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

GUATEMALA

PROJECT PAPER

ECONOMIC SUPPORT PROGRAM

AID/LAC/P-125

Loan Number: 520-K-036

UNCLASSIFIED

DEPARTMENT OF STATE  
 OFFICE OF THE  
 INTERNATIONAL DEVELOPMENT

520-R-036

Guatemala

PROGRAM ASSISTANCE  
 APPROVAL DOCUMENT

Cash Transfer

January 3, 1983

AA/LAC, Otto J. Reich

LAC/DR, Dwight B. Johnson

Economic Support Funds (ESF)

72-112/31037; 270-65-520-00-58-31

\$ 10,000,000

11. TYPE FUNDING <input checked="" type="checkbox"/> LOAN <input type="checkbox"/> GRANT <input checked="" type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE	12. LOCAL CURRENCY ARRANGEMENT	13. ESTIMATED DELIVERY PERIOD FY 1983	14. TRANSACTION ELIGIBILITY DATE
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16. COMMODITIES FINANCED

N/A

15. PERMITTED SOURCE

U.S. only:
Limited F.W.:
Free World:
Cash: \$10,000,000

17. ESTIMATED SOURCE

U.S.: \$10,000,000
Industrialized Countries:
Local:
Other:

18. SUMMARY DESCRIPTION

The purposes of the program are (1) to provide immediate balance of payment support to Guatemala and (2) to encourage continued progress by the Government of Guatemala (GOG) in the respect of human rights, planning and implementation of development programs, and reforms and adjustment of economic policies to support broader-based socio-economic development efforts. The \$10.0 million loan will be in the form of an immediate cash transfer to the Bank of Guatemala. As a condition of the program, Guatemala will provide resources for the importation from the United States, within six months following disbursement of the cash transfer, of \$10.0 million worth of raw materials, intermediate goods and spare parts for the productive private sector. Upon disbursement of the loan, the GOG will establish an account of Q10.0 million in the Bank of Guatemala. Resources from this fund will finance a series of development activities to be mutually agreed upon by the GOG and USAID. The local currency fund will be managed by the Direccion de Financiamiento Externo (DFE) of the Ministry of Finance.

The loan will be repaid in 25 years from date of disbursement, including a ten year grace period. The interest rate will be 2 percent per annum during the grace period and 3 percent per annum thereafter. The loan will be subject to the conditions and covenants specified on pages 22-23 of this document.

19. CLEARANCES	20. ACTION
XXXXX LAC/CEN:MSchwartz	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
XXXXX GC/LAC:RMeighan	
XXXXX LAC/DP:JPurcell (draft)	
XXXXX PPC/PB:HHandler	
XXXXX AID/FCP:CAIten	
XXXXXXXXX DAA/LAC:MDBrown	
FRU/Christensen	

Assistant Administrator, Latin America and the Caribbean

1/5/83

BEST AVAILABLE DOCUMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT  
GUATEMALA: ECONOMIC SUPPORT PROGRAM

I. SUMMARY AND RECOMMENDATIONS

A. Recommendation

U. S. Embassy and USAID/Guatemala recommend authorization of an Economic Support Fund loan of \$10,000,000. The loan will be repaid in 25 years from date of disbursement, including a ten year grace period. The interest rate will be 2 percent per annum during the grace period and 3 percent per annum thereafter.

B. Borrower

The Borrower will be the Government of Guatemala, represented by the Bank of Guatemala and the Ministry of Finance.

C. Program Summary

Guatemala is currently experiencing serious economic difficulties largely because of the worldwide economic recession, especially the low current prices for many of its traditional exports, and the collapse in demand in the Central American Common Market countries for Guatemala's manufactured exports. The situation is further complicated by the political instability and violence affecting Central America and Guatemala in particular. Guatemala has experienced a rapid erosion of its foreign exchange reserves, and annual GDP growth rates have declined from 6% to 7% per year in the 1970s to a projected negative 3.5% in 1982. Imports have been reduced dramatically and there exists a backlog ("presa") in excess of \$300 million of foreign exchange requests which cannot be met because of the shortage of foreign exchange. Government fiscal deficits have grown and have exerted pressures to expand Central Bank credit to the public sector. The budget deficit in 1981 was \$638 million; this figure is projected to be reduced to \$470 million in 1982 as a result of severe cut-backs in the public sector investment budget, although tax revenues are lagging and the deficit may increase substantially by the end of the year.

The new Government of Guatemala which took power following the March 23, 1982 coup has made significant progress toward improving the implementation of development efforts. The Rios Montt government has placed high priority on development programs to benefit the indigenous population of the Highlands. The GOG has improved the respect for human rights in Guatemala and continues to make progress in these areas.

The objectives of the proposed economic support program are:

1. To provide immediate balance of payment support to Guatemala to help offset the effects of the adverse conditions currently affecting its economy, and

2. To encourage continued progress by the GOG in the respect of human rights, planning and implementation of development programs, and reforms and adjustment of economic policies to support broader-based socio-economic development efforts.

The proposed \$10.0 million loan will be in the form of an immediate cash transfer to the Bank of Guatemala. As a condition of the program, Guatemala will provide resources for the importation from the United States, within six months following disbursement of the cash transfer, of \$10.0 million worth of raw materials, intermediate goods and spare parts for the productive private sector.

Upon disbursement of the loan, the GOG will establish an account of Q10.0 million in the Bank of Guatemala. Resources from this fund will finance a series of development activities to be mutually agreed upon by the GOG and USAID. Eligible projects will include development programs carried out by private voluntary organizations and cooperatives, emergency employment generation activities, reconstruction efforts in the areas affected by heavy flooding in September 1982, and follow-on activities for certain AID-assisted development projects. The local currency fund will be managed by the Dirección de Financiamiento Externo of the Ministry of Finance.

D. Conditions and Covenants

The conditions and covenants proposed for the loan are discussed in Section V of this PAAD.

II. CURRENT ECONOMIC SITUATION

A. Introduction

During the 1970s, Guatemala's economy grew at an average rate of 6 to 7 percent per year in real terms. With a 3 percent rate of population growth, this meant an annual increase of 3 to 4 percent in average real per capita income. Growth was export led with the traditional export products of coffee, sugar and cotton dominating the picture. In addition, there was a trend toward increasing diversification into minor agricultural exports and exports of manufactured goods to the Central American Common Market (CACM).

Investment during this period averaged between 10 and 15 percent of Gross Domestic Product. Domestic savings financed most of the investment and it was government policy to minimize foreign borrowing. As a result, in 1980 total debt service payments as a percent of merchandise exports were only 3.0%.

During the 1960s and 1970s deficits on current account were relatively small and the capital account surplus generated by private sector capital inflows was generally more than sufficient to bring about an overall balance of payments surplus. As a result of a very strong balance of payments position, official net reserves reached an end-of-year high of \$763 million in 1978.

B. Recent Adverse Influences on the Economy

Beginning in 1979, a number of factors began to impact adversely on economic activity and particularly on Guatemala's balance of payments position.

-In 1981, there was a sharp decline in the major traditional exports of coffee, cotton and sugar while import prices experienced double-digit inflation for several years, causing a major deterioration in the overall terms of trade.

-Violence and balance of payments crises in the rest of Central America destroyed the free flow of goods and easy convertibility of currency within the CACM. This was the major market for Guatemala's exports of manufactured products.

-Tourism declined because of regional and internal violence.

-Internal violence and political uncertainty throughout the region have resulted in some domestic capital flight and contraction of lines of credit by foreign commercial banks and suppliers which were necessary to finance working capital, agricultural credit, and imports.

Until early 1982, the Government of Guatemala (GOG) had used its considerable foreign exchange reserves to finance increasing balance of payments deficits and then, as reserves ran out, severely restricted foreign exchange sales to the public. As a result, net reserves as of August 27, 1982 were \$28.8 million, imports will decline 20 percent in 1982 and GDP will decline 3.5 percent. Even if political violence abates, stagnation or economic decline is unavoidable for another year or two as Guatemala adjusts to a deterioration in economic factors. The following assessment analyzes and projects the balance of payments and resource gap in 1982 and 1983 and, with a review of the current economic situation,

explains the need for Economic Support Funds and other international support programs.

C. Balance of Payments Projections for 1982 and 1983

The balance of payments projections for 1982 and 1983 are presented in Table 1 which summarizes the data presented in Appendix A, Supporting Tables. Table 1 separates "autonomous" from "compensatory" capital movements. The latter consist of loans, lines of credit, IMF financing, etc. specifically negotiated for the purpose of covering the balance of payments deficits, and thus forestalling even larger reductions in Guatemala's net international reserves. These compensatory capital movements appear in Table 1, and are placed "below the line" to show how the balance of payments deficit is financed. Item IV of Table 1 thus shows the magnitude of the basic balance of payments disequilibrium.

Two alternative balance of payments projections are presented in Table 1: The projection in column 2 was developed by the Central Bank on the assumption that imports this year will be 20% below the 1981 level. This implies a reduction of 25 to 30% in real terms, and may be an optimistic view of how the situation will look at the end of this year. This picture does not provide a meaningful concept of the magnitude of the balance of payments disequilibrium in 1982, since the burden of the adjustment was placed on a drastic reduction in imports -- and hence on real GDP and the level of economic activity -- instead of being reflected in the "basic balance". To get a more accurate picture of the magnitude of the overall disequilibrium to which the economy must adjust, it is assumed in column 3 that imports would remain at the 1981 level in terms of current dollars, which would still imply a 5 to 10% reduction in the real import level.

Major conclusions of the analysis for 1982 are as follows:

1. The overall balance of payments deficit (item IV) is estimated to have been \$487 million in 1981. It is projected to decline to only \$193 million according to the Central Bank, on the basis of the projected 20% reduction in imports. Without such a reduction, the 1982 deficit would be \$532 million.

2. Exports are projected to decline by 10% between 1981 and 1982. The main factors behind the 1982 decline are the sharp reductions in the value of cotton exports (due to declines in both volume and price) and sugar (due to a decline in price). Coffee exports are actually projected to increase in 1982 (see Appendix A, Tables 5 and 6).

Table 1\*

Guatemala: Balance of Payments Projections for 1982-1983 (in Millions of Dollars)

	(1)	(2)	1982	(3)	(4)	1983	(5)
	1981	With 20% Reduction in Imports*		With no Reduction in Imports*	A		B
I. <u>Current Account</u>	<u>-565</u>	<u>-359</u>		<u>-698</u>	<u>-348</u>		<u>-384</u>
Export (FOB)	1299	1165		1165	1207		1207
Imports (FOB)	1540	1232		1540	1312		1312
Services, Net	-415	-349		-380	-329		-329
Transfer, Net	91	57		57	86		50
II. <u>Capital Movement, Autonomous</u>	<u>108</u>	<u>166</u>		<u>1661</u>	<u>198<sup>4/</sup></u>		<u>136</u>
Private, Net	-29	82		82	112		50
Official, Long Term	133	167		167	)		)
Other Autonomous, Net	55 <sup>1/</sup>	59		59	)	226 <sup>4/</sup>	226
Loan Repayments by BOG	-51	-142		-142	-140 <sup>4/</sup>		-140
III. <u>Errors and Omissions</u>	<u>-30</u>	-		-	-		-
IV. <u>Basic Balance (I + II)</u>	<u>-487</u>	<u>-193</u>		<u>-532</u>	<u>-150</u>		<u>-248</u>
V. <u>Financing of Deficit</u>	<u>308</u>	<u>173</u>		<u>173</u>	<u>130</u>		<u>100-130</u>
IMF Compensatory	88	-		-	-		-
IMF Reserve Tranche	18	-		-	-		-
IMF First Tranche	22	-		-	-		-
Credit Lines for BOG <sup>2/</sup>	164	163		163	N/A		N/A
Credit Lines for Other Banks	15	10		10	N/A		N/A
VI. <u>Net Change in Inter- national Reserves or Unfinanced Gap</u>	<u>-180</u>	<u>-20</u>		<u>-359</u>	<u>-20</u>		<u>-118-148</u>

\* In terms of current dollars.

N/A: Not available.

1/ For 1981: Credit for oil purchases by Venezuela-Mexico (49.6 million) and IMF Special Drawing Rights (\$5.2 million).

For 1982: Venezuela-Mexico (\$57.1 million) and miscellaneous (\$2.0 million).

2/ For 1981, \$90 plus \$74 million (see Table 4 Appendix A); for 1982, \$135 plus \$28 million (Table 4 Appendix A).

3/ Both projections assume imports to be 6.5% above 1982 level in current dollars, but still 15% below the 1981 level.

4/ Projected at same level as in 1982 by ROCAP Economic Advisor as data are not available.

Source: For 1981 and 1982, Central Bank data reorganized by ROCAP Economic Advisor.

For 1983, projection A by Economic Advisor in consultation with Central Bank; projection B by Economic Advisor.

Additional economic Tables 2-12 may be found in Appendix A\*

3. The net capital inflow (detailed breakdown, Appendix A, Table 4) is substantially reduced by the need to repay loans secured in prior years by the Bank of Guatemala. Most of the new loans or lines of credits to be secured by the Bank of Guatemala (shown in Item V of Table 1 and detailed in Appendix A, Table 4) are needed to finance these loan repayments.

4. With regard to financing the deficit, note that no additional IMF credits, either compensatory or stand-by are projected for 1982. Reliance on compensatory financing is placed entirely on the lines of credit that the Bank of Guatemala expects to negotiate, presumably mostly with foreign commercial banks.

5. On the assumptions made, the decline in net international reserves, which was \$180 million in 1981, is expected to be only \$20 million in 1982. It would have been as high as \$359 million if 1982 imports had been maintained at the 1981 level instead of being restricted by 20% (in current dollars).

Detailed economic projections for 1983 have not yet been made by the Central Bank. For purposes of this analysis, two projections were developed for 1983. Projection A (Col. 4 of Table 1) was developed by the ROCAP Economic Advisor in consultation with the Central Bank of Guatemala. Projection B represents AID's separate estimate. The two projections make identical assumptions with respect to exports, imports and services: both project exports and imports to increase slightly in 1983 (by 3.6% and 6.5%, respectively), though imports will still be 15% below the 1981 level in current dollars (and about 30% below 1981 in real terms). However, projection B makes more conservative assumptions on net transfers, net private capital inflow, and availability of funds to cover the deficit. Both projections do not include AID/ESF and other multilateral assistance.

Projection B arrives at a "basic balance" deficit of about \$250 million in 1983 and of an unfinanced gap (or decline in net international reserves) in the range of \$120 to \$150 million. Projection A, by contrast, shows a reserve decline of only \$20 million. Without a major improvement in Guatemala's investment climate, projection B is likely to be the more realistic projection.

In conclusion, there is no question that Guatemala faces a serious balance of payments problem in both 1982 and 1983. Continued financing through a significant decline in net international reserves obviously cannot occur owing to the very low current level of reserves.

While the Central Bank looks forward to an improvement in its balance of payments situation in 1983, real

imports will, at best, remain at the 1982 level, following a 25 to 30 percent decline between 1981 and 1982. The basic balance of payments disequilibrium in 1983 may be about \$250 million and the remaining unfinanced gap in the range of \$120 to \$150 million unless the authorities further contract imports. Real GDP is expected to decline by at least 3.5% in 1982 and the reduction could be larger in view of the current sharp reduction in real imports.

D. Other Current Economic Factors

1. Gross Domestic Product (GDP)

The growth rate of real GDP has declined steadily in recent years. The average annual growth rate declined from 7.5% over 1975-78 to 4.5% in 1979, 3.5% in 1980 and 1% in 1981. The Central Bank projects it at a negative 3.5% for 1982. Current GDP is projected at \$9.3 billion for 1982 at an exchange rate of \$1 equal to 1 Quetzal.

The breakdown of the GDP projection by final expenditures in real terms is presented in Appendix A, Table 9. The major endogenous factors expected to draw down real GDP in 1982 include, in the first place, exports of goods and services (down by Q74 million or 13%); second, public investment (down by Q54 million or 27%); third, government consumption expenditures (down by Q23 million or 10%); and finally, fixed private capital formation (down by Q13 million or 7%). Private consumption expenditures (an endogenous variable) is projected to decline by Q82 million or 3.5%.

The Central Bank's GDP projection may still err on the optimistic side since the sharp 27% real decline in imports of goods and services that is anticipated for 1982 (Table 9) may well force a decline in private investment and consumption greater than the reduction in the variables as projected in the table.

2. IMF Agreement

The current agreement with the IMF expires on November 12, 1982. As shown in Table 1, IMF compensatory financing combined with a one year stand-by arrangement provided \$128 million to finance the balance of payments deficit. The first tranche of \$22 million is to be repaid by November 12, 1982.

General conditions for the stand-by arrangement called for a reduction in the central government deficit through a combination of reduced expenditures and increased efficiency in tax collection and new revenue measures, a reduction in the rate of credit expansion, increased domestic interest rates and agreement to cooperate with the Fund in further efforts to find appropriate

solutions for balance-of-payments difficulties. During the past year on-going discussions between the IMF and the GOG were suspended when the Government decided it could not undertake the mix of tax measures being recommended by the IMF. However, as of October 7, the GOG has agreed to consider an IMF memorandum outlining the requirements for an additional stand-by. The GOG expects to receive this memorandum in the second half of October. A regular IMF Mission is expected early in 1983. Given the changes in the world monetary situation and worldwide interest rate declines, coupled with interest rate increases in Guatemala discussed below, the policy mix deemed appropriate by both Guatemala and the IMF is likely to shift considerably, with emphasis on fiscal policy.

### 3. Net International Reserves

The trend in the country's net international reserves was as follows between the end of November 1981 and August 27, 1982:

<u>Date</u>	<u>Amount</u>
November 27, 1981	\$78.3 million
December 31, 1981	47.6 million
March 26, 1982	57.7 million
August 27, 1982	28.8 million

Since then, the amount has fluctuated around the \$30 million level. Thus, there was a sharp \$31 million loss during the last month of 1981 followed by a \$10 million recovery during the first quarter of this year. In the following months, there followed another \$29 million (50%) reduction.

Gross international reserves (as defined by the Central Bank) declined from \$314.6 million on December 31, 1981 to \$285.4 million on March 26, 1982. They stood at \$297.0 million on August 27, 1982. However, it is estimated that only about half of this reserve is liquid as the balance represents claims on other Central American central banks which, for the time being, cannot be collected in convertible currencies.

### 4. Debt Service Charges

The trend in service charges on the external public debt (interest plus amortization) between 1976 and 1983 (projected) is presented in Appendix A, Table 8. Note that the

debt service ratio (total debt service payments as a proportion of merchandise exports) has risen very sharply since 1980 -- from only 3.0% in that year to a projected 9.4% in 1982 and 10.6% in 1983. While the debt service ratio still has not reached alarming proportions by international standards, it is clear that Guatemala must watch the magnitude of the debt it contracts on commercial terms and finance as much as possible of its new external debt with concessionary loans. It should also be borne in mind that the debt service ratio is a very imperfect measure of the capacity of a country to contract additional debt on commercial terms since it is its overall balance of payments position, not the value of its exports, that measures a country's capacity to service its external debt. As has been noted above, the balance of payments position of Guatemala has deteriorated significantly in recent years and will still be substantially in deficit in 1983.

#### 5. Fiscal Situation of the Central Government

The fiscal situation of the Central Government for 1981 and 1982 is presented in Appendix A, Table 10. The following points should be noted. The overall budget deficit is projected to decline from Q638 million in 1981 to Q470 million in 1982, or by 26.4%. The deficit will decline from 7.4% of GDP to 5.1%. A significant cutback - by Q155 million or 25% -- was effected in the capital budget. The operating budget was also cut back by 2%. While this reduction is small in monetary terms, in real terms it may mean a reduction of as much as 10%. Total current revenues are projected at about the same level in 1982 as in 1981 at Q740 million or 8.0% of 1982 GDP. A decline was only avoided because of a projected 19% increase in non-tax revenues. Tax revenues are projected to decline by Q19.6 million or 3%. The decline in tax collections is spread over a large number of revenue sources, including:

- a. Income taxes, projected to decline by Q8.5 million as a result of the depressed state of the economy;
- b. Import taxes, projected to decline by Q21.8 million or 21%, as a result of reduced imports, particularly of non-essential consumer goods which yield the highest tariff revenues;
- c. Export taxes to decline by Q28.6 million or 42%, mainly owing to reduced collections on coffee, cotton and sugar exports, all adversely affected by significant world price reductions. In addition, the graduated rate on coffee was substantially reduced.

GUATEMALA: Summary Economic Indicators

(Millions of Quetzales)

	1981	1982
GDP (Current)	8,660	9,300
Total Govt. Income % GDP	742 8.6%	740 8.7%
Tax Revenues % GDP	651 7.5%	632 6.8%
Govt. Expenditures % GDP	1,380 15.9%	1,210 13.0%
Govt. Deficit % GDP	638 7.4%	470 5.1%
Merchandise Imports (FOB) % GDP	1,540 17.8%	1,232 13.2%
Merchan. Exports (FOB) % GDP	1,299 15.0%	1,165 12.5%
Current Acct. Deficit % GDP	-565 6.5%	-359 3.9%
Basic Balance % GDP	-487 5.6%	-193 2.1%

On the other hand, these reductions in export and import taxes were partially compensated by increases in the general sales tax ("timbres" and "papel sellado"), expected to yield an additional Q39 million (or 15% increase) in 1982 (see Appendix A, Table 10).

With respect to financing the budget deficit, it should be noted that \$537 million, or 79% of the total gross amount of loans to be negotiated, will be financed internally through sale of treasury bonds and bills. External financing will be limited to Q141 million or 21%. As will be noted in the monetary analysis, the financing of the public sector deficit accounts for the lion's share of credit creation and is a principal factor behind the 18% projected increase in money supply.

In sum, the significant reduction in the budget deficit projected for 1982 represents a major fiscal effort on the part of the GOG. It appears to be the maximum that can be done without resorting to tax increases. Given the severe recession the country is going through, various tax measures may not be feasible politically, and others may also be inadvisable from the economic point of view. Any revenue package may take considerable time to implement.

#### 6. Monetary and Price Situation

The Central Bank's monetary program for 1982 is summarized in Appendix A, Table 11. The total amount of credit expansion that is to take place between December 31, 1981 and December 31, 1982 is 26.5%. The majority of this expansion will finance the deficit of the public sector (Q413 million or an increase of 51% over 1981), while bank credit to the private sector is to expand by Q201 million (or 14%) above the 1981 level.

Money supply (currency in circulation plus demand deposits) is projected to increase by 18.5% during the twelve months ending on December 31, 1982. This contrasts with an increase of only 2.7% during 1981. This substantial acceleration is due to the fact that, in 1982, the external sector is not expected to exert as significant a deflationary effect as it did in 1981. In 1981, the external sector was reducing the liquidity of the banking system by Q441 million. By contrast, in 1982, the contractionary effect of the external sector is only Q110 million, reflecting the reduction in the balance of payments deficit that will be allowed to materialize.

The increase in money supply now projected for 1982 is higher than had been previously anticipated. Major reasons

include the availability of less external financing of the deficit than had been anticipated and the deterioration in revenue collection performance owing to the extent of the economic depression and the decline in prices of primary export products. As a result, the amount of credit that must be created by the Central Bank to finance the public sector deficit has been increased significantly.

Over the past year at least, the banking system has enjoyed a considerable amount of liquidity. This situation is continuing. For example, in September Lloyds Bank reduced the interest they are paying on savings deposits in Guatemala from 10% to 8%, and many other banks pay even less. A businessman with good collateral and credit standing has no difficulty in getting short-term money in the domestic markets to finance his operations.

According to the Central Bank, the banking system's excess reserves (over deposit requirements) were around Q200 million at the end of August. This excess liquidity stems in large measure from the shortage of foreign exchange which is the real financial constraint i.e., the fact that there are some \$300 million in foreign exchange applications at the Central Bank awaiting approval ("the presa") against which applicants are holding cash balances. In addition, the depressed state of the economy and the uncertain security situation have acted to depress demand for credit.

At the IMF's urging in mid-October 1981, the monetary authorities have raised interest rate ceilings. The maximum rate that commercial banks are allowed to pay to depositors is 13%. Actually, the current rate paid is six to eight per cent because the banking system is enjoying excess liquidity. The maximum rates at which banks can lend is now 15% (up from 11% before October, 1981). However, when commercial banks make loans with resources obtained from the Central Bank, the maximum rate that can be charged is 11%. Such resources will be made available only for privileged sectors, such as basic grains and housing.

The rediscount rate (rate charged by the Bank of Guatemala to commercial banks) is 12%. However, for housing and basic grains, the Central Bank's rate is 7%.

According to the data collected by the Dirección General de Estadística, the consumer price index for urban areas increased by only 0.7% during the twelve-month period ending on June 30, 1982. The Central Bank itself is skeptical of this result -- a general price increase of about 8% was expected -- and asked Estadística to recheck its figures. Still, it is clear that inflation has not been a problem during the past year.

In recent years, average annual increases in the urban consumer price index were as follows:

<u>DATE</u>	<u>PERCENT INCREASE</u>
1977-1978	7.9
1978-1979	11.5
1979-1980	10.7
1980-1981	11.4
June 1981-June 1982	0.7

A detailed breakdown of the urban consumer prices index is provided in Appendix A, Table 12. In conclusion, the rate of inflation has been moderate in Guatemala in recent years, certainly not in excess of the rate experienced in the United States. The rate of inflation has declined further in recent months. However, the 18.5% projected increase in money supply for 1982, if permitted to materialize, is likely to generate some inflationary pressure in 1983.

### III. RATIONALE FOR ECONOMIC SUPPORT PROGRAM

This program will provide balance of payments support to alleviate the lack of foreign exchange which has become a major constraint on the level of economic activity in Guatemala. As the economic analysis demonstrated, the unfinanced foreign exchange gap through 1983 far exceeds the resources proposed by this program. Complete financing of this gap will require further arrangements with the IMF or other international financial institutions.

No assistance under the Caribbean Basin Initiative was originally programmed for Guatemala. Following the change of Government in March, 1982, the Government of President Rios Montt pledged a new respect for human rights and political and economic reforms. In response the United States Government reevaluated its programming of funds and a limited amount of assistance was provided for Guatemala under the CBI legislation passed by the Congress.

It is still too early to assess the depth of the GOG commitment to reform. The new government has not yet completed its five year development plan nor do budgets exist for 1983 programs. However, there are numerous positive signs that the commitment is real. First, there have been numerous statements by the Rios Montt government reiterating its commitment to rural development, especially in the highlands. A short term economic plan has been produced and reflects this commitment. Among others its objectives include the provision of basic services to the highlands; assistance to small highland farmers in increasing production; and

the strengthening of regional institutions. The Minister of Finance and the Secretary General of Planning have indicated that the five year plan which is under development includes the development of the highlands as a major objective.

In addition, the government has launched a major anti-corruption campaign. While the campaign's initial effect has been to delay development projects, during which project procurement and contracting were reviewed, the campaign has resulted in the development of improved procurement regulations. Additionally, the campaign, along with a review of the economic viability of large infrastructure projects, has resulted in the postponement of some of the more ambitious projects such as a large hydroelectric dam, the development of a new Pacific port, and a new national highway system, thus reducing the budget deficit.

Competent, technically-qualified people have been selected for government appointments. They appear to be development oriented and have made themselves accessible to A.I.D., playing a major role in removing bottlenecks to implementation of AID projects. As a result project implementation is improving. During fiscal year 1982, disbursements on the AID loan portfolio amounted to nearly as much as had been disbursed on a cumulative basis for all active loans since their initiation. The Office of the President, implementing ministries and the military have assisted in the acceleration of A.I.D. projects such as Loan 520-V-029 "Primary School Reconstruction", where during the first five years of the project only \$59,000 had been disbursed. Contracts have now either been let or are currently advertised to complete this project within one year. The President and the military were also responsible for the completion of a number of schools in conflictive areas financed by Loan 520-V-025 "Rural Primary Education" where construction had been delayed because of guerrilla activities.

The Land Settlement Component of Loan 520-T-026 for "Small Farmer Development" has received the same priority attention. It is expected that activities under this component will be completed with a short project extension to April 1983. In addition to the infrastructure planned under the project, the government is constructing an expanded road network and a 35-bed hospital in the project zone. The government has plans to construct additional roads there and in the highlands. It also plans to develop additional small scale irrigation projects in the highlands utilizing the model developed under the project.

Finally, the government has recently demonstrated its commitment to development by the waiving of normal procedures for approval of the AID Non-Formal Education Project, a project which is focused on improving rural delivery systems. The project was

approved within two months of its submission for approval where the normal process would have required over a year.

Thus even though only a few months have passed since the March 23 coup, the Mission believes that the GOG's recent performance as related to an improved political, economic and human rights commitment justifies the proposed ESF assistance. It is expected that the proposed ESF program will encourage continued GOG progress and commitment to human rights and to the development of critical rural poor highland areas as well as assist in alleviating the serious economic situation.

#### IV. PROGRAM DESCRIPTION

##### A. Program Objectives

Unlike programs in other Caribbean Basin countries, the principal objective of the proposed ESF assistance to Guatemala is not to promote major macro-economic structural changes. More than other countries, Guatemala's current balance of payments situation results largely from factors beyond its control. Rather, the proposed program is aimed at reinforcing the GOG's attention to economic development and the distribution of the benefits of development.

The proposed program has two objectives: First, it is designed to provide a modest measure of immediate balance of payments support to Guatemala to help offset the effects of the adverse conditions currently affecting its economy. This support, while relatively small, will enable Guatemala to begin to improve the economy's prospects for recovery. An improving economic picture, together with progress on other fronts, will permit Guatemala to take better advantage of the trade and investment incentives proposed under the Caribbean Basin Initiative.

Secondly, the program will provide the USG a tangible means of encouraging continued progress by the GOG in three key areas: (1) the respect for human rights, (2) the planning and implementation of development programs aimed at improving the standards of living of disadvantaged groups, especially the indigenous population in the Highlands, and (3) the reform and adjustment of its economic policies to adapt to the changed economic environment and to support broader-based socio-economic development efforts. The steps taken by, and the priorities of, the GOG since March 1982 were discussed above in Section III. This program offers the USG an opportunity to support and reinforce the new GOG's commitment to these endeavors and encourage further progress in these directions. This second objective will be implemented through both the programming of local currency resources available under the program and several covenants to which the GOG will agree in exchange for the \$10.0 million loan.

B. U.S. Dollar Resources

A \$10.0 million cash transfer loan to the Government of Guatemala is proposed. The loan will have AID's normal terms for Guatemala, i.e. twenty-five years to maturity including a ten-year grace period, two percent interest during the grace period and three percent thereafter.

1. Justification for Cash Transfer

In designing the program, the Mission weighed the merits of a cash transfer and commodity import program (CIP) and the experience with both in other countries in the Caribbean Basin and elsewhere. Based on an analysis of the advantages and disadvantages of each approach, as well as the State/AID guidance for this program, the Mission concluded that the cash transfer mechanism was the only means to achieve the program's objectives. This is the first economic support program for Guatemala. It is modest in size and it is doubtful that additional ESF resources for Guatemala will be available until FY 1984. Given this situation, the establishment of the administrative mechanisms necessary to implement a CIP is not justified at this time. Furthermore, such mechanisms would require from 3 to 6 months to set up, which would be inconsistent with the objective of providing immediate balance of payments support through the program. The cash transfer mechanism will also require less staff to administer, both in the GOG and the Mission. In view of the demands already placed on these limited staffs, the Mission concluded that the cash transfer approach was the most appropriate means of providing the economic support assistance proposed in this PAAD.

2. Cash Transfer Mechanism and Disbursement Procedure

The loan will be disbursed in its entirety upon satisfaction of the conditions precedent to disbursement. Funds will be transferred electronically by AID/W into the Bank of Guatemala's account in the Federal Reserve Bank in New York.

3. Productive Imports for the Private Sector

As a condition of receiving the loan, the GOG will agree to allocate \$10.0 million during the six months following the disbursement of the loan for the importation of raw materials, intermediate goods and spare parts for the private sector from the United States.

Appendix B describes the foreign exchange allocation system currently in effect in Guatemala. The Bank of Guatemala maintains a computerized record of all foreign exchange applications approved, which is reconciled with the specific

commodities actually imported. This record enables the Central Bank to identify imported commodities by type of commodity, country of origin, and importer. Using this computerized record, the Bank can produce at any time a list of certain types of commodities imported over a given time period. Six months following disbursement of the loan, the Bank of Guatemala will provide USAID with a report, based on its computerized system, that indicates that \$10.0 million worth of eligible commodities have been imported by the productive private sector during this period. The Bank's computer record will be available for examination by USAID to verify this report, if necessary.

C. Local Currency Program

1. Local Currency Fund

Immediately following disbursement of the loan, the GOG will establish a Q10.0 million fund in the Bank of Guatemala. The Dirección de Financiamiento Externo (DFE) of the Ministry of Finance will be responsible for administering this fund, although all financial transactions will be the responsibility of the Bank of Guatemala. The DFE will receive proposals for funding from the various implementing agencies. A standardized format for the presentation of proposals will be developed which will include a brief description of the proposed project including specific outputs to be achieved, an implementation plan and a budget. Project proposals will be reviewed by the DFE to determine their eligibility under the program; the DFE will also clear project proposals with the National Economic Planning Council to assure compliance with the national development plan. Upon approval, the DFE will send the proposal, together with a covering letter requesting approval of financing for the project from the fund, to USAID/Guatemala. USAID approval will be given via a numbered letter of agreement or project implementation letter. Once approved, funds will be released by the Bank of Guatemala from the master account to a project-specific account in the name of the implementing agency. Simple disbursement procedures will be established for release of funds from these project accounts to the implementing institutions. The DFE will monitor project implementation and post-audit disbursements for the projects to verify compliance with the approved financial and implementation plans.

2. Local Currency Uses

The following activities will be eligible for financing from the local currency fund created by the GOG under this program. All activities undertaken will fall within one of the headings listed below. The specific activities mentioned are illustrative of the types of projects that will be financed; the

projects actually implemented will be developed and approved in accordance with the procedures described above and the criteria discussed below. The allocation of funds between the various categories of projects is also provided.

a. Cooperative Development (Q5,000,000)

Guatemala presently has approximately 740 cooperatives with a membership of over 170,000. Of this total, 290 cooperatives are affiliated with one of eight federations, while the remaining 450 are non-federated. Agricultural cooperatives account for 360, or 47%, of the total. Federated cooperatives receive credit, management assistance and marketing support from the federations; non-federated cooperatives do not currently have access to this type of support. The National Agricultural Development Bank (BANDESA) is the principal credit source for Guatemalan agricultural cooperatives. The majority of credit provided is channelled through the various cooperative federations.

The Unidad de Cooperativas no Federadas (Non-Federated Cooperatives Unit - UCONOFE) has developed a proposal to establish a coordinating unit for the independent cooperatives that would provide the kind of management and marketing support for these cooperatives that the federations presently provide. Training is also required at all levels in the cooperative system, including both federations and individual cooperatives. Local currencies from the ESF program would be used to support formation of the UCONOFE coordinating unit, training, and technical assistance for cooperatives.

There exists a tremendous demand for credit by the cooperative sector. The UCONOFE proposal lists Q27.0 million in projects in various stages of design presented by the non-federated cooperatives. Credit funds from local currencies available under this program would be provided to cooperatives through BANDESA. Credit would be limited to agricultural activities and would focus on cooperatives located in the Highlands areas of the country.

Another possible use of funds under this program is the continuation of services provided by the cooperative federation FECOAR in the pilot colonization zone in the Franja Transversal del Norte financed by AID Loan 520-T-026. FECOAR has provided transportation and services to colonists under the project and has been assisting cooperative development in the colonization area. FECOAR could continue these activities following completion of the AID loan for approximately Q300,000 per year.

In sum, an estimated half of the local currencies provided under this program will be used to finance management assistance, credit and services for and by agricultural cooperatives in high priority, disadvantaged areas of Guatemala.

b. Private Voluntary Organizations (Q2,000,000)

International and domestic PVOs have been very active in both development and disaster relief/reconstruction efforts in Guatemala. A substantial portion of local currency funds under this program will be channelled to projects undertaken by PVOs. It is expected that these funds will finance 4-5 major development activities by established voluntary organizations over the next 1-2 years. The types of projects envisioned are illustrated below.

USAID is currently discussing with several PVOs proposals that total Q3.5 million. These projects are focused on rural development efforts in the poorest regions of Guatemala, particularly the Altiplano and the eastern departments. Three of the proposals under review are from PVOs which have OPG projects now active, and the proposals represent an expansion of their efforts. The Guatemalan Rural Reconstruction Movement (MGRR) and the Christian Development Foundation (FUNDACED) are executing community development projects in areas recently devastated by floods. Expansion of their programs would improve their ability to help in the recovery of their target areas from this disaster. A third PVO -- CARE -- has been successful with a reforestation project utilizing food for work programs under P.L. 480, Title II. Their proposal, which involves the participation of the Peace Corps, would respond to the unemployment problem now acute in the Highlands by employing people in an expanded reforestation plan. Discussions have been held with Catholic Relief Services (CRS) on a community development project designed to enhance local ability to meet developmental needs. Agua del Pueblo has submitted a proposal for a project which would give it the capability to install potable water systems in a coordinated mechanism involving many PVOs operating in Guatemala. Another coordinated PVO effort is represented by the plan submitted by Partners of the Americas, the Berhorst Clinic, and the Summer Institute of Linguistics for emergency relief and community development operations in three large indigenous localities in the area now affected by the displaced persons problem.

c. Emergency Employment Generation (Q2,000,000)

Under the current situation of political unrest in the Western Highlands, many poor rural families have been forced to leave their home areas for more secure locations. The GOG estimates that 250,000 people are now without even minimum

incomes to provide for food and shelter. These displaced persons are exacerbating an already high unemployment and underemployment problem, which previously was estimated to be as high as 47 percent. Almost all of these displaced persons were subsistence farmers with little or no skills to qualify them for employment in the productive sector, and the continuing decline in the economy offers little hope that gainful employment could be found in either the commercial agriculture or industrial sectors. As poverty and economic isolation appear to be significant factors in the current tensions in the Altiplano, the problem of displaced persons with no source of income can be expected to lead to even greater tensions and further deterioration of the area.

Lack of sufficient infrastructure has been identified as a primary constraint to development in the Highlands. This constraint has resulted from inadequate public sector investments of a type that support productive activities such as access roads, markets, municipal infrastructure, land improvements (soil conservation and irrigation), and credit for small-scale rural enterprises.

Projects will be undertaken during the next year to address these problems with local currency funds under this program. Activities should be concentrated in the Western Highlands and include access roads, soil conservation and irrigation, self-help construction of and/or improvements to temporary or permanent housing, and labor intensive construction of small municipal public works projects. Projects would be quick disbursing and would be implemented through public sector entities in these areas. However, care would be taken to maximize the participation of local beneficiaries in the project selection and management process.

d. Flood Reconstruction Efforts (Q450,000)

Severe flooding in southeastern Guatemala in late September resulted in considerable loss of life and serious damage to homes, water systems, crops and physical infrastructure. Damage of which AID is aware includes the following: nine potable water systems damaged; 1,026 houses destroyed and 1,326 homes damaged; 30 roads damaged along with 36 bridges destroyed and 12 bridges damaged; and several schools and health posts damaged or destroyed. Crop losses are estimated at 40% of the expected harvest from the affected region, and damage has also been extensive to small scale irrigation and conservation works. AID provided \$289,000 in assistance to flood victims in September and numerous contributions were received from other international organizations. The GOG is still in the process of compiling a comprehensive list of the flood damage and the reconstruction requirements. These requirements will be in the millions of

dollars. Given the country's economic difficulties and the Government's efforts to reduce its budget deficits, funding for the reconstruction effort is likely to be limited. Therefore, a portion of the local currency funds under the ESF program will be used for selective flood reconstruction efforts. Activities financed will concentrate on village-level reconstruction in the most disadvantaged areas, and will include potable water systems, shelter, access roads and schools and health posts.

e. Selective Project Continuations (Q500,000)

Implementation of several AID loans in Guatemala has been extremely slow. As noted in Section III above, implementation on all projects has improved since March of this year and firm implementation schedules have been established. However, several of these projects finance the construction of rural facilities and the construction schedule is extremely tight. In particular, the Municipal Earthquake Reconstruction Project (520-W-027) and the Rural Primary Reconstruction Loan (520-V-029) finance construction activities which are projected to extend to the final disbursement dates. Any delay in these schedules, which is not unlikely given the difficulties normally associated with rural construction projects, could result in requests to extend even further loan TDDs or, alternatively, force the GOG implementing agencies to reallocate funds within already tight budgets to complete construction. To solve this potential problem, a small amount of ESF local currency funds will be set aside to fund, on a very selective basis, the completion of activities initiated under other AID-financed projects.

f. Local Currency Fund Administration (Q50,000)

The Dirección de Financiamiento Externo does not presently manage programs similar to the one proposed. Although a large number of individual small projects is not expected, there is likely to be an additional administrative cost to the DFE associated with the management of this program. This is especially true with respect to project monitoring and auditing. A small amount of funds under the program will be allocated to help the DFE defray this additional cost.

V. CONDITIONS, COVENANTS AND NEGOTIATING STATUS

The proposals contained in this PAAD have been discussed only in general terms with the GOG. Working level contacts have been made with the Central Bank and the Ministry of Finance on the functioning of the local currency program and the proposed disbursement procedures for the loan. No problems are anticipated in negotiating the specific details of these aspects of the program once the PAAD is approved.

The following are the conditions and covenants that the Mission proposes be attached to the \$10.0 million cash transfer. Following State/AID-Washington review and approval of these conditions, negotiations leading to a loan agreement with the GOG will be conducted. Any modifications to these conditions that may result from these negotiations will be communicated to Washington for approval prior to final authorization of the PAAD.

The Mission proposes the following conditions precedent to disbursement of the loan:

1. An opinion of counsel acceptable to AID that the loan agreement has been duly authorized and/or ratified by and executed on behalf of the Government of Guatemala, and that it constitutes a valid and legally-binding obligation of the Government of Guatemala in accordance with all of its terms.

2. A statement of the name of the person holding or acting in the office of the representative of the Government of Guatemala under the loan, and of any additional representatives, together with a specimen signature of each authorized person specified in such statement.

In addition to these conditions, the Mission proposes that the Loan Agreement include various covenants relating to the implementation of the program as well as actions to be undertaken by the GOG to improve further the planning and implementation of development efforts and the Government's economic policies. These covenants are as follows:

1. To provide resources for the importation from the United States, within six months following disbursement of the loan, of \$10.0 million worth of raw materials, intermediate goods and spare parts needed by private sector enterprises in Guatemala for continued production.

2. To establish a Q10.0 million fund in the Bank of Guatemala upon disbursement of the loan, to be used to finance development activities aimed at improving the standards of living of disadvantaged groups in Guatemala, especially the indigenous population in the highlands.

3. To undertake, jointly with AID, a review of the constraints to the management of externally financed development programs, especially with regard to expediting the process for project approval and ratification; such review to be initiated within one month of the date of the loan agreement with a view to making recommendations to the appropriate authorities within six months of the date of the loan agreement.

4. To undertake a study to identify possible measures to stimulate the production or expansion of non-traditional agricultural and manufactured exports from Guatemala; such study to be initiated within three months of the date of the loan agreement and to be completed within nine months of the date of the loan agreement.

5. To assure that no assistance provided under the loan agreement is used to finance activities that will cause serious injury, or threat thereof, to the production, marketing or pricing of U.S. agricultural commodities or products.

6. To undertake a study of the impact of non-market interest rates charged by BANDESA, CORFINA and other public financial institutions in Guatemala on the financial viability of these institutions and on the allocation of credit within Guatemala's financial system to disadvantaged groups, such study along with recommendations to be completed within eight months of the loan agreement.

7. To implement appropriate fiscal and monetary policies designed to achieve economic stabilization.

Table 1\*

Guatemala: Balance of Payments Projections for 1982-1983 (in Millions of Dollars)						
	(1)	(2)	1982	(3)	(4)	1983 (5)
	1981	With 20% Reduction in Imports*	1982	With no Reduction in Imports*	A	B
I. <u>Current Account</u>	-565	-359		-698	-348	-384
Export (FOB)	1299	1165		1165	1207	1207
Imports (FOB)	1540	1232		1540	1312	1312
Services, Net	-415	-349		-380	-329	-329
Transfer, Net	91	57		57	86	50
II. <u>Capital Movement, Autonomous</u>	108	166		1661	198 <sup>4/</sup>	136
Private, Net	-29	82		82	112	50
Official, Long Term	133	167		167	)	)
Other Autonomous, Net	55 <sup>1/</sup>	59		59	) 226 <sup>4/</sup>	226
Loan Repayments by BOG	-51	-142		-142	-140 <sup>4/</sup>	-140
III. <u>Errors and Omissions</u>	-30	-		-	-	-
IV. <u>Basic Balance (I + II)</u>	-487	-193		-532	-150	-248
V. <u>Financing of Deficit</u>	308	173		173	130	100-130
IMF Compensatory	88	-		-	-	-
IMF Reserve Tranche	18	-		-	-	-
IMF First Tranche	22	-		-	-	-
Credit Lines for BOG <sup>2/</sup>	164	163		163	N/A	N/A
Credit Lines for Other Banks	15	10		10	N/A	N/A
VI. <u>Net Change in Inter- national Reserves or Unfinanced Gap</u>	-180	-20		-359	-20	-118-148

\* In terms of current dollars.

N/A: Not available.

1/ For 1981: Credit for oil purchases by Venezuela-Mexico (49.6 million) and IMF Special Drawing Rights (\$5.2 million).

For 1982: Venezuela-Mexico (\$57.1 million) and miscellaneous (\$2.0 million).

2/ For 1981, \$90 plus \$74 million (see Table 4 Appendix A); for 1982, \$135 plus \$28 million (Table 4 Appendix A).

3/ Both projections assume imports to be 6.5% above 1982 level in current dollars, but still 15% below the 1981 level.

4/ Projected at same level as in 1982 by ROCAP Economic Advisor as data are not available.

Source: For 1981 and 1982, Central Bank data reorganized by ROCAP Economic Advisor.

For 1983, projection A by Economic Advisor in consultation with Central Bank; projection B by Economic Advisor.

APENDICE A/APPENDIX A  
TABLA 2/TABLE 2  
 BALANZA DE PAGOS INTERNACIONALES DE GUATEMALA/INTERNATIONAL GUATEMALAN BALANCE OF PAYMENTS  
 AÑOS/YEARS: 1981 - 1982

- Millones de Quetzales/Millions of Quetzales

CONCEPTO/ITEM	1981 <sup>e/</sup>			1982 <sup>e/</sup>		
	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE
<u>1. OPERACIONES CORRIENTES/CURRENT OPERATIONS</u>						
a) <u>Mercaderías/Commodities</u>	1,540.0	1,299.1	- 240.9	1,232.0	1,164.8	- 67.2
Importaciones/Imports (FOB)	1,540.0	- -	- 1,540.0	1,232.0	- -	- 1,232.0
Exportaciones/Exports (FOB)	- -	1,299.1	1,299.1	- -	1,164.8	1,164.8
b) <u>Servicios/Services</u>	649.5	234.8	- 414.7	493.0	144.0	- 349.0
Transporte/Transport	180.8	29.7	- 151.1	140.0	20.0	- 120.0
Ingresos por Inversiones/Investment earnings	158.0	55.2	- 102.8	150.0	25.0	- 125.0
Turismo y Viajes/Tourism and Travel	133.1	30.5	- 102.6	92.0	13.0	- 79.0
Seguros/Insurance	18.8	15.4	- 3.4	15.0	15.0	- - -
Servicios de Gobierno/Government Services	18.1	44.6	26.5	13.0	40.0	27.0
Misceláneos/Miscellaneous	140.7	59.4	- 81.3	83.0	31.0	- 52.0
c) <u>Transferencias/Transfers</u>	6.0	96.9	90.9	3.0	60.0	57.0
Total (a+b+c)	2,195.5	1,630.8	- 564.7	1,728.0	1,368.8	- 359.2
<u>11. OPERACIONES DE CAPITAL/CAPITAL OPERATIONS</u>						
a) <u>Capital Privado/Private Capital</u>	642.9	613.8	- 29.1	356.4	438.5	82.1
A largo plazo/long-term	48.5	211.8	163.3	25.0	108.5	83.5
A corto plazo/short-term	594.4	402.0	- 192.4	331.4	330.0	- 1.4

- 2 -

TABLA 2/TABLE 2

CONCEPTO/ITEM	1981 <sup>p/</sup>			1982 <sup>e/</sup>		
	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE
b) <u>Capital Oficial y Bancario/Oficial &amp; Banking Capital</u>	83.9	527.2	443.3	178.1	435.2	257.1
A largo plazo/long-term	33.9	421.9	388.0	48.1	290.2	242.1
A corto plazo/short-term	50.0	105.3	55.3	130.0	145.0	15.0
Total (a+b)	726.8	1,141.0	414.2	534.5	873.7	339.2
111. <u>SALDO NO DETERMINADO/UNDETERMINED BALANCE</u>	29.6	- -	- 29.6	- -	- -	- -
TOTAL OPERACIONES INTERNACIONALES/TOTAL INTERNATIONAL OPERATIONS (I+11+111)	2,951.9	2,771.8	- 180.1	2,262.5	2,242.5	- 20.0
1V. <u>CAMBIO EN LAS RESERVAS MONETARIAS INTERNACIONALES (Aumento -)/CHANGES IN INTERNATIONAL MONETARY RESERVES (Increase -)</u>	- -	180.1	180.1	- -	20.0	20.0
GRAN TOTAL/GRAND TOTAL	2,951.9	2,951.9	- -	2,262.5	2,262.5	- -

p/ Preliminar/Preliminary

e/ Estimación/ Estimated

APENDICE A/APPENDIX A  
TABLA 3/TABLE 3

BALANZA DE PAGOS INTERNACIONALES DE GUATEMALA/GUATEMALA'S INTERNATIONAL BALANCE OF PAYMENTS

AÑOS/YEARS: 1982 - 1983

- Millones de Quetzales/Millions of Quetzales -

CONCEPTO/ITEM	1981 <sup>e/</sup>			1982 <sup>p/</sup>		
	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE
<b>I. OPERACIONES CORRIENTES/CURRENT OPERATIONS</b>						
a) <u>Mercaderías/Commodities</u>	1,232.0	1,164.8	- 67.2	1,312.0	1,207.8	- 105.0
Importaciones/Imports (FOB)	1,232.0	- -	- 1,232.0	1,312.0	- -	- 1,312.0
Exportaciones/Exports (FOB)	- -	1,164.8	1,164.8	- -	1,207.0	1,207.0
b) <u>Servicios/Services</u>	493.0	144.0	- 349.0	508.2	179.0	- 329.2
Transporte/Transport	140.0	20.0	- 120.0	145.0	25.0	- 120.0
Ingresos por Inversiones/Investment earnings	150.0	25.0	- 125.0	164.2	25.0	- 139.2
Turismo y Viajes/Tourism and Travel	92.0	13.0	- 79.0	95.0	30.0	- 65.0
Seguros/Insurance	15.0	15.0	- -	16.0	15.0	- 1.0
Servicios de Gobierno/Government Services	13.0	40.0	27.0	13.0	44.0	31.0
Misceláneos/Miscellaneous	83.0	31.0	- 52.0	75.0	40.0	- 35.0
c) <u>Transferencias/Transfers</u>	3.0	60.0	57.0	4.0	90.0	86.0
Total (a+b+c)	<u>1,728.0</u>	<u>1,368.8</u>	- 359.2	<u>1,824.2</u>	<u>1,476.0</u>	- 348.2
<b>II. OPERACIONES DE CAPITAL/CAPITAL OPERATIONS</b>						
a) <u>Capital Privado/Private Capital</u>	356.4	438.5	82.1	277.7	389.4	111.7
A largo plazo/long-term	25.0	108.5	83.5	55.0	150.0	95.0
A corto plazo/short-term	331.4	330.0	- 1.4	222.7	239.4	16.7

- 2 -

TABLA 3/TABLE 3

CONCEPTO/ITEM	e/			p/		
	1981	1981	SALDO/	1982	1982	SALDO/
	DEBITO/ DEBIT	CREDITO/ CREDIT	BALANCE	DEBITO/ DEBIT	CREDITO/ CREDIT	BALANCE
b) <u>Capital Oficial y Bancario/Official &amp; Banking Capital</u>						
Capital	178.1	435.2	257.1	227.0	443.4	216.4
A largo plazo/long-term	48.1	290.2	242.1	82.0	308.4	226.4
A corto plazo/short-term	130.0	145.0	15.0	145.0	135.0	- 10.0
Total (a+b)	<u>534.5</u>	<u>873.7</u>	<u>339.2</u>	<u>504.7</u>	<u>832.8</u>	<u>328.1</u>
III. <u>SALDO NO DETERMINADO/UNDETERMINED BALANCE</u>	- -	- -	- -	- -	- -	- -
TOTAL OPERACIONES INTERNACIONALES/TOTAL INTERNATIONAL OPERATIONS (I + II + III)	<u>2,262.5</u>	<u>2,242.5</u>	- 20.0	<u>2,328.9</u>	<u>2,308.8</u>	- 20.1
IV. <u>CAMBIO EN LAS RESERVAS MONETARIAS INTERNACIONALES (Aumento -)/CHANGES IN INTERNATIONAL MONETARY RESERVES (Increase -)</u>	- -	20.0	20.0	- -	20.1	20.1
GRAN TOTAL/GRAND TOTAL	<u>2,262.5</u>	<u>2,262.5</u>	- -	<u>2,328.9</u>	<u>2,328.9</u>	- -

e/ Estimación/ Estimated

p/ Proyección/Projection

APENDICE A/APPENDIX A  
TABLA 4/TABLE 4  
 OPERACIONES DE CAPITAL/CAPITAL TRANSACTIONS  
 AÑOS/YEARS: 1981- 1982

CONCEPTO/ITEM	1981 <sup>e/</sup>			1982 <sup>e/</sup>		
	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE
<u>CAPITAL PRIVADO A LARGO PLAZO/PRIVATE CAPITAL FOR LONG TERM</u>	<u>48.5</u>	<u>211.8</u>	<u>163.3</u>	<u>25.0</u>	<u>108.5</u>	<u>83.5</u>
Acciones, bonos y activos/stocks, bonds and assets	0.3	0.6	0.3	- -	0.5	0.5
Repatriación de capitales/repatriation of capital	- -	3.3	3.3	- -	3.0	3.0
Inversiones extranjeras/foreign investment	6.0	116.6	110.6	5.0	85.0	80.0
Préstamos y aportes en especie/loan and in-kind contribution	- -	16.4	16.4	- -	10.0	10.0
Préstamos en efectivo/cash loans	42.2	63.1	20.9	20.0	10.0	- 10.0
Otros/others	- -	11.8	11.8	- -	- -	- -
<u>CAPITAL PRIVADO A CORTO PLAZO/PRIVATE CAPITAL FOR SHORT TERM</u>	<u>594.4</u>	<u>402.0</u>	- <u>192.4</u>	<u>331.4</u>	<u>330.0</u>	- <u>1.4</u>
Obligaciones comerciales (a PROVEEDORES)/commercial liabilities (to suppliers)	301.4	332.9	31.5	250.0	320.0	70.0
Préstamos en efectivo/cash loans	140.3	65.6	- 74.7	52.8	5.0	- 47.8
Otros/Others	152.7	3.5	- 149.2	28.6	5.0	- 23.6
<u>TOTAL CAPITAL PRIVADO/TOTAL PRIVATE CAPITAL</u>	<u>642.9</u>	<u>613.8</u>	- <u>29.1</u>	<u>356.4</u>	<u>438.5</u>	<u>82.1</u>
<u>CAPITAL OFICIAL Y BANCARIO A LARGO PLAZO/LONG TERM OFFICIAL AND BANKING CAPITAL</u>	<u>33.9</u>	<u>421.9</u>	<u>388.0</u>	<u>48.1</u>	<u>290.2</u>	<u>242.1</u>
Préstamos Gobierno Central e Instituciones/Loans to Central Government and Institutions	25.1	158.1	133.0	31.8	198.8	167.0

TABLA 4/TABLE 4

CONCEPTO/ITEM	1981 <sup>p/</sup>			1982 <sup>e/</sup>		
	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE	DEBITO/ DEBIT	CREDITO/ CREDIT	SALDO/ BALANCE
Líneas de Crédito Banco de Guatemala/Credit Lines Bank of Guatemala	1.2	74.0	72.8	12.0	28.0	16.0
Financiamiento Compras de Petróleo Venezuela-México*/Financing of Crude oil purchase from Venezuela-Mexico*	0.9	50.5	49.6	4.3	61.4	57.1
Derechos especiales de Giro/special drawing rights	-	5.2	5.2	-	-	-
Financiamiento Compensatorio FMI/Compensatory financing from Int'l Monetary fund	- -	88.0	88.0	-	-	-
Financiamiento (Primer Tramo de Crédito)/First credit tranche	- -	22.0	22.0	-	-	-
Giro Tramo Reserva FMI/Draft reserve tranche Int'l Monetary Fund	- -	17.7	17.7	- -	- -	- -
Diversos/Varios	6.7	6.4	- 0.3	- -	2.0	2.0
<u>CAPITAL OFICIAL Y BANCARIO A CORTO PLAZO/SHORT TERM OFFICIAL &amp; BANKING CAPITAL</u>	<u>50.0</u>	<u>105.3</u>	<u>55.3</u>	<u>130.3</u>	<u>145.0</u>	<u>15.0</u>
Líneas de Crédito Banco de Guatemala/Credit lines Bank of Guatemala	50.0	90.0	40.0	130.0	135.0	5.0
Líneas de Crédito otros bancos/Credit lines to other banks	- -	9.9	9.9	- -	10.0	10.0
Otros/others	- -	5.4	5.4	- -	- -	- -
<u>TOTAL CAPITAL OFICIAL Y BANCARIO/TOTAL OFFICIAL BANKING AND CAPITAL</u>	<u>83.9</u>	<u>527.2</u>	<u>443.3</u>	<u>178.1</u>	<u>435.2</u>	<u>257.1</u>
<u>TOTAL OPERACIONES DE CAPITAL/CAPITAL TRANSACTIONS TOTAL</u>	<u>726.8</u>	<u>1,141.0</u>	<u>414.2</u>	<u>534.5</u>	<u>853.7</u>	<u>339.2</u>

p/ Preliminar/Preliminary

e/ Estimación/estimated

\* Hasta 5 años plazo/Up to 5 years term

APENDICE A/APPENDIX A  
TABLA 5/TABLE 5

VALOR (FOB), VOLUMEN Y PRECIOS MEDIOS DE LAS EXPORTACIONES/VALUE (FOB), VOLUME AND AVERAGE PRICES OF EXPORTS  
AÑOS/YEARS: 1981 - 1982

	<u>p/</u>			<u>e/</u>		
	1981	1981	P.M.	1982	1982	P.M.
	Valor/Value	Volumen/Volume	Q.	Valor/Value	Volumen/Volume	Q.
	Millones/Millions	Miles/Thousands	Q.	Millones/Millions	Miles/thousands	Q.
	Q.	Qq.				
TOTAL	<u>1,299.1</u>			<u>1,164.8</u>		
CENTRO AMERICA/CENTRAL AMERICA	378.9			266.1		
RESTO DEL MUNDO/REST OF THE WORLD	<u>920.2</u>			<u>898.7</u>		
Café Oro/Green Coffee	325.3	2,731.1	119.11	369.5	3,090.3	119.57
Algodón Oro/Cotton Lint	170.0	2,678.7	63.46	100.2	1,758.5	56.98
Azúcar/Sugar	85.2	4,338.2	19.64	50.5	5,050.0	10.00
Banano/Bananas	50.0	7,477.7	6.69	63.0	8,400.0	7.50
Carne/Meat	29.3	282.5	103.72	27.0	270.0	100.00
Cardamomo/Cardamon	34.3	95.7	358.41	35.0	100.0	350.00
Petróleo/Crude Oil	22.1	661.7a/	33.40	48.0	1,616.8a/	29.69
Otros/Others	204.0			205.5		

a/ Barriles/barrels  
p/ Preliminar/preliminary  
e/ Estimación/estimated

APENDICE A/APPENDIX A  
TABLA 6/TABLE 6

VALOR (FOB) DE LAS EXPORTACIONES/PRICE (FOB) OF EXPORTS  
AÑOS/YEARS: 1981 - 1982

- Millones de Quetzales/Millions of Quetzales -

	1981 <sup>p/</sup>		1982 <sup>e/</sup>		Variación/Variation	
	Valor/Value	Estructura/ Distribution	Valor/Value	Estructura/ Distribution	Absoluta/ Absolute	%
TOTAL	<u>1,299.1</u>	<u>100.0</u>	<u>1,164.8</u>	<u>100.0</u>	- <u>134.3</u>	- <u>10.3</u>
CENTRO AMERICA/CENTRAL AMERICA	378.9	29.2	266.1	22.8	- 112.8	- 29.8
RESTO DEL MUNDO/REST OF THE WORLD	<u>920.2</u>	<u>70.8</u>	<u>898.7</u>	<u>77.2</u>	- <u>21.5</u>	- <u>2.3</u>
Café Oro/Green Coffee	325.3	25.0	369.5	31.7	44.2	13.6
Algodón Oro/Cotton Lint	170.0	13.1	100.2	8.6	- 69.8	- 41.0
Azúcar/Sugar	85.2	6.6	50.5	4.4	- 34.7	- 40.7
Banano/Bananas	50.0	3.8	63.0	5.4	13.0	26.0
Carne/Meat	29.3	2.3	27.0	2.3	- 2.3	- 7.8
Cardamomo/Cardamon	34.3	2.6	35.0	3.0	0.7	2.0
Petróleo/Crude Oil	22.1	1.7	48.0	4.1	25.9	117.2
Otros/Others	204.0	15.7	205.5	17.7	1.5	0.7

p/ Preliminar/preliminary

e/ Estimación/estimated

## APENDICE A/APPENDIX A

TABLA 7/TABLE 7

## ESTRUCTURA Y VALOR CIF DE LAS IMPORTACIONES/STRUCTURE AND PRICE CIF OF IMPORTS

- Millones de Quetzales/Millions of Quetzales -

GRUPO ECONOMICO/ECONOMIC GROUP	1981		1982		Variación/Variation	
	Valor Value	P/ %	Valor Value	e/ %	Absoluta/ Absolute	Relativa/ Relative
TOTAL	1,673.5	100.0	1,338.8	100.0	- 334.7	- 20.0
Bienes de consumo/Consumer Goods	341.2	20.4	181.8	13.6	- 159.4	- 46.7
1. No Duraderos/Non durable	224.6	13.4	119.6	8.9	- 105.0	- 46.7
2. Duraderos/durable	116.6	7.0	62.2	4.7	- 54.4	- 46.7
Materias Primas y Productos Intermedios/Raw Materials and Intermediate Products	542.1	32.4	460.8	34.4	- 81.3	- 15.0
1. Metálicos/Metallic	63.6	3.8	54.0	4.0	- 9.6	- 15.1
2. Otros/Others	478.5	28.6	406.8	30.4	- 71.7	- 15.0
Combustibles y Lubricantes/Fuels and Lubricants	369.1	22.1	295.3	22.1	- 73.8	- 20.0
Materiales de construcción/Construction Materials	99.9	6.0	90.0	6.7	- 9.9	- 9.9
Maquinaria, Equipo y Herramienta/Machinery, Equipment and Tools	300.3	17.9	300.0	22.4	- 0.3	0.0
1. Para la Agricultura/For Agriculture	16.3	1.0	9.8	0.7	- 6.5	- 39.9
2. Para la Industria/For Industry	221.3	13.2	223.3	17.1	- 7.0	- 3.2
3. Para el Transporte y la comunicación For transportation and Communication	62.7	3.7	61.9	4.6	- 0.8	- 1.3

TABLA 7/TABLE 7

GRUPO ECONOMICO/ECONOMIC GROUP	<u>p/</u>		<u>e/</u>		Variación/Variation	
	1981	%	1982	%	Absoluta/ Absolute	Relativa/ Relative
<u>Diversos/Various</u>	<u>20.9</u>	<u>1.2</u>	<u>10.9</u>	<u>0.8</u>	- <u>10.0</u>	- <u>47.8</u>

p/ Preliminar/Preliminary  
e/ Estimación/estimated

APENDICE A/APPENDIX A  
TABLA 8/TABLE 8

GIRO DE COBROS DE SERVICIOS POR DEUDAS  
En la Deuda Externa Pública  
(En Millones de Dólares)  
TREND IN DEBT SERVICE CHARGES  
On the External Public Debt  
(In Millions of Dollars)

	(1)	(2)	(3)	(4)
	Capital (Principal)	Interés (Interest*)	Pago por ser- vicio/Service Payments	Proporción por Servicios de la Deuda/Debt Service Ratio**
1976	5.7	9.1	14.8	1.9
1977	7.8	9.9	17.7	1.5
1978	14.9	15.6	30.5	2.8
1979	18.9	25.1	44.0	3.6
1980	17.3	28.5	45.8	3.0
1981 Est.	25.1	31.5	56.6	4.3
1982 Proj.	36.8	72.8	109.6	9.4
1983 Proj.	57.6	70.0	127.6	10.6

\* Incluye comisiones/Includes commissions

\*\* Deuda total del pago de servicios reflejado como un porcentaje de la mercadería exportada/Total debt service payments as a percent of merchandise exports.

Fuente: Para 1976-78, FMI, Guatemala: Country Economic Memorandum, febrero 4, 1980, páginas 66-67. Para 1979-83, Proyecciones no oficiales del Banco de Guatemala/Source: For 1976-78, IMF, Guatemala: Country Economic Memorandum, Feb. 4, 1980, pages 66-67. For 1979-83, unofficial projections by Banco de Guatemala.

APENDICE A/APPENDIX A  
TABLA 9/TABLE 9

PRODUCTO GEOGRAFICO BRUTO A PRECIOS DE MERCADO Y SUS COMPONENTES POR TIPO DE GASTO/  
GROSS DOMESTIC PRODUCT AT MARKET PRICES AND ITS COMPONENTS BY TYPE OF EXPENDITURE

(En Millones de Quetzales de 1958/In Millions of Quetzales of 1958)

<u>CONCEPTO/ITEM</u>	<u>a/</u>		<u>b/</u>		<u>VARIACION/VARIATION</u>	
	<u>1981</u>	<u>1982</u>	<u>Absoluta/Absolute</u>	<u>%</u>		
1. Gastos en consumo de las personas e instituciones sin fines de lucro/Consumption expenses of non-profit individuals and institutions	2,355.9	2,273.4	- 82.5	-	3.5	
2. Gastos en consumo del gobierno general/General government consumption expenditures	232.5	209.1	- 23.4	-	10.1	
3. Formación geográfica bruta en capital fijo/Gross Fixed domestic capital formation	388.9	322.1	- 66.8	-	17.2	
3.1 Privada/Private	189.1	176.4	- 12.7	-	6.7	
3.2 Pública/Public	199.8	145.7	- 54.1	-	27.1	
4. Variación de existencias/variations of stock	22.4	42.6	- 20.2			
GASTO BRUTO DE LA NACION/COUNTRY'S GROSS EXPENDITURES	2,999.8	2,847.2	- 152.6	-	5.1	
5. Exportación de bienes y servicios/export of goods and services	559.3	485.2	- 74.1	-	13.2	
6. Menos: Importación de bienes y servicios/Less: Imports of goods and services	424.7	307.7	- 117.0	-	27.5	
PRODUCTO GEOGRAFICO BRUTO/GROSS DOMESTIC PRODUCT	3,134.4	3,024.7	- 109.7	-	3.5	

a/ Cifras preliminares/Preliminary figures  
b/ Cifras proyectadas/Projected figures

APENDICE A/APPENDIX A  
Tabla 10/Table 10  
Situación Financiera del Gobierno Central/Financial Status of the Central Government  
Diciembre 1981-1982/December 1981-1982  
-Miles de Quetzales/Million of Quetzales

Concepto/Item	1 9 8 1	1 9 8 2	Variación/Variation	
			Absoluta Absolute	%
I. Ingresos Totales/Total Revenues	742,363.0	740,303.1	-2,059.9	-0.3
A. Ingresos Corrientes/Current Revenues	740,608.6	738,103.1	-2,505.5	-0.3
1. Ingresos Tributarios/Tax Revenues	651,767.7	632,174.6	-19,593.1	-3.0
a. Directos/Direct	110,304.1	101,699.8	-8,604.3	-7.8
Sobre la Renta/Income Tax	104,330.3	95,783.6	-8,546.7	-8.2
de las Empresas/from Enterprises	82,728.4	80,783.6	-1,944.8	-2.4
de las Personas/from Individuals	21,601.9	15,000.0	-6,601.9	-30.6
Sobre Patrimonio/On Real Property	5,515.6	5,401.9	-113.7	-2.1
Sobre II. L. y Donaciones/on II.L and Grants	458.2	514.3	56.1	12.2
b. Indirectos/Indirect	541,463.6	530,474.9	-10,988.7	-2.0
Importaciones/Imports	102,800.1	81,000.0	-21,800.1	-21.2
Exportaciones/Exports	68,176.4	39,609.2	-28,567.2	-41.9
de Café/of Coffee	43,057.7	28,080.0	-14,977.7	-34.8
de Banano/of Bananas	10,323.7	10,529.2	205.5	2.0
de Otros Productos/of other Products	14,795.0	1,000.0	-13,795.0	-93.2
Timbres y Papel Sellado/Stamps and Watermarked Paper	260,659.3	300,000.0	39,340.7	15.1
Sobre Ventas/on Sales	156,370.7	187,097.4	30,726.7	19.6

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Concepto/Item	1 9 8 1	1 9 8 2	Variación/Variation	
			Absoluta Absolute	%
Otras Actividades/Other Activities	104,288.6	122,902.6	8,614.0	8.3
Alcoholes y Bebidas A./Alcohol and Beverages	43,012.8	43,294.8	282.0	0.7
Impuesto Alcoholes/Taxes on Alcohol	37,238.4	37,294.8	56.4	0.2
Impuesto Adicional/Additional Taxes	5,774.4	6,000.0	225.6	3.9
Cigarrillos y Tabacos/Cigarette and Tobacco	20,587.1	21,700.0	1,112.9	5.4
Impuestos Cigarrillos/Cigarette Taxes	18,226.8	19,000.0	773.2	4.2
Impuesto Adicional/Additional Taxes	2,360.3	2,700.0	339.7	14.4
Aguas Gaseosas/Soft drinks	5,621.4	5,500.0	-121.4	-2.2
Traslación de Bienes/Transfers of Real Property	1,657.1	1,700.0	42.9	2.6
Consumo de Petroleo y D./Petroleum Consumption	20,746.9	19,670.8	-1,076.1	-5.2
Circulación Vehículos/Vehicle Excise Tax	8,641.9	8,000.0	-641.9	-7.4
Sanidad Pública/Public Health	391.1	400.0	8.9	2.3
Uso de Servicios/Use of Services	4,886.6	5,000.0	113.4	2.3
Actividades Comerciales/Commercial Activities	3,476.8	3,800.0	323.2	9.3
Otros Impuestos/Other Taxes	806.1	800.0	-6.1	-0.8
2. Ingresos no Tributarios/Non Tax Revenue	88,840.8	105,928.5	17,087.7	19.2
Rentas Patrimoniales/Income from Real Property	13,209.1	13,500.0	290.5	2.2
Venta Art. Estancados/Sale of Impounded Articles	316.7	282.7	-34.0	-10.7
Servicios Públicos/Public Services	10,737.9	10,745.8	7.9	0.1

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Concepto/Item	1 9 8 1	1 9 8 2	Variación/Variation	
			Absoluta Absolute	%
Utilidades Emp. Estado/Profits Gov't. Enterprises	1,469.3	2,000.0	530.7	36.1
Trans. CIFs Sec. Privado/Trans. CIFs Priv. Sector	5,928.0	5,300.0	-628.0	-10.6
Trans. CIFs Sec. Público/Trans. CIFs Public Sector	3,911.3	3,900.0	-11.3	-0.3
Montepio/Pensions	11,476.8	12,200.0	723.2	6.3
Ingresos Específicos/Specific Revenues	14,462.7	14,600.0	137.3	0.9
Export y Venta Petroleum/Exp. & Sale of Crude Oil	26,644.3	42,600.0	15,955.7	59.9
Ingresos Varios/Miscellaneous Revenues	684.7	800.0	115.3	16.8
B. Ingresos de Capital/Capital Earnings	1,754.4	2,200.0	445.6	25.4
1. Donaciones/Grants	412.2	800.0	387.8	94.1
2. Otros/Others	1,342.2	1,400.0	57.8	4.3
II. Gastos Totales/Total Expenditures	1,380,271.0	1,210,114.0	-170,157.0	-12.3
A. De Funcionamiento/Operating	759,520.9	744,422.6	-15,098.2	-2.0
B. De Capital/of Capital	620,750.1	465,691.4	-155,058.7	-25.0
Mobiliario y Equipo/Furniture and Equipment	442.5	489.1	46.6	10.5
Carreteras/Highways	53,416.8	41,999.8	-11,417.0	-21.4
Obras Públicas/Public Works	173,267.3	156,918.3	-16,349.0	-9.4
Desarrollo Agrario/Agrarian Development	18,399.3	20,343.8	1,944.5	10.6
Inversión Financiera/Financial Investment	46,600.5	42,094.5	-4,506.0	-9.7

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Concepto/Item	1 9 8 1	1 9 8 2	Variación/Variation	
			Absoluta Absolute	%
Desarrollo Socioeconómico/Socio Economic Development	31,255.8	27,378.2	-3,877.6	12.4
Electrificación/Electrification	294,322.6	173,521.0	-120,801.6	-41.0
Otros/Others	3,045.2	2,946.7	-98.5	-3.2
III. Sup o Def. Presupuestal/Budget Surplus or Deficit	-637,908.0	-469,810.9	168,097.1	-26.4
IV. Ahorro en Cuenta Corriente/Savings on Current Account	-18,912.2	-6,319.5	12,592.7	-66.6
V. Endeudamiento Neto/Net Indebtedness	548,559.0	502,288.4	-46,270.6	-8.4
A. Negociación Deuda Pública/Negotiation Public Debt	701,167.5	677,481.2	-23,686.2	-3.4
1. Interna/Internal	592,529.4	536,659.7	-55,869.6	-9.4
Bonos del Tesoro/Government Bonds	474,754.3	358,400.0	-116,354.3	-24.5
Letras de Tesorería/Government Bills	117,775.0	178,259.7	60,484.7	51.4
2. External/External	108,638.1	140,821.5	32,183.4	29.6
Prestamos Directos/Direct Loans	108,638.1	140,821.5	32,183.4	29.6
Bonos y Notas del Tesoro/Government Bonds and Bills	0.0	0.0	0.0	0.0
B. Amortización Deuda Pública/Refund of Public Debt	152,608.5	175,192.8	22,584.3	14.8
1. Interna/Internal	140,203.7	158,504.1	18,300.4	13.1
Bonos del Tesoro/Government Bonds	72,428.7	113,289.4	40,860.7	56.4
Letras de Tesorería/Government Bills	67,775.0	45,214.7	-22,560.3	-33.3
Otros Acreedores/Other Creditors	0.0	0.0	0.0	0.0

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Concepto/Item	1 9 8 1	1 9 8 2	Variación/Variation	
			Absoluta Absolute	%
2. Externa/External	12,404.8	16,688.7	4,283.9	34.5
Préstamos Directos/Direct Loans	12,404.8	16,688.7	4,283.9	34.5
Bonos del Tesoro/Government Bonds	0.0	0.0	0.0	0.0
Otros Acreedorias/Other Creditors	0.0	0.0	0.0	0.0
VI. Sup o Def. Financiero/Financial Surplus or Deficit	-89,349.0	32,477.6	121,826.6	-136.3
VII. Deuda Flotante/Floating Debt	80,086.7	-65,427.0	-145,513.7	-181.7
A. Creación/Initiation	162,291.2	97,520.0	-64,771.2	-39.9
1. Gastos Causados/Occasioned Expenses	1,380,271.0	1,210,114.0	-170,157.0	-12.3
2. Pago Gastos Ejercicio/Payment Expenses Fiscal Year	1,217,979.7	1,112,594.0	-105,385.7	-8.7
B. Pago Gastos Ejercicios Ant./Payment Exp. Prior Fiscal Years	82,204.6	162,947.0	80,742.4	98.2
VIII. Total Pagos Efectivos/Total Cash Payments	1,300,184.2	1,275,541.0	-24,643.2	-1.9
IX Variación de Caja/Cash Variations	-9,262.3	-32,949.4	-23,687.1	255.7
X. Superavit Ejercicios Ant./Surplus Prior Fiscal Years	16,000.0	0.0	-16,000.0	-100.0
XI. Sup o Def. Global de Caja/Total Cash Surplus or Deficit	6,737.7	-32,949.4	-39,687.1	-589.0
XII. Sup o Def. Global Financiero/Total Financial Surplus or Deficit	-73,349.0	32,477.6	105,826.6	-144.3

Fuente: Dirección de Contabilidad del Estado  
0186C

Source: Accounting Division of the Government of Guatemala.

TABLA 11/ TABLE 11  
 PANORAMA FINANCIERO/FINANCIAL VIEW  
 CON MEDIDAS DE POLÍTICA/WITH POLICY MEASURES  
 AL 31 DE DICIEMBRE DE 1981-1982/TO DECEMBER 31 1981-1982  
 (Millones de Quetzales/Million of Quetzales)

Concepto/Item	Banco Guate./Bank of Guatemala				Bancos/Banks				Panorama Monetario/Monetary Aspect				Financieras/Financing Companies				Panorama Financiero/Financial Aspect			
	1981	1982	Variación/ Variation		1981	1982	Variación/ Variation		1981	1982	Variación/ Variation		1981	1982	Variación/ Variation		1981	1982	Variación/ Variation	
I. Monetización Externa/External Monetization	-103.5	-213.6	-110.1	106.4	5.7	5.7	--	--	-97.8	-207.9	-110.1	112.6	-56.5	-56.5	--	--	-154.3	-264.4	-110.1	71.4
1. Activo Externo/External Assets	321.1	301.1	-20.0	-6.2	24.3	24.3	--	--	345.4	325.4	-20.0	-5.0	1.2	1.2	--	--	346.6	326.6	-20.0	-5.8
2. Pasivo Externo/External Liabilities	424.6	514.7	90.1	21.2	18.6	18.6	--	--	443.2	533.3	90.1	20.3	57.7	57.7	--	--	500.9	591.0	90.1	18.0
II. Activos Internos Netos/Net Internal Assets	790.1	1 156.4	366.3	46.4	1 589.4	2 015.3	425.9	26.8	2 096.2	2 739.8	643.6	30.7	65.2	68.5	3.3	5.1	2 161.4	2 808.3	646.9	29.8
1. Actividad Crediticia/Credit Activity	942.6	1 308.9	366.3	38.9	1 424.6	1 698.9	277.3	19.5	2 364.2	3 007.8	643.6	27.2	80.5	83.8	3.3	5.1	2 444.7	3 091.6	646.9	26.5
1.1 Al Sector Pùb. Neto/Net to Public Sector	730.5	1 059.3	328.8	45.0	71.9	156.2	84.3	117.2	802.4	1 215.5	413.1	51.5	1.9	1.9	--	--	804.3	1 217.4	413.1	51.4
1.1.1 Al Gobierno Central/To Central Government	757.7	1 084.5	326.8	43.1	81.3	165.6	84.3	103.7	839.0	1 250.1	411.1	49.0	1.9	1.9	--	--	840.9	1 252.0	411.1	48.9
1.1.2 Al Resto Sector Pùb./To Remaining Pub. Sec.	-27.2	-25.2	2.0	-7.4	-9.4	-9.4	--	--	-36.6	-34.6	2.0	-5.5	--	--	--	--	-36.6	-34.6	2.0	-5.5
1.2 Al Sector Privado/To Private Sector	--	--	--	--	1 437.0	1 637.9	200.9	14.0	1 437.0	1 637.9	200.9	14.0	203.4	236.3	32.9	16.2	1 640.4	1 874.2	233.8	14.3
1.3 A los Bancos/To Banks	150.0	166.7	16.7	11.1	-150.0	-166.7	-16.7	11.1	--	--	--	--	--	--	--	--	--	--	--	--
1.4 A las Financieras/To Financing Companies	62.1	82.9	20.8	33.5	62.7	71.5	8.8	14.0	124.8	154.4	29.6	23.7	-124.8	-154.4	-29.6	23.7	--	--	--	--
2. Encaje/Reserves	--	--	--	--	281.0	429.6	148.6	52.9	-2.3	-2.3	--	--	2.3	2.3	--	--	--	--	--	--
3. Otros Activos Netos/Other Net Assets	-152.5	-152.5	--	--	-113.2	-113.2	--	--	-265.7	-265.7	--	--	-17.6	-17.6	--	--	-283.3	-283.3	--	--
III. Creación de Liquidez/Generation of Liquidity	686.6	942.8	256.2	37.3	1 595.1	2 021.0	425.9	26.7	1 998.4	2 531.9	533.5	26.7	8.7	12.0	3.3	37.9	2 007.1	2 543.9	536.8	26.7
Existencia de Liquidez/Stock of Liquidity	686.6	942.8	256.2	37.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IV. Dinero Primario/Primary Funds	686.6	942.8	256.2	37.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
1. Numerario en Circulación/Currency in Circulation	403.3	510.9	107.6	26.7	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2. Encaje/Reserves	283.3	431.9	148.6	52.5	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.1 Bancario/Banking	281.0	429.6	148.6	52.9	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2 Financiero/Financial	2.3	2.3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
V. Medio Circulante/Currency Resources	403.3	510.9	107.6	26.7	334.9	363.8	28.9	8.6	738.2	874.7	136.5	18.5	--	--	--	--	738.2	874.7	136.5	18.5
1. Numerario en Circulación/Currency in Circulation	403.3	510.9	107.6	26.7	--	--	--	--	403.3	510.9	107.6	26.7	--	--	--	--	403.3	510.9	107.6	26.7
2. Depósitos Monetarios/Monetary Deposits	--	--	--	--	334.9	363.8	28.9	8.6	334.9	363.8	28.9	8.6	--	--	--	--	334.9	363.8	28.9	8.6
VI. Cuasidinero/Quasi Currency	--	--	--	--	1 260.2	1 657.2	397.0	31.5	1 260.2	1 657.2	397.0	31.5	8.7	12.0	3.3	37.9	1 268.9	1 669.2	400.3	31.5
VII. Medios de Pago/Means of Payment	403.3	510.9	107.6	26.7	1 595.1	2 021.0	425.9	26.7	1 998.4	2 531.9	533.5	26.7	8.7	12.0	3.3	37.9	2 007.1	2 543.9	536.8	26.7

APENDICE A/APPENDIX A  
 TABLA 12/TABLE 12

INDICE DE PRECIOS AL CONSUMIDOR, SEGUN RUBRO Y GRUPO, AREA URBANA, REPUBLICA/INDEX OF CONSUMERS PRICES  
 BY ITEM AND GROUP - URBAN AREA, AND REPUBLIC  
 AL MES DE JUNIO DE 1982/TO JUNE 1982

(Enero-diciembre de 1975=100.0)/(January/December 1975=100.0)

Rubro y Grupo/Item and Group	Ponderación/ Weighting	1981			1982			Varia. Porcentuales/Percentage Variation				
		Junio/ June	Dic./ Dec.	Promedio Mensual a Junio/ Monthly Average as of June	Mayo/ May	Junio/ June	Promedio Mensual a Junio/ Monthly Average as of June	C/Mismo Mes Año Prior	C/Dic. Año Prior	Con Mes Ant./ With Prior Month	De los Promedios/ Averages	
INDICE GENERAL/GENERAL INDEX (145)	100.0	186.1	187.9	182.6	188.7	187.4	186.1	0.7	- 0.3	- 0.7	1.9	
<u>Alimentos/Foods</u> (51)	43.8	175.4	172.1	173.7	169.1	166.2	171.2	- 5.2	- 3.4	- 1.7	- 1.4	
Carnes y preparados de carne/Meat and prepared meat	9.8	196.8	190.0	195.2	194.8	192.6	193.8	- 2.1	1.4	- 1.1	- 0.7	
Cereales y sus productos/cereals and its products	11.2	159.9	155.7	152.5	152.3	151.0	153.4	- 5.6	- 3.0	- 0.9	0.6	
Huevos/eggs	2.8	127.1	132.6	134.2	126.0	126.2	128.4	- 0.7	- 4.8	0.2	- 4.3	
Leche y sus productos/milk and its products	5.0	160.6	169.1	157.1	171.3	171.8	171.3	7.0	1.6	0.3	9.0	
Tubérculos y leguminosas/tubercle & leguminous	2.5	197.0	150.6	208.6	127.4	120.6	136.2	- 38.8	- 19.9	- 5.3	- 34.7	
Verduras/vegetables	2.9	163.0	160.9	158.8	158.0	155.3	166.5	- 4.7	- 3.5	- 1.7	4.8	
Frutas frescas/fresh fruits	2.6	168.4	200.5	173.8	166.8	162.5	174.7	- 3.5	- 19.0	- 2.6	0.5	
Azúcar, sal y condimentos/sugar,salt & seasoning	2.0	237.7	232.3	235.1	238.8	224.0	244.8	- 5.8	- 3.6	- 6.2	4.1	
Café, té y otros/coffee, tea and other	2.3	191.5	171.9	189.3	169.0	163.7	169.5	- 14.5	- 4.8	- 3.1	- 10.5	
Otros productos/other products	2.7	180.2	180.3	173.6	185.5	179.9	183.3	- 0.2	- 0.2	- 3.0	5.6	

Rubro y Grupo/Item and Group	Ponderación/ Weighting	1 9 8 1			1 9 8 2			Varia. Porcentuales/Percentage Variation			
		Junio/ June	Dic./ Dec.	Promedio Mensual a Junio/ Monthly Average as of June	Mayo/ May	Junio/ June	Promedio Mensual a Junio/ Monthly Average as of June	C/Mismo Mes Año Anterior W/Same Month Prior Yr	C/Dic. Año Ante. W/Dec. Prior Year	Con Mes Ant./ With Prior Month	De los Promedios/ Averages
<u>Vivienda, Combustible y servicios/Housing, fuel and services (8)</u>	12.8	222.4	236.8	215.5	231.4	231.4	227.0	4.0	- 2.3	0.0	5.3
Alquiler de vivienda/housing rent	7.2	223.7	236.7	219.2	235.0	235.0	234.9	5.1	- 0.7	0.0	7.2
Combustible/fuel	2.8	227.2	232.6	222.7	230.2	230.2	219.0	1.3	- 1.0	0.0	- 1.7
Servicios/Services	2.8	197.3	223.8	183.7	202.9	202.9	203.2	2.8	- 9.3	0.0	10.6
<u>Vestuario y calzado/Clothing &amp; footwear (28)</u>	12.6	219.9	228.1	211.5	228.6	228.6	216.5	4.0	0.2	0.0	2.4
Vestido de hombre y de niño/Men's and boys' clothing	4.7	209.4	224.0	202.1	217.7	217.7	215.5	4.0	- 2.8	0.0	6.6
Vestido de mujer y de niña/women's and girl's clothing	5.1	184.4	184.7	175.7	169.7	169.7	149.6	- 8.0	8.1	0.0	- 14.9
Vestido de Niño Menor de 2 Años/Clothing for children under 2 years	0.2	216.6	211.3	211.5	193.8	193.8	192.3	- 10.5	- 8.3	0.0	- 9.1
Calzado/footwear	2.6	303.4	316.8	293.2	358.5	358.5	343.4	18.2	13.2	0.0	17.1
<u>Bienes para el hogar/household furnishings (18)</u>	4.7	142.1	147.1	140.5	142.6	142.6	142.6	0.4	- 3.1	0.0	1.5
Textiles para el hogar/textiles for the home	0.8	200.4	225.1	196.0	241.3	241.3	242.7	20.4	7.2	0.0	23.8
Muebles/furniture	0.9	136.8	137.7	136.3	103.0	103.0	123.3	- 24.7	- 25.2	0.0	- 9.5
Equipo de cocina/kitchen equipment	1.0	146.5	148.9	139.8	150.2	150.2	153.6	2.5	0.9	0.0	9.9
Aparatos Eléctricos/electrical appliances	1.8	116.5	114.7	115.9	112.5	112.5	103.1	- 3.4	- 1.9	0.0	- 11.0
Equipo de limpieza/cleaning equipment	0.2	160.4	158.9	158.5	146.5	146.5	145.9	- 8.7	- 7.8	0.0	- 7.9

Rubro y Grupo/Item and Group	Ponderación/ Weighting	1981			1982			Varia. Porcentuales/Percentage Variation				
		Junio/ June	Dic./ Dec.	Promedio Mensual a Junio/ Monthly Average as of June	Mayo/ May	Junio/ June	Promedio Mensual a Junio/ Monthly Average as of June	C/Mismo Mes Año W/Same Month Prior Yr	C/Dic. Año W/Dec. Prior Year	Con Mes Ant./With Prior Month	De los Promedios/ Averages	
<u>Gastos de Transporte/transport expenses (8)</u>	5.2	150.2	157.2	151.9	191.6	191.6	167.3	27.6	21.9	0.0	10.1	
Transporte Privado/Private Transportation	1.8	222.0	219.8	221.8	208.4	208.4	213.8	- 6.1	- 5.2	0.0	- 3.6	
Transporte colectivo/Public Transportation	3.4	125.4	125.2	119.0	184.4	184.4	144.2	47.0	47.3	0.0	21.2	
<u>Gastos diversos/miscellaneous expenditures (32)</u>	20.9	182.6	184.1	180.3	189.4	189.4	188.6	3.7	2.9	0.0	4.6	
Cuidados de la salud/health services	3.6	202.0	196.9	201.1	187.1	187.1	188.8	- 7.4	- 5.0	0.0	- 6.1	
Aseo personal./personal hygiene	3.1	229.0	237.5	225.6	224.4	224.4	236.4	- 2.0	- 5.5	0.0	4.8	
Educación y Cultura/education and culture	4.2	170.7	170.7	167.3	191.1	191.1	184.6	12.0	12.0	0.0	10.3	
Recreación/recreation	2.3	166.3	166.7	164.8	177.0	177.0	168.5	6.4	6.2	0.0	2.2	
Artículos de limpieza/cleaning articles	2.5	130.9	139.1	130.2	142.7	142.7	142.8	9.0	2.6	0.0	9.7	
Tabaco/tobacco	0.9	184.0	184.0	184.0	204.0	204.0	204.0	10.9	10.9	0.0	10.9	
Bebidas para servirse en casa/drinks to be served at home	1.5	149.6	150.0	148.3	148.0	148.0	147.3	- 1.1	- 1.3	0.0	- 0.7	
Otros gastos/Other expenses	2.8	198.2	197.2	193.6	213.7	213.7	207.2	7.8	8.4	0.0	7.0	

FUENTE: Dirección General de Estadística/SOURCE: Dirección General de Estadística

APPENDIX B

Foreign Exchange Financial Transactions

1. Institutions

There are four types of institutions that play a role in foreign exchange transactions: The Central Bank, four government commercial banks, eleven private banks and two finance companies ("financieras").

2. Importing Procedures

Step 1:

The importer obtains a pro-forma invoice from his supplier or obtains the necessary information concerning the commodities to be imported by telex or telephone.

Step 2:

The importer prepares (in quadruplicate) a form entitled "Registro de Importaciones" (Registration of Confirmed Import Order), locally known as Form DC-32. This form includes the importer's patent number, the economic sector which corresponds to his activity, the name of the supplier, the NAUCA<sup>1/</sup> code, information from the customs agent or legal representative, quantity/description/country of origin and value of commodities to be imported, the approximate shipping date, and the form, timing and amounts of payments to be made.

Step 3:

The importer submits form DC-32 to his commercial bank (who acts as an intermediary between the importer and the Central Bank). The commercial bank returns a copy of the DC-32 to the importer for use as an identifying document for succeeding steps. The commercial bank then forwards the originals of form DC-32 to the Central Bank for two purposes:

a) For electronic classification of import request (for statistical purposes) and

b) To issue a document known as "Registration of Imports and Authorization to Withdraw Commodities". The importer may then withdraw the latter document from the commercial bank

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<sup>1/</sup> Nomenclatura Arancelaria Uniforme Centroamericana.

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identifying himself with a copy of the DC-32. This step takes approximately 3 to 5 days. Up to this point, there is no commitment, either explicit or implicit, that the foreign exchange will be granted to the importer.

Step: 4:

Currently, two procedures are most commonly used by importers to obtain authorization of Foreign Exchange by the Central Bank: commercial bank letters of credit, and Quetzal deposits in a commercial bank by the importer. An importer may use either of these two procedures in order to obtain a bill of lading from the supplier, and ultimately withdraw shipped commodities from Guatemalan customs.

Under the first procedure, letters of credit are approved by the central bank before shipment of commodities. The importer requests central bank authorization for his commercial bank to open a letter of credit. He then supports his request with the following documents: Form DC-32-A, a pro-forma invoice, and a signed agreement to evidence the physical importation of commodities within a period of 30 to 360 days. In authorizing the request for a letter of credit, the central bank at the same time authorizes the necessary foreign exchange.

Once the opening of the letter of credit by the commercial bank is approved by the central bank, the supplier is notified and forwards the bill of lading to the importer and ships the commodities. Upon arrival, the importer withdraws the commodities from customs in accordance with the procedures outlined below in step 5. Finally, as described in step 6, the importer evidences the completed importation before the central bank by submitting the following: a commercial invoice, a bill of importation prepared by the customs agent and cleared by the respective customs house, a photocopy of the original bill of lading, voucher for payment of commodity import tax (form 144), and a copy of form DC-32 ("contraseña")<sup>2/</sup>.

Under the second procedure, the importer deposits in his commercial bank an amount of Quetzales equivalent to the foreign exchange value of commodities to be imported. After being informed of such deposit, the supplier forwards the bill of lading to the importer and ships the commodities.

With this bill of bill and other documents specified in step 5, the importer then withdraws the commodities. It is then up to the commercial bank to obtain foreign exchange authorization in

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<sup>2/</sup> See copy of DC-32 attached.

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accordance with the procedure in step 6. It is unusual that the importer normally will have received the bill of lading and physically taken possession of the commodities before the foreign exchange for their purchase is officially authorized. Due to the element of trust involved, this procedure is most commonly employed between importers and suppliers who have had a long-standing commercial relationship.

#### Step 5:

The importer (through his customs agent) withdraws merchandise from customs by submitting the following: original of the shipping documents, registration of importation and authorization to withdraw commodities, bill of importation (provided by the respective customs) and the import tax voucher. The customs agent then pays customs duties on imports in the agencies of the Central Bank located in the various custom houses of the country. This step takes around 5 working days. Exemptions to duties exist such as financial incentives to industrial production, for which the importer has to obtain a written authorization of exemption from the Ministry of Economy. The authorization takes 5 additional working days. Nevertheless, the Central Bank will accept an identifying document ("contraseña") that the fiscal exemption is in process so that the foreign exchange authorization is not delayed.

#### Step 6:

This step is related to foreign exchange authorization. Due to Foreign Exchange Control established since April 28, 1980, only the Central Bank can authorize the foreign exchange to import commodities. In order to obtain such authorization for foreign exchange commodity imports, the importer has to submit to the Central Bank the following documents: copy or photocopy of the original shipping documents, bill of importation prepared by the customs agent and cleared by the respective customs, commercial invoice, voucher of payment of commodities, import duty (form 144) or authorization of exemption of duties and copy of the DC-32 ("contraseña"). The Central Bank, due to the foreign exchange shortage and the unsatisfied demand, has prepared a computerized program including several variables (e.g. availability of foreign exchange, external public debt service, crude oil purchase, basic agricultural and industrial inputs, etc.) which are evaluated before granting foreign exchange to the importers.

On October 4, 1982, the Central Bank published in local newspapers a list of the DC-32 numbers and the NAUCA codes of the importers who had been authorized foreign exchange. The stated purposes of the newspaper publications are the following: to

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various state enterprises must obtain insurance on imports from the "Crédito Hipotecario Nacional" which is a government bank.

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**3A(2) - NONPROJECT ASSISTANCE CHECKLIST**

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Security Supporting Assistance and the criteria applicable to Development Assistance. Selection of the appropriate criteria will depend on the funding source for the program.

**CROSS-REFERENCES:** IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

**A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE**

**1. App. Unnumbered; FAA Sec 653(b)**

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the nonproject assistance;

Discussions will be held with appropriate congressional committees prior to authorization of funds.

(b) Is assistance within (Operational Year Budget) country or international organization allocation reported to the Congress (or not more than \$1 million over that figure plus 10%)?

**2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?**

N.A.

**3. FAA Sec. 209, 619. Is assistance more efficiently and effectively given through regional or multilateral organizations? If so why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multilateral organizations or in accordance with multilateral plans to the maximum extent appropriate?**

No

**4. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.**

Will encourage development and use of cooperatives, foster private initiative and competition through Private Voluntary Organizations (PVOs)

A.

5. FAA Sec. 601(b). Information and conclusion on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
6. FAA Sec. 612(b); Sec 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.
7. FAA Sec. 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?

A condition at the project requires that the GOG provide resources for the importation from the United States \$10.0 million worth at U.S. source and origin, raw materials, intermediate goods and spare parts for the productive sector.

N:A.

No.

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Security Supporting Assistance
  - a. FAA Sec. 531. How will this assistance support promote economic or political stability? Is the country among the 12 countries in which Supporting Assistance may be provided in this fiscal year?
2. Nonproject Criteria for Development Assistance
  - a. FAA Sec. 102(c); Sec. 111; Sec. 281a. Extent to which activity will (1) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (2) help develop cooperatives, assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local government institutions?
  - b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to sources of funds used. If more than one fund source is used for assistance, include relevant paragraph for each fund source.]

Assistance will:

- support efforts of GOG cope with current economic problems.
- Proved immediate balance of payments support.
- Encourage continued progress in (1) the respect of human rights, (2) the planning and implementation of development programs for disadvantaged groups and, (3) the reform and adjustment of its economic policies to adapt to the changed economic environment and to support socio-economic development efforts

2. N.A.

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- (1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;
- (2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor; extent to which assistance gives attention to interrelationship between (A) population growth and (B) development and overall improvement in living standards in developing countries. Is activity designed to build motivation for small families in programs such as education in and out of school, maternal and child health services, agriculture production, rural development, and assistance to urban poor?
- (3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;
- (4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:
  - (a) to help alleviate energy problem;
  - (b) reconstruction after natural or manmade disaster;
  - (c) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;
  - (d) for programs of urban development; especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.
- (5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

c. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on: (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

d. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

e. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives?

f. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

3. Nonproject Criteria for Development Assistance (Loans only)

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.

N.A.

B3

b. FAA Sec. 201(b)(2); 201(d).

Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and United States) of lending and relending terms of the loan.

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

d. FAA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources?

4. Additional Criteria for Alliance for Progress

N.A.

[Note: Alliance for Progress assistance should add the following two items to a nonproject checklist.]

a. FAA Sec. 251(b)(1)-(8). Does assistance take into account principles of the Act of Bogota and Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America?

b. FAA Sec. 251(b)(8); 251(h). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIES," the Permanent Executive Committee of the OAS) in its annual review of national development activities?