MEJOREMOS GUATE

Generating more employment, more investment and greater income

“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.”
Linda y amada tierra que nos vio nacer

El sabor de lo que somos
GUATEMALA HAS BETTER FAMILIES

With this alliance the program will reach 778,597 women, a great step forward for Guatemala

Guatemala’s Sugar Association is working through their Sugar Foundation to contribute in the achievement of the government’s Zero Hunger Pact’s goals by signing a covenant to collaborate with the Ministry of Social Development, and transfer the Better Families program pro bono.

Better Families has been implement by the Sugar Foundation since 1998, focusing on creating behavior change at the individual and family level, as well as transforming communities by transferring knowledge, educating on budget management, and encouraging civil society.

To contribute to this policy’s efficacy and results, the Alliance for the Nutrition of Guatemalans Let’s Improve Guate will follow-up on results, and monitor that Better Families’ program objectives are fulfilled.
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What is Mejoremos Guate?

Mejoremos Guate is an initiative promoted by a group of entrepreneurs who joined efforts and resources to develop an advocacy strategy in public policies for the comprehensive development of the country. It is an open and inclusive citizens' proposal to promote dialog and achieve a plan for the country that is consensual with other parties and segments. The initiative is promoted by a united entrepreneurial sector and incorporates technical projects and initiatives, leading the way to a country that has more solidarity, is more prosperous, safer, inclusive, and transparent.
The year 2014 presents several challenges for Guatemala on the follow up to the inclusive growth strategy of the country promoted through the initiative Mejoremos Guate. On this, it is worth mentioning several achievements you will find in this edition. Advances in ACE projects (Aceleración del Crecimiento Económico, Economic Growth Acceleration) – a joint initiative between the government and the entrepreneurial sector to prioritize actions that promote greater economic growth. In addition, for this project to be inclusive, we present advances on the commitments signed by the mayors from the Asociación Nacional de Municipalidades (ANAM, National Municipalities Association), FUNDESA, the Ministry of Education and Empresarios por la Educación (Entrepreneurs for Education) during the last Encuentro Nacional de Empresarios (National Entrepreneurs Meeting).

On the axis of a Guatemala with more Security, work performed to follow up security indicators of the country and to have an impact on the implementation of a violence prevention national policy is fundamental; we can observe that homicides rate per every 100,000 citizens remained the same as 2012 (34), a figure still way above the global average.

Advances to strengthen the institutional system in the country are focused on the axes of Alianza Técnica de Apoyo al Legislativo (ATAL, Technical Alliance Supporting the Legislative Body), which has proven to be an important tool, not only from several technical recommendations made from the entrepreneurial sector to legislative projects, but also from the support provided to different commissions in the Congress of the Republic.

We present in the section Guatemala in Numbers the importance of focusing attention to greater innovation as well as to improving social investment, a fundamental subject if we want more information and communication technology for our country: if we want to have more engineers in our country, we must first improve quality in education.

The proposal in this edition is framed in the work that the Consejo Privado de Competitividad (Private Competitiveness Council) will be performing during 2014, with the goal of increasing economic growth.

Finally, the events and opinion sections show our coordinated efforts to communicate the projects of Mejoremos Guate for several audiences, as well as the actions that we, as a country, must perform to continue improving the business environment.

We hope you enjoy this edition of Mejoremos Guate; remember to send us your opinions through the social networks, which are becoming a greater source for direct communication of the daily details happening in the initiatives in order to become a country that has more prosperity, solidarity, security, transparency and inclusiveness.

CACIF is a Guatemalan institution created on 1957 by Guatemalan entrepreneurs; it is organized in different Chambers and Associations who recognize the need of creating a coordinating body that, without reducing the part and activities of such organizations, promotes a larger approach and unifies efforts and actions 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; it was created in 1984 from the interest of Guatemalan entrepreneurs to generate and implement programs and projects that launch economic and social development for the country in a sustainable way.
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Juan Carlos Zapata

Executive Director of Fundación para el Desarrollo de Guatemala – FUNDESA – (Foundation for the Development of Guatemala); he is responsible of coordinating the actions of the Project Mejoremos Guate (Let’s improve Guate). In FUNDESA he was the Coordinator for the Tourism Entrepreneurial Centers, a public-private alliances program which has been replicated in El Salvador and Honduras. Mr. Zapata has worked as independent consultant for companies such as Price Waterhouse Coopers and Turasist. He has earned a Masters Degree in Tourism in the César Ritz University in Switzerland and a degree in Business Administration specialized in Finance from the Universidad Francisco Marroquín in Guatemala.

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Ms. Spross is Executive Manager of Empresarios por la Educación (Entrepreneurs for Education) and Associate Researcher in CIEN, professor in Universidad Francisco Marroquín and columnist of the newspaper Siglo 21. She graduated in Business Administration and is an economist. She has also participated in projects related with development in Guatemala. She emphasizes the need of improving the quality of education in the country to provide greater opportunities to children and young people for a better future.

María del Carmen Aceña Villacorta

Ms. Aceña works in programs directed to vulnerable young people in order to prevent violence. She is an expert in citizens’ safety. She was executive director of FUNDESA and president of CIEN. Ms. Aceña is former Minister of Education and was in office from 2004 to 2008. She has also participated in several institutions that work for the progress of the country. She is an university professor and writes in several media.

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The boost we need: Projects to Accelerate Economic Growth (ACE)

By Juan Carlos Zapata

Euripides, the Greek poet, was known for his complex tragedies, where he questioned the ideas of divinity and situations in life. However, his optimistic side left the following phrase to history: “prosperity is full of friends.”

The Real Academia Española (dictionary prepared by the association under the same name, responsible for overseeing the Spanish language, promoting its unity in all Spanish-speaking countries) defines prosperity as the “favorable course of things” or “success in what is undertaken, happens or occurs”. No one can deny that prosperity promotes a favorable economic and social development in society.

In countries with many challenges to overcome, such as Guatemala, the phrase from Euripides would come alive. Even if economic growth alone is not enough to eradicate poverty in Guatemala, it is an essential ingredient to achieve it. For that reason, prosperity is one of the axes that define the initiative Mejoremos Guate. Notwithstanding other initiatives in other environments, we consider that an inclusive economic growth agenda is a powerful “poverty destroyer”.

Since the end of 2013, the entrepreneurial sector has worked jointly with the President of the Republic and several ministers from his administration in order to develop a joint working agenda that will help us with the boost we need.

However, this boost will not be like any other. This one will take into consideration every Guatemalan citizen and will allow the country to reach the goal of 4.5% by the end of 2014. The only true economic growth is inclusive. We call this boost Proyectos ACE (Economic Growth Acceleration Projects).

The objective of ACE is to favor several sectors in the country. It is worth mentioning that this project does not only takes into consideration small- and medium-sized businesses, but also all those which need a boost to begin in the field of business.
The working plan for 2014 includes a series of priority actions focused in initiatives that evaluate current problems that affect everyone. On the long term, these initiatives could generate more than 200,000 formal employments, which means an economic growth in the country above 6%, in addition of reaching the goal of reducing poverty by 35% by 2021, as stated in the initial presentation of Mejoremos Guate in the Encuentro Nacional de Empresarios (ENADE).

ACE Projects are:

1. **Inclusive Projects:**

   **A. Irrigation:**

   Water is vital for agriculture as well as for infrastructure. The main objective of this program is to provide water to agricultural productive areas that do not have irrigation systems. In the long term, this would be a development source to general export products. Irrigation would also let several agricultural products that are normally harvested only during the rainy season, through controlled irrigation, to double or triple their annual harvest.

   **B. English:**

   Guatemala has two major industries from which many are benefited: Back Office Services (Business Process Outsourcing) and tourism. Reinforcement of English through scholarships would improve the living levels of many Guatemalans. It would especially help them join these sectors or others with higher productivity that will allow them to earn a salary above minimum wage. The strategy also includes the direct work of the Ministry of Education to improve the teaching of English in public schools.
C. Social Housing:

Housing has a major impact in Guatemala. This productive cycle involves a virtuous circle, because it solves the social issue of homelessness and activates the economy of this sector. This initiative includes actions to promote housing, all these leded by the Cámara de la Construcción (Chamber of Construction) and specifically by the Asociación Nacional de Constructores de Vivienda (ANACOVI, National Association of Home Builders), to develop a Housing Guarantee Fund and create a Law for Preferential Interest Rates, given that financing costs are the main barrier to acquire a house, among many.

D. Special Economic Development Zones:

(ZEDEs, Zonas Económicas de Desarrollo Especial)

It is no surprise that a large part of the Guatemalan population is excluded, especially in the rural areas. In order to implement productive sectors in rural areas, thanks to the leadership of some mayors and the support from the Ministry of Economy, the objective of ZEDEs is to activate the economy in specific geographical areas that allow the generation of development centers and thus demand more employments where they are needed the most.

E. Energy

To reduce the costs of electric energy in the country, it is important to develop strategies focused in reducing conflicts in large energetic projects, especially in solving and investing in social projects for those communities displaced by the construction of the hydroelectric plant in Chixoy.
Democratization of Credits (micro credits):

By activating micro credits, different productive activities are stimulated. On this, we can refer to two fields:

a. Macro level – strengthening the sector through:
   - Microfinance Law
   - Leasing and Factoring Law
   - Legal Stability
   - Reforms to the Law on Secured Transactions
   - Collateral Bureaus

b. Medium level – strengthening financial entities through:
   - The promotion of a second-tier banking
   - The development of a system to register microfinance entities

c. Micro level – financial services to micro, small and medium enterprises:
   - Promotion of more micro credits
   - Promotion of instruments to develop guarantees

“Project Structure” - Dynamizing projects in the territories:

In order to develop the different infrastructure projects that are necessary to reduce the logistics and transportation costs and therefore generate development (this has been already defined by the National Agency for the Economic Infrastructure Development, ANADIE) it is essential to implement a Project Structure able to attend the studies and analyses for every project.

Achieving a Guatemala that is more prosperous depends on our current actions. Just as Euripides said, prosperity brings with it many gifts. Everyone’s collaboration today will allow this boost we need to be successful. The year 2014 has come with many challenges; ACE is one of them.
Municipalities with an important role in education

By Verónica Spross de Rivera

The improvement of quality in education needs the commitment of local authorities and a municipal management focused on a work agenda that is centered on increasing coverage and strengthening the quality of the teaching-learning processes. Community participation is also important to obtain greater school effectiveness.

As part of the activities in the program of the Encuentro Nacional de Empresarios 2013, (ENADE, National Entrepreneurs Meeting), the Asociación Nacional de Municipalidades (ANAM, National Municipalities Association), Fundesa, the Ministry of Education, and Empresarios por la Educación (Business for Education) signed a Letter of Understanding in order to promote the objectives of the education sector established in the Acuerdo Nacional de Desarrollo Humano (ANDH, Human Development National Agreement) and promoted by the initiative Juntos por la Educación (Together for Education).

All parties committed to work jointly to promote the quality improvement indicators in education:

1. Comply with 180 school days
2. Have trained and competent teachers
3. Train students who learn and develop the expected skills in each level of education
As a result of this agreement, diagnostic processes at municipal levels must be taken further, as well as the strategic planning that directs and expedites the processes to promote proper learning conditions and increase quality of education. The aim will be to direct the actions of different sectors and to empower communities to boost a growing demand for education that answers to the training needs that today’s world demands. In addition to mathematics and reading, which are the fundamental areas, students must learn to learn, learn to be, and learn to live in harmony, among others. To achieve this, the development of critical thinking skills, communication skills, teamwork, languages, and technology, among others, are necessary.

The document Evaluación Educativa Estandarizada en Guatemala: Un camino recorrido, un camino por recorrer (Standardized Educational Evaluation in Guatemala: A road traveled, a road to travel), published by the Ministry of Education in December, mentions that, although there are different approaches of what is expected from quality education, there is the idea that education produces multiple impacts and these are the result of a great variety of factors. One of the models currently used is school effectiveness, which takes into account supplies, the context of the student’s specific condition, processes that take place at home, school and classroom, and the measurement of multiple results in the short and long term. UNESCO suggested one of these models, which has been a benchmark during the last decade. The Ministry of Education has made its standpoint in the elements of a quality education model, focusing on the student’s expected learning.

There is much to do overall; however, if parents contribute in school management, the principal of the school assumes his or her leadership focused on improving learning, teachers do their work in the classroom with excellence and constantly look to improve their knowledge, and if the Ministry of Education guarantees that funds reach schools for school meals, supplies and learning material, along with a proper pedagogical accompaniment system, an important part will be covered. Nevertheless, municipalities can significantly contribute to a dignified schooling infrastructure with important support such as technology and connectivity, or with the promotion of programs to broaden the coverage of initial and preschool education and technical training.

It is necessary to set goals with tangible indicators, and it can be especially improved if every municipality implements specific actions to improve the quality of education.
Challenges in Public Safety for 2014

By María del Carmen Aceña and Walter Menchú (Researchers from CIEN)

If we compare 2013 with 2012, we find that it was very similarly challenging in the safety area; the homicides rate per every 100 thousand people was 34. If there is something that we can state, it may be that homicidal violence remained on the same level as in 2012, a landscape that looked different during the first four months of the year because they were more violent than those in 2012.
This rate is still high if we compare it with the global average (7) for 2010. However, the Latin American region had a high homicides average (16), with several countries that doubled the average. The Central American sub-region was deemed the most violent among the 22 that United Nations Office on Drugs and Crime –UNODC- classifies.

The administration of President Otto Pérez presented, as part of its governance plan, three pacts:

a) Pact on Security, Justice, and Peace  
b) Pact Zero Hunger and social programs  
c) Fiscal Pact for Change.

We must take into consideration in the first pact that there is still a long road to travel in order to substantially decrease the loss of valuable lives and achieve a safe country, and that it is necessary to emphasize the development of four important areas related with the Executive Body, especially with the Ministry of Interior – MINGOB –:

1) The prevention of violence  
2) The achievement of greater professionalism of the National Civil Police – PNC -  
3) The strengthening of the Penitentiary System  
4) The efficient use of the resources destined to security through Management by Results

Preventing an event that may cause human and material loss will always be more effective than having to assume the costs after any event has occurred. Prevention of violence is an issue of human development that must be addressed systematically in 2014; the term must be properly understood, because usually it is confused with deterrence. Last year the government concluded half of its term, and there is not a public policy to prevent violence yet. The importance of this policy is to target resources to create a civic culture that
The importance of this policy is to target resources to create a civic culture that reduces violence in the long term and in a sustainable form through risk control, that provides attention to vulnerable groups and recovers deteriorated urban settings. Last year, the program Cultura 24-0 (Culture 24-0) was implemented, which showed an advance through communication tools in violent deaths and traffic accidents; this is a commendable achievement, but still has a short scope given the security challenges the country faces. Violence prevention must be tackled from the neighborhoods, focused on youth, coordinated on a municipal level, creating collaboration entities among institutions in the Executive Body such as ministries, secretariats, and social funds.

Police professionalization: an increase in the number of police personnel may seem like an improvement in security; however, if these personnel do not have the proper quality, it may become an enormous challenge. During 2013, 5,400 agents were added to the institution, reaching a rate of 21 police officers per every 10 thousand inhabitants (the largest number of the latest years, which surpasses 2008 of 14/10,000 inhabitants). However, professionalization of PNC requires major substantive changes. During 2014 strengthening of the PNC inspectorate must become a reality. It is also important to provide the institution with the proper administrative tools, such as regulations on promotions that eliminate the possibility of discretion and strengthening tests for different police ranks. A good step was the development of the first training course and promotion to Third Police Officer, which graduated on 2013 78 Police Officers with a Bachelor's Degree in Police Sciences. The effective implementation of the Specialties School and the Academy for Superior Studies, which already exist legally, will be the goal for this year.

On the area of the Penitentiary System, the Dirección General del Sistema Penitenciario (DGSP, General Office of the Penitentiary System) has not had many advances; for that matter, it suffered administrative changes last year. This institution has suffered from abandonment from a long period of time and several years will be necessary to professionalize it. For that reason, the Penitentiary System is considered the greatest challenge that MINGOB faces. The DGSP recently held an international
A seminar in order to receive inputs to define a penitentiary policy. The challenge is to have it defined in 2014 and to have it continually working, with a long-term vision in order to fulfill the objectives of the institution to keep internal control and provide rehabilitation conditions. For this, internal control in detention centers must be regained, guaranteeing the integrity and rights of the inmates, avoiding criminal and corruption activities, providing adequate prison infrastructure (which currently is overcrowded), and creating the career of the human resources starting with the creation of hierarchies of penitentiary officers in accordance with their responsibilities, as well as strengthening their initial training.

Although resources are scarce, their efficient use may allow the institution to obtain better results. This is why it is important to have a management in which resources are not only used to fulfill expenditure goals, but also to fulfill outcome goals that have an impact in reducing crime rates. On 2013, MINGOB, with FUNDESA and CIEN, began a process of Management by Results. Unfortunately, due to administrative changes that took place the last trimester, the expected savings were not produced, which by the end of the project on April 2014, should amount to Q85 million. These resources will be allocated to the provision of a larger amount of security services. Efficiency goals in the use of resources are expected to be fulfilled during the first trimester and also that these funds can be allocated to the prioritized needs in a security strategic plan, to take place this year too, in order to link the use of resources, the coordination of institutions related with security and the improvement of security statistics.

The year 2014 entails great challenges in the safety area, however they can be overcome with will, plans, and work directed on the correct path. All Guatemalans desire a Guatemala that is safe, calm, and peaceful.
Advances of ATAL during its first two years and foresight for 2014

By Enrique Amurrio

Within the project Mejoremos Guate, ATAL, Alianza Técnica de Apoyo al Legislativo (Technical Alliance supporting the Legislative Body), composed by CIEN, FUNDESA, CACIF, and Fundación 2020, brings together knowledge, experience and efforts to provide technical support to the Congress for the development, discussion, approval, and follow-up of laws that improve the living standards of Guatemalans.

During these two years, ATAL has maintained as a framework for action the promotion of institutional strengthening issues, economic-social development matters, support to other initiatives that strengthen the Rule of Law and sustained development, and control of the fulfillment of mandates of law; it has obtained many important achievements, following are perhaps the most relevant:

- To hold technical support and rapprochement meetings with different parties and commissions of the Legislative Body, as well as with the main media of the country in order to share criteria and analysis elements about matters of common interest.


- Accompaniments to legislative processes linked with the package of Employment Laws were made to promote investment and labor inclusion, in addition to issues such as competitiveness system, movable collaterals, industrial property, factoring, contract juridical stability, mutual guarantees and leasing, as well as the approval process of the Law on Insolvency.

- Follow-up, analysis and proposals, as well as opinions to support approval processes for the Law on Illicit Enrichment, Law on Mobile Registration for the Prevention and Combat of Crime, Law on Access to Public Information, Law on Insolvency, Project of General Income and Expenditure of the State for the Fiscal Year 2014, and the regulation of the De-gunning Action, Law on Probity, Civil Service Act, Law on the Executive, Laws...

- Experts issued their opinions on Strengthening of Institutions for the Transparency and Quality of Public Expenditure (including subjects as Budget, General Comptroller’s Office, SAT, State Contracts, Planning and Evaluation of the Public Management and National System of Statistical and Geographic Information), on the Law on Nominating Commissions, and on the Law on Electoral Reform.

- Events were organized and designed such as the conference related with the proposal of the Executive Body to reform the Constitution, the event organized to analyze the problem of the stagnancy of the Congress caused by questionings, and a last forum associated with the Reforms to the Law on Electoral Reform and Political Parties.

- Several press releases were produced to inform the public the analysis of the most important subjects developed, trying to have an impact on its support to the standpoints of ATAL; these newsletters were distributed with comprehensive Position Papers to each and every congressman in the Congress of the Republic.

In terms of foresight – taking into account the current conditions of the country, the real means available on a political level to boost initiatives and focusing on the most important –, the plan for next year is to direct efforts to achieve important improvements on the areas of Health and Nutrition, Security and Justice, Education, Infrastructure, Institutionalization, and Productivity.

On this, ATAL would direct its efforts in 2014, in the Legislative Body to follow-up, review and improve laws associated with:


- **Safety, Justice, and Conflicts:** Law on Arms and Reforms to the Criminal Code, Reforms to the Law on Judicial Careers, Law on Suppletive Titling, Law on Resumption of Consecutive Nature, Reforms to the Protection Law (Amparo Law), Reforms to the Law on Public Order, and Reforms to the Law on Penitentiary System.

- **Education:** Reforms to the National Law on Education and the National Council of Education.

- **Infrastructure:** Reforms to the Law on Public-Private Alliances, Law on Ports Authority, Reforms to the Law on State Contracts, Law on Public Trusts, Law on Prime Rates for Housing, and Reforms to the Law on Property Information Registry.

- **Institutions:** Law on Transparency, Reforms to the Law on Judicial Careers, Reforms to the Law of the PNC, Reforms to the Law of the Penitentiary System, Reforms to the Security System, Reforms to the Congress Organic Law, and Reforms to the Electoral and Political Parties Law.

- **Productivity:** Law on the Regulations for Partial Time Employment, Law on Investments and Employment Promotion, Law on the National Competitiveness System, Law on Competence, Law that regulates Transference and Grants Executive Merit to the copy of the Receipt (Factoring), Reforms to the Law on Secured Transactions, Reforms to the Law on Public-Private Alliances, and Law on Ports Authority.

In summary, it is important to highlight the fundamental role that the effective functioning of the Legislative Body plays in the republican regime (checks and balances) and in the proper functioning of the State, since this is where public institutions and long-term strategic decisions for the country regulate their functions through an efficient legal system. Therefore, technical support to this Power of the State is vital to fight against poverty through sustained development based on a Rule of Law that privileges citizens’ participation and freedom.
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FIRST NATIONAL HUMAN DEVELOPMENT AGREEMENT
For a Guatemala with more solidarity:
Nutrition, Education and Training
for Every Guatemalan.

Last October 10th, during the Encuentro Nacional de Empresarios (ENADE, National Entrepreneurs Meeting), representatives from the political parties with representation in the Congress of Guatemala, signed the first National Human Development Agreement, building a national strategy directed to address core issues to improve democratic coexistence, productive conditions and development options in Guatemala while at the same time funds are allocated to combat precarious social conditions in which Guatemalans live.

COMMITMENT No. 1
National Commitment in Favor of Childhood Nutrition
We are committed to make Chronic Malnutrition cease being the main problem that affects the physical and mental development of Guatemalan children; we also commit to search with ambition and full determination an improvement of living conditions in every community in the country.

Help us follow up the First National Human Development Agreement
Visit www.mejoremosguate.org or follow us on Facebook/MejoremosGuate or on Twitter/MejoremosGuate
COMMITMENT No. 2
National Commitment for Quality in Education

We commit to have Quality in Education as a cross cutting matter in the coverage expansion process; to have it reflected in every education environment in Guatemala, by defining greater standards in the performance of educative centers, curricular relevance, teachers professional enhancement, intercultural interaction, training for life, schools infrastructure, school material, and pupil learning and competences acquired.

COMMITMENT No. 3
National Commitment to Train Young People

We pledge to have the economic growth in the country come along with a greater generation of competences for young people, by providing support to their formative processes and their acquisition of tools, values and knowledge, in order for them to become globally competitive and responsible for their surroundings.

COMMITMENT No. 4
Commitment to comply, follow-up and monitor the First National Human Development Agreement in Guatemala

As a cross-cutting theme on this First National Human Development Agreement, we commit to follow-up any advances made in the execution of the goals here stated. We also commit to identify those responsible in case of breach. We commit likewise to periodically inform the citizens on the strategies that will be implemented to have transparency in the investment for human development in Guatemala, in order for every governmental institution to fulfill its responsibilities and attributions.

To accomplish this item, we disclose to the public the commitment to incorporate in the short term a working instance of the highest standard, composed by the Foro Permanente de Partidos Políticos (Permanent Forum of Political Parties), the Consejo Económico y Social (Economic and Social Council), and civil society; FUNDESA will be the institution that will facilitate the follow-up to the topics contained in this agreement.
Today, more than ever, science and its applications are essential for development; they allow a fast adaptation to change as well as help productive processes to be more efficient. Public and private sectors face the challenge to provide more support to the construction of an innovative scientific and technological capacity, a basic foundation to an economic, social, cultural and environmental development.
This need is particularly pressing in underdeveloped countries, where technological development is fragile and needs to be directed to safe and clean forms of production, to a more effective use of resources and to produce more value added products. In summary, innovation must be definitely directed to increasing employment possibilities, competitiveness and comprehensive development.

It is important to mention that, in addition to the traditional paradigm of the effect of research in development (R+D), innovation becomes the third factor in the equation to prove the level of adaptation to change (R+D+I). According to CEPAL, innovation is “a central element in the development strategy, defined as a dynamic interaction process that links agents that work guided by market incentives (businesses) and other institutions such as research centers and academic institutions which act in accordance with strategies and regulations that answer to mechanisms and incentive schemes”.

Systematic links and interaction between parties, as well as economic and institutional infrastructure that each country is able to develop, determine its capacity to capture the impulse that knowledge gives to production, consequently starting the virtuous circle of growth.
analysis comparing different economies. High correlation between expenditures in R+D and per capita income levels in economies has been registered globally. This relation is measured by a series of other variables, such as human resources, academic institutions and production specialization, among others.

However, there is clear evidence of the existence of a highly positive correlation between innovative effort and per capita income.

All the countries from the technological frontier are also among the most developed, such as Israel, Japan, United States of America, Germany and the Nordic countries. Latin American countries can be found on the left lower

**Relationship per capita between (R+D) and GDP**

![Graph showing the relationship between R+D investment as a percentage of GDP and per capita GDP](image)

**Guatemala**

(0.0435%, $4,475)

In (per capita GDP): Average for last 10 years

Source: Data compiled from the information published by the World Bank (data.worldbank.org)
quadrant of the graph and show GDP per capita levels that are lower than the sample, with an investment in research and development lower than 0.5% of GDP, except Brazil which invests little more than 1.2% of GDP in R+D. Guatemala only invests 0.0435% of GDP.

However, it is worth mentioning that a greater investment in R+D does not necessarily mean an increase on the per capita income of individuals, since it is necessary to have human resources able to acquire skills, businesses that develop innovative projects with large investments in technology, and an infrastructural network that allows an easy and cheap access to energy, connectivity and technology sources.

Meanwhile, one of the most significant tendencies registered globally during the last decade is that countries are investing more in R+D (world average equals to 2.085% of GDP). The main actors are the U.S.A., Germany, France, United Kingdom, and Japan; they represent 66% of the total world investment in this area. On its part, Latin America has maintained a constant investment in R+D (average is around 0.5% of GDP) and its contribution to the total world investment (around 2%) during the last 10 years.

These numbers allow us to highlight the importance of innovation in development, starting with the opportunity of generating new productive processes that allow the creation of opportunities and additional income for the most vulnerable sectors of society. Available global evidence shows that businesses and productive sectors that invest in innovation have greater return rates, add greater value to the services and goods they produce, become important actors in the global market, contribute with greater resources to their countries, and increase their life cycle. As long as this kind of activities become generalized in the country, growth rates increase at a higher speed than those less intensive sectors in the use of innovation and technology.
WHAT ARE THE CHALLENGES FOR GUATEMALA?

The context of the economy based on knowledge has made clear the importance of human capital to maintain the innovative dynamics in economies. Education and specialized training are central elements in the productive development strategies in a country, with a greater impact on economies with low development levels due to a fast growth rate in the generation of value which may generate an initial investment in the use of innovation and technology.

In order to make a more specific assessment for Guatemala, we turn to the Global Information and Communication Technologies Report 2013: “Growth and Employment in a Hyper-Connected World”. The index is the most important evaluation on the impact of information and communication technologies in the countries’ development and competitiveness processes; it follows-up more than 140 countries since 2001.

The World Economic Forum (WEF) prepares this index in collaboration with the INSEAD Business School, and the Johnson Business School from Cornell University. It evaluates 54 variables and takes in account 10 factors, subdivided in four great areas:

<table>
<thead>
<tr>
<th>General Environment</th>
<th>Preparation</th>
<th>Use</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political and Regulatory Context</td>
<td>Infrastructure and digital content</td>
<td>Individual</td>
<td>Economic Impacts</td>
</tr>
<tr>
<td>Business Innovation Environment</td>
<td>Affordability</td>
<td>Businesses</td>
<td>Social Impacts</td>
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<tr>
<td></td>
<td>Skills</td>
<td>Government</td>
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For the 2013 evaluation, Guatemala finds itself in the position 102 of 144 evaluated countries which means dropping 4 positions, compared to the previous evaluation. In the Latin American area, Guatemala can be found in the 12th position of 18 evaluated countries, as shown in the following graph:

Global Information and Communication Technologies Report (WEF)
Meanwhile, the advantages mentioned in the index for Guatemala include the following: number of mobile subscribers (23 of 144 countries), few procedures to enforce a contract (26), competitive costs of mobile telephone network (38), training level of employees in companies (40), and quality of Business Schools (40). On the other hand, the country shows great disadvantages to promote a greater use of ICTs because, among other reasons, the average number of days to solve a commercial dispute is 1,459 days in the Judicial Body (142 of 144 countries in this variable), the little effectiveness of legislators to promote laws that may improve the business environment (140), the deficient results in mathematics and science (137), the bad quality of the educative system (130), and the little importance given to ICTs in the governmental plans (129).

Below, in greater depth, are the main advantages and disadvantages the index shows on the use of innovation and technology in Guatemala to generate development:

<table>
<thead>
<tr>
<th>▲ Main Advantages</th>
<th>▼ Main Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile subscribers</td>
<td>Days to enforce a contract</td>
</tr>
<tr>
<td>Processes to enforce contract</td>
<td>Laws that improve business environment</td>
</tr>
<tr>
<td>Costs of mobile telephone network</td>
<td>Teaching of mathematics and science</td>
</tr>
<tr>
<td>Employee Training in Companies</td>
<td>Quality of the education system</td>
</tr>
<tr>
<td>Quality of Business Schools</td>
<td>Importance of ICTs in the governmental plans</td>
</tr>
<tr>
<td>Impact of ICTs in new models</td>
<td>Procedures to open a public limited company</td>
</tr>
<tr>
<td>Companies use of Internet</td>
<td>Days to open a public limited company</td>
</tr>
<tr>
<td>Companies absorption of technology</td>
<td>Protection of intellectual property rights</td>
</tr>
<tr>
<td>Competence level among companies</td>
<td>Coverage of mobile network</td>
</tr>
<tr>
<td>Availability of new technologies</td>
<td>Number of families with access to the Internet</td>
</tr>
</tbody>
</table>


The experience from industrialized and emerging countries shows that emphasis on human resources and infrastructure for research are fundamental determinants for scientific and technological development in the countries as well as in the insertion patterns in global production chains.

The variables where Guatemala shows better results are classified in the factors considered as inputs for innovation. Within these factors, Guatemala shows significant advances on industrial sophistication, more specifically, in the area of application of new technologies. Additionally, the factors with greatest potential in the country are creative outputs, where the use of Information and Communication Technologies – ICTs – in the creation of value stands out. Separately, it is important to highlight the great challenges Guatemala faces to generate greater development and prosperity levels to Guatemalans, the infrastructure for innovation and technology stand out, as well as the human capital training, especially in aspects such as the absorption capacity and use of knowledge. These results evidence the need to create an adequate social environment to generate prepared human resources, which may be able to perform productive businesses without great difficulty.
30

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APLICAN RESTRICCIONES. PROMOCIÓN VÁLIDA POR TIEMPO LIMITADO.
A little while ago, a friend told me about an experience he will never forget. He was attending an event at the Asociación de Gerentes de Guatemala (Guatemalan Managers Association) when the speaker asked everyone from the audience to write ten traits Guatemalan people have. At the end of the exercise, he asked how many traits were positive. You can imagine that the majority of the traits people wrote were negative... always late, wary, etc. The objective of the speaker was that it is difficult to move forward as a country if we are constantly focusing on our deficiencies instead of focusing on the positive traits we have.

If we asked our readers about their opinions regarding competitiveness in Guatemala, we would possibly receive a result similar to the one from the exercise described above. However, when we think of the characteristics of our competitiveness project as a country, we have a lot to celebrate. During the past year, we achieved great advances in the coordination of the public, private and academic sectors, thus strengthening the foundations to obtain a long-term sustainable growth for the country.

During 2012, Mejoremos Guate – seeking for a Guatemala that is more Prosperous – launched the Consejo Privado de Competitividad (CPC) with the objective of generating 1 million employments for 2012. For this, the CPC works in the environments of public policies (external) and strengthening of the private sector (internal). The first one aims to create a favorable business environment and a national competitiveness and innovation system; the second one aims to work in supporting the growth of 25 productive sectors in the country and creating an innovative and competitive academic sector.

The year 2013 was strategic for the CPC because the coordination foundations were set and will result into a greater attraction of investments, greater employment (Continues on page 35)
First workshop on environmental education “Green Learning” with the support of cbc and PepsiCo

The objective of this program is to educate a new generation of boys and girls to reduce the effects of the climate change in Guatemala.

In order to contribute to a cultural change for the conservation of the environment, the multinational company of drinks cbc and PepsiCo supported the first “Green Learning” workshop carried-out in Guatemala, which was addressed to the teachers of the Demonstrative Schools of the Future, from the departments of Izabal, Sololá, and Zacapa.

“Green Learning” aims to provide teachers from Latin America with environmental teaching resources for boys and girls who are studying in primary and secondary schools. This workshop was developed by the “Tecnológico de Monterrey” with the support of PepsiCo, Televisa Foundation, The Young Americas Business Trust, and the Organization of American States reaching different countries with the support of cbc.

Rosa María de Frade, Corporate Affairs Director of cbc said, “this is a program that provides teachers with the best teaching tools on topics such as water conservation, adequate handling of solid waste, and climate change.”

The person who delivered the first workshop is Maria Isabel Carrera Cancino, Director of Innovation for the Civil Society Organizations of the University “TecVirtual del Sistema Tecnológico de Monterrey” and who stated: “This is an opportunity for the Guatemalan teachers to count on a virtual network about environmental topics, being able to replicate the programs and educational guides with their students.”

Maria Elena Ferguson, woman leader of Puerto Barrios, Izabal, said, “This workshop means a lot to our Department because it represents a change in the environmental management process.”
We share some characteristics of the competitive project for the country that makes us proud of being Guatemalan:

1. We have a private sector that works in a coordinated way to reduce competitiveness gaps

A private sector that remains together is able to achieve significant advances in the country’s competitiveness and reach a common goal. One of the most important achievements in 2012 was the identification of the private sector growth gaps. During 2013 it was possible to prioritize the gaps that transversely affect the different sectors, obtain information regarding the actions that the different actors from the private sector take in order to reduce them, and create alignment among those actors to jointly work towards the common goals. Today we have a Matrix of Competitiveness Actions that centralizes the information of all the competitiveness efforts from the private sector.

We were able to prioritize the most important breaches from the 65 identified several years ago by Dalberg Global Development Advisors. These are: lack of access to risk capital, skilled manpower, education programs to create it, knowledge, technological transference, and juridical certainty, as well as the high cost of security and energy, limited infrastructure and market diversification.

As a result of this prioritization, the CPC has developed an ambitious working plan for the next years that aims to reduce such gaps. The subjects of security and juridical certainty cover other branches of Mejoremos Guate, but the CPC has specific projects to face the rest of the prioritized gaps during 2014. To mention a few, there are initiatives to reduce costs in electrical energy and transportation, and there is the plan to provide innovation services to diversify businesses through the different chambers. The work of reducing these gaps needs hard collective efforts between the private sector, the public sector and the academic sector, which we describe below.

2. We have a public sector that works closely with the private sector to generate more investment and employment

The CPC works in a coordinated form with the different chambers and the Ministry of Economy for the approval of laws that promote investment and employment. This work will actively continue during the next year. Among the laws promoted are the Law on Employment and Investment Promotion, the Law on the National Competitiveness System, and the Law on Labor Market Inclusion.

Following the same line, the CPC works with the Agencia Nacional de Alianzas para el Desarrollo de Infraestructura Económica (National Alliances Agency for the Development of Economic Infrastructure) and PRONACOM to ensure that large projects are fully exploited to improve infrastructure to be developed during the next years. Among the projects with a high probability to be executed in the near future are a gas pipeline to import natural gas from Mexico, which would substantially reduce the costs of thermal energy as well as several projects related with the reactivation of parts of the railroad in the country (particularly those linked to the Tecún Umán frontier) to substantially reduce transportation costs of certain export products to Mexico, United States and Canada.

Additionally, the CPC has been closely working with the President of the Republic, Otto Pérez Molina, to provide support in the execution of specific initiatives that may generate employment in prioritized sectors. These projects, denominated Aceleradores de Crecimiento Económico...
(ACE, Economic Growth Accelerators), have created a high-level dynamic public-private collaboration that promises to have a great impact in specific sectors. Among the ACE projects can be found the Programa Nacional de Inglés (English National Program) – which aims to generate 10,000 formal employments in 2014 in the Contact Centers sectors – and the Irrigation Program, which could generate 20,000 employments in 2014, providing food security to 35,000 families.

In the gap for the lack of markets diversification, the first stage began by raising awareness on innovation and identifying growth platforms with 280 entrepreneurs representing 11 sectors, among which are fruits and vegetables, forestry, processed foods, tourism and transportation, pharmaceutical products, beverages, chemical products and plastics, metal-mechanics, light manufacture and logistics. During 2014, along with PRONACOM, we will provide support to 180 businesses in the manufacturing, tourism, information and communication technologies (TICs) sectors to go through a 6-month process to identify, validate and launch to the market high-growth business opportunities. Those businesses that do not qualify for the PRONACOM program may opt to receive this accompaniment with the CPC and certain chambers.

3. We have an academic sector that works with the private sector to generate the talent and research we need to grow

To reduce the other prioritized gaps - qualified manpower, access to risk capital and technological transference -, we are forging a close relationship with the educative sector of the country in a way never seen before. The CPC has an Expanded Academic Committee initially composed by universities and research institutions which will be joined by technical level and diversified level educative organizations. This committee is creating a collaboration space between the private and academic sectors, which impact will be noticeable during the next years. Initially, we are joining our efforts around three important projects. The first one is an initiative to identify existing researches and to hire new ones. By the end of 2014, there will be more than 1,000 investigations on the web platform that private sector can use to improve the production or develop new products. The second project is an initiative to centralize the information of the job
demand and supply of the country in order to provide a platform that allows to identify talent and to provide feedback to students, graduates, and educative centers on the skills required by the private sector. We expect, by the end of 2014, to have 10,000 students and graduates in the human talent database. The third project is an initiative to put together an investors’ network and centralize possible investment opportunities in the country. Some of these opportunities will provide support to established businesses to launch high-potential new business lines. The innovation process executed by PRONACOM will generate many opportunities of this type. It will also aim to provide support to entrepreneurs to launch new businesses. Close work will be done with the universities and incubators in Guatemala. We expect that by the end of 2014, the platform will have more than 100 investment opportunities.

WITH THE WIND IN OUR SAILS

The main goal of CPC in 2014, is to have the GDP grow by 4% and to have generated 100,000 new formal employments in the country. We start 2014 with a vision that goes beyond this year and will continue with hard work to have competitiveness and innovation become part of the government, private and academic sectors long-term agendas, hoping to reach the goal of 1 million new employments and a 6% GDP growth by 2021. We are excited for the changes taking place and hoping for new prosperity horizons.
Cervecería Centro Americana, S.A., por medio de la Fundación Castillo Córdova, impulsa el “Proyecto Tzununá”, que busca disminuir drásticamente los niveles de pobreza y desnutrición crónica de esta comunidad.

Gracias a varios programas de carácter social y ambiental ya implementados, las familias del lugar y poblaciones aledañas pueden optar hoy a una mejor calidad de vida.
On Thursday, November 21, FUNDESA convened to the first follow-up meeting after the National Human Development Agreement signed during ENADE 2013. The general secretaries from the political parties represented in the Congress of the Republic, civil society organizations, Political Parties Permanent Forums, and the Economic and Social Council were present. During this meeting, a status overview for each commitment as well as the actions to take in order to reach the objectives of the agreement were presented. General Secretaries authorized the assignation of the representatives that will cover the relevant subjects through the commissions of the Political Parties Permanent Forum.
Presentation of Mejoremos Guate to the Council of the Americas

On November 19, FUNDESA visited the Council of the Americas with the objective of presenting the initiative Mejoremos Guate to a group of entrepreneurs, academics and representatives of international missions of the United Nations. Among the most important participants were representatives of J.P. Morgan, Concordia, BBVA, Bloomberg and MetLife, Inc. The meeting ended with a luncheon where Mr. Salvador Paiz, Vice President of FUNDESA, was congratulated for his efforts. Some of the entrepreneurs indicated their intention to support initiatives like this and highlighted the importance of duplicating some projects in the region.
Visit to ADEMI

On October 21st a visit to the Ixpiyakok Wome’s Association in Santa Apolonia, Chimaltenango took place. This visit was organized by the Intercultural Affairs Commission of FUNDESA; representatives of SESAN, Alianza por la Nutrición (Alliance in favor of Nutrition) and the Mayorality of Chimaltenango were present. During this visit, promoters from different communities presented an exhibit on how the project is being implemented in the area. The visit ended with a demonstration of the “Culinary Fair” in which different communities exchange recipes that can be prepared with vegetables sown in the family gardens to improve nutrition in the community.
The first mastered planned community in Guatemala
Breakfast, National Day of the Journalist

Guatemala celebrates the Journalist Day on November 30, day which commemorates the first print in 1729 of “La Gaceta de Guatemala”. FUNDESA, acknowledging the importance of their work for the development of the country, celebrated them with a breakfast. Journalists from different media assisted. During the meeting, our Executive Director, Juan Carlos Zapata, presented the initiative Mejoremos Guate.
Our country had a great achievement last year by improving 14 positions in the Doing Business index, published by the World Bank. Reaching the position 79 of 189 evaluated countries was important news. Now, we must not forget that we are on percentage 58, which means that we must take several actions to be above other Latin American countries and generate more investment and employment in the country.

One of the greatest challenges is that we cannot do much to continue advancing without making any structural changes. This means to reform some laws and to introduce others that will allow the modernization of the institutional framework that regulates how to operate and even how to order payments in order for a company not being forced to close due to cash flow problems.

The Law on Insolvency is one of the most important initiatives that must be approved by the Congress of the Republic to continue advancing towards the indicator that the World Bank publishes. The objective of this initiative is “the protection of credit, recovery and conservation of the company as an employment-generation unit, through reorganization and compulsory liquidation processes, reaching a timely, efficient and impartial solution of the insolvency situation and establishing the respective reorganization and liquidation advantages, keeping the companies workable.”

Guatemala holds the position 109 of 189 countries in the indicator that evaluates the processes to solve insolvency because the assets recovery rate in Guatemala is 27 cents per dollar, while other countries members of the Organization for Economic Cooperation and Development (OECD) have a rate of 70 cents per dollar.

Another reason, for which an initiative like this is urgent, is that it would help guarantee a transparent and predictable insolvency regime that includes incentives to collect and provide information, as well as to treat equally the creditors whose circumstances are similar. We expect this initiative to be approved soon in order to continue improving the business environment in the country.

According to the conclusions of the Study and Analysis of Guatemalan Legislation in the collective execution processes: “Professionals, scholars, and judges do not have experience on this matter because processes are not used. If a reform takes place, training processes must be provided to the involved parties: judges, magistrates, lawyers, scholars, entrepreneurs” (Bonilla, 2010). We know that this is an enormous challenge and that the Judicial Body is one of the institutions that will have to invest the most in training. We hope there is the will to continue with the work of improving the business environment and with doing whatever is necessary to continue advancing. Guatemala and its people deserve it.
By Fernando Spross

Guatemala still has the important unmet challenge of recognizing the potential of knowledge, technologies and innovation to accelerate and maintain the economic long-term growth. South Korea achieved it in 40 years, having as a foundation the knowledge-based economy, which was one of the key engines for the economic miracle in this Asian country.

This is exactly why this nation is an example of how an economy becomes a “knowledge-based economy”, when the continued use and creation of knowledge are crucial in its economic development process. On this, a knowledge-based economy is one that uses knowledge as the main engine of economic growth. It is an economy that acquires, creates, disseminates and uses knowledge with efficacy to increase economic development.

However, evidence shows that Guatemala does not take advantage of its ability to manage knowledge to generate economic growth. This, despite the knowledge that greater investment in management and better use of knowledge have a direct impact on greater economic growth rates and social returns.

On the 2012 version of the Knowledge-based Economies Index (KEI), the World Bank assigned Guatemala an evaluation of 3.7 of 10, placing it on position 86 of 146 countries. This index evaluates how much countries take advantage of their capacity to manage knowledge to generate economic development, taking into account four factors:

1. Institutional capacity to promote proper economic policies and institutions that allow an efficient mobilization and distribution of resources and stimulate creativity and incentives for an effective creation, dissemination and use of knowledge.

2. Educated and skilled manpower able to continuously adapt its knowledge to create and use its knowledge.

3. An effective innovation system, where businesses, research centers, universities, consultants, and other are able to be updated with new technologies and adapt them to the local world.

4. Use of technologies that facilitate effective communication processes, information and knowledge dissemination and processing.

In order for the country to successfully move towards a knowledge-based economy, a series of elements must be developed, such as long-term investment in education, development of innovation capacities, modernization of information infrastructure, and boost a business environment that leads to a more competitive landscape.
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