

Results Profile: Guatemala



GUATEMALA

Protecting and Expanding Opportunities for Vulnerable Groups

Overview

Since ending its 36-year-long civil war in 1996, Guatemala has made significant progress toward macroeconomic and democratic stability. Assistance from the International Bank for Reconstruction and Development (IBRD) has focused on inclusive growth and reduction of historically high levels of exclusion by, for instance, reducing poverty to 51 percent from 56 percent over 2000-06 and raising net primary school enrollment to 95 percent from 85 percent through 2000-08.

Full Brief—5 Pages

[Guatemala: Protecting and Expanding Opportunities for Vulnerable Groups—PDF, Sept 2010](#)

Challenge

Central America's largest economy, Guatemala is a lower-middle-income country marked by social indicators that often fall below those of countries with far lower per capita incomes – in particular for the country's indigenous majority. To illustrate, 56 percent of indigenous households live in poverty, compared to 44 percent of non-indigenous households, and in 2006 nearly 70 percent of indigenous children suffered from chronic malnutrition compared to 36 percent of non-indigenous children. Due to historically low tax revenues (currently around 11 percent of gross domestic product), the government faces difficulties in locating the fiscal means to increase expenditures in education, health and infrastructure for excluded groups – all the more so as a substantial drug trade-induced rise in crime competes for government resources.

This situation has been aggravated since 2008 with successive fuel, food, and economic crises as well as several natural disasters – including a tropical storm causing US\$980 million in damages – which have put the progress made in the last decade in poverty and inequality reduction and health and education at risk.

Approach

IBRD lending and technical programs have supported the country's efforts to improve the lives of its people,

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74%

gross completion rates in primary schools, up from 67% in 2007

jeopardized by the impact of successive fuel, food and economic crises and natural disasters.

Results

This commitment is illustrated, for instance, by the Bank's support to the government response to these recent crises. To protect social expenditures and keep the momentum of social programs in the context of crisis-induced tax revenue declines, the Bank significantly increased its development policy lending, to US\$350 million in fiscal year (FY) 2010 from a planned US\$200 million alone. When tropical storm Agatha hit the country in mid-2010, causing almost US\$1 billion in damages, the Bank stood ready to support the country with US\$85 million in crisis response financing. These funds backed government rescue operations – for instance to evacuate over 150,000 people – as well as longer-term efforts to reconstruct public infrastructure.

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Similarly, investment lending operations have contributed to progress in expanding opportunities for vulnerable groups. The education project, for instance, has contributed to increasing gross completion rates in primary schools to 74 percent from 67 percent over 2007-09 in the country's 130 most vulnerable municipalities. It achieved this by, for instance, substantially strengthening teacher training and professional development. In addition, it has supported an increase in lower secondary gross enrollment rates in poor rural areas to 46 percent from 41 percent over 2007-09 by providing access to 'telesecundarias' in remote areas.

The health project for its part is executing civil works in currently 29 health clinics and infant and maternal health centers, contributing to an expected reduction in the ratio of indigenous to non-indigenous infant mortality in the project area by 10 percent. Related, it has contributed to an increase in family planning and reproductive health services for women to 54 percent from 43 percent through 2002 -09.

The 'Rural Economic Development Project' is currently providing technical assistance, credit and seed capital to 21 indigenous producer associations to enhance their productivity and market access. This target group is projected to rise to 120 associations with 15,000 farmers by FY2012. In addition, the project provides funding to elaborate participatory development plans in over 130 target municipalities, with approximately 4.5 million inhabitants, to facilitate orienting local investments towards the needs of the local, primarily indigenous population.

Moreover, a rural roads project is rehabilitating or improving close to 800 kilometers of roads, enhancing access to primary and secondary roads for a rural target population of 600,000, expected to rise to 900,000 by FY2012. These operations have been complemented by initiatives to improve public sector governance and transparency. The financial management project, for instance, has provided key support to establish the integrated financial management system Sistema Integrado de Administración Financiera (SIAF) and e-procurement portal Guatecompras.

Partners

In line with the Paris Declaration, IBRD actively pursues donor coordination, both at the political and technical levels. High-level harmonization includes active participation in the 'Grupo de Dialogo' in Guatemala, a donor harmonization working group with participation from all major bilateral and multilateral donors in the country. In addition, IBRD actively seeks opportunities for donor coordination at the project level. IBRD and the Inter-American Development Bank (IDB), for instance, provide joint financing (US\$30 million each) and undertake joint missions for the 'Rural Economic Development Project'; in addition, close

coordination for the project takes place at the technical level with other donors involved in rural development, among others the US Agency for International Development (USAID).

Toward the Future

The repercussions of the crises since 2008 have reinforced both the pertinence of IBRD program objectives and the urgency of its projects. Going forward, IBRD will sharpen its focus in FY2011 and FY2012 on operations that cover critical development needs in the aftermath of the crisis while setting the basis for an accelerated post-crisis growth. In this context, a FY2011 US\$100 million development policy loan under preparation is to protect social expenditures and safeguard the progress made on social indicators, the 'Rural Economic Development Project' is restructured to also provide financing for reconstruction of infrastructure damaged by the Agatha storm, and a 'Small and Medium-Sized Enterprise (SME) Development Project' is being prepared to enhance competitiveness of SMEs in key post-crisis economic sectors.