GUATEMALTECOS
MEJOREMOS
GUATEMALA

Let's give GUATE a chance

“Building a Guatemala that is more Prosperous, Safer, and with more Solidarity”
"We believe in a Guatemala that is more Prosperous, Safer, and with more Solidarity"
Contents

02 Editorial

04 Contributors

06 ENADE preliminary events

08 National Entrepreneurs Meeting

10 A Guatemala that is more Prosperous
The Importance of Entrepreneurship

12 A Guatemala that has more Solidarity
Alliance in Favor of Nutrition

14 A Safer Guatemala
Improving the Penitentiary System

16 Stronger Institutions
Employment Creation

18 Guatemala in Numbers
Diagnosis on Employment Generation

24 Proposal for the Creation of Employment

30 Events
ENADE preliminary events

31 Events
ENADE

34 Contest
Let’s give Guate a Chance

36 Opinion
CACIF is a Guatemalan institution created in 1957 by Guatemalan entrepreneurs; it is organized in different Chambers and Associations who recognize the need of creating a coordinating entity that promotes a larger approach and unifies efforts and actions, without reducing the part and activities of such organizations, to protect the Rule of Law, free enterprise and individual dignity.

FUNDESA is a private, non-profit organization, created by entrepreneurs, independent from sector-based, guild, or partisan interests; created in 1984 from the interest of Guatemalan entrepreneurs to generate and implement programs and projects that boost the country’s economic and social development in a sustainable way.
Editorial

Dear reader; the second edition of our magazine from the initiative, Guatemalans, let’s improve Guatemala (Guatemaltecos Mejoremos Guatemala), is published at difficult times for the Guatemalan people, suffering the effects of the 7.2 magnitude earthquake that struck our country on November 7. We regret the loss of lives and personal effects, and our solidarity goes to those who lost loved ones. We make a call to solidarity, specially for those Guatemalans who are still living under difficult conditions, in the departments that were the most affected such as San Marcos, Quetzaltenango, Quiché, Totonicapán, and Sololá. The business sector has joined in the efforts to deliver food and essential items through different collection centers; we ask for your collaboration at these times of urgent need.

The second edition of our magazine illustrates the initiative’s progress in the different areas it works on. Guatemalans Let’s Improve Guatemala, seeks to reach a country that is more prosperous, safer, and has more solidarity, as well as the strengthening of government institutions.

In this sense, this edition begins with an article that emphasizes the importance of entrepreneurship to create employment, which sums up the recent study from the Competitiveness Private Council (Consejo Privado de Competitividad) under the title The Entrepreneurial Ecosystem in Guatemala (2012). This article summarizes key aspects of the national agenda to improve entrepreneurship. You will also find an article from the Alliance in Favor of Nutrition (Alianza por la Nutrición) and progress on prioritizing the issue of national chronic malnutrition. On safety and security matters, we have an article that provides precise actions to improve the penitentiary system. We present a summary of law initiatives to encourage transparency and to facilitate job creation in the country. The Proposal for Job Creation was presented during the National Entrepreneurs Meeting held October 11, 2012 (Encuentro Nacional de Empresarios ENADE 2012) as well as the different details of the event.

This edition also contains the collaboration of two columnists who give their opinion on luminous companies and on competitiveness. We hope that you enjoy this second edition and that we are able to strengthen dialog and encourage solutions to reduce poverty in our country. You can follow us on Facebook and Twitter and follow the discussion using the hashtag #DémosleChanceAGuate.
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Speakers from the ninth edition of the National Entrepreneurs Meeting 2012 (Encuentro Nacional de Empresarios ENADE 2012), met with politicians, civil society and entrepreneurs.

Previous to their participation in the plenary activity of ENADE 2012, international speakers held several meetings with representatives from various sectors, with the objective of searching mechanisms that allow the country to generate more employment for Guatemalans.

Dr. Alejandro Toledo, President of the Republic of Peru (2001-2006) met with the Board of Directors of the Honorable Congress of the Republic, the Heads of the different legislative bodies, and General Secretaries of the political parties to discuss the legislative agenda 2012-2015 with the purpose of promoting a greater economical and social development in Guatemala. Several political leaders could consult President Toledo on the events that lead Peru to grow at a sustainable rate of +6% and how the Guatemalan political sector can aid to attract investment. As part of the discussion, President Toledo spoke of the laws issued in Peru to guarantee incentives that promote greater investment rates, emphasizing on initiatives that made those investments reach intensive projects in the capital city. He also discussed open dialog mechanisms created to reduce internal conflicts, and with this, search for actions that will allow the creation of more formal employments in Guatemala, especially in rural areas.

President Toledo met with indigenous leaders to discuss actions taken in Peru that created to agreements which reduced the energetic matrix of his country and brought investments to the capital city; such was the case of hydroelectric power plants and other projects focused on renewable energy. Different indigenous leaders could hear the testimony of President Toledo on how he came from humble origins, and how he improved himself thanks to continuous education, a factor that all agreed is fundamental to generate higher social and economic development in the country.

Dr. Álvaro García, Minister-Secretary of the Presidency of Chile (2000-2002), who has recently appointed as consultant of the United Nations Program for Development, met with columnists and opinion leaders to talk about the importance of a national Economic and Social Council (ECOSOC).
During the meeting he commented on how emergency situations appear in different countries, such as the case in Holland during the Nazi occupation, where the most important union leader of that country hid in the house of the main industry leader, knowing that no one was going to look for him there. Both lived together during World War II and came to the conclusion that the only way out of the critical situation they were going to face was to reach an agreement. He also spoke to the beginnings of ECOSOC in France, established in the Constitution of 1958, part of the pacts that Charles De Gaulle made, also during the Nazi resistance, with communists, socialists, and union movement; French employers and farmers from abroad joined.

He was also met with members of the Chamber of Industry (Camara de Industria) and Chamber of Agriculture (Camara del Agro) to speak of the benefits for having an Economic and Social Council in Guatemala as a partner of the State, with independence, that proposes public policies.

Mr. Alberto Padilla, journalist and economic analyst, who met with mayors from different municipalities, with the objective of discussing the actions local leaders can take to have an agenda that attracts investments to their regions. During this lunch, mayors from municipalities in the countryside, as well as some from the metropolitan area learned about the necessary independent tools to evaluate investment in the municipalities, such as the index from the Municipal Doing Business, prepared by the World Bank and other initiatives such as How are we doing? (¿Cómo Vamos?) from Colombia and Brazil.
Last October 11, the ninth edition of the National Entrepreneurs Meeting took place, organized by the Fundación para el Desarrollo de Guatemala – FUNDESA -. Different leaders from several sectors of the Guatemalan society presented during the event a technical proposal to achieve economic growth over 6% as a necessary condition to reduce poverty.

The event was opened by Eng. José Miguel Torrebiarte, President of ENADE 2012, who, after pointing out the need to generate employment in Guatemala, emphasized the importance of growing at a higher rate, since most of the social problems the country faces (poverty and extreme poverty) are related with the economic growth generated during one year.

Eng. Torrebiarte invited the Nim Winak U Na be' K'amal be' from Chuwilá, Santo Tomás Chichicastenango, Mr. Tomás Calvo to the podium. Don Tomás (Don in Spanish is used instead of mister, a respectful way of addressing a person) is the head of a "principals" network who ensure order and justice in the communities in the countryside of the Republic. In his message he stressed the importance of working together to achieve a different Guatemala. His message was conciliatory and full of hope; he thanked our Creator for the life of those who desire a better country.

Salvador Paiz, Director of FUNDESA, gave a presentation in which the alarming unemployment, malnutrition, and education rates in Guatemala were exposed; he also presented a series of initiatives that should be implemented to boost the growth of the country and improve such indicators. At the end of his presentation, Salvador Paiz invited the President of the Republic, Otto Pérez Molina and the representatives of the cabinet of his government, the President of the Supreme Court of Justice, Attorney at Law Thelma Aldana, to start "pedaling" for the generation of employment in the country. In a symbolic act, representatives from the government, the private sector, and civil society got on bicycles to "pedal" together in favor of the country.

Doctor Álvaro García, Minister-Secretary of the Presidency of Chile (2000-2002), who has recently been appointed as consultant of the United Nations Program for Development, talked about the importance of an Economic and Social Council to reach a consensus that promotes the country’s economic development.

Mr. Alberto Padilla, Journalist and economic analyst, was the moderator of a panel discussing long-term policies and their implementation in favor of development, created by Guatemaltecos Mejoremos Guatemala, where the following guests were present:

- Mauricio López Bonilla, Minister of the Interior
- Sergio de la Torre, Minister of Economy
- Lucy Lainfiesta, Minister of Social Development
- Representatives of the Economic Social Council: Guillermo González, José David Morales, Rodolfo Orozco Velásquez
- Congressman Oliverio García Rodas, President of the Legislative and Constitutional Matters Committee of the Congress of the Republic

PRIVATE SECTOR LAUNCHES AN INITIATIVE TO CREATE

1.2 MILLION FORMAL EMPLOYMENTS

The National Entrepreneurs Meeting invited attendees to actions to catalyze...
Felipe Bosch, President of FUNDESA, urged Guatemalans to engage in dialog and truly listen in order to change the country’s route and to work together for a better Guatemala.

Dr. Alejandro Toledo, President of the Republic of Peru (2001-2006) participated in ENADE 2012. Dr. Toledo shared with the audience the experience of the “Peruvian Miracle” that has taken Peru to an annual growth rate higher than 6%. He reinforced the need to invest in the training of young people, in education and health, and in the generation of diversified growth in different sectors, such as agricultural industry, tourism, science and technology. He emphasized on the importance of maintaining a dialog with indigenous groups to search for viable and inclusive solutions that allow the attraction of more investment and employment. Dr. Toledo stressed the vital importance the Congress of the Republic, the Executive Power, and the Justice administrators have to attract foreign investment and to increase economic growth levels.

The President of the Republic, Mr. Otto Pérez Molina, pointed out the achievements in the reduction of homicides rates and the work that is still needed to be done in the next three years, in which safety and job generation in the country will be priorities.

You can find the proposal of ENADE 2012 on employment generation in Guatemala on page 19.
Entrepreneurship has become a notorious issue, not just in the academic area, but also in the political, economic and social life of many countries. Today, numerous universities invest large amounts of funds in entrepreneurial research, governments design strategies to promote it, and almost every country has base organizations that generate initiatives to promote the increase in the entrepreneurial activity (The Ecosystem of Entrepreneurship in Guatemala, CPC 2012).

Why the focus on entrepreneurship?
Let’s remember the last employment rates in Guatemala. During the last 10 years, nearly 1.4 million people have entered into the productive sector; but the economic structure was only able to generate 200,000 formal job posts. The majority of people who enter the job market are underemployed, without an employment, or had to migrate to the United States of America; this situation illustrates the importance of promoting entrepreneurship.

At the end, we have three options to boost the economy and generate more employment:

1. To strengthen existing companies
2. To attract foreign investment
3. To create new companies

These options are not mutually exclusive, but only by combining them can the employment gap be closed.

Options 1 and 2 have their actions clearly identified. The Competitiveness National Agenda aims to create a favorable economic environment to existing companies and to attract investments. Additionally, there are entities in the country that lead in working these areas, such as FUNDESA, PRONACOM, and Invest in Guatemala.

Those activities that promote competitiveness have a positive impact on new companies in the country; however, the agenda and responsibilities on promoting entrepreneurship are not that clear.

The Vice-Ministry of Development of the MSME is the entity in charge of developing micro, small, and medium-sized enterprises and has a policy focused on two axes. The first one focuses on the creation of spaces to promote and facilitate social networks between entrepreneurs; the second one, focuses on the reduction of risks associated to the opening and closing of a MSME. A recent study of the Competitiveness Private Council or CPC (Consejo Privado de Competitividad) titled The Entrepreneurial Ecosystem in Guatemala 2012 (El Ecosistema de Emprendedores en Guatemala) discovers that, besides the Vice-Ministry, there are 61 actors that support entrepreneurship in the country. The majority of these actors focus on the MSME (46%), followed by those who do
not have a particular focus (26%), those who do not show any activity (16%), and only 11% is dedicated to support dynamic entrepreneurship. According to the study, these efforts have two main weaknesses: 1) Little coordination between the parties involved; and, 2) A breach in the initiatives incubating the dynamic projects.

This second weakness requires special attention in the context of the lack of employment in Guatemala. Specialized literature stresses the importance of dynamic entrepreneurship to generate employment. This entrepreneurship is not created by needs but by capturing great business opportunities and has large growth rates. While supporting MSMEs is crucial to improve the life conditions of entrepreneurs and their families, dynamic entrepreneurship is essential to accelerate job generation in the country; at this moment, there is no clear agenda to encourage it.

GEM (Global Entrepreneurship Monitor) results show the need to have this agenda: during 2009 only 1% of Guatemalan entrepreneurs planned to generate 10 or more job posts, compared with 11% in Peru or 37% in Colombia. Following this line, 31% of entrepreneurial activities in Guatemala were created by opportunities, while in Peru it amounted to 42% and to 45% in Colombia.

If Guatemala wants to close the employment gap, a dynamic entrepreneurial agenda must be defined to complement the work in the areas of competitiveness and investment promotion. The following key issues for this agenda are:

1. The improvement of coordination between organizations in the entrepreneurial ecosystem and closing specific support breaches.
2. Formalizing the channels of risk financing.
3. Enlarging markets for new companies through programs for providers.
4. Improving the business environment for new companies, especially to facilitate their opening and closure.

There are advances in some issues related with entrepreneurship, such as the proposal of the Bankruptcy Law that FUNDESA works on with the Vice-Ministry of Development of the MSME and the Inter American Development Bank. However, Guatemala still needs a more concerted effort in the dynamic entrepreneurship area to increase the employment generation, something that the CPC considers a priority. The study “The Entrepreneurial Ecosystem in Guatemala” is only the first step in setting a foundation that will allow us to work in determined issues in the collaboration with the other parties of the ecosystem.
The Alliance in Favor of Nutrition is an institution composed by members of the private sector who are conscious that chronic malnutrition, or stunting, is the most important problem that affects Guatemala, where 49.8% of children who are under 5 years old suffer from it. The delay in reaching the optimal growth begins from pregnancy until the child reaches two years of age (a total of 1,000 days). If we want to prevent chronic malnutrition, we must intervene during the window of opportunity of the first 1,000 days. Chronic malnutrition is also a problem related with the development of the country, its inequity, and its long-term competitiveness level.

Why?

Chronic malnutrition in a child 0-24 months old has a great impact in its brain development, since irreversible metabolic and structural alterations occur. An undernourished child does not develop synaptic connections, cell division, dendrite growth, myelination, or glial cell production, which are necessary for an optimum development. The result is a smaller, lighter brain with less neurological connections. As a result, the visual, auditory, language, and motor development are affected, just like learning capacity, behavior, and the ability to regulate emotions. Therefore, the child’s academic performance and thus human capital are cut short. Chronic malnutrition causes limited opportunities to the country’s socioeconomic development.

The problem begins during the mother’s pregnancy. Guatemalan mothers are characterized for their low height (less than 145 cm.), being obese and anemic. These features limit intrauterine development and are risk factors for having preterm babies and/or having babies born with low birth weight (less than 2,500 grams). The problem continues due to the lack of the early initiation of breastfeeding, within the first hour of birth, the lack of exclusive breastfeeding during the first six months of life, and deficient complementary feeding practices starting from the sixth month.
It is worth mentioning that chronic malnutrition is not the same as acute malnutrition or thinness. Acute malnutrition is caused by a low intake of food in a short period of time that leads to a fast loss of weight. Prevalence of acute malnutrition in children under five years old in Guatemala is 1.1%, lower than the expected in a normal population. There are cases of acute malnutrition in Guatemala, especially in the dry corridor. It is necessary to take care of these cases. However, it is important to avoid being carried away by sensationalism and distort the nutritional priority in our country which is chronic malnutrition.

Nutrition is an economic investment, an engine to economic growth. To ensure a more certain future to Guatemalans, the Alliance in Favor of Nutrition has decided to face the nutritional problem that affects our population. Solving this problem requires the collaboration of government entities, the private sector, and civil society. The Alliance is looking after the long-term commitment of these groups to solve the problem.

During the past months the first members of the Alliance and its mission have been defined. Competences and involvement areas of the members have been established. The chronic malnutrition situation in the country has been put in evidence and the risk of not tackling it immediately has been evaluated. Several key actors that have direct action on the issue have been identified and a collaborative relationship with them has been started. The evidenced and cost-effective interventions that will be promoted to reduce chronic malnutrition have been agreed.

Guatemala has lowered its malnutrition prevalence in less than 1% per year during the last 15 years. If we keep this pace, we may take four decades to eradicate the problem of chronic malnutrition in the country. This is why in 2013, the Alliance in Favor of Nutrition seeks for a turning point in the pace of change. It aims to make this change by ensuring the evidenced and cost-effective interventions to treat chronic malnutrition are implemented in the country. To have these interventions implemented, the Alliance aims to have incidence in public policies to kick-start a state agenda. It also aims to generate evidence to help guide and modify national nutrition policies and programs through the promotion of a monitoring and evaluation system; it also pretends to generate social demand to have essential public health services needed to reduce chronic malnutrition reach every Guatemalan family.

1. ENSM 2008/09.
3. ENSM 2008/09.
Improving the Penitentiary System to Improve the Safety of Citizens

By Corinne Dedik, Researcher at CIEN

We know that prison inmates extort from the penitentiaries. But, do we know that 90% of these crimes are made from within penitentiaries? Numbers speak for themselves and clearly prove that significant changes in the Penitentiary System are urgent.

The lack of an appropriate physical infrastructure is an indication of the abandonment this institution has suffered for several decades. With a budget that barely covers the functioning costs, it is not possible to invest in new infrastructure, personnel training, and new rehabilitation programs for the inmates.

This institution is in charge of the 22 penitentiaries with almost 14,000 inmates. If we compare our rate of 91 inmates per 100,000 inhabitants, we can see that Guatemala is one of the 30 countries with the lowest inmate population despite being one of the most violent. Still, our occupation rate reaches 210%; this places our country within the 30 countries in the world with the highest overcrowding levels.
inmates. There are many basic shortcomings that prevent from having a penitentiary system that fulfills the purpose of providing citizens’ safety, internal safety and an effective rehabilitation, as the law provides.

The Government commits in investing on the improvement of infrastructure and new technologies for the next year. We consider that this effort must be done along with training and dignifying the human resource to attain a better service. During the first semester of the year, no new penitentiary agents have been trained because the training entity lacked premises for the initial program; as of today, this problem has not been solved. As a consequence, the applicants from the newly-graduated promotion were placed in tents during the training period. The 145 guards graduated from an “express” two-month initial course, while previously that same course took five months. These new guards will begin soon their custody work without incentives for making a career in the institution, since there is not a promotion system. It is urgent to retake a systematic training and implement a career that has promotions, specialized training and dignified salaries.

The Government promised to improve the citizens’ safety, but it seems that it is not a priority to strengthen the Penitentiary System. Therefore, if the importance of this institution to prevent future crime is overlooked, the violence rates will not be lowered as much as we all want.
The Organization for the Economic Cooperation and Development (OECD) is an entity that promotes policies that improve the economic and social well-being of people around the world. In 2004 it published its “Principles of Corporate Governance.” These principles are guidelines for higher economic development for member countries and those countries in process of becoming members. The OECD proposes to improve and harmonize the relationship between managers and the investors of enterprises.

Their main ideas are:

A - Achieve the highest economic and employment possible growth and to raise the standard of living in member countries, maintaining financial stability and thus contributing to the global economic development,

B - Contribute to a healthy economic expansion of member countries as well as non-member countries in the process of economic development, and

C - Contribute to the expansion of world commerce on a multilateral and non-discriminatory foundation, in accordance with the international obligations.

There is a lot of talk concerning corporate government as a management model in societies. Now, these principles can be used by governments as an efficient operation mechanism. Guatemala could use them without having to adhere to the OECD; it should only have to follow the ideas presented. To do so, it is necessary to have laws that allow it to reach the proposed goals. In the first edition of *Guatemaltecos Mejoramos Guatemala* we speak about the importance of approving the transparency laws. It is in these proposals where we can see how the ideas suggested by the OECD can be implemented.
The draft of the “Ley de Fortalecimiento de la Transparencia y la Calidad del Gasto Público” (Known as Initiatives No. 4461 and No. 4462, Transparency Strengthening and Public Spending Quality Law) aims in its Book IV to reform the Civil Service Law. This part of the project was placed aside to have a comprehensive review. This should not happen, since the stability of civil service must be ensured. Although it does not look for new employment posts, the existing posts would be stabilized and would give public employees the right to make a career.

This draft holds reforms to the law of the Tax Administration Superintendency; there is a disposition included that aims for the Superintendency to propose and coordinate the execution of the appropriate policies and strategies to incorporate the informal sector to taxation. With this, many informal employments would become formal. The fact that the informal sector pays taxes would help the Government, theoretically speaking, have more funds to invest (even on this sector that became formal), reduce the black market that comes from smuggling or from crimes, such as thefts. It would be a step forward to the creation of formal employment.

These are just two examples of the positive consequences the “transparency package” can bring. Employment guarantee in civil service, the conversion of formal and informal employments, and the strengthening of the State institutions have an intimate relationship with the approval of the “package”. If we think on the longer term of a State with stronger institutions, the “transparency package” will also influence future national or international investments in our country.

If we take a look to the way Guatemala was 25 years ago, we will notice that the story we wrote is not as promising as we expected. In 1989, the percentage of the population living in poverty in Guatemala was 58%; in 2006, the percentage of the population in poverty was higher than 51%; and on 2011, the last registered record, poverty conditions reached 53.71% of the population, with more than 1.96 million people living in extreme poverty.

Evidence shows us that we have not been able to make the economy soar during the last 20 years; this situation has left Guatemala with serious social debts. As a reference, in average, the country grows 3.72% per year, a level that is way below the necessary minimum to eradicate the poverty conditions in the country.

Why do we emphasize the importance of growing at a faster rhythm?

Because the majority of the social problems the country faces, beyond poverty, have a direct relationship with economic growth. The economic models designed to estimate the growth rate that would allow us to reach the Millennium Development Goals by 2021 show us that the country should grow above 6% per year during the next 10 years.

Following this line of ideas, the problem we face is how to reduce poverty through the generation of more income to individuals, whether directly through a stable employment or though the access to public services. However, both options need that the working force of the country to have higher productivity levels, which will have a direct impact on the economic growth rate.

The following table shows our approach on the two possible schemes to reduce poverty in the country. The first, through direct income generation, and the second, through the inclusive access to public services, its financing depends on the rhythm the economy grows.
Generation of more Income

Participation in national economic activity through formal employment, with high sophistication levels

Contribution to the economic activity through entry to productive self-employed businesses (SMEs)

Access to Public Services

Inclusion of the most vulnerable sectors in the delivery of education, health, and infrastructure services

Attention to people in poverty conditions with targeted interventions together with the fulfillment of co-responsibilities
The first scheme aids the generation of income through a larger contribution to the economic activity, from a stable employment or by endeavoring in entrepreneurship initiatives. This scheme will be the foundation to reduce poverty in a direct way in the benefited, while it will provide with the necessary contributions to improve the life conditions of the most vulnerable sectors, identified in the second scheme. However, the impossibility to increase the number of people who generate income in a direct form will result into an unsustainable system since it reduces the ability to channel resources to the provision and access to public services.

This is precisely the point on which we want to focus our proposal, because a Guatemala that is more prosperous means the generation of more and better income sources, and having the necessary resources for the State to take care of the most vulnerable groups. The reduction of poverty and inequality is our long-term objective; however, the first challenge we face is how to generate opportunities for people who aim to contribute in this hard task by the better use of their productive capacity, the most important asset in our society.
In a country like Guatemala, where 70% of the population is younger than 30 years of age, and approximately half of it (53%) has less than 20 years, the need to generate enough employment posts to include them in the economically active population – EAP - increases every year. This population group includes all those people who are 10 years or older, who are working or searching for a work. According to the most recently available information, EAP in Guatemala comprises 39.8% of the population (information from ENEI 2010 and ENCOVI 2011).

The structure of the EAP is 63% male and 37% female; the majority of the workers are located between 25 to 45 years. However, our interest is focused on the group of young people between 14 and 20 years, that is the young people who join the country's labor force.

Taking as reference historic information between 1989 and 2011, every year in average 140,000 young people between 14 and 20 years old, join the EAP; however, the tendency has been decreasing as years pass by. This decrease is mainly caused be a lower demographic growth rate, as well as by a greater migration between 2000 and 2006.

Now, as the previous graph shows us, the scope of the challenge we face is determined by the number of people who, every year, cannot incorporate in any of the two income-generating sub-schemes we propose, either through a formal employment or by taking in any of the entrepreneurial models. The information available varies depending on the source; however, in average, approximately 20,000 formal posts are created every year, either as employments in any of the productive sectors of the country or through entrepreneurial initiatives under the model of small and medium new enterprises.
It is important to mention that there are entrepreneurial initiatives, especially in the rural area, that basically aim to self-employment and subsistence, not being relevant the creation of new employment opportunities. These initiatives do not fit in our scheme for generating income since their main objective is to obtain the minimum income to cover the needs of the closest family circle; for this reason, they are an inefficient alternative to reduce poverty in the most vulnerable sectors.

Finally, it is necessary to clarify what we mean by declaring that our challenge is the creation of formal employment. There are three conditions that turn a source of employment into an employment that generates income to contribute to the reduction of poverty:

1. **The worker generates enough income to guarantee a dignified lifestyle for old age.** Affiliation to a pensions system promotes the creation of a savings fund that covers the worker’s needs in the future.

2. **The worker generates enough income to improve his abilities.** The productive potential of a worker is determined by his aptitudes, which can be increased through training and professionalizing.

3. **The worker generates more income than the resources he consumes.** The most important factor that determines if an employment is formal is that the worker contributes to the generation of income to guarantee the provision of public income, for his own use as well as to help reduce poverty in the most vulnerable sectors.

If these three conditions are fulfilled, we also contribute to reduce the collateral problem that the lack of formal employment generates, which is the informal economy. This area has been growing during the last 10 years, from 2.9 million people on 2000 (62% of EAP) to 4.1 million people on 2006 (75% of EAP). According to data from ENCOVI 2011 and IGSS, today this item has almost reached 82% of the EAP, or more than 5 million people.
This condition has a negative impact on the most vulnerable sectors of the society, not only for the little certainty on income stability, but also because it does not allow a contribution in the fight against poverty conditions. Neither does it allow workers to turn this experience into a cumulative asset through the years, because it does not have references on their performance that certifies the abilities acquired. Finally, informal businesses do not have the opportunities to increase their productivity, such as access to credit, acquiring machinery, entering in international markets, and the certainty of contracts fulfillment.

From now on, our goal is to identify the obstacles to the creation of new formal employments, which would be the foundation of our economy. Recognizing the causes will make it easier to propose efficient solutions.
The creation of formal employment is the main way which will boost the country’s economic growth. There are no shortcuts to create more resources that allow us to reduce the poverty living situation that affects more than seven million Guatemalans. If we cannot find a way to make more income, there will be no resources to improve the quality of life for Guatemalans.

Just like an airplane before taking flight, if we do not reach minimum speed, our economy will not take off, which is why we insist on accelerating the growth speed. Historically, the country grows at a 3.72% annual rate, equivalent to saying that it will take us 20 years to double the income of Guatemalans.
The average income of a Guatemalan, measured as GDP per capita is **US$3,178 per year** according to the most recent statistic of the World Bank (2011). However, with this income, the amount and quality of what we can consume is quite precarious. The growth speed of our economy only allows us to preserve the current standard of living, not allowing us to aspire towards considerable improvements.

If we continue growing at the same rate we have done until now, none of the MDGs will be reached before 2021. On the other hand, we can see that we would have to wait until 2040 to reach our goal of reducing poverty (31.4%). What’s more, even if our growth is between 4% and 6%, we will not be able to fulfill all our MDGs before 2021; we need a bigger effort.

According to our estimates, our average growth should be, for the next 10 years, an **annual rate of 6.34%**. With this speed, we would reach the MDGs before 2021 and the average annual income of Guatemalans would be 40.8% higher per year than the one they have today, which means approximately an additional US$1,3000 that would allow people to boost consumption and at the same time generate more resources for the provision of public services.

**WHAT ARE THE OBSTACLES THAT WE HAVE TO OVERCOME?**

Until now, we have tried to show the common thread of the desire of a better Guatemala, the growth level needed to achieve this goal, and how this can be achieved only through the creation of more formal employment.

After working hard with representatives of the productive sectors, the central point of our analysis was to identify obstacles that prevent the generation of more formal employment sources. Using the methodology of the “economic growth constraints analysis”, four items that prevent the creation of employment in the country were found:

1. **Skills for quality employment**
2. **Urbanization of the countryside**
3. **Limitations of the basic infrastructure**
4. **Costs due to insecurity**
Forming human capital is based on the accumulation of factors that contribute to the development of the individual; isolated interventions are not enough, continuity of the process is critical. We stress the two factors that have a greater impact on a person’s productive capacity are the nutrition level and the technical training received.

**Urbanization of the countryside:**

During the last years many entrepreneurs in Guatemala have significantly contributed to diversification of the economy to the countryside; however it would be mandatory to continue with the urbanization process in order to have this phenomenon continue growing. When we speak of urbanization, two ideas must be clear: 1) It is a process that more than just basic services, and 2) the type of urbanization promoted will depend on the particular competitive conditions of each specific territory.

We must point out the importance of promoting development clusters outside the urban zone of the metropolitan area, this will reduce migration to this territory, since this causes low capacity in providing basic services as well as the rising expenses in other services such as housing and transportation.

**Limitations of basic infrastructure:**

Interconnectivity with the rest of the world makes commercial possibilities extend to new markets. A larger investment in infrastructure not only means more communication between communities but it also is the medium through which the economic activity with other countries and tourism are promoted; all this has a positive effect on the balance of payments of the country.

The most important issue on which we call the attention is the **cost of electricity**. Compared with other Central American countries, according to CEPAL, Guatemala is the second country with the highest averages per kW/h – around US$ 0.1791-.

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By overcoming these obstacles, the creation of employment will be easier, not only to cover the number of new young people who join the EAP but also to overcome the informality and subsistence condition that a large percentage of Guatemalans face. By pointing out these four items as priorities, we can underline the importance of **concentrating our efforts in those areas that will have a greater impact**, optimizing the use of available resources, without falling into inefficiencies or superfluous spending.

Next we provide a short description of each one of these items:

1. **Skills for quality employment:**

   In every person’s life cycle, his productive potential will be determined by his physical and mental abilities. During the first stage of development, even during pregnancy, the individual’s physical and mental conditions are the most vulnerable. These conditions are reinforced during childhood and adolescence.
WHAT IS OUR PROPOSAL?

A better Guatemala is possible, but we need that everyone is committed in the improvement of the living conditions for everybody. The first point we would like to emphasize is that we face a reality with ambitious challenges, and the only option is to have high aspirations because the only way to revert the poverty and inequality conditions in the country is through the generation of quality employment.

The problems that Guatemala faces are very complex and the best way to face complex problems is by disassembling them in their different parts. Being able to analyze the problem in small working areas helps us to identify micro solutions to macro problems and to prioritize solutions by their impact levels and implementing difficulties. Our objective is to show how we can obtain the desired results, betting for those alternatives that show a better cost-effectiveness relationship.

Following the same scheme on the factors that constrain employment creation in the country, we outline the measures that, as a country, we must take, as follows:

Skills for quality employment:

A person who lives in poverty conditions cannot be automatically seen as a dangerous agent for society; that is, poverty is not a trigger for violence. Nevertheless, high violence indexes have a negative impact on the business environment, reducing the country’s capacity to attract new investments. This is the reason why we see work in favor of safety and justice as necessary to improve the business environment in the country, which will translate into higher levels of economic growth. Being able to guarantee the lives and properties of people is the main factor taken into account before beginning a productive activity.

In the nutrition issue we have advanced in classifying the possible interventions that can be done to improve the conditions in the development of a child during the period in its life when results are greater. To efficiently tackle a reduction in chronic malnutrition, four areas must be worked simultaneously, prioritizing resources to the interventions closer to the “1,000-day window”, which besides being more effective, have the lowest costs.

### Supplements and Food
- Fortified foods
- Iron and Zinc supplements
- Micro-nutrients
- Therapeutic feeding

### Health
- Basic supplements for pregnant women
- Basic attention
- Antiparasitics

### Infrastructure
- Safe water
- Saving stoves

### Training
- Breastfeeding
- Hygiene practices
- Feeding practices
In children and young adults, the variable with the highest impact in productivity is education. In Guatemala the head of a family with less than 10 years of working experience would need 12 to 14 years of education to take his or her family out of poverty. Quality and quantity of the education system must be improved; quality should be measured through standardized tests to students as well as teachers.

2 Urbanization of the countryside:

The promotion of medium-sized cities as alternative development sites all over the country allows the decentralization of development processes. The common denominator in these cities is the blossoming of productive projects, through agricultural and industrial entrepreneurship with a high participation level of communities in the Development Councils.

These medium-sized cities must have reinforced urbanization elements, such as the creation of storage centers, the development of logistic services and transportation centrals, the proper waste management, investment in housing, expansion of the health services network and training centers, as well as increased participation of the banking system through credit mechanisms.

Meanwhile, it will also be necessary to promote conditions in favor of competitiveness in these cities and incentives to create companies, and to create industrial parks. Although there is not much work done on this, we must rethink the wage schemes defined in the Minimum Wages Law, as well as the possibility of establishing differentiated tax rates applicable to specific areas of the country.

4 Promotion of a safe Business Environment:

The first link of the chain we must reinforce is recruiting and training police officers, a key issue to generate confidence in citizens and entities in charge of safety. However, along with this increase in the human resources, justice must be prioritized in the national budget as well as the inter-institutional cooperation—task forces—by using investigative intelligence to successfully ensure the protection of the citizens.

We wish to note that several actions go hand in hand, sequentially, and each one has to work in a parallel form at the moment of tackling weaknesses in the chain of combat against insecurity. Our work aims to make recommendations from preventing crimes to rehabilitating the criminals.

On prevention, we have advanced by implementing the project Safe City (Ciudad Segura) and with the inter-institutional coordination platform ALERTOS. This a citizen’s assistance model based on preventing violence by recovering public spaces, attending traffic and health incidents, and managing crises. With the participation of government institutions, local authorities, and neighbors and residents associations, we have reduced crimes by 40% during the first year; we began on the hotel area on zona 10, and our aim is to expand the scope of this initiative to other zones and regions of the country.

3 Investments in Basic Infrastructure:

Aside from the amount to invest, we would like to highlight the importance of having an investment plan that takes charge of improving infrastructures instead of their maintenance. Empiric evidence shows that multiannual plans for the maintenance of infrastructure contribute to the growth of exporting supply while having a positive impact in communities.

Our proposal is to retake the Multiannual Plan of Priority Transportation Works, which has clear guidelines for investment in roads and airports infrastructure, as well as the necessary mechanisms to evaluate and control their advances. This work must be supported also by the proper financing guidelines through Public-Private Alliances.

Finally, we call for the continuity of the work of the National Comission of Electric Energy (Comisión Nacional de Energía Eléctrica) to define concrete strategic plans to modify the energetic matrix of the country, for a better use of energy coming from renewable sources. To find investors in this sector—especially in the countryside—it is essential to reduce the conflicts that hydroelectric projects generate in communities through dialog and negotiation.
WHAT THINGS ARE STILL TO BE DONE?

The country still has pending challenges that should be oriented towards strengthening the institutions in charge of sustaining the economic growth, working in favor of achieving more transparency in managing public funds, consolidating penalty schemes that applies regulations related with accountability, generating positive signals about combating violence - which will promote higher investment levels in the country - and finally, expanding the scope of participation of vulnerable groups, consolidating with this a commitment between the parties to achieve higher levels of inclusion and development.

It is necessary to aim our work towards improving the country’s governance, but not just for the positive impact it will generate in the evaluation of the country and the investors’ perception regarding the attractiveness of the country to invest resources. It will also be important because a country with higher governance levels allow a flourishing pacific society that respects the juridical order, along with a social coordination that guarantees people their liberties, civil, social, political and cultural rights.

Strong institutions are the necessary basis to begin outlining an economy capable of improving the living standards.

We realize that we do not need great actions nor the coordination of a large number of institutions to reach the objectives set; however, all the parties must commit to make things happen. Coordination will be essential among the public sector, the private sector, the civil society and the media; we must emphasize that each party should perform its work with a guideline of concrete results, being efficient and righteous in the use of resources.
During the ninth edition of ENADE, before participating in the plenary activity, the international speakers met with representatives from different sectors, including public officers, entrepreneurs, indigenous leaders, union members, cooperative members, columnists, opinion leaders, and civil society leaders with the objective of engaging in a dialogue about opportunities for the generation of employment for Guatemalans.
On October 11, ENADE took place. Several sectors of the country met to listen to a proposal prepared by FUNDESA with the motto “Démosle chance a Guate, reduzcamos la pobreza a través de la generación de empleo” (“Let’s give Guate a chance, let’s reduce poverty through the generation of employment”). T.N.: in Spanish, the word chance means opportunity, using it colloquially in Guatemala the word also means a job. The author of this motto played with both meanings of the word) with the purpose of providing Guatemalans the opportunity of obtaining a formal employment, boosting the economic and social growth to improve the living conditions in the country.
Win tickets!

During the ninth edition of the National Entrepreneurs Meeting, FUNDESA realized a contest to win tickets to the event through its social networks. The contest consisted in sharing an image that reflected how to give Guatemala a chance through the generation of employment. These are the photos that won tickets to attend the National Entrepreneurs Meeting.
One of the ways to “Give Guate a Chance” is by taking education and development opportunities to the population in the countryside, in order for this population to improve their skills, abilities, and training, which will allow them to find an employment and join the productive and economic sector of our country.

“Working in search of opportunities to have young people busy and motivated to work for Guatemala.”
The hectic competition caused by globalization has turned upside down the old paradigms of international commerce.

After observing the commercial dimensions of the great powers of the world, I have the feeling that the matter is not just competing in a global market of low prices, it’s more a market that rewards the strategic vision of institutions that believe in innovation, their employee training, and the social corporate action.

In this sense, those Guatemalan companies that have assumed several years ago the commitment with "social responsability" are luminous and inspiring. This attitude is not only a simple entrepreneurial philanthropy; it is a renewed way of understanding today’s situation for a large segment of the population who asks for a continued improvement of the living standard, a stimulus that allows it to overcome the pressing cultural and economic limitations that subsist in its circle of action.

This is why, as Lorenzo Dionis, for IESE points out, “this point of view the company’s social mission presents a wide horizon and it is convenient to keep in mind that everyone in the company must make a bet in favor of the creation of this new reality”. However, he explains that this impulse should not be identified with a progressive increase of materialistic and utilitarian attitudes, “but, - on the contrary- it has as a foundation of respect for the dignity of the human person and the attention to its superior operations, among which stand out knowledge and the effective use of liberty”.

I am clear that this transformation process is not easy or automatic. This vision means that technical and professional training of human capital must be enhanced, health conditions must be improved, and investments on premises must be made.

In short, the urgency to generate a change of mind is characteristic of smart leaders who motivate and boost social responsibility, increase the intellectual capital of their employees, and present all this as a stand-out element in the market.
Why is a country’s competitiveness important for the welfare of the citizens?

By Juan Carlos Zapata, General Manager FUNDESA

There has been a lot of talk these past months about the importance of competitiveness. This is mainly caused the Global Competitiveness Index 2012-2013 by published the World Economic Forum (WEF) based in Geneva, Switzerland. In this report, WEF defines competitiveness as the set of factors, policies, and institutions that determine the productivity level of a country. These factors, policies, and institutions must meet the basic requirements, those that boost efficiency and promote innovation, to encourage a country to have the conditions necessary to generate more employment and increase people’s income and, therefore, their well being.

The Global Competitiveness Index, published in 144 countries, evaluates 111 variables; in the case of Guatemala, these variables combine information from a global executive competitiveness survey performed by FUNDESA (70%) and statistical information (30%). For this reason, diffusion and monitoring of the public policies that improve competitiveness are so important for the Foundation.

The last evaluation of the index, the 2012-2013 edition, shows the countries leading the competitiveness score are: Switzerland, Singapore, Finland, Sweden, and Netherlands.

In Latin America, the countries leading the region are: Chile, Panama, Brazil, Mexico, and Costa Rica. Guatemala improved its position compared to the previous year; of 144 countries, it occupied position 83.

Guatemala improved its position compared to the previous year; holding the 83rd position out of 144 countries.

The following variables were competitively advantageous for Guatemala: mobile telephone subscription (23 out of 144 countries), banking solvency (23 out of 144 countries), legal rights index (24 out of 144 countries), and employer-employee relationship cooperation (29 out of 144 countries). However, competitive disadvantages, that limit the capacity of the country to attract investments and reduce poverty, are also mentioned: costs associated with crime and violence (144 out of 144 countries), organized crime costs (143 out of 144 countries), trust in the civil national police (137 out of 144 countries), educative quality in science and mathematics (137 out of 144 countries), and quality of the primary education (136 out of 144 countries).

Improving the country’s competitiveness is one of the Government’s main priorities and they are working on a national agenda with the Ministry of Economy, the National Competitiveness Program (Programa Nacional de Competitividad) and FUNDESA, to improve next year’s evaluation in areas such as procedures for starting a business. We also hope to see improvements due to actions that have helped reduce the country’s homicide rate which has a direct impact on competitiveness. However, there are still pending actions on institutional strengthening to reduce corruption and to generate mechanisms to allow the country improve the quality of education.
GUATEMALTECOS
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“Building a Guatemala that is more Prosperous, Safer and with more Solidarity”

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