

# DEMOCRACY & GOVERNANCE



Summer 2007

Based on structural and event data available as  
of May 2007

This report is produced as part of the CIPF governance and democratic processes project. It is intended as a baseline analysis, assessing structural and dynamic facets of democratic governance in Guatemala. A subsequent report will build on this baseline analysis, incorporating feedback from CIDA officers and subsequent research on areas identified as central in this document. The overall project aims to support informed, evidence-based decision making for Canadian foreign policy and development assistance related to democratization and good governance.

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## Guatemala

### EXECUTIVE SUMMARY

The government of Guatemala faces many challenges to its authority, legitimacy, and capacity (*see Table 7*). Issues that influence Guatemala's immediate future are tied primarily to high levels of criminality and the inability of the Guatemalan National Police to reduce instances of political violence and disarm gangs. The influence of narco-trafficking groups is expanding, with some now exercising political and economical control of entire regions in the north of the country. Such developments endanger the political legitimacy of the government and reduce popular faith in the democratic system.

The approach of elections scheduled for September 2007 has begun to generate violence and political instability in some regions; left unchecked, such violence could destabilize the entire country. Armed gangs have assassinated several mayoral candidates recently, further marring the electoral process.

On a more positive note, the candidacy of Rigoberta Menchú for President indicates a new level of political mobilization and hope for indigenous groups that have been marginalized for most of Guatemala's political history. Though positive in and of itself, this indigenous mobilization could nonetheless prove destabilizing, as the

### TABLE 1: KEY FINDINGS

- Narco-criminal involvement in politics is highly destabilizing.
- Corruption is widespread within the police force.
- Government is unresponsive to urban violence.
- The political system is fragmented by the weak party system.
- Exclusion of indigenous groups from political, economical and social sectors continues.

additional pressure on the government to enact reforms may escalate social conflict.

Economically, Guatemala has taken advantage of the US-Central America Free Trade Agreement to bolster exports and diversify its industry, leading to more rapid economic growth. However, few benefits of this growth have reached the poor thus far. Social spending has increased only marginally in the last decade.

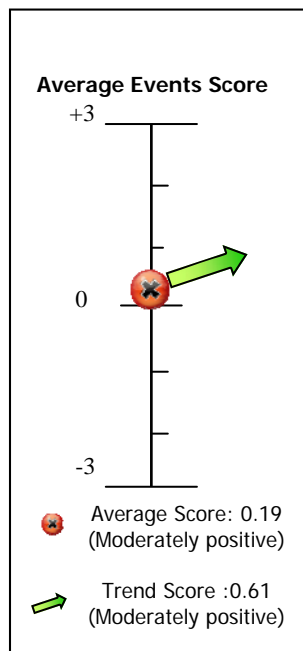
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TABLE 2: UNDERLYING CONDITIONS

Political Stability & Violence	Government & Market Efficiency	Rule of Law
3.74	5.77	6.82
Human Rights	Government Transparency & Accountability	Democratic Participation
5.56	6.21	5.14

TABLE 3: EVENT MONITORING RESULTS



### UNDERLYING CONDITIONS

An assessment of Guatemala's structural baseline performance using the CIPF governance and democracy indexing methodology reveals that all six clusters are of some concern for good governance and democratic processes (see Table 2). Of these, rule of law is of greatest concern. The absence of an independent judicial branch, the overall quality of the legal system, high levels of criminality and corruption, a lack of press freedom or transparency in government policy-making, and human rights violations are all areas of concern.

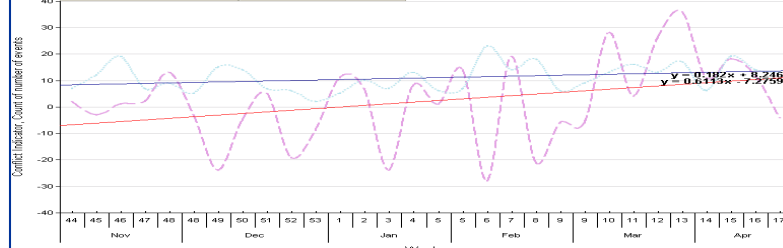
### DYNAMIC EVENTS ANALYSIS

Between **1 November 2006 and 30 April 2007**, CIPF recorded 331 events that either affected or reflected the level of good governance and democratic processes in Guatemala. A **statistical analysis** of the recorded events during this 28 week period shows that events from the period have a positive average score (0.19), indicating the presence of more, or more intensely positive events. Both stabilizing and destabilizing events show a moderately positive trend. In other words, positive events became more common or more significant during the monitoring period

even as negative events became less common or less significant. Together they result in a moderately positive overall trend value of 0.61, indicating a slight improvement in events relating to governance and democratic processes (see Table 3).

The main drivers of this trend are events related to three clusters: Political Stability and Violence, Rule of Law, and Government and Market Efficiency. Most events recorded over the monitoring period related to one of these three areas. Events in the latter two clusters indicate a continuation of the status quo, while events related to the rule of law exhibit a moderately positive trend. The assassination of the three Salvadoran diplomats on 20 February 2007 had a major impact on the event analysis. Though negative themselves, the assassinations forced the government to react. It launched a series of inquiries and subsequently enacted new legislation allowing substantial reform of the police forces, which were implicated in the attack. The legislation also mandated a reorganization of the entire judicial sector. Following these developments, events related to the rule of law at the end of the monitoring period.

TABLE 4: AGGREGATE EVENTS RECORDED



### READING THE EVENTS CHART

**Red line (solid):** Trend line for events; downward slope left to right is negative

**Blue line (solid):** Trend line for number of events

**Purple line (dotted):** This indicates the sum total scores of events (positive or negative), as coded in the event monitoring process; the red trend line is derived from these values.

**Blue line (dotted):** The total number of events; the blue trend line is derived from these values

## KEY EVENTS

### Assassination of three Salvadoran diplomats

On 20 February 2007, three Salvadoran deputies to the Central American Parliament were found shot and burned inside a vehicle abandoned near El Jocotillo village, Villa Canales. The deputies were identified as Eduardo D'Aubisson, William Pichinte, and Jose Ramon Gonzalez. A fourth body, presumed to be the driver, was also in the vehicle. Three police officers were arrested in connection with the murder and placed in a detention center. However, while in detention, the three officers were murdered. Vice-President Carlos Vielman resigned following the events, acknowledging that criminal gangs had infiltrated the government structure and that the police forces needed to be completely purged and restructured. (Source: *Guatemala City Prensa Libre*, 20 February 2007.)

### Elections

The political campaigns for the September 2007 elections are underway. Several political parties have already nominated their presidential candidates and members of the Legislature have resigned in order to start campaigning, which is common practice in Guatemala. Political violence escalated with the assassination of a number of mayors and mayoral candidates unwilling to cooperate with narco-trafficking gangs. The Electoral Council and many members of the government have already expressed their concern that the election will be violent and have encouraged candidates to refuse to cooperate with criminal gangs and narco-trafficking groups. (Source: *Guatemala City Prensa Libre*, 26 February 2007.)

### Rigoberta Menchú runs for President

In February, Rigoberta Menchú became the presidential candidate for the Encounter for Guatemala (EG) political party. EG and Menchú's Winaq political movement began creating a national structure and choosing candidates for upcoming mayoral and Congressional elections. Menchú became the eighth candidate to seek Guatemala's presidency in this year's general elections. Her candidacy represents hope for indigenous communities eager to play a bigger role in the Guatemalan democratic system from which they have historically been excluded. Her candidacy also increases the risk of future confrontation between the traditional elite and the indigenous population. (Source: *Guatemala City Siglo XXI*, 22 February 2007.)

*"Rigoberta Menchú's presidential candidacy represents hope for indigenous communities eager to play a bigger role in the Guatemalan democratic system from which they have historically been excluded"*





### SCENARIO FORECASTING

Scenario analysis is one of the primary analytical tools used by CIFP to set the stage for policy evaluation. Scenarios evaluate interactions between stakeholder agendas and grievances, baseline structural features, and dynamic events. Each scenario is an assessment based on hypothetical projections (positive or negative) of stakeholder behaviour and events.

The best-case assumes that the strongest positive trends will dominate over any negative trends in the near future. Conversely, the worst-case scenario assumes the opposite. Finally, the most likely case scenario extrapolates future tendencies based on the overall trend within the state.

#### Most Likely Scenario

Guatemala continues to face major challenges, and the government recognizes its precarious situation. The reform of the police forces needed to curb violence and reduce the freedom of narco-trafficking groups is delayed by the elections and the inauguration of the next government. Narco-trafficking groups attempt to influence political outcomes in the September 2007 elections by financing cooperative candidates but also by resorting to intimidation and violence. Delayed security sector reform and the period of governmental inactivity shortly before and after the elections gives these groups almost a year to consolidate their control of regions where they are already very active. The resulting situation is difficult to bring under control once the new government is in place. The mobilization of the



indigenous communities supporting the candidacy of Rigoberta Menchú in the next election is positive in that it provides a strong voice to traditionally marginalized groups in Guatemalan society; however, it also places additional pressure on a state already weakened, and could increase the risk of future confrontation between the traditional elite and the indigenous population.

#### Best-Case Scenario

Guatemala elects a government willing to push for a complete reform of the police forces and the judicial system. Helped by the international community, the government begins training its forces in human rights, ethics, and professional police and military practices. Additional funding from the international community for government officers further decreases the level of corruption. These reforms increase both the capacity and legitimacy of the Guatemalan National Forces, better enabling them to confront narco-trafficking groups operating in Guatemala, thus reducing their influence both within government and throughout the country. Problems with political fragmentation and

accountability continue to exist but an improved security climate encourages investment, providing a platform for poverty reduction over the long term.

#### Worst-Case Scenario

Guatemala is unable to curb crime and reduce the activity of the narco-trafficking groups operating on its territory. Such groups influence the elections both through financial support to the campaigns pliant candidates and through intimidation of other candidates. As in Colombia, these groups slowly take control of entire regions, exploiting the poverty and lack of non-criminal employment opportunities for young men. Eventually, they feel sufficiently strong and emboldened to enter into open conflict with the government. The legitimacy of the central government is considerably reduced as a result. Further, by devoting such significant financial resources to the fight against drug cartel, the government foregoes investments in social services vital to the improvement of the standard of living of the majority. Emigration increases among certain segments of the population, further reducing economic production.

## 2. Governance Profile

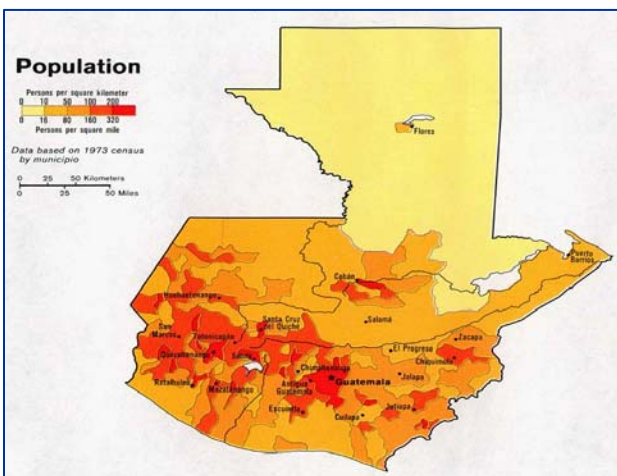
The government of Guatemala faces important challenges to its authority, legitimacy and capacity. Narco-trafficking groups operating in the northern regions have recently been involved in the assassinations of mayors and candidates. They are also reported to have been financing political campaigns in the hope of securing future cooperation from the municipal and national leaders of the regions where they operate. Should they succeed in influencing the September 2007 elections, it will be a significant setback for the democratic processes of the country. Their increased influence could translate into greater violence and further challenges to the central government authority. Ultimately, the situation has the potential to evolve into a conflict similar to the one in Colombia, in which the government loses authority over certain regions of the country. Urban violence perpetrated by rival gangs is a further problem requiring attention. Unfortunately, the police forces are themselves in need of reform as a result of corruption and inefficiency; broad reform of the security sector is necessary if the government is to retain control and legitimacy.

Guatemala's party system is weak and fragmented, which considerably reduces the efficiency and accountability of the government. A lack of party allegiance and the continual variation of parties represented in government reduce the accountability of

elected officials; a lack of continuity in party policy and party position makes it difficult for the electorate to make educated choices during elections that would hold their representatives to account. Further, as most parties are regional, many policies are passed

that are not beneficial to the majority. Indigenous groups, women and youth have historically been excluded from the political, social and economic realms of Guatemalan society, though the presidential candidacy of Rigoberta Menchú in the next election is a sign of political mobilization for minority groups.

Guatemala's GDP is estimated at US\$31.7 billion (2005), the highest in Central America. Coffee, sugar, cardamom, fruit, and vegetable exports remain important economic factors, although the service sector now dominates. Economic diversification has proven successful for Guatemala and is likely to continue under the new US-Central America Free Trade Agreement. However, benefits have not yet trickled down to the indigenous poor; the country continues to exhibit a wide gap between rich and poor in general. The lack of security and increasing violence could also deter foreign investment and eventually slow economic growth.



### QUICK FACTS

#### Population:

13 million people

#### Language:

Spanish and at least 21 Mayan indigenous languages as well as 2 non-Mayan indigenous languages

#### GDP per capita:

\$2,535

#### Public Debt:

20.3% of GNI

#### Ethnicity:

Half of the population in Nicaragua is from Indigenous Amerindian of Mayan descent. The other half of the population is *ladinos* of European descent or mixed ancestry.

### 3. Stakeholders & Key Characteristics

Nine stakeholder groups have a major influence on political and social developments in Guatemala. Internal stakeholders include Berger's government; the opposition parties; the armed gangs and narco-trafficking groups; the church; indigenous groups; and the population, which is divided between campesinos (rural poor farmers), the urban poor, and a rich land-owning elite. The external stakeholders include the Guatemalan diaspora; Guatemala's regional neighbours Belize, El Salvador, Mexico and Honduras; other Central American countries with which Guatemala is engaged; the United States; and major donors, both bilateral and multilateral. Each stakeholder group plays a role in how, and whether, democratic institutions and good governance develop in Guatemala.

**Internal stakeholders** face significant challenges related to crime and corruption; these must be overcome in order to consolidate the democratic system and renew trust in the system. Reducing the number and influence of gangs and drug cartels remains contingent on the efficiency and effective reform of the police forces. Furthermore, with a general election due September 2007, elections will also bring an increase in political violence; indeed, several candidates have already been assassinated.

**External stakeholders** also lay a role in governance and democracy-building. Donors have already been asked to collaborate with Guatemala in efforts to strengthen rule of law

and initiate security sector reforms. The United States and other Latin American countries such as Chile have a significant role to play in helping Guatemala consolidate its institutions through financial contributions or in kind training. The IMF, the World Bank and other financial institutions upon which Guatemala depends for foreign aid will also remain involved. Finally, if left unresolved, ongoing tensions with Belize may impede economic integration and other continental initiatives with the potential to enhance economic progress. Without such regional integration, efforts to reduce poverty in Guatemala will likely continue to meet only limited success.

TABLE 5: KEY STAKEHOLDERS

STAKEHOLDERS	COMPOSITION	INTERESTS & GRIEVANCES
1 The Government	President Óscar Berger Perdonó (elected on December 28, 2003)	Berger Perdonó was elected in the second round of the election with 54.1% of the votes. He took office in January 2004. Formerly the mayor of Guatemala City, he left the Partido de Avanzada Nacional (PAN) when he ran for the Presidency.
	Governing party: Gran Alianza Nacional (GAN)	Formed by Berger and his supporters in May 2003 during the run-up to elections. Emerged from the former centre-right wing of the PAN party. Supported by business lobby groups in the country. Lacks a congressional majority and originally had to form a coalition with two smaller parties (Movimiento Reformador (MR) and Partido Solidaridad Nacional (PSN)) and Berger's supporters within the ranks of the PAN (Movimiento 17 (M-17)). In May 2004, the coalition disintegrated and GAN was left with only 32 seats.

TABLE 5, CONT'D: KEY STAKEHOLDERS

STAKEHOLDERS	COMPOSITION	INTERESTS & GRIEVANCES
1 Government, <i>cont'd</i>	Berger's Cabinet	Vice-President Eduardo Stein was also elected in the 2003 elections. Berger's cabinets included Government Minister Carlos Vielmann, who was particularly active until he resigned over a scandal involving the assassination of three Salvadoran diplomats. A major reshuffling of the cabinet took place in February 2007 after many cabinet ministers quit in order to concentrate on their re-election campaigns.
2 Opposition Parties	<p>Álvaro Colom Caballeros from <i>Unidad Nacional de la Esperanza</i> (UNE)</p> <p>Efraín Ríos Montt and the <i>Frente Republicano Guatemalteco</i> (FRG)</p>	<p>In the 2003 presidential election, Colom Caballeros received the second largest share of the vote with 44%. He will be the presidential candidate for the <i>Unidad Nacional de la Esperanza</i> (UNE) again in the 2007 September elections and, according to polls, is now the leading candidate. UNE is the main centre-left party in the country</p> <p>President during the civil war (1982-1983) and responsible for several cases of human rights abuses, Ríos Montt was constitutionally barred from participating in the 1999 election, but allowed to run again in 2003 under the banner of the <i>Frente Republicano Guatemalteco</i> (FRG), following a controversial judgement by the Constitutional Court. He came third in the first round of the Presidential race, with 19.3% of the vote.</p>
3 Armed Gangs & Narco-Trafficking Groups	<p>Narco-trafficking groups</p> <p>Urban gangs known as <i>Maras</i></p>	<p>Drug cartels operate mostly in the northern part of the country. Drugs from Colombia transit into Guatemala and are exported to Mexico and the United States. Drug cartels were recently involved in the assassinations of mayors and other politicians who were unwilling to collaborate; they have reportedly infiltrated the police forces as well.</p> <p>Armed gangs are active and responsible for both political murders and street violence. Uncontrolled by the police, they contribute to the climate of insecurity in the big cities. Many gang members are deported illegal immigrants from the United States; as a result, they benefit from an international network, sophisticated training and access to arms. They also distribute drugs locally. In addition to the two most popular gangs, MS-13 and M-18, <i>Los Cholos</i> (The Half Breeds), <i>Los Nicas</i> (The Nicaraguans), and <i>Los Batos Locos</i> (The Crazy Boys) are active in Guatemala.</p>

TABLE 5, CONT'D: KEY STAKEHOLDERS

STAKEHOLDERS		COMPOSITION	INTERESTS & GRIEVANCES
4	Religious Groups	The Catholic Church	The Catholic Church is very influential in Guatemala. It played a significant role in mobilizing the different stakeholders in favour of peace and human rights prior to the end of the conflict, as well as in negotiating the peace process to end the 36-year civil war. The church continues to be active in the implementation of the peace process today.
5	The Guatemalan Population	Campeños	Guatemala's rural population is poor, agrarian, and receives minimal social services in terms of health and education. In 2001, 74.5% of rural households lived below the national poverty line, with a higher concentration in the north and northwest of the country. Major conflicts over land intensified under Berger's presidency.
		Poor urban population	62% of Guatemala's urban population lives in slums, where high poverty and unemployment are linked to crime and violence. Bereft of other opportunities, many young men join gangs in order to make a living.
		Rich land elite	As in other Latin American countries, a small elite benefits from a large proportion of the national income. Guatemala has the third largest income disparity globally, according to the GINI coefficient (World Bank). The rich exercise strong influence on politics, often using their clout to stall reforms intended to benefit the poor.
6	Indigenous Groups	Rigoberta Menchú, <i>Encuentro por Guatemala</i> & Winaq Party	<p>A leading advocate of Indian rights and ethno-cultural reconciliation, Rigoberta Menchú won the Nobel Peace Prize in 1992. She will be the presidential candidate for the new party <i>Encuentro por Guatemala</i> in the September 2007 elections. This left-wing political party has formed a coalition with the Winaq indigenous political party formed by Menchú in February 2007 and will jointly support her presidential candidacy in the next election. <i>Encuentro por Guatemala's</i> decision to choose a presidential candidate of indigenous descent is a positive development and one that is likely to increase indigenous political participation, with the commensurate potential to improve their economical and social conditions as a result.</p> <p>More generally, indigenous groups in Guatemala have begun to organize into a coherent political and social force and have begun campaigning for greater consultation over mining and hydro-electrical projects, among other issues.</p>

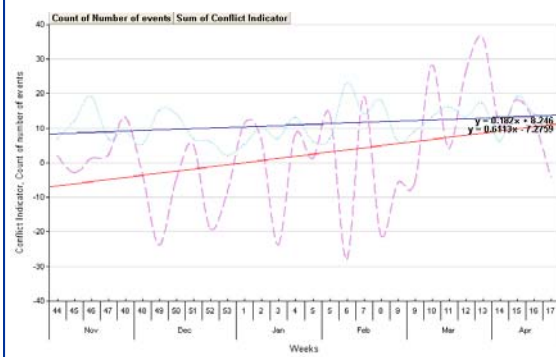




#### 4. Summary of Structure & Trends in Good Governance

The structural data collected confirms that Guatemala remains a country of concern, with much progress to be made in terms of governance and democratic participation. All six clusters register as areas of concern. Structural indicators for Human Rights, Rule of Law, Government Transparency and Accountability, Government and Market Efficiency, and Democratic Participation all leave room for improvement. Recent events related to political stability and violence suggest that it is a growing area of concern.

TABLE 6: AGGREGATE EVENT TREND—11/06-04/07



CIFP's structural data is divided into 6 clusters, each of which is addressed in detail following this summary. The six clusters are Government and Market Efficiency (GME), Political Stability and Violence (PSV), Human Rights (HR), Rule of Law (RL), Government Transparency and Accountability (GTA), and Democratic Participation (DP).

#### EVENT ANALYSIS

Between **1 November 2006 and 30 April 2007**, CIFP recorded 331 events that either affected or reflected the level of good governance and democratic processes in Guatemala. This six-month period of monitoring is intended as an initial baseline exercise and proof of concept; subsequent reports will cover a longer observation period, and provide more robust findings as a result.

A **statistical analysis** of the recorded events from this 28-week period shows that events from the period have a positive average score (0.19). Both stabilizing and destabilizing events show a moderately positive trend. Together they combine to show slight changes in a positive direction, with an overall trend value of 0.61; this indicates that events related to governance in Guatemala have been generally positive during the period monitored, with outcomes improving over the period of observation. The average number of positive and negative events per week for the period is slightly higher toward the end of the period, which may partly account for the positive overall trend (*see Tables 6 and 7*).

TABLE 7: AGGREGATE EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	331	176	151
Avg. Event Score	0.19	4.80	-5.03
Avg, as % of Total	2%	53%	-56%

TABLE 8: STRUCTURAL SCORES

PSV	GME	RL
3.74	5.77	6.82
HR	GTA	DP
5.56	6.21	5.14

TABLE 9: EVENT TENDENCY

	All Events	Stabilizing Events	Destabilizing Events
Weekly Aggregate	Moderately Positive 0.61	Moderately Positive 0.85	Moderately Positive 0.25

Most events recorded over the monitoring period were related to political stability, the rule of law, and economic performance in the country; thus the relevant analytical clusters are analyzed as "primary drivers" of events in the country. Events related to market efficiency and political stability tended to score consistently over the course of the observation period, suggesting a continuation of the status quo; events related to rule of

law tended to improve over the course of observation. It is worth noting that the assassination of the three Salvadoran diplomats on 20 February 2007 had a major impact on the overall event analysis during the period. While it was a strongly negative influence during the immediate aftermath, it nonetheless forced the Guatemalan government to react. In the following months, the government launched a series of inquiries, and enacted new legislation that allowed for anti-corruption purges of the police forces, and a reorganization of the legal sector. The reaction of the government to the destabilizing events of February 2007 accounts for the positive trend in the Rule of law cluster despite the occurrence of several highly destabilizing events occurred in the past six months.

Our findings on governance and democratic processes are disturbing. Organized gangs and narco-trafficking groups appear to



have significant and growing influence on the overall stability of Guatemala. Not only do they contribute to an increase in criminality, they also challenge the legitimacy of the government by influencing the election results in the northern regions where they are the most active. With the presidential elections to take place in September 2007, many stakeholders have predicted that violence will be an integral part of the electoral experience. Although no conflict has yet emerged in Guatemala and scores in the Political Stability and Violence represent only a medium risk on average, the situation could quickly worsen if drug cartels are not controlled and the police not reformed.

With respect to poverty and access to services, the positive trend in economic performance requires context to be properly understood. Guatemala's GDP is the highest in Central America and exports have increased under the US-Central America Free Trade Agreement. Less encouragingly,

foreign investment remains low and the government's ability to raise taxes and invest in social programs is limited. Weak scores for foreign investment freedom, intellectual property, and dealing with licenses highlight some of the hardships faced by foreign investors wanting to do business in Guatemala. Income disparity is also a major concern and remains unaddressed.

The Democratic Participation cluster shows more positive results. The mobilization of the indigenous groups in international fora, their initiatives in forming a political party, and the presidential candidacy of Rigoberta Menchú are encouraging signs that a more politically representative government could emerge in the years to come. However, the lack of checks and balances in the system and the under-representation of women in Parliament are still indicators of areas of concern within Guatemala's democratic system.





## 5. Primary Drivers

*Primary drivers are clusters that contain more than 25 events. These clusters are the main areas of activity in the country and make the greatest contribution to the overall event trend.*

### 5.1 POLITICAL STABILITY & VIOLENCE

Guatemala emerged from a 36-year civil conflict in December 1996. The civil war pitted guerrilla groups united under the *Unidad Revolucionaria Nacional Guatemalteca* (URNG) against the military, often acting independently from the government. It featured the destruction and extermination of entire villages, torture, political assassinations and abductions. Governments led by General Romeo Lucas García (1978-1982) and Efraín Ríos Montt (1982-1983) were particularly brutal and repressive. In 1985, General Oscar Mejía Víctores seized power and promised to restore electoral democracy, but was unable to bring the military under civilian control. His successor Mr Serrano Elías also attempted to terminate the conflict by initiating talks with the URNG. However, talks collapsed and Elías was forced to resign by the international community after he dissolved Congress and the Supreme Court.

It was Alvaro Arzú who succeeded in signing a peace agreement with the URNG in 1996. The peace agreement was mediated by the United Nations (UN) and included a series of economic, social and political reforms. A supplemental agreement addressed indigenous issues, land reforms and demilitarization. Following the negotiation of the peace process, a group of donor countries and international

financial institutions met to discuss strategies that would provide financial assistance to Guatemala and allow for the implementation of the accord. The signature of the peace agreement included provisions aimed at demobilizing the guerrillas, reducing the armed forces, and creating new political parties; these results were achieved within respectable deadlines. Progress was slower with respect to reform of the police forces, the judicial system, and the implementation of human rights standards; such efforts are ongoing.

In 1994, a UN mission was established to verify compliance of the Comprehensive Agreement on Human Rights that had been signed prior to the peace agreement. The mission was known as the United Nations Mission for the Verification of Human Rights and of Compliance with the Commitments of the

Comprehensive Agreement on Human Rights in Guatemala (MINUGUA). MINUGUA carried out verification and institution-building activities throughout the country. More than 250 human rights monitors, legal experts, indigenous specialists and police were posted throughout Guatemala, even its most remote regions. Their presence and verification activities helped to focus public attention on human rights and the related problem of impunity, and reinforced the decline in political violence.

Following the peace agreement in 1996, the mandate and official name of MINUGUA was changed in accordance with UN resolution 1094. The UN Verification Mission in Guatemala was responsible for verifying compliance by the Government of Guatemala and URNG with the Agreement on the Definitive Ceasefire with respect to the separation and





cantonment of forces, the and disarmament and demobilization of former URNG combatants. MINUGUA closed its office in Guatemala in December 2004, though UN officials expressed concerns that impunity, discrimination against indigenous people, poverty, and low spending on social services continued to pose significant problems in post-conflict Guatemala.

In 1999, Guatemalan rejected a referendum on constitutional changes aimed at implementing several of the reforms comprised in the peace agreement. These included the recognition of the multicultural nature of the state, respect for indigenous rights, the transformation of the judicial system, and a reduction of power for the armed forces.

Guatemala's long tradition of *dictatorial rule* is an important consideration, as it underscores the relative fragility of the electoral system. The military influence on the executive remains strong, and a return to authoritarian rule therefore remains a possibility. Guatemalans may begin to re-examine democratic institutions if the government cannot deliver improved living conditions, accountability, security, and social services for the majority of the population. Relations between the military and the government are also tense. Following the peace accords, the military was restructured and reduced by one-third. Under Berger, the military was cut to 12,000 troops and its budget limited. However, military influence on the executive branch remains. Charges of corruption

have also been brought against high-ranking members of the military.

The potential for renewed armed conflict in Guatemala is still present, as new threats to the stability and legitimacy of the government have emerged in recent years. Internally, concerns emanating from the civil war have now been surpassed by the growing challenge represented by violent urban gangs and narco-trafficking activities. Given Guatemala's as a transition country with limited government capacity and an inefficient police force, drug cartels enjoy considerable latitude for operations. Its proximity to Mexico and the US also makes it attractive. The result is a high level of narco-trafficking activity on Guatemalan territory, with regular clashes between authorities and implicated criminal groups. Murders, political subjugation, threats and corruption are directly linked to drug cartels' growing strength and freedom of movement in the country.

The drug trade is also linked to the activities of urban gangs, commonly known as the *Maras*, who are responsible for domestic distribution. In 2005, Mara Salvatrucha (MS-13) began a gang war against its rival M-18 in Guatemala over control of local drug distribution. Subsequently, President Oscar Berger and the Guatemalan Congress approved anti-gang laws and called up four thousand reserve army troops to patrol troubled neighbourhoods in Guatemala City. A new interior minister was charged with the sole task of fighting crime. The minister also launched a number

of programs attempting to assist at-risk youths, especially former gang members.

Externally, Guatemala is involved in several Central American integration initiatives, especially with respect to economic cooperation. However, the country's relationship with Belize remains tense. Conflict with Belize dates from 1865, when Raphael Carrera allowed Great Britain to take control of Belize in return for the construction of a road between the Guatemalan and Belizean capitals. The road was never built and the conflict remains unresolved. Consequently, the border area between the two countries is insecure and, at times, violent. Guatemala claims a vast area contested by the Belizean government. Mediation attempts by the OAS have made some progress but clashes between Guatemalan peasants trying to establish themselves in the contested area and the Belizean army still occur frequently.



TABLE 10: POLITICAL STABILITY & VIOLENCE

Permanence of Regime Type	3.74
Informal Economy — Black Market	6.9
Conflict intensity	5.2
Dependence on External Military Support	1.0
Military Expenditure — pct. of GDP	2.8
Political Stability	1.2
Refugees Produced	6.8
Terrorism -- Number of fatalities	6.1
Terrorism -- Number of Incidents	1.0
	2.6

For full structural profile, see pp 28-29.

TABLE 11: PSV TREND—11/06-04/07

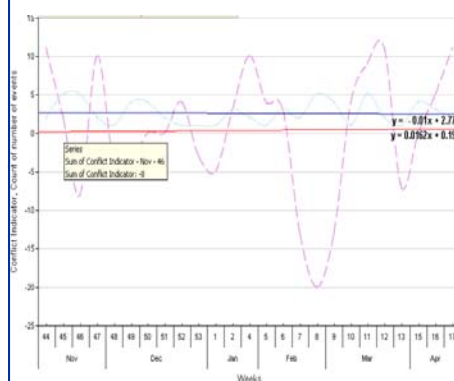


TABLE 12: PSV EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	66	37	29
Average Event Score	0.15	4.59	-5.51
Average as % of Total	2%	51%	-61%

TABLE 13: PRIMARY DRIVERS OF AGGREGATE VALUES

	All Events	Stabilizing Events	Destabilizing Events
Weekly Aggregate	Status Quo → 0.61	Status Quo → 0.85	Moderately Negative ↘ 0.25

### Underlying Conditions

Structural data indicates that Guatemala is at medium risk in terms of political stability and violence. Its score of 3.73 is largely a consequence of the absence of open large scale armed violence and terrorism following the end of the civil war in 1996. Weak scores for permanence of regime type and political stability reflect the relative fragility of the 10-year-old democratic political system. The number of refugees produced is a further indicator of concern; refugees have fled Guatemala as a result of security and economic concerns, with many families seeking sanctuary in the United States and Mexico. The relatively low level of military spending as a percentage of GDP suggests that the military is slowly being brought under civilian control; this was a priority of the Berger administration. Finally, the informal market activity reflects the difficulty the government has both in regulating economic activity and collecting taxes; it also underscores the corruption and lack of governmental control found at the country's borders.

### Events Analysis

The cluster has an overall trend near the status quo (-0.01), but a slightly positive average score (see Table 11 and 12).

A series of destabilizing events forced the government and opposition political parties to acknowledge that organized crime has penetrated Guatemala's political institutions and is now a threat to the country's stability. Events

recorded in this cluster demonstrate that government legitimacy and capacity to enforce a certain level of stability and respect for rule of law had been eroded.

Significant events include the assassination of 14 members of the National Unity of Hope (UNE) party on 3 December 2006, of Mayor Elmar Palma on 6 February 2007, of the Mounted Police chief of operations on 11 February, and finally of three Salvadoran deputies on 20 February. Taken together, they provide considerable justification for characterizing Guatemala as a fragile state.

On the other hand, several positive events were also recorded at the beginning of the observation period that account for the relatively flat trend line seen in graph 11. Significant events include a series of meetings to settle the conflict with Belize; regional meetings to increase Central American cooperation in the areas of economy and security; and the announcement of further collaboration between the U.S. and Guatemala regarding the treatment of Guatemalan immigrants and counter-narcotics following US President Bush's visit to the country. The government's response to the assassination of the three Salvadoran deputies and the announcement that donor countries would continue to support Guatemala were also indicative of some continuing stability during what was in many ways a volatile period.

#### SIGNIFICANT STABILIZING EVENTS

- Guatemalan, Salvadoran, Honduran and Nicaraguan defence ministers met in Guatemala and agreed to coordinate actions against emerging threats such as terrorism, youth gangs and organized crime (24 November 2006).
- Peace Secretary Norman Quixtan said progress was made in implementing the peace agreement signed 10 years ago (14 December 2006).
- Government Minister Carlos Vielmann was to meet with leaders of political parties to discuss ways of preventing political violence during the upcoming elections (9 January 2007).
- Foreign Ministry coordinated with other government agencies and NGOs programs to help deportees find jobs and receive vocational training (11 January 2007).
- Parties implemented various controls to stop organized crime from financing their political campaigns and asked the police to help carry out background checks on candidates (26 January 2007).
- Government officials were optimistic Bush's visit would result in more foreign aid for the country and better treatment for Guatemalan immigrants (14 March 2007).
- President Berger and Chilean President Bachelet sign an agreement covering technical cooperation on security issues (19 March 2007).

#### SIGNIFICANT DESTABILIZING EVENTS

- Deputy Foreign Minister Marta Altolaquirre expressed concern over the increase in deportations from the United States. Deportation increased 30% from an average of 400 each week to 569 during the third week of November (18 November 2006).
- Two vehicles owned by UNE's director for strategy were shot up and burned (18 November 2006).
- The murder of 14 UNE party members is linked to attempts by organized crime to infiltrate the party (3 December 2006).
- Vice-President Eduardo Stein expressed concern that a drug cartel could be financing the political campaign (11 January 2007).
- Four gunmen attacked and killed Mayor Elmar Palma while he was driving to a political rally (6 February 2007).
- The Guatemalan Mounted Police chief of operations was found dead at the bottom of a ravine in the Los Pinos neighbourhood in Chimaltenango after being tortured and shot (11 February 2007).
- Three Salvadoran deputies to the Central American Parliament were found shot and burned inside a vehicle (20 February 2007).
- UN Human Rights High Commissioner Anders Compass suggested that the Guatemalan state had failed and collapsed (3 March 2007).



## 5.2 RULE OF LAW

The judicial system consists of the Supreme Court of Justice, appellate courts, trial courts, as well as courts of special jurisdiction, which includes labour and family courts. The Constitutional Court, which reviews legislation and court decisions for compatibility with the constitution, is independent of the rest of the judiciary. Many problems plague the system. Chronic underfunding, combined with a rapid increase in criminal activity, has rendered existing infrastructure unable to accommodate the number of trials required. Judges are often poorly trained. There is no communication system with which to summon witnesses to trial, resulting in further delays. Alternative dispute resolution strategies are underutilized in the country, with many minor offences settled in tribunal that could be resolved directly by police officers, community institutions, and other ADR mechanisms. Judges are also subject to intimidation and threats. As a result, citizens often take justice into their own hands, further undermining faith in the system.

Despite limited success in applying the rule of law following the end of the civil war, there is a growing culture of impunity surrounding the activities of drug traffickers and street gangs. The counterfeiting industry is flourishing, featuring contraband CDs, alcohol, cigarettes, and money. Gang membership is growing, as are drug trafficking and gang-related violence. Politically-motivated murders occur with disturbing regularity as

well. Guatemala's security sector, plagued by corruption and inefficiency, must bear some responsibility for the situation, which is further exacerbated by the country's location within one of the world's most active drug conduits. The judicial system, police forces and penitentiary system all require substantial institutional reform, extensive training programs, and sustained financial support if the Guatemalan government is to regain control of the situation.

*"Despite limited success in applying the rule of law since the end of the civil war, a growing culture of impunity remains."*

The country's police forces were reformed following the peace agreement in 1996 but still lack training, adequate resources and sufficient funding to maintain the rule of law throughout the country. Current reports indicate that corruption and involvement in criminal activities are rampant among officers. Moreover, reports suggest that police still often lack respect for basic human rights despite the best efforts of MINUGUA. On 23 January 2007, Provincial Police Chief Ricardo Gaitan admitted that criminal groups were attempting to infiltrate the National Civilian

Police (PNC) and the Highway Protection (Provincial) unit to obtain information on operations against organized crime. He affirmed that 7% of the 600 candidates applying for a position in the Highway Protection (Provincial) unit last year were rejected because of links to criminal groups. Four percent of candidates to enter the PNC Academy were rejected for the same reason (Guatemala City Prensa Libre).

The assassination of three Salvadoran diplomats on 20 February 2007, and subsequent arrest and prison murder of five police officers linked with the case reveal the extent of the problem. The government has admitted the need for substantial reform and anti-corruption efforts across the Guatemalan police forces. President Berger, who at first refused to acknowledge the extent to which criminals had infiltrated the police forces, finally admitted that a complete reform was necessary. On 20 March 2007 Vice-President Eduardo Stein confirmed that the





TABLE 14: RULE OF LAW

	6.82
Police, Law, and Criminality	7.5
Prison Population Rate	2.8
Prison Occupancy Level	4.9
Number of Political Prisoners	5.8
Judicial Independence	7.7
Impartial Courts	8.4
Integrity of the Legal System	8.5
Military Interference in the Rule of Law	7.5
Property Rights	8.3

TABLE 15: RL TREND—11/06-04/07

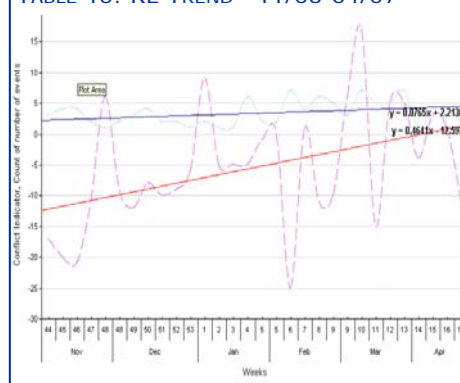


TABLE 16: RL EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	102	36	66
Average Event Score	-5.06	4.67	-5.00
Average as % of Total	-18%	52%	56%

TABLE 17: PRIMARY DRIVERS OF AGGREGATE VALUES

	All Events	Stabilizing Events	Destabilizing Events
Weekly Aggregate	Moderately Positive 0.61	Moderately Positive 0.85	Status Quo 0.25

administration would request that Chilean police provide some training to the PNC. He also called for a law allowing the dismissal of police officers suspected of involvement in illegal activities. A purge of the PNC began on 12 April 2007 with the dismissal of 200 police officers accused of irregularities.

The penitentiary system is highly dysfunctional with crimes often occurring within prison walls. Escapes are also common. Bribery of prison guards by drug traffickers is widespread. According to the Center for Prison Studies, prison occupancy rates in the country remain high at 113.3% of official capacity; resources are often insufficient to guarantee conditions that meet basic human rights standards. Although a limit of three months for pre-trial detention is set, the US State Department Bureau of Democracy, Human Rights, and Labor estimated that in 2006, 60% of inmates received no trial.

### Underlying Conditions

This cluster represents a very high source of instability for Guatemala. An overall score of 6.82 captures problems with respect to integrity within the legal system; military interference in the rule of law; and an inefficient and corrupt police force. These indicators reflect the situation on the ground, where the police forces battle corruption within their own ranks and are unable to keep gangs and other criminal groups under control as a result. The judicial system lacks proper infrastructure and trained judges

with the capacity to deliver unbiased verdicts; it also lacks independence from both the government and criminal groups. A medium risk score in the prison occupancy level captures other problems faced by the judiciary, including the lack of sufficient resources to process cases and incarcerate criminals to appropriate institutions.

### Events Analysis

The average event score for the Rule of Law cluster is highly negative, though the overall trend is moderately positive. In other words, though events tended to be more negative than positive, they improved during the period of observation. Overall, the number of destabilizing events compared to stabilizing events drove the average score downward (see table 15 and 16). Notably, the government's manifold response to the murder of three Salvadoran deputies occurred towards the end of the observation period, improving the overall trend. As the results of these measures remain to be seen, the positive trend should be viewed as evidence that the government is able to respond visibly to challenges to its authority. Activities of criminal gangs and narco-trafficking groups continue to challenge a corrupt police force plagued by inadequate institutions, and the government remains under intense pressure to reform its security sector more fully.

## SIGNIFICANT STABILIZING EVENTS

- The Government of Guatemala signed an agreement with the UN creating an International Commission Against Impunity in Guatemala (CICIG) responsible for investigating illegal groups and clandestine organizations, and promoting their prosecution by Guatemalan authorities (13 December 2006).
- President Berger announced a request for 100 million quetzals in additional funds for the Defence Ministry to continue financing the Army's support for the police forces (3 February 2007).
- A government task force was to begin destroying clandestine runways detected in the Tiger Lagoon and Sierra del Lacandon national parks (16 February 2007).
- President Berger confirmed that authorities had requested the FBI's help in investigating the murder of three Salvadoran deputies (22 February 2007).
- President Berger issued a decree ordering the government to modify the National Civilian Police's internal regulations and requesting the Congress to modify other regulations in an attempt to purge criminal elements from the PNC (2 March 2007).
- President Berger was to establish the National Security System to rescue law enforcement agencies from criminal elements (7 March 2007).
- The Vice-President confirmed the administration will request assistance from Chile's National Police to reform the PNC (20 March 2007).
- President Berger announced a Constitutional Court ruling opening the way to dismiss 200-250 National Civilian Police officers accused of irregularities (14 April 2007).

## SIGNIFICANT DESTABILIZING EVENTS:

- Police investigated a criminal network that allegedly defrauded the government of 10 billion quetzal by smuggling alcohol, tobacco, and clothing into the country without paying import duties (15 November 2006).
- Authorities confiscated 13,680 pirated music CDs and DVDs during operations in the capital's Zone 3 (17 November 2006).
- A study finds that the private business sector spends an estimated 1,989 billion quetzal annually on security. Representatives say that high cost of security reduces investment and competitiveness (21 November 2006).
- 605 penitentiary system employees, 31 directors and deputy directors, and 74 guards were dismissed for inefficiency and other problems (1 December 2006).
- The judicial branch received 370 complaints against judges in 2006, of which 30 were or are being investigated (16 December 2006).
- The transportation association representing city and intercity bus companies urged authorities to reinstate joint army-police patrols to reduce extortion and robberies (30 January 2007).
- Authorities said 10 men armed with AK-47 assault rifles and 9-mm pistols murdered eight men in a territorial dispute between rival criminal gangs (10 February 2007).
- Four members of the Police Criminal Investigation Division were arrested for allegedly assassinating three Salvadoran deputies and their drivers (23 February 2007).
- The four officers allegedly responsible for the murder of the three Salvadoran deputies were assassinated inside the Apanteos prison (26 February 2007).

*"The penitentiary system is highly dysfunctional with crimes often occurring within prison walls. Escapes are also common. Bribery of prison guards by drug traffickers is widespread."*

### 5.3 GOVERNMENT & MARKET EFFICIENCY

Historically, Guatemala's economy has relied primarily on the production of coffee. This reliance lies at the root of contemporary social phenomena such as land expropriations, forced labour, and the exclusion of minorities from the education system. While in the past these practices were all aimed at promoting economic growth, their legacy has left permanent scars on both the political and economic systems. They have reinforced inequalities, exclusion, and chronic poverty among certain groups. Although Guatemala's GDP is now significantly higher than that neighbouring Nicaragua and Honduras, it lags behind both in terms of social indicators for health, education and malnutrition.

the third most unequal distribution of resources according to the GINI index, after Brazil and Sierra Leone. In 2002, the government outlined its poverty reduction strategy in the policy document "Estrategia de Reducción de la Pobreza" (ERP). General principles emphasized in the ERP included a rural focus, using the poverty map to make public spending more efficient, transparent, decentralized, and participatory. Key action areas included promoting growth with equity, investing in human capital—especially health, education and food security—and investing in physical capital—especially water and sanitation, rural roads, electricity, and rural development. Poverty, landlessness and inequality had been key factors for the

*"Powerful business lobbies within Guatemala have succeeded in pressuring the government not to raise taxes or reform the tax system at the expense of the rich elite."*

In 1991, Guatemala initiated a stabilization and structural adjustment policy to control inflation, stabilize balance of payments and increase economic growth. The economy performed better in subsequent years, with inflation stabilizing and the growth rate increasing; however, poverty reduction measures largely failed to have a significant impact. Guatemala's GDP, which was US\$19.3 billion in 2000, reached US\$31.7 billion in 2005, the highest in Central America. The benefits of economic growth have not yet reached the poor, and social spending has increased only marginally during the previous decade. The country ranks 118<sup>th</sup> on the Human Development Index and 48<sup>th</sup> of 102 developing nations on the Poverty Index. Guatemala has

mobilization of revolutionary movements prior to the civil war, making it vital for the government to address these problems.

One of the main challenges facing the government relates to the low level of taxes that it collects. Although the peace accord did include some socio-economic provisions intended to increase taxation yields to 12% of government income by 2000, powerful business lobbies within Guatemala have succeeded in pressuring the government not to raise taxes or reform the tax system at the expense of the rich elite. Tax revenues currently represent only 10% of government income and successive failures to increase the level of tax collection have forced the government to make do with

#### GUATEMALA'S ECONOMY:

Population (millions): 12.6  
 GDP Growth (%, 2005): 3.2  
 GDP (standard exchange): US\$31.7 billion  
 Inflation (2005): 7.8%  
 Official Development Aid (2005): US\$243.6 million  
 Agriculture: 22.8% of GDP  
 Industry: 18.9% of GDP  
 Services: 58.3% of GDP  
 Exports: 15.7% of GDP  
 Imports: 30.2% of GDP

All figures from the World Bank, 2005

very few resources. According to the Economist Intelligence Unit (EIU), government consumption amounted to just 5.9% of the total GDP in 2005, a very low percentage when compared with other countries. Failure to generate more revenue from taxes has also limited investment in social programs and increased Guatemala's reliance on foreign aid and remittances from the Guatemalan diaspora. Guatemala City's *Prensa Libre* reported that Bank of Guatemala statistics revealed that remittances in 2006 totalled \$3.609 billion, an increase of 21% over 2005 and 42% over 2004.

In the last decade, Guatemala's economy has shifted from an agricultural base centred on coffee production to a relatively diversified base focused on provision of services. Nonetheless, the Guatemalan economy retains a strong agricultural component, as the country is still the fifth largest exporter of sugar in the world. It also exports one billion kilograms

of banana each year and has increased its export of cardamom significantly. During the period monitored, Guatemala was also attempting to obtain EU certification for some of its organically grown vegetables, including macadamia nuts, coffee, cardamom, and dehydrated lemon, which could further revive the agricultural sector. Commerce and financial services have developed considerably and now represent 30% of GDP. *Maquiladora* industries have grown along with transport and communication services. Guatemala has also taken advantage of the

US-Central America Free Trade Agreement, which came into force in July 2006, to bolster its exports and diversify its industry.

The privatization process of 1997-1998 attracted foreign investment, especially in the telecommunication and transportation sector. However, FDI has been limited since then. In 2005, foreign aid investment represented US\$218.4 million, compared with \$1,232.4 million for Nicaragua and \$641.7 million for Honduras. Issues of land tenure and property rights combine with inconsistent respect for contracts and the rule of law

to dampen foreign investment. On 27 April 2007, the *Guatemalan Press* reported that Guatemala continues to be one of the 10 Latin American nations offering the least protection for intellectual property rights. Conflicts between mining companies and landless peasants over territory have also been frequent and led to violent altercations. In June 2005, the government passed legislation calling for the creation of a national land registry, and the review of the status of idle lands and lands illegally acquired during the armed internal conflict; unfortunately little progress has been made since then.

TABLE 18: GOV'T & MARKET EFFICIENCY **5.77**

Economic growth -- % of GDP	6.5
Relative Economic Size - GDP/capita	5.1
Economic Size -- Total -- GDP	4.0
External Debt -- percentage of GNI	2.0
Ease of Doing Business	6.6
Starting a Business	7.0
Protecting Investors	7.2
Trading Across Borders	6.3
Closing a Business	4.8
Economic Freedom	4.7
National Savings Level	7.2
Foreign Investment Freedom	7.5
Intellectual Property	7.9
Contract Regulation	4.9
Enforcing Contracts	7.8
Dealing with Licenses	8.6
Registering Property	2.8
Enrolment Rates	6.7
Health Expenditure	5.8
Access to Services -- Improved Water	3.9
Government Effectiveness	6.9
FDI -- percentage of GDP	3.0
Foreign Aid -- % of Govt Expenditures	6.4
Inequality -- GINI Coefficient	8.3
Trade Balance -- percentage of GDP	6.4
Unemployment -- Total	1.1
Paying Taxes	6.4

TABLE 19: GME TREND—11/06-04/07

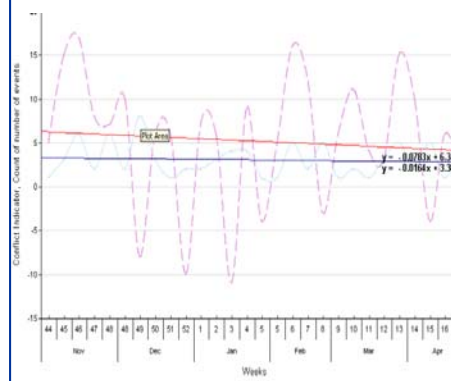





TABLE 20: GME EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	86	58	28
Average Event Score	1.70	4.84	-4.82
Average as % of Total	19%	54%	-54%



TABLE 21: PRIMARY DRIVERS OF AGGREGATE VALUES

	All Events	Stabilizing Events	Destabilizing Events
Weekly Aggregate	Status Quo  0.61	Moderately Negative  0.85	Moderately Positive  0.25

### Underlying Conditions

Guatemala's Government and Market Efficiency score presents a portrait of moderate risk. High scores for indicators included in the World Bank *Ease of Doing Business* data, such as Foreign Investment Freedom, Intellectual Property, Dealing with Licences, Starting a Business and Protecting Investors help explain why foreign investment has remained low in the past decade (US\$ 218.4 million in 2005). Poor scores for government effectiveness and health expenditure highlight problems linked with the

lack of government investment in social programs and speak to the precarious living conditions in which the majority of the population lives. On the other hand, the moderate and even positive scores for economic size and relative external debt are signs of economic recovery. If the benefits of such economic growth trickle down to the poor, they could lead to better economic conditions for the majority of Guatemalans.

### Events Analysis

The average event score in the Government and Market Efficiency cluster is positive (1.70) while the trend is close to the status quo (-0.08); in other words, most events related to government efficiency and economic performance were positive, and this trend remained relatively steady throughout the

observation period (see Table 19 and 20). The majority of positive events recorded in this cluster were related to the release of strong statistics related to exports, remittances, and foreign investment. Negative events included reports of the difficulties encountered by the government when delivering basic services. Power shortages and the refusal of the private sector to endorse the new minimal wage for workers were further negative developments. The events portray well the situation on the ground: business and exports continue to perform well relative to other Central American countries, but the government's inability to collect taxes impedes the proper delivery of services to the general population and limits the benefits for the poor.

### SIGNIFICANT STABILIZING EVENTS

- Guatemala sought new ties with Caribbean nations to stimulate trade and tourism (14 November 2007).
- The Minister of Agriculture stated the EU should certify in March 2007 that Guatemalan organically grown vegetables—including coffee, cardamom, macadamia nuts and dehydrated lemon—fulfill EU requirements (30 November 2007).
- Exports increased 8.7% in 2006 over 2005 due to the US-Central America Free Trade Agreement (6 December 2006).
- Government statistics revealed \$2.2 billion was invested in Guatemala in 2005 (December 2006).
- Remittances totalled \$3,609 billion in 2006, an increase of 21% over 2005 (January 2007).
- The Guatemalan Chamber of Commerce and the Guatemalan-Canadian Chamber of Commerce signed an agreement. As a result, Canadian investment is expected to grow from the current \$500 million to \$1.5 billion in the short-term (22 February 2007).

### SIGNIFICANT DESTABILIZING EVENTS

- Power supply barely covered demand during the peak months of November and December (4 December 2006).
- Government agencies look for ways to reduce spending after lawmakers failed to approve the 2007 budget (7 December 2006).
- The private sector affirmed that it would not comply with the 5% increase to the minimum wage effective in January 1<sup>st</sup>, 2007 (28 December 2006).
- Companies face difficulties importing products under the US-Central America Free Trade Agreement (19 February 2007).
- Three people went missing after a 200-foot-deep hole opened up in the middle of a Guatemalan neighbourhood, likely due to a burst sewer pipe (23 February 2007).
- Guatemala continues to be one of the 10 Latin American nations offering the least protection for intellectual property rights (27 April 2007).

#### 5.4 DEMOCRATIC PARTICIPATION

Guatemala's political system is young, fragile and contains a weak and fragmented party system. The 1985 constitution, amended in 1994, provides for four-year presidential terms and prohibits re-election. The 158-member unicameral Congress of the Republic is also elected for four-year terms. Parties running in national elections change constantly; they are often small and regional, representing a narrow segment of the population. The main parties are the *Gran Alianza Nacional* (GANAN) which took power in the 2003 elections by winning 47 of 158 seats, the *Frente Republicano Guatemalteco*, which governed from 1999-2003, and the *Partido de Avanza Nacional* (PAN), which governed from 1996-1999. The *Unidad Nacional de la Esperanza* (UNE) is also an important player and is expected to make gains in the next election. In past elections, candidates from up to 18 different parties have been elected. The resulting minority governments have had to form alliances with other parties to secure their mandates. Constantly shifting parties and alliances, frequent candidate desertions, and large number of independent candidates has made it difficult for the party in power to govern. With the resulting parliamentary gridlock, the President often ruled by decree.

Although the 2003 elections were characterized by instances of intimidation, violence, and fraud, they were assessed by international observers as

generally free and fair. Rios Montt's third-place finish excluded him from the second round of presidential balloting; the GANAN candidate and former Guatemala City Mayor Oscar Berger emerged as the winner. Unfortunately, these elections did not provide stable parliamentary democracy in Guatemala. No party was able to secure a majority and as many as 18 parties were represented in the government. A significant number of eligible poor voters—primarily indigenous—were denied the vote. Many were unable to afford travel to distant polling centres, deterred by the voter registration process, or lacking the requisite documents. Only 13 women were elected, representing 8% of the total.

Elections are expected in September 2007. Several cabinet ministers and members of Parliament have already resigned in order to campaign. Their resignations have reduced the effectiveness of the government in its last year in power, and are slowing legislative activities considerably. Recent developments suggest that the election may be violent, characterized by intimidation and irregularities. For example, on 13 December 2006, 14 UNE members were murdered in an event alleged by the media to be an attempt by narco-trafficking groups to infiltrate that political party. Later, on 11 January 2007, Vice-President Eduardo Stein expressed concern that drug cartels could be financing political campaigns in order to secure the collaboration of mayors in regions where they

#### GUATEMALA'S POLITICAL SYSTEM

**Government type:** Republic

**Executive power:** President as the Chief of State and the Head of the Government. Elected for 5 years and not eligible for re-election. Responsible for appointing the Cabinet of Ministers. The Vice-President is also elected by popular vote every 5 years. He has no duties or powers mandated by the Constitution.

**Legislative power:** Unicameral Congress with 158 seats elected by proportional representation.

operate. If this is the case, the elections may prove difficult to administer, with results that undermine Guatemala's recent record of democratic governance. The involvement of narco-trafficking groups in politics, in addition to their criminal activities and their control of northern regions, could be a precursor of a conflict similar to the one in Columbia. The financing of candidates by criminal groups could further reduce the legitimacy of the government elected and hamper much needed security sector reforms.

More positively, the announcement that Rigoberta Menchú will run for President is a good sign that indigenous communities are mobilizing and could gain a larger role in the political structure of Guatemala in the near future. Having been excluded from the political system and economically marginalized, aboriginal groups have much to gain from increased political representation. Their mobilization could, however, bring about social tensions and potential conflict.

TABLE 22: DEMOCRATIC PARTICIPATION

Checks and Balances	6.6
Degree of Party Dominance	3.7
% of Female Parliamentarians	6.5
Polity Score	4.2
Executive Constraints	4.8

TABLE 23: DP TREND—11/06-04/07

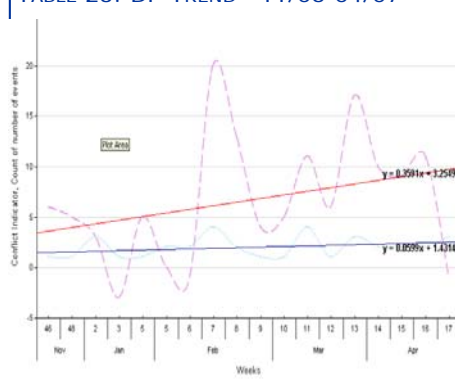


TABLE 24: DP EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	35	29	6
Average Event Score	3.43	5.10	-4.00
Average as % of Total	38%	57%	-52%

TABLE 25: PRIMARY DRIVERS OF AGGREGATE VALUES

	All Events	Stabilizing Events	Destabilizing Events
Weekly Aggregate	Moderately Positive 0.36	Moderately Positive 0.25	Moderately Negative -0.40

## Underlying Conditions

An average score of 5.14 indicates moderate risk in this cluster. The low ratio (8%) of female parliamentarians is particularly worrisome. The lack of adequate checks and balances and executive constraints clearly highlight some of the limitations of the political system. The tendency for presidents to rule by decree when no alliances with other parties can be made, combined with the emphasis put on the presidential candidate within the party structure both tend to make for centralized, relatively autocratic governance. The degree of democratization of the Guatemalan society is at medium risk with a score of 4.2, while the degree of party dominance is in the lower echelon of the medium-risk category with a score of 3.7.

## Events Analysis

The average events score is positive and the overall trend is moderately positive as well. The high average score results from the high number of positive events compared to negative, while the positive trend is due to the increasing number of events toward the end of the period (see Table 23 and 24). Most events recorded relate to the upcoming September 2007 elections; they include procedures taken by the Supreme Electoral Tribunal to prepare for the elections, and announcements of presidential candidates. A few events relate to actions by Congress and protests by Guatemalans; these latter events indicate a degree of mobilization and political participation.

## SIGNIFICANT STABILIZING EVENTS

- Opposition gathered support to overcome President Berger's veto of a bill reforming procedures to hold preliminary hearings for government officials accused of illicit acts (17 November 2006).
- Administration considered a referendum during elections on 13 constitutional reforms, including greater protection for indigenous peoples and improved access to free health and social services (10 January 2007).
- Nobel laureate Rigoberta Menchú announced her candidacy for the presidency (10 February 2007).
- Congress passed a non-confidence vote against Government Minister Carlos Vielmann over his handling of the investigation into the death of three Salvadoran deputies (21 March 2007).
- Thousands of health workers marched in the capital and other cities against a healthcare privatization plan (10 April 2007).

## SIGNIFICANT DESTABILIZING EVENTS:

- Numerous ministers resign posts to run for Congress (1 February 2007).
- The Electoral Tribunal announced it would likely be unable to open 100-120 voting centres due to poor weather and technical problems (7 February 2007).
- A survey suggests that 60% of Guatemalans say politics does not help improve their lives (March 11<sup>th</sup>, 2007).

## 6. Secondary Drivers

### 6.1 HUMAN RIGHTS

The human rights situation in Guatemala remains an area of concern. While a truth commission in 1998 established estimates that up to 42,000 human rights abuses were committed during the civil war, the majority of violators have not yet been prosecuted. Exceptions include three military officers who were sentenced in 2001 to 30 years in prison for their involvement in the murder of Catholic Bishop Juan José Gerardi Conedera, but convictions do not take place on a regular basis. Even after the discovery in 2005 of hidden government archives that may have incriminated several military officers, trials did not follow. The same year, Guatemala's highest court stopped the trial of 16 soldiers charged with killing more than 200 people in the village of Dos Erres in 1982. The court ruled that such massacres were covered by the 1996 amnesty agreed to at the end of the war. Human rights activists continue to be targets of violence and even murder, which limits their actions and raises concerns.

In terms of protection against torture, disappearance and the right to a free and fair judicial hearing, the results are mixed. Official political disappearances and extra-judicial killings are rare, although there have been reports of kidnappings for ransom and unlawful killings by police. Reports of arbitrary detention of gang members and use of torture or unnecessary force by the PNC are also common.

Forty three percent (43%) of Guatemala's population is indigenous, originating from approximately 22 ethnic groups. Guatemalan law guarantees equal rights for indigenous peoples, and obliges the government to recognize, respect, and promote indigenous lifestyles, customs, traditions, social structures, and manner of dress. However, indigenous groups continue to be underrepresented in politics and remain largely outside the country's mainstream as a result of limited educational opportunities, poverty, and pervasive discrimination. Linguistic barriers combine with isolation caused by poor roads and infrastructure in the north of the country to prevent integration, further contributing to high levels of poverty among indigenous peoples. On 16 May 1999, Guatemala rejected constitutional reforms that would have recognized the multilingual, multicultural and multiethnic nature of the state and entrenched indigenous rights. The urban population voted strongly against the reforms. Recently, the passage

of a decentralization law guaranteed indigenous representation on local development councils, and new legislation passed requiring state services to be provided in Mayan languages. During the Berger Presidency, thousands of indigenous families were evicted from land where they had taken up residency, acts that have created conflict and pushed aboriginal groups to mobilize and protest in retaliation.

Violence against women remains a common problem in Guatemala. Although the law prohibits domestic abuses, victims rarely speak up and the police seldom investigate when cases are brought to their attention. Social discrimination and violence are also directed at gay, lesbian and transgender groups. Reports of molestation and money extortion by police officers have been filed in the past, though very few official complaints have been deposited. Children's rights, although guaranteed by the constitution, are often not enforced due to a lack of funding; moreover, the persistence of poverty forces many children to





TABLE 26: HUMAN RIGHTS

	<b>5.56</b>
Civil Liberties	5.4
Political Rights	5.3
Human Rights -- Empowerment	4.6
Human Rights -- Physical Integrity	6.9

TABLE 27: HR TREND—11/06-04/07

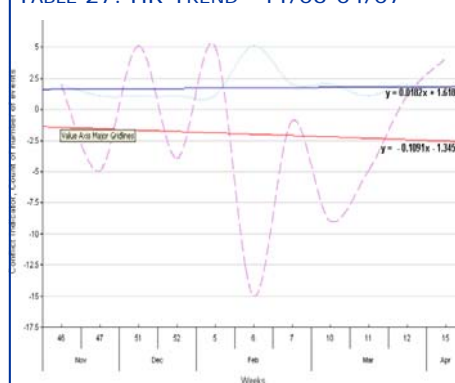


TABLE 28: HR EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	19	7	12
Average Event Score	-1.16	4.86	-4.67
Average as % of Total	-18%	54%	-52%

work in order to contribute to their families' survival. While education is compulsory until the sixth grade, less than half of children complete primary education. Guatemala has the highest rate of child labour in the Americas, with one-third of school-aged children forced to work on farms or in factories. As much as 20% of the workforce consists of children.

In terms of labour laws, the low rate of unionization (3%) partially accounts for the slow pace of improvement in workers' rights. In December, President Berger ordered a 10% increase in the legal minimum wage after the National Salary Committee failed to achieve consensus. The new daily minimum wage was set at \$5.66 (42.46 quetzales) in agricultural sectors and \$5.82 (43.64 quetzales) for non-agricultural work. However, as the private sector refused to recognize this law, non-compliance is likely to be high and enforcement difficult. Finally, freedom of speech, freedom of the press, freedom of association and freedom of movement are respected in most cases, although cases of intimidation and violence against journalists have been reported.

In January 2005, Guatemala signed an agreement with the UN High Commissioner for Human Rights to establish an office in the country in the hope of improving the human rights record and increasing institutional capacity.

### Underlying Conditions

Guatemala's Human Rights score represents an area of concern with a score of 5.56. The different indicators reflect the number of human rights abuses committed by the police forces. These include arbitrary detention and unlawful killings; lack of political representation for minorities, including indigenous peoples, women and youth; and the threats made to journalists and human rights activists. Although freedom of press, association and speech all score relatively moderately, improvements in these area are still necessary.

### Events Analysis

Few events were recorded in this cluster but those covered in the media tended to highlight the challenges that Guatemala still faces in this area. Reports of torture by the police are frequent and violent confrontations between the police and indigenous communities often takes place following evictions. Human rights groups are also under constant pressure and receive threats regularly, which affects the extent of the reporting that they are able to do. More positively, the government is active in promoting respect for the human rights of illegal Guatemalan workers and immigrants working in Mexico and the United States. It has also launched a series of measures and campaigns aimed at improving the welfare of this group.

## 6.2 GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY

As in most Central American countries, government accountability and transparency are significant challenges in Guatemala.

Corruption in different political and judicial institutions is widespread and efforts to reduce it have been limited. The police and political parties score highest in surveys of popular perceptions regarding the most corrupt institution in Guatemala; the

judiciary and the military follow close behind. In Transparency International's 2005 Corruption Perceptions Index, Guatemala was ranked 117 out of 159 countries surveyed.

Vice-President Eduardo Stein has recently spoken in favor of a merit system that could improve the efficiency of the bureaucracy. Currently, 18% of bureaucrats are political appointees. If a merit criteria were introduced it could improve the efficiency of the bureaucracy significantly.

Contracts are awarded frequently on the basis of personal relationships instead of public bids. In addition, mismanagement of public funds by officials and political figures is frequent. Political figures such as former President Alfonso Portillo, accused of taking \$15.7 million from the country's defence budget for his personal use, frequently take advantage of their position to pocket public funds. In April of 2005, the Guatemalan court revoked Portillo's political immunity, but he fled to Mexico before he could be brought to trial. Other RFG politicians have been accused of corruption but few have been arrested and the practice remains common.

In the hope of improving Guatemala's record of corruption, GANA has established a special commission charged with modernizing the state sector that engages in dialogue with civil society organizations mandated to pursue similar objectives. It has also recently agreed to collaborate with USAID in eradicating corruption within the judiciary along lines contemplated in the Inter-American Anti-Corruption Convention, which Guatemala ratified in 2001.

The government remains largely unaccountable. Congress is currently considering an access to information law; unfortunately, even if passed, limited bureaucratic capacity combined with the unorganized way in which government information is kept would likely make successful application difficult. Media ownership also contributes to the problem, as it is concentrated in



TABLE 29: ACCOUNTABILITY

6.21

Corruption -- World Bank	6.8
Voice and Accountability	6.0
Press Freedom	5.8

TABLE 30: GTA TREND—11/06-04/07

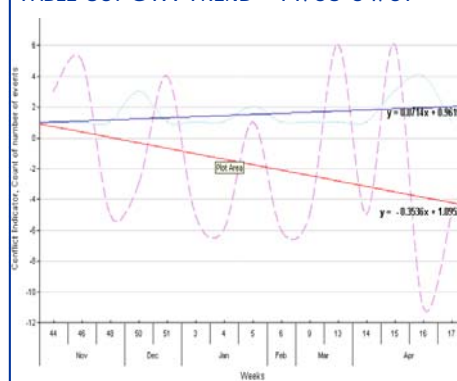


TABLE 31: GTA EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	23	9	14
Average Event Score	-1.13	4.89	-5.00
Average as % of Total	-13%	54%	-56%

the hands of the country's business elite; most domestic media outlets normally exhibit conservative views as a result. Finally, the fragmented political party system also contributes to the government's lack of accountability to the people.

The constantly shifting parties in government and the lack of party allegiances make it difficult for the electorate to hold politicians and parties accountable for their positions and decisions in office. The one-term presidential limit gives further incentive to the president and allies to take advantage of their short stay in power to enrich themselves, rather than governing for the public interest in the long term

### Underlying Conditions

Indicators of Accountability and Transparency reveal that this cluster still represents a challenge for Guatemala's democratic processes and good governance. Poor scores for corruption and press freedom combine with moderate results for voice and accountability to provide an accurate portrait of the situation on the ground, particularly the lack of constraints on the political system.

The relative youth of Guatemala's democratic system partly accounts for the lack of accountability and transparency

mechanisms. Corruption is a common problem in Latin American countries, but in Guatemala the lack of press freedom is more serious, as it limits the likelihood of improvements in the short-term; without objective observers holding government to account, it seems unrealistic to expect government to be able to police itself effectively.

### Events Analysis

During the period of events observation, the government announced that implementing the access to information law decreed by the President would be difficult due to the poor state of public archives and the unorganized way in which the information is kept.

Corruption of the police force and dubious party financing both hamper transparency and accountability in the political system, although measures have been taken to prevent organized criminal groups from financing political campaigns in the next election.

Finally, the pressure under which journalists work and the frequent acts of violence directed against them serve to curtail independent investigation, thereby limiting the media's ability to perform a watchdog function for Guatemalan society.

## 7. Underlying Conditions

Governance index scoring scale	
Score	Description
1-3.5	Country performing well relative to others
3.5-6.5	Country performing at or around the median
6.5+	Country performing poorly relative to others

Structural Data (Source and scale of raw data in Parentheses)	Cluster Avg	CIFP Index Score	Raw data — five yr avg	Last year of available data	Data trend
<b>1. Democratic Participation</b>	<b>5.14</b>				
Checks and Balances (World Bank Database of Political Indicators, Index, 1-5)		6.6	2.2	2004	pos
Degree of Party Dominance (WB DPI, ratio of opp. to gov't members in legislature)		3.7	0.8	2004	s.q.
Percentage of Female Parliamentarians (WB WDI)		6.5	8.6	2005	neg
Level of Democracy (Polity IV, Index, -10-10)		4.2	8.0	2004	s.q.
Executive Constraints (Polity IV, Index, 1-7)		4.8	6.0	2004	s.q.
<b>2. Government &amp; Market Efficiency</b>	<b>5.77</b>				
Economic growth -- Percentage of GDP (WB WDI)		6.5	2.5	2005	s.q.
Economic Size -- Relative -- GDP per capita (WB WDI)		5.1	1724.8	2005	neg
Economic Size -- Total -- GDP (WB WDI)		4.0	2.1E+10	2005	s.q.
External Debt -- percentage of GNI (WB WDI)		2.0	23.0	2004	*
Ease of Doing Business (WB Ease of Doing Business, Global Rank)		6.6	123.0	2006	*
Starting a Business (WB Ease of Doing Business, Global Rank)		7.0	131.5	2006	*
Protecting Investors (WB Ease of Doing Business, Global Rank)		7.2	134.0	2006	*
Trading Across Borders (WB Ease of Doing Business, Global Rank)		6.3	118.5	2006	*
Closing a Business (WB Ease of Doing Business, Global Rank)		4.8	82.0	2006	*
Economic Freedom (Heritage Foundation, Index, 0-100)		4.7	59.4	2007	s.q.
Savings Level (WB WDI, Gross Domestic as a % of GDP)		7.2	6.2	2005	s.q.
Foreign Investment Freedom (Heritage Foundation, Index, 0-100)		7.5	42.0	2007	pos
Intellectual Property (Fraser Institute, Index, 0-10)		7.9	2.6	2004	s.q.
Investment Climate -- Contract Regulation (Heritage Foundation, Index, 1-5)		4.9	4.0	2006	s.q.
Enforcing Contracts (WB Ease of Doing Business, Global Rank)		7.8	149.0	2006	*
Dealing with Licences (WB Ease of Doing Business, Global Rank)		8.6	166.0	2006	*
Registering Property (WB Ease of Doing Business, Global Rank)		2.8	39.0	2006	*
Enrolment Rates (UNESCO, Gross enrolment ratio)		6.7	61.9	2004	pos
Health Infrastructure -- Expenditures as a percentage of GDP (WB WDI)		5.8	5.2	2003	s.q.
Access to Improved Water (WB WDI, percentage of pop.)		3.9	95.0	2004	*
Gov't Effectiveness (WB Governance Matters, Deviation from mean)		6.9	-0.8	2005	*
FDI -- percentage of GDP (WB WDI)		3.0	1.0	2004	s.q.
Foreign Aid -- percent of Central Government Expenditures (WB WDI)		6.4	9.2	2004	pos
Inequality -- GINI Coefficient (WB WDI)		8.3	55.1	2003	*
Trade Balance -- percentage of GDP (WB WDI)		6.4	-5.0	2004	s.q.
Unemployment (WB, percentage)		1.1	2.0	2003	*
Paying Taxes (WB Doing Business, global rank)		6.4	119.5	2006	*



Political Stability & Violence	Government & Market Efficiency	Rule of Law
3.74	5.77	6.82
Human Rights	Government Transparency & Accountability	Democratic Participation
5.56	6.21	5.14

	Cluster Avg	CIFP Index Score	Raw data — five yr avg	Last year of available data	Data trend
<b>3. Accountability</b>	<b>6.21</b>				
Corruption (WB GM, Dev. from mean)		6.8	-0.8	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		6.0	-0.4	2005	*
Freedom of the Press (FH, Index, 0-100)		5.8	57.0	2006	s.q.
<b>4. Human Rights</b>	<b>5.56</b>				
Restrictions on Civil Liberties (FH, Index, 1-7)		5.4	4.0	2005	s.q.
Restrictions on Political Rights (FH, 1-7)		5.3	3.8	2005	neg
Human Rights -- Empowerment (CIRI, Index, 0-10)		4.6	7.8	2004	neg
Human Rights -- Physical Integrity (CIRI, Index, 0-10)		6.9	4.0	2004	pos
<b>5. Political Stability and Violence</b>	<b>3.74</b>				
Permanence of Regime Type (Polity IV, years since regime change)		6.9	6.0	2004	s.q.
Informal Economy -- Black Market (Heritage Foundation, 1-5)		5.2	4.0	2006	s.q.
Conflict intensity (Uppsala PRIO, number of conflict-related deaths)		1.0	0.0	2005	*
Dependence on External Military Support (Fund for Peace, 1-10)		2.8	4.8	2006	*
Military Expenditure -- percentage of GDP (WDI)		1.2	0.6	2005	pos
Political Stability (WB GM, deviation from mean) Political Stability (WB GM, deviation from mean)		6.8	-0.8	2005	*
Refugees Produced (WB WDI)		6.1	12507.5	2004	pos
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		1.0	0.0	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		2.6	0.5	2005	*
<b>6. Rule of Law</b>	<b>6.82</b>				
Police, Law, and Criminality (WB GM, Dev from global mean)		7.5	-1.0	2005	*
Prison Population Rate (International Centre for Prison Studies, per 100,000 pop.)		2.8	67.4	2006	s.q.
Prison Occupancy Level (ICPS, percentage of official capacity)		4.9	113.3	2006	*
Number of Political Prisoners (CIRI, Index, 0-2)		5.8	1.8	2004	pos
Judicial Independence (Fraser Institute, Index, 0-10)		7.7	2.3	2004	*
Impartial Courts (Fraser Institute, Index, 0-10)		8.4	2.4	2004	s.q.
Integrity of the Legal System (Fraser Institute, Index, 0-10)		8.5	3.2	2004	neg
Military Interference in the Rule of Law (Fraser Institute, Index, 0-10)		7.5	4.1	2004	pos
Property Rights, (Heritage Foundation, Index, 0-100)		8.3	30.0	2007	s.q.

**For trend scores, (s.q.) indicates continuation of status quo; (pos) indicates a positive trend toward stability, and (neg) indicates a negative trend toward fragility. (\*)Indicates insufficient data for calculation of trend and volatility scores.**

*Note: CIFP index methodology has recently been amended. Scores are no longer modified for trend and volatility; thus index scores are now reflective solely of relative country performance over the previous five years of available data. Further information regarding the index methodology is available in an attached appendix, as well as in a forthcoming companion document.*

## *Appendix 1: Historical Background*

Guatemala was under Spanish control until its Independence in 1821. Upon independence, the Central American countries were united under the leadership of Francisco Morazán (1830-1839), who instigated a series of reforms aimed at reducing the economic, political, and social power of the church and increasing Central American economic competitiveness. These liberal reforms were matched by the Guatemalan chief of state Mariano Galvez. In 1865, Raphael Carrera came to power in Guatemala and reversed these reforms. He also allowed Great Britain to take control of Belize in return for the construction of a road between the Guatemalan and Belizean capitals which never materialized, thus laying the seeds of a conflict that remains unresolved today.

Liberal and Conservative presidents successively ran Guatemala; the former attempted to modernize the country and alleviate poverty by directing funds to education, health and agrarian reforms, while the latter reversed progressive policies and strengthened the financial and political control of a small white elite. Until 1931, coups were frequent and dictatorial rule was common.

Significant progress was achieved by liberal presidents after 1931. General Jorge Ubico, who ruled until 1944, pledged that his government would rule in an honest and transparent way. He expanded the health and social infrastructure in addition to building roads. In 1945, Juan José Arévalo came to power. He completed Ubico's reforms with a government bureau of Indian Affairs, a modern public health system, liberal labour laws and a national security system. Finally, in 1951, under the Presidency of Colonel Jacobo Arbenz Guzmán, agrarian reforms were announced, which led to the division of large estates and the expropriation of land from the United Fruit Company in order to distribute land to peasants.

Landowners and American companies such as the United Fruit Company opposed the agrarian reforms. In 1954, the Arbenz government was overthrown by a US-backed coup. Following the coup, Guatemala was ruled by a succession of



civilian and military right-wing governments, who reversed the land reforms and made voting conditional on literacy, which reduced the number of eligible voters by 75%. The suppression of the communist party, left-wing political parties and trade unions led to a split in the armed forces and the formation of a guerrilla movement. While the suppression continued in the 1970s and 1980s, guerrilla forces also gained strength and the civil war between the two groups intensified. The civil war finally came to an end with the negotiation of a peace process mediated by the UN in December of 1996

## Appendix 2: Map



Source: United Nations Cartographic Section. Available at: <http://www.un.org/Depts/Cartographic/map/profile/guatemala.pdf>

### *Appendix 3: About the Methodology*

The report is based on three elements, adapted from CIFP's fragile states methodology. First, structural indicators are grouped into six clusters capturing different facets of democratic processes and governance: rule of law, human rights, government transparency and accountability, government and market efficiency, political stability and violence, and democratic participation. The structural data in this preliminary report constitute a limited set of leading indicators of democracy and governance; later versions of the document will include up to 75 separate structural indicators providing a detailed quantitative baseline portrait of the country.

Second, the analysis draws on event monitoring data compiled by CIFP researchers over a six month period extending from November 2006 to May 2007. Collected from a variety of web-based sources, including both international and domestic news sources in English and Spanish, the events are quantitatively evaluated and systematically assessed to identify general trends of relevance to democratic processes and governance. Highly significant events are also qualitatively analyzed to highlight their specific causes and consequences.

Third, the report includes a series of analytical exercises, including stakeholder analysis and scenario generation. Future iterations of the report may include detailed consultations with country and subject experts located in-country as well as in Canada and abroad. This multi-source data structure enables more robust analysis than any single method of data collection and assessment.

#### INDEX METHODOLOGY

Like the CIFP fragility index, the governance index employs a methodology of relative structural assessment. The analysis begins with a structural profile of the country, a composite index that measures overall country performance along six dimensions listed above. Each of these clusters is based on a number of indicators. This multidimensional assessment methodology is a direct response to the multi-dimensional nature of governance and democratic processes. CIFP thus adopts what might be termed an inductive approach,

identifying areas of relative strength and weakness across a broad range of measures related to governance and democratic processes.

In ranking state performance on a given indicator, global scores are distributed across a nine-point index. The best performing state receives a score of one, the worst a score of nine, and the rest continuously distributed between these two extremes based on relative performance. As country performance for some types of data can vary significantly from year to year – as in the case of economic shocks, natural disasters, and other externalities – averages are taken for global rank scores over a five-year time frame. Once all indicators have been indexed using this method, the results for a given country are then averaged in each subject cluster to produce the final scores for the country.

In general, a high score – 6.5 or higher – indicates that a country is performing poorly relative to other states. Such a score may be indicative of an arbitrary and autocratic government, a history of non-transparent government, the presence of significant barriers to political participation, the absence of a consistently enforced legal framework, or a poor human rights record.

A low score – in the range of 1 to 3.5 – indicates that a country is performing well relative to others, or that a country's structural conditions present little cause for concern. Values in the moderate 3.5 to 6.5 range indicate performance approaching the global mean.



## EVENTS MONITORING METHODOLOGY

The purpose of CIFP event monitoring is to observe and report on events within a country to better understand the dynamic trends affecting democratic processes and governance in the country. This data, when combined with structural data, provides a more comprehensive analysis of both the underlying conditions and recent developments, thereby informing a more nuanced and ultimately policy-relevant analysis. The six-month monitoring period demonstrated in these reports is an integral part of the proof of concept. Subsequent reports will include systematic and long term monitoring for more complete and accurate forecasting and policy-relevant diagnosis. Ongoing monitoring that allows the production of easy-to-interpret context-specific briefings would integrate shifting stakeholder interests, changes in baseline structure and of course event dynamics.

In the CIFP event monitoring methodology, events are all coded using a number of criteria. First, each event is assigned to the specific cluster area to which it is *most directly* related. This assigned cluster acts as the dependent variable; the event will be coded with respect to its effect on that particular aspect of governance. Second, the event is coded as being either positively or negatively related to the assigned cluster. The event score is then determined by answering the following three questions:

1. How direct is the impact of the event on the cluster stability?
2. How broad is the impact of the event?
3. How intense is the event, in comparison with past events in the country?

Each question is answered quantitatively using a three-point scale; thus the highest score for a single event is 9. The answers to these questions are added together to generate a composite indicator for each event, thereby determining its net impact on governance.

The composite indicator is used to create time-series regression lines, as event data is plotted over a defined time period. These trends are analysed both in aggregate and disaggregated by cluster, in an effort to understand the current trajectory of the country. This trajectory is referred as the event 'tendency' during the period observed, to emphasize its role as an indicative piece of information rather than a deterministic extrapolated trend line. This analysis in turn provides some indication of the potential developments in governance and democratic processes over the short- to medium-term.

## COMPONENTS OF COMPOSITE EVENT SCORE

### CAUSAL RELEVANCE

1. Event is relevant, but with no clearly delineable causal linkage to governance or democratic processes (e.g. an announcement of funding, or an international soccer friendly).
2. Event is relevant, with a delineable, though indirect causal linkage to governance or democratic processes (e.g. New legislation enhancing minority rights is passed, or a bomb detonates within an ethnically divided region).
3. Event is relevant with delineable and direct causal linkage to governance or democratic processes. (e.g. Declaration of a ceasefire or assassination of a government minister.)

### CENTRALITY




1. Event affects less than 25% of political stakeholders.
2. Event affects 25% - 75% of political stakeholders.
3. Event affects more than 75% of political stakeholders.

### INTENSITY/ESCALATION

1. Event is comparable to others experienced in the state in the previous six months.
2. Event is more intense than others experienced in the state in the previous six months.
3. Event is more intense than others experienced in the state in the previous five years.

### EVENT ANALYSIS

The analysis occurs in both aggregate (all events) and disaggregate (events analysed by cluster) by using quantitative data in two ways. First, **summary statistics** provide the analyst with an overview of the average event scores. Positive average event scores are indicative of an environment that experiences more or more significant positive events than negative events. Negative average scores indicate the opposite.

Tendency Key	Negative Slope	Status quo Slope	Positive Slope
OLS Slope value	Below -0.1	Between -.1 and .1	Above +0.1
Symbol			

The second avenue of analysis is via **regression lines** to observe whether the events demonstrate any positive or negative tendency over time. The composite indicators are plotted over a defined period of time – usually six months – and trend lines are generated using ordinary least squares regression. The trend line uses a weekly aggregate in order to capture the changing magnitude of events as well as any increase or decrease in the total *number* of events; both phenomena are deemed important to the analysis. Thus, a rapid increase in the number of positive events may result in a positive trend line, as might an increase in the average score per event. This trend analysis provides an overview of general event-driven developments over the months under consideration. On the other hand, a negative slope denotes a deteriorating situation one in which there is an increase in the number or significance of negative events relative to positive ones during the time period under observation.

### SCENARIO GENERATION

The report includes scenarios for the country over the short term, normally 6-18 months. The analysis includes three scenarios: a best-

case, worst-case and most likely case, with each based on an analysis of basic structural data, recent trends in governance-related events, as well as a consideration of the role likely to be played by significant stakeholders within the country. The best-case assumes that the strongest positive trends will dominate over any negative trends in the near future. Conversely, the worst-case scenario assumes the opposite. These two scenarios are intended to highlight different facets of the situation for the reader. The best and worst cases consider the strongest trends among stabilizing and destabilizing events, drawing attention both to dominant threats and potential points of entry.

Finally, the most likely case scenario extrapolates future tendencies based on the overall trend within the state. To begin with, it identifies dominant trends – those most likely to continue in each of the six subject clusters over the next six to eighteen months. These trends are then combined to form an overall portrait of the country over the near term, providing a baseline “likely” scenario. Taken together, these three scenarios define the universe of developments that may occur in the country in the near term, and give some sense of what may reasonably be expected in the same period. Such insights may inform contingency planning processes in both the domestic government and international partners, and provide some assistance when setting benchmarks with which to evaluate the success of initiatives intended to improve governance and democratic processes.

#### STAKEHOLDERS

As part of the initial country profile, the analyst compiles a list of stakeholders. Stakeholders are those individuals or groups that possess an identifiable, broadly similar political agenda and either have an effect on or are affected by governance. They often have an organizational structure in addition to sufficient resources to pursue explicitly or implicitly articulated goals.

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Events were obtained using Google Alerts <http://www.google.com/alerts>, which provides a daily summary of news reports for the search term 'Guatemala'. The news reports originated from a wide variety of local and international sources, including:

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AGI online (Italy)	Latin Business Chronicle (Miami, USA)
AND Mundo	Makfax (Skopje, Macedonia)
Associated Press Newswire	Miami Herald (Miami, USA)
Bahama Journal (Bahamas)	Milenio.com (Mexico D.F)
Bay area Indymedia (San Francisco, USA)	NDTV (New Delhi, India)
BBC News	New Zealand Herald
Boston Globe	New Zealand Stuff
Caribbean News Net (Cayman Islands)	News 24
Caribbean Update	News Channel 13
Caribe Preferente	Newsday
Cayman Compass	Nicaragua Hoy
Channel 5 (Belize)	People Daily Online (China)
CNN.com	La Prensa (Nicaragua)
Daily Post Liverpool (Liverpool, UK)	Prensa Grafica (El Salvador)
Democracy Now (USA)	Prensa Latina (Havana, Cuba)
Dominican Today (Dominican Republic)	Radio Jamaica
Edmonton Sun (Edmonton, Canada)	Relief Web
El Nuevo Diario (Nicaragua)	Reuter
El Universal (Venezuela)	Romandie news (Switzerland)
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Forbes	Seattle Times
Group CNW (Canada)	Swiss Info (Switzerland)
Guardian Unlimited (Manchester, UK)	Tapei Times (Taiwan)
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Guatemala City Siglo Veintiuno	Tribune Democrat (Pennsylvania, USA)
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## About Country Indicators for Foreign Policy

Country Indicators for Foreign Policy (CIFP) is a project located at Carleton University. Its core mandate is to develop analytical methodologies that will generate information on the key features of the political, economic, social and cultural environments of countries around the world, providing at-a-glance global overviews, issue-based perspectives and country performance measures. While the initial dataset focuses on measures of domestic armed conflict, for this project, that database has been substantially revised to capture core measures of democratic processes and governance.

The CIFP database includes statistical data in the form of over one hundred (100) performance indicators for 197 countries. With its focus on policy relevance, the CIFP provides a rich information resource to policy officers across all government departments. By offering a detailed assessment methodology for evaluating individual country performance, the CIFP provides guidance to program officers working in complex and fragile environments, enabling them to focus their efforts and resources on the root structural