



Fall 2007

Based on structural and event data available as of October 2007

This follow-up report is produced as part of the CIFP governance and democratic processes project. It is intended as a baseline analysis, assessing structural and dynamic facets of democratic governance in Guatemala, and includes a second period of events monitoring (May to October 2007), adapted scenarios, and a complete structural profile. New sections for the analysis of key issues and regional comparisons have been added. 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: ON THE BRINK

In September 2007, a new government was elected and on November 4th, 2007, Colom was chosen as the new President. However, challenges facing the state are likely to remain similar to those faced by the previous Berger Government: violence, insecurity, and the growing influence of narco-trafficking groups in state institutions. Since the elections, Guatemala's leadership has enacted very few policies in response to natural catastrophes (such as drought and famine) and to an increase in narco-trafficking and gang violence.

Guatemala is at an important crossroad on its path towards good governance and democratic processes. Violence and insecurity have reached a new high over the last year, affecting urban and rural areas as well as the elections this year. Narco-trafficking groups have increased their influence within the government and state institutions, hampering state response to rising crime and drug-related activities. If the new government is to respond to this escalation it will need to implement effective policies quickly. It will need to address corruption in the police and the justice system and increase the investigative powers of the Ministry of the Interior. Other challenges such as border management, control of the penitentiary system, accountability, transparency, and bureaucratic efficiency will also need to be addressed within the first year of Colom's Presidency. A lack of

TABLE 1: KEY FINDINGS

- Guatemala has reached its highest level of violence and insecurity since the end of the civil war. This violence affects urban and rural areas and is compounded by the ineffectiveness of rule of law institutions
- Organized crime and narco-trafficking have infiltrated key governmental institutions, making reforms and major policy shifts aimed at reducing criminality unlikely to happen
- Although the electoral process is now consolidated, important components of democratization such as the party system, minority representation and accountability remain challenging

action in these fields will allow narco-trafficking groups and urban gangs to consolidate their power even further. The government's legitimacy, authority and capacity will be undermined as Guatemala teeters on the brink of state failure.

On a more positive note, the last elections confirmed that Guatemala now has a more consolidated electoral system than it did previously. Election results were accepted by all candidates and people were free to exercise their vote. A more significant

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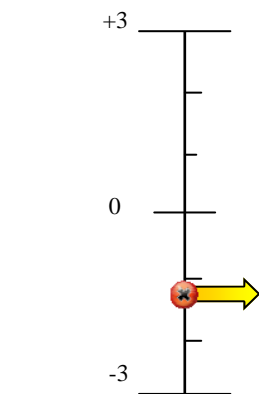
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TABLE 2: UNDERLYING CONDITIONS


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
MAY-OCTOBER 2007

Average Events Score and Tendency



 Average Event Score: -1.27
(Negative)

 Trend Score: -0.093
(Status Quo)

proportion of the urban populations participated in the second round of elections and heavily influenced the Presidential contest. The candidacy of Rigoberta Menchu, although not significant in terms of vote count, was also an important symbol for aboriginals and women wanting to mobilize and participate in the electoral process. Despite the many changes that still need to be made in order to strengthen the democratization process in

Guatemala, there is room for optimism at least with respect to electoral politics.

UNDERLYING CONDITIONS

The structural data as summarised to the left illustrate that Guatemala still faces significant governance and democratization challenges (See table 2). Five of the six clusters have an average score that represents an overall medium risk. The political stability and violence cluster has the lowest risk score. This score can be explained by the absence of open armed conflict, low military expenditures and few instances of acts of terrorism. Indicators for permanence of regime type and political stability both within this cluster remain high. The rule of law cluster, on the other hand, has had and continues to exhibit a high-risk score (6.85). High risk concerns include challenges faced by the legal system, the weakness

of the police force and continuing interference of the military in the rule of law sector.

DYNAMIC EVENTS ANALYSIS

The **main source** of this trend rests with political stability and violence, rule of law, government and market efficiency, and democratic participation clusters, which had the most events recorded over the monitoring period. The overall average score and trend can be explained by the number of negative events that were recorded leading up to the elections in September and to the second round of presidential elections on November 4th, 2007. While the intensity of the electoral violence had a significant impact on the average score and drove it downward considerably, the intensity of events remained constant throughout the period, leading the trend toward a status quo. (See Table 4).

READING THE EVENTS CHART

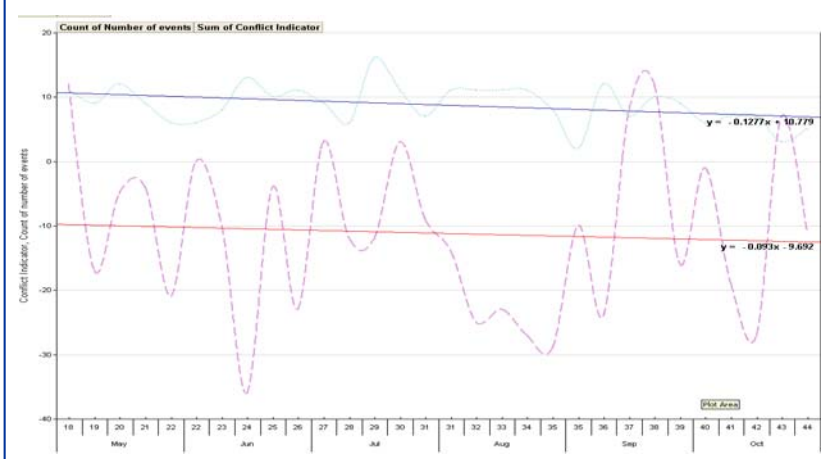
Red line (solid): Trend line for events; downward slope left to right is negative

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

TABLE 4: AGGREGATE OF EVENTS RECORDED



KEY EVENTS

National Elections

Despite the many instances of violence targeting municipal and national candidates, the September 9 elections were held in a relatively orderly and peaceful fashion. The National Unity of Hope (UNE) won 48 seats in Parliament, while the Grand National Alliance (GAN) secured 37 and the Patriotic Party (PP) 30. Violence continued to rage in the period leading up to the second round of Presidential elections held on November 4th, 2007. Álvaro Colom of the UNE and former Army General Otto Pérez Molina of the (PP) ran a tight race, from which Colom emerged as the winner with 52% of the final vote.

Creation of the CCIG

In September 2007, an independent body was created by the United Nations to investigate the presence and activities of illegal armed groups in Guatemala. It is hoped that the International Commission against Impunity in Guatemala (CCIG) will improve the Central American nation's capacity to investigate and prosecute criminal activity and will contribute to a decrease in violence and insecurity. (Source: UN News Center, September 27th, 2007)

Purging of the Police Forces

On October 11th, 416 Civilian National Police (PNC) officers were dismissed during the third phase of a project to purge the PNC of corrupt elements. The officers were dismissed for violating the PNC internal regulations or abandoning their posts. Many were facing judicial proceedings as of this writing. Some 2,244 Police officers have been dismissed during the past six months. (Source: Guatemala City Prensa Libre, October 12th, 2007)

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 agenda 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

In the most-likely case scenario, the situation will continue to deteriorate and be characterized by insecurity and violence in the short-term. Narco-trafficking groups will take advantage of their newly elected allies in municipal and national governments in order to consolidate their influence and increase their power. Colom's policies, aimed at reducing crime, will be implemented slowly after his inauguration. The net effect of his policies will only be visible in the long-term. The CCIG will begin its inquiry and slowly help to reinstate





confidence in the rule of law. However, tangible results will also take time to materialize and in the meanwhile, violence and insecurity will prevail. Guatemala will teeter on the brink.

Best-Case Scenario

In the best-case scenario, Colom will quickly address the alarming situation by enacting policies contained in his 100-day plan, including the reform of the police force, the strengthening of the office responsible for civilian intelligence gathering, the control of territory used by narco-traffickers in the rural areas and investment of considerable resources in the Ministry of the Interior and judicial

system. The government will also collaborate fully with CCIG, sending an important signal to narco-trafficking groups and urban gangs. Colom will comply with his promise to invest considerable sums of money into social programs. This investment will improve life conditions for the poor and eventually reduce incentives for young people to join criminal gangs.

Worst-Case Scenario

In the worst-case scenario, Colom will be unable to enact policies aimed at reducing crime and violence. Suspicions of collaboration between the UNE party and narco-traffickers will be substantiated undermining faith in the electoral process and the government.

Narco-traffickers and criminal elements will work to consolidate their influence on the government and prevent the bureaucracy and state institutions from responding to the problem of violence and insecurity. The CCIG will begin its investigations but the government will collaborate only minimally. Faced with recurring violence and social problems, the international community will apply pressure on the new government. A failure on the part of the government to respond to international pressure to reform will eventually alienate international donors rendering the government even more ineffectual. Ultimately donor neglect will have a defining impact on the rural and urban poor who benefit directly from aid programs.

2. Analysis: Key Issues

POLITICAL STABILITY AND VIOLENCE

Civil-Military Relations

In Guatemala, the social pact had historically been for the military and church to protect the poor and mainly indigenous population in exchange for taxing agricultural goods that they produced. With the expansion of coffee and banana production and the entry of American companies into the country, tensions emerged between the agrarian population – resistant to supplying increasing amounts of territory and labour for agricultural ventures. The army's decision to side with the commercial elite eventually resulted in the mobilization of the left and open civil conflict.

During the civil war, which lasted from 1960 to 1996, the army perpetrated countless human rights abuses while attempting to destroy the left and control the countryside. In 1982, General Efraín Ríos Montt led a coup against the traditional military oligarchy. With the support of young military reformist officers



Montt seized power. Montt's regime was brutal and was implicated in approximately 100,000 deaths and disappearances. Montt was overthrown by General Mejía Victores, who organized free and fair election despite the continuing conflict. Negotiations between the Guatemalan National Revolutionary Unity (URNG) and the Guatemalan National Reconciliation Commission lasted for three years and eventually led to a peace agreement. The military emerged as the winner of the war against the guerrillas and played a decisive role in the peace process that followed. The military's prominence diminished somewhat with the defeat of the FRG in the 1995 elections.

The peace process allowed for a reorganization of the social and political structure in which traditionally marginalized groups gained more influence. However, traditional alliances between businessmen and military officers remained intact and their strength prevented the completion of several reforms that were supposed to be carried out within the peace process, such as land distribution and economic reforms. Under the government of Alfonso Portillo some of the military's powers were devolved to provincial and community political institutions, the military archives were opened, and two military officers were prosecuted for the murder of Archbishop Gerardi. However, there was very little progress in addressing political corruption and the involvement of military officers in narco-trafficking.

Today, the army remains divided between traditional leadership and a younger reformist elite. Conflict

within the military and within other organs of the government persist. 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 cut back. However, the military has regained some influence within the executive branch. In 2005, the number of troops in Guatemala totalled 31,400 (29,200 in the army, 1,500 in the navy and 700 in the air force) and military expenditure represented 0.4% of GDP.

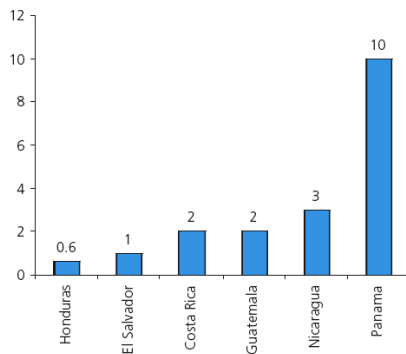
Source: Schnabel Albrecht and Hans-Georg Ehrhart. Security Sector Reform and Post-Conflict Peacebuilding.

Drug Trafficking

Central American countries spend vast sums of money combating drug trafficking but are neither suppliers nor consumers; they are victims of their geographic location. Factors such as economic pressure, a low population to police ratio, a poor security enforcement, and a history of violent conflict and authoritarian rule are important factors when considering the inability of Central American countries' to fight organized crime and drug trafficking.

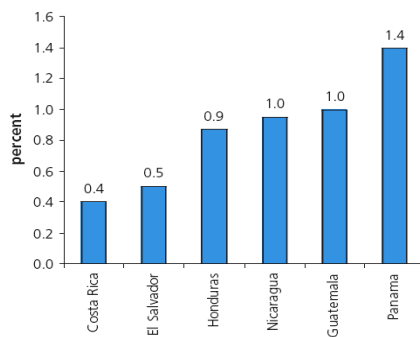
During the civil war, drug trafficking permeated the region. Drug trafficking networks are now well established, involving a number of stakeholders using methods that run counter to the rule of law but providing important economic resources in countries where the majority of the population is poor and unemployment among young people remains high.

TABLE 5: RATIO OF GANG MEMBERS TO CHRONIC COCAINE USERS



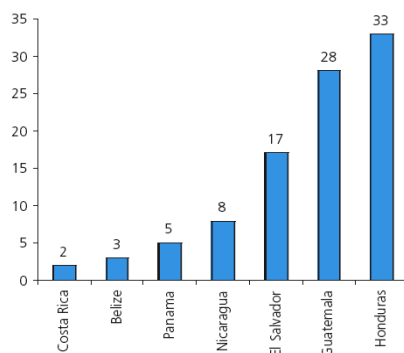
Source: Calculated from UNODC Delta Database estimates and Hernández, 2005

TABLE 6: ESTIMATED SHARE (%) OF THE POPULATION WHO USE COCAINE ANNUALLY



Source: UNODC Delta Database estimates

TABLE 7: NUMBER OF CENTRAL AMERICANS ARRESTED FOR DRUG TRAFFICKING IN THE US IN 2004



Source: UNODC ARQ 2004

Drug trafficking is most significant in the northern regions of the country. In 2006, many instances of drug trafficking activities were reported in the Department of Peten and Jutiapa.

While *Maras* are suspected of being involved in local distribution of drugs, their involvement in drug trafficking is minimal because of the low percentage of local consumption and the common transportation method of drugs, which is done mostly by sea. Well-organized criminal networks, most often international, do the bulk of the trafficking.

Heroin production is also worrisome. In 2006, authorities claimed to have uprooted 27 million plants between January and September, suggesting that cultivation levels had returned to those of the previous peak in 1990, with perhaps 2000 hectares under cultivation. Should this situation persist, Guatemala could soon rival Colombia as a source of heroin for the U.S. market.

Source: UN Office on Drugs and Crime. *Crime and Development in Central America: Caught in the Crossfire*. May 2007.

RULE OF LAW

Police Reform

During the period following the peace agreement, MINUGUA carried out verification and institution-building activities throughout the country and had more than 250 human rights monitors, legal experts, indigenous specialists and police posted in Guatemala, including its most remote areas.

The 1996 *Accords on Strengthening Civil Power and on the Role of the Army in a Democratic Society*, which were part of the Peace Accords,

included a provision for reform of the police forces and the creation of a single National Civilian Police (PNC) to replace the former Guatemalan Police. Although a few concrete steps were taken by the government, progress in this area have been slow and problematic. Originally, a complete separation between police and military was to be achieved, with the new civilian police being solely responsible for public order and internal security and the military taking care of border protection and external security. The new police force was to be in place by the end of 1999 and was to reflect the multicultural character of Guatemala through its selection of personnel.

Under the presidency of Arzu (1996-1999), some energy was put into reforming the police force. Arzu invited the Spanish Civil Guards to come to Guatemala to offer advice and training and announced that the PNC would follow its model. The government did make a few significant advances in building this new police force through legislation allowing for an increase in police salaries, the retraining of police and guards belonging to the old forces, the purchase of new materials and the recruitment of new students. However, several problems prevented a complete restructuring of the force. First, a large number of former police and guards known for their lack of respect for human right, corruption and brutality were incorporated into the new PNC. This reduced the trust of the population in the new force. Second, because of problems related to organized crime and drug trafficking, the military continued to be involved in internal security matters, especially in joint patrols with the police and crack downs on youth gang. Third, a civilian intelligence capacity was never created and military

intelligence continued to be used in high profile criminal investigation cases. Finally, the recruitment of civilian students was never carried out with much enthusiasm and the overall quality of new recruits has been poor. The failure of the 1999 referendum issue, which included a provision about the separation of the military and the police, further slowed progress.

The quality of recruits joining the police forces and the level of professionalism of the current force has worsened in the last few years. Some of the donors who were interested in contributing funds and personnel to Guatemala's police reform activities, eventually withdrew their support due to a lack of progress, perceived corruption in the process and military interference. With allegations of police involvement in organized crime and high population distrust in the forces, President Berger has now been forced to admit that more extensive and internationally supported reforms are needed.

"As many countries of Latin America and the Caribbean do not have the monetary resources or the facilities to absorb a high number of criminal deportees, deportation contributes to the erosion of law enforcement."

Source: Perez, Orlando J., «Democratic legitimacy and public insecurity: crime and democracy in El Salvador and Guatemala.» *Political Science Quarterly*, vol. 118, no. 4, pp. 627-644, Winter 2003/2004.

Glebbeeck, Marie-Louise, «Police Reform and the Peace Process in Guatemala: The Fifth Promotion of the National Civilian Police.» *Bulletin of Latin American Research*, vol. 20, no. 4, pp. 431-453, Oct 2001.

Criminal Deportation

The number of illegal aliens expelled from the US between 1993 and 2004 has risen steadily. In 2004, the number reached 49,000 due to a new strategy of "catch and remove" and a series of bills passed by Congress aimed at facilitating the deportation of criminal immigrants (see table U.S Laws affecting the deportation of immigrants). Three categories of criminal aliens have been deported: 1) those accused of past crimes while residing crime-free, 2) criminals deported upon release

from incarceration for past crimes and 3) Illegal immigrants guilty of the felony crime of repeated border crossing. The goals of deportation include lowering the US crime rate, freeing up prison space, saving taxpayers money, combating domestic terrorism and disrupting some of the structure and linkages connecting transnational organized crime groups

The consequences for Central America and the Caribbean, where most criminal aliens have been deported are varied. As many countries of Latin America and the Caribbean do not have the monetary resources or the facilities to absorb a high number of criminal deportees, deportation contributes to the erosion of law enforcement. Many deportees have no immediate family or roots in the country to which they are deported. Some might not speak the language or know the culture, which prevents their integration into the country to which they are deported. Health and criminal history is often not communicated to the authorities of the country where deportees are sent.

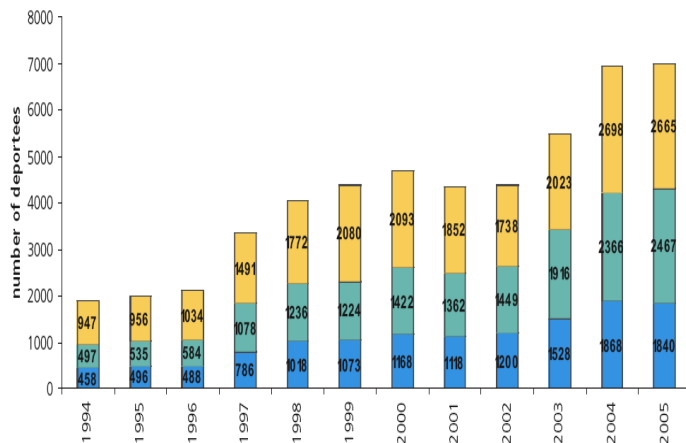
While most criminals are deported at the end of their prison sentence and are not supposed to be sent to prison upon arriving in their country of origin, countries such as Haiti send deportees to jail for an indefinite period of time upon their arrival, a clear violation of human rights. Some countries, such as Belize, have instituted a policy of monitoring deportees but have had difficulty in sustaining the program because of limited resources.

Although many studies and statistical analyses often indicate that no direct relationship exists between criminal deportees and

U.S LAWS AFFECTING THE DEPORTATION OF IMMIGRANTS

- The *Immigration Act* of 1990 allowed the deportation of immigrants convicted of any crime of violence with a sentence of five or more years
- The *Omnibus Crime Control Act* of 1994 called for the prompt deportation any alien without a green card who has been convicted of an aggravated felony and who is deportable.
- The *Illegal Immigration Reform and Immigrant Reconciliation Act* of 1996 transformed a series of minor offences such as shoplifting into offences resulting in deportation
- The *Antiterrorism and Effective Death Penalty Act* of 1996 further expanded the list of aggravated felonies
- The *Illegal Immigration Reform and Immigrant Responsibility Act* lowered the sentences and monetary amount qualifying threshold for many crimes previously defined as aggravated felonies.
- The *Anti-Drug Abuse Act* of 1998 created the aggravated felons legal classification, which made immigrants convicted of murder, drug or firearms trafficking subject to deportation after serving their time

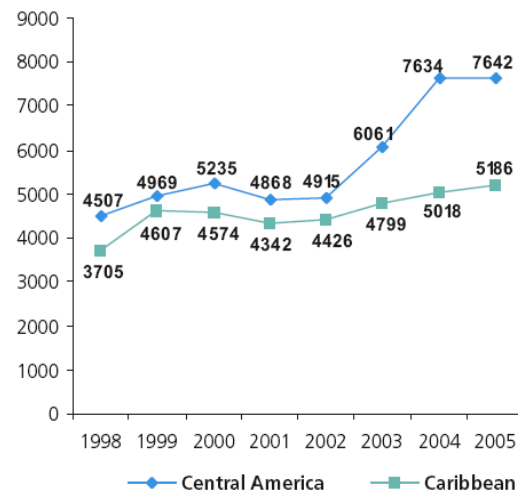
TABLE 8: TOP THREE CENTRAL AMERICAN DESTINATIONS FOR US CRIMINAL DEPORTATIONS



Source: US Department of Homeland Security 2006, Orozco 2003

■ Guatemala ■ Honduras ■ El Salvador

TABLE 9: TOTAL CRIMINAL DEPORTEES TO CENTRAL AMERICA & THE CARIBBEAN



Source: US Department of Homeland Security

crime in the receiving countries, criminal deportees are undoubtedly an additional burden on governments lacking the financial resources and infrastructure to ensure their welfare and integration and prevent them from joining existing criminal networks. More emphasis needs to be placed on understanding the relationship between deportation poverty and institutional justice system. More organizations supporting and helping deportees to integrate themselves in their countries of origin are also necessary to improve the integration of criminal deportees in their home society.

Source: BBC. "The burden of being sent 'home'". 22 January 2004.

HUMAN RIGHTS

United Nations High Commissioner for Human Rights in Guatemala

Following the exit of the United Nations Mission for the Verification of Human Rights in Guatemala (MINUGUA) and its Human Rights Division in 2004, the Government and the Office of the High

Commissioner for Human Rights (OHCHR), agreed to open an office in Guatemala to monitor human rights progress in the country. The Guatemalan Congress ratified the agreement on 31, May 2005 and President Oscar Berger signed it one month later, opening the way for the deployment of OHCHR staff.

Currently, the office is working to increase the capacity of the government and national institutions to better identify their priorities when dealing with human rights issues. In addition, OHCHR hopes to foster a culture of respect for human rights, improve the capacity of state institutions to comply with their human rights obligations, and provide recommendations on how to incorporate international human rights standards into national legislations.

OHCHR Guatemala provides analytical information on the human rights situation and will work with the Government and NGOs to disseminate human rights messages. It will offer human rights

training to civil servants, police, penitentiary staff and others, and will help civil society organizations to develop their capacity to use national and international remedies. It will contribute to the implementation of the UN Development Assistance Framework (UNDAF) and the Millennium Development Goals as well as disseminate information on international standards through workshops and seminars. Finally it will analyze existing legislation in order to provide recommendations on how to ensure national legislation conforms to international human rights standards.

The 2006 Report of the High Commissioner for Human Rights on the situation of human rights in Guatemala underlined the following concerns:

- Violence, arising from various causes such as organized crime, common crime, gangs of youths and illegal, clandestine security bodies and units.
- Profound concern at violence in the prison system.

- Widespread violence against women in Guatemalan society, generally seen as a minor problem falling within the private domain.
- A continuing culture of impunity in the country, which means that serious violations of human rights committed during the civil war – as well as many more current violations and offences – remain under-investigated and unpunished.
- Criminal groups attempting to infiltrate and make use of state institutions in order to prevent progress in criminal proceedings, especially in cases involving corruption, serious human rights violations, organized crime or drug trafficking.
- High levels of poverty and inequality, which prevent broad segments of the Guatemalan population from enjoying economic, social and cultural rights.
- Concern with the racism and racial discrimination against the Maya, Xinca and Garífuna populations.

However, the report also emphasized important advances in participation by traditionally excluded populations and groups such as indigenous peoples and women. The existence of laws on participation and decentralization and their gradual implementation through the development councils are one sign that local development strategies are being put in place by different levels of government.

Sources: Office of the High Commissioner for Human Rights in Guatemala. Official Website. Available at: <http://www.ohchr.org/english/countries/gt/summary.htm>

TABLE 10: KEY ISSUES AND STATISTICS IN RULE OF LAW

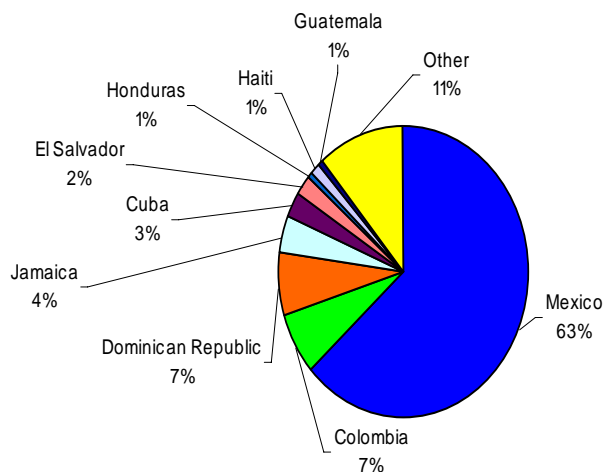
Issues:

- Although there is some research supporting immigrant links with crime, other research has shown a lower crime rate among immigrants and a lower level of recidivism.
- Several factors serve to inflate the statistics and create a mythology of Hispanic criminality. Hispanic immigrants are disproportionately arrested, detained before trial, convicted and incarcerated.
- Mexico has its own plan aimed at controlling the southern border of Mexico. *Plan Sur* has resulted in thousands of deportations to Guatemala and Nicaragua, El Salvador and neighbouring countries.
- Members of many notorious Central American gangs such as MS-13 and M18 have been targeted by the U.S.'s new deportation laws.

Statistics:

- Hispanics in the US are 40% more likely to be federally imprisoned (2002)
- 32% of those in federal prisons were Hispanic in 2002
- 7.3% of a total 4.8 million US deportees since 9/11/2001 are criminal deportees
- Guatemala receives 1% of criminals deported by the United States but also receives criminal deportees from Mexico.

TABLE 11: NATIONALITY OF US PRISONERS IN 2004



Report of the High Commissioner for Human Rights on the situation of human rights in Guatemala. 2006. Available at: <http://daccessdds.un.org/doc/UNDOC/GEN/G06/105/38/PDF/G0610538.pdf?OpenElement>

GOVERNMENT TRANSPARENCY & ACCOUNTABILITY

Economic Prospects

In the Transparency International 2006 Corruption Index, Guatemala was ranked 111th out of 163

countries. According to the Global Corruption Barometer 2005, a survey administered by Transparency International, the population see the police and political parties as the most corrupt organs of government followed by the military and the judiciary. Between 31% and 50% of respondent indicated that corruption affected political life to a large extent while more than one-fifth of families in Guatemala indicated

having paid a bribe in the past 12 months. The amount of bribes paid in the last 12 months represented 303 PPP US\$. Offering a bribe to avoid problems with the authorities was a relatively frequent occurrence. This was the case for at least half of respondents from Guatemala, and other Latin American countries such as Haiti, the Dominican Republic and Paraguay.

Main problems:

- Political parties are not obligated to disclose financial contributions to their campaigns and are free to build alliances that inevitably influence the way they govern in the future. Many bureaucrats in higher positions are thus nominated as a reward for their involvement in political campaigns. The consequence of this practice is to lower the number of qualified bureaucrats to reduce the political impartiality of decisions made.
- Although an institution in charge of monitoring government spending does exist, the *Controlaria General de Cuentas* depends on the Executive for funding and lacks effective mechanisms to control and intervene in cases of abuses. Its small budget also prevents the organ from hiring skilled professionals that could help strengthen its mandate.
- Municipalities exhibit the same problems as those of the central government. Mayors have a tendency to rule in an autocratic manner and consult the council only infrequently. Although the public has a right to consult the budget, this right is rarely exercised.

POLITICAL PARTIES IN GUATEMALA: A HISTORY

- 1820: Emergence of two political parties in Guatemala. Parties are formed prior to Independence. One supported Republicanism and free trade while the other was in favour of the continuance of royalist institutions.
- 1921: The socialist group *Unificación Obrera* organize the first May Day rally in Guatemala. The group evolve into the first Communist Party of Guatemala.
- 1922: The first Communist Party of Guatemala is founded but suppressed in 1932.
- 1952: Communist Guatemalan Labour Party gained legal status. The Labour Party is in power from 1951 to 1954.
- 1954: The Communist Party, left wing and even centrist political parties as well as trade unions are outlawed or suppressed after a US-backed coup, which deposed Jacobo Arbenz as President. The suppression of left wing opposition spawned a guerrilla movement.
- 1955: The *Democracia Cristiana Guatemalteca* is founded. In 1974, José Efraín Ríos Montt runs under the banner of the DCG.
- 1960-1996: Guatemala Civil War
- 1982: Three Guerrilla groups joined together to form the *Unidad Revolucionaria Nacional Guatemalteca* (URNG).
- 1998: The URNG lays out its arms after the peace agreement and become an official political party.
- 2007: Rigoberta Menchu becomes the first indigenous presidential candidate. She runs under the banner of the *Encuentro por Guatemala* Party.

- In some cases, corruption in the judiciary is the result of political nominations for procurers and judges and the resulting influence of the politicians on the Courts. Several judges are also subject to threats from narco-traffickers and criminal gangs, which prevents them from exercising their profession independently and safely. Finally, the inefficiency of the Ministry of the Interior, the lack of investigative capabilities and long delays in procedure also allow for unfair trials and non-transparent behaviour.

Positive initiatives and developments:

- Collaboration with USAID to eradicate corruption within the judiciary following the 2001 Inter-American Anti-Corruption Convention has borne results.
- Significant improvement in terms of efficiency and transparency occurred in the management and efficiency of the public sector thanks to the adoption of an Integrated System of Financial Administration (SIAF) and the creation of Guatecompras. The new systems allowed for the creation of a database to record all financial transactions, which can be consulted online by the public, as well as the creation of a new system to audit transactions and prevent double payments, ghost employees or contractors. The reforms also introduced a new system of purchasing, that reduces prices considerably and allows for a daily recording of ministerial spending.
- Reforms of the police forces and the judicial system have meant significant investment in training for governmental employees. Seminars, classes and training abroad have been given to police officers and judges. There is now a higher degree of professionalism within these two institutions.

Legislative Election Results (Seats, % of Vote)	SEPTEMBER 2003	SEPTEMBER 2007
Gran Alianza Nacional	47 (24.3%)	37 (16.5%)
Frente Republicano Guatemalteco	43 (19.7%)	15 (9.8%)
Unidad Nacional de la Esperanza	32 (18.4%)	48 (22.8%)
Partido de Avanza Nacional	17 (10.9%)	4 (4.6%)
Partido Unionista	7 (5.4%)	8 (6.1%)
Alianza Nueva Accion	6 (4.9%)	—
Unidad Revolucionaria Nacional Guatemalteca	2 (4.2%)	2 (3.27%)
Union Democratica	2 (2.2%)	1 (1.4%)
Democracia Cristiana Guatemalteco	1 (3.2%)	—
Desarollo Integral Autentico	1 (3.0%)	—
Partido Patriota	—	30 (15.9%)
Cetnro de Accion Social	—	5 (4.9%)
Encuentro por Guatemala	—	4 (6.2%)
Union del Cambio Nacionalista	—	4 (4.1%)

Source: Global Corruption Barometer 2005, Transparency International

Edelberto Torres, *El Sistema Nacional de Integridad en Guatemala*, 2001.

DEMOCRATIC PARTICIPATION

The Party System

A political party in the modern sense should be viewed as a relatively durable social formation which seeks offices or power in government, exhibits a structure or organization which links leaders at the centers of government to a significant popular following in the political arena and its local enclaves, and generates in-group perspectives or at least symbols of identification or loyalty (William Nisbet Chambers).

Parties have several functions in the proper functioning of a democracy: they organize candidates into a cohesive unit, provide logistical support and financing, increase the possibility of influencing policy by rallying a

significant number of candidates, and facilitate the choice of electors by offering a defined platform and continuous ideology and symbolism. Because they reduce the number of viewpoints, promises and opinion, they also facilitate compromise and increase the chances of executive-legislative collaboration. Finally, party staff provide continuity while the party is not in government and party adhesion forces elected officials to act in an accountable and transparent manner in order to avoid the risk of being abandoned by the party and lowering their chance of winning a seat in the next elections. They contribute to the consolidation of democracy if there are stable rules of inter-party competition. In theory, all actors are supposed to accord legitimacy to a party system.

In Guatemala, parties gradually evolved from social organizations such as labour unions and middle class organizations. However, the consolidation of a strong party

system has been repeatedly challenged by the actions of Guatemalan civilian and military elites, who historically favour dictatorship and refuse to surrender power or collaborate with the opposition. A tradition of voting for personalities instead of political qualifications also hampers the formation of strong, permanent and legitimate political parties. Although political parties exist, they have changed continually and the allegiance of candidates to their party remains weak.

Continuous party fragmentation has had significant consequences. The first effect is the large number of candidates and parties being represented in each election, which makes it difficult for the public to make an informed vote and become familiar with the platform of each candidate. Citizen's vote on the basis of the candidate's personality instead of ideas and ideology. The representation of several parties and independent candidates in Parliament has also led to difficulties in arriving at compromise, in obtaining the necessary numbers to pass legislation, and in developing good working relationships between parliamentarians and between the executive and the legislature. Finally, but most importantly, the fragmented party system and lack of party allegiance renders it difficult to hold government officials accountable for their actions. Once a deputy has been elected, there are few meaningful constraints on his or her actions and limited peer pressure compels him or her to act for the good of his or her constituents.

Source: Jerbi, J. Political Parties and Democracy in Haiti (Masters Thesis). 2001. Available at: <http://stinet.dtic.mil/cgi-bin/GetTRDoc?AD=ADA392100&Location=U2&doc=GetTRDoc.pdf>

ISSUES—DIASPORA & REMITTANCES:

- Tighter regulation in the US after September 11, 2001 are affecting traditional migration patterns
- Difficulties in sending and receiving countries to find a balance between economic efficiency, unequal wages and human rights
- Migration and remittances can create a feeling of relative deprivation among communities and encourage further migration
- Transfer costs and transaction fees are currently high and can amount to 5% of the money transferred in the form of remittances
- Motivation for migration include: disparity in income and employment opportunities, low education and life opportunities, environmental degradation, political instability and armed conflict, poverty and human rights abuses

STATISTICS:

- 20% of Latin Americans live outside of their country of origin
- 10% of the US population is composed of migrants
- 51% of the foreign-born population in the United States is from Latin America
- 5% of Latin American households benefit from remittances
- 15% of the migrant's income is remitted to their family on average
- 10% of remittances can be saved up by recipients of remittances
- US\$ 10 billion is sent each year to Central America and the Caribbean in the form of remittances
- 25% of Nicaragua's national income comes from remittances
- 60% of the foreign-born population in Mexico is from Guatemala

GOVERNMENT & MARKET EFFICIENCY

Diaspora & Remittances

A significant percentage of Guatemala's population resides outside the country, having fled during the civil war. As of 2002, 1.4 million or 10% of Guatemala's citizens were living in the United States, 60% of the foreign born population in Mexico was from Guatemala, living mostly in the state of Chiapas, and 9,550 Guatemalans were living in Canada. Deportation by US authorities of illegal Guatemalan immigrants involved in criminal activities has put enormous pressure on Guatemala's rule of law sector. Serious cases of human rights violations towards Guatemalan workers been reported and discussed when President Bush visited Guatemala in March 2007.

In 2005, the Guatemalan diaspora sent US\$ 985,000,000 in the form of remittances. The diaspora helps alleviate poverty by sending money to friends and family but also by providing them with goods for private consumption or retail. Although the Guatemalan population uses a large part of remittances to buy consumer goods, a percentage is saved or invested. The diaspora is also a source of new technology, market intelligence, business contacts, tourism revenue and a market for import of nostalgic food.

In order to maximize the Guatemalan diaspora's contribution to the country's development, incentives must be provided by either the national government or international donors to encourage senders and recipients of remittances to save and invest in the local economy. Functioning

TABLE 12: FDI, ODA & REMITTANCES, 2005

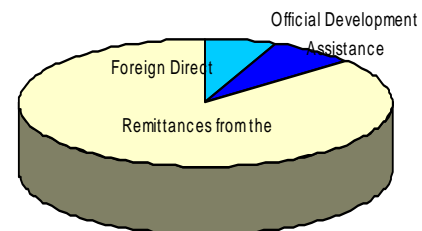
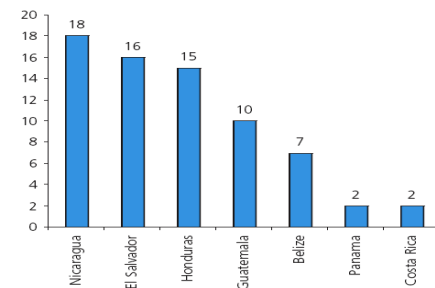


TABLE 13: REMITTANCES AS SHARE OF GDP, 2004



Source: ECLAC, Panorama social de América Latina 2005

banking institutions and lower transaction costs would also increase the benefits linked to emigration. Finally, Guatemala should begin to draw up a strategy to attract returnees and transform its "brain drain" into a "brain gain." Major accomplishments in terms of political stability and economic performance will need to be achieved prior to the return of Guatemalan migrants. However once these prerequisites are attained, Guatemala could speed up its development considerably if it designed a policy aimed at attracting returnees and capitalizing on the skills that they have acquired abroad.

Private Sector & Market Reforms

Central American countries are particularly sensitive to fluctuations in their countries' national incomes. Their small size and reliance on agricultural commodity exports, which exposes them to external

TABLE 14: REMITTANCES TO CENTRAL AMERICA & THE CARIBBEAN, 2002

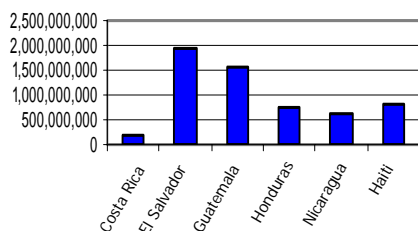


TABLE 15: FOREIGN DIRECT INVESTMENT (FDI) NET INFLOWS

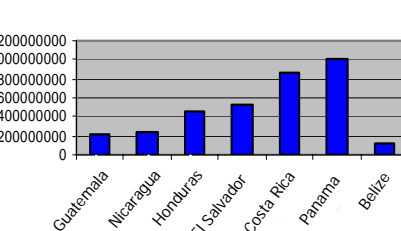


TABLE 16: EXPORT GOODS AS SHARE OF GDP

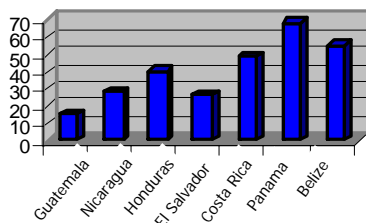
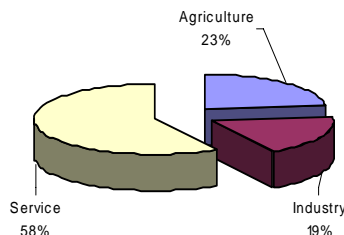


TABLE 17: GUATEMALA'S PRIVATE SECTOR COMPOSITION



shocks, are important factors in the variance of their income. Their lack of a manufacturing sector and their resistance to taxation, which forces the government to rely on tariffs for revenue and limit social spending, are other important factors in their vulnerability. Their inability to diversify their economy has also been an important factor preventing economic success and has historically been impeded by the close association between bank and coffee plantation owners, the capture of the state by coffee interests, the operation of railroads to benefit the banana industry only, and the low population density.

Guatemala's private sector is divided between industries, which account for only 19% of the GDP, agriculture with 23% and services with the majority of the GDP at 58%. Historically, agriculture has been the key sector of the economy and has been based on export of coffee and bananas. The low price of coffee on the

international markets has forced Guatemala to diversify its economy away from traditional export into the service industry, especially commerce and financial services. Although its GDP is high compared to other countries in Central America (31.7 billion, compared to 19.8 for Costa Rica in 2005) and grew 3.2% in 2006, foreign direct investment and exports remain low and government spending minimal, with expenditure as a share of GDP around 10%.

Several reasons contribute to Guatemala's poor economic performance. First, the crisis of the 1980s, which was caused by the interruption of international capital flows and external trade shocks, had enormous consequences for the region as a whole. Second, political instability in Central America and the 36-year civil war in Guatemala led to massive investments in military expenditure to the detriment of social programs and economic development, as well as a security environment non-

conductive to foreign investment. Finally, Guatemala has the lowest tax rate in the region, which has deprived the government of a reliable source of revenue and made it difficult to have stable macroeconomic and monetary policies.

In 1991, Guatemala introduced a structural adjustment program – which included a series of macroeconomic stabilization measures such as reduction of the budgetary deficit and inflation, a reduction of money creation and

FACTORS INFLUENCING MARKET PERFORMANCE:

- Political stability
- Income inequality
- Corruption
- Availability of education
- Level of democracy
- Investment in physical and human capital
- Efficient use of resources

TABLE 18: % OF WOMEN IN THE LOWER HOUSE, 2005

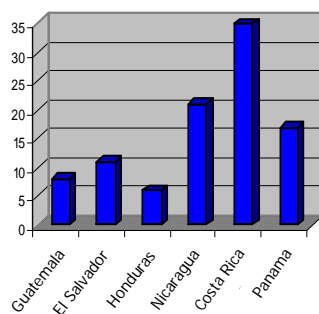


TABLE 19: % OF FEMALE MINISTERS, 2005

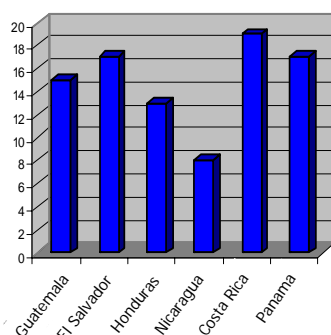


TABLE 20: REGIONAL GENDER INDICATORS

Gender related development index	
Female adult literacy rate	61.8%
Male adult literacy rate	76.6%
Female combined primary, secondary and tertiary gross enrolment ratio	54.0%
Male combined primary, secondary and tertiary gross enrolment ratio (%)	61.0%
Female estimated earned income in 2001 (PPP US\$)	2,144\$
Male estimated earned income in 2001 (PPP US\$)	6,620\$

other fiscal austerity measures – in the hopes that it would lead to sustainable growth. However, the government has been unable to adhere consistently to the program's reforms, abiding instead by a stop-and-go policy that reduced improvement and growth. Recently a lot of emphasis has been placed on the new Central America Free Trade Agreement (CAFTA) and businesses have been encouraged to engage in export.

Factors that will likely contribute to an increase in FDI include the development of maquila industries; privatization of phone, electricity, financial companies; the establishment of high technology and computer firms catering to international market; and the construction of hotel and tourism facilities.

GENDER

Politics

In term of politics, 14 women were elected to the lower house in the last elections out of a total of 158 deputies. They thus represent 8.9% of elected representatives. In Guatemala there is still no quota for women in Parliament although the proposal has been presented several times. In 1997 the Women's Civic and Political Alliance and the National Office on Women proposed a quota for candidates for elected posts, up to a maximum of 44% for either sex. However, the Electoral Reform Commission argued that the proposal was discriminatory. In 1998, a Bill was introduced in Congress proposing a system of quotas to increase women's political participation to 44% of all party lists at both the municipal and national levels. The bill left room for negotiation, setting 30% as the minimum acceptable percentage. Although the bill mustered more support

than expected, its passage required a two-thirds majority, which it did not achieve.

From an average of 9% in 1990, by 2005 women's representation in the lower houses of the national parliaments of Latin America had increased to 17% while women's share of seats in the senate grew from an average of 5% in 1990 to 13% in 2005. However, much of this progress is due to the introduction of quota laws in eleven Latin American countries during the period. Guatemala's record for women in politics is thus slightly below the regional average. Interestingly, voter turnout according to gender is also highly disparate. In 1999, only 36.8% of women voted compared to 63.2% of men. In 2003, the percentage increased to 42.9% but was still low when compared to the male turnout of 57.2%.

Health

Domestic violence against women remains a major problem in Guatemala. In 1996, Law 96-97 was enacted in an attempt to reduce domestic abuses. It defined domestic violence as a violation of human rights and characterized violence as any action causing physical, sexual or psychological injuries.

Maternal mortality ratio is also still a challenge for Guatemala. In 1995, Guatemala had a ratio of 270 deaths per 100,000 per live births, which was the thirds highest rate in the Americas after Haiti and Bolivia. Its percentage of births attended by skilled health personnel was more encouraging at 41%.

Economy

The gendered dimensions of poverty have to do with women's

unequal access to resources in the economy and the household. In general, poverty refers to the inability to attain an adequate standard of living as a result of a lack of resources and can be measured with different indicators, which can be income-based, consumption-based, or include other considerations such as life expectancy, access to potable water and health services. According to the United Nations Human Development Report (2003), which now has a Gender-related Development Index (based on life expectancy, adult literacy, gross educational enrolment ratio and estimated earned income), Guatemala scores 97 and has indicators comparable to other Central American countries. The statistics for female estimated earned income compared to male are particularly striking with women making only a third of what men were earning in 2001.

Analysis: Gender in Guatemala

CIFP's cross-cutting gender indicators provide an overview of a range of measures for select countries in Central America. The results provide measures of performance in the areas of human rights, delivery of education and health services to women (both in terms of actual level of attainment, and in comparison to what males in the same country receive on average), and participation in the political and economic life of the country. The results highlight Guatemala's relatively strong performance in the areas of political and social rights for women, as well as the number of women infected with HIV/AIDS. However, Guatemalan women (and by extension, given the relative gender parity in education, Guatemalan men) obtain lower levels of educational completion,

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Percentage of Female Parliamentarians (WDI)	1.9	5.6	6.5	6.6	3.2	5.3
Female Parliamentary Quota (Global database of quotas for women)	1.1	..	..	1.7	..	2.4
Women's Political Rights (CIRI)	3.0	3.0	3.0	3.0	3.0	3.0
Women's Social Rights (CIRI)	3.0	5.0	3.0	5.0	5.0	5.0
Women's Economic Rights (CIRI)	3.0	5.0	5.0	5.0	5.0	5.0
Women in the labour force (WDI)	7.6	6.3	7.9	7.4	8.1	6.9
Education—Primary Completion—female (WDI)	5.3	6.2	7.4	6.4	6.8	4.4
Education—Primary Completion—Ratio of female to male (WDI)	2.4	4.2	7.7	1.3	1.2	4.1
Education—Primary Enrolment—Ratio of female to male (WDI)	4.2	6.4	7.6	1.6	3.4	5.7
Gender Empowerment Measure (UNDP)	3.2	6.1	..	6.0	..	5.2
Gender-related Development Index (UNDP)	3.3	5.6	6.4	6.3	6.2	3.8
HIV/AIDS—Percentage of Adult Females Infected (WDI)	3.3	3.7	3.0	2.7	2.3	2.8
Literacy—female (WDI)	3.0	..	6.8	5.8	6.1	3.7
Literacy—Ratio of female to male (WDI)	1.4	..	6.3	1.4	2.4	3.7
Life Expectancy—Female (WDI)	2.5	4.7	5.9	6.0	5.5	3.1
Life Expectancy – Ratio of female to male (WDI)	2.4	4.8	6.0	5.8	5.4	2.8



TABLE 21: SUMMARY OF RESULTS OF LAST FIVE MUNICIPAL ELECTIONS

Year	No. of Municipalities	Indigenous Majors (men)	Indigenous Majors (women)
1985	325	59	0
1990	300	80	0
1995	300	62	0
1999	330	93	0
2003	331	111	1

TABLE 22: SUMMARY OF RESULTS OF LAST FIVE NATIONAL ELECTIONS

Year	Total Deputies	Total Indigenous Deputies (men)	Total Indigenous Deputies (women)
1985	100	8	0
1990	116	6	0
1995	80	7	4
1999	113	13	3
2003	158	14	1

Overall, the low level of women's political rights and political participation, combined with the relatively low scores in literacy and education suggest that Guatemala still faces significant challenges to ensure some degree of gender equality.

Source: Htun, Mala N. "Case Study: Latin America Women, Political Parties and Electoral Systems in Latin America." *IDEA*. 2005.

Human Development Report. UNDP. 2003.



INDIGENOUS COMMUNITIES IN GUATEMALA

Indigenous peoples comprise 40 to 50 per cent of Guatemala's population. The main indigenous groups are the K'iche (9.1%), the Kaqchikel (8.4%), the Mam (7.9%) and the Q'echi (6.3%). 8.6% of the population is part of other Mayan communities while 0.2% is indigenous non-Mayan. Indigenous people live in 97 municipalities, in 11 of Guatemala's 22 departments.

Following colonization, natives were recruited to work on coffee estates and coastal plantations. The pattern of seasonal labour to which they were held prevented inhibited their full assimilation but also allowed for the preservation of their territorial and social integrity. There is, as a result, a higher percentage of non-mestizos in Guatemala compared to other Latin American countries.

During the civil war, the Guatemalan military responded to the leftist guerrilla movement with a brutal counter-insurgency campaign, specifically targeting the Mayan population. Hundreds of thousands were left dead or displaced. With the end of the war and the democratic transition, indigenous peoples began to take part in

literacy, and life expectancy than women in a number of neighbouring countries. Such findings suggest that the limited capacity of Guatemala's health and education programs affect both women and men.

Aside from female completion of primary education, other gender-based indicators represent an area of high risk, namely women in the labour force and percentage of female parliamentarians. Compared with other Central American

countries, Guatemala's scores are similar to El Salvador, while Nicaragua, Panama and Honduras seem to perform similarly, and Costa Rica is set apart by its better scores on such indicators. The limited participation of women in the Guatemalan labour force is therefore reflective of a larger regional pattern, one that can be explained by the more traditional social structure and the high overall unemployment rate in all countries; even Costa Rica, the highest performing Central American country, rates relatively poorly in the area of female employment.

electoral processes. The Agreement on the Identity and Rights of Indigenous Peoples (*Acuerdo de Identidad y Derechos de los Pueblos Indígenas*) and the creation of a government-funded Indigenous Women's Ombudsman in 1999 (by Governmental Agreement 555-99) were the basis for a new political and social role for indigenous groups within Guatemala's political system.

Despite these efforts, indigenous people continue to be excluded from politics and economic activities by the economic oligarchy and the traditional political parties. National political parties have never fully considered indigenous interests when elaborating their political platforms and have generally failed to include indigenous candidates in their ranks. The Indigenous Mayoralities, which is a traditional political organizational system of the Mayan people, have managed to survive in only a few municipalities – and only a few of those are recognized by indigenous communities. Chichicastenango, Sololá, Santiago Atitlán, and Totonicapán are a few examples.

The net result has been a very low level of indigenous involvement both in municipal and national politics.

In the 2003 election, for example, only 216 of the 686 candidates for Congresses proposed by all the political parties in the 11 departments where indigenous peoples form a majority were Mayan natives. Of these 216 indigenous candidates, only 39 were placed at the top three places of the electoral ballot and the most powerful political parties (GANA, UNE and the FRG) only placed 9 indigenous candidates on the first entry of the ballot.

Social and human development indicators paint a grim picture. Among the indigenous peoples, 78% are considered poor, 48% are deemed illiterate, 70% suffer from chronic malnutrition, and the maternal mortality is 211 per every 100,000 births. Life expectancy is 17 years shorter than for the non-indigenous population, and women suffer greater inequality in access to health services.

One of the most acute conflicts

faced by Mayan indigenous communities concerns land ownership rights. Almost 80% of arable land is in the hands of just 2% of the population, while 75% of the population live in rural areas. In 2005 there were over 20 land evictions in which indigenous people were disproportionately affected. According to the UNDP Human Development Report, *Guatemala: Human Development, Women and Health*, "The percentage of land in indigenous hands is less than half in terms of its population, due to the history of expropriation to which these groups have been subjected."

Social mobilization of indigenous groups internationally and more specifically in the Guatemalan context has increased in the last decade and has contributed to requests for recognition, integration, better services and basic human rights. Compared to other Latin American movements, such as the one in Ecuador for example, the Guatemalan indigenous movement is highly fragmented, has limited its goals to a strictly cultural agenda and has little political clout. The fear of violence has served to limit the scope and agenda of the modern indigenous movement. In part because of such concerns, it is not a mass movement calling for new political rights or economic changes, but instead remains focused on cultural rights, recognition and entitlements.

Source: Carol A. Smith. Conference at Center for Latin American Studies on March 15th, 2004. Available at: <http://www.clas.berkeley.edu:7001/Events/spring2004/03-15-04-smith/index.html>

Meeylyn Lorena Mejia Lopez. *Indigenous Women and Governance in Guatemala*. Focal. March 2006. Available at: http://www.focal.ca/pdf/mujer_indigena_e.pdf



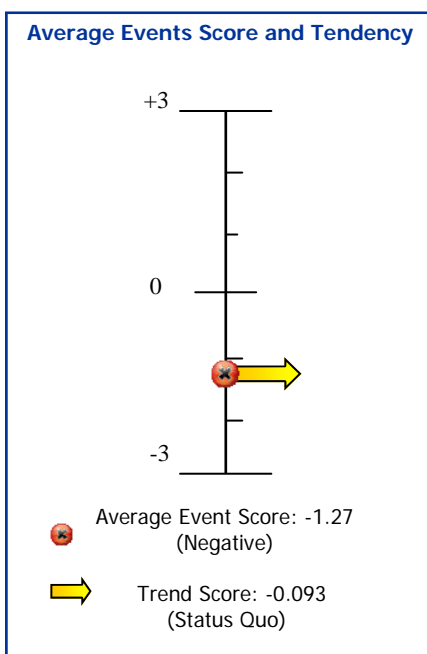
3. Summary of Structure & Trends in Good Governance, 2007

Between the 1st of May 2007 and the 30th of October 2007, CIPF recorded 262 events that either affected or reflected the levels of good governance and democratic processes in Guatemala. A statistical analysis of the recorded events from this 27-week period shows that, on average, events tended to be moderately destabilizing. Events recorded during this period had a negative average scores (-1.27) and a negative trend although it expressed very little movement (-0.09). The trend can be explained partly by the large number of negative events recorded throughout the period that led to the first and second round of national elections.

TABLE 23: UNDERLYING CONDITIONS

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

TABLE 24: EVENT MONITORING RESULTS
MAY-OCTOBER 2007



The main source of this trend lies in the political stability and violence, rule of law, government and market efficiency, and democratic participation clusters, which had the most events recorded over the monitoring period. The overall average score and trend can be explained by the number of negative events that were recorded leading up to the elections in September and to the second rounds of presidential elections on November 4th, 2007. While the intensity of the electoral violence had a significant downward impact on the average score, the intensity of events remained constant throughout the period, leading the trend toward a status quo.

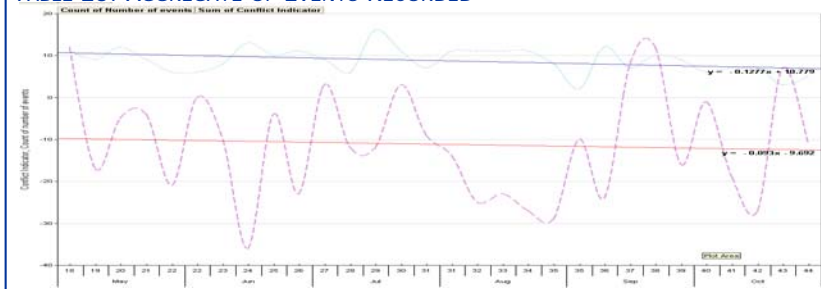
The results of the analysis are worrisome for good governance and democratic processes. The majority of events recorded in the last six months to a year have been destabilizing and have affected governance and democratic processes in a negative way. Violence and insecurity are affecting both urban and rural areas and are generalized, as

opposed to restricted to certain red zones as it was before. Narco-trafficking groups and urban gangs have increased their control and influence on territory, population and within state institutions following the 2007 elections, which will make it more difficult for the government to implement policies aimed at reducing violence and impunity. The majority of the population continues to live in poverty, with limited access to social services.

Positive developments have been seen in democratic participation. Elections have once again been deemed free and fair, and have contributed to the consolidation of the electoral system. In addition, the rural population has voted in greater numbers for the second round of elections and their participation might increase the representation of rural peasants within the government. Finally the candidacy of Rigoberta Menchu, although not significant in term of votes, was a powerful symbol that could motivate indigenous and women towards a greater level of mobilization.

CIPF'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).

TABLE 25: AGGREGATE OF EVENTS RECORDED



4. Primary Drivers

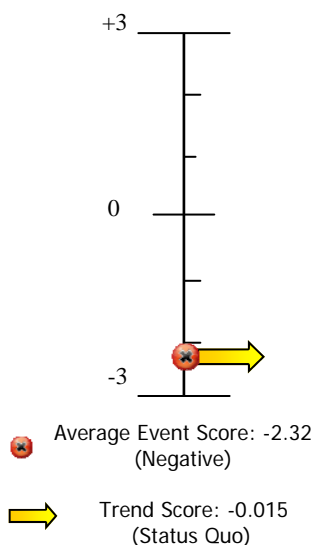
Primary drivers are clusters that are the main areas of activity in the country and make the greatest contribution to the overall event trend.

TABLE 26: POLITICAL STABILITY & VIOLENCE

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

TABLE 27: EVENT MONITORING RESULTS
MAY-OCTOBER 2007

Average Events Score and Tendency



POLITICAL STABILITY & VIOLENCE

Underlying Conditions

Structural data indicates that Guatemala is at medium risk in terms of political stability and violence. Its score of 3.74 is largely a consequence of the lack of large-scale violence and open conflict and terrorism incidents. Weak scores for permanence of regime type and political stability reflect the relative fragility of the immature democratic political system. The number of refugees produced is a further indication of concern: refugees have fled Guatemala as a result of the civil war and continue to emigrate because of the lack of economic opportunity and insecurity. Finally, informal market activity scores indicate the difficulty the government experiences in both regulating economic activity and collecting taxes. It also underscores the government's perceived corrupt behaviour and its lack of control over the country's borders.

Event Analysis

The political stability and violence cluster has a strong negative average score (-2.32) and a trend of -0.015, which represents a status quo. (See Table 27). The number of negative events compared to the number of positive events as well as their intensity explains the strongly negative average score while their constant occurrence explains the status quo of the trend. In other words, events in the political stability and violence cluster were generally destabilizing and remained so throughout the entire period.

Destabilizing events recorded in this cluster include electoral candidates

who were murdered leading to the September elections and the second round of presidential elections on November 4th, 2007; reports of narco-traffickers meddling in politics and financing the political campaigns of municipal and national candidates; and increasing lawlessness in the departments of el Petén and Quiché. Pre-electoral violence has reached its highest level since the end of the civil war, affecting both rural and urban areas and showing clearly the inefficiency of the police in crime prevention. The perpetrators of and motivation for the assassinations of several political candidates have not yet been clearly identified. However, the mere fact that these murders have been committed without full investigation and resolution is worrisome and critical to the perceived legitimacy of the government.

Among the few positive events recorded were the initiation of closer relations between Guatemala and Cuba, the strengthening of Central American Integration initiatives, and the US pledge of \$1 million to help Central American governments draft a regional strategy to combat violent youth street gangs and drug trafficking. The relative calm (despite the murder of candidates) on days of voting was surprising given that many had predicted that large scale violence would ensue.

Significant stabilizing events:

- Authorities work on the 2007 Fortress Elections Plan designed to guarantee security during the September general elections (May 1st, 2007)

- Foreign Ministers from Cuba and Guatemala sign a cooperation agreement to improve cooperation relationships (May 4th, 2007)
- Presidential summit meeting of the countries comprising the Central American Integration System and CARICOM decides that the two regions would co-develop their energy resources and create a common strategy to fight organized crime and terrorism (June 1st, 2007)
- The United States pledges \$1 million to help Central American governments draft a regional strategy to fight violent youth street gangs and drug trafficking (July 18th, 2007)
- Costa Rican President hosts a ceremony for four Central American presidents celebrating the 20th anniversary of the Esquipulas agreements (August 8th, 2007)
- 12 of 14 political parties participating in the general elections sign a document pledging to respect the election results and avoid confrontations (September 4th, 2007)
- International and domestic observers approve handling of the general elections (September 10th, 2007)

Significant destabilizing events:

- Mayoral candidates wounded or murdered during attack (May 27th, May 28th, July 5th, August 14th, August 29th 2007)
- Drug cartels expand operations in the Jutiapa department (June 4th, 2007)
- National Unity for Hope candidates and party members killed by gunmen (June 9th, June 22nd, 2007). Encounter for Guatemala candidate found murdered (August 6th, September 5th, 2007)
- Strategic Analysis Secretariat investigated the possible involvement of political parties in recent upsurge of violence, including the murder of several bus drivers (June 14th, 2007)
- 77 adults and 64 children fled from Los Cimientos village in Quiche department to escape harassment from alleged paramilitary groups (June 14th, 2007)
- National Association of Municipalities revealed several communities are suffering from higher crime rates because youth gangs are moving from the capital into rural areas (June 15th, 2007)
- In towns along Guatemala's drug corridor between El Salvador and

Mexico, drug traffickers flush with money see the election as a new way to extend their power and support candidates for mayoralty (July 9th, 2007)

- Politicians withdrew candidacy to become deputy after receiving multiple death threats (July 18th, October 12th, 2007)
- Sons of a congressman was found shot and dead (July 25th, 2007) Daughters of a congressional candidate was found dead (August 22nd, 2007)
- Petén department vicar apostolic expressed concern over prevailing lawlessness in the area asserting violence and parallel groups, including drug traffickers, are operating freely in the region (July 31st, 2007)
- Assailants shot at the home of congressional candidate Rigoberta Menchu injuring two of the candidate's daughters (August 8th, 2007)
- Marco Tulio Ramirez Portela, a key member of the Guatemalan Banana Worker Union is murdered (September 23rd, 2007)
- A secretary to the presidential candidate Otto Perez Molina is murdered in a crowded center of Guatemala City (October 8th, 2007)

TABLE 28: POLITICAL STABILITY & VIOLENCE TREND—05/07 TO 10/07

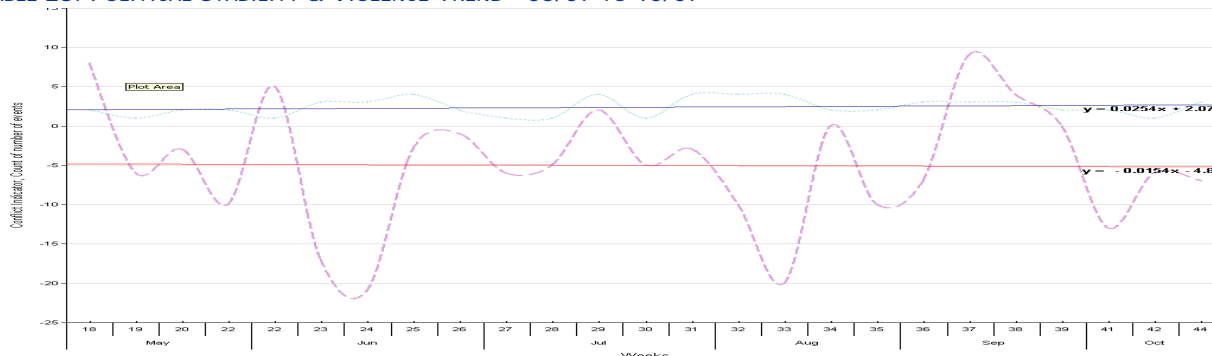
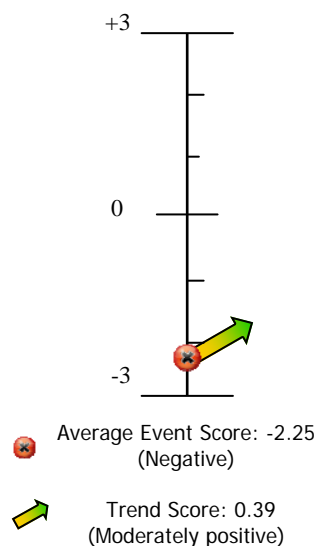


TABLE 29: RULE OF LAW

	6.82
Police, Law & 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 Rule of Law	7.5
Property Rights	8.3

TABLE 30: EVENT MONITORING RESULTS
MAY-OCTOBER 2007

Average Events Score and Tendency



RULE OF LAW

Underlying Conditions

This cluster represents the highest source of instability for Guatemala. Its average score of 6.82 captures the findings from extremely destabilizing indicators for police, law and criminality, judicial independence, impartiality of the courts, military interference in the rule of law, as well as respect for property rights. These indicators reflect the situation on the ground, where the police is infiltrated by organized crime, the judicial system plagued by inefficiency and

corruption, and the penitentiary system is controlled by urban gangs. Because of the lack of investigative capabilities in the police forces only the smallest percentage of cases are brought to court and resolved. In May 2007, it was reported that although the prosecutor's office for crime against life (FDCV) had the largest budget, it had only managed 179 convictions out of 7,710 murder complaints since 2005. The low indicators for prison population and occupancy level capture the fact that very few criminals are convicted, which leads to impunity and entices people to resort to violence as a conflict resolution mechanism.

Events Analysis

The average score of the rule of law cluster is negative at -2.25 while the trend is moderately positive (0.39). The high number of destabilizing events (59) compared to stabilizing events (25) is partly responsible for the negative average score, while the positive trend can be explained by the higher number and intensity of destabilizing events at the beginning of the period compared to the end of the period monitored. Important positive events such as the purging of the police and the agreement allowing the creation of the United Nations Commission against Impunity in Guatemala (CCIG) also drove the trend upward at the end of the period. It is also important to note that the assassination of the three Salvadorian politicians in February 2007 had a very strong downward effect on the trend, from which point it could only go up.

The number of arrests related to drug trafficking as well as cocaine shipment seizures are responsible for a large part of events recorded

in the Rule of Law cluster during the period monitored. Their frequency and the quantity of drugs seized demonstrate the level of infiltration and activity by the Mexican cartels in Guatemala. Reports of narco-trafficking influence on police officers and judges are also frequent, as are confrontations between police, traffickers and local residents in areas where the authority of the state is threatened and lawlessness prevails. Reports of kidnapping and violence between youth gangs or targeted towards discriminated young men were also numerous. The situation can be portrayed as chaotic, very violent and reaching new level of insecurity.

Among the positive events recorded were the continuation of the purgation of the police forces as well as the signature of an agreement between the United States and Guatemala to fight drug and organized crime. The creation of the United Nations Commission against Impunity in Guatemala (CCIG), which was finally signed after weeks of uncertainty, was also perceived by Guatemalans and the international community as a very positive development – one that could reduce violence, increase the quality and effectiveness of the police and the court and put an end to impunity if successfully carried out.

Significant stabilizing events:

- In its purification process, new Guatemalan Interior Ministry will purge 120 detectives from the Criminal Investigation Division for corruption or poor work (May 18th, 2007). 932 police officers were also dismissed (August 25th, 2007)

- Government Ministry approved paying a financial bonus to Police personnel as a performance incentive. (June 12th, 2007)
- The National Civil Police, the General Migration Office and the penitentiary system are on the list to be investigated by the recently created Commission against Impunity in Guatemala (August 3rd, 2007)
- Police will reinforce security in the most violent departments for the general elections (August 15th, 2007)
- The United States and Guatemala signed a multi-million-dollar agreement to fight drugs and organizes crime (September 21st, 2007)
- The discovery of 74 skeletons in a mass grave prompted the start of a criminal investigation against former army colonel Jose Antonio Solares Gonzalez (October 21st, 2007)
- increase instead of the 7% announced (May 1st, 2007)
- American Chamber of Commerce of Guatemala revealed that the industry of counterfeit reached a new high in Guatemala (May 8th, 2007)
- Corruption inside the prison system allows inmates to smuggle cellular phones to replace those confiscated by authorities. (May 8th, 2007, June 1st, 2007)
- Authorities are concerned over an increase of kidnapping in the capital (May 14th, 2007)
- Prosecutor's office for crime against life (FDCV) has the largest budget but only achieved 179 convictions out of 7,710 murder complaints since 2005 (May 22nd, 2007)
- Public Prosecutor's Office detected three criminal gangs comprised by National Civilian Police officers (June 1st, 2007)
- Market vendors association claimed gangs are targeting some 20,000 vendors occupying 39 markets, collecting money and threatening to kill stall owners if they refuse to pay (June 26th, 2007)
- Due to political opposition, Congress will not ratify the agreement creating the International Commission Against Impunity in Guatemala (July 5th, 2007)
- Sayaxche is a lawless town after residents attack the local police and threaten Mayor Luis Navarrijo Estrada. Drug cartels operate in the municipality and residents distrust the Police believing they are colluded with drug traffickers (July 19th, 2007)
- More than 30 men armed with assault rifles and about 600 villagers with machetes freed a suspected drug traffickers as he was transported to trial in western Guatemala (July 24th, 2007, August 4th, 2007).
- Body of Assistant Prosecutor Desiderio Tojin Silva was found in Las Cruce farm. Tojin Silva was prosecuting several police officers for allegedly murdering a girl (August 23rd, 2007)
- Slum dwellers armed with shotguns have taken to Guatemala's streets to hand vigilante justice to youth gangs (September 19th, 2007)
- Guatemala's police chief resigned after two of his bodyguards were accused of kidnapping and murdering five drug-addicts (September 27th, 2007)
- Drug traffickers are using police to carry out illegal searches to recover narcotic stolen by fishermen. (October 8th, 2007)

Significant destabilizing events:

- Counter narcotic agents seized cocaine, destroyed poppy plants, arrested suspected drug dealers (throughout the period)
- National Civilian Police Reserve Corps attempted to stage a strike, demanding a 50% salary

TABLE 31: RULE OF LAW TREND—05/07 TO 10/07

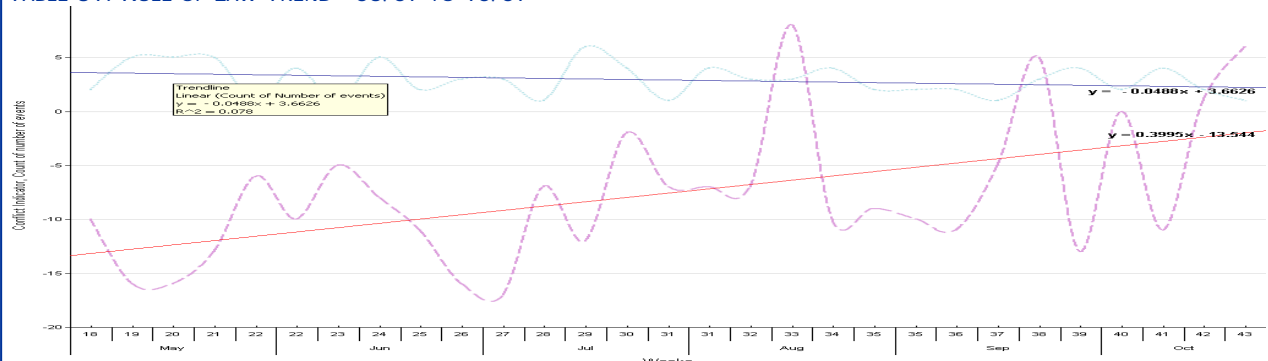


TABLE 32: GOVERNMENT & MARKET EFFICIENCY

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

GOVERNMENT & MARKET EFFICIENCY

Underlying Conditions

Guatemala's Government and Market Efficiency score represents a medium risk on average. Medium risk scores for indicators included in the World Bank *Ease of Doing Business* data, such as Trading across Borders, Closing a Business, Economic Freedom and Contract Regulation contribute to the high level of foreign investment while others such as Foreign Investment Freedom, Starting a Business, and Protecting Investors, still need improvement. On the other hand, poor scores on indicators such as Inequality, Government Effectiveness, and National Saving Level accurately portray the precarious economic situation of most Guatemalans. Poor scores on Intellectual Property, Dealing with Licenses and Enforcing Contracts also helps explain why the black market flourishes in Guatemala and why a high proportion of businesses remain unregistered.

Event Analysis

The average event score in the Government and Market Efficiency

cluster is moderately positive (0.77) while the trend is moderately negative (-0.1); in other words, most events related to government efficiency and economic performance were positive, but events registered higher scores at the beginning than at the end of the period monitored.

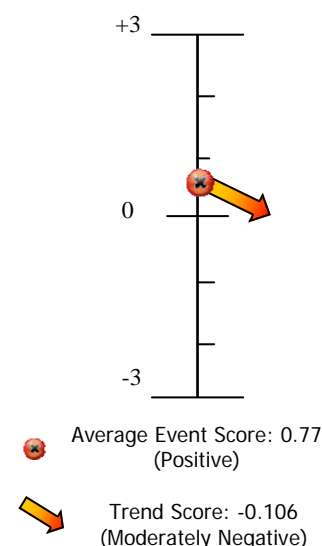
The majority of positive events recorded in this cluster involved the announcement of cooperation agreements signed between Guatemala and industrialized countries including Taiwan, South Korea, Russia and Chile as well as international organizations such as the World Bank. On July 5th, Congress also amended legislation to ease restrictions on foreign investment, which should benefit Guatemala – especially in the manufacturing and telecommunication sectors. Negative events included the ongoing drought and famine affecting more than 50 municipalities, the shutdown of Guatemala's only train service by Pittsburgh-base railway management and investment company Railroad Development Corporation (RDC) and the conflict between Marlin Gold Mine and the communities in which it operates.

Significant Stabilizing Events:

- Coffee export grows by 32% in April (May 3rd, 2007)
- US-Central America Free Trade Agreement attracted \$750 million investment to the region during its first year (June 1st, 2007)
- Administration will increase the number of checkpoints in the Mayan Biosphere from 11 to 16 to provide more security and prevent illegal logging, drug trafficking, and other crime in the area. (June 6th, 2007)
- President Oscar Berger and his Taiwanese counterpart signed two agreements totalling \$40 millions to expand the Guatemala-El Rancho highway and \$10 million to build a new maximum security prison near Pavon. (June 20th, 2007)
- Council of Ministers of the Central American Economic Integration approved the legal framework to create the Central

TABLE 33: EVENT MONITORING RESULTS
MAY-OCTOBER 2007

Average Events Score and Tendency



American Custom Union (June 26th, 2007)

- President Oscar Berger and his South Korean counterpart signed cooperation agreements after meeting for one hour. South Korea will provide \$37 million in assistance to increase transparency and efficiency in purchases and reduce government bureaucracy. (July 3rd, 2007)
- Guatemala and Russia will implement cooperation agreement covering trade, energy, and education. Russian President Vladimir Putin pledged to promptly implement agreement granting Guatemala most-favoured-nation status, which would benefit Guatemala sugar, coffee and other exports (July 4th, 2007)
- Congress amended legislation to ease restrictions on foreign investment (July 5th, 2007)
- The World Bank's Board of Directors approved a \$100

million quick-disbursing budgetary support loan which recognizes Guatemala's efforts to promote higher, more inclusive growth through improvement in the business climate, strengthened trade integration and more secure property rights in urban and rural areas (August 2nd, 2007)

- Guatemala and Chile conclude free trade agreement negotiations (September 18th, 2007)
 - Between January and 20 September, Guatemala received \$2,961 billion in remittances, equal to 11% of GDP. (October 5th, 2007)
- Significant Destabilizing Events:**
- Hundreds of thousand of landless Guatemalan labourer clustered in drought prone hamlets could face a hunger crisis if corn prices rise further (May 3rd, 2007)
 - Pittsburgh-based railway

management and investment company Railroad Development Corporation (RDC) has filed a US\$65 million claim against Guatemala (June 16th, 2007). It later announced its plan to shut down Guatemala's only train service (July 10th, 2007)

- Clothing and textile sector saw its share of the US market reduced by 14% despite the US-Central America Free Trade Agreement coming into force 10 months ago (July 25th, 2007)
- Three years into its existence, the Marlin Gold Mine has produced a long list of social problems for the local communities (July 30th, 2007)
- More than 50 communities ail with famine in drought-stricken eastern Guatemala (August 24th, 2007)
- At least 18% of Guatemalan children under five are not registered and lack a birth certificate (September 24th, 2007)

TABLE 34: GOVERNMENT & MARKET EFFICIENCY TREND—05/07 TO 10/07

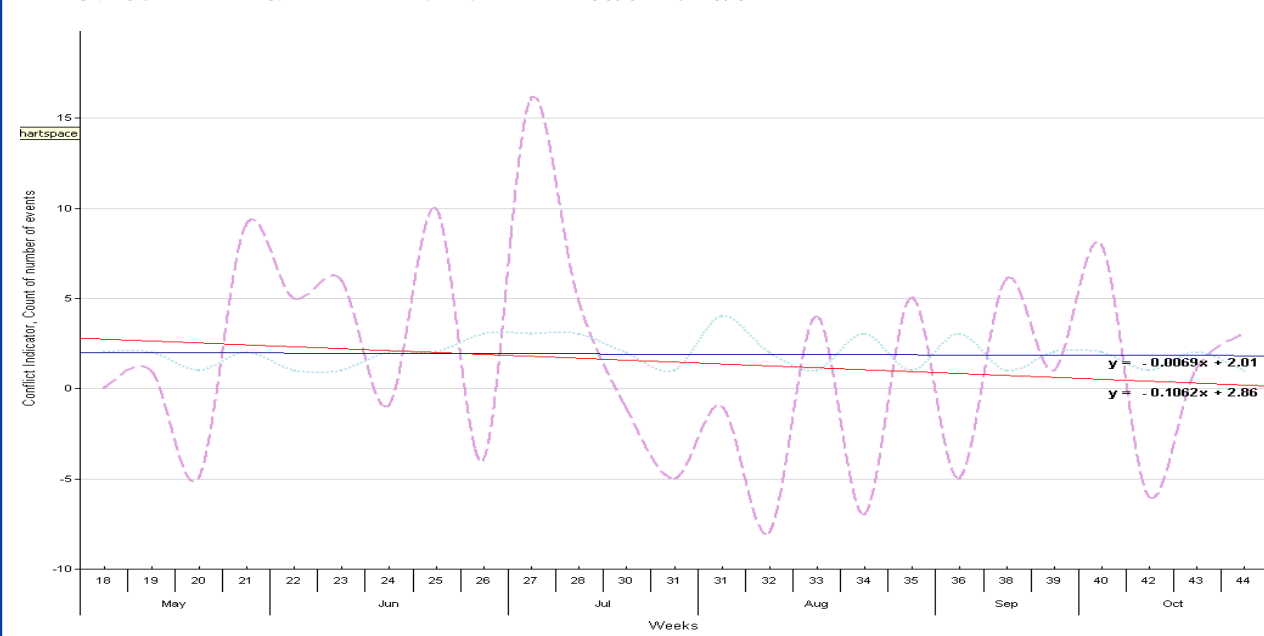
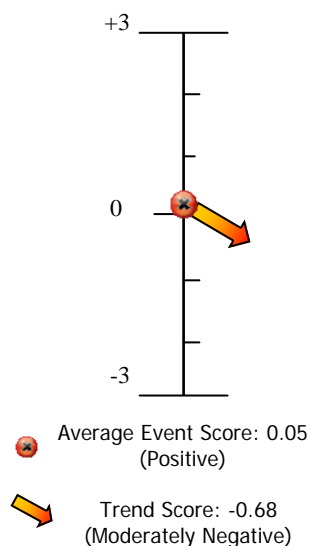


TABLE 35: DEMOCRATIC PARTICIPATION

Checks and Balances	5.14
Degree of Party Dominance	6.6
Percentage of Female Parliamentarians	3.7
Polity Score	6.5
Executive Constraints	4.2
	4.8

TABLE 36: EVENT MONITORING RESULTS
MAY-OCTOBER 2007

Average Events Score and Tendency



DEMOCRATIC PARTICIPATION

Underlying Conditions

Indicators of democratic participation have an average score of 5.14, which indicates a moderate risk for governance and democratic processes. The ratio of female to male parliamentarians is particularly discouraging, as 19 women were elected to the Lower House (out of 158) for a total of only 12%. The indicator for checks and balances indicates a high risk for governance and democratic processes (6.6), and can be attributed to the weakness of the opposition. Other indicators such as the polity score and indicator for executive constraints have much lower-risk scores. However, the score for degree of party dominance, for example, must be interpreted with care, considering the fragmentation of the party system in Guatemala and the problems associated with it.

Events Analysis

The average events score in the Democratic Participation cluster is positive (0.05) while the trend is moderately negative (-0.68). These scores can be partly explained by the fact that events recorded within this cluster have been almost equally divided between stabilizing and destabilizing (24 stabilizing events compared to 17 destabilizing ones) and have received similar scores. However, both stabilizing and destabilizing events have had lower scores towards the end of the period partly due to the high electoral activity during the summer that wound down after the first round of election (see table 39 and 40). Several events came in the form of peaceful protests by workers demanding respect for worker's rights. The mobilization of the indigenous population during the elections also contributed to the positive events recorded in this

cluster. A series of negative events were also recorded and revolved around the withdrawal of parties and candidates from the electoral races due to lack of funds, the small percentage of women and aboriginal candidates in the different electoral races and problems related to the accuracy of the voter lists. The assassination of the fifth labour leader this year was also recorded on October 18th, 2007.

Significant Stabilizing Events:

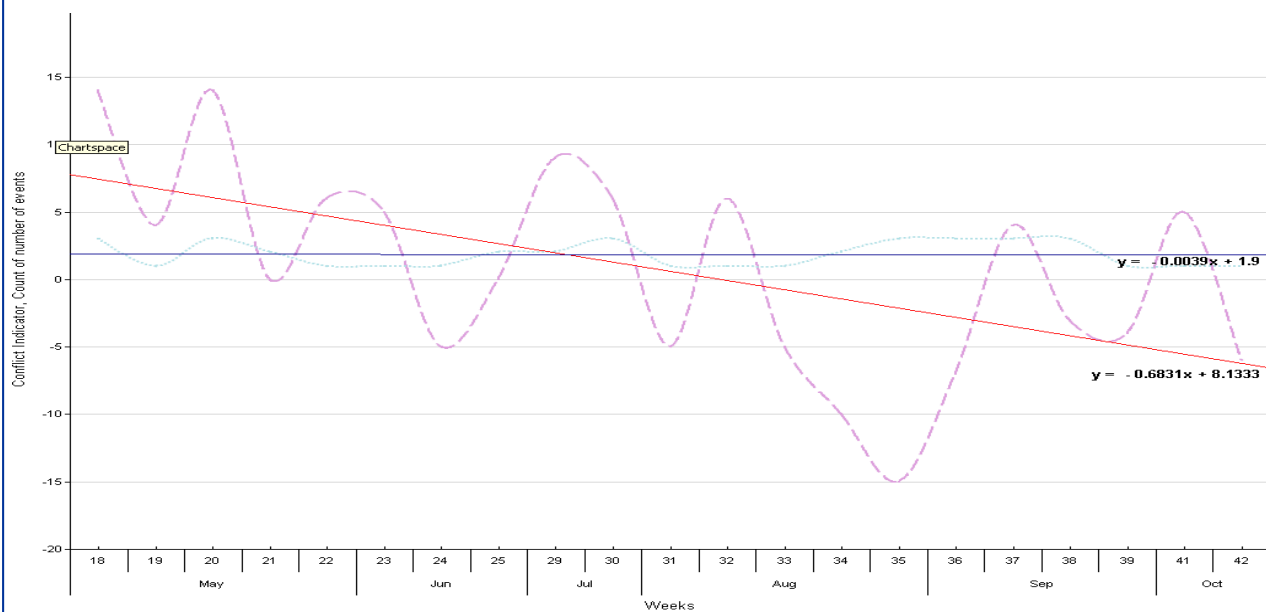
- Labour unions marched in the capital commemorating Labour Day and demanding respect for worker's rights (May 2nd, 2007)
- The coalition Winaq-Encuentro por Guatemala, will nominate another 40 women deputies and mayors. (May 13th, 2007)
- Leader from indigenous movement call for people, particularly the Maya population, to not let politicians manipulate their vote. (May 14th, 2007)
- Supreme Electoral Tribunal and political parties reached an agreement setting limits on publicity in the news media (May 18th, 2007)
- Rigoberta Menchu was proclaimed presidential candidate during a national assembly (May 28th, 2007)
- Supreme Electoral Tribunal is implementing several measures to safeguard election data (July 23rd, 2007)
- The Maya Wajib Kej National Convergence, grouping 25 indigenous organizations, has ruled out giving electoral support to parties representing traditional forms of power. (August 7th, 2007)

- GANA Party has claimed neutrality for the November 4th presidential runoff (September 13th, 2007)

Significant Destabilizing Events:

- Several political parties announced that they would either withdraw or reduce their participation in the general elections (June 19, 2007)
- Committee participating in the municipal elections are facing various difficulties including lack of resources and legal obstacles that place them at a disadvantage when facing political parties (July 28th, 2007)
- A study by a private firm for the Electoral Observer estimates political parties have spent 287.9 million quetzals in propaganda since 2006 (August 1st, 2007)
- Although it decidedly a multicultural nation, there is a small presence of indigenous candidates for president in Guatemala. (August 23rd, 2007)
- Participation of Guatemala women for posts in the current elections slightly increased although it is still very below expectations of the sector (August 25th, 2007)
- Rigoberta Menchu halted her campaign due to a shortage of fund and poor showing in opinion poll (August 27th, 2007)
- Supreme Electoral Tribunal detected 9,378 duplicate identification cards. Berger asserted voter registration lists are reliable and blames municipalities for the duplicate documents (September 7th, 2007)
- Supreme Electoral Tribunal acknowledged violence compromised to tally votes in 15 municipalities. Violence erupted due to fraud allegations or because residents were dissatisfied with the results. (September 11th, 2007)
- Fifth labour leader murdered this year. Masked gunmen dumped a Guatemalan banana picker's corpse yards from field of fruits bound for the United States (October 18th, 2007)

TABLE 37: DEMOCRATIC PARTICIPATION TREND—05/07 TO 10/07



5. Secondary Drivers

TABLE 38: HUMAN RIGHTS

	5.56
Civil Liberties	5.4
Political Rights	5.3
Human Rights—Empowerment	4.6
Human Rights—Physical Integrity	6.9

TABLE 39: HR EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	16	7	9
Avg. Event Score	-0.68	5.43	-5.44
Avg. Score as % of Total	-8%	60%	-60%

HUMAN RIGHTS

Underlying Conditions

Guatemala's Human Rights score represents an area of medium risk for democratic processes and good governance with a score of 5.56. The score for physical integrity provides the greatest cause for concern and reflects instances of torture and of arbitrary arrest and detention which have taken place at the hands of the police. Although the scores for empowerment, civil liberties and political rights are less of a concern, improvements in this sphere are still necessary since these rights are often guaranteed in practice but not enforced.

Event Analysis

Very few events were recorded in the human rights cluster. Guatemalan authorities continue to lobby the US and Mexico for better human rights for Guatemalan migrants. On the other hand, problems with adoption procedures have been identified and facts

supporting the theory that criminal gangs were involved in children trafficking were reported in the press. Congress has approved the 1993 Hague Convention on Inter-country Adoption hoping that it would resolve part of the problem and send a positive signal to the World. However, violations of children's rights persist. Finally, Amnesty International has declared that the level of threats, intimidation, attacks and killings of activists who campaign to defend the rights of marginalized communities has reached worrying proportions.

Significant Stabilizing Events:

- Guatemalan authorities continue to lobby in the US to meet with officials and leaders of migrants (May 17th, 2007)
- Mexico's national Migration Institute will begin legalizing up to 100 Guatemalan illegal immigrants. (June 8th, 2007)
- Guatemalan authorities will urge the US to respect human rights of migrants during the visit to US Secretary of State (July 17th, 2007)
- The Congress of Guatemala approved the 1993 Hague Convention on Inter-country Adoption. (July 23rd, 2007)
- Spanish Vice President announced that Spain would collaborate in creating two security commissions. One would focus on guaranteeing security for foreigners working in NGOs involved in human rights and social issues while the other would collaborate in creating police policies to

prevent gender violence. (July 31st, 2007)

- The United States will soon require that the DNA of Guatemalan babies be tested twice before adopted by American to avoid child trafficking in a system rife with corruption. (August 7th, 2007)

Significant Destabilizing Events:

- UN Committee on the Rights of the Child report recommended suspending all adoption procedures and punishing child abusers. (June 12, 2007)
- Returning a newborn baby kidnapped one month ago to his mother, gives new evidence of gangs involved in children traffic (July 19th, 2007)
- The recent discovery of seven bodies with signs of torture generates suspicion of the return of violent practices in Guatemala (August 2nd, 2007)
- The level of threats, intimidation, attacks and killings of activists who campaign to defend the rights of marginalized communities is reaching worrying proportions said Amnesty International (August 8th, 2007)
- The two Presidential candidates have stated that they would remove the current moratorium on capital punishment (October 1st, 2007)
- Human rights groups and activists for the rights of sexual minorities have expressed alarm at draft law that would restrict the definition of family (October 4th, 2007)

TABLE 40: GOVERNMENT
TRANSPARENCY & ACCOUNTABILITY

Corruption—World Bank	6.21
Voice & Accountability	6.8
Press Freedom	6.0
	5.8

TABLE 41: GTA EVENT STATISTICS

	All Events	Stabilizing Events	Destabilizing Events
# of Events	16	4	12
Avg. Event Score	-2.5	5.25	-5.08
Avg. Score as % of Total	-28%	58%	-56%

GOVERNMENT TRANSPARENCY & ACCOUNTABILITY

Underlying Conditions

Indicators of Accountability and Transparency reveal key challenges for Guatemalan good governance. Medium risk scores in corruption and press freedom combine with a medium score for voice and accountability. The relative youth of Guatemala's democratic system partly explains the lack of accountability and transparency mechanisms. While corruption is a common problem in Latin American and Caribbean countries, it is nonetheless important to consider, as it limits the likelihood of improvements in other clusters such as government efficiency and rule of law. Media freedom is also crucial. Without objective observers holding governments accountable, it is difficult for fledgling governments to police themselves effectively.

Events Analysis

Government transparency and accountability continue to be significant challenges for Guatemala.

On the one hand, the Supreme Electoral Tribunal auditors received instructions to include non-cash contributions and donations in their report covering political parties' spending for the upcoming elections. The press reported that the three main political parties had indeed submitted their financial statements to the Supreme Electoral Tribunal. On the other hand, the auditor for the Supreme Electoral Tribunal admitted that his office was unable to detect financing from drug traffickers or money laundering in political campaigns and Guatemala's general Finance Office detected more than 900 anomalies totalling 22 million dollars in the 2006 budget. Two high ranking officials of the Supreme Electoral Court of Guatemala have also been dismissed for influence peddling and corruption

Significant Stabilizing Events:

- The Bank of Guatemala is alert to prevent drug trafficking and organized crime from penetrating the election (May 4th, 2007)
- Supreme Electoral Tribunal auditors have instructions to include non-cash contributions and donations in their report covering political parties' spending for the upcoming elections. (June 13th, 2007)
- Selvin Garcia, mayor of the municipality of Pachalum, has introduced modern management tools to integrate the town's financial management systems, make procurement transparent and increase citizen participation. (July 6th, 2007)
- The three political parties leading in the polls have submitted their financial

statement to the Supreme Electoral Tribunal. (September 5th, 2007)

Significant Destabilizing Events:

- Veteran radio producer Mario Polanco Lopez Sanchez was gunned down outside his home. (May 4th, 2007)
- Auditor for the Supreme Electoral Tribunal admitted that his office is unable to detect financing from drug traffickers or money laundering in political campaigns (May 30th, 2007)
- Guatemala's general Finance Office detected more than 900 anomalies in the implementation of 22 million dollars of the 2006 budget, (May 31st, 2007)
- Two high ranking officials of the Supreme Electoral Court of Guatemala have been dismissed for influence peddling and corruption (June 25th, 2007)
- Special Verification Intendancy filed 15 complaints against seven mayors for alleged money laundering. (June 28th, 2007)
- Only three of 14 political parties registered for Guatemala's presidency have handed over the list financial contributors (July 12th, 2007)
- Association of Investigation and Social Studies concluded Guatemala political parties are temporary institutions lacking continuity (August 15th, 2007)
- Electoral Observer group estimates several political parties exceeded the 42 million quetzal campaign spending limit set by the law (October 17th, 2007)
- Journalists form the daily El Periodico told human rights prosecutor that death threats had been sent to their mobile phones after they began investigation financing of the right-wing Patriot Party (PP) (October 31st, 2007)

6. Annual Data

TABLE 42: OVERALL TREND—11/06 TO 10/07

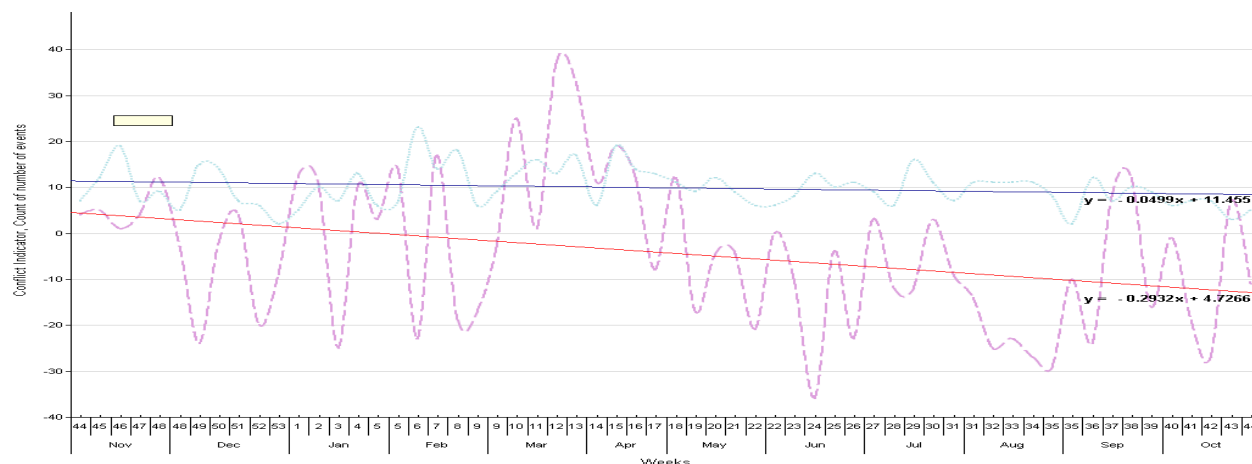
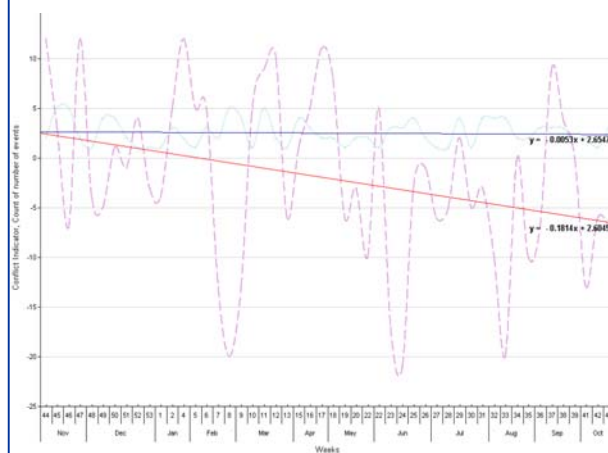


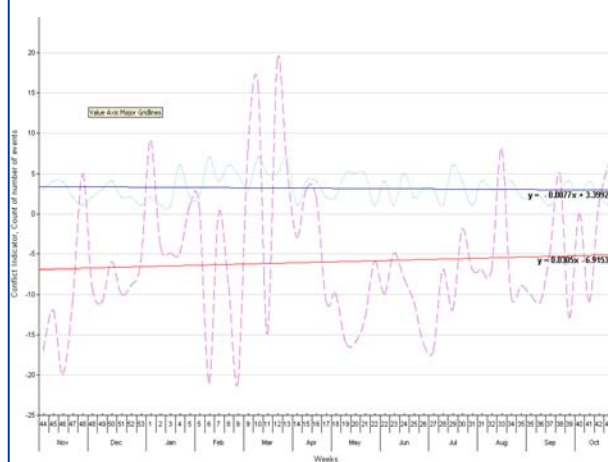
TABLE 43: PSV TREND—11/06 TO 10/07



POLITICAL STABILITY AND VIOLENCE

Overall, events in 2006-2007 show a negative trend of -0.18. From a negative average score of -0.80 during the first period (November 2006-April 2007), the situation has worsened over the second period to exhibit a negative score of -2.32. The trend continued to exhibit signs of instability since it maintained a status quo during the two periods monitored. The violence and insecurity that characterized the last year is responsible for the negative average score and has witnessed no improvement over the last year.

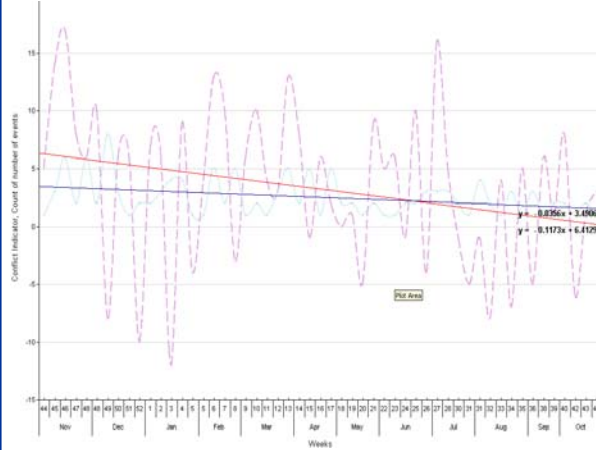
TABLE 44: RL TREND—11/06 TO 10/07



RULE OF LAW

Treated separately, events recorded in the second period of 2007 (May to October) were slightly more positive than those recorded during the first period (November 2006-April 2007). While the average score of events recorded from November 2006 to April 2007 was -5.06, it improved to -2.25 during the period from May to October 2007. The trend for this cluster over 2006-2007 is thus positive (0.30) which demonstrates an improvement in terms of Rule of Law. The negative average scores are representative of the current crisis in the sector of rule of law. The positive trend can be explained by the dire state of rule of law in the first period monitored, which remained grave during the second period but nonetheless improved moderately.

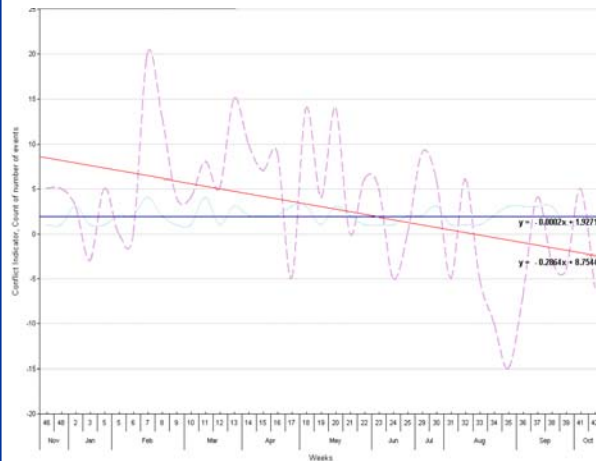
TABLE 45: GME TREND—11/06 TO 10/07



GOVERNMENT AND MARKET EFFICIENCY

Events recorded over the last period (May to October 2007) exhibited a moderately negative trend (-0.10) and a moderately positive average score (0.77). Overall, they combined with the lower scores from 2007 to create a moderately negative trend (-0.30). In sum, poor living conditions for the poor, including famine and low investment in social programs, have contributed to a downward push in the trend, while announcements of foreign aid and FDI have been constant and thus not been able to bring the trend upward.

TABLE 46: DP TREND—11/06 TO 10/07



DEMOCRATIC PARTICIPATION

Events recorded between June and December 2006 had a positive average score (3.43) and a moderately positive trend (0.36), which can be explained by the large number of positive events recorded immediately prior to the September and November 2007 elections. During the second period monitored, the average score was much lower (0.05) and the trend was moderately negative (-0.68). Together, the two periods combine to show a trend of -0.29. Trends driven down by the lower number of announcements and events shortly prior to and following elections are a common feature. The results for this cluster are thus not surprising.



7. Regional Perspective: Governance and Democratization

Not surprisingly, indicators for governance and democratic processes in Central America tend to be similar across countries, averaging medium risk scores between 3.5 (Costa Rica) and 5.5 (Guatemala and Honduras). Within the region, the Rule of Law indicator tends to be the most threatening to good governance and democratic processes, while the Political Stability and Violence seems to present the least challenge. While Costa Rica's indicators reflect the uniqueness of the country in the region because of its stability, high security and well established democratic system, comparing structural data between Guatemala, Nicaragua, El Salvador, Honduras and Panama offers interesting insight in the problems affecting the region as a whole as compared to the particular challenges faced by Guatemala.

In terms of political stability and violence, we can see that the absence of conflict as well as good scores for the permanence of regime type, military expenditures, dependence on external support and the number of terrorism incidents can help create better conditions and reduce violence and political instability. However, political stability, black markets, and the number of refugees produced tends to remain high across the region.

Rule of Law is the weakest cluster for the region. Judicial independence, impartiality of the courts, the integrity of the legal system, and protection of property rights remain indicators of concern in all five countries. They combine with medium risk indicators to represent a reality where police officers and judges are often subject to corruption, prison conditions are appalling and property rights are hardly enforceable. Guatemala's average score is among the highest and reflects the situation on the ground, where urban violence is a constant source of instability.

Human rights are a greater source of preoccupation in Guatemala and Nicaragua although Honduras and El Salvador also have medium risk scores. While Costa Rica and Panama display low-risk scores for civil liberties and political rights, the four remaining countries have medium risk scores for all the indicators in this cluster.

Government Accountability and Transparency is the second highest source of instability for Guatemala. Its score is the highest in the region. Honduras, Nicaragua and El Salvador also exhibit medium risk scores, while Costa Rica and Panama display more stabilizing scores. Corruption seems to be the most worrying indicator in the region since it has the highest score among the three indicators monitored and is a high source of instability in Guatemala and Honduras.

Government and Market Efficiency cluster is composed of 27 different indicators. Most countries in the region

TABLE 32: UNDERLYING CONDITIONS: REGIONAL COMPARISON

PSV	RL	HR	GTA	GME	DP
NICARAGUA					
3.28	6.85	4.78	5.04	5.75	3.77
GUATEMALA					
3.74	6.82	5.56	6.21	5.77	5.14
EL SALVADOR					
3.13	6.30	4.16	4.82	5.04	4.76
HONDURAS					
4.59	7.20	4.65	5.71	5.90	4.88
COSTA RICA					
2.15	4.70	2.63	2.45	4.76	2.72
PANAMA					
3.29	6.69	2.98	4.31	4.87	3.68

exhibit a mixed performance that reflects the priorities and the efficiency of the governments in power. All countries have an average score that represents a medium risk for governance and democratic processes. Dependence on foreign aid, government effectiveness, inequality and paying taxes seem to be the most challenging indicators across the region.

Finally, democratic participation once again set Costa Rica apart. Nicaragua and Panama are not far behind with scores of respectively 3.77 and 3.68, which reflect the strength of the political systems in both countries. El Salvador, Honduras and Guatemala trail further behind. Guatemala has the highest score in the region, which is representative of its very immature and still not consolidated democratic system. The nature of the political system in place is reflected in the score that each country is attributed for executive constraints, polity and check and balances.

Guatemala

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
1. Democratic Participation	5.14				
Checks and Balances (World Bank Database of Political Indicators, Index, 1-5)		2.20	6.6	2004	pos
Degree of Party Dominance (WB DPI, ratio of opp. to gov't members in legislature)		0.76	3.7	2004	s.q.
Percentage of Female Parliamentarians (WB WDI)		0.38	6.5	2004	neg
Level of Democracy (Polity IV, Index, -10-10)		8.64	4.2	2005	s.q.
Executive Constraints (Polity IV, Index, 1-7)		8.00	4.8	2004	s.q.
2. Government and Market Efficiency	5.77				
Economic growth -- Percentage of GDP (WB WDI)		2.53	6.5	2005	s.q.
Economic Size -- Relative -- GDP per capita (WB WDI)		1724.81	5.1	2005	neg
Economic Size -- Total -- GDP (WB WDI)		2.07E+10	4.0	2005	s.q.
External Debt -- percentage of GNI (WB WDI)		23.04	2.0	2004	*
Ease of Doing Business (WB Ease of Doing Business, Global Rank)		123.00	6.6	2006	*
Starting a Business (WB Ease of Doing Business, Global Rank)		131.50	7.0	2006	*
Protecting Investors (WB Ease of Doing Business, Global Rank)		134.00	7.2	2006	*
Trading Across Borders (WB Ease of Doing Business, Global Rank)		118.50	6.3	2006	*
Closing a Business (WB Ease of Doing Business, Global Rank)		82.00	4.8	2006	*
Economic Freedom (Heritage Foundation, Index, 0-100)		59.36	4.7	2007	s.q.
Savings Level (WB WDI, Gross Domestic as a % of GDP)		6.21	7.2	2005	s.q.
Foreign Investment Freedom (Heritage Foundation, Index, 0-100)		42.00	7.5	2007	pos
Intellectual Property (Fraser Institute, Index, 0-10)		2.62	7.9	2004	s.q.
Investment Climate -- Contract Regulation (Heritage Foundation, Index, 1-5)		4.00	4.9	2006	s.q.
Enforcing Contracts (WB Ease of Doing Business, Global Rank)		149.00	7.8	2006	*
Dealing with Licences (WB Ease of Doing Business, Global Rank)		166.00	8.6	2006	*
Registering Property (WB Ease of Doing Business, Global Rank)		39.00	2.8	2006	*
Enrolment Rates (UNESCO, Gross enrolment ratio)		61.86	6.7	2004	pos
Health Infrastructure -- Expenditures as a percentage of GDP (WB WDI)		5.24	5.8	2003	s.q.
Access to Improved Water (WB WDI, percentage of pop.)		95.00	3.9	2004	*
Gov't Effectiveness (WB Governance Matters, Deviation from mean)		-0.76	6.9	2005	*
FDI -- percentage of GDP (WB WDI)		0.99	3.0	2004	s.q.
Foreign Aid -- percent of Central Government Expenditures (WB WDI)		9.22	6.4	2004	pos
Inequality -- GINI Coefficient (WB WDI)		55.14	8.3	2003	*
Trade Balance -- percentage of GDP (WB WDI)		-5.05	6.4	2004	s.q.
Unemployment (WB, percentage)		2.00	1.1	2003	*
Paying Taxes (WB Doing Business, global rank)		119.50	6.4	2006	*
3. Accountability	6.21				
Corruption (WB GM, Dev. from mean)		-0.80	6.8	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		-0.44	6.0	2005	*
Freedom of the Press (FH, Index, 0-100)		57.00	5.8	2006	s.q.

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
4. Human Rights	5.56				
Restrictions on Civil Liberties (FH, Index, 1-7)		4.00	5.4	2005	s.q.
Restrictions on Political Rights (FH, 1-7)		3.80	5.3	2005	neg
Human Rights -- Empowerment (CIRI, Index, 0-10)		7.80	4.6	2004	neg
Human Rights -- Physical Integrity (CIRI, Index, 0-10)		4.00	6.9	2004	pos
5. Political Stability and Violence	3.74				
Permanence of Regime Type (Polity IV, years since regime change)		6.00	6.9	2004	s.q.
Informal Economy -- Black Market (Heritage Foundation, 1-5)		4.00	5.2	2006	s.q.
Conflict intensity (Uppsala PRIO, number of conflict-related deaths)		0.00	1.0	2005	*
Dependence on External Military Support (Fund for Peace, 1-10)		4.75	2.8	2006	*
Military Expenditure -- percentage of GDP (WDI)		0.60	1.2	2005	pos
Political Stability (WB GM, deviation from mean) Political Stability (WB GM, deviation from mean)		-0.75	6.8	2005	*
Refugees Produced (WB WDI)		12507.54	6.1	2004	pos
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		0.00	1.0	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		0.50	2.6	2005	*
6. Rule of Law	6.82				
Police, Law, and Criminality (WB GM, Dev from global mean)		-0.98	7.5	2005	*
Prison Population Rate (International Centre for Prison Studies, per 100,000 pop.)		67.40	2.8	2006	s.q.
Prison Occupancy Level (ICPS, percentage of official capacity)		113.30	4.9	2006	*
Number of Political Prisoners (CIRI, Index, 0-2)		1.80	5.8	2004	pos
Judicial Independence (Fraser Institute, Index, 0-10)		2.29	7.7	2004	*
Impartial Courts (Fraser Institute, Index, 0-10)		2.40	8.4	2004	s.q.
Integrity of the Legal System (Fraser Institute, Index, 0-10)		3.17	8.5	2004	neg
Military Interference in the Rule of Law (Fraser Institute, Index, 0-10)		4.08	7.5	2004	pos
Property Rights, (Heritage Foundation, Index, 0-100)		30.00	8.3	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 instability. (*)Indicates insufficient data for calculation of trend scores.

Note: CIFP index methodology has recently been amended. Scores are no longer modified for trend and volatility; thus index scores solely reflect 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.

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

Nicaragua

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
1. Democratic Participation	3.77				
Checks and Balances (World Bank Database of Political Indicators, Index, 1-5)		2.8	5.6	2004	neg
Degree of Party Dominance (WB DPI, ratio of opp. to gov't members in legislature)		1.0	2.1	2004	neg
Percentage of Female Parliamentarians (WB WDI)		0.4	3.2	2004	pos
Level of Democracy (Polity IV, Index, -10-10)		18.7	4.2	2005	s.q.
Executive Constraints (Polity IV, Index, 1-7)		8.0	3.7	2004	s.q.
2. Government and Market Efficiency	5.75				
Economic growth -- Percentage of GDP (WB WDI)		3.1	5.8	2005	s.q.
Economic Size -- Relative -- GDP per capita (WB WDI)		807.9	6.4	2005	s.q.
Economic Size -- Total -- GDP (WB WDI)		4260263400	6.1	2005	s.q.
External Debt -- percentage of GNI (WB WDI)		35.2	3.3	2004	*
Ease of Doing Business (WB Ease of Doing Business, Global Rank)		69.5	4.1	2006	*
Starting a Business (WB Ease of Doing Business, Global Rank)		60.5	3.7	2006	*
Protecting Investors (WB Ease of Doing Business, Global Rank)		82.0	4.7	2006	*
Trading Across Borders (WB Ease of Doing Business, Global Rank)		77.5	4.5	2006	*
Closing a Business (WB Ease of Doing Business, Global Rank)		65.0	4.0	2006	*
Economic Freedom (Heritage Foundation, Index, 0-100)		59.9	4.6	2007	pos
Savings Level (WB WDI, Gross Domestic as a % of GDP)		1.1	8.1	2004	s.q.
Foreign Investment Freedom (Heritage Foundation, Index, 0-100)		62.0	4.7	2007	pos
Intellectual Property (Fraser Institute, Index, 0-10)		2.4	8.1	2004	s.q.
Investment Climate -- Contract Regulation (Heritage Foundation, Index, 1-5)		4.0	4.9	2006	s.q.
Enforcing Contracts (WB Ease of Doing Business, Global Rank)		47.5	3.2	2006	*
Dealing with Licences (WB Ease of Doing Business, Global Rank)		83.5	4.8	2006	*
Registering Property (WB Ease of Doing Business, Global Rank)		138.5	7.3	2006	*
Enrolment Rates (UNESCO, Gross enrolment ratio)		69.0	5.8	2004	s.q.
Health Infrastructure -- Expenditures as a percentage of GDP (WB WDI)		7.2	3.3	2003	pos
Access to Improved Water (WB WDI, percentage of pop.)		79.0	6.4	2004	*
Gov't Effectiveness (WB Governance Matters, Deviation from mean)		-0.7	6.9	2005	*
FDI -- percentage of GDP (WB WDI)		5.2	6.9	2004	s.q.
Foreign Aid -- percent of Central Government Expenditures (WB WDI)		96.1	8.7	2004	neg
Inequality -- GINI Coefficient (WB WDI)		43.1	6.3	2003	*
Trade Balance -- percentage of GDP (WB WDI)		-18.8	8.8	2004	s.q.
Unemployment (WB, percentage)		10.4	6.0	2003	s.q.
Paying Taxes (WB Doing Business, global rank)		151.5	7.9	2006	*
3. Accountability	5.04				
Corruption (WB GM, Dev. from mean)		-0.5	5.7	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		0.0	4.9	2005	*
Freedom of the Press (FH, Index, 0-100)		39.0	4.6	2006	neg

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
4. Human Rights	4.78				
Restrictions on Civil Liberties (FH, Index, 1-7)		3.0	4.1	2005	s.q.
Restrictions on Political Rights (FH, 1-7)		3.0	4.5	2005	s.q.
Human Rights -- Empowerment (CIRI, Index, 0-10)		8.2	4.5	2004	s.q.
Human Rights -- Physical Integrity (CIRI, Index, 0-10)		5.0	6.0	2004	s.q.
5. Political Stability and Violence	3.28				
Permanence of Regime Type (Polity IV, years since regime change)		12.0	4.8	2004	s.q.
Informal Economy -- Black Market (Heritage Foundation, 1-5)		4.0	5.2	2006	s.q.
Conflict intensity (Uppsala PRIO, number of conflict-related deaths)		0.0	1.0	2005	*
Dependence on External Military Support (Fund for Peace, 1-10)		5.7	4.2	2006	*
Military Expenditure -- percentage of GDP (WDI)		1.0	1.5	2005	s.q.
Political Stability (WB GM, deviation from mean) Political Stability (WB GM, deviation from mean)		-0.1	5.4	2005	*
Refugees Produced (WB WDI)		3865.1	5.4	2004	pos
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		0.0	1.0	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		0.0	1.0	2005	*
6. Rule of Law	6.85				
Police, Law, and Criminality (WB GM, Dev from global mean)		-0.7	6.3	2005	*
Prison Population Rate (International Centre for Prison Studies, per 100,000 pop.)		125.8	5.2	2006	pos
Prison Occupancy Level (ICPS, percentage of official capacity)		129.5	5.8	2006	*
Number of Political Prisoners (CIRI, Index, 0-2)		2.0	5.4	2004	s.q.
Judicial Independence (Fraser Institute, Index, 0-10)		0.9	8.8	2004	*
Impartial Courts (Fraser Institute, Index, 0-10)		2.2	8.5	2004	neg
Integrity of the Legal System (Fraser Institute, Index, 0-10)		6.7	5.3	2004	s.q.
Military Interference in the Rule of Law (Fraser Institute, Index, 0-10)		3.3	8.1	2004	s.q.
Property Rights, (Heritage Foundation, Index, 0-100)		30.0	8.3	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 instability. (*)Indicates insufficient data for calculation of trend scores.

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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

El Salvador

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
1. Democratic Participation	4.76				
Checks and Balances (World Bank Database of Political Indicators, Index, 1-5)		3.4	4.9	2004	s.q.
Degree of Party Dominance (WB DPI, ratio of opp. to gov't members in legislature)		1.3	2.8	2004	s.q.
Percentage of Female Parliamentarians (WB WDI)		10.3	5.6	2005	s.q.
Level of Democracy (Polity IV, Index, -10-10)		7.0	4.7	2004	s.q.
Executive Constraints (Polity IV, Index, 1-7)		5.0	5.9	2004	s.q.
2. Government and Market Efficiency	5.04				
Economic growth -- Percentage of GDP (WB WDI)		2.2	6.8	2005	s.q.
Economic Size -- Relative -- GDP per capita (WB WDI)		2104.1	4.6	2005	s.q.
Economic Size -- Total -- GDP (WB WDI)		13978396000	4.5	2005	s.q.
External Debt -- percentage of GNI (WB WDI)		53.5	5.7	2004	*
Ease of Doing Business (WB Ease of Doing Business, Global Rank)		73.0	4.3	2006	*
Starting a Business (WB Ease of Doing Business, Global Rank)		133.0	7.1	2006	*
Protecting Investors (WB Ease of Doing Business, Global Rank)		97.5	5.5	2006	*
Trading Across Borders (WB Ease of Doing Business, Global Rank)		56.0	3.5	2006	*
Closing a Business (WB Ease of Doing Business, Global Rank)		76.5	4.5	2006	*
Economic Freedom (Heritage Foundation, Index, 0-100)		71.7	2.2	2007	neg
Savings Level (WB WDI, Gross Domestic as a % of GDP)		-0.2	8.0	2005	s.q.
Foreign Investment Freedom (Heritage Foundation, Index, 0-100)		70.0	3.4	2007	s.q.
Intellectual Property (Fraser Institute, Index, 0-10)		4.3	5.3	2004	s.q.
Investment Climate -- Contract Regulation (Heritage Foundation, Index, 1-5)		2.0	1.2	2006	s.q.
Enforcing Contracts (WB Ease of Doing Business, Global Rank)		114.5	6.2	2006	*
Dealing with Licences (WB Ease of Doing Business, Global Rank)		90.5	5.2	2006	*
Registering Property (WB Ease of Doing Business, Global Rank)		47.5	3.2	2006	*
Enrolment Rates (UNESCO, Gross enrolment ratio)		66.5	6.2	2004	s.q.
Health Infrastructure -- Expenditures as a percentage of GDP (WB WDI)		8.0	2.6	2003	s.q.
Access to Improved Water (WB WDI, percentage of pop.)		84.0	5.7	2004	*
Gov't Effectiveness (WB Governance Matters, Deviation from mean)		-0.4	5.5	2005	*
FDI -- percentage of GDP (WB WDI)		2.1	4.5	2004	s.q.
Foreign Aid -- percent of Central Government Expenditures (WB WDI)		73.8	8.5	2004	*
Inequality -- GINI Coefficient (WB WDI)		52.4	8.0	2003	*
Trade Balance -- percentage of GDP (WB WDI)		-3.2	5.4	2004	s.q.
Unemployment (WB, percentage)		6.8	4.0	2003	s.q.
Paying Taxes (WB Doing Business, global rank)		84.5	4.8	2006	*
3. Accountability	4.82				
Corruption (WB GM, Dev. from mean)		-0.4	5.3	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		0.2	4.6	2005	*
Freedom of the Press (FH, Index, 0-100)		39.8	4.6	2006	neg

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
4. Human Rights	4.16				
Restrictions on Civil Liberties (FH, Index, 1-7)		3.0	4.1	2005	s.q.
Restrictions on Political Rights (FH, 1-7)		2.0	3.4	2005	s.q.
Human Rights -- Empowerment (CIRI, Index, 0-10)		8.6	4.0	2004	s.q.
Human Rights -- Physical Integrity (CIRI, Index, 0-10)		5.8	5.1	2004	neg
5. Political Stability and Violence	3.13				
Permanence of Regime Type (Polity IV, years since regime change)		18.0	4.0	2004	s.q.
Informal Economy -- Black Market (Heritage Foundation, 1-5)		3.4	3.8	2006	s.q.
Conflict intensity (Uppsala PRIO, number of conflict-related deaths)		0.0	1.0	2005	*
Dependence on External Military Support (Fund for Peace, 1-10)		5.3	3.3	2006	*
Military Expenditure -- percentage of GDP (WDI)		1.0	1.5	2005	s.q.
Political Stability (WB GM, deviation from mean) Political Stability (WB GM, deviation from mean)		-0.1	5.3	2005	*
Refugees Produced (WB WDI)		6338.6	5.7	2004	pos
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		0.0	1.0	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		0.5	2.6	2005	*
6. Rule of Law	6.30				
Police, Law, and Criminality (WB GM, Dev from global mean)		-0.4	5.4	2005	*
Prison Population Rate (International Centre for Prison Studies, per 100,000 pop.)		147.0	5.7	2006	neg
Prison Occupancy Level (ICPS, percentage of official capacity)		165.2	7.6	2006	*
Number of Political Prisoners (CIRI, Index, 0-2)		2.0	5.4	2004	s.q.
Judicial Independence (Fraser Institute, Index, 0-10)		3.6	6.9	2004	s.q.
Impartial Courts (Fraser Institute, Index, 0-10)		3.8	6.7	2004	s.q.
Integrity of the Legal System (Fraser Institute, Index, 0-10)		5.0	6.9	2004	s.q.
Military Interference in the Rule of Law (Fraser Institute, Index, 0-10)		5.0	7.0	2004	s.q.
Property Rights, (Heritage Foundation, Index, 0-100)		50.0	5.1	2007	s.q.

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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

Honduras

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
1. Democratic Participation	4.88				
Checks and Balances (World Bank Database of Political Indicators, Index, 1-5)		3.2	4.9	2004	pos
Degree of Party Dominance (WB DPI, ratio of opp. to gov't members in legislature)		1.0	2.4	2004	pos
Percentage of Female Parliamentarians (WB WDI)		7.8	6.6	2004	neg
Level of Democracy (Polity IV, Index, -10-10)		7.0	4.7	2004	s.q.
Executive Constraints (Polity IV, Index, 1-7)		5.0	5.9	2004	s.q.
2. Government and Market Efficiency	5.90				
Economic growth -- Percentage of GDP (WB WDI)		3.6	5.3	2005	s.q.
Economic Size -- Relative -- GDP per capita (WB WDI)		950.9	6.1	2005	s.q.
Economic Size -- Total -- GDP (WB WDI)		6559367600	5.5	2005	s.q.
External Debt -- percentage of GNI (WB WDI)		37.8	4.0	2004	*
Ease of Doing Business (WB Ease of Doing Business, Global Rank)		109.0	6.0	2006	*
Starting a Business (WB Ease of Doing Business, Global Rank)		141.0	7.5	2006	*
Protecting Investors (WB Ease of Doing Business, Global Rank)		151.0	8.0	2006	*
Trading Across Borders (WB Ease of Doing Business, Global Rank)		79.0	4.5	2006	*
Closing a Business (WB Ease of Doing Business, Global Rank)		99.0	5.6	2006	*
Economic Freedom (Heritage Foundation, Index, 0-100)		56.8	5.6	2007	s.q.
Savings Level (WB WDI, Gross Domestic as a % of GDP)		14.0	5.9	2005	s.q.
Foreign Investment Freedom (Heritage Foundation, Index, 0-100)		42.0	7.5	2007	pos
Intellectual Property (Fraser Institute, Index, 0-10)		2.6	7.9	2004	pos
Investment Climate -- Contract Regulation (Heritage Foundation, Index, 1-5)		4.0	4.9	2006	s.q.
Enforcing Contracts (WB Ease of Doing Business, Global Rank)		122.5	6.6	2006	*
Dealing with Licences (WB Ease of Doing Business, Global Rank)		89.0	5.1	2006	*
Registering Property (WB Ease of Doing Business, Global Rank)		85.5	4.9	2006	*
Enrolment Rates (UNESCO, Gross enrolment ratio)		65.1	6.3	2004	*
Health Infrastructure -- Expenditures as a percentage of GDP (WB WDI)		6.5	4.1	2003	pos
Access to Improved Water (WB WDI, percentage of pop.)		87.0	5.2	2004	*
Gov't Effectiveness (WB Governance Matters, Deviation from mean)		-0.7	6.6	2005	*
FDI -- percentage of GDP (WB WDI)		3.6	6.0	2004	s.q.
Foreign Aid -- percent of Central Government Expenditures (WB WDI)		..	..	..	..
Inequality -- GINI Coefficient (WB WDI)		53.8	8.2	2003	*
Trade Balance -- percentage of GDP (WB WDI)		-4.8	6.2	2004	s.q.
Unemployment (WB, percentage)		4.2	2.3	2003	*
Paying Taxes (WB Doing Business, global rank)		148.5	7.8	2006	*
3. Accountability	5.71				
Corruption (WB GM, Dev. from mean)		-0.7	6.6	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		-0.1	5.2	2005	*
Freedom of the Press (FH, Index, 0-100)		49.8	5.3	2006	s.q.

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
4. Human Rights	4.65				
Restrictions on Civil Liberties (FH, Index, 1-7)		3.0	4.1	2005	s.q.
Restrictions on Political Rights (FH, 1-7)		3.0	4.5	2005	s.q.
Human Rights -- Empowerment (CIRI, Index, 0-10)		8.2	4.4	2004	neg
Human Rights -- Physical Integrity (CIRI, Index, 0-10)		5.4	5.6	2004	neg
5. Political Stability and Violence	4.59				
Permanence of Regime Type (Polity IV, years since regime change)		20.0	3.8	2004	s.q.
Informal Economy -- Black Market (Heritage Foundation, 1-5)		4.0	5.2	2006	s.q.
Conflict intensity (Uppsala PRIO, number of conflict-related deaths)		0.0	1.0	2005	*
Dependence on External Military Support (Fund for Peace, 1-10)		5.8	4.0	2006	*
Military Expenditure -- percentage of GDP (WDI)		1.0	1.5	2005	s.q.
Political Stability (WB GM, deviation from mean) Political Stability (WB GM, deviation from mean)		-0.5	6.3	2005	*
Refugees Produced (WB WDI)		804.0	5.2	2003	pos
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		16.5	7.7	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		4.0	6.6	2005	*
6. Rule of Law	7.20				
Police, Law, and Criminality (WB GM, Dev from global mean)		-0.8	6.8	2005	*
Prison Population Rate (International Centre for Prison Studies, per 100,000 pop.)		167.6	6.3	2006	s.q.
Prison Occupancy Level (ICPS, percentage of official capacity)		140.0	6.4	2006	*
Number of Political Prisoners (CIRI, Index, 0-2)		1.8	5.7	2004	neg
Judicial Independence (Fraser Institute, Index, 0-10)		1.9	8.1	2004	*
Impartial Courts (Fraser Institute, Index, 0-10)		2.6	8.1	2004	s.q.
Integrity of the Legal System (Fraser Institute, Index, 0-10)		2.8	8.7	2004	s.q.
Military Interference in the Rule of Law (Fraser Institute, Index, 0-10)		5.0	7.0	2004	s.q.
Property Rights, (Heritage Foundation, Index, 0-100)		34.0	7.7	2007	neg

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

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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

Costa Rica

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
1. Democratic Participation	2.72				
Checks and Balances (World Bank Database of Political Indicators, Index, 1-5)		4.0	3.7	2004	s.q.
Degree of Party Dominance (WB DPI, ratio of opp. to gov't members in legislature)		1.4	1.7	2004	pos
Percentage of Female Parliamentarians (WB WDI)		28.6	1.9	2005	pos
Level of Democracy (Polity IV, Index, -10-10)		10.0	2.7	2004	s.q.
Executive Constraints (Polity IV, Index, 1-7)		7.0	3.7	2004	s.q.
2. Government and Market Efficiency	4.76				
Economic growth -- Percentage of GDP (WB WDI)		3.7	5.3	2005	s.q.
Economic Size -- Relative -- GDP per capita (WB WDI)		4206.3	3.5	2005	s.q.
Economic Size -- Total -- GDP (WB WDI)		17572540000	4.3	2005	s.q.
External Debt -- percentage of GNI (WB WDI)		35.5	3.5	2004	*
Ease of Doing Business (WB Ease of Doing Business, Global Rank)		102.0	5.6	2006	*
Starting a Business (WB Ease of Doing Business, Global Rank)		93.5	5.3	2006	*
Protecting Investors (WB Ease of Doing Business, Global Rank)		156.0	8.3	2006	*
Trading Across Borders (WB Ease of Doing Business, Global Rank)		96.0	5.3	2006	*
Closing a Business (WB Ease of Doing Business, Global Rank)		113.0	6.3	2006	*
Economic Freedom (Heritage Foundation, Index, 0-100)		65.5	3.1	2007	s.q.
Savings Level (WB WDI, Gross Domestic as a % of GDP)		17.9	4.9	2005	s.q.
Foreign Investment Freedom (Heritage Foundation, Index, 0-100)		70.0	3.4	2007	s.q.
Intellectual Property (Fraser Institute, Index, 0-10)		4.5	5.0	2004	s.q.
Investment Climate -- Contract Regulation (Heritage Foundation, Index, 1-5)		3.0	2.1	2006	s.q.
Enforcing Contracts (WB Ease of Doing Business, Global Rank)		126.5	6.8	2006	*
Dealing with Licences (WB Ease of Doing Business, Global Rank)		56.5	3.6	2006	*
Registering Property (WB Ease of Doing Business, Global Rank)		36.5	2.6	2006	*
Enrolment Rates (UNESCO, Gross enrolment ratio)		68.7	5.9	2004	s.q.
Health Infrastructure -- Expenditures as a percentage of GDP (WB WDI)		6.7	3.9	2003	pos
Access to Improved Water (WB WDI, percentage of pop.)		97.0	3.5	2004	*
Gov't Effectiveness (WB Governance Matters, Deviation from mean)		0.5	3.5	2005	*
FDI -- percentage of GDP (WB WDI)		3.2	5.6	2004	s.q.
Foreign Aid -- percent of Central Government Expenditures (WB WDI)		0.3	2.0	2004	s.q.
Inequality -- GINI Coefficient (WB WDI)		49.9	7.5	2003	*
Trade Balance -- percentage of GDP (WB WDI)		-4.8	6.2	2004	s.q.
Unemployment (WB, percentage)		6.1	3.5	2003	s.q.
Paying Taxes (WB Doing Business, global rank)		158.5	8.2	2006	*
3. Accountability	2.45				
Corruption (WB GM, Dev. from mean)		0.7	2.9	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		1.1	2.4	2005	*
Freedom of the Press (FH, Index, 0-100)		17.4	2.1	2006	s.q.

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
4. Human Rights	2.63				
Restrictions on Civil Liberties (FH, Index, 1-7)		1.6	1.8	2005	pos
Restrictions on Political Rights (FH, 1-7)		1.0	1.0	2005	s.q.
Human Rights -- Empowerment (CIRI, Index, 0-10)		8.8	3.8	2004	s.q.
Human Rights -- Physical Integrity (CIRI, Index, 0-10)		6.8	3.9	2004	s.q.
5. Political Stability and Violence	2.15				
Permanence of Regime Type (Polity IV, years since regime change)		82.0	1.4	2004	s.q.
Informal Economy -- Black Market (Heritage Foundation, 1-5)		3.0	3.1	2006	s.q.
Conflict intensity (Uppsala PRIO, number of conflict-related deaths)		0.0	1.0	2005	*
Dependence on External Military Support (Fund for Peace, 1-10)		4.5	3.4	2006	*
Military Expenditure -- percentage of GDP (WDI)		..	..	..	..
Political Stability (WB GM, deviation from mean) Political Stability (WB GM, deviation from mean)		0.9	2.7	2005	*
Refugees Produced (WB WDI)		84.0	3.6	2003	s.q.
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		0.0	1.0	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		0.0	1.0	2005	*
6. Rule of Law	4.70				
Police, Law, and Criminality (WB GM, Dev from global mean)		0.6	3.2	2005	*
Prison Population Rate (International Centre for Prison Studies, per 100,000 pop.)		209.2	6.9	2006	pos
Prison Occupancy Level (ICPS, percentage of official capacity)		108.9	4.6	2006	*
Number of Political Prisoners (CIRI, Index, 0-2)		1.8	5.8	2004	pos
Judicial Independence (Fraser Institute, Index, 0-10)		6.0	4.4	2004	pos
Impartial Courts (Fraser Institute, Index, 0-10)		5.6	4.0	2004	s.q.
Integrity of the Legal System (Fraser Institute, Index, 0-10)		6.7	5.3	2004	s.q.
Military Interference in the Rule of Law (Fraser Institute, Index, 0-10)		10.0	3.0	2004	s.q.
Property Rights, (Heritage Foundation, Index, 0-100)		50.0	5.1	2007	s.q.

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Governance index scoring scale	
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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

Panama

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
1. Democratic Participation	3.68				
Checks and Balances (World Bank Database of Political Indicators, Index, 1-5)		4.0	3.7	2004	s.q.
Degree of Party Dominance (WB DPI, ratio of opp. to gov't members in legislature)		2.0	1.2	2004	s.q.
Percentage of Female Parliamentarians (WB WDI)		11.3	5.3	2005	s.q.
Level of Democracy (Polity IV, Index, -10-10)		9.0	3.4	2004	s.q.
Executive Constraints (Polity IV, Index, 1-7)		6.0	4.8	2004	s.q.
2. Government and Market Efficiency	4.87				
Economic growth -- Percentage of GDP (WB WDI)		4.2	4.7	2005	pos
Economic Size -- Relative -- GDP per capita (WB WDI)		4081.2	3.7	2005	s.q.
Economic Size -- Total -- GDP (WB WDI)		12744604000.	4.7	2005	s.q.
External Debt -- percentage of GNI (WB WDI)		93.9	7.8	2004	*
Ease of Doing Business (WB Ease of Doing Business, Global Rank)		80.0	4.6	2006	*
Starting a Business (WB Ease of Doing Business, Global Rank)		25.0	2.1	2006	*
Protecting Investors (WB Ease of Doing Business, Global Rank)		97.5	5.5	2006	*
Trading Across Borders (WB Ease of Doing Business, Global Rank)		56.5	3.5	2006	*
Closing a Business (WB Ease of Doing Business, Global Rank)		78.0	4.6	2006	*
Economic Freedom (Heritage Foundation, Index, 0-100)		65.2	3.3	2007	s.q.
Savings Level (WB WDI, Gross Domestic as a % of GDP)		23.8	3.5	2004	s.q.
Foreign Investment Freedom (Heritage Foundation, Index, 0-100)		70.0	3.4	2007	s.q.
Intellectual Property (Fraser Institute, Index, 0-10)		4.4	5.2	2004	s.q.
Investment Climate -- Contract Regulation (Heritage Foundation, Index, 1-5)		3.0	2.1	2006	s.q.
Enforcing Contracts (WB Ease of Doing Business, Global Rank)		164.0	8.5	2006	*
Dealing with Licences (WB Ease of Doing Business, Global Rank)		71.5	4.3	2006	*
Registering Property (WB Ease of Doing Business, Global Rank)		62.0	3.8	2006	*
Enrolment Rates (UNESCO, Gross enrolment ratio)		78.3	3.6	2004	s.q.
Health Infrastructure -- Expenditures as a percentage of GDP (WB WDI)		7.6	2.9	2003	s.q.
Access to Improved Water (WB WDI, percentage of pop.)		90.0	4.8	2004	*
Gov't Effectiveness (WB Governance Matters, Deviation from mean)		0.0	4.4	2005	*
FDI -- percentage of GDP (WB WDI)		4.6	6.3	2004	neg
Foreign Aid -- percent of Central Government Expenditures (WB WDI)		..	..	..	..
Inequality -- GINI Coefficient (WB WDI)		56.4	8.4	2003	*
Trade Balance -- percentage of GDP (WB WDI)		-3.9	5.6	2005	neg
Unemployment (WB, percentage)		13.5	7.2	2003	s.q.
Paying Taxes (WB Doing Business, global rank)		161.0	8.3	2006	*
3. Accountability	4.31				
Corruption (WB GM, Dev. from mean)		-0.2	4.7	2005	*
Voice and Accountability in Decision-making (WB GM, Dev. from mean)		0.5	3.7	2005	*
Freedom of the Press (FH, Index, 0-100)		39.2	4.5	2006	neg

	Cluster Average	Raw Score	CIFP Index Score	Last Year of Data Available	Data Trend
4. Human Rights	2.98				
Restrictions on Civil Liberties (FH, Index, 1-7)		2.0	2.6	2005	s.q.
Restrictions on Political Rights (FH, 1-7)		1.0	1.0	2005	s.q.
Human Rights -- Empowerment (CIRI, Index, 0-10)		7.8	4.8	2004	s.q.
Human Rights -- Physical Integrity (CIRI, Index, 0-10)		7.0	3.5	2004	s.q.
5. Political Stability and Violence	3.29				
Permanence of Regime Type (Polity IV, years since regime change)		13.0	4.5	2004	s.q.
Informal Economy -- Black Market (Heritage Foundation, 1-5)		3.6	4.2	2006	s.q.
Conflict intensity (Uppsala PRIO, number of conflict-related deaths)		0.0	1.0	2005	*
Dependence on External Military Support (Fund for Peace, 1-10)		4.0	2.8	2006	*
Military Expenditure -- percentage of GDP (WDI)		..	..	..	..
Political Stability (WB GM, deviation from mean) Political Stability (WB GM, deviation from mean)		0.2	4.5	2005	*
Refugees Produced (WB WDI)		50.0	3.0	2003	s.q.
Terrorism -- Number of fatalities (US NCTC, number of fatalities)		0.5	3.7	2005	*
Terrorism -- Number of Incidents (US NCTC, number of incidents)		0.5	2.6	2005	*
6. Rule of Law	6.69				
Police, Law, and Criminality (WB GM, Dev from global mean)		-0.1	4.6	2005	*
Prison Population Rate (International Centre for Prison Studies, per 100,000 pop.)		332.6	8.1	2006	neg
Prison Occupancy Level (ICPS, percentage of official capacity)		160.6	7.4	2006	*
Number of Political Prisoners (CIRI, Index, 0-2)		2.0	5.4	2004	s.q.
Judicial Independence (Fraser Institute, Index, 0-10)		2.2	7.9	2004	*
Impartial Courts (Fraser Institute, Index, 0-10)		3.4	7.1	2004	neg
Integrity of the Legal System (Fraser Institute, Index, 0-10)		5.0	6.9	2004	s.q.
Military Interference in the Rule of Law (Fraser Institute, Index, 0-10)		8.3	4.6	2004	s.q.
Property Rights, (Heritage Foundation, Index, 0-100)		30.0	8.3	2007	s.q.

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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

Appendix 1: Map



Source: United Nations Cartographic Section

Appendix 2: 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.

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 are 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. a funding announcement 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 -0.1 and 0.1	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. When numbers associated with the trend line are included in the report, they refer to the slope of the trend line. In general, the greater the magnitude of the slope, the more significant the trend. In general, slopes greater than $(+/-0.1)$ are considered to be significant; those falling between this range are considered indicative of continuing *status quo*.

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 up to 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 strongest

overall trends present within the state. To begin with, it identifies dominant trends – those most likely to continue in each of the six subject clusters over the short term. 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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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)
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El Universal (Venezuela)	Romandie news (Switzerland)
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Afghanistan, Bangladesh, Bolivia, Cambodia, Colombia, Democratic Republic of the Congo, Ethiopia, Haiti, Honduras, Indonesia, Mozambique, Nicaragua, Pakistan, Palestinian Territories, Philippines, Sri Lanka, Sudan, Uganda, and Zimbabwe.

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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 causes rather than the outward symptoms of a problem.