tax base and low tax rates. For example, the current tax system does not have a land tax even though land is one of the principal source of wealth. The tax system does include a property tax, but it is inadequate and is not strictly enforced. In addition, the current rate on the value-added tax is 7% in Guatemala while it is 10% in El Salvador, 11% in Costa Rica and 15% in Nicaragua.

Finally, the tax burden (defined as total taxes collected as a percentage of GDP) in Guatemala is low - only 8.4% and 7.9% of GDP in 1992 and 1993 respectively. Comparable figures for Central American countries are: 9% for El Salvador; 16% for Costa Rica and Honduras; and 21% in Nicaragua.

The recent decline in tax revenue from expected levels could not have happened at a worse time for the new government. Plagued by declining tax revenues, the GOG had to nevertheless respond to political imperatives, for example, by not raising prices of electricity. That political imperative created unforeseen transfer payments to the parastatal INDE thus increasing current expenditures of the central government.

Complicating the fiscal picture, was the need to move forward quickly with the 180 Day Plan which required Q 1,213 million in capital expenditures before the end of 1993. As indicated earlier, the 417 projects of the 180 Day Plan were included in the official 1993 Public Investment Budget valued at Q 1,764 million. According to the Ministry of Finance figures, the GOG had executed Q 552 million worth of projects from January to June 1993. The difference between the total 1993 Public Investment Budget and the

amount of projects executed during the January-June 1993 constituted the value of the 180 Day Plan. According to the Ministry of Finance figures, the actual rate of execution of the 180 Day Plan from July to December 1993, the GOG was 75 percent or nearly Q 910 million of the total programmed for implementation.

On the tail of the 180 Day Plan, the GOG is elaborating a 1994-96 poverty alleviation program which will be presented to the donors during the upcoming June 1994 Consultative Group meeting. To execute its continuing social investment program, the GOG is seeking a total of USD 260 million in external financing in terms of project and balance of payments support in 1994. With the IBRD and IDB disbursements (USD 28 and 62 million), a potential external financing gap of USD 170 million still exists in 1994.

The inability of the GOG to collect more taxes to finance its higher level of expenditures has already had an impact on the monetary sector by driving interest rates and bank legal reserves to excessive levels and, thus, reducing private investments in productive sectors and real economic growth. As indicated earlier, the GOG has recently revised its 1993 targets on real economic growth downward (from 5 percent to 4 percent) and inflation upward (from 8 percent to 12 percent). In 1994, the targets for real economic growth and inflation are set at 4.0% and 8.5% respectively.

In an attempt to avoid excessive credit creation and/or the printing of money to finance GOG expenditures, and to preserve as much as possible the soundness of the macroeconomic framework, while at the same time responding positively to the political imperatives, the GOG presented a request for emergency financing of USD 150 million for 1993 in a meeting of the Friends of Guatemala sponsored by the World Bank on September 24, 1993 and will present a request for special assistance to help implement its 1994-96 poverty alleviation program during the June 1994 Consultative Group meeting.

The GOG official estimate of the 1993 financing gap was presented to the Friends of Guatemala in a document entitled "Emergency Financing Requirements To Consolidate The Democratic Process". That document did not, however, explicitly list all the assumptions used by the GOG in deriving the USD 150 million financing gap. Conspicuously missing was the monetary sector with estimates of the Bank of Guatemala credit to the public and private sectors. In addition, it unrealistically assumed, given all the implementation problems currently encountered by the GOG, disbursements of the second tranche of the IBRD EML (USD 28 million) and the first tranche of the IDB FSL (USD 60 million) in 1993.

Additional work between the Ministry of Finance, the Central Bank and USAID/Guatemala on estimating the 1993 financing gap

yielded a GOG working document entitled "Guatemala: Programa Financiero 1993-1994". In that document, the estimates of the financing gaps are \$ 120 million for 1993 and \$ 35 million for 1994. In deriving those two estimates, the document contained explicit assumptions such as: (1) a 70 percent execution rate for the 180 Day Plan; (2) increases in international reserves of USD 65 million in 1993 and USD 100 million in 1994 over and above the amount of reserves of USD 460 million on December 31, 1992; (3) levels of inflation and credit creation consistent with other macroeconomic goals; and (4) disbursements of USD 72 million by the IBRD and USD 50 million by the IDB in 1994.

Given the political imperatives to proceed quickly with the 180 Day Program and other decisions in the energy sector in 1993 and to implement the poverty alleviation program in 1994, it is expected that any funding gap between available and required resources (whether at levels consistent with USD 120 million financing gap in 1993 and/or external financing gap of up to USD 170 million in 1994) will be made up either by increasing credit to the public sector from the domestic banking system or the printing of money by the BOG. This would lead to reductions in net banking system credit to the private sector and reduced real economic growth, or inflationary monetary creation prompting capital flight, reduced investment, lower economic growth and unemployment.

In conclusion, the De León Carpio government is currently facing political constraints and a short-term fiscal constraint. The failure to alleviate the fiscal constraint could have serious detrimental impact on the medium term financial stability of Guatemala. There is strong likelihood that if the financing gaps are not closed by non-inflationary means, the fiscal problem might spill over into more serious medium-term problems in the monetary and balance of payments sectors. The failure to assist the GOG in closing the financing gap in 1994 would also increase the likelihood that the GOG might not be able to come to agreement with the IMF on a genuine financial stabilization program in 1995 and thus not have continued access to loan funds from the IBRD restructured EML and the IDB FSL in 1995.

## **VI. FY 94 ESF PROGRAM**

### **A. Objectives of the Program**

The proposed program will support our overall goal of assisting Guatemala to achieve broadly-based, sustainable growth within a democratic framework. Among the Mission's five strategic objectives, democratic development is one of our highest priorities. The purpose of the FY 1994 Cash Transfer Program is to assist the GOG in consolidating the democratic process, and in adopting and maintaining sound fiscal policies that improve the likelihood of continued financial support from the International Financial Institutions (IFIs). Specifically, it has three

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objectives:

- 1) to show U.S. Government support for the strengthening of democracy in Guatemala, and for the De León Carpio government;
- 2) to provide urgently needed budget support to enable the GOG to finance De León Carpio's poverty alleviation programs without excessive use of inflationary domestic financing; and
- 3) to support GOG efforts to get its fiscal policy back on track permitting resumption of IMF, IBRD, and IDB programs.

This program has been designed based upon the unique set of political, economic, and social circumstances facing Guatemala. These circumstances include the "autogolpe" of the previous Serrano administration in May of 1993, the reaffirmation of Guatemala's belief in democracy through a peaceful and legal resolution of that political crisis, and the constitutional election of a new President with an ambitious plan to reform government and the political system and begin to meet the urgent social needs of the population. These events, together with mounting fiscal pressures brought about by reduced tax collection and higher expenditures, all at a time of increased social expectations and the continued fragility of the De León Carpio regime, have put Guatemala in a precarious political and economic position.

While current economic indicators show no major deterioration thus far, this could change quickly. If the De León Carpio government is rendered ineffectual, the economic consequences, not to mention the political and social ones, would be grave.

If De León Carpio does not succeed in getting the country's economic program back on track and progressing within a reasonable period, the economy could enter into a major crisis. Failure to control fiscal excesses would lead to higher inflation in 1994, reduced investor confidence, lower output and reduced employment. Also failure to take the appropriate fiscal reform measures now would seriously limit the GOG's ability to control fiscal pressures in 1994 and beyond. Moreover, without a credible fiscal package, the GOG runs a serious risk of losing IFI support now. This would mean the loss of up to USD 300 million in quick-disbursing financing over the near term. Without these resources, and no longer under the discipline of IFI economic programs, the GOG would almost have resort to the printing press to finance even larger public expenditures, which could lead to further rounds of inflation, exchange rate depreciation, destruction of investor confidence, capital flight, and dramatically reduced output and

employment. The ensuing social distress would place considerably increased pressure on Guatemala's nascent democratic institutions and processes.

The proposed program is designed to address this unique set of circumstances. Besides demonstrating tangible USG support for De León Carpio, the program will provide USD 10 million in quick-disbursing assistance to help alleviate fiscal pressure. This will help the GOG implement its social sector investment plans without excessive reliance on inflationary domestic finance. Moreover, the fiscal reform measures supported by the proposed program will move the GOG substantially closer toward reaching agreement with the IFIs thus assuring access to up to USD 300 million in the near term, at the same time helping to get its overall economic program back on track.

#### **B. Program Conditionality**

A single disbursement of USD 10 million is proposed upon fulfillment of the conditions precedent listed below. For planning purposes, disbursement will occur prior to March 15, 1994.

The conditionality for the disbursement of the USD 10 million will focus on fiscal issues and policies to assist the GOG to resolve the current fiscal crisis and improve fiscal policies in the short to medium term, in a constitutional, democratic context.

To satisfy the conditionality for the disbursement of the US dollars, the GOG should meet four (4) sets of conditions precedent:

(1) The GOG will provide to USAID/Guatemala written indications that the President of Guatemala has endorsed **the draft law to improve tax compliance and the draft law to establish a land tax;**

(2) The Procurador de la Nación will issue a **Disposición del Ministerio Público to name a Tax Prosecutor (Procurador Fiscal Adjunto);**

(3) The GOG will inform USAID/Guatemala in writing of the initiation of the GOG's **Emergency Program to Augment Tax Collection (Programa de Emergencia para el Aumento en la Recaudación Tributaria)**. That GOG Emergency Program will include a series of executive actions including:

- The contracting of additional private auditor person-hours to work for the Ministry of Finance,
- The allocation of additional lawyers to work on tax evasion cases,
- The registration of 5,000 new taxpayers into the unified registry,

- Visits to 1,000 enterprises with cash registers in Guatemala City and other important cities,
- Changes of auditing procedures, and
- A public campaign to combat tax evasion.

(4) **The GOG's Fiscal Action Plan for 1994** - The GOG will provide to USAID/Guatemala a **Letter of Intent** recording the GOG's Fiscal Action Plan for 1994. That 1994 Plan shall include policy actions such as the five policy actions listed in Table 14, among others. For each policy action set out in its Fiscal Action Plan, the GOG will present to USAID/Guatemala a plan of action recording how and when the policy action is expected to be implemented as well as the expected level of effort related to the policy action with the related expected yield in either government revenue or savings.

The satisfaction of the conditions precedent to the disbursement of US dollars will include steps taken in 1993 towards enacting legislative packages related to increasing tax compliance and expanding the tax base as well as the development of a GOG action plan for 1994 aimed to increase government tax and non-tax revenues and reduce government expenditures for 1994. Indeed, the draft law on tax compliance, submitted by the Ministry of Finance to the President for endorsement represents significant improvement over the existing 1991 Tax Code. The draft law on tax compliance proposes to increase the penalty on tax evasion, render tax fraud a crime, better classify instances of tax fraud and introduce a sanction of business closure for periods of 7 to 14 calendar days. The draft law on tax compliance along with the series of executive actions that the GOG will start to implement in 1993 under its Emergency Program To Augment Tax Collection, will improve tax administration and increase tax revenue.

The proposed land tax will contribute towards expanding the tax base and introduce an additional element of progressivity in the overall tax system.

The implementation of the GOG's Fiscal Action Plan for 1994 will enable the GOG to increase tax revenue and reduce government expenditures for 1994. In so doing, the GOG's financial situation will be more stable and sustainable, increasing the likelihood that the GOG will be able to successfully implement the 1994 Shadow Program and successfully develop and negotiate a genuine Financial Stabilization Program with the IMF in 1995.

The President of Guatemala has already submitted in late 1993 the draft law on tax compliance and the draft law to introduce a land tax to Congress. Copies of the transmittal letters and the two draft laws will be provided to USAID/Guatemala.

A Tax Prosecutor was appointed on October 25 after the

President's announcement of the creation of the position in his October 11 economic message. The GOG was planning to begin implementation of most actions of its Emergency Program To Augment Tax Collection by the beginning of November 1993. And, finally, the majority of the actions in the GOG's 1994 Fiscal Action Plan are either already included in the proposed 1994 Budget submitted to Congress or publicly approved by the President in his October 11 economic policy speech.

Before disbursement of the single tranche of program funds, the GOG will present to A.I.D. the following documents to fulfill the conditions precedent:

- 1) An opinion of counsel acceptable to A.I.D. that the Program Agreement has been duly authorized and/or ratified by, and executed on behalf of the GOG, and that it constitutes a valid and legally binding obligation of the GOG in accordance with all of its terms;
- 2) A statement of the name of the person holding or acting as representative of the GOG and of any additional representatives, together with a specimen signature of each person specified in such statement;
- 3) Evidence that the GOG has established the separate account for ESF dollar funds and a letter describing the mechanism by which funds will be disbursed from the account; and,
- 4) Evidence that the GOG has taken the actions related to fiscal sector improvements and increasing revenues as indicated in the conditionality described above. Supporting documents are expected to include:
  - a) Copies of the President's written approval of the two legislative packages (and copies of the draft laws themselves) which are being proposed to increase revenue generation related to tax compliance and the land tax, as they will be presented to Congress;
  - b) A letter on initiation of the Emergency Program To Augment Tax Collection; and
  - c) a fiscal action plan for 1994 with an outline of actions to be taken, a timeframe for their initiation and/or completion and revenue generation targets as a result of these actions.

To the extent that executive actions can be taken to

implement portions of these two legislative packages, the letter from the GOG will outline these actions and the timeframe for their completion as well.

In addition to the conditions precedent outlined above, the program agreement will include a covenant stating that the GOG will continue to improve tax administration and collection procedures to build upon the progress achieved under the USAID/Guatemala Fiscal Administration Project which is nearing completion. The program agreement will also include a covenant stating that the GOG will continue close cooperation with the U.S. Government on counternarcotics.

### **C. Utilization of Dollar Resources**

Once the GOG has met the conditions precedent, USAID/Guatemala will request disbursement of the program funds into an interest bearing separate dollar account of the GOG in the Federal Reserve Bank of New York. The GOG will be required to present the account number, name of the account and bank address to USAID/Guatemala to demonstrate the establishment of a separate dollar account for the program funds prior to disbursement.

These funds will be used to service public sector external official debt, with priority given to meeting the needs of the International Financial Institutions (IFIs). To the extent that the GOG uses its own resources to retire IFI debt, all funds provided under this program which are not needed to pay IFI debt may be used to pay GOG debts owed to the USG.

Because of the popular pressure on the De León Carpio Government to implement budgeted social sector spending despite unbudgeted increases in operating expenses, funds that had been programmed for debt service were used to implement the 180 Day Plan and will be used to execute the 1994-96 poverty alleviation program. Arrears can easily put in jeopardy the GOG's ability to negotiate a new stand-by agreement with the IMF and continue to receive disbursements under the World Bank's Economic Modernization Loan and the Interamerican Development Bank's Financial Sector Loan. This diversion of funds from debt service cannot be sustained if the GOG wishes to continue programs with the IFIs and other bilateral donors.

Utilization of ESF dollar resources to service foreign official debt will have two benefits. First, it will free up funds that the GOG had and will programmed for debt service for implementation of programs included in the 180 Day Plan and the 1994-96 poverty alleviation program without excessive use of inflationary public credit financing. Secondly, it will allow dollar resources to be rapidly disbursed, meeting the GOG's need for assistance in closing the 1993 and 1994 financing gaps.

This proposed utilization of ESF grant funds is consistent with the provisions of HR 5368, Section 583, which conditions DA and ESF assistance to Guatemala with a requirement that the funds may only be provided to and used by civilian government agencies and targeted for assistance programs, among others, that address issues of fiscal reform and fiscal administration. The conditionality for this ESF program is directly and strictly linked to sound fiscal policy and administration.

#### **D. Expected Program Impact**

Program impacts are expected at two different levels -- when the GOG fulfills the conditions precedent for the disbursement of US dollars, and when the dollars are used to service GOG debt.

By taking steps towards enacting legislative packages related to tax compliance and establishing a land tax in 1993, and by developing a fiscal action plan for 1994 to address fiscal sector problems, the GOG would have taken steps toward remedying a critical policy deficiency. In addition, the 1993 legislative packages and the 1994 fiscal policy action plan will bring the GOG closer to concluding an agreement with the IMF on a new financial stabilization program for 1994-95 and to receiving disbursements from the other IFIs. The financial stabilization program as well as the disbursements from the IFIs will increase the viability of Guatemala's future financial stability. For USAID/Guatemala, the satisfaction of the ESF Program conditionality by the GOG will represent the successful culmination of its intense dialogue and macroeconomic policy efforts since January 1991 in encouraging the GOG to exercise fiscal discipline, to enforce tax compliance, to raise tax revenues prior to increasing public investments in social sectors and to avoid inflationary financing.

The dollars of the FY 1994 ESF Program are expected to be disbursed in 1994 to assist the GOG meet the potential USD 170 million external financing need through the use of dollars for servicing GOG-IFI debt. By using the dollars in this way, there will be less fiscal pressure on the GOG, which will lower the likelihood of credit/money creation for the purpose of servicing the public debt.

Therefore, as a result of the proposed USD 10 million cash transfer, the GOG will be able to implement its priority social investments with less recourse to inflationary domestic financing, and there will be less pressure to use available budget resources to service IFI debt. With budget resources thereby freed for use in financing the continuing poverty alleviation program, the GOG will be able to achieve its most important goal, that is, the consolidation of democracy while meeting the heightened expectations of the most disadvantaged sectors of Guatemalan society.

**E. Local Currency**

No local currency will be generated by the use of dollars for debt service since this use will not result in the receipt of local currency by the GOG and the Mission has decided not to request a local currency set-aside under this program. It is quite clear from the analysis of the current fiscal situation that the GOG does not have the budgetary resources available to comply with a set-aside requirement of any amount and if such were required, the Government would most likely print money rather than reduce expenditures for the social sectors. The possibility of a rapid increase in revenues is remote.

**F. ESF Program Audits and Monitoring**

An audit of the ESF dollar cash transfer will be required once all conditions precedent have been met and the one-time disbursement is made. This audit will either be conducted by the Regional Inspector General or by an A.I.D. approved auditing firm. The Mission will track the transfer of \$10 million to the Central Government's account and its use in paying IFI debt, and the Bank of Guatemala will agree to maintain all documentation necessary to insure the proper monitoring and audit of payments to the IFIs.

Since local currency is not generated either by the GOG's receipt of local currency or by a local currency set-aside, there is no requirement for tracking expenditures related to the execution of GOG poverty alleviation programs. However, the Mission will follow the progress of the programs through review of GOG reports, and will monitor domestic borrowing by the Central Government and the 1993 and 1994 fiscal deficits in order to describe the impact of our Cash Transfer Program in terms of limiting the amount of public borrowing used to finance the 180 Day Plan and the 1994-96 poverty alleviation program.

## ANNEX A

### T A B L E S

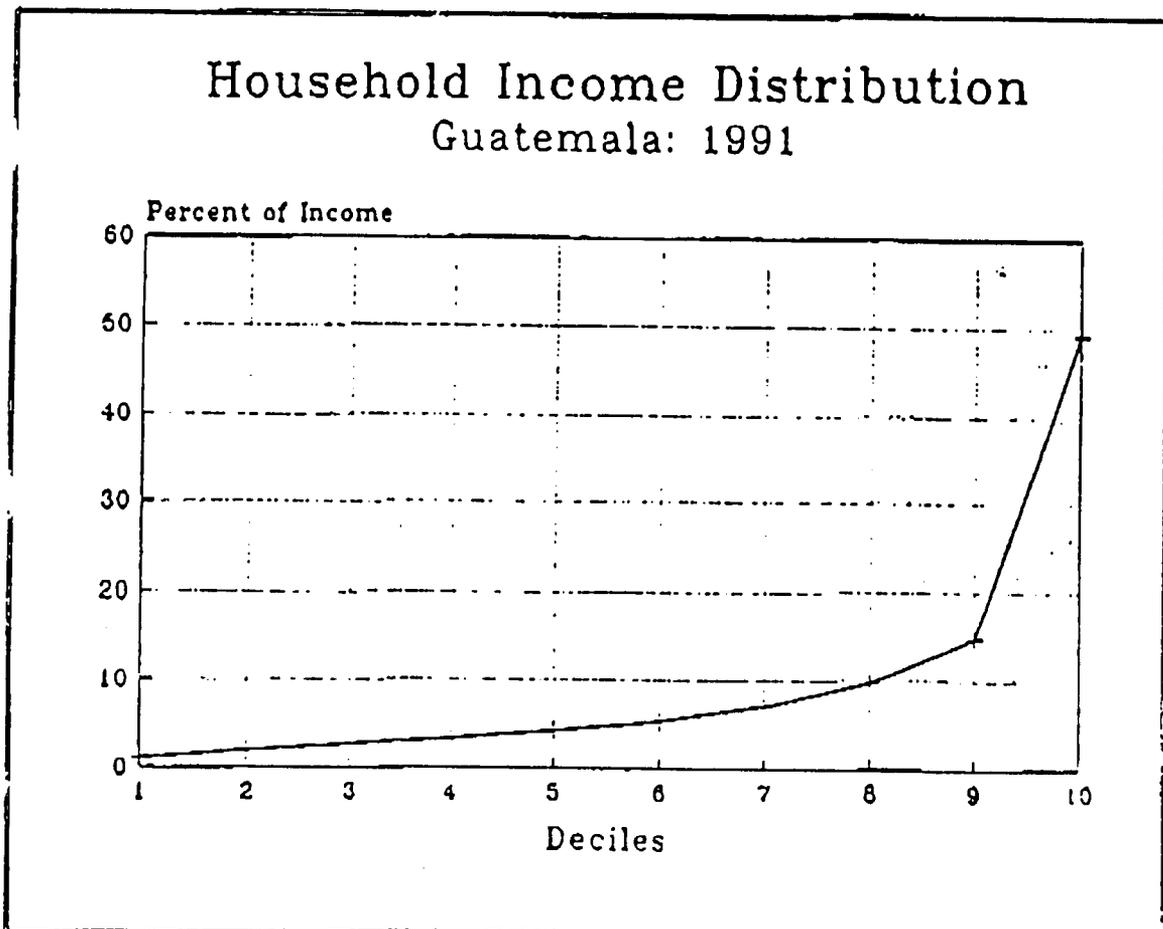
Table 1	Household Income Distribution
Table 2	Open Market Operations of the Bank of Guatemala
Table 3	Consumer Price Index, Guatemala City
Table 4	Operations of the Central Government
Table 5	Tax Revenue of the Central Government
Table 6	Dollar Holdings of the Bank of Guatemala
Table 7	Foreign Exchange Balance
Table 8	The IMF-Guatemala Stand-By Program: The Targets - Summary
Table 9	The IMF-Guatemala Stand-By Program: The Targets - in Detail
Table 10	Operations of the Central Government (in Millions of Quetzales)
Table 11	Operations of the Central Government (in Percentage of GDP)
Table 12	Summary Operations of the Non-Financial Public Sector
Table 13	Summary Monetary Accounts - Bank of Guatemala
Table 14	Illustrative 1994 Action Plan

Table 1  
Household Income Distribution  
Guatemala: 1991

Income Level	Income Distribution
First Decile	1.2
Second Decile	2.1
Third Decile	2.7
Fourth Decile	3.4
Fifth Decile	4.3
Sixth Decile	5.4
Seventh Decile	7.1
Eighth Decile	9.8
Ninth Decile	14.8
Tenth Decile	49.2
Total	100.0

Source: National Institute of Statistics

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T a b l e 2  
Open Market Operations of the Bank of Guatemala  
(In Millions of Quetzals)

	Y e a r			
	1990	1991	1992	1993 Sep 16
S t o c k s				
Total	1299.5	2545.7	1521.1	2769.8
Public Sector	0.0	0.0	44.9	1136.4
Private Banks 1/	875.8	1558.9	942.8	243.1
Non-Bank Private Sector	423.7	986.8	533.4	1390.3

	Change Over December		
Total	1246.2	-1024.6	1248.7
Public Sector	0.0	44.9	1091.5
Private Banks 1/	683.1	-616.1	-699.7
Non-Bank Private Sector	563.1	-453.4	856.9

1/ Includes purchases through auctions

Source: Bank of Guatemala

Table 3  
 CONSUMER PRICE INDEX  
 GUATEMALA CITY  
 (March-April 1983 = 100)

		Percentage Change			
		CPI	Monthly	12-Month	Annual
				Change	Accumulated
1990	March	283.5	3.0	25.7	7.9
	June	323.5	3.7	39.8	23.1
	Sep	358.7	6.1	51.4	36.5
	Dec	419.9	8.3	59.8	59.8
1991	March	434.1	0.1	53.1	3.4
	June	448.6	0.9	38.7	6.8
	Sep	453.1	-0.7	26.3	7.9
	Dec	462.0	1.4	10.0	10.0
1992	March	477.7	1.9	10.0	3.4
	June	488.7	0.8	8.9	5.8
	Sep	503.8	0.7	11.2	9.0
	Dec	527.7	2.2	14.2	14.2
1993	Mar	535.2	0.7	12.0	1.4
	Jun	559.0	2.4	14.4	5.9
	Sep	571.2	-0.4	13.4	8.2

Source: National Institute of Statistics (INE)

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Table 4  
Operations of the Central Government  
(In millions of Quetzals)

	January - July				
	1990	1991	1992	1992	1993
Revenues	2,712.6	4,296.6	5,762.6	3,269.0	3,346.4
.....	.....	.....	.....	.....	.....
Tax	2,360.2	3,469.6	4,511.6	2,508.6	2,912.6
Non-Tax	352.4	827.0	1,251.0	760.4	433.8
Expenditures	3,624.9	4,206.8	5,753.5	2,837.6	3,348.1
.....	.....	.....	.....	.....	.....
Wages & Salaries	1,087.3	1,308.6	1,758.2	943.3	1,245.4
Goods & Services	651.0	641.4	873.9	381.0	447.7
Interest	503.0	446.3	529.9	304.2	326.5
Transfers	779.9	1,074.1	1,027.1	572.9	644.2
Investment	603.7	736.4	1,564.4	636.2	684.3
Surplus/Deficit (-)	(912.3)	89.8	9.1	431.4	(1.7)
.....	.....	.....	.....	.....	.....
Financing	912.3	(89.8)	(9.1)	(431.4)	1.7
.....	.....	.....	.....	.....	.....
External Financing	269.5	73.4	(27.2)	2.7	(361.6)
Donations	84.8	16.0	267.0	0.0	0.0
Internal Financing	558.0	(179.2)	18.1	(434.1)	363.3

(As a percentage of GDP)

	January - July				
	1990	1991	1992	1992	1993
Revenues	7.9	9.1	10.7	6.1	5.3
.....	.....	.....	.....	.....	.....
Tax	6.9	7.4	8.4	4.6	4.6
Non-Tax	1.0	1.8	2.3	1.4	0.7
Expenditures	10.5	8.9	10.7	5.3	5.3
.....	.....	.....	.....	.....	.....
Wages & Salaries	3.2	2.8	3.3	1.7	2.0
Goods & Services	1.9	1.6	1.6	0.7	0.7
Interest	1.5	0.9	1.0	0.6	0.5
Transfers	2.3	2.3	1.9	1.1	1.0
Investment	1.8	1.6	2.9	1.2	1.1
Surplus/Deficit (-)	-2.7	0.2	0.0	0.8	(0.0)
.....	.....	.....	.....	.....	.....
Financing	2.7	-0.2	-0.0	-0.8	0.0
.....	.....	.....	.....	.....	.....
External Financing	0.8	0.2	-0.1	0.0	(0.6)
Donations	0.2	0.0	0.5	0.0	0.0
Internal Financing	1.6	-0.4	0.0	-0.8	0.6

Table 5  
Tax Revenue of the Central Government

	1990	1991	1992	January - July	
				1992	1993
(In millions of current quetzals)					
Tax Revenue	2360.2	3,449.9	4511.6	2,508.6	2,912.6
Income Tax	551.7	1,065.0	1060.9	633.0	781.3
Value-Added Tax	791.4	1,033.8	1423.4	720.1	946.9
Stamp	139.0	180.3	165.9	118.6	83.0
Excise	248.9	401.4	573.3	346.9	426.4
Import	527.6	642.1	1148.3	641.4	609.4
Other	101.6	102.3	119.8	48.6	65.6
(In percentage change over 12 months)					
Tax Revenue	26.7	47.0	30.0	12.4	16.1
Income Tax	22.1	96.7	-0.4	25.7	23.4
Value Added	41.8	31.3	37.0	14.0	31.5
Stamp	19.5	29.7	-8.0	26.8	-30.0
Excise	30.4	61.3	42.8	61.6	22.9
Import	29.9	25.5	73.4	69.7	-5.0
Other	-27.3	0.7	17.1	-88.1	35.0

Source: Ministry of Finance

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Table 6  
Dollar Holdings of the Bank of Guatemala  
(In millions of U.S. Dollars)

Period	Stock	Change Over December
1990		
----		
March	38.3	-52.4
June	30.5	-60.2
September	65.5	-25.2
December	53.0	-37.7
1991		
----		
March	252.3	214.0
June	399.7	369.2
September	469.9	404.4
December	452.5	399.5
1992		
----		
March	557.4	104.9
June	469.9	-87.5
September	280.9	-189.0
December	445.8	-6.7
1993		
----		
March	498.9	53.1
June	480.4	-18.5
September /1	525.0	44.6

1/Preliminary

Source: Bank of Guatemala

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Table 7  
Foreign Exchange Balance  
(in millions of U.S. Dollars)

	1990	1991	1992	Jan - Sep 16	
				1992	1993
Current Transactions	51.3	347.4	(197.8)	(237.1)	(102.6)
.....	.....	.....	.....	.....	.....
Exports	988.9	1,069.4	1,093.1	718.5	835.9
Imports	(1,304.9)	(1,089.4)	(1,797.1)	(1,213.7)	(1,261.1)
Interest (net)	(88.9)	(87.8)	(65.9)	(61.0)	(42.6)
Other	460.2	455.2	532.1	319.1	365.3
Capital Transactions	(133.0)	176.6	123.5	54.3	104.6
.....	.....	.....	.....	.....	.....
Public	(179.1)	(31.7)	-77.43	(60.5)	(173.7)
Private	46.0	208.1	200.9	114.8	278.4
Change in Dollar Holdings	(81.8)	523.8	(74.2)	(182.8)	2.0
.....	.....	.....	.....	.....	.....

Source: Bank of Guatemala

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Table 8: The IMF-Guatemala Stand-By Program: The Targets - Summary

	1992 Dec. 31	1993 Mar. 31	1993 Jun. 30
I. In millions of quetzales			
1. Targets for the Central Government deficit (-)/surplus	Met	Met	Not Met
2. Limits cumulative change in net domestic financing Nonfinancial Public Sector	Met	Met	Not Met 1/
3. Ceilings Central Bank net credit	Not Met	Not Met	Not Met
II. In millions of USD			
4. Targets for Net International Reserves	Not Met	Not Met	Not Met
5. Limits on external debt arrears	Not Met	Not Met	Not Met
6. Limits on new nonconcessional external public sector borrowing	Met	Met	Met

Source: IMF, Bank of Guatemala, and Ministry of Finance

1/ Though data are not available, deviations from other related targets imply that the BOG Net Domestic Financing target was not met either.

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Table 9: The IMF-Guatemala Stand-By Program: The Targets - In Detail

	1992 Dec. 31			1993 Mar. 31			1993 Jun. 30		
	Target (1)	Actual (2)	Deviation (2)-(1)	Target (3)	Actual (4)	Deviation (4)-(3)	Target (5)	Actual (6)	Deviation (6)-(5)
I. In millions of quetzales									
1. Targets for the Central Government deficit (-)/surplus	0.0	-10.7	-10.7	224.0	184.6	-39.4	404.0	-73.7	-477.7
2. Limits cumulative change in net domestic financing Nonfinancial Public Sector	-287.0	-525.2	-238.2	-556.0	-684.2	-128.2	-1430.0	N.A.	N.A.
3. Ceilings Central Bank net credit	370.0	628.2	258.2	-125.0	183.7	308.7	-488.0	557.5	1045.5
II. In millions of USD									
4. Targets for Net International Reserves	460.6	445.8	-14.8	520.6	506.2	-14.4	581.6	433.1	-148.5
5. Limits on external debt arrears 1/	0.0	42.4	42.4	0.0	30.4	30.4	0.0	22.1	22.1
6. Limits on new nonconcessional external public sector borrowing (Cumulative changes from Dec. 31 1991)									
a) Up to 1 year maturity	0.0	---	---	0.0	---	---	0.0	---	---
b) > 1 year and up to 5 years matur. 2/	102.0	61.8	---	145.0	8.5	---	145.0	28.8	---
c) > 1 year and up to 12 years matur.	124.3	---	---	167.3	---	---	167.3	---	---

Source: IMF, Bank of Guatemala, and Ministry of Finance.

1/ Exclude arrears negotiated with Paris Club. Includes arrears to USG (mill. USD): Dec. 31/92 = 2.6 ; March 31/93 = 10.2 ; Jun 6

2/ Include all NFPS borrowing > 1 year.

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## OPERATIONS OF THE CENTRAL GOVERNMENT (In Millions of Quetzales)

	1986	1987	1988	1989	1990	1991	Prel 1992	Proj 1993
Total revenue	1,406.2	1,659.8	2,081.8	2,238.7	2,712.6	4,296.6	5,762.6	5,810.9
-----	-----	-----	-----	-----	-----	-----	-----	-----
Current revenue	1,406.0	1,659.3	2,081.7	2,238.7	2,712.6	4,296.6	5,750.0	5,810.9
Tax revenue	1,093.9	1,412.5	1,765.1	1,850.2	2,360.2	3,469.6	4,511.6	5,116.6
Direct taxes	188.6	276.2	452.2	451.6	551.7	1,085.0	1,080.9	1,356.8
Income tax	169.7	250.8	413.9	406.3	507.0	1,040.4	1,019.0	1,258.4
Property tax	18.9	25.4	38.3	45.3	44.7	44.6	61.9	98.4
Indirect tax	528.2	712.5	822.0	938.1	1,276.3	1,720.6	2,282.4	2,644.4
IVA	308.3	411.7	495.8	558.1	791.4	1,038.8	1,423.4	1,657.7
Stamp	71.7	91.6	103.6	116.3	139.0	180.3	165.9	141.4
Excise	129.7	163.5	179.1	213.2	248.9	401.4	573.3	744.2
Other	18.5	45.8	43.5	50.5	97.0	100.1	119.8	101.1
International trade	377.1	423.8	491.0	460.5	532.2	664.0	1,148.3	1,115.4
Export	213.0	150.7	102.8	54.4	4.6	1.9	0.9	0.0
Import	136.7	273.1	388.2	406.1	527.6	662.1	1,147.4	1,115.4
Special trade tax	27.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	289.0	227.7	282.5	332.9	281.0	766.0	976.6	259.4
Compensatory fund	139.5	68.1	85.0	86.6	10.8	491.5	475.7	0.0
Fees	32.1	34.9	45.8	53.0	52.3	63.3	90.6	129.6
Other	117.4	124.6	151.7	193.3	217.9	211.2	410.3	129.8
Transfers	23.2	19.1	34.1	55.6	71.4	61.0	261.8	434.9
Public	15.5	7.7	21.3	41.5	21.9	22.0	214.3	387.8
Private	7.7	11.5	12.8	14.1	49.5	39.0	47.5	47.1
Capital Revenue	0.2	0.5	0.1	0.0	0.0	30.6	12.6	0.0
Total expenditure	1,704.8	2,093.6	2,643.0	3,166.7	3,624.9	4,206.8	5,753.5	6,916.2
-----	-----	-----	-----	-----	-----	-----	-----	-----
Current Expenditures	1,406.5	1,715.2	2,133.1	2,404.5	3,021.2	3,470.4	4,189.1	5,524.2
Wages	670.9	785.2	916.1	959.4	1,087.3	1,308.6	1,758.2	2,109.2
Goods & Services	294.1	344.1	434.1	505.8	651.0	641.4	873.9	1,000.0
Interests & Commissions	207.9	244.1	301.8	332.4	503.0	446.3	529.9	613.0
Transfers	233.6	340.1	481.1	606.9	779.9	1,074.1	1,027.1	1,802.0
Public sector	183.6	255.7	367.1	376.4	262.5	738.0	554.3	1,252.0
Private sector	50.0	85.1	114.0	230.5	517.4	472.8	472.8	550.0
Capital Expenditures	298.3	378.4	509.9	762.2	603.7	736.4	1,564.4	1,392.0
Net Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus or Deficit	(298.6)	(433.8)	(561.2)	(928.0)	(912.3)	89.8	9.1	(1,105.3)
-----	-----	-----	-----	-----	-----	-----	-----	-----
Financing	298.6	433.8	561.2	928.0	912.3	(89.8)	(9.1)	1,105.3
-----	-----	-----	-----	-----	-----	-----	-----	-----
Foreign Financing	136.9	245.2	369.5	294.6	303.2	140.3	289.4	331.5
Donations	58.6	195.9	217.0	194.9	213.9	0.0	267.0	10.0
Arrears	0.0	0.0	0.0	0.0	0.0	35.0	(381.7)	670.2
Arrears payment	0.0	0.0	0.0	0.0	0.0	465.0	381.7	0.0
Arrears financing	0.0	0.0	0.0	0.0	0.0	500.0	0.0	670.2
Internal Financing	161.7	188.6	191.7	633.4	609.1	(265.1)	83.2	103.6
Forced bond proceeds	0.0	0.0	0.0	0.0	0.0	350.0	0.0	0.0
Other	161.7	188.6	191.7	633.4	609.1	(615.1)	83.2	103.6

Source: Ministry of Finance

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Table 11  
OPERATIONS OF THE CENTRAL GOVERNMENT  
(In Percentage of GDP)

	1988	1989	1990	1991	Prel 1992	Proj 1993
Total revenue	10.1	9.5	7.7	9.1	10.7	9.2
-----	----	----	----	----	----	----
Current revenue	10.1	9.5	7.7	9.1	10.7	9.2
Tax revenue	8.6	7.8	6.9	7.4	8.4	8.1
Direct taxes	2.2	1.9	1.6	2.3	2.0	2.1
Income tax	2.0	1.7	1.5	2.2	1.9	2.0
Property tax	0.2	0.2	0.1	0.1	0.1	0.2
Indirect tax	4.0	4.0	3.7	3.6	4.2	4.2
IVA	2.4	2.4	2.3	2.2	2.6	2.6
Stamp	0.5	0.5	0.4	0.4	0.3	0.2
Excise	0.9	0.9	0.7	0.8	1.1	1.2
Other	0.2	0.2	0.3	0.2	0.2	0.2
International trade	2.4	1.9	1.6	1.4	2.1	1.8
Export	0.5	0.2	0.0	0.0	0.0	0.0
Import	1.9	1.7	1.5	1.4	2.1	1.8
Special trade tax	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	1.4	1.4	0.6	1.7	1.8	0.4
Compensatory fund	0.4	0.4	0.0	1.0	0.9	0.0
Fees	0.2	0.2	0.4	0.3	0.2	0.2
Other	0.7	0.8	0.6	0.3	0.8	0.2
Transfers	0.2	0.2	0.2	0.1	0.5	0.7
Public	0.1	0.2	0.1	0.0	0.4	0.6
Private	0.1	0.1	0.1	0.1	0.1	0.1
Capital Revenue	0.0	0.0	0.0	0.1	0.0	0.0
Total expenditure	12.9	13.4	10.6	8.9	10.7	10.9
-----	----	----	----	----	----	----
Current Expenditures	10.4	10.2	8.8	7.3	7.8	8.7
Wages	4.5	4.1	3.2	2.8	3.3	3.3
Goods & Services	2.1	2.1	1.4	1.4	1.6	1.6
Interests & Commissions	1.5	1.4	1.5	0.9	1.0	1.0
Transfers	2.3	2.6	2.3	2.3	1.9	2.8
Public sector	1.8	1.6	0.8	1.6	1.0	2.0
Private sector	0.6	1.0	1.5	1.0	0.9	0.9
Capital Expenditures	2.5	3.2	1.8	1.6	2.9	2.2
Net Lending	0.0	0.0	0.0	0.0	0.0	0.0
Surplus or Deficit	-2.7	-3.9	-2.9	0.2	0.0	(1.7)
-----	----	----	----	----	----	----
Financing	2.7	3.9	2.9	-0.2	(0.0)	1.7
-----	----	----	----	----	----	----
Foreign Financing	1.8	1.2	0.9	0.3	0.5	0.5
w/o Donation	1.1	0.8	0.6	0.0	0.5	0.0
Arrears	0.0	0.0	0.0	0.1	(0.7)	1.1
Arrears payment	0.0	0.0	0.0	1.0	0.7	0.0
Arrears financing	0.0	0.0	0.0	1.1	0.0	1.1
Internal Financing	0.9	2.7	2.0	-0.5	0.2	0.2
Forced bond proceeds	0.0	0.0	0.0	0.7	0.0	0.0
Other	0.9	2.7	2.0	-1.3	0.2	0.2

Source: Ministry of Finance

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Table 12  
SUMMARY OPERATIONS OF THE NONFINANCIAL  
PUBLIC SECTOR

	1988	1989	1990	1991	Prel. 1992	Proj. 1993
(In millions of quetzales)						
Public Sector Deficit	-725	-1129	-1853	-701	-409	-1350
BOG losses	-328	-297	-728	-743	-625	-700
Nonfinancial Public Sector	-397	-832	-1125	43	216	-650
Central Government	-561	-928	-981	73	-84	-1105
Rest of public sector	164	96	-144	-30	300	456
(In percent of GDP)						
Public Sector Deficit	-3.5	-4.8	-5.5	-1.5	-0.8	-2.1
BOG losses	-1.6	-1.3	-2.1	-1.6	-1.2	-1.1
Nonfinancial Public Sector	-1.9	-3.5	-3.3	0.1	0.4	-1.0
Central Government	-2.7	-3.9	-2.9	0.2	-0.2	-1.7
Rest of public sector	0.8	0.4	-0.4	-0.1	0.6	0.7

Source: Bank of Guatemala

BEST AVAILABLE DOCUMENT

Table 13  
SUMMARY MONETARY ACCOUNTS  
Bank of Guatemala  
(In millions of Quetzales)

	1990	1991	1992	Jun 1993	Sep 1993
	Q5.1 = \$1		Q5.3 = \$1		
Net International Reserves	-522.2	2307.8	2362.7	2295.4	2665.4
Net Domestic Assets	2613.2	116.3	628.2	557.5	148.4
Public Sector (net)	1353.1	743.9	-46.9	171.7	1197.8
Central Gov.	1474.7	901.7	1682.4	1704.4	1466.9
Rest of NFPS	-121.6	-157.8	-1729.3	-1532.7	-269.1
Net Credit to Banks	-1378.8	-3841.3	-3224.6	-3454.3	-3809.6
Credit	265.7	238.4	256.1	316.0	217.4
Reserves	-1290.0	-2118.6	-1930.9	-3160.9	-3219.0
Cenivacus & CD's	-93.8	-1558.9	-942.8	-254.0	-341.2
Stabilization Bonds	-260.7	-402.2	-607.0	-325.4	-466.8
Cenivacus & CD's outside banks	-291.1	-986.9	-533.4	-1073.0	-2566
Stabilization Bonds Outside banks	-1006.4	-1180.9	-1051.5	-1131.1	-777.4
Med. & Long-term foreign liab.	-1614.7	-1333.1	-2070.7	-1968.4	-1964.2
Bank of Guatemala Arrears	-644.6	-435.5	-30.7	-32.3	-33.4
Other	6195.7	7150.1	7586.0	8044.9	8101.2
Currency Issue	2091.0	2424.1	2990.9	2852.9	2813.8

Source: Bank of Guatemala

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TABLE 14

**GOVERNMENT OF GUATEMALA's  
ILLUSTRATIVE 1994 ACTION PLAN**

<u>POLICY ACTIONS</u>	<u>H O W</u>	<u>W H E N</u>	<u>EXPECTED YIELDS/SAVINGS</u>
1. Improvement of customs services	Ministerial Decree	1st. Quarter of 1994	Q 350. million
2. Increase in tax compliance	Laws enacted by Congress and new procedures	Starting Oct. 1, 1993	Q 300 million
3. Sales of government assets	Public Auctions	Starting Oct. 1, 1993	Q 325 million
4. Implementation of a land tax	Law enacted by Congress	1994	Q 200 million
5. Reduction of public expenditures through non-reimbursable transfers to parastatals	Budget plus Ministerial Actions	1994	Q 250 million

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**5C(2) - PROJECT ASSISTANCE CHECKLIST  
FY94 ESF CASH TRANSFER PROGRAM (520-0415)**

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

LAC/GC and RLA agreed to using the FY93 Country Checklist

**A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS**

**1. Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:  
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve

The Mission views the Program as necessary condition to (a) and (b).

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technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

**2. U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

N/A

**3. Congressional Notification**

**a. General requirement** (FY 1993 Appropriations Act Sec. 12; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

A Congressional Notification is in process and will be completed prior to obligation of funds.

**b. Notice of new account obligation** (FY 1993 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to

N/A

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which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

**c. Cash transfers and nonproject sector assistance** (FY 1993 Appropriations Act Sec. 571(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

Yes

**4. Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be:

N/A

- (a) engineering, financial or other plans necessary to carry out the assistance; and
- (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

5. **Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A: Program conditionality requires the endorsement of two legislative packages by the President for future presentation to Congress, not their passage.

6. **Water Resources** (FAA Sec. 611(b); FY 1993 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1993 Appropriations Act Sec. 571(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

Yes

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. See item (1) above.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private N/A

trade channels and the services of U.S. private enterprise).

**11. Local Currencies**

N/A

a. **R e c i p i e n t Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

c. **Separate Account** (FY 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A. No generation of local currencies will occur.

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be

N/A

generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? N/A

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government? N/A

## 12. Trade Restrictions

a. **Surplus Commodities** N/A  
(FY 1993 Appropriations Act)

Sec. 520(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

b. **Textiles (Lautenberg Amendment)** (FY 1993 Appropriations Act Sec. 520(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

N/A

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3) (as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14. **PVO Assistance**

a. **Auditing and registration** (FY 1993 Appropriations Act Sec. 536): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

N/A

b. **Funding sources** (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N/A

**15. Project Agreement Documentation** N/A

(State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

**16. Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically

N/A

GUATEMALA - 1993

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics Certification

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of non-agricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 542 of the FY 1993 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

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(1) has the President in the April 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance? **Yes.**

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on April 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification. **Not applicable.**

2. **Indebtedness to U.S. citizens** (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity? **No.**

3. **Seizure of U.S. Property** (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? **No.**

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**No, the recipient country is not a Communist country.**

4. **Communist countries** (FAA Secs. 620(a), 620(f), 620D; FY 1993 Appropriations Act Secs. 512, 543): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

**No.**

5. **Mob Action** (FAA Sec. 620(j)):

Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

**No.**

6. **OPIC Investment Guaranty** (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC?

**No.**

7. **Seizure of U.S. Fishing Vessels** (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

**No.**

8. **Loan Default** (FAA Sec. 620(q); FY 1993 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?

9. **Military Equipment** (FAA Sec 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes, taken into consideration by the Administrator at the time of approval of the 1993 OYB.

10. **Diplomatic Relations with U.S.** (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

11. **U.N. Obligations** (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

Guatemala is in arrears on the payment of obligations to the U.N. Guatemala's arrearages, both in general and for purposes of Article 19 of the U.N. Charter, were taken into account by the Administrator at the time of approval of the FY 1993 OYB.

12. **International Terrorism**

a. **Sanctuary and support** (FY 1993 Appropriations Act Sec. 554; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

No.

b. **Airport Security** (ISDCA of 1985 Sec. 552(b)). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No.

13. **Discrimination** (FAA Sec. 666(b)): **No.**  
Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

14. **Nuclear Technology** (FAA Secs. 669, 670): **No.**  
Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

15. **Algiers Meeting** (ISDCA of 1981, Sec. 720): **No, Guatemala did not become a member of NAM until 1982.**  
Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

16. **Military Coup** (FY 1993 Appropriations Act Sec. 513): **No.**  
Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

17. **Refugee Cooperation** (FY 1993 Appropriations Act Sec. 538): **Yes.**  
Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions

to refugee situations, including resettlement without respect to race, sex, religion, or national origin?

18. **Exploitation of Children** (FAA Sec. 116(b)): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services? **No.**

**B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")**

1. **Human Rights Violations** (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? **No.**

2. **Abortions** (FY 1993 Appropriations Act Sec. 534): Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? **No.**

**C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")**

**Human Rights Violations** (FAA Sec. 502B): **No.** Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

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LAC/CEN:JVanDenBos:kw:12/16/92:7-9541

Clearances:

LAC/CEN:JVanDenBos	<u>M</u>	<u>1-14-93</u>
LAC/SAM:AMcDonald	<u>MA</u>	<u>1-14</u>
LAC/DR:JHradsky JB*	<u>JR</u>	<u>1-14</u>
LAC/DPP:EZallman	<u>EZ</u>	<u>1-14-93</u>
GC/LAC:MFittipaldi	<u>MJF</u>	<u>2/18/93 (revision incorporating 1-14-92 J. Sublet provisions)</u>
ARA/CEN:JARndt	<u>AR</u>	<u>1-14-93</u>
State/IOSB:THobgood	<u>TH</u>	<u>1-14-93</u>
State/HA/BA:MJacobson	<u>MJ</u>	<u>1-14-93</u>
State/RP/ENA:DKemp	<u>DK</u>	<u>1-14-93</u>
State/INM:ECarroll	<u>EC</u>	<u>1-14-93</u>



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

LAC-IEE-94-02

**REQUEST FOR A CATEGORICAL EXCLUSION**

Project Location : Guatemala

Project Title : ESF FY 94 Cash Transfer Program

Project Number : TBD

Funding : \$US 10,000,000

Life of Project : FY 94

IEE Prepared by : Margaret Kromhout  
DC/PDSO

Recommended Threshold Decision: Categorical Exclusion

Bureau Threshold Decision : Concur with Recommendation

Comments : A Categorical Exclusion is issued in accordance with 22 CFR 216.2(c)(2)(vi).

Mission shall place a condition in the Program Agreement with the GOG to ensure that there will be no support or funds used: (1) for timber extraction or significant deforestation, including the procurement or use of equipment that could be used in deforestation activities; or (2) for the procurement or use of pesticides.

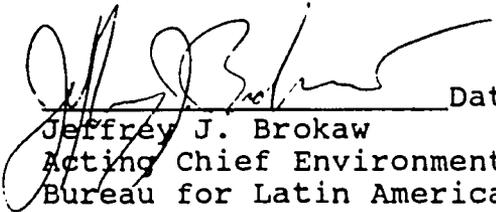
In addition, a condition shall be placed in the Program Agreement to ensure that funds will have no negative effect on threatened or endangered species, or their critical habitats.

Should the Grantee be unable to comply with any of these conditions, USAID/Guatemala shall submit an amended Initial

REQUEST FOR A CATEGORICAL  
EXCLUSION (cont'd.)

LAC-IEE-94-02

Environmental Examination to the  
LAC Chief Environmental Officer.

 Date 11/2/93  
Jeffrey J. Brokaw  
Acting Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

Copy to : Lawrence J. Klassen, Acting Mission  
Director. USAID/Guatemala

Copy to : Margaret Kromhout  
USAID/Guatemala

Copy to : Elizabeth Warfield,  
USAID/Guatemala

Copy to : Wayne Williams, REA/CEN

Copy to : Susan Alexander, LAC/DR

Copy to : James Vandebos, LAC/CEN

Copy to : IEE File



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT  
GUATEMALA

IMMEDIATE ( ) PRIORITY ( ) NORMAL ( X )

PLAZA UNO  
1A. CALLE 7-66,  
01009 ZONA 9,  
GUATEMALA

USAID  
UNIT 3323  
APO AA 34024  
U.S.A.

DATE: October 27, 1993

TO: Mr. Jeff Brokaw, LAC/DR/E

FAX NO.: (202) 647 8098 CITY: Washington

FROM/OFFICE: Margaret Kromhout, DC/PDSO

CLEARANCES: N/A

APPROVED BY: Elizabeth Warfield, C/PDSO

PAGE 1 OF 3

**TEXT:**

Please find attached the approved Initial Environmental Examination Request for the issuance of the Environmental Threshold Decision.

:

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**INITIAL ENVIRONMENTAL EXAMINATION**

***Project Location:*** Guatemala

***Project Title:*** FY 94 ESF Cash Transfer Program

***Funding:*** \$10,000,000

***Project Description:***

The funds under this Program will be made available to the Government of Guatemala (GOG) in direct support of its economic program. Funds will provide, as in the six previous ESF programs, immediate balance of payments support to Guatemala and the allocation of urgently needed foreign exchange to help eliminate external debt service arrears to the U.S. Government (USG) and International Financial Institutions (IFIs), including the World Bank and the Interamerican Development Bank. Availability of funds under this Program is contingent upon compliance with the conditions to be mutually agreed upon between the GOG and A.I.D. on the 1994 economic program.

In all cases, funds made available will be programmed through the Guatemalan Ministry of Finance and Central Bank which have overall responsibility for determining the subsequent use of funds. Because the dollars will be used to retire public sector debt with the USG and IFIs, no local currency will be generated nor is a local currency set-aside required.

***Environmental Impact***

The proposed program qualifies for a categorical exclusion in accordance with Section 216.2 (C) (1) of 22 CFR as one which does not have an effect on the physical and natural environment.

***Recommendation***

Based on the A.I.D. environmental regulation discussed above, the Mission recommends that the ESF Cash Transfer Program for FY 1994 be given a Categorical Exclusion determination requiring no further environmental review.

**Initial Environmental Examination  
FY 94 ESF Cash Transfer Program  
Page No. 2**

Concurrence:



---

Lawrence J. Klassen  
Acting Mission Director

10.27.93

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Date

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APPR: JB *J.B.*  
DRAFT: AH *(V) [unclear]*  
CLEAR: AS *(V) [unclear]*  
CLEAR: KM *(V) [unclear]*  
CLEAR: ( )  
CLEAR: ( )  
CLEAR: ( )

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AID/LAC/DR/E:AHAMBLETON:IEE94-02.CAB  
11/04/93 647-9487  
AID/LAC/DR/E:JBROKAW

AID/LAC/DR/E:ASEGARRA LAC/DR/E:KMENCZER

PRIORITY GUATEMALA

AIDAC GUATEMALA FOR M.KROMHOUT AND W. WILLIAMS

E.O. 12356: N/A

TAGS:

SUBJECT: ENVIRONMENTAL THRESHOLD DECISION FOR THE FY94  
ESF CASH TRANSFER PROGRAM

REF: FAX, M.KROMHOUT TO JBROKAW, OCTOBER 27, 1993

1. LAC ACTING CHIEF ENVIRONMENTAL OFFICER, JEFFREY J. BROKAW, HAS REVIEWED, AND HEREBY APPROVES MISSION REQUEST FOR A CATEGORICAL EXCLUSION FOR SUBJECT PROJECT. A CATEGORICAL EXCLUSION IS ISSUED IN ACCORDANCE WITH 22 CFR 216.2(C)(2)(VI).

2. MISSION SHALL PLACE A CONDITION IN THE PROGRAM AGREEMENT WITH THE GOG TO ENSURE THAT THERE WILL BE NO SUPPORT OR FUNDS USED: (1) FOR TIMBER EXTRACTION OR SIGNIFICANT DEFORESTATION, INCLUDING THE PROCUREMENT OR USE OF EQUIPMENT THAT COULD BE USED IN DEFORESTATION ACITIVITIES; OR (2) FOR THE PROCUREMENT OR USE OF PESTICIDES.

3. IN ADDITION, A CONDITION SHALL BE PLACED IN THE PROGRAM AGREEMENT TO ENSURE THAT FUNDS WILL HAVE NO NEGATIVE EFFECT ON THREATENED OR ENDANGERED SPECIES, OR THEIR CRITICAL HABITATS.

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4. SHOULD THE GRANTEE BE UNABLE TO COMPLY WITH ANY OF THESE CONDITIONS, MISSION SHALL SUBMIT AN AMENDED INITIAL ENVIRONMENTAL EXAMINATION TO THE LAC CHIEF ENVIRONMENTAL OFFICER.

5. MISSION IS REQUESTED TO SEND A COPY OF THE RELEVANT SECTIONS OF THE GRANT AGREEMENT SPECIFYING THE ABOVE CONDITIONS FOR INCLUSION IN LAC/DR/E FILES.

6. IEE NUMBER IS LAC-IEE-94-02. COPY OF THE ENVIRONMENTAL THRESHOLD DECISION IS BEING SENT TO THE MISSION FOR INCLUSION IN PROJECT FILES.

YY

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74,

PRESIDENCIA DE LA REPUBLICA DE GUATEMALA

PLAN DE GOBIERNO DE LOS 180 DIAS

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## PRESENTACION

La gesta cívica que llevó al gran consenso nacional para apoyar la gestión del Gobierno, es producto de una revolución pacífica del pueblo de Guatemala para reencauzar la plena vigencia de la democracia, fundada en la honestidad, la tolerancia y el desarrollo humano, que asegure la consolidación del Estado de Derecho, la justicia y la seguridad civil, en el marco del respeto irrestricto a los Derechos Humanos.

Las orientaciones dadas por el Presidente Constitucional de la República Licenciado Ramiro de León Carpio el 20 de junio de 1993 son las que guían el presente Plan de los 180 Días, siendo éstas:

- Gobernar con un nuevo estilo, donde prevalezca la austeridad, la honestidad y la transparencia. Y, con la verdad, exhortar a la ciudadanía a compartir el esfuerzo para desarrollar al país.
- Promover la participación de los sectores representativos de la sociedad, para encontrar puntos de convergencia y de consenso, aprovechando las instancias y mecanismos existentes y otros que puedan surgir, en un ambiente de libre expresión del pensamiento, tolerancia, responsabilidad y respeto.
- Garantizar a la ciudadanía su seguridad sobre la base del fortalecimiento de las fuerzas de seguridad de carácter estrictamente civil y la colaboración de la población. De manera paralela, se luchará contra la impunidad.
- Fortalecer el desarrollo integral de la paz.
- Iniciar acciones para reducir la situación de pobreza y procurar una mejora en la calidad de vida, a través de la solidaridad nacional, el mantenimiento de la estabilidad macroeconómica, la racionalización del gasto público, la reasignación del presupuesto de gastos del Estado para apoyar preferentemente proyectos en donde participen las comunidades y las organizaciones no gubernamentales en coordinación con el sector público.
- Dinamizar las relaciones internacionales sobre la base que la política exterior es instrumento de la política económica y social del país.
- Ordenar y agilizar las actividades de los fondos sociales para que, de manera urgente atiendan las necesidades más sentidas de los grupos en extrema pobreza.
- Fortalecer el sistema de salud materno infantil.

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lo tanto, se continuarán los esfuerzos por mantener el crecimiento económico y la consolidación del estado de derecho con la filosofía de lograr un desarrollo humano

Se tenderá hacia la modernización institucional, el uso racional de los recursos naturales y conservación del medio ambiente y la racionalización y orientación del gasto público.

En el ámbito internacional, el Gobierno respetará los principios del Derecho Internacional, cumplirá los compromisos adquiridos y favorecerá la solución pacífica de las controversias entre los Estados. La integración centroamericana es una prioridad.

En lo relativo a la cooperación externa, se exhorta a la comunidad internacional para cooperar en este esfuerzo nacional de desarrollo y de consolidación de la democracia. El Gobierno realizará las acciones para agilizar sus procedimientos para que la misma se otorgue sin dilación y se asegure su transferencia directa a los beneficiarios. La cooperación internacional se negociará conforme a prioridades establecidas por la comunidad nacional.

## II. ESTRATEGIAS

Las estrategias que a continuación se presentan para los aspectos políticos, sociales económicos y de modernización institucional deben considerarse como elementos de base para la realización de las acciones prioritarias del Plan de los 180 días del actual gobierno. Pero que, a su vez, orientan las actividades que se ejecutarán en el período 1994-1995.

### A. Estrategia Política

El objetivo del Gobierno es la consolidación del proceso democrático durante el período para el cual fue electo.

Para que dicha consolidación sea una realidad, es fundamental establecer desde ya las estrategias a desarrollar en el corto plazo, que permitan acciones orientadas a la perfectibilidad del Estado de Derecho.

Estas estrategias que se indican a continuación se refieren al respeto y la garantía del ejercicio de los derechos humanos, la participación ciudadana directa y asociada, la seguridad ciudadana y la inserción de Guatemala en la dinámica Internacional.

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Consciente de que la gobernabilidad de un país se posibilita y legitima cuando la sociedad organizada plantea demandas coherentes hacia el gobierno que facilitan la toma de decisiones adecuadas, las indicadas estrategias han de conducir a la adopción de acciones que cumplan con el objetivo gubernamental expuesto al principio.

La paz es una prioridad para la actual administración, la cual realizará los más amplios esfuerzos por alcanzarla, entendida ésta, en su ámbito más general, como un estado de armonía del ser humano consigo mismo, con su entorno natural y con sus semejantes.

Se promoverá la estricta observancia y garantía de la vigencia de los Derechos Humanos para la consolidación del Estado de Derecho.

Se respetará la realidad pluricultural del país, promoviendo los valores de la cultura maya para enriquecer la cultura nacional.

Se garantizará la seguridad ciudadana, tanto en la integridad física de las personas como de sus bienes. En esa dirección se hace necesario fomentar la credibilidad de la población en sus instituciones de seguridad civil, así como obtener su participación en el combate a la delincuencia, buscando la reducción de sus causas.

Se combatirá la impunidad y la corrupción a todo nivel, impulsando un cambio de actitud y fortaleciendo las instancias correspondientes.

Se propiciará la participación democrática buscando el desarrollo integral de los habitantes de todas las comunidades del país.

Se tomarán las medidas necesarias para el funcionamiento del Sistema de Consejos de Desarrollo Urbano y Rural para que sus integrantes participen en las decisiones en materia de políticas en inversión pública. Asimismo se apoyará y promoverá otras instancias que permitan la participación de la población.

Se promoverá el desarrollo municipal, colaborando con las municipalidades en el aumento de su capacidad técnica, el mejoramiento de la utilización de los fondos disponibles, el fortalecimiento de sus finanzas y el fomento de la descentralización y participación local.

Se promoverá la plena y activa participación de Guatemala en la dinámica mundial en los aspectos políticos, culturales, económicos, comerciales y ambientales.

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La integración centroamericana se profundizará en el plano social y económico, como medio para elevar la competitividad de la región y como instrumento de negociación del istmo con el mundo.

## B. Estrategia Social

Además del fortalecimiento de las estructuras e instituciones democráticas como condición necesaria para movilizar el potencial productivo de la población y su amplia participación en la búsqueda e implementación de soluciones a sus propios problemas, el combate efectivo y permanente a la pobreza requiere acciones a mediano plazo que apunten a i) tornar más eficiente el manejo de la política económica y social para que combinadas en forma coherente e integralmente aumenten el bienestar de la población; ii) reordenar las políticas sectoriales e intersectoriales en concordancia con la estrategia social, buscando la ampliación y mejoramiento de la calidad de los servicios sociales; iii) reorientar y enfocar el gasto público hacia los grupos que viven en situación de pobreza; iv) mejorar la capacidad de ejecución del sector público; y v) descentralizar la prestación de los servicios públicos, fortaleciendo la autogestión de las comunidades y de los Gobiernos locales.

Estabilidad y crecimiento económico, equidad social y combate a la pobreza, a la vez, fortalecerán la consolidación del sistema democrático y la paz social al permitir a los guatemaltecos participar plenamente en la vida política, económica y social.

La modalidad de acción del Estado guatemalteco que permitirá atenuar la grave situación de pobreza que prevalece en el país, requiere una nueva y necesaria relación entre Estado y Sociedad. Para ello se propone iniciar un nuevo estilo de trabajo que permita en forma pronta y eficaz racionalizar la acción del Estado en el campo de la reducción de la pobreza.

Es indudable que dada la severidad y trascendencia del fenómeno de la pobreza en Guatemala, el proceso para su reducción se extiende necesariamente más allá de los tiempos políticos de una administración gubernamental. En tal sentido, en un inicio se busca el alivio y reducción de las manifestaciones de la pobreza, accediendo en un tiempo breve a iniciar acciones para enfrentar las causas más obvias del problema, como podría ser la falta de empleo productivo. Se postula una modalidad de atención local, a través de acciones focalizadas e integrales, en donde el desarrollo de la persona, la familia y la comunidad es el centro fundamental del interés de la acción del Estado. Por lo tanto la organización y recursos de las instituciones públicas y sus acciones deben de privilegiar la reducción de la pobreza, la cual se estaría complementando en forma

importante con un esfuerzo comunitario de responsabilidad compartida en el que se dé una amplia participación social en todas las instancias.

Como parte de las estrategias del programa para la reducción de la pobreza se deben mencionar:

- Establecer y desarrollar una modalidad de responsabilidad social compartida entre gobierno, comunidades e instituciones y organismos privados;
- Basar la acción gubernamental en la atención primaria, en los campos de la educación, salud, vivienda, empleo, para empezar a reconstruir el tejido social.
- Armonizar dentro de la acción gubernamental los programas regulares con las nuevas modalidades de intermediación financiera de carácter emergente;

En términos sectoriales, las acciones para la reducción de la pobreza se deben enmarcar en un modelo de programas, proyectos y acciones integrales y focalizados, en el cual se pondrá énfasis en los componentes sectoriales siguientes:

• En el sector salud se impulsarán acciones integrales encaminadas a ampliar la cobertura de los servicios básicos, mejorar la calidad y la administración de los servicios del sector; con especial énfasis se dará a la atención materno infantil, las inmunizaciones, la rehidratación oral, el tratamiento de enfermedades respiratorias agudas y la educación en salud.

• Lo relativo a la alimentación y nutrición incluye aspectos prioritarios tales como producción de alimentos básicos para el autoconsumo, atención del daño nutricional agudo, alimentación complementaria y lactancia materna, todo ello en el marco del sistema de alimentación y nutrición.

• En el campo de la educación, las acciones buscarán aumentar la eficiencia y equidad del Sistema Educativo, mejorar la calidad de la educación y ampliar la cobertura de la educación preprimaria y primaria y la alfabetización, con especial énfasis en la atención de las áreas rurales y las poblaciones más marginadas. Se fortalecerán los programas de educación bilingüe y los ejes de educación ambiental, educación en derechos humanos y educación para el trabajo, como aspectos prioritarios para el combate a la pobreza y fortalecimiento de la democracia, y creando las condiciones necesarias para la plena participación de la comunidad educativa.

• Se establecerán mecanismos de ordenamiento y facilidades para el acceso a la vivienda, especialmente en el área rural.

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- Se tomarán medidas para establecer las bases para poder legalizar la propiedad de la tierra.

- En el área de infraestructura el interés descansa principalmente en lo relativo a la infraestructura social comunitaria, de salud y educativa.

- Formular, con el concurso de los diversos sectores, una política cultural y otra sobre seguridad social.

- En materia laboral se velará por la observancia de las leyes que regulan el cumplimiento del salario legal, implementándose programas en la materia y la previsión social.

- Finalmente, en el campo del empleo, se privilegian los aspectos como la creación y fortalecimiento de la micro, pequeña y mediana empresa, la capacitación para el trabajo y el apoyo al pequeño productor.

El combate y reducción de la pobreza en este nuevo estilo de gobernar, considera indispensable la atención local y la participación comunitaria en el proceso de producción y entrega de servicios que tiendan a la reducción de la pobreza, razón por la cual el marco institucional del mismo se conforma partiendo del nivel local. En otras palabras, en el nivel local se requiere de la conformación de un tejido social fortalecido que actúe en forma coordinada y eficiente para el cumplimiento efectivo de las acciones sectoriales y globales.

Tomando en consideración la situación social crítica que presenta la mayoría de la población guatemalteca, la **Estrategia Social del Gobierno** para los próximos 180 días busca integrar acciones para que la aplicación de la Política Social cuente con los recursos financieros y humanos necesarios y se aumente la eficiencia del gasto público en los sectores sociales prioritarios, enfatizando en la ejecución de programas y proyectos con el mayor impacto en el mejoramiento de la Educación, Salud, Vivienda, Alimentación-Nutrición y Atención del Niño y la Familia.

### C. Estrategia Económica

Los problemas y retos del desarrollo económico y social del país plantean al Gobierno de la República cuatro campos de acción prioritarios, en los que se deberán sentar las bases para profundizar las reformas estructurales de mediano plazo, con el fin de acelerar la transformación productiva que posibilite mayores niveles de estabilidad, crecimiento, empleo productivo y equidad social, que se traduzca en una mejor distribución de los beneficios del crecimiento y en un combate efectivo a la pobreza

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extrema, y promueva el uso racional de los recursos naturales renovables. Estas áreas son (i) el mantenimiento y la consolidación de bases macroeconómicas estables, (ii) la integración en la economía mundial, (iii) el fomento de la inversión privada y (iv) el aumento de la calidad del gasto público orientado, básicamente, al combate efectivo de la pobreza extrema, el apoyo a las actividades productivas y la conservación del ambiente.

Para el logro de un desarrollo integral, sostenible y equitativo se impulsará la modernización económica y social así como la del Estado, tendente a fortalecer su papel subsidiario en la promoción del bien común. La experiencia del pasado demuestra que la estabilidad y el crecimiento económicos a niveles satisfactorios son necesarios, pero no suficientes para aliviar la pobreza. Se requieren además acciones concretas para que los estratos más pobres de la población desarrollen sus potencialidades, tengan acceso a las oportunidades y puedan participar plenamente en la vida social y política del país.

Con el fin de consolidar las bases macroeconómicas estables, se mantendrá la disciplina monetaria y fiscal.

En favor de la consolidación de las bases macroeconómicas, se impulsarán aquellas acciones de modernización institucional necesarias para fortalecer la estabilidad en forma permanente y duradera para acelerar el ritmo de crecimiento de la economía.

En materia fiscal se realizarán los esfuerzos de saneamiento de las finanzas públicas, limitando el déficit fiscal a la disponibilidad de financiamiento externo y elevando el ahorro en cuenta corriente y los ingresos tributarios, así como buscando opciones de utilización de los activos del Estado, con el fin de liberar recursos que permitan optimizar el gasto de inversión para programas sociales con prioridad para el combate a la pobreza. Estos objetivos se lograrán con la profundización del Programa de Modernización Tributaria y del Programa de Racionalización del Gasto Público.

Los principios de austeridad, honestidad, transparencia y racionalidad guiarán las decisiones en materia de gasto público en el período de gobierno. En este contexto se realizará una reasignación del gasto y de los subsidios en beneficio de los grupos sociales más pobres atendiendo las más urgentes necesidades en materia de salud y educación y para el fomento de la actividad productiva, mediante la rehabilitación y ampliación de la infraestructura básica.

En materia comercial se harán los esfuerzos para reducir el déficit comercial del país, fortaleciendo los mecanismos que aumenten la productividad y competitividad de las exportaciones, apoyando la apertura de nuevos mercados para los productos de exportación guatemaltecos así como el cumplimiento de los acuerdos regionales en materia de complementación económica.

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La integración eficiente de Guatemala en la economía mundial es una condición necesaria para elevar la eficiencia del sistema económico y acelerar el crecimiento y desarrollo social. Por lo tanto, se necesita avanzar en la creación de condiciones adecuadas para que la economía del país pueda competir exitosamente en el mercado externo promoviendo mayores grados de competencia interna. En materia de integración regional centroamericana se continuará impulsando mayores grados de integración económica y social, como medio para elevar la competitividad de la región y como instrumento para fortalecer la presencia y poder de negociación de Centroamérica en el mundo.

En cuanto a las Inversiones privadas éstas deben convertirse en el motor del crecimiento económico y de la modernización productiva, por lo que se crearán las condiciones adecuadas para que los inversionistas puedan tomar decisiones de inversión a largo plazo. Para esto es necesario promover la estabilidad económica, reglas de juego claras y estables, afianzar la paz social, mejorar el marco jurídico, garantizar los derechos de propiedad, simplificar los procedimientos y regulaciones para la inscripción de nuevas firmas, flexibilizar la autorización de permisos de trabajo y estadia a extranjeros, formular bases para estudiar la reforma del sistema financiero nacional con el fin de promover el ahorro, mejorar la asignación de recursos y ampliar el acceso al crédito. Se dará atención especial al fomento y desarrollo turístico.

La política de Inversiones públicas y gasto social debe jugar un papel central en la estrategia económica y social del Gobierno. Las inversiones públicas y el gasto social buscan aumentar la capacidad productiva y posibilitar así, un mayor crecimiento económico, generación de empleo productivo, asimilación de tecnologías modernas, y combate decidido y efectivo a la pobreza. En tal sentido, el incentivo efectivo de la formación de capital fijo y la ampliación y mejoramiento de la infraestructura básica de apoyo a las actividades productivas, por una parte, y el aumento de la capacidad productiva, mediante la formación de capital humano y el acceso a activos e insumos claves (crédito, extensión, tierra, vivienda, capital fijo, etc.), así como la mejora y ampliación de los servicios públicos esenciales, por la otra, son los pilares de la estrategia de inversión y gasto social. La formación de capital humano exige una estrategia integral de gasto público en educación y capacitación para el trabajo, salud, alimentación y nutrición, y en el mejoramiento de los servicios de previsión y asistencia social.

#### D. Estrategia de Modernización Institucional

La ejecución eficiente y oportuna de los programas públicos será decisiva para el logro de los objetivos de desarrollo del país. Un factor determinante de la capacidad de ejecución es la eficiencia institucional del sector público. Las deficiencias en este campo afectan negativamente la ejecución de los programas y la prestación de los servicios, la

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programación de las acciones del Estado, la identificación, selección y preparación de proyectos, así como la adquisición del financiamiento necesario y oportuno. Todo esto incide negativamente en la capacidad del Estado para impulsar el crecimiento económico y combatir efectivamente la pobreza.

Por ello, la supresión de los "cuellos de botella" enraizados en el sector público formará parte integral de la estrategia de inversión del Gobierno. Con tal propósito, en todos los sectores se promoverán y agilizarán reformas institucionales que: (i) eliminen la duplicación de responsabilidades y actividades, y que permitan una mayor descentralización de las decisiones en cuanto a personal, así como a la planificación y ejecución del presupuesto; (ii) mejoren los sistemas de evaluación, control y auditoría; (iii) faciliten la coordinación entre entidades estatales que tienen a su cargo la ejecución de la inversión pública; (iv) amplíen la capacidad de ejecución del Estado; (v) aumenten la participación de las comunidades en la planificación, operación, mantenimiento y financiamiento de la infraestructura social; y (vi) agilicen los procedimientos de compras y contrataciones. A nivel de Gobierno Central se promoverán acciones para descentralizar y desconcentrar los servicios públicos y para fortalecer la capacidad gerencial de los gobiernos municipales así como para reorganizar y fortalecer los sistemas de planificación de las inversiones públicas, de preinversión y de administración de la cooperación internacional así como del sistema de control y seguimiento de proyectos.

En este sentido, es importante avanzar en la descentralización de la responsabilidad ejecutiva presupuestaria y posibilitar la participación del sector privado en la ejecución de los proyectos, ya sea a través de contratación directa, de una mayor participación de la comunidad o del involucramiento de organismos no gubernamentales.

Otro pilar en la estrategia de combate a la pobreza consiste en mejorar la capacidad de ejecución, y por lo tanto de absorción de los recursos nacionales e internacionales, para lo cual se deben impulsar las reformas administrativas e institucionales de los servicios sociales y su efectiva descentralización. Aunque se prevé iniciar a corto plazo las medidas correspondientes, sus impactos se sentirán sólo a mediano plazo. En vista de la emergencia de llevar a la población con los servicios básicos de educación y de salud, se prevén líneas de acción inmediatas en algunas reformas institucionales en procesos prioritarios.

### III. PROYECTOS, FINANCIAMIENTO Y ACCIONES GENERALES

El Programa de Inversión del Gobierno Central a ser ejecutado en los próximos 180 días comprende un total de 414 proyectos con un monto asignado de Q.1,125.0

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millones, de los cuales Q.797.5 millones serán financiados con recursos internos y el resto Q.322.6 millones serán financiados con recursos externos.

Tal y como se expresa en las orientaciones de medidas de acción inmediata del Acuerdo Nacional los sectores prioritarios y privilegiados con el mayor volumen de inversión son Transporte, Vivienda y Desarrollo (incluye el fortalecimiento municipal con el 5% constitucional) Salud, Agua y Saneamiento Ambiental, Educación y Seguridad Interna con el 77.5% (ver cuadro 1).

Es importante resaltar que Q.133.8 millones que comprende el 11% de la inversión total que están siendo asignados a los Fondos orientados al desarrollo de la población de las áreas del país más deprimidas tales como el FIS, el Fondo de solidaridad para el desarrollo comunitario, FONAPAZ...

La situación descrita en los párrafos anteriores se refleja igualmente en el análisis de la inversión del Gobierno Central nivel institucional resaltando el peso de la asignación del Ministerio de Finanzas por la inclusión de la mayor parte de los fondos ya mencionados.

Es importante indicar que los proyectos a ser ejecutados dentro del Plan de los 130 días está orientados fundamentalmente a la reducción de la pobreza así como a la seguridad ciudadana.

A continuación se incluye los cuadros síntesis de la inversión del Gobierno Central.

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Cuadro No. 2

INVERSION DEL GOBIERNO CENTRAL  
 PLAN DE LOS 180 DIAS  
 (En Miles de Quetzales)

INSTITUCIONES	No de Proyectos	Asignación Julio-Dic 1993	Inv - Mint	
			Origen del Financiamiento Interno	Externo
<b>TOTAL</b>	<b>47</b>	<b>1,125,054</b>	<b>707,539</b>	<b>327,455</b>
Presidencia de la República	6	107,623	2,695	104,928
Ministerio de:				
Relaciones Exteriores	7	1,438	1,433	0
Defensa Nacional	2	13,153	13,155	0
Finanzas Públicas	9	329,201	302,367	26,834
Educación	10	45,149	45,149	0
Salud Pública y A. S.	7	100,785	40,357	60,428
Trabajo y Previsión Social	6	3,530	3,530	0
Agricultura, G. y A.	35	60,856	12,565	48,291
Comunicaciones, T. y O. P.	258	384,529	327,559	56,970
Energía y Minas	15	2,632	2,632	0
Cultura y Deportes	23	20,919	13,203	7,716
Desarrollo Urbano y Rural	16	47,741	20,450	27,291
Contraloría General de Cuentas	23	7,526	7,526	0

- 1/ Incluye Q. 293,503.0 Aporte Constitucional
- 2/ Incluye Q. 22,155.0 Aporte Constitucional
- 3/ Incluye Q. 10,918.0 Aporte Constitucional

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Cuadro No. 1

INVERSION DEL GOBIERNO CENTRAL  
PLAN DE LOS 120 DIAS  
(En Miles de Guatemaltes)

SECTOR	No. de Proyectos	Asignación Julio-Dic 1993	Origen del Financiamiento	
			Interno	Externo
TOTAL	417	1,125,034	797,373	327,661
Administración y Servicios Generales	40	35,379	35,338	41
Defensa y Seguridad Interna	4	11,844	11,844	0
Financiero	27	12,834	9,992	2,842
Vivienda y Desarrollo	8	293,405	287,305	6,100
Minería e Hidrocarburos	2	353	353	0
Agrícola	41	64,087	13,011	51,076
Industria y Comercio	2	452	452	0
Transportes	62	296,323	224,107	72,216
Comunicaciones	14	1,893	1,893	0
Energía	9	1,570	1,570	0
Salud y Asistencia Social	49	148,743	84,581	64,162
Trabajo y Transición Social	7	3,500	3,500	0
Educación, Ciencia y Cultura	105	120,792	103,108	17,684
<u>MULTISECTORIAL</u>	7	133,759	13,034	120,725
Fondo de solidaridad para educación primaria	1	3,000	3,000	0
Crédito popular	1	19,409	0	19,409
Fonatierra	1	3,000	0	3,000
Fis	1	50,000	0	50,000
Fonapaz	1	21,658	0	21,658
Foguavi	1	21,658	0	21,658
Fondo de solidaridad para el desarrollo comunitario	1	13,034	13,034	0

1/ Incluye Q. 12,000.0 Aporte Constitucional  
2/ Incluye Q. 276,250.0 Aporte Constitucional  
3/ Incluye Q. 40,731.0 Aporte Constitucional

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## ACCIONES ESTRATEGIA POLITICA

- Encomendar a la Comisión Presidencial de Derechos Humanos (COPREDEF) la elaboración de un plan de acción para la observancia y garantía de los Derechos Humanos, tomando en cuenta las recomendaciones del Experto Asesor de Naciones Unidas en esa materia.
- Realizar estudios y consultas en relación a un Fondo Nacional Indígena. Instar al Congreso de la República para la pronta ratificación del Convenio 169 de la OIT.
- Garantizar el respeto a la libertad de emisión del pensamiento.
- Estudiar la formación de un Consejo de Seguridad Ciudadana con amplia representación.
- Efectuar la depuración de las nóminas de las Fuerzas de Seguridad Civil.
- Perfeccionar los mecanismos de selección del personal de la Policía Nacional.
- Solicitar al Congreso la pronta aprobación de la nueva Ley Orgánica de la Policía Nacional. Preparar los reglamentos respectivos.
- Iniciar acciones para la capacitación de los agentes de la Policía Nacional y la mejora de su equipamiento.
- Iniciar la articulación de las acciones y recursos de las distintas policías bajo la coordinación del Ministerio de Gobernación.
- Presentar al Congreso la iniciativa para actualizar la Ley de Responsabilidades y modernizar la Ley de Probidad.
- Promulgar la Ley Orgánica del Ministerio Público para fortalecer su autonomía, su estructura administrativa y sus mecanismos operativos.
- Divulgar el principio de que ningún funcionario o empleado público está obligado a cumplir órdenes ilegales.
- Reactivar el Sistema de Consejos de Desarrollo Urbano y Rural mediante la convocatoria para designación de sus representantes en los diferentes niveles.
- Activar un Programa de Seguridad Ciudadana

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- Analizar y establecer los mecanismos de interrelación entre el Sistema de Consejos de Desarrollo y los Comités Locales.
- Apoyar la Instancia Nacional del Consenso, a partir de su propia definición de personalidad jurídica, para la discusión y búsqueda de soluciones a los problemas nacionales.
- Exhortar a la Instancia Nacional del Consenso, para la integración de otros grupos representativos, en proyección a otros ámbitos territoriales de la República.
- Revisar la estructura y funciones y calificar el personal existente en las Embajadas guatemaltecas acreditadas en el exterior, así como en la Cancillería.
- Establecer prioridades y lineamientos claros de acción para cada una de las Embajadas de acuerdo a su ubicación geopolítica.
- Iniciar los estudios para establecer la carrera diplomática.
- Establecer un sistema adecuado de información hacia las Embajadas guatemaltecas en el extranjero, especialmente en materia de Derechos Humanos.
- Crear los Consejos Consultivos Ministeriales.
- Establecer un mecanismo interinstitucional de coordinación de la cooperación internacional entre los Ministerios de Finanzas Públicas, Relaciones Exteriores y la Secretaría General de Planificación Económica.

## ACCIONES ESTRATEGIA SOCIAL

### Desarrollo Regional

- Iniciar la ejecución del Fondo de Desarrollo Regional, a cargo de los Consejos de Desarrollo, para la realización de más de 400 obras demandadas por la población en materia de salud, educación y comunicaciones.
- Canalizar los Fondos Sociales en coordinación con los Consejos de Desarrollo.
- Se promoverá una distribución más justa de las inversiones públicas a nivel territorial, a partir del Presupuesto de Egresos de 1994.

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- Coordinar y compartir con las municipalidades el financiamiento de programas y obras destinados a la dotación de servicios públicos prioritarios.

### Educación

Para el sector Educación las principales acciones deben cubrir los aspectos relativos a hacer efectivo el aporte constitucional a CONALFA, el apoyo a esquemas novedosos educativos participativos y flexibles, modalidades de financiamiento compartido, programas destinados a poblaciones prioritarias (i.e. educación de la niña), pronta definición de la estructura y funciones de las dependencias del MINEDUC, la revisión y fortalecimiento de los programas de apoyo a la educación y la reactivación de las negociaciones con las diversas fuentes de cooperación internacional, en especial el programa sectorial del BID.

- Se hará una revisión del proyecto de reglamento de la Ley de Educación Nacional para definir la reorganización técnica y administrativa del Ministerio de Educación en sus unidades prioritarias.
- Se hará una evaluación de modalidades curriculares innovadoras, participativas y flexibles para su fortalecimiento.
- Se iniciará la puesta en marcha del sistema nacional de capacitación permanente de los recursos humanos del MINEDUC.
- Se elaborará un inventario de recursos e infraestructura física con el objetivo de identificar, en coordinación con diversos sectores, las localidades prioritarias para la ampliación de cobertura educativa.
- Se hará operativo el Fondo Nacional para la Educación Rural Coparticipativa.
- Se evaluarán los programas de apoyo del Ministerio de Educación.
- Se iniciarán una profesionalización y capacitación del personal técnico-administrativo de las Direcciones Regionales y Departamentales y de las Supervisiones Educativas.
- Se terminará la reparación y mantenimiento de edificios escolares programados para 1993; y,
- Se fortalecerán la Educación ambiental la Educación para el trabajo y la Educación en Derechos Humanos en todos los niveles y modalidades educativas.

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- Se establecerán los mecanismos que aseguren la coordinación entre las instituciones que integran el sector y se definirán criterios y normas para regir la operación de los servicios, las características del personal y la construcción y equipamiento de servicios.
- Se reorganizarán los sistemas de los servicios buscando eliminar los obstáculos que entorpecen su oportuna y pronta prestación.
- Se buscará regionalizar funcionalmente la red de servicios y fortalecer la investigación en el sector.

Agua Potable y Saneamiento Básico

- Se iniciará un reordenamiento profundo del sector, fortaleciendo la planificación y coordinación de sus proyectos, tendiendo a una descentralización real de las responsabilidades en la ejecución y operación de los sistemas de agua y en los servicios de saneamiento ambiental a nivel local.
- Se definirá y coordinará la política hídrica del país, en lo que concierne a la regulación del uso, conservación y protección del recurso agua y guiará el proceso de reestructuración del sector.
- Ampliar la cobertura de oferta del servicio de agua potable y saneamiento.
- Incremento de servicios de alcantarillado, drenaje y letrización, así como el manejo de desechos sólidos.
- Incremento de las acciones de coordinación municipal con empresas privadas para que se dediquen en forma integral al manejo y mantenimiento de los servicios de agua potable y saneamiento ambiental.
- Agilizar los trámites para la autorización del marco legal para el aprovechamiento racional del recurso agua (Ley de aguas).

Medio Ambiente

Para la Protección y Mejoramiento del Medio Ambiente, se aplicarán con mayor severidad acciones para el cumplimiento de la ley y a mejorar la gestión ambiental, coordinando acciones con los Ministerios de Energía y Minas, Comunicaciones, Transportes y Obras Públicas, Agricultura, Ganadería y Alimentación, Desarrollo Urbano

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y Rural, CONAMA y CONAP. Se establecerán mecanismos para reforzar las políticas de ambiente y desarrollo en los programas y proyectos de los diversos sectores.

- Se iniciará la reorganización y fortalecimiento institucional, tanto técnico como administrativo de CONAMA y CONAP con el fin de que desarrollen un papel real y efectivo en el seguimiento al cumplimiento de leyes, reglamentos y normas para la protección y conservación de la calidad ambiental y establezcan una coordinación intersectorial adecuada.
- Elaborar estudios para evaluar la aplicabilidad y eficiencia de las leyes, reglamentos y normas existentes en pro de la protección del medio ambiente, en especial aspectos vinculados con normativas tales como la ley forestal y los estudios de impacto ambiental.
- Diseñar un Programa Nacional de Educación ambiental, con la participación del Sector Privado, ONG's y las organizaciones comunitarias y gestionar su inclusión en el presupuesto de 1994.
- Preparar en coordinación con diversos sectores una estrategia nacional de ambiente y desarrollo.
- Fortalecer en los pensum de estudios a nivel primario y medio, el componente ambiental, enfatizando en la naturaleza integral y global de la problemática ambiental y sus consecuencias ecológicas y sociales.
- Promoción internacional para el apoyo y mejoramiento de la gestión ambiental.

### Vivienda

En relación a la Vivienda se definirá la Política General. Se estará tomando en cuenta el habitat natural y social de las familias para mejorar sus condiciones de vida e iniciar la reducción de manera significativa los déficit habitacional dando prioridad a los sectores de población de menores ingresos y del área rural. Para tales propósitos también es importante realizar una revisión y adecuación del FOGUAVI y de la Unidad Ejecutora de Proyectos de lites con servicios financiados por el BID.

### Alimentación y Nutrición

Para enfrentar la crítica situación Alimentaria-Nutricional de la población, se estarán realizando acciones para poner en marcha el Sistema Nacional de Alimentación y Nutrición (SNAN), con el cual se busca integrar acciones del Sector Público, organizaciones empresariales y comunidades. Cabe agregar que se estarán reforzando

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las actividades relacionadas con la fortificación y el control de alimentos. Cobra particular importancia en este campo, la definición del sistema de solicitud, transporte y entrega de alimentos donados a través de programas y proyectos sobre alimentos por trabajo, atención materno-infantil, comedores infantiles y escolares y atención del niño y la familia.

- Aprobar y poner en marcha el Sistema Nacional de Alimentación y Nutrición, SNAN, con el fin primordial de iniciar acciones coordinadas de las instituciones del Sector Público, con el apoyo del Sector Privado y ONG's.
- Elaborar la programación de actividades y presupuesto para el SNAN en 1994, y elaboración de proyectos de enfoque multisectorial para ejecución en 1994.
- Preparar propuesta para programación, requerimientos, transporte y distribución de alimentos donados ya sean nacionales o del exterior, orientados a la población pobre y extremadamente pobre en comunidades específicas y en base a modalidades tales como: alimentos por trabajo, atención materno infantil, comedores infantiles y escolares y otras.

### Atención del Niño y Familia

La atención del niño y la familia requiere de esfuerzos que no serán escatimados, ya que el bienestar de la familia redonda en el bienestar del niño. Por tal motivo el papel de la familia es decisivo en las acciones de desarrollo del país. Así entonces dentro de los próximos 120 días las del sector público estarán orientadas a fortalecer los programas de atención del niño, principalmente en los proyectos de hogares comunitarios de cuidado diario, buscando acciones de apoyo relacionadas con hogares de medio tiempo para niños de edad pre-escolar y escolar, promoción y organización juvenil, divulgación, promoción y protección de los derechos del niño, recreación intracomunitaria, promoción y organización de la mujer, apoyo al desarrollo comunitario y producción de alimentos fortificados.

Así también se estarán efectuando acciones de reorganización y fortalecimiento del programa de atención a viudas y huérfanos y del programa de atención del niño de la calle. Además se estará realizando acciones con el fin de reestructurar técnica y administrativamente la secretaría de Bienestar Social y buscar su efectiva coordinación con los otros programas de promoción y asistencia social del sector público y privado.

Dentro de este componente de atención al niño y la familia, cobra particular importancia lo relacionado en la promoción de la lactancia materna, en tal sentido se efectuarán acciones que permitan fortalecer la Comisión Nacional de la Promoción de la Lactancia Materna-CONAPLAN.

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En relación a este último aspecto, se dará continuidad a las acciones del programa de Atención del Niño en los Hogares Comunitarios de Cuidado Diario, la Atención de Viudas y Huérfanos Víctimas del conflicto armado y la Atención del Niño de la Calle.

En apoyo a las acciones y estrategias sociales se hará operativo el Fondo de Inversión Social y se evaluará la futura fusión de los programas de FONAPAZ en el FIS.

### ACCIONES ESTRATEGIA ECONOMICA

#### Campo monetario:

- Tenemos un compromiso con el proceso de modernización económica para lo cual en el período de los 180 días se realizarán las siguientes acciones:
- Se respetarán los acuerdos y convenios multilaterales y bilaterales de financiamiento externo.
- Se apoyarán las acciones de la política monetaria en sus esfuerzos para preservar la estabilidad macro económica sin comprometer el crecimiento.

#### Campo fiscal:

- Campaña de incentivación del pago de impuestos para contribuir al cumplimiento del Programa de Inversión Pública y gasto social.
- Programa de facilitación de cumplimiento tributario y procedimientos fortalecimiento los programas de fiscalización y control de la morosidad.
- Presentar la iniciativa de la Ley del Impuesto Territorial.
- Continuar la reforma estructural del Sistema Aduanero.
- Organización y realización de la Reunión del Grupo Consultivo para la gestión de recursos frescos para el Programa de Inversiones Públicas.
- Culminar las negociaciones bilaterales posteriores al Acuerdo con el Club de París.

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- Analizar la estructura y apoyar la ejecución del Gasto Público del 2do. semestre de 1993, atendiendo las prioridades de apoyo a la reducción de la pobreza y seguridad ciudadana.
- Preparar propuesta de revisión del marco normativo-operativo con el objeto de agilizar, racionalizar y hacer transparente el gasto público.
- Elaboración de un cronograma financiero mensual para atender la deuda flotante y las prioridades de gasto público.
- Preparación de Planes Operativos Anuales para 1994, buscando fortalecer las acciones para reducir la pobreza.

#### Componente Comercial:

- Reformular los programas de apoyo a las exportaciones en el marco de CONAPEX.
- Apertura de la ventanilla única para las inversiones.
- Poner en marcha la oficina de información al consumidor.
- Continuar con la negociación de acuerdos de complementación económica con países y grupos de países amigos.
- Agilizar los trámites para la consolidación de la integración económica centroamericana.
- Iniciar el proceso de desregulación del sistema económico.

#### Modernización Institucional

- Iniciar el fortalecimiento de la coordinación intersectorial a nivel regional, descentralizando las unidades sectoriales de planificación.
  - Estudiar los mecanismos para viabilizar la elaboración regional del presupuesto anual de la Nación.
- 
- Ejecutar programas de capacitación para autoridades y empleados municipales.

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