

The Overall Objective (Impact) of this action is to “*link the socio-economic development of Petén with environmental protection and the sustainable use of natural resources*”.

The Specific(s) Objective(s) (Outcomes) of this action are to:

1. Improve the policy framework and funding for inclusive green economic development in Petén.
2. Increase sustainable production and productivity of agriculture, livestock, forestry and tourism.
3. Improve services of solid waste and wastewater management at the municipalities of watershed Petén-Itza.

2 RATIONALE

2.1 Context

Guatemala is a country that is moving slowly on its democratic path. Its institutional development is precarious, the rule of law is not fully consolidated, the exercise of citizenship presents important challenges and citizen participation is scattered and circumstantial. The country has a multi-party political system with important weaknesses. As a result, many political parties are built upon personalised interests and therefore, have short life spans. Political actors have increasingly gained control and influence over the judicial organs and the Constitutional Court after the closure in 2019 of the International Commission against Impunity in Guatemala (CICIG). This has represented a negative impact in the separation and balances of powers, and further undermining the democratic checks and balances. With a divided and scattered political spectrum, it is difficult to construct political consensus for comprehensive, long-term development strategies in Guatemala. Most likely, a similar situation will remain for the 2024-2027 term, however, it is not expected that the new administration would modify the political context for the proposed action, specifically regarding the Peten department as a priority macro region for national development or the framework of related environmental policies.

Regarding Human Rights, the institutional framework has been weakened as the Government of Guatemala merged three key entities related to human rights into a new Presidential Commission for Peace and Human Rights (COPADEH). The overall deterioration of human rights in the country has led to a shrinking space for dialogue and to a scarce institutional response to fundamental demands related to economic, social, cultural and environmental rights by indigenous peoples, women, children and youth, and minorities. Rights of Lesbian, Gay, Bisexual, Transsexual/Transgender and Intersexual (LGBTI) are not recognised with even new legal initiatives detrimental to the cause. Indigenous groups constituting about half of the population are widely discriminated. This is reflected in social interaction, in work environments and indirectly by government decisions to focus the social investments, health initiatives, key services etc. in urban rather than rural areas, where the majority of the indigenous people live.

Although Guatemala faces still challenges related to the COVID-19 sanitary crisis, the country's macroeconomic fundamentals look promising. According to the latest International Monetary Fund's Article IV Staff Report (19 May 2021), resilient remittances and an unprecedented fiscal impulse of 2.3% of Gross Domestic Product (GDP) and monetary policy support have mitigated the negative impact of the pandemic, projecting a 4.5% rebound in economic growth for 2021. Inflation is under control ($4 \pm 1\%$) and public debt is projected at 34% of GDP on average during 2021–26. Accordingly, the fiscal deficit is foreseen to come down and to gradually attain the historical mark of 2% by 2026. Moreover, the exchange rate of the national currency (Quetzal) against the United States Dollar (USD) has remained stable and tax revenues are expected to increase to 11.7% of GDP in 2022.

Low fiscal revenues continue to be a significant obstacle for Guatemala and hinders its ability to react to all types of shocks and natural hazards (World Risk Report 2020). For 2022, tax revenues are expected to increase to 11.7% of GDP, which is still very low considering Guatemala's deep social and economic inequalities.

Opposite to this good macroeconomic outlook, human development is of great concern. The recent PNUD Human Development Report (September 085, 2022)⁶ scores an index value of only 0,627 for the country. The country scores poorly in indicators related to human rights, gender equality (Guatemala has lost one place in the HDI-related Gender

⁶ <https://www.human-development-report-2021-22>