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**MUNICIPAL DEVELOPMENT
IN GUATEMALA;
A ROLE FOR USAID**

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The Urban Institute
October 1991

Project #6178

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MUNICIPAL DEVELOPMENT IN GUATEMALA; SECTOR DEVELOPMENT STRATEGY ASSESSMENT

This preface outlines three strategies suitable for the Guatemalan AID Mission based on the following report Municipal Development in Guatemala; a Role for AID. These strategies are recommended for consideration in preparation of the Country Development Strategy Statement.

Strategy One: The Mission should bring municipalities into its current development efforts

AID-Guatemala is deeply involved in local development. For instance, the Mission supports a \$10 million dollar effort implemented by the National Rural Electrification Cooperative Association to extend electricity largely to Highland villages; a \$9.5 million dollar program of the Ministry of Health and Education to extend water and build latrines, also primarily in the Western Highland; non-traditional agricultural exports and maquilas; and Ministry of Education efforts to promote bi-lingual education and equip its regional and departmental offices.

Funds from these and other programs find their way ultimately to local teachers, farmers, micro-business owners, and indigenous schoolchildren, and into local water systems, sewer systems, household latrines, and electrical equipment.

First, however, AID's current programs work through central government Ministries. They support the staff, projects, and subsidiary organizations of these Ministries to work at the local level. They also leave local governments almost entirely out of the picture. None works systematically and primarily with local governments. None seeks to fund local government efforts or strengthen local government's ability to provide schools, water, sewers, and rural roads. A hole exists at the center of the Mission's development activities where local government should be. Although AID is involved in local development, the Mission has yet to support municipal development and local government.

One might ask: "Why is it useful to support local government and what relevance does this have to supporting democracy? After all, don't local governments put most of their money into paving urban streets and little into rural areas and more 'developmental activities?' Aren't local governments elitist and unresponsive to the majority?"

The field research indicates that the notions that local government is unresponsive to local people and neglects rural areas are wrong. Guatemalan

municipalities have a remarkably democratic and effective system for prioritizing investments and getting money to rural areas. Municipalities operate through a system of village and neighborhood committees and auxiliary mayors. The population of every village elects a committee and agrees on an auxiliary mayor, which act as the government of the village. The committee and auxiliary mayor prioritize local needs, make budgets, refine these budgets with the help of the municipality, and supplement local government's funds with village money and labor to get infrastructure built. Typically, the cost is a fraction of that of public works constructed by central government Ministries. The committee and auxiliary mayor then have responsibility for charging residents small sums to maintain and operate these services. Thus, local governments operate democratically and can get infrastructure and services to the people who need them at a fraction of the cost of centralized efforts.

This system of collective decision-making and infrastructure provision is fundamentally sound and needs strengthening, not neglect. It potentially has many advantages over the centralized and costly approach of central government ministries. Non-governmental organizations (NGOs) are also a poor substitute for local government. Some AID-funded programs seek to institutionalize their efforts through working with NGOs. Yet NGOs are unelected and transitory. Local governments are elected and permanent features of the local scene.

By working with local government, AID can strengthen this grassroots system of collective decision-making and can more efficiently deliver programs to the people that need them.

By working with local government, AID can also leverage its resources with the 8% transfer funds.

In sum, the success of AID's current portfolio depends on working with municipalities. For instance, although AID favors decentralization of education, the Mission funds Ministry of Education projects and has yet to operate with municipalities. However, much of the money that goes to the Ministry of Education never gets down to the local level. The Ministry of Education had promised one community visited in the field research of this study a school for 16 years. Finally, the municipality built the school at one-third the price budgeted by the Ministry of Education. AID could work directly with municipalities to build, equip, and maintain schools at a fraction of the price of supporting the Ministry of Education to perform this task. Equally important, direct support of local government would also empower local people to solve their own problems and strengthen grassroots democracy.

Strategy Two: Address the systemic needs of municipalities with resources from the Guatemalan Peace Scholarship Program and the Fiscal Reform Project.

Guatemalan municipalities are democratic bodies. However, they suffer from a series of systemic problems that hinder their operation. These problems include the finance of operation and maintenance of infrastructure, and for higher salaries of trained municipal staff; lack of influence at the national level; little a knowledge vacuum on democratic and development practice at the local level; low technical and administrative capacity; poor financial management; and a confusing and constraining regulatory environment. These problems often inhibit local government from responding to local people's needs and devalue local democracy. After all, what good is the vote or participation in local affairs if it results in no action?

Two programs of the Mission are well-suited to helping municipalities overcome these systemic problems: the Guatemalan Peace Scholarship Program and the Fiscal Reform Project.

The Guatemalan Peace Scholarship Program is funding groups of local leaders to visit the United States and expose them to local democracy and development projects. Yet an information vacuum exists about municipal experience in development and democracy in Guatemala. Local people understand how their own municipality functions, but have little idea of participation and the provision of public services even in neighboring municipalities. Mayors have no systematic means of learning about other communities' experience except by word of mouth. Partly as a result, no organizations are able to effectively represent and lobby for municipalities at the national level. The Antigua process (see Appendix 5.3 of the report) sponsored by AID has encouraged communication between mayors and a dialogue between municipal and national government on local needs, yet much remains to be done. GPS should help fill the information vacuum at the local level by funding a number of projects detailed in the report, including a Municipal Initiatives Bulletin, support for the up-coming conference of ANAM in January 1992, and visits of municipal leaders to learn about innovative projects within Guatemala. These efforts should include many of the local leaders sent to the U.S. and relate their experiences in the U.S. to Guatemalan reality. They should be funded as a follow-on phase to the Guatemalan Peace Scholarship Program.

A major goal of Democratic Initiatives is to promote "information management and exchange among democratic institutions." The goals of the Guatemalan Peace Scholarship Program are to "broaden the vision of the role of the local community", "strengthen leadership", "enhance the potential for

cooperation", "heighten awareness of the community's identity", and "encourage solutions to problems in conjunction with other local communities." These goals can be met by a second phase of GPS that focuses on Guatemalan municipalities and relates experiences of participants in the U.S. to Guatemalan municipal realities.

The Fiscal Reform Project (FRP) well suits a number of other key needs of municipalities. Currently, FRP focuses on tax reform and budget management at the national level. However, as municipalities gain resources and greater power, reform of their tax structure and budgeting process gains in importance. The most pressing issue is the property tax. Potentially, revenues from the property tax could solve the critical financial problems facing municipalities: funds for operation and maintenance and for paying higher salaries to trained staff. The return of this tax from national government to local government is probable. Yet many problems make this possibility highly problematic. Local cadasters and land records are non-existent or in disarray. Some national politicians favor the return of the property tax, but only in exchange for a halt of the 8% transfer to local government. Such an exchange would be disastrous for the vast majority of municipalities. Finally, effectively taxing large properties is perhaps the most effective way to redistribute wealth from a small affluent elite in Guatemala. But, for that reason, it is a dangerous enterprise. Thorough investigation of these issues is critical to the future of local government and Guatemalan society. The Fiscal Reform Project should apply its expertise to investigate the property tax and build consensus on reform.

Just more money will help, but not solve municipalities' financial problems and their ability to meet the expectations of local people. Currently, municipalities have little idea how to budget, plan, and manage their money. They have virtually no staff capable of these and other technical functions. A number of confusing laws put municipalities in a regulatory straightjacket and make effective use of their resources difficult. The Fiscal Reform Project should also extend its efforts to financial management, training, and the regulatory environment of municipalities.

Strategy Three: Select key Guatemalan institutions to work with.

AID must have partners in order to be effective and to institutionalize these reforms. Three organizations potentially play a critical role in municipal affairs. ANAM, the municipal association of Guatemala, represents mayors in national politics. INFOM acts as a window for international donors--particularly the Inter-American Development Bank--to lend funds to municipalities; it is the only source of municipal loan finance. The Controlaria General de Cuentas de la Republica interprets and enforces the laws that affect municipalities. A fourth organization-

-Spanish Assistance (FLACSO)--is the only entity that currently trains municipal staff.

AID should selectively work with these key organizations that affect municipalities. The Guatemalan Peace Scholarship Program should work with ANAM to disseminate knowledge about local development and democracy, and to help increase municipalities' influence as noted above and in the report.

The Fiscal Reform Project should work with the Controlaria General de Cuentas de la Republica and FLACSO on municipal training, management, and finance. Currently, many regulatory problems arise for local government not because of the letter of the law but because the Controlaria's field staff interprets the law much more restrictively than the head office. Top management of the Controlaria would like to re-train and re-orient this organization's field staff in order to give municipalities more flexibility to administer their affairs, and is open to working with AID.

The director of FLACSO has expressed interest in co-financing and participating with other international donors in order to expand its training program. This program has achieved a good record in educating mayors, secretaries, and treasurers on a limited scale. Investment in its expansion would provide a low-risk, high-return support for local government.

The programs of both the Controlaria and FLACSO are ripe for AID involvement. These opportunities should be investigated. If the will to reform INFOM emerges, the Fiscal Reform Project should also work with this organization on municipal financial management, tax reform, and training.

Fundamentally, these three strategies call for re-orienting AID's approach, not large additional amounts of money. Guatemalan municipalities are democratic bodies. They have great potential to promote local development. However, democracy alone does not get water, electricity, and other basic services to people. If democracy brings no benefits, people devalue and question it. AID assistance can best promote local democracy--the only kind the vast majority of people experience--by strengthening the ability of local government to provide these services.

Guatemala is at the beginning of discovering the possibilities of local government and of local involvement in democracy and development. Much remains to be done in practically all areas of the municipal system. In this context, very modest efforts can yield a high return. AID can and should play an important role in this discovery.

I. MUNICIPAL DEVELOPMENT AND DEMOCRACY IN GUATEMALA

The present moment is one of historic potential for municipal development and democracy in Guatemala. Two forces form its context: the continuing transfer of 8% of the national budget to municipalities mandated by the 1985 Constitution and continuing efforts to establish a viable democracy:

The Constitution of 1985 mandated the transfer 8% of central government revenues to municipalities for investment in local infrastructure and public services "that improve the quality of life and income of residents." This amount represents unprecedented support of local government. The 8% transfer increased the capital revenues of local government by 581% in real terms in its first year--1986. Although interrupted in 1990 for three of four trimestres, the transfer of the 8% to municipalities has continued in 1991 roughly on time and in the amounts specified by the Constitution.

The 8% transfer has provoked a qualitative change in how municipalities operate. Before, municipalities' main source of infrastructure finance lay in seeking grants and loans from central government ministries and other central government entities. Local governments continue to seek these funds. However, they have now begun to plan and construct most infrastructure projects based on receipt of the 8%. For the first time, municipalities can provide a significant level of services and infrastructure on their own. Consequently, planning, budgeting, and management now have greater relevance to the conduct of municipal affairs.

Equally important, receipt of the 8% has greatly raised local people's expectations of municipal government. According to the mayors interviewed for this study, people expect a much higher level of services and infrastructure from municipal government than before receipt of the 8%. The 8% transfer has begun to transform not only municipal government but also the institutions surrounding it. These reforms are still at an early, delicate stage and in need of support.

The ability of municipalities to satisfy the increased expectations of local people is fundamental to strengthening Guatemala's incipient democracy. Voting was re-established under the previous national government from 1986-1990. However, the establishment of a formal democratic structure remains more a promise of democracy than its reality. Local government has played a key role in the development of democracy in many countries, dating from the Magna Carta. The municipality is the only government with which the vast majority of people have direct contact. In Guatemala--where current practice constrains the large

portion of the population that is illiterate from voting--responsiveness of local government to people's needs for water and other basic services is arguably even more important than the vote.

Finally, local government remains the key institution at the local level able to make the connection between local development and democracy. From 1950 to the debt crisis of the early 1980s, the weakness of municipalities tempted many Latin American national governments to create parastatals and other forms of organization to circumvent local government and provide local infrastructure and services directly. This substitution has occurred less in Guatemala than elsewhere. Guatemala has centralized some functions often performed by local government such as primary education and health. However, municipalities have retained responsibility for urban services and infrastructure. Although education and health are legally the responsibility of national government ministries, Guatemalan municipalities have also played an important de facto role in these services.

Thus, compelling reasons exist for support of municipal development, particularly at this critical juncture in Guatemalan history. But is AID-Guatemala the appropriate organization to provide this support? The parameters that the Mission has set for this analysis include a modest level of financial resources and staff and the need to build on the existing programs of AID, particularly the Guatemalan Peace Scholarship. Given these conditions, can the Mission provide a level of support that would make a difference? Finally, what types of programs best match the Mission's objectives with municipal needs?

To answer these questions, the following sections analyze the critical issues in Guatemalan municipal development (Section II), evaluate the key players and their potential for partnership with AID (Section III), assess AID's past and current involvement in local and municipal development (Section IV), and make recommendations (also Section IV).

II. CRITICAL ISSUES IN MUNICIPAL DEVELOPMENT

An understanding of six key areas is essential to designing support of Guatemalan municipalities: the 8% transfer; community participation and the relationship between local government and rural areas; the maintenance and operation of infrastructure; the administrative and technical capacity of municipalities, and municipal financial management and its regulatory context; and the property tax.

2.1 The 8% Transfer

The 1985 Constitution officially recognized the autonomy of municipalities and assigned to local governments 8% of the revenues (Presupuesto General de Ingresos Ordinarios) of national government. National government began to make these transfers in 1986.

The nominal amounts, manner, and timing of these transfers from 1986 to 1989 has been documented elsewhere.¹ The amount of these transfers reached nearly the 8% of central government revenues prescribed by the Constitution. The criteria for distributing the 8% transfer between municipalities changed three times in this period. These changes reduced the amount going to the poorest municipalities and regions relative to what would have been the case under the previous criteria and increased that going to the most prosperous municipalities, particularly departmental seats. The law specifies that central government distribute the 8% transfer four times a year at the end of each "trimestre." However, distribution was delayed an average of 53 days between 1986-89. No standard manner was employed to make these transfers; often, central government officials including the President delivered checks personally to mayors.

However, two aspects of the transfer of the 8% have been insufficiently appreciated and provide important insights into Guatemalan municipalities. First, the sectoral breakdown of the 8% provides information about the priorities, de facto responsibilities, and level of development of Guatemalan municipalities. Second, all previous analysis of the 8% has been done in nominal terms. Correcting these figures for inflation and putting them in the overall context of municipal finance allows analysis of the effect of the 8% on local tax effort. Joined with the record of transfer since 1989, these figures also indicate the

¹ See Echegaray, Francisco I.; El Papel de Las Transferencias Fiscales del Gobierno Central al Gobierno Municipal y la Descentralizacion: el Caso de Guatemala, USAID, RHUDO/CA, ROCAP, INCAE, September 1991.

central government's commitment to decentralization and strengthening municipalities.

o **Sectoral Use of the 8%.** Table 1 presents the sectoral breakdown of the use of the 8% transfer.

Table 1
Investment of the 8% Transfer
by Sector and Major Project Type, 1986-89

Sector or Type of Project	% Invested
Housing and Urban Development	53.5
- Street cobbling, paving, & other road construction	26.3
- Multiple-use facilities	10.3
Public Health and Social Assistance	28.0
- Water systems	19.7
- Sewers	4.6
Education	13.1
- School construction	9.3
Industry and Commerce	1.1
Others	4.3
Total	100.0

Source: Echegaray, Francisco; "El Papel de las Transferencias Fiscales del Gobierno Central al Gobierno Municipal y la Descentralización: el Caso de Guatemala", USAID, RHUDO/CA, ROCAP, INCAE, September 1991.

Municipalities used the 8% transfer primarily for the construction of water systems (19.7%) and roads (26.3%). Although road construction figures higher than water system construction in the use of the 8%, municipal staff interviewed for this study unanimously stated that water system construction and maintenance is their highest priority. All 330 municipalities in the country now have covered part or all of their urban area with a water system. Most of these systems were in place before the 8% became available. The continuing investment in water is for extension to complete coverage of the urban areas and to extend water to rural villages.

The other major uses of the 8% are multiple-use facilities (10.3%) and schools (9.3%). The Ministry of Education has official responsibility for school construction and operation. However, municipalities' large investment in school construction demonstrates a considerable de facto responsibility for education. Municipal staff interviewed for this study indicate that central government rarely builds schools in a timely fashion. Rather, local governments are expected to build schools, a task they perform at one-third to one-half the expense of central government. The quid pro quo is that central government pays the teachers of the schools that local government constructs. However, local governments must often pressure and pursue central government to pay teachers' salaries. Municipalities also frequently maintain the schools and buy didactic material.

Relatively little is invested in sewers (4.6%) and industry and commerce (1.1%). This picture contrasts with that of other, wealthier Latin American countries such as Brazil and Argentina where construction of sewers and industrial parks are major activities of local government.

o Real Fluctuations in the 8% Transfer, Local Tax Effort, and the Commitment of Central Government to Decentralization. An important issue raised by the 8% transfer has been its effect on local tax effort. Mayors might be expected to charge residents less after receiving such large cash infusions from outside. Table 2 presents the real change in the major income categories of Guatemalan municipalities excluding Guatemala city between 1985--the year before the 8% transfer began--and 1989.² Local government collects many of these charges. Hence, the real change is a good indicator of local tax effort.

² These figures have been corrected for inflation and exclude Guatemala city, whose size and singularity often distorts the picture of the municipal sector.

Table 2

Real Change in Revenue Sources of Guatemalan Municipalities,
Excluding Guatemala City, 1985-89

Revenue Category	Real Change 1985-89
8% Transfer and other capital revenues	530.91%
Total of other sources of of revenue:	-15.07%
- Ornato tax	-16.17%
- Cemetery charges	-7.27%
- Municipal services	-46.27%
- Current revenues	-10.62%
- Water charges	-6.24%
- Electricity charges	-47.10%
- Commercial receipts	-14.96%

Source: calculated based on data from the Instituto Nacional de Estadística.

Not surprisingly, capital revenues, which contain the 8%, rose impressively. All other sources of revenue declined. The consistency of this decline across all other revenue categories is strong proof that local governments have substituted the 8% for their own collection efforts. Water charges declined least, indicating that residents are most willing to pay for this service.

The field research of this study bears out this picture of less effort by local government. Local government officials report that the availability of the 8% has greatly reduced the door-to-door campaigns frequently used in the past to gather the money needed for small public works.

Since the use of the 8% is confined to infrastructure construction, the decline in other revenue sources suggests that municipalities may be having difficulty in funding the operation and maintenance of infrastructure. The small share of own-source revenues in municipalities' budgets exacerbates this problem. Capital revenues, including the 8% transfer, totalled 78% of the receipts of municipalities excluding Guatemala City in 1989. All other revenues, including

those that municipalities collect themselves, made up the remaining 22%. The small and declining share of municipalities' own-source revenues bodes ill for maintenance and operation.

The 8% is only one of a number of factors, including lack of technical and administrative capacity and the regulatory environment surrounding municipalities (see Sections 2.4 and 2.5), that have contributed to these problems. The 8% is a key resource for municipal development. However, it has stressed a system that was poorly prepared to receive it.

Another important question is how much and how consistently the 8% transfer has really added to municipal resources. In nominal terms, the revenue from the 8% added substantially to municipal budgets each year from 1986 to 1989. However, when corrected for inflation, the data tells a different story--see Table 3.

Table 3
Real Change in 8% Transfer Revenues
and Capital Revenues of
Guatemalan Municipalities 1986-90

Year	Capital Revenues	Eight Percent Transfer Revenues
1986	581.21%	-----
1987	65.67%	71.37%
1988	2.95%	5.34%
1989	-2.33%	1.60%
1990	-48.02%	-82.27%

Source: calculated from data provided by the Instituto Nacional de Fomento Municipal--INFOM.

The real figures show one very large increase of 581% in 1986--when the eight percent transfer started--and a substantial increase of 65.67% in 1987. In 1988 and 1989, the real value of the eight percent and capital revenues remained relatively constant. In 1990, the out-going national government transferred only one of four payments of the eight percent to municipalities. Consequently, the eight percent transfer and capital revenues dropped sharply in this year. Although figures for 1991 are unavailable, local and national government officials interviewed for this study stated that the new national government has

transferred the eight percent roughly in the amounts specified by the Constitution on time.

Guatemalan politicians and governments typically give rhetorical commitment to decentralization and strengthening municipalities. However, the real change in the transfer of the 8% gives a mixed message. The impressive real gains of 1986 and 1987 are over. The same national government that established the 8% with great fanfare failed to keep its commitment for three of four trimestres during the fiscal squeeze of its last year in office, 1990.

Although individual municipalities protested during 1990, no national movement or national organization rallied mayors to put pressure on the government to continue this transfer. The lack of organization of mayors and the frailty of national organizations intended to support municipalities risked the loss of this key resource. In 1990 and 1991, the Antigua process (see Appendix 5.3) sponsored by AID started communication between mayors and dialogue between local and national government on local needs, yet much remains to be done.

Some talk has occurred about making up the payments of these three trimestres to municipalities. Realistically, local governments have lost these funds. This episode reveals the conditional commitment of national government to decentralization and the need for organization of municipalities to retain this key resource.

2.2 Community Participation and the Relationship of Local Government with Rural Areas

Little documentation exists on forms of community participation and the relationship of local governments to rural areas in Guatemala. Four municipalities were visited in order to research this and other topics.³ The four municipalities are of varying sizes and lie within a radius of 100 kilometers of Guatemala city in the highland area of Guatemala (Altiplano) and have a largely indigenous population.⁴ Table 4 presents basic data on these municipalities.

³ Time constraints demanded both a small sample and influenced our research method--in essence, we interviewed municipal officials--mayors, treasurers, and secretaries--and toured the urban area.

⁴ Thus, they are somewhat representative of the majority of Guatemalan municipalities, which also have these characteristics; in contrast, coastal municipalities may well be different.

Table 4
Population and Geographic Characteristics
of Sample Municipalities

Name	Est.	Percent Pop.	No. of Rural	Villages	Department
Antigua Guat.	60,000	40%	14		Sacatepequez
Tecpan	40,000	75%	34		Chimaltenango
Sumpango	21,000	25%	8		Sacatepequez
El Tejar	7,600	33%	2		Chimaltenango

Source: Municipal Development in Guatemala; A Role for AID

All four of these municipalities have a system of village participation in public works. Each village has one or more committees ("comites") and an auxiliary mayor.⁵ For instance, Tecpan, which has 34 villages, has 34 auxiliary mayors and 34 village "development committees." In two of these municipalities (Sumpango and Antigua Guatemala), each village had a number of committees dedicated to a specific purpose such as water, schools, or bridges.

The auxiliary mayors and village committees act in many ways as the local government of the village. The situation in Tecpan is most illustrative. The auxiliary mayor is usually named by the municipal mayor and 8-9 members of each village committee are elected by the population at large. None are paid. The auxiliary mayor and the village committee members prioritize the village's needs and make budgets for the public works necessary to meet these needs. The municipality provides some assistance in refining these estimates. The auxiliary mayor and the village committee members then approach sources of funding including the municipality, but also embassies, national government Ministries, and others. Financing for an infrastructure project is typically pieced together

⁵ A Guatemalan municipality is roughly comparable to a North American county or New England township, and has a rural and an urban area. The rural areas are usually heavily populated and contain numbers of villages ("aldeas"). The municipality is typically the only local government.

from many sources with significant village participation; the village must contribute labor and, sometimes, material and money to the project. The auxiliary mayor and village committee members are in charge of marshalling local resources. After the infrastructure is built, the village committee is responsible for collecting monthly payments from the community for operation and maintenance. The system is the same with minor variations in the other three municipalities.

Local government officials say these village committees and auxiliary mayors know what is best for their community and seldom overrule their prioritization of public works. Local governments take village requests for infrastructure finance seriously subject to the availability of funding. The level of influence these committees and auxiliary mayors exercise on local government seems to range from modest to high.

Many of the village committees in these four municipalities were formed long ago. According to informants, they are an indigenous form of social organization that has been strengthened by such efforts as the formation of local Reconstruction Committees after the 1976 earthquake and Civil Defense Committees in 1982.

In contrast, the urban area of these four municipalities remains relatively unorganized. Three of these municipalities have recently attempted to form neighborhood committees ("comites de barrio") in the urban area. However, these urban neighborhood committees are inactive and are unrepresented by an auxiliary mayor. The mayor of Antigua Guatemala explains the high level of organization in rural areas relative to urban areas: "Those that don't have anything have to organize."

Historically, rural areas in Guatemala and most parts of Latin America have suffered neglect by government. However, the mayors of three of the four municipalities visited (Antigua Guatemala, El Tejar, Tecpan) said they favor rural areas in investing the 8% transfer because these areas are most deficient in infrastructure. All four municipalities described considerable investments in rural areas. In Tecpan, for instance, the mayor indicated that all of the 34 villages had 2 or 3 small infrastructure projects underway. Thus, anecdotal evidence indicates that more municipal money is getting through to rural areas than is often thought.⁶

⁶ No quantitative information exists on the portion of the 8% transfer invested in rural as opposed to urban areas. The Constitution states that the 8% transfer should be equally distributed between urban and rural areas.

The level of organization and participation in public works in rural areas of these four municipalities compares favorably to that in other countries. In Brazil, for instance, rural areas typically lack any sort of organization, although the urban areas of large metropolitan areas now have many neighborhood associations and other groups. The system of village committees and auxiliary mayors in Guatemala is a strength that can be built on. Indeed, at least two programs currently funded by AID-Guatemala work closely with these groups (see Section 4.1). Other bi-lateral donors, particularly Canadian Cooperation, base their development efforts on working with village committees (see Section 3.4).

2.3 Finance of the Maintenance and Operation of Local Infrastructure

The 1985 Constitution prohibits use of the 8% transfer for maintenance and operation of infrastructure. The Contraloria de la Republica (see Section 3.5) systematically checks local records to enforce this and other regulations. Thus, municipalities must rely on user fees, other own-source revenues, and community participation to preserve existing infrastructure. The declining tax effort of municipal government in collecting these charges suggests that funding maintenance and operation is more and more problematic.

The infrastructure built with funds from the 8% transfer, which began in 1986, is relatively new. So, maintenance is yet to be a pressing issue. However, considerable sums have been spent to equip urban areas. All 330 municipalities in Guatemala now have a water system covering some portion of the urban area. Maintenance and operation of this substantial investment is as important as construction of new infrastructure with the 8% transfer.

Municipalities' options for operation and maintenance differ by the type of infrastructure. Technical characteristics, laws, local custom, and location of the infrastructure condition how much of operation and maintenance costs can be recovered.⁷

⁷ Water and electricity are more easily charged for if separate meters are installed for users. Some services have been charged for in some municipalities and not others. For instance, local governments sometimes charge adjacent residents for cobbling ("adoquinado") the street in front of their property. Payments are typically made over 2-3 years in installments. Other municipalities do not charge for cobbling streets. In general, betterment taxes, which are commonly used in other parts of Latin American to recover the cost of street-related improvements from beneficiaries (paving, lighting, sewers) are used infrequently in Guatemala. One of the main responsibilities of village committees is to collect small monthly payments for key services such as water and to

In general, however, the field research revealed that local governments are covering only a fraction of operation and maintenance cost with user charges. The case of water is basic and most critical. All the mayors interviewed noted that water is the first priority in their municipality. The political future of a mayor depends on the successful extension, operation, and maintenance of water systems more than any other factor. One mayor commented about a predecessor: "We had a mayor in the middle 1970s who did not know how to maintain the water system. People got rid of him quickly." The value of running water is so high that residents agree to pay something for it, while payment for other services is often resisted. Yet the four municipalities visited were all charging less than half of the cost necessary to maintain and operate their water system. Table 5 presents their situation.

Table 5

Water System Characteristics
of Sample Municipalities

Name	Coverage of Water System	Monthly Charge	Urban Area Meters? (Yes or No)
Antigua Guat.	City center & some villages	Q. \$3/ 30,000 l.	Yes
El Tejar	City center & 1 village	Q. \$3/ 30,000 l.	Yes
Tecpan	City center & some villages	Q. \$1/ 30,000 l.	No
Sumpango	1/3 of city center	Q. \$3/ 15,000 l.	Yes

Source: Municipal Development in Guatemala: A Role for AID

organize the maintenance of rural roads, bridges, and other infrastructure that residents depend on. Infrastructure built within the sphere of a well-functioning village is likely to be better maintained and operated.

The case of Sumpango, the municipality that has come closest to covering the cost of maintenance and operation, is illustrative. Local government currently charges Q.\$3 per month (about U.S. \$.60) for 15,000 liters. However, the municipality has calculated the cost of operation and maintenance of the water system at Q. \$7 and is absorbing a monthly deficit of a total of Q. \$3,000-4,000 out of other funds. The mayor has convinced local residents of the need to raise the price to Q. \$7.

The other three municipalities are in worse shape. Their mayors want to charge more for water, but explain that residents resist paying more. The situation reaches extremes. Tecpan's monthly charge of Q. \$1 per 30,000 liters has remained unchanged since the installation of the water system in the 1950s.

Operation and maintenance problems extend to infrastructure over which national government Ministries have authority. For instance, municipalities must often maintain schools as well as build them when the Ministry of Education will not. Next to water, rural roads are the most crucial maintenance problem that municipalities face. Typically, a large portion of municipal staff devote their time to maintenance of these roads, which are critical to agricultural production and local income. Except where village committees participate, the municipality must maintain rural roads out of its meager own-source revenues. Finally, many municipalities lack the knowledge and systems necessary to operate and maintain some types of infrastructure. The case of municipal markets where vendors typically place produce directly on the ground is a notable example.

In sum, municipalities recover a fraction of their operation and maintenance costs. This problem is most serious where cost and need are greatest--water systems and rural roads.

2.4 Administrative and Technical Capacity of Municipalities

The level of administrative and technical capacity of Guatemalan municipalities is extremely low. All municipalities except the very largest have virtually no technical staff. For instance, Antigua Guatemala, a municipality of 60,000 that is the twelfth largest city in the country, has no technical staff and no college graduates among its employees. The mayor notes: "When employees get a college degree, they leave." The municipality depends on two civil engineers on the city council for free technical assistance.

Consequently, municipalities rely on entities that contribute to financing public works for design, engineering, and construction supervision. Such entities

include central government Ministries, embassies, bi-lateral assistance programs, and INFOM (see section 3.2). Up until the early 1980s, INFOM provided technical assistance to municipalities free. However, this organization now charges 10-12% of the cost of a project as a fee for such services.

When none of these organizations are involved in funding a project, municipalities increasingly hire private firms. The 8% transfer has sparked an industry of public works consultants and construction contractors who pursue mayors. This has led to some abuses including cost-overruns, kickbacks, use of lower-quality materials, and shoddy workmanship. For these reasons, one mayor interviewed for this study preferred to avoid these private contractors and work with INFOM, which charges roughly market rates but is more trustworthy.

The low technical and administrative capacity of municipal staff is linked to the extremely low salaries paid to the top municipal employees, including mayors. Table 6 presents the salary level of municipal employees excluding Guatemala city converted into U.S. dollars.

Table 6
Salary Levels of Municipal Employees, 1988
(excluding Guatemala City, in U.S. Dollars)

Monthly Salary Range (U.S. Dollars)	Number of Employees	Percent
Less than \$75	4,633	46%
\$76 - \$110	3,688	36%
\$111 - \$150	1,421	14%
\$151 - \$185	274	3%
More than \$186	52	1%

Source: calculated based on information from the Instituto Nacional de Fomento Municipal--INFOM

The lower salary ranges are comparable to those for unskilled and semi-skilled work in non-metropolitan Guatemala. However, the top salaries fall far short of those commanded by professionals. An experienced secretary in a large firm in Guatemala City receives two to three times the salary of the average mayor.

In turn, the low level of remuneration is the result of the low own-source revenue of these municipalities. Transfers, including the 8% transfer, cannot be used to pay salaries. The remaining revenues of municipalities are insufficient to meet the minimum salary levels decreed for all public employees by central government. Since 1986--when collection of the property tax was transferred to the Ministry of Finances (see section 2.6)--central government has supplemented the salary of municipal employees. Even so, municipal salary levels remain low.

Ultimately, the solution to the low level of municipal technical and administrative capacity requires greater salaries, increased local tax effort, and professionalization of municipal careers. However, the greatest immediate need is for training of mayors, secretaries, and treasurers. No government entity systematically trains these key municipal personnel although one bi-lateral donor (see Spanish Assistance--section 3.4) has undertaken this task.

2.5 Financial Management and the Regulatory Context of Municipal Development

Financial management and the regulatory context of the conduct of local government are closely connected.

o **Financial Management.** The evidence indicates that Guatemalan municipalities do a poor job of managing their finances.

On the revenue side, local governments cover only a fraction of their operation and maintenance expenses with user charges. Recovering the capital cost of equipment or public works is hardly considered. Local people fiercely resist increases in charges of any kind, with the possible exception of water. Municipal staff say that the population views the 8% transfer as "theirs", so that they now need not pay for infrastructure and services. In general, mayors lack the leadership necessary to convince local people to pay for services. The municipal secretary of El Tejar sums up how these factors affect the local water system, for which the municipality has charged Q. \$1 per 30,000 liters to households since its construction in the 1950s: "We need to chlorinate our water system to guard against cholera and other health problems. But how can we even think of this when people resist paying a fraction of the current cost?"

The share of Guatemalan government in gross national product is relatively low. Raising local revenue to allow municipal government to provide badly needed goods and services is a logical strategy. But taxing and paying taxes are unfamiliar concepts at the local level.

Local and national officials also report that municipalities are borrowing

less to finance public works because of the availability of the 8% transfer. Typically, local governments now save the money from the periodic installments of the 8% transfers until they have enough to fund a project. Even though the interest rate on INFOM loans is highly negative, mayors view them as outrageously expensive. They explain that their payments total much more than the amount of the loan over the length of the loan. This shows a basic misunderstanding of loan finance; the concept that borrowing is a good idea for investments that yield higher returns than the cost of funds has yet to reach Guatemalan municipalities. This save-and-pay-as-you-go means of infrastructure funding and misunderstanding of loan finance ill suits the great need for infrastructure and services of local people.

Table 7 provides detail on the expenditure side of the municipal sector excluding Guatemala City for 1989.

Table 7

Expenditures of Guatemala Municipalities,
Excluding Guatemala City, 1989

Expenditure Category	Share
Public works	56.25%
Salaries	17.34%
Salary benefits and supplements	3.78%
All other expenditures	22.63%
Total	100.00%

Source: calculated from data provided by the Instituto Nacional de Estadística.

The large portion of money invested in public works (56.25%) and the small share spent on salaries (17.34%) and benefits (3.78%) are striking. These shares might be envied by policy makers in many Latin American countries where local investment in public works is often small and expenditures on salaries great. However, this use of funds has contributed to creating a dilemma. Although hardly rich, municipalities have some money. But they lack the levels of remuneration and trained staff necessary to use it effectively.

The problematic management of municipal affairs extends to the current accounts balance--the difference between total annual revenues and expenditures. From 1980 through 1985, the municipal sector excluding Guatemala City ran annual positive or negative current accounts balances within 2% of total expenditures. From 1986 to 1989, municipalities (excluding Guatemala City) have accrued a positive balance of 8.3% over total expenditures in these years in real terms. With Guatemala City added in, this surplus rises considerably. Saving up these sums for future needs may be safe, but fails to meet the current needs of the population.

Originally, the 8% transfer was to be accompanied by a system of "development councils" and "technical units" (see section 3.3) that would provide the expertise necessary to use these funds intelligently. These organizations never got off the ground in many areas and have now ceased to function. The poor management of the infusions of cash from the 8% transfer is unsurprising given the lack of support available to municipalities. These problems of financial management are also directly linked to the regulatory environment of municipal development.

o The Regulatory Context of Municipal Administration. Key organizations and regulations constrain municipal development. The organizations--INFOM and the Controlaria de la Republica--are discussed at greater length in Section III. The regulations are discussed in this section:

The Law of Purchases and Contracting (Ley de Compras y Contrataciones) requires that municipalities engage in complicated bidding and contracting practices for expenditures on projects above Q. \$150,000. Increases in this ceiling have failed to keep pace with inflation, so that, over the years, this law applies to more and more municipal projects.

The Budget Law (Ley Organica del Presupuesto) and the Constitution specify that all municipal taxes ("arbitrios" ⁸) must be approved by the national Congress. Such charges include the Ornato tax, those on locally produced goods that are sold outside the municipality (coffee, minerals, vegetables, and furniture etc.), market fees, and a variety of licensing charges. In short, this laws applies to the bulk of own-source municipal revenues. The national Congress is flooded with these requests and never acts on them in a timely manner. A proposal has been made to create a new schedule of municipal charges in each of Guatemala's

⁸ Arbitrios are local charges. The word "tax" (impuesto) is reserved for charges by national government.

22 departments that would apply to each department's municipalities.⁹

Finally, the Law of the Controller (Ley Organica de la Controlaria) specifies fines for municipal staff that break regulations applying to financial management and the conduct of municipal affairs, even unknowingly. Hence, municipal decision-makers are personally at risk.¹⁰ The personnel at risk include all those related to decision-making in the municipal corporation: mayors, municipal secretaries, treasurers, syndicos, and municipal council members. The head of the Controlaria General de Cuentas de la Republica (see section 3.5) states that this personal liability plays a substantial role in the conservative way that municipalities are managed.

Mayors and others are afraid of being fined. They often poorly understand the complex and confusing laws that surround municipal administration. So, they frequently choose the route of prudence over bold action in addressing local problems.

The key to the incentive structure that these laws create for municipal administration is in their enforcement. Currently, many of the field agents of the Controlaria are interpreting these laws inflexibly. For instance, municipal staff have been told by these field agents that the Constitution prohibits use of the 8% transfer for joint projects of a number of municipalities and for many investments that support economic activity, such as irrigation systems, fertilizer, and refrigeration facilities. In the later case, the interpretation of the Controlaria's field staff is that these investments benefit individuals and specific firms, rather than the public at large, so should not be allowed. Top management of the Controlaria favors flexibility and allowing local government to support both these types of activity. However, as long as the field agents are not retrained and re-oriented, their interpretation of the law perversely affects municipal development.

One area of law outside regulation has an important impact on municipal management: the term limit of mayors. Currently, mayors of municipalities with over 10,000 registered voters have terms of 5 years. About 70 municipalities have qualify for these longer terms. The mayors of municipalities with less than 10,000 voters--the remaining 260 municipalities in the country--only have 2.5

⁹ Creation of a municipal tax code that applied to all municipalities and distinguished between those of different sizes rather than different regions would be a less bureaucratic, more effective solution.

¹⁰ The ceiling for unknowing misconduct is Q. \$ 3,000 (about U.S. \$600). Although this sum appears to be low, it is 4-5 times the monthly salary of the mayor of an average municipality.

year terms. This period is too short a time to develop and finish many infrastructure projects. Hence, these projects often remain unfinished into the term of the subsequent mayor, who may or may not be interested in completing them for political reasons. Two and a half years is also too short a time for mayors to both learn their job and then accomplish much. Extending the 5-year term to all mayors should be considered.

2.6 The Property Tax

Before 1986, two property taxes existed in Guatemala. One of these ("impuesto territorial) was collected by the Ministry of Finance. Only three medium-sized cities¹¹ and Guatemala city have cadastral records. In other municipalities without cadastral records, this tax produced minimal sums.¹² The second property tax, which resulted in relatively insignificant sums, was collected by these four municipalities with cadastres.

The two property taxes were "unified" to form one property tax (the "impuesto unico") in 1986. The Ministry of Finance was charged with the duty of collecting this property tax in all areas outside of Guatemala city.¹³ As cadastres do not exist in most of the country, the Ministry of Finance depends on a declaration by property owners on their income tax return to establish value. The rate is a sliding scale that increases with the value of the property. The Ministry of Finance channels all the funds collected on properties valued below Q. \$20,000,00 to the municipality of origin. For properties valued above this amount, the Ministry of Finance retains 50% and channels the other 50% to the municipality.

A proposal has been made to transfer the collection and sums resulting from property tax to municipalities. Local governments favor return of this source of revenue. Central government looks on this possibility largely as a way to relieve it of the burden of complementing salaries of municipal staff, which it assumed in 1986 when the Ministry of Finance took over the property tax. For these reasons, return of the property tax to local government is probable at some point.

¹¹ Mixco, Villa Nueva, and Chinautla.

¹² Not surprisingly, 60% of the total of this first property tax came from Guatemala city and 40% from the rest of the nation.

¹³ However, Guatemala city has contracted with the Ministry of Finances to collect this tax within its jurisdiction.

A local property tax could play a valuable role in addressing the key unmet financial needs of municipalities--support of trained personnel and funding of maintenance and operation of infrastructure. However, the costs and benefits of such a reform have yet to be even vaguely examined. Return of the property tax from national to local government risks chaos if not disaster given the state of land records in most of Guatemala. Careful investigation and building a consensus on the shape of reform would be a valuable policy initiative.

2.7 Summary of Findings on Key Issues

- o Two compelling reasons exist for support of municipal development at this critical juncture in Guatemalan history: the transfer of 8% of central government revenues to local governments; and continuing efforts to establish a viable democracy.

- o The highest investment priorities of local governments are water systems, roads, multiple-use facilities, and schools. Although national government has nominal responsibility for schools, municipalities exercise an important de facto role in education.

- o Local governments have substituted the 8% transfer for their own collection efforts. Local charges compose a small and declining part of total municipal revenues.

- o The 8% transfer dramatically increased municipal revenues in its first two years--1986 and 1987--but has fallen off since then in real terms. The suspension of the 8% transfer for most of 1990 reveals the conditional commitment of national government to decentralization and the need to organize municipalities to retain this key resource.

- o Village committees provide an effective vehicle for citizen participation in public works and local development in rural areas. This strength can and has been built on to implement programs. Urban areas lack organization.

- o Municipalities recover only a fraction of the operation and maintenance costs of infrastructure in user fees. This problem is most serious where cost and need are greatest--water systems and rural roads.

- o The administrative and technical capacity of municipalities is extremely low. Not surprisingly, although local governments now have some money, they are managing it ineffectively. This problem is linked to very low pay for key municipal staff (mayors, municipal secretaries, and treasurers), to low and declining local tax effort, and to difficulties in acquiring training and technical

support. The most immediate solution is to train mayors, municipal secretaries, treasurers, and other municipal corporation members.

- o Three sets of laws inhibit municipal development. Most fundamental, municipal decision-makers can be fined for inadvertently breaking myriad regulations that they do not understand. They respond by managing municipal affairs very conservatively, and, often, ineffectively. A key to changing this situation is to reform enforcement of these regulations.

- o A local property tax could meet key needs of municipalities--higher salaries for trained personnel and funding of maintenance and operation of infrastructure. However, return of the property tax from national government to local government is likely to prove chaotic if not disastrous unless this reform is carefully crafted. Defining and building consensus on property tax reform would be a valuable policy initiative.

III. KEY ACTORS AND POTENTIAL PARTNERS FOR AID IN MUNICIPAL DEVELOPMENT

AID needs partners to play an effective role. Without partners able to institutionalize and continue programs once AID funding stops, the effect of AID's efforts is likely to end with the immediate benefits of the funds invested. This section presents information on key players in municipal development in Guatemala and assesses the potential of each for partnership with the Mission.

3.1 The Association of Guatemalan Municipalities (Asociacion Nacional de Municipalidades de la Republica de Guatemala--ANAM)

Founded in 1957, ANAM seeks to support its member municipalities in all aspects of municipal development. ANAM is one of two organizations in Guatemala devoted specifically to the needs of local governments (the other, INFOM, is examined below).

The organization's governing structure consists of a president and a directorate. Under the organization's current by-laws, the president of ANAM is the mayor of Guatemala City, although this statute is likely to change as discussed below. The directorate is composed of mayors of six municipalities and is elected at meetings attended by the mayors of Guatemala's 330 municipalities, which the by-laws intend to be annual. The meetings of mayors set ANAM policy. The organization's daily activities are conducted by a staff, headquartered in

Guatemala city. Organizational funding is entirely through member municipalities' dues, which increase with population size.

ANAM played a significant role in supporting municipalities and in lobbying national government on behalf of municipalities in the late 1960s and early 1970s. From 1974 until recently, however, the organization largely ceased to function. No annual meetings of mayors were held from 1974 to 1987. A key reflection of this lack of utility is the low level of support ANAM currently receives from its member municipalities. Although monthly dues are very low, half of municipalities are behind on their payments to the organization; arrears now total Q. \$79,000. The dues that ANAM continues to receive are barely able to support five staff: a secretary-accountant, an administrative secretary, the executive secretary in charge of the organization, a messenger, and a half-time legal advisor.

Thus, the organization lacks the staff and funds to undertake programs of any scale. ANAM also lacks a copier, a telephone line, a fax machine, and a means of transportation--currently, the executive secretary is using his own automobile for ANAM business. ANAM receives free office space from INFOM. ANAM has been able provide a very low level of support to local governments through using the equipment and staff of the municipality of its president, the mayor of Guatemala city.¹⁴

However, considerable efforts are underway to revitalize ANAM. These efforts stem from the widespread perception among mayors that ANAM is the only organization potentially suitable to meet many of the their needs. The organization has hired a new executive secretary and, based on the vision of its directorate, is determined to regain credibility with member municipalities by providing them useful services. Despite its minuscule resources, the organization has increased its activity in recent months. ANAM has put out the first issue of a "Municipal Bulletin" to inform municipalities of its activities and is promoting and organizing an up-coming assembly of mayors in January 1992.

Equally important, a consensus has been reached to "democratize" ANAM by changing its by-laws to provide for election of its president. An elected president is seen as having the political mandate to rally mayors, increase and collect dues, provide assistance to member municipalities, and effectively lobby national government and other organizations on behalf of municipalities. The democratization of ANAM is uncontroversial--mayors are in agreement that the

¹⁴ For example, in the month of September 1991, ANAM's executive secretary managed to send an engineer from Guatemala's water utility to assist another municipality, and a garbage truck from Guatemala city to pick up trash in a number of small nearby communities.

president of ANAM should be elected. The mayor of Guatemala has publicly stated his support for this change.

However, an important practical and psychological barrier exists to this reform: ANAM has succeeded in operating at its current low levels only by borrowing equipment and staff from the mayor of Guatemala. If the mayor of another municipality becomes president, ANAM must wean itself from this dependence by gaining the credibility and dues from member municipalities and other sources necessary to effectively support and lobby for local government.

The proposal to elect the organization's president will be voted on in the assembly of mayors in January 1992. The results of this assembly will determine if the organization will continue to stagnate or re-gain the commitment of its municipal members necessary to play a key role in strengthening local government. The current efforts of ANAM to organize this conference deserve immediate support. If it regains credibility in this up-coming conference, ANAM is the logical organization to house various activities of possible interest to AID.

3.2 The National Institute of Municipal Support--(Instituto Nacional de Fomento Municipal--INFOM)

In 1955, central government created a Department of Municipal Credit to give financial assistance to municipalities. In 1957, this banking entity was expanded to encompass technical assistance, training, and other support to municipalities and re-named INFOM. INFOM is the official municipal development instrument of the government of Guatemala. Currently, it has approximately 250 employees.

INFOM achieved some important gains for municipalities in the late 1950s and 1960s. Most fundamental, the organization lobbied for creation and distribution of a number of taxes to local governments. INFOM also gave technical assistance and training to local governments on a wide scale. Until the early 1980s, INFOM provided assistance in the design and engineering and supervision in the construction of many public works to Guatemalan local governments for free.

Finally, INFOM has acted as a window for international donors--particularly the Inter-American Development Bank (IDB)--to finance local infrastructure. IDB has made four loans since 1970 to INFOM, which has on-lent these monies to local governments (excluding the city of Guatemala) for aqueducts, sewers, paving roads, and other infrastructure in urban centers. The latest and largest of these loans have been for U.S. \$7 million (on-lent from 1977-82) and U.S. \$30 million (1982-1991). Currently, INFOM is negotiating a loan from IDB in the amount of

U.S. \$60 million. This new loan carries with it two innovations: INFOM will be able to lend for water systems, a use generally proscribed in previous loans; and funds will be included for improvement in the operation and administration of INFOM. This new \$60 million is temporarily on hold pending resumption of payments by the government of Guatemala on past IDB loans.¹⁵

INFOM on-lends IDB funds to municipalities for 10, 20, and 40 year terms at an interest rate of 5%, uncorrected for inflation. This 5% interest rate is the statutory rate prescribed for lending when INFOM was created in 1957. With Guatemalan inflation rates running at 15-20% per year currently, the INFOM loans to local governments result in a substantial subsidy (or negative real interest rate) to municipalities, totalling 10-15% per year.

INFOM operates at a considerable deficit largely because of the low interest rates on its loans to municipalities. The organization covers this deficit mainly with cash infusions from the government of Guatemala. INFOM also attempts to generate revenues from selling rather than giving its technical assistance services to municipalities and other means described below.

INFOM's role as a window for IDB funds and the need to cover its operating deficit has eclipsed its other functions. Although INFOM provided training, engineering, design, and construction supervision to many local governments free up to the early 1980s, the organization now charges 10-12% of the cost of an infrastructure project for these services except on projects that the organization finances. Consequently, 80% of its technical assistance now goes to projects that INFOM finances. INFOM staff first think of how to recover the organization's costs rather than how to promote municipal development. No other organization provides systematic technical assistance on infrastructure projects to municipalities. As a result, municipalities either do without or seek technical assistance from a wide variety of organizations that provide it on an occasional basis (see section 2.4).

INFOM has gained the reputation among mayors for imposing its ideas and requirements on local governments. To some extent, this reputation reflects outmoded legal requirements that INFOM must meet. For instance, because of

¹⁵ The World Bank presently has no new projects planned for Guatemala, also largely because of payment problems. Finance of INFOM is the principal activity of IDB in Guatemala. However, IDB is also planning to finance health centers and will be looking at other projects in which the government of Guatemala has an interest. The term of these loans from IDB to the government of Guatemala, which channels these funds to INFOM, is 40 years. The interest rate is 1% during the first ten years and 2% during the next 30 years.

the complexity of the local taxes (arbitrios) that INFOM manages, it simply tells local governments how much of these funds is in their bank account without further documentation. INFOM also must tell local government how to use these funds, which are usually earmarked for specific purposes under the law. Such legal requirements provide substantial fodder for disputes between INFOM and mayors, which are often aired in the press.

However, other characteristics and practices of INFOM make the organization unsuitable as a partner for AID until substantial reform occurs.¹⁶ Most fundamental, INFOM suffers from a lack of direction. Largely as a consequence, its role as either a window for BID or as a municipal support institution remains undefined. INFOM also engages in some practices incompatible with a role in support of municipalities. For instance, INFOM finances part of its operating deficit with interest from accounts resulting from the distribution of arbitrios--these accounts belong to municipalities, but INFOM gets the interest. Finally, some INFOM staff continue to view municipalities as inferior and incompetent.

3.3 Development Councils (Consejos de Desarrollo)

The 1985 Constitution established development councils with the objective of providing technical assistance and stimulate citizen participation to guide the use of the 8% transfer. The creation of this system stemmed from a number of previous experiences with establishing decentralized development administration that had met some success.¹⁷

¹⁶ INFOM would become a potential partner for AID if reformed in one of two manners: first, if effective leadership recaptured INFOM's broader role in municipal development; second, if effective leadership spun off the organization's technical assistance function into a separate organization and concentrated on INFOM's banking function.

¹⁷ These antecedents include: the National Reconstruction Committee (Comite de Reconstruccion Nacional), which stimulated and coordinated a system of departmental, municipal, and local reconstruction committees to repair damage from the February 1976 earthquake; a development project supported by the Organization of American States in the department of Baja Veracruz in the late 1970s; local Civil Defense Committees stimulated in 1982 by government efforts to deal with guerrilla insurgency; and a National System of Interinstitutional Coordination for Reconstruction and Development, which sought to involve government and local people in infrastructure provision and planning.

As some of its predecessors, the development councils were intended to have various levels, including national, regional, departmental, municipal, and local organizations. Each of these levels was to be provided with technical assistance from a "technical unit." This system met much resistance and never got off the ground in most of Guatemala. A legal suit succeeded in banning the local level of this system, which arguably would have resulted in the greatest involvement of local people. National government never funded the technical units, as prescribed by legislation. Many mayors considered the system an invasion of municipal autonomy, an attempt to replace local government, and a political gambit by the ruling party at the time--the Christian Democrats--to increase its power.

This experience has left a residue, largely at the departmental level. Mayors in some areas still attend departmental development council meetings, but without specific purpose or effect. Revitalization of development councils is a very remote possibility and not one that AID should pursue. Guatemala's successful experiences with alternative systems of decentralized administration during moments of crisis are intriguing. However, the experience of the development councils offers little hope for broader use of such systems.

3.4 Other Bi-Lateral Donors: Spanish and Canadian Assistance¹⁸

o **Canadian Cooperation (Cooperacion Canadiense).** Starting in 1983, the Canadian government set up a program in Guatemala that works closely with village committees to provide small public works and services in rural areas, mostly in the Highlands. The specifics of this program offer insights into the amount of resources, manner of operation, and results that AID could expect with similar projects.

Canadian Cooperation has one office in Guatemala--in Guatemala city--and in the other countries of Central America. The organization's mission is to support projects proposed by local groups. In the case of Guatemala, these local groups are the village committees.

Generally, these committees hear of Canadian Cooperation and either visit its office in Guatemala city or send a letter proposing a project. The organization evaluates these projects on a number of criteria. The ceiling available for any one project is currently Q. \$50,000--roughly U.S. \$10,000. Second, the committee

¹⁸ German assistance and GTZ are currently active in Guatemala, but did not respond to our attempts to get information.

must be solid and well-organized.¹⁹ Canadian Cooperation then engages in a technical analysis of the project.²⁰ On approval of a project, monies are given to the village committee as donations. Canadian Cooperation deals exclusively with village committees, not local governments. Canadian Cooperation funds projects primarily in the Highlands, although it now has 4 projects on the Coast.

In 1990, Canadian Cooperation in Guatemala funded 66 projects with a total of U.S. \$350,000 in project funding. Its administrative budget for that year was U.S. \$70,000. Eighty percent of administrative costs went to support seven staff, three of whom are professionals.²¹ The remaining 20% of administrative costs covered vehicles, gasoline, insurance, rent, and other miscellaneous costs.

Approximately 90% of the projects that Canadian Cooperation finances turn out successfully--that is, they are built and used by village residents. Ten percent fail largely because of problems in the inflation of construction material costs.²²

¹⁹ Canadian Cooperation investigates the character of these groups by asking for a number of documents. A letter from the governor of the department in which the group's village is located is the best sign of solid intent. A second piece of evidence is references to prove that the group has managed funds. If the group is new and has no track record, Canadian Cooperation asks it to open an account at a local bank. Local bank agreement to such an account is a sign that the group is composed of solid people.

²⁰ First, it places the projects into three categories. The first category and highest priority is for projects for water systems related to improving health, projects that involve participation of women, and projects that involve the greatest number of local people. The second category consists of projects that facilitate local communication (bridges, roads), agriculture (purchase of fertilizer), and education (repair or construction of schools and classrooms). The third category are those specifically given priority by the Canadian Embassy for special reasons. For instance, after an earthquake, priority is given to rebuild facilities in the affected area. The technical analysis includes examination of documents that the village committee submits, including design plans, budget, technical assistance available, and contribution of the village to the project.

²¹ A director--who is a civil engineer, an assistant director--who is an economist, a computer consultant, a secretary, 2 drivers, and a cleaning person.

²² Another problem that frequently occurs is great delay because of the inability of the village committee to complete the paperwork necessary for project application. However, as the director of Canadian Cooperation notes, "one of the ideas is that they seek help from other sources."

o **Spanish Assistance--the Program for Support of Municipal Administration (Programa de Apoyo al Desarrollo de la Administracion Municipal--PADAM) and the Latin American Faculty of Social Science (Facultad Latino-Americana de Ciencias Sociales--FLACSO).** A mixed commission of the Spanish and Guatemalan governments agreed to create FLACSO and PADAM in 1989. The purpose of PADAM is to strengthen municipalities by training municipal staff as local leaders in the context of expanding democratic practice.

Starting in 1990, FLACSO has held six seminars on municipal problems as fora for municipal authorities. In addition, it has conducted training programs and workshops in a wide variety of topics relevant to municipal administration, including the legislative process, finance, and project evaluation. FLACSO has focussed on training mayors, syndicos, municipal secretaries, and treasurers in these seminars and workshops. The head of this program notes: "Investment in training secretaries and treasurers is more valuable than in mayors" because they usually carry over between municipal administration and, thus, are the main institutional memory and experience of local government.

Since 1989, FLACSO has trained 1,421 municipal staff. In the beginning, the organization found attracting mayors to courses difficult. Before taking the FLACSO courses, mayors lacked interest in planning, regionalization, and the other themes of courses. However, the head of FLACSO indicates that graduates of these courses have been influenced and begun to think in these terms. FLACSO is intending to undertake a more formal evaluation of its program in October 1991.

FLACSO would like to expand its program. Contemplated topics of courses include basic municipal data collection necessary for planning, market management, trash collection and treatment, and tourism promotion. The head of the organization is interested in co-financing with and participation of other donors in its efforts. FLACSO has emerged as the main organization in municipal training in the gap left by INFOM's withdrawal from this area. Its programs appear to be valuable, well thought out, compatible with AID's orientation, and deserving of expansion, and support.

3.5 Other Central Government Entities

o **Secretary General of Planning (Secretaria General de Planificacion--SEGEPLAN).** SEGEPLAN dates from efforts in the 1960s supported by the Alliance for Progress to establish national planning. This organization was influential in the early 1970s, when it succeeded in elaborating a national development plan. Since then, SEGEPLAN's effectiveness has declined. In

the early 1980s, it attempted to open planning offices in departments and region. SEGEPLAN also had the responsibility for establishing the technical units (unidades tecnicas) of the development councils. SEGEPLAN intends to provide planning expertise to the departmental offices that the Ministry of Urban and Regional Development (MINDES) is opening (see below).

o The National Institute of Public Administration (Instituto Nacional de Administracion Publica--INAP). In 1964, the Nacional Institute of Administration was created, also with the support of the Alliance for Progress. This organization became the National Institute of Public Administration in 1980. The overall functions of this organization are to train central government employees and investigate and assist central government entities in solving their administrative problems. INAP currently has 65 employees and contracts with 10 consultants. INAP is entirely funded through central government, although sometimes by contracts with other central government entities. It has the reputation of being relatively competent and unbureaucratic.

INAP has three areas of activity: training, investigation of administrative problems, and technical assistance. Since 1980, INAP has offered instruction leading to a Masters degree in public administration and, in conjunction with a government university--the University of San Carlos--, a Masters degree in human settlements.²³ INAP also offers specific courses on subjects ranging from budgeting to project development to central government entities on demand. Finally, INAP is the lead organization in the National System of Training of Public Servants (Sistema Nacional de Formacion y Capacitacion de los Servidores del Estado--SINAFOC), which has overall responsibility for training the employees of central government entities. INAP uses an "investigation-action" method to examine administrative issues. The approach is to assemble teams of 5-8 researchers from diverse organizations that are capable of examining and issue and inducing action. In these investigations, INAP counts on a good library, which includes 10,000 volumes in the area of public administration. INAP also acts as a management consultant to public entities, first analyzing their function, and then suggesting modifications.

Although INAP has focussed on central government, it could competently address municipal issues and serve as a partner for AID without reform. In contrast, ANAM and INFOM--the two national organizations specifically devoted to municipalities-- require strengthening before substantial participation with AID is advisable.

²³ The Masters program in public administration currently has 65 students enrolled, that in human settlements has 10 students.

o Ministry of Urban and Regional Development (Ministerio de Desarrollo Urbano y Rural--MINDES). The Ministry of Urban and Regional Development is a relatively new ministry, created in 1985. The president gave the organization the objective of stimulating and coordinating participation of the population. However, this ministry has focussed largely on constructing public works in a broad range of areas in competition with other ministries such as that of Public Works, of Education, and of Health.

MINDES is in the process of gaining considerable political power and funds. It has created a "Development Sector" within its organizational structure to coordinate and oversee a number of other important institutions active at the local level. These organizations include INFOM, the National Housing Bank (BANVI), the National Reconstruction Committee (CRN), and the System for Creation of Micro-Enterprise (Sistema Multiplicador de Micro-Empresas). Ultimately, the management of these organizations must now answer to the director of MINDES. In addition, an Emergency Social Solidarity Fund (Fundo de Emergencia y Solidariedad Social) has been established within MINDES to respond to requests of villages and municipalities for public works. MINDES intends to open one office in all 22 departments, which is to contain staff from the four entities noted above that it now coordinates. Q.\$40 million has been included in the proposed 1992 national budget to fund MINDES' Emergency Fund for Social Solidarity.

Hence, MINDES is an emerging power in municipal development and within national government. AID must be sure to take this organization into account in its plans.

o Controlaria General de Cuentas de la Republica. The Controlaria is the auditing and control organization of central government. It audits all government entities at the local and national level except banks. The organizations under its regulatory supervision include Ministries, autonomous and semi-autonomous organizations, and municipalities.

Recently, the Controlaria has decentralized the operations that affect municipalities to 22 departmental offices. The Controlaria's field staff, consisting largely of "controllers", work out of these offices. The controllers visit all municipalities periodically and when evidence surfaces of abuse.²⁴

²⁴ A regular visit for an average size municipality takes 1-2 days. During this visit, the controller reviews the municipalities books and records to determine if local government is in compliance with a broad range of laws and regulations. All municipal management and financial operations must stop during this visit.

Municipal staff have feared the Controlaria as an inflexible enforcer of numerous arcane regulations and laws. However, the current management of the head office has sought to change this image and increase municipalities' operational leeway. A two-day seminar was held for current mayors in 1990, soon after they took office, to inform them of regulations applicable to the financial management of municipalities and to convey the message that the Controlaria seeks to prevent problems rather than enforce punishment.

However, a major administrative obstacle is blocking reform. The field controllers have legal independence from the central administration of the Controlaria. Controllers' interpretations and implementation of regulations sometimes conflict with those of the Controlaria's head office. The head management has yet to organize a program to retrain and re-orient these controllers. A top manager of the Controlaria notes: "We need a new mentality and to communicate a new attitude to our field staff."

3.6 Other Offices of the United States Agency for International Development in Central America: ROCAP/RHUDO

These organizations are scheduled to work closely together, so they will be dealt with jointly. ROCAP/RHUDO intend to continue the current program of seminars and workshops for local government officials. More broadly, ROCAP/RHUDO are in the process of developing a municipal development strategy for all of Central America. However, they depend on country Missions to develop specific programs and intend to complement and support these programs, rather than undertake independent initiatives. In principle, then, the Mission can count on ROCAP/RHUDO's financial support and personnel to complement its activities in municipal development.

3.7 Summary of Findings on Potential Partners

- o If mayors make a greater commitment to the National Association of Mayors (ANAM) at its assembly in January 1992, ANAM is the appropriate partner for AID in efforts to strengthen the influence of municipalities.

- o The National Institute of Public Administration (INAP) is relatively competent, and unbureaucratic. It represents an alternative to ANAM in efforts to strengthen municipal organization if current attempts to revitalize ANAM fail. ANAM is also a suitable partner for AID in other efforts.

- o Currently, the Institute of Municipal Support (INFOM) is an unsuitable partner for AID because this organization lacks direction and engages

in some practices inappropriate to support of municipal development. However, this organization has considerable power over municipalities and should eventually be included in AID efforts to strengthen municipalities if support emerges for its reform.

- o The development councils established by the 1985 Constitution never got off the ground in many areas and have ceased to function. AID should not attempt to revitalize this system.

- o Spanish Assistance (FLACSO) is a good potential partner for AID in training municipal staff; its management is interested in expanding its program and cooperation with other donors. Canadian Cooperation's village program offers a model that AID can learn from.

- o The Ministry of Urban and Regional Development (MINDES) is an emerging power in municipal development and within national government. AID must be sure to take this organization into account in its plans.

- o The top management of the Controlaria General de Cuentas de la Republica is interested in retraining and re-orienting its field staff, who are directly responsible for the regulatory environment faced by municipalities. This is an opportunity that AID should investigate.

- o In principle, ROCAP and RHUDO-Central America can be counted on to support municipal development efforts of the Guatemala Mission.

IV. OPPORTUNITIES TO SUPPORT MUNICIPAL DEVELOPMENT

4.1 Current and Past Efforts of AID-Guatemala in Municipal Development

AID provided substantial support to municipal development in Guatemala in the past, especially from 1965-1972. Indeed, one veteran of the Guatemalan municipal scene notes: "AID was the sponsor of municipalism in Guatemala." During this period, AID undertook a broad range of projects with diverse Guatemalan partners.²⁵ Hence, a precedent exists for AID involvement in municipal development and for working with a variety of Guatemalan partners.

The Mission currently has underway many activities related to municipal development. With the exception of the Guatemalan Peace Scholarship program, however, they seldom deal directly with local government. The following are the most noteworthy:

- o **The Guatemalan Peace Scholarship Program.** This effort is the only one that deals mainly with local government officials and other community leaders. This training program promotes local development and democratic practice by taking groups of Guatemalan mayors, corporation members, and other local leaders to the U.S. and exposing them to local government, local development projects, and citizen participation. The Mission should build directly on this program in its initial efforts to broaden its support of municipal development.

- o **Fiscal Reform Project.** This project investigates and seeks to build

²⁵ AID's support of municipal development from 1965-72 included the following: large-scale financial support of establishment and reorganization of cadastral records; grants for mayors, municipal secretaries, and treasurers to receive training in municipal administration in San Antonio, Texas; strengthening of ANAM, including sponsorship of mayors of small municipalities (third and fourth category municipalities) to attend the annual meeting of ANAM; various programs with INAP under the Alliance for Progress; and support of seminars and workshops on municipal administration. In addition, AID made a series of infrastructure grants to INFOM to channel to municipalities beginning in the 1970s. These include: a \$2 million and a \$4.5 million grant for markets, health posts, multi-purpose facilities, and other public works; in 1975, an emergency grant of \$4 million to reestablish urban services largely in Guatemala city after an earthquake; in 1979, a \$1 million grant for an Integrated Rural Areas Studies (Estudios Integral de las Areas Rurales).

consensus on reform of the present tax system. The emphasis of this project is currently on taxes used at the national level. However, reform of the property tax reform connects this project directly to municipalities. The technical expertise of the Fiscal Reform Project could be usefully and valuably applied to investigating the property tax to determine whether and how it should be transferred to municipalities.

The fiscal reform project also is promoting better budgeting procedures in government, particularly national government. The greatly increased revenue sources from transfer of the 8% mean budgeting and financial management of key importance for the first time in many municipalities. However, as discussed, local budgeting and financial management is primitive and inefficient, even more so than in national government. Local governments, too, could benefit from training in these procedures. Next to building on the Guatemalan Peace Scholarship, extending the fiscal reform project to municipalities offers the most immediate promise for expansion of AID's existing programs.

o **Education and Health.** Among other efforts, the Mission is supporting the decentralization efforts of the Ministry of Education by equipping the regional and, now, departmental offices of this ministry.

Education is a quintessentially local activity in most countries. In much of Latin America, local government operates at least primary schools and, often, high schools. Increasingly, choice (of local people where to send their children to school), decentralization (of school curricula and management to teachers and other school staff), and accountability (of decentralized schools for educational performance) are recognized as essential to quality education. Schools are officially built and run by national government in Guatemala. Very high levels of illiteracy suggest that central government has largely failed to perform this function. The evidence presented in this report confirms that local governments have an important de facto responsibility in education. Often, they do everything except pay the teachers, from building and maintaining schools to providing didactic material. Hence, support of local government's role in schools to promote choice, decentralization, and accountability is a promising idea, although the Mission has no program that could easily encompass such an effort.

Similar conclusions apply to health. However, except for water and sewer systems, Guatemalan local governments have much less of a role in health than in education.

o **Trade and Investment.** The Mission has undertaken efforts to promote non-traditional agricultural exports and maquilas. These activities are infrastructure intensive. For instance, vegetables must be washed in clean water, refrigerated in the field, and transported quickly to reach markets. Agricultural

cooperatives provide many of these services. However, municipal government has a key role in maintaining rural roads and supplying water. The interpretation of laws currently stops municipalities from investing in support of many activities that support economic development because they are deemed to have a private rather than a public purpose. A second important connection is with municipal finance. Municipalities are beginning to look on non-traditional exports and maquilas as a source of revenue. This issue overlaps tax reform as well as trade and investment.

- o **Rural Electrification Program.** The Mission funds a \$10 million dollar effort implemented by the National Rural Electrification Cooperative Association to extend electricity largely to Highland villages. This program's method is to work with village committees to determine their needs and involve them in the project and with non-governmental organizations to institutionalize continuing support of the villages. In addition to providing electricity, this program stimulates productive uses of electricity through making small loans for the purchase of electric machinery and the start of micro-businesses to villagers.

- o **Highlands Water and Sanitation Project.** This \$9.5 million dollar program funds a Ministry of Health and Education effort to extend water and build latrines. It also works primarily in Highlands villages with village committees. AID funding is used to provide materials (sand, gravel, stone etc.) and the community provides the source of water and all unskilled labor. All skilled labor is funded by the government of Guatemala. The program urges the community to charge a monthly fee for operation and maintenance of the water systems put in place. It works only incidentally with local governments, which occasionally contribute land and help acquire the water source.

In sum, the Mission is engaged in municipal development. The missing piece in its efforts is a program specifically directed to strengthening local government. Considerable opportunities exist for building on current projects to develop such an effort.

4.2 RECOMMENDATIONS: A Program in Three Stages

Although the AID-Guatemala has played a substantial role in assisting local governments in the past, the Mission currently lacks the experience to design and implement a major effort immediately. For this reason, its involvement should occur in stages. The following outlines three stages of possible AID intervention in support of municipalities. Each stage consists of a number of projects. These projects are complementary and build on AID's current programs. The three stages also depend on each other and match AID's objectives with the needs of Guatemalan municipalities. The projects within each stage are offered as possibilities.

These projects focus on providing knowledge and improving practice rather than donating large amounts of capital. Guatemala and Guatemalan municipalities have resources. However, they need support to use them wisely.

Currently, no one organization is a suitable partner for all three stages. The organizations that are most directly involved in municipal development are weak and in need of reform. Politically, working with a variety of partners is also desirable in order to avoid the impression that AID is captive of one institution. Hence, a variety of partners is recommended.

4.3 STAGE ONE--Strengthen the Influence of Municipalities and Knowledge of Key Staff of Local Development and Democracy

The Mission's primary goal in municipal development is to promote democracy by building on the Guatemalan Peace Scholarship Program (GPS). The most urgent needs in municipal development are to strengthen the organized influence of municipalities and to increase the level of communication and shared experience between key municipal staff. Local leaders and their support organizations can design and implement solutions to their own problems if they are well organized and knowledgeable. However, they currently lack both organization and a vision of how to undertake needed reforms.

Sending mayors to the United States to learn about local democracy and development provides a valuable perspective. As the design of GPS specifies, it is important to build on the U.S. experience and relate it to Guatemala. However, many Guatemalan mayors and community leaders know little about experiences outside their immediate region in their own country. The following three programs build directly on the Guatemalan Peace Scholarship Program by increasing community leaders' knowledge of local participation and development in Guatemala and strengthening the ability of municipalities to promote their

interests, particularly the continuing transfer of the 8%.

o **Provide a grant to ANAM and travel grants to the mayors of third and fourth category municipalities to support the up-coming ANAM assembly of mayors in January 1992.** An immediate grant to ANAM in the amount of U.S. \$15,000, would provide key support for organization of the up-coming conference of mayors in January 1992 in Huehuetenango. The use of this grant should be restricted to efforts necessary to organize the conference and to the purchase of basic office equipment including a telephone line, a copier, and a fax machine necessary to effectively organize it. Efforts to revitalize ANAM are currently at an early, delicate stage, but show promise. This organization is the logical and only one available to organize municipalities and increase their level of influence at the national level. This conference promises to be a pivotal event in the organization of Guatemalan municipalities for the next decade.

In conjunction with support of ANAM's organization of this assembly, provision of a travel grant of U.S. \$100 to the mayors of small municipalities (third and fourth category municipalities) would ensure that the bulk of mayors are able to attend this assembly. With 196 third and fourth category municipalities, the necessary amount totals roughly \$20,000.

These grants would provide the key resources immediately necessary for the assembly and indicate AID's interest in further support of ANAM pending commitment of Guatemala's municipalities to this organization. However, their relatively small size would also clearly signal that the major efforts necessary to revitalize ANAM must come from the mayors and municipalities themselves, not AID.

o **Fund the production and publication of a Municipal Initiatives Bulletin.** Currently, no publication exists that documents the experience of Guatemalan municipalities. Mayors and others must rely literally on word of mouth for information. Their knowledge of projects of other municipalities usually extends no further than those of their department. A bulletin that documents projects of municipalities in Guatemala and elsewhere in promoting participation, building infrastructure, establishing administrative systems, and acquiring funding would serve a very valuable function. It could also feature the observations of the mayors and community leaders sent to the United States under the Guatemalan Peace Scholarship program. A number of mayors interviewed in the field research for this report agreed on the need for and value of such a publication. Based on this evidence, mayors would pay close attention to this publication.

This bulletin must be published a minimum of 4-6 times per year in order to be a useful, up-to-date resource on projects and events to municipalities. In

addition to the costs of publication, support should include at a minimum the salaries of 1-2 researchers/writers to investigate these initiatives and an editor/secretary in charge of producing the publication.

If the results of the January 1992 ANAM conference indicate that mayors have significantly increased their commitment to this organization, ANAM is the logical choice to house the preparation and publication of this bulletin. ANAM has just issued the first edition of a bulletin to inform municipalities about its activities. This effort might be built on if ANAM is selected. Otherwise, INAP has the experience and competence to undertake this project.

o Support visits of mayors and other community leaders to innovative projects profiled in the Municipal Initiatives Bulletin. Assist in organizing and funding seminars and workshops on municipal development. AID could fund visits of mayors and other community leaders to investigate first hand key projects featured in the Municipal Initiatives Bulletin. Some leaders, particularly from indigenous communities, are functionally illiterate. Such visits are essential to provide them as well as others information about successful approaches of other communities to their problems. The staff of the publication could be used to organize these visits. The organizational partner for this project should be the same as that for the production and publication of the bulletin-- that is, ANAM or INAP.

RHUDO-Central America has organized a series of workshops on municipal development. Continuing such workshops would complement the activities of Stage One. The Mission and RHUDO should coordinate these activities and, if deemed appropriate, work together on them.

The three project components of Stage One are extremely cost effective. Together, they would make an important contribution to municipal development and pave the way for Stages Two and Three.

4.4 STAGE TWO--Increase the Effectiveness of Local Government

Local governments are currently unable to use the 8% transfer and other resources effectively largely for two reasons. First, they lack trained personnel. As noted, even medium-sized municipalities typically have no technical staff and the level of remuneration is incompatible with retaining people once they receive training. Second, many regulations and laws put municipalities in a legal straightjacket. Frequently, the interpretation of laws rather than their letter is the problem.

The second stage of AID support consists of three projects: to train municipal staff; to work with central government entities to research and appropriately interpret and implement the regulations surrounding municipalities; and to apply the expertise of the AID Fiscal Reform Project to the property tax.

o Support the training of mayors, secretaries, treasurers, and other municipal corporation members. On election, most mayors have no background in the preparation of a budget, rudimentary planning, management, and the many laws and regulations surrounding the conduct of municipal government. A well-prepared one week course on these and other subjects after election but before mayors assume office would be an extremely effective orientation. This course should emphasize finance of operation and maintenance of infrastructure and other basic management and technical information. It should include opportunities for mayors to meet the heads of key agencies with which they will be dealing, such as the Controlaria de la Republica, INFOM, and Ministries, and learn about their approach and programs.

Mayors come and go at election time. But secretaries and treasurers frequently remain through many municipal administrations. They have the knowledge and institutional memory essential to conducting local government. Investment in the training of municipal secretaries and treasurers can potentially pay higher dividends than for that of mayors. Periodic courses in the management, financial, and legal aspects of municipal administration should be available to these key personnel. Municipal council members and *sindicos* also help design local programs and are at risk legally if they are mismanaged. No training is currently available to municipal council members. AID could usefully conduct brief courses in which these municipal corporation members often specialize, such as health, education, and roads.

The logical partner for training is FLACSO (Spanish Assistance), which has focussed on training of mayors, secretaries, and treasurers for two years.

o Support research on and the reform of the administrative practices of national government entities that deal extensively with municipalities. The Contraloria General de Cuentas de la Republica has the job of interpreting and enforcing many of these laws. Top management of this organization is in favor of giving municipalities flexibility, redefining laws that are inadequate, and retraining staff to achieve a proper balance in their enforcement. However, the field staff of the Contraloria de la Republica continues to interpret many regulations restrictively.

AID should work with the Contraloria to research and promote an appropriate interpretation of these laws, and retrain the Contraloria's field staff. Other partners in this effort could be ANAM and INAP. ANAM represents municipalities. INAP has the expertise to investigate administrative problems. Once this project completes work with the Contraloria and gains a track record, it could begin work with INFOM, another organization where restrictive interpretation of laws and administrative practices creates problems for municipalities. Working with INFOM would require the support of the Ministry of Urban and Regional Development, which now has ultimate control of INFOM.

Much can be accomplished within the current legal structure by training municipal staff, reinterpretation of existing laws, and changes in administrative procedure of the Contraloria de la Republica and INFOM. However, some laws need to be changed. Legal change is likely to require a greater level of effort and is one component of stage three.

o Apply the expertise and resources of AID's Fiscal Reform Project to the property tax. AID should build on its current efforts on tax reform at the national level to investigate reform at the local level. A key question is whether and how the property tax should be returned to municipalities. Various proposals in the Guatemalan Congress concerning the property tax have been made with little knowledge of cost, benefits, and viability. AID could make an important contribution to municipal finance by carefully investigating and building a consensus on the property tax.

4.5 STAGE THREE--Broaden Municipalities' Role in Development

The role of Guatemalan municipalities in development is constrained both by law and a vision of what this role could best be. Decentralization is no panacea. The role of different levels of government in development depends on the historical context. However, the current context in Guatemala indicates that municipalities could usefully play a greater role in education, health, environmental preservation, and support of economic development. Central government efforts in these areas are often deficient. In the areas of health and education, the experience of other countries indicates that local control is vital to making these services work and more cost effective.

Stage three consists of three projects necessary to expand municipalities' role in development.

- o **Support research on and change of key laws that inhibit municipal management.** Legal change in a number of areas is necessary to maintain and expand municipalities' role. These include the approval for increases in municipal charges by the Congress, the requirement that each municipal code be revised separately, and the Law of Purchases and Contracting (Ley de Compras y Contrataciones). Efforts should be built on the Stage Two project that promotes re-interpretation of the regulations surrounding municipal development.

- o **Expand the Fiscal Reform Project's efforts from the property tax to other local taxes.** Very little is known about how local taxes are collected, how they are used, and how they might be reformed--see 5.3 for an official description of these taxes. INFOM, which manages the funds from some of these levies, simply tells local governments how much is in their accounts.

Significant own-source revenues would help municipalities fund operation and maintenance and better salaries for trained personnel. Investigation, rationalization, and reform of locally taxes is an indispensable step in achieving a broader role for municipalities in development.

- o **Establish a fund for the finance of innovative projects, giving priority to those that involve substantial participation of local people.** Municipalities could usefully expand their role in a number of functional areas, including education, health, environmental preservation, and economic development. A fund should be established to finance locally based projects in areas such as reforestation, provision of seed capital and on-going technical assistance to micro-business, market management, tourism promotion, alternative schools that involve parents and the community in education, and

support of non-traditional agriculture.

Both municipalities and village committees should be able to apply. AID could operate as most donors do by receiving and evaluating applications from villages and municipalities. When necessary, AID should also draw on its experience to develop demonstration projects that fill a gap in national and local development efforts and market them. Priority should be given to projects with substantial community participation.

V. APPENDICES

5.1 List of Informants Interviewed for the Study

The research for this study consisted of a survey of the existing literature, interviews with representatives of key institutions involved in Guatemalan municipal development in Guatemala and Washington, D.C., and field visits to four municipalities. The following lists those interviewed for this study in alphabetical order by their organization or, if they belong to no organization, by name:

Asociacion Nacional de Municipalidades de la Republica de Guatemala (ANAM), Julio Cesar Giron Diaz, Executive Secretary, September 27, 1991

Cooperacion Canadiense, Carlos Avalos, Director, September 30, 1991

Controlaria General de Cuentas de la Republica, Romeo Villatoro, Sub-Jefe, September 27, 1991

Fundacion Espanol para la Cooperacion, Facultad Latinoamericano de Ciencias Sociales (FLACSO):

- Mario Anibal, co-administrator of FLACSO, September 25, 1991
- Andres Bravo Moran, director of Cooperacion Espanola, September 25, 1991

Francisco Way, former director of the Escuela de Capacitacion en Administracion Municipal (ECAM), September 25, 1991

Inter-American Development Bank (IDB), Michael Jacobs, August 5, 1991, Washington, D.C.

Instituto Nacional de Administracion Publica (INAP), Edwin Solorzano Urrutia, Manager, September 22, 1991

Instituto Nacional de Fomento Municipal (INFOM):

- Tofik Abularach, September 25, 1991

- Carlos A. Soto, September 25, 1991
- Guillermo Garcia, September 26, 1991

Ministerio de Desarrollo Urbano y Rural (MINDES), Alfredo Privado, September 26, 1991

Municipality of Antigua Guatemala, Hector Vides Casanova, mayor, September 20, 1991

Municipality of Sumpango, Juan Cay Ixtamallic, mayor, September 24, 1991

Municipality of Tecpan:

- Candido Miranda Roman, municipal secretary, September 24, 1991
- Serapio Xuya, mayor, September 24, 1991

Municipality of El Tejar, Marta Lidia Munoz Lara, municipal secretary, September 24, 1991

National Rural Electrification Cooperative Association, Ivan Azurdia, technical consultant, September 26, 1991

Secretaria General de Planificacion Economica, Fernando Fuentes Mohr, general secretary, October 7, 1991

Sociedad Inter-Americana de Planificacion (SIAP), Luis Camacho, general secretary, September 23, 1991

United States Agency for International Development; Guatemala Mission:

- David Adams, September 23, 1991
- David Hoelscher, September 30, 1991
- Joseph Lombardo, September 23, 1991
- Dick Martin, September 25, 1991
- Tolly McCormick, September 23, 1991
- Alfredo Serrata, September 26, 1991

United States Agency for International Development, ROCAP:

- Nancy Hooff, September 25, 1991

World Bank:

- Felix A. Jakob, Latin American and Caribbean Division, August 7, 1991, Washington, D.C.

5.2 Data Sources and References.

In addition to the field research, the following texts provided information and data.

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Alvarez, Rafael C., and Marilu Hernandez Estrada Manual para la Administracion Municipal, FLACSO-PADAM, Guatemala, March 1991.

Codigo Municipal and various laws of municipalities on local taxes.

Constitucion Politica de la Republica de Guatemala, 1985.

Echegaray, Francisco I.; "La Experiencia de Guatemala en la Descentralizacion: Una Apreciacion Objetiva", INCAE, Guatemala, February 1991.

Echegaray, Francisco I.; "Descentralizacion Administrativa y Consejos de Desarrollo Urbano y Rural: El Proyecto Gua/88/0005 y Otros Proyectos Relacionados", United Nations, Guatemala, April 1991.

Echegaray, Francisco I.; "El Papel de las Transferencias Fiscales del Gobierno Central al Gobierno Municipal y la Descentralizacion: El Caso de Guatemala", USAID, RHUDO/CA, ROCAP, INCAE, September 1991.

Instituto Nacional de Estadistica (INE); Finanzas Municipales, for 1980, 1985, 1986, and 1987. Data provided by INE for 1988 and 1989.

Linares, Luis; "Estrategia para el Fortalecimiento Institucional del Municipio", en Momento, published by the Asociacion de Investigacion y Estudios Sociales, year 4, no. 11, Guatemala, 1989.

Sanchez, Jenaro; "El Sistema Municipal de Guatemala", INCAE, 1990.

United States Agency for International Development (USAID); "The Rationale for and Characteristics of a Municipal Development Project in Central America", March 2, 1991.

United States Agency for International Development (USAID); Economic Assistance Strategy for Central America 1991 to 2000, Washington, D.C., January 1991.

United States Agency for International Development (USAID); Action Plan, FY 1992-93, Guatemala, Washington, D.C. March 1991.

United States Agency for International Development (USAID); LAC Democratic Initiatives, Regional Strategy, May 1991.

United States Agency for International Development (USAID); "Summary Document; Working Group on Decentralization and Municipal Development", Guatemala, undated.

United States Agency for International Development (USAID): various other documents on the Guatemalan Peace Scholarship Program, municipal development, and decentralization.

5.3 The Antigua Process

During 1990, AID financed five seminars developed by the Instituto Centro-Americano de Administracion de Empresas (INCAE) on decentralization in Antigua Guatemala. Many local and national leaders attended including governors, mayors, and representatives of non-governmental organizations, the private sector, and unions.

Three additional seminars in 1991 continued this dialogue between elected representatives of the 1990 seminars, mayors who had not participated in 1990, and other elected officials. At the second of these seminars, participants resolved to develop position statements on five topics and elected five working groups for this task. The topics are the democratization of ANAM, municipal finance, decentralization and development councils, administrative rationalization of municipalities, and municipal staff training. Central government authorities were invited to the third seminar to discuss these themes and municipal needs.

In sum, the Antigua process has begun the task of building communication between municipalities and enhancing municipal influence at the national level.

5.4 Attached Appendices:

- o **Letter to Jorge Serrano Elias, president of Guatemala, from undersigned mayors, September 30, 1991**
- o **"Figuras Tributarias": definitions of key terms related to local taxes.**

- o **"INFOM, Guatemala: Impuestos y Arbitrios...":
description of local taxes.**

Guatemala, 30 de septiembre de 1991

Señor Ingeniero
Jorge Serrano Elías
Presidente Constitucional de la República
Palacio Nacional
Ciudad

Señor Presidente:

Los infrascritos Alcaldes municipales y Presidentes de las Asociaciones regionales de municipalidades del país, actuando en representación propia y de los 330 Alcaldes que conforman la estructura administrativa municipalista, expresamos por este medio nuestra preocupación por la inviabilidad gubernamental en el pago del ocho por ciento constitucional correspondiente a tres trimestres del año 1990.

Si bien reconocemos que esa deuda corresponde y fué dejada por la administración gubernativa anterior, también consideramos que es de elemental deber atinente al Estado el honrar este compromiso, cuya omisión está repercutiendo grave y desfavorablemente en las raquíticas y angustiantes economías municipales.

Recién instalado en la Presidencia de la República, usted señaló públicamente que estaba consciente del adeudo y prometió que lo haría efectivo. Posteriormente refirió que lo cubriría en 36 aportes, idea que no apoyamos ni compartimos los Alcaldes, por considerar que es escaso el beneficio que tal sistema de pago generaría a nuestras comunidades, entre otros motivos porque muchas municipalidades han tenido que cubrir cuentas dejadas por las administraciones anteriores.

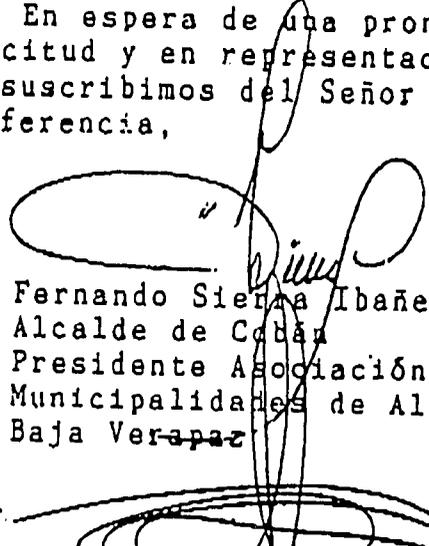
En tanto los Alcaldes esperamos que el Estado cancele esa deuda, se han sucedido hechos económicos favorables que afianzan nuestro criterio de que en estos momentos se está en la posibilidad de cubrir la misma. Estos hechos que inciden fa-

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 Señor Ingeniero
 Jorge Serrano Elías
 Presidente Constitucional de la República
 Palacio Nacional

vorablemente en el fortalecimiento de las finanzas gubernamentales son las reservas de divisas que coadyuvan al repunte del Quetzal; el donativo de 50 millones de Dólares de la AID y la recaudación proveniente de los bonos de emergencia.

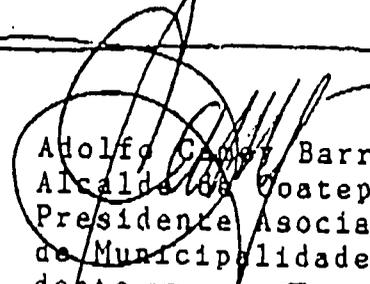
Por lo anterior, apelamos a su Patriotismo, su magnanimidad y su buen juicio para que sopesando el crucial papel que juegan los gobiernos locales en el desarrollo del país, como la instancia efectiva de respuesta a las expectativas comunales, disponga la cancelación inmediata y en un solo pago del adeudo en referencia, conscientes como estamos de los hechos coyunturales que permiten y justifican hacerlo.

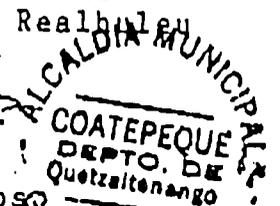
En espera de una pronta y favorable respuesta a nuestra solicitud y en representación de los 330 Alcaldes del país, nos suscribimos del Señor Presidente, con atención, respeto y deferencia,


 Fernando Sierra Ibañez
 Alcalde de Cobán
 Presidente Asociación de
 Municipalidades de Alta y
 Baja Verapaz


 Dr. Terencio Reyes Flores
 Alcalde de Nuevo San Carlos
 Presidente Asociación de
 Municipalidades de Realulán


 Miguel Angel Méndez Zetina
 Alcalde Ciudad Flores
 Presidente Asociación de
 Municipalidades de Petén


 Adolfo Cabrer Barrios
 Alcalde de Coatepeque
 Presidente Asociación Regional
 de Municipalidades de Sur-Occi-
 dente



Alcalde de Sololá
Presidente Asociación
Alcaldes de Sololá

Alcalde de Totonicapán
Delegado de las Municipalidades
de Totonicapán

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Fibras Y Plásticos

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Jorge Serrano Elías
Presidente Constitucional de la República
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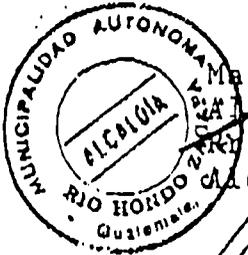


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Marco Julio de la Cruz
Alcalde de San Cristóbal
Verapaz, Vicepresidente
Asociación Municipalidades
de Alta Verapaz

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Hector Antonio Méndez García
Alcalde de Cantel
Vicepresidente Asociación de
Municipalidades de Quetzaltenango



Mario Andrés Marín A.
Alcalde de Río Hondo
Presidente Asociación de
Alcaldes de Zacapa

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José Raymundo Portillo O.
Alcalde de Guastatoya
Delegado Alcaldes El Progreso

Marco Tullio Carrillo M.
Alcalde de Antigua Guate-
mala, Delegado Alcaldes de
Sacatepéquez

Tobías Sarceño Pérez
Alcalde de Jutiapa
Presidente Asociación Alcaldes
de Jutiapa

David Alfredo Cárcamo R.
Alcalde de Jalapa, Presi-
dente Asociación Alcaldes
del Depto. de Jalapa

Ramón Efraín Valle Palacios
Alcalde de Poptún



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Jorge Serrano Elías
Presidente Constitucional de la República
Palacio Nacional

~~Rigoberto Quamé Chay~~
Municipalidad de Quetzaltenango

~~Gildberto Cano~~
Alcalde de Chiquimulilla

~~Ing. Victor Ruano~~
Alcalde de Mixco

~~Walter J. Morán~~
Alcalde de Flores, Costa Rica
Cuca, Vocal I de AREMSO



~~José Antonio López M.~~
Municipalidades de Huehuetenango

~~Francisco López Natarano~~
Presidente Consejo de Desarrollo Municipal de Retalhuleu

~~Ing. Daniel Caballer~~
Alcalde de San Marcos
Presidente Asociación de Municipalidades de San Marcos del Quiché

~~Juan José Garzona~~
Alcalde de Santa Cruz del Quiché
Delegado de Municipalidades del Quiché



~~Cristóbal Hernández~~
Alcalde Puerto de San José

~~Leandre Lina~~
Municipalidad de Cuitepa



Roduel Borravo
Alcalde de San Lucas
tepéquez, Presidente Asocia-
ción Alcaldes Sacatepéquez



Carlos Rojas Veldaz
Alcalde de Salama, Presidente
Asociación Alcaldes Baja Verapaz y
Vicepresidentes de la Regional Norte
de Alcaldes

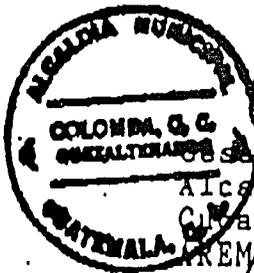
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Jorge Serrano Elías
Presidente Constitucional de la República
Palacio Nacional



Manuel Aguilar A.
Alcalde de Colomba, Costa
 Rica, Vicepresidentes de
 AREMSO

Mario Hugo Ramírez Girón
Alcalde de Morales, Vicepre-
sidente Asociación Municipali-
dades de Izabal



Jolamán Ramírez de León
Alcalde Municipal de Mala-
catán y Secretario de AREMSO

Jorge Morales Muñoz
Secretario Asociación Muni-
cipalidades Chimaltenango

FIGURAS TRIBUTARIAS

-CONCEPTOS Y DEFINICIONES-

1. TRIBUTO

Son las prestaciones en dinero que el Estado, en ejercicio de su poder tributario, impone a los habitantes de un país, con el objeto de obtener recursos para el cumplimiento de sus fines.

Es la obligación pecuniaria impuesta en forma unilateral por el Estado a los habitantes de un país, con el objeto de obtener recursos para cumplir sus fines.

Bajo la denominación de Tributo se incluyen: Impuestos, arbitrios, tasas, contribuciones especiales, contribuciones por mejoras, y otras figuras tributarias que generen ingresos.

2. IMPUESTO

Es la prestación pecuniaria que el Estado exige imperativamente de los contribuyentes, sin contraprestación determinada.

Es una exacción pecuniaria, que el Estado realiza por vía de coacción sobre los recursos de los particulares, a fin de subvenir a las necesidades públicas, en razón a las facultades contributivas de los individuos y sin proporcionarles a cambio ninguna contraprestación determinada.

3. ARBITRIO

Se denomina arbitrio al tributo decretado en favor de las municipalidades, sin contraprestación determinada, y es recaudado por las mismas dentro de su jurisdicción. Los arbitrios gravan los hechos o actos estipulados por la ley que los establezca.

Los sujetos de gravámen, es decir, quienes deben pagar, son todas aquellas personas individuales o jurídicas que se dediquen, dentro de la jurisdicción o circunscripción municipal a realizar actividades comerciales, industriales, o de servicio al público y de extracción de productos.

El arbitrio se considera un impuesto local, por ser un gravámen general de carácter obligatorio para todas las personas que se encuentren en la situación determinada por la ley que lo establece dentro de la jurisdicción municipal.

4. TASA

Es la retribución pecuniaria que el Estado o el Municipio exige de una persona individual o jurídica que se beneficia por el goce de un servicio público de carácter específico, objetivo, real, divisible e individualizado.

Lo que distingue la Tasa del Arbitrio es que en la primera existe una contraprestación, es decir, una compensación o retribución por la prestación del servicio.

5. **CONTRIBUCION ESPECIAL**

Es el tributo decretado por el Estado cuya obligación tiene como hecho generador beneficios derivados de la realización de obras públicas o de actividades estatales y cuyo producto no debe tener un destino ajeno a la financiación de las obras o las actividades que constituyen el presupuesto de la obligación. Tiene un carácter general.

6. **CONTRIBUCION POR MEJORAS**

Es el tributo establecido por la municipalidad y que deben pagar los vecinos directamente beneficiados por las obras de urbanización que mejoren las áreas o lugares en que estén situados sus inmuebles.

Representa la prestación pecuniaria por la revalorización de los bienes inmuebles, derivada de la ejecución de obras de carácter municipal y tiene como límite el costo total de la obra.

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<u>IMPUESTO Y/O ARBITRIO</u>	<u>BASE LEGAL</u>	<u>BASE IMPOSITIVA</u>	<u>FORMA DE DISTRIBUCION</u>
Impuesto sobre Aguardiente	Decreto ley 334 del 25-02-65	Q. 0.10 sobre cada litro	Distribución a favor de la municipalidades de Guatemala. <u>Monto Recaudado</u> X <u>No. de Habitantes</u> <u>No. de Habitantes</u> <u>municipalidad de</u> <u>de la República</u> <u>Guatemala</u> El remanente se distribuye así: 50% para incrementar el Fondo Patrimonial INFOM, 50% a municipalidades: 50% Clases Pasivas, 70% Fondos Propios Municipales. La distribución a favor de las municipalidades es en forma proporcional al número de habitantes de los municipios.
Impuesto sobre Cerveza	Decreto Ley 230 del 23-06-64 Reformas: Decreto 80-74 Artículo 17b, y Decreto 65-79	Q. 0.02 por cada litro	Se distribuye mensualmente entre las municipalidades de la República (incluye Guatemala) en proporción al número de habitantes.
Impuesto sobre Gasolina	Decreto No. 580 del 29-02-56	Q. 0.02 sobre cada galón que expenden las Compañías Importadores en el territorio nacional con excepción del municipio de Guatemala.	Se distribuye en proporción al número de habitantes de cada municipio, con excepción de la ciudad de Guatemala.
Impuesto sobre Café	Decreto Ley 114 del 26-09-63	Q. 0.15 por cada 100 libras españolas de café oro, y destinado a la exportación.	El INFOM opera los ingresos por cuenta consignada y acredita por separado a cada municipalidad lo percibido a su favor de acuerdo con los decretos correspondientes.

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<u>IMPUESTO Y/O ARBITRIO</u>	<u>BASE LEGAL</u>	<u>BASE IMPOSITIVA</u>	<u>FORMA DE DISTRIBUCION</u>
Impuesto sobre Exportación de Café	Decreto Ley 111-85 del 28-10-85	1% del valor en quetzales de cada quintal de café oro, o su equivalente libre a bordo que se exporte (100 libras españolas o 46 Kgs.)	Q. 0.10 por cada quintal para cada una de las municipalidades en cuya jurisdicción se ha producido el café (el remanente del impuesto corresponde a ANACAFE).
Arbitrio sobre Aceites Esenciales	Acuerdo Gubernativo del 14-08-58 y 15-06-68	Medio centavo de quetzal por cada libra de aceites esenciales de té de limón y citronela que se exporte. Un centavo y medio por cada libra de aceites esenciales de limón criollo que se exporte de la República.	Lo percibirá la municipalidad en cuya jurisdicción se produzca el producto.
Arbitrio sobre Algodón	Acuerdo Gubernativo del 12-06-78	Q. 0.16 por cada quintal de algodón en oro que se extraiga del municipio.	Para la municipalidad en cuya jurisdicción se produzca el producto extraído 75%. Para la municipalidad en cuya jurisdicción se desmote el producto extraído 25%. Para la municipalidad en cuya jurisdicción se produzca y desmote el producto extraído se aplicará el 100%.
Arbitrio sobre Pesca (extracción de camarón, pescado y otras especies marítimas).	Acuerdo Gubernativo 360-82 del 19-10-82	Por cada libra de camarón que se desembarque Q. 0.02. Por cada libra de pescado u otras especies que se desembarquen Q. 0.005.	Se harán en proporción directa al número de kilómetros del litoral que corresponda a cada municipio.

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<u>IMPUESTO Y/O ARBITRIO</u>	<u>BASE LEGAL</u>	<u>BASE IMPOSITIVA</u>	<u>FORMA DE DISTRIBUCION</u>
Arbitrio sobre Hule	Decreto 1395 de Nov./60 Ley de Fomento Siembra de Hule	1% por cada quintal de su precio de venta.	El arbitrio de hule que se exporte será recaudado por la Gremial de Huleros, la que lo entregará al INFOM para que lo acredite a la municipalidad que corresponde.
Circulación de Vehículos	Decreto 404 del 07-09-74 modificado por Decreto 80-74, Artículos 5 al 12 del 10-09-74		Es entregado directamente al municipio donde reside el contribuyente.
Impuesto de Exportación de Chicle	Decreto Legislativo 1005 del 31-08-53.	Q. 3.00 cada quintal	Se distribuye Q. 3.00 para el Estado y Q. 2.00 para el municipio de donde se extraiga el producto.
Regalías por Explotación de Minas y Canteras	Decreto Ley 69-85 del 03-07-85	Minas, del 5% del valor del mineral Canteras, 4% del valor del producto	Distribución 3% a favor del Estado, 1% a favor de las municipalidades en cuya jurisdicción esté situada el área de explotación. 1% a favor de los propietarios de los terrenos en donde se efectúe la explotación. Distribución 2% a favor de las municipalidades en cuya jurisdicción esté situada la cantera. 2% a favor de los propietarios de los terrenos en donde se efectúe la explotación.

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<u>IMPUESTO Y/O ARBITRIO</u>	<u>BASE LEGAL</u>	<u>BASE IMPOSITIVA</u>	<u>FORMA DE DISTRIBUCION</u>
Impuesto Unico sobre Inmuebles	Decreto 62-87 del 16-09-87 Reformas a su Artículo 42 mediante Decreto 67/89 del 22-11-89		El producto recaudado de los contribuyentes efectos al 2 por millar, lo cobrarán y administrarán las Municipalidades respectivas.
Exportación de Banano	Decreto 31-81 del 08-09-81 del Congreso de la República		El producto recaudado de los contribuyentes efectos al 6 ó 9 por millar, se distribuirán por partes iguales entre el Estado y la Municipalidad en cuya Jurisdicción territorial esté ubicado cada inmueble.
Rótulos y Anuncios en Carreteras y Vías Públicas Urbanas	Decreto 11-74 del Congreso de la República, Artículos 10, 15 y 16	El Artículo 10 determina un quetzal al año por cada metro cuadrado, el Artículo 15 determina un impuesto que oscila entre Q. 0.50 y Q. 5.00 por metro cuadrado al año.	Los productores que se acojan a los beneficios de la Ley de Desarrollo Bananero, deberán cancelar a la Municipalidad donde se produzca el banano, la cantidad de Q. 0.02 por cada caja de banano de veinte kilos que se destine a la exportación.
Aparatos Reproductores de la Voz y el Sonido	Acuerdo Gubernativo No. 10-75 y modificación contenida en el Acuerdo Gubernativo del 08-09-81	Q. 15.00 por rockole o aparato similar, Q. 30.00 por altoperlantes para propaganda comercial instalado en unidades móviles cuando operen en varios municipios.	Distribución, se decreta a favor de las Municipalidades respectivas por rótulos o anuncios que se instalen dentro de sus Jurisdicciones.
			El pago por rockoles o aparatos similares se hará en la respectiva Municipalidad.
			El pago por los altoperlantes se hará en la Administración de Rentas Internas del departamento en que se haya extendido, el Administrador enviará a cada una de las Municipalidades la parte proporcional según el monto recaudado.

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<u>IMPUESTO Y/O ARBITRIO</u>	<u>BASE LEGAL</u>	<u>BASE IMPOSITIVA</u>	<u>FORMA DE DISTRIBUCION</u>
Transporte Urbano (Arbitrio)	Acuerdo Gubernativo 843-85 del 19-09-85	4\$ sobre el valor del paseje en el servicio de transporte urbano por autobús.	Este arbitrio es cobrado por cada municipalidad, sin destino específico.
Arbitrio de Ornato	Acuerdo Gubernativo 1131-83 del 29-12-83	El pago anual oscile entre Q. 1.00 y Q. 15.00, dependiendo del ingreso mensual.	Será cobrado por las municipalidades del país y cuyo rendimiento se destinará a cubrir el valor de obras y servicios que se establezcan en favor de los vecinos de sus respectivas jurisdicciones.

Guatemala, 18 de abril de 1 991

ERFM/mjff.