GUATEMALA

UNITARY COUNTRY

LATIN AMERICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **LOWER MIDDLE INCOME** Local currency - **Guatemalan Quetzal (GTQ)**

POPULATION AND GEOGRAPHY

AREA: **108 890** km²

POPULATION: **16.02** million inhabitants (2014), an increase of 2.1% per year (2010-14)

DENSITY: **147** inhabitants/km²

URBAN POPULATION: **51.6%** of national population

CAPITAL CITY: **Ciudad de Guatemala (Guatemala City)** (17.8% of national population)

Sources: World Bank World Development Indicators, UN World Urbanisation Prospects, ILO

ECONOMIC DATA

GDP: **119.4** billion (current PPP international dollars) i.e. 7 453 dollars per inhabitant (2014)

REAL GDP GROWTH: **4.2%** (2014 vs 2013)

UNEMPLOYMENT RATE: **2.8%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **1 205** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **13.5%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.627** (medium), **rank 128**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
334 MUNICIPALITIES AVERAGE MUNICIPAL SIZE: 47 964 INHABITANTS	-	-	334

MAIN FEATURES OF TERRITORIAL ORGANISATION. Guatemala is a unitary country with one level of sub-national governments, autonomous municipalities. Besides the 334 municipalities, there are 22 districts, and 8 regions for administrative purposes. Districts are led by governors appointed by the central government, and are the representation of the central government in each jurisdiction. They are not responsible for any investment project or service besides those expressly assigned to them by a state Ministry. Municipalities are independent from the central government; they are led by a municipal council presided by a mayor, democratically elected every four years. Departments have the highest authority among sub-national governments, but they must respect the autonomy of municipalities.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Municipal competences include own and delegated competencies. Own competences are the same for all municipalities and are mandatory; they include urban planning, public transport, waste collection, water supply, cemeteries, public spaces, road maintenance, etc. Delegated competences are competences devolved by the central government through agreements (which have to be accepted by the municipality), in the framework of the General Law for Decentralization (Decreto 14-2002). When a function is delegated to a local authority, the central government must provide sufficient financial resources to cover its cost. Delegated competences vary from one municipality to another; they may include primary education, healthcare services, etc. Municipalities are in charge of coordinating and financing entities called "Municipal Councils for urban and rural development – COMUDE".

SUBNATIONAL GOVERNMENT FINANCE

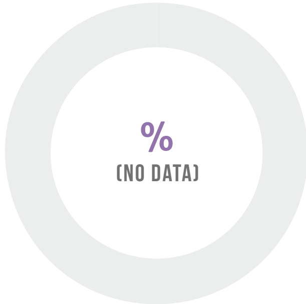
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	**0.7%**	**3.7%**	**100%**
CURRENT EXPENDITURE	0.5%	-	66.9%
STAFF EXPENDITURE	0.2%	-	24.4%
INVESTMENT	0.2%	19.6%	31.9%

The share of local expenditures within total public expenditures and within the GDP remains very low in Guatemala. Yet, a relatively large part of these local expenditures are dedicated to investments (31.9%), while 67% go to current operating expenditures.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



There is no available data on local public expenditures classified by economic function for 2013 in Guatemala. Legally, besides functions allocated through the General Law of Decentralization, several other laws give specific powers and functions to local governments: Health and Education code, electoral law, budget law, NGO's law, etc. To restore trust towards central and local governments, some experiments of participatory budgeting have been launched in the country.

REVENUE BY TYPE

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	**0.7%**	**4.0%**	**100.0%**
TAX REVENUE	0.1%	0.5%	8.1%
GRANTS AND SUBSIDIES	0.5%	-	72.8%
OTHER REVENUES	0.1%	-	19.1%

Regarding financial resources of local governments, most municipalities are highly dependent upon national transfers. Lack of fiscal powers is a great obstacle to municipal autonomy and accountability. On average, subnational governments perceived 4% of total revenue in 2013.

TAX REVENUE. Municipalities in Guatemala can only levy taxes that are assigned to them by the central government. These include a property tax (IUSI) which generates the bulk of tax receipts, and smaller taxes such as sales taxes, ornament tickets (boleto de ornato, a tax for maintaining public areas), a tax on the use of cable infrastructures, etc.

GRANTS AND SUBSIDIES. Transfers from the central government are subdivided in four main categories. 10% of the central government's recurrent revenues are transferred to local authorities; this transfer is enshrined in the article 257 of the Constitution. 90% of these funds must be used for programmes and projects in in education, healthcare, infrastructures and public services. The remaining 10% can be used for financing operating costs. Local authorities also receive 12.5% of the receipts from the VAT tax. 75% of these transfers are earmarked for investments in education, healthcare, infrastructures and public services. Municipalities receive 50% of the tax receipts from the tax on the circulation of land vehicles (earmarked for the construction and maintenance of roads), 20% of the tax on boats (earmarked for water infrastructures and maintenance), and 30% of the tax on plane circulation (earmarked for infrastrures and maintenance for electricity). A share of the profits made on oil is also transferred to municipalities, and is earmarked for transport and road infrastructure and maintenance. All of these funds are distributed according to a formula based on the size of municipal population, municipal own revenues per capita, a share is distributed equally across all municipalities, etc.

OTHER REVENUES. Other municipal revenues include service fees and charges, property revenues, revenues from the sale of assets, etc. In contrast to taxes, municipalities have a large autonomy to create and price charges and fees for services.

OUTSTANDING DEBT

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

According to the Municipal Code, municipalities are able to borrow from domestic banks without any kind of approval from the central government. They need approval however if they seek to borrow from international banks, or through securities. They can use tax and transfer revenues as guarantees for borrowing. Since 2010, they cannot borrow for a longer period than the local government mandate.

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Source of Statistics: Ministerio de Finanzas Publicas: Liquidqcion del presupuesto general de ingresos y egresos del estado y cierre contable del ejercicio fiscal de enero-diciembre(2013) • J. and F. Rueda (2013), Esfuerzo Fiscal Municipal en Guatemala, Banco Interamericano de Desarrollo NOTA TÉCNICA n. IDB-TN-513 • USAID (2014), Guía para mejorar los ingresos propios municipales • Bonet, J. and F. Rueda (2013), Esfuerzo Fiscal Municipal en Guatemala, Banco Interamericano de Desarrollo NOTA TÉCNICA n. IDB-TN-513 • Gobiernos locales Guatemala (2015), Respuesta al Cuestionario Comité Asesor Consejo de Derechos Humanos de Naciones Unidas • Constitucion de la Republica de Guatemala (1992) • http://www.segeplan.gob.gt