I. Project Context

Country Context

Guatemala, with the largest population and largest economy in Central America, is a lower middle income country in the process of transitioning from a predominantly rural to a more urban, services-oriented economy. In the aftermath of the global economic slowdown in 2009 and the natural disasters of 2010 and 2011, Guatemala’s national economy has stabilized, with a modest 3.4 percent average growth rate between 2000 and 2015, slightly above the Latin America average of 3.2 percent. However, persistently low levels of physical and human capital formation have contributed to a long-term decline in productivity, and have been insufficient to reduce the country’s chronic poverty levels. Factor accumulation (labor and capital) has been the main driver of GDP growth, stemming primarily from a growing working-age population and high labor force participation, rather than increases in labor productivity. Other factors impacting the growth of the economy are the expansion in agricultural exports, a growing services sector (particularly financial services), and high private consumption (accounting for over 80% of GDP).

Despite improvements in macroeconomic and political stability over the past decade, Guatemala remains one of the poorest countries in the Latin America and the Caribbean (LAC) Region and
sustaining progress in poverty reduction is an ongoing challenge. Gross Domestic Product per capita in 2014 was US$3,673 relative to the LAC average of US$9,091. Guatemala’s poverty rate has experienced a strong recent reversal, rising 13 percentage points between 2006 and 2014 (from 53 to 60 percent). Extreme poverty (per capita income per day of less than US$2.5) also rose in that same period, from 33 to 37 percent. On an annualized basis, overall poverty has risen 1.7 percent per year since 2006. Moreover, shared prosperity was very limited: for the 2000-2014 period, the poorest 40 percent experienced a decline in income. Contrastingly to Latin America, the size of Guatemala’s middle class shrunk from 13.2 to 9.4 percent during those same years. Also, social indicators remain weak compared to other middle-income countries, as evidenced by Guatemala’s Human Opportunity Index, among the lowest in LAC. Also, access to basic services is modest and unequal, which limits the universe of economic opportunities for the most vulnerable.

Poverty is increasingly an urban problem. While extreme poverty is most concentrated in rural areas and amongst indigenous populations, more than 40 percent of Guatemala’s urbanites live in slums, one of the highest percentages in the Region. The concentration of extreme poor in urban areas has increased from 7 percent in 2000 to 24 percent in 2014. Urbanites became a majority in Guatemala in 2012 — a trend expected to accelerate, as the country's urbanization rate converges towards the regional average. Rural to urban migration has been fed by the country’s more than three decade long civil war, natural disasters, and the pull of better labor opportunities and higher standards of living available in urban areas. As migrants have moved towards the Guatemala City metropolitan area, they have found few options in the formal housing sector, and have instead built informal settlements in the urban periphery, many of which lack basic public services and are poorly connected to jobs and economic activities. Municipalities, which are responsible for providing basic public services, such as water, sanitation, road management and public safety, have strained to keep pace with demand and struggled to create the conditions to generate economic prosperity. Given that Guatemala’s urban population is projected to grow rapidly, the number of poor people living in these vulnerable, peripheral communities will inevitably grow as well ? an increasingly urgent problem in need of replicable solutions.

Guatemala struggles with high levels of crime and violence, which impose a heavy burden on the country’s development, and are among key constraints to investments, productivity, and security of people and property. The economic cost of crime is high, accounting for 7.7 percent GDP in 2011, 11.3 percent GDP in 2013, and 10 percent of GDP in 2014.

Guatemala experienced a decrease in homicide rates from 2009-2011, despite a marked increase in Central America’s Northern Triangle. Although there was a slight increase in 2012 when the rate reached 39.9 per 100,000 people, the national murder rate has declined overall from 46.4 in 2009 to 29.5 in 2015. Still, research shows that country rates are above the Latin American average, and three times as high as the world average. High robbery victimization, increased incidence of sexually related crimes, kidnappings, and gender based violence have also contributed to the magnitude of the problem. In 2015, 615 claims of sexual assault were reported to the police compared to 385 in 2008. In contrast, claims of victimization from domestic violence reported to police decreased from 2,050 in 2008 to 1,861 in 2015.

A disproportionate share of the victims, perpetrators, and populations at risk of violence are concentrated in poor urban settlements. These precarious settlements lack access to urban services and economic opportunities, and are characterized by low community cohesion and low social capital ? factors making them more vulnerable to various forms of crime and violence. High
residential instability (due to natural disasters, migration and violence itself), family disintegration, and low interpersonal trust combine to weaken the capacity of these communities to act collectively to improve their living conditions and manage internal conflicts.

**Sectoral and institutional Context**

The Guatemala City Metropolitan Area (GCMA) has the highest concentration of poor people per square meter. With a population of 3.2 million, about 21 percent of the country, the GCMA concentrates 60 percent of the country's industry and generates 60 percent of the national GDP, making it the strongest economic region in Guatemala -- but also home to the largest proportion of poor citizens. This imbalance is common in many Latin American capitals where rising urbanization has corresponded with economic prosperity within central districts and with high poverty levels and vulnerability in the outskirts. Guatemala City’s growth has manifested horizontally without increases in density -- resulting in sprawl and growth of peri-urban areas. Indeed, most of the GCMA’s population growth is expected to occur in the municipalities south of Guatemala City, which traditionally have had less technical and financial capacity to plan for and respond to increased demand for basic services.

Limited capacity for urban planning and management amongst municipalities along the urban periphery has resulted in inequitable levels of access to public services and increased vulnerability to crime. The Secretariat for Planning and Programming of the Presidency (SEGEPLAN), estimated in 2010 that between 27,000-45,000 families in the GCMA live in informal settlements, where improvised housing is often built on steep slopes. These households have, on average, six family members, low educational levels (less than middle school), and low participation by heads of household in the labor market. Community and family instability due to displacement, migration, and deprivation have eroded the social fabric and lowered their capacity to deal with external stresses. Service coverage of these settlements varies: 34 percent of households have access to water only through a community meter; and roughly 60 percent lack solid waste collection services and therefore dispose of trash in vacant lots, riverbeds, patios, and/or by burning. These conditions of accelerated urban growth, poverty, insufficient access to public services and low community cohesion have made these peri-urban poor communities more vulnerable to urban violence. Over 39 percent of reported homicides between 2003 and 2013 occurred within the GCMA, which represents about 17 percent of the population.

Six municipalities located in the south of the GCMA have taken a proactive approach by forming the Mancomunidad Gran Ciudad del Sur (MGCS) in late 2012 as a joint effort to address common urban management challenges and improve the living conditions of the urban poor. Mancomunidades have traditionally formed to implement local economic development initiatives and/or infrastructure projects with a supra-municipal scope. The MGCS? municipalities of Mixco, Amatitlán, Villa Nueva, San Miguel Petapa, Santa Catarina Pinula, and Villa Canales face similar challenges, including: (i) high rates of population growth resulting in rapid formation of informal settlements; (ii) low coverage of basic services (sanitation coverage varies between 47-91 percent, and only 35 percent of total waste is systematically collected); (iii) high proportion of the population in at-risk areas (steep slopes) and subject to natural disasters; (iv) high levels of congestion on the main roads connecting the neighborhoods to downtown Guatemala City; and (v) increased criminal activity. These six municipalities comprised 48 percent of the GCMA’s population in 2013.
Within these municipalities, pockets of informal communities exist that are characterized by deep levels of poverty and high social and economic vulnerability. While homicides remain the most common indicator of violence, it is important to highlight the risk factors for violence, many of which are prevalent in these municipalities. Examples of such risk factors include: lack of social cohesion, lack of opportunities to develop and apply skills, lack of recreational opportunities, deteriorated or abandoned public spaces, and a perception of lack of state presence.

The Government of Guatemala has prioritized a focus on citizen security, violence prevention, and peaceful co-existence over the last five years. In 2014, the Interior Ministry (MINGOB) through the Vice Ministry of Prevention (VMP) launched the National Violence and Crime Prevention (NVCP) Policy to address major risk factors of violence, such as youth unemployment, domestic violence, single parent households, and child maltreatment. A subsequent executive order established functions across line ministries for the operationalization of the NVCP and is still active. The Government also invested in capacity building for urban management, through its national plan for the next 20 years, K'atun: Nuestra Guatemala 2032, led by SEGEPLAN. As part of K'atun, SEGEPLAN has been developing master plans for various urban nodes, which would provide a regulatory framework for the adoption of land management plans for municipal investments.

The Government of Guatemala has also shown a strong commitment to address risk factors for crime and violence comprehensively and views the proposed Project as a potentially replicable model to address urban poverty and to reduce key risk factors of interpersonal violence in vulnerable communities of the GCMA. Community organization and civil participation are the fundamental basis for the activities of the NVCP Policy. In this context, local governments are instrumental actors in planning and managing the Policy at the territorial level and coordinating with community leaders and stakeholders through existing engagement mechanisms. Accordingly, the VMP sees the operationalization of the NVCP Policy in the MGCS as an opportunity to pilot and validate this community-based model for violence prevention. Piloting this in the largest metropolitan area of Guatemala and documenting this operational learning will benefit the VMP in scaling-up the proposed intervention at the national level in the future. Recently, the VMP has developed a typology of crime at the local level, which includes homicides, injuries, robbery, domestic violence, and sexual offenses, in addition to lines of actions to prevent and respond to these forms of violence. Thus far, all MGCS municipalities have analyzed incidence of crime and violence at the local level in order to develop profiles based on this typology. These municipalities have also signed agreements with the VMP to implement the NVCP Policy.

II. Proposed Development Objectives

The Project's Development Objective (PDO) is to increase access to basic urban infrastructure and services and to mitigate key risk factors of crime and violence in selected communities.

III. Project Description

Component Name
Integrated Package of Small-Scale Urban Infrastructure and Crime & Violence Prevention Interventions
Comments (optional)

Component Name
Technical Assistance for Capacity Building
Comments (optional)

Component Name
Project Management, Monitoring and Evaluation
Comments (optional)

IV. Financing *(in USD Million)*

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
<td>45.00</td>
</tr>
<tr>
<td>Total Bank Financing</td>
<td>45.00</td>
</tr>
<tr>
<td>Financing Gap</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For Loans/Credits/Others</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>0.00</td>
</tr>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>45.00</td>
</tr>
<tr>
<td>Total</td>
<td>45.00</td>
</tr>
</tbody>
</table>

V. Implementation

The Project will be implemented by the Ministry of Communications, Infrastructure and Housing (MICEVI), through the Fondo Social de Solidaridad (FSS) in close coordination with the MGCS and MINGOB. Through a Project Implementation Unit (PIU) that will be established within FSS for the implementation of the Project, FSS will be responsible for all aspects of Project implementation, inter alia, procurement, disbursement, accounting and financial reporting, safeguards, auditing, and monitoring and evaluation of the Project. While the PIU will be responsible for overall Project management, including fiduciary aspects, MGCS, MINGOB and the six Municipalities of the MGCS, will be key actors in Project implementation as well as beneficiaries of Project activities. The Project’s Operations Manual will clearly specify the relationship, roles and responsibilities between the PIU within FSS, other units within FSS, MICEVI, MGCS, MINGOB, the six municipalities, and MINFIN.

VI. Safeguard Policies *(including public consultation)*

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comments (optional)
VII. Contact point

World Bank
Contact: Augustin Maria  
Title: Sr Urban Spec.  
Tel: 473-7185  
Email: amaria@worldbank.org

Borrower/Client/Recipient
Name: Republic of Guatemala  
Contact: Julio Héctor Estrada  
Title: Minister  
Tel:  
Email: kagustin@minfin.gob.gt

Implementing Agencies
Name: Ministry of Communications, Infrastructure and Housing  
Contact: Aldo Estuardo Garcia Morales  
Title: Minister  
Tel: (502) 2362-6051/5  
Email: carrecis@comunicaciones.gob.gt

VIII. For more information contact:
The InfoShop
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 458-4500  
Fax: (202) 522-1500  
Web: http://www.worldbank.org/infoshop