

2-21-2002

# Guatemala Wins Financial Support From Washington

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/noticen>

---

## Recommended Citation

LADB Staff. "Guatemala Wins Financial Support From Washington." (2002). <https://digitalrepository.unm.edu/noticen/8936>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact [amywinter@unm.edu](mailto:amywinter@unm.edu).

## Guatemala Wins Financial Support From Washington

by LADB Staff

Category/Department: Guatemala

Published: 2002-02-21

Guatemalan President Alfonso Portillo's administration took home from Washington a commitment from the international donor community for US\$1.3 billion in credits and donations US\$800 million less than expected. While the administration tried to present the outcome of the meeting as an endorsement of its policies, opposition parties, the press, and nongovernmental organizations (NGOs) focused on the conditions attached to the aid. Portillo led a delegation of representatives from government, labor, the private sector, and NGOs to the Feb. 11 and 12 meeting of the Grupo Consultivo, which represents 20 donor nations and international financial institutions.

The Inter-American Development Bank (IDB) sponsored the meeting. The Grupo Consultivo regularly monitors progress in Guatemala toward full compliance with the 1996 peace accords, which require a thorough transformation in government, military, social, and economic structures (see NotiSur, 1996-11-15, 1996-12-13). The administration had prepared for the meeting by sending Vice President Juan Francisco Reyes to Europe in January looking for support. While in Brussels, Reyes told the European Union (EU) that his government had reached half the goals set out in the peace accords, and he noted the passage of a tax bill last year increasing the value-added tax (impuesto al valor agregado, IVA) from 10% to 12%. He blamed the administration's inability to raise tax-collection rates to the 12% of GDP stipulated in the accords on congressional opponents.

The opposition responded that Reyes neglected to mention that the stalemate on fiscal reforms resulted from dissatisfaction with the way the governing Frente Republicano Guatemalteco (FRG) managed the legislative process. Carmen Acena, head of the Centro de Investigaciones Economicas Nacionales de Guatemala, said that the government had not passed the necessary financial reforms to clean up the banking system. In January, an editorial in the daily Siglo Veintiuno said that the tax increases were made necessary, not so much because of the 12% tax-collection goal, but because of the administration's poor use of revenues. The 2001 tax law (paquetazo fiscal) met with a popular demand for transparency in the use of tax monies and a business-led national protest that prompted Portillo to declare a state of siege in the western department of Totonicapan (see NotiCen, 2001-08-09).

Another Siglo Veintiuno editorial examined the downside of fishing for international credits, recommending that the international financial institutions think before granting new long-term loans. If they really care about helping us, said the editorial, "they should seriously consider the risk for Guatemalan citizens of having a corrupt government with unlimited resources....More money for this government means more corruption. And, in the long run, more foreign debt means more taxes."

In his formal presentation to the Grupo Consultivo, Portillo candidly acknowledged some of Guatemala's shortcomings. He spoke of the need to end corruption, "which is ruinous for

development and erodes confidence and public responsibility." He said it was hard to build democracy and peace in a country whose "offensive distribution of income has no equal in Latin America." In the end, the Grupo Consultivo agreed to give Guatemala US\$975 million in credits and US\$325 million in donations earmarked primarily for poverty eradication, reforms in the justice system, and improvements in Guatemala's human rights record.

The government estimates that 80% of the country's population lives in poverty and that 35% of those are in extreme poverty. Disbursement of the funds is expected in about six months. However, to get the money, the administration must meet some of the peace accord goals that have eluded the government since 1996 (see NotiCen, 2002-02-07). The donors want full compliance with increasing the tax- collection rate from 8% of GDP to 12%, lowering the military budget, improving the government's human rights record, and reducing corruption, among other reforms.

IDB president Enrique V. Iglesias said the meeting was taking place at a crucial time in which the Guatemalan government must "take the initiative, together with civil society, to ensure future progress in the advance of the peace agenda." During the discussions, various representatives of donor nations mentioned the urgency of stepping up progress in agrarian reform, rural development, and improvements in governability, which would include overcoming the seemingly perpetual political crises, ending impunity, and improving the judicial system. They also urged Portillo to make good on his proposed poverty-reduction program (Estrategia de Reduccion de la Pobreza). Some donors asked that Portillo act on recommendations from Guatemala's truth commission (Comision de Esclarecimiento Historico), which investigated human rights abuses during the civil war.

When the commission released its report in 1999, President Alvaro Arzu (1996-2000) gave only minimum attention to it and ignored many of its 14 recommendations (see NotiCen, 1999-03-04, 1999-04-15). Administration says meeting was great success Upon his return to Guatemala, Portillo remained silent for a few days on the outcome of the meeting. Eventually, the administration reported great success in Washington, claiming that the credits and donations showed that the Grupo Consultivo approved Portillo's handling of national affairs. Finance Minister Eduardo Weymann portrayed the financial commitment as a triumph for the government, rewarding its progress in complying with the peace accords. Congress president Efraim Rios Montt said the government should be satisfied that it had achieved its objective.

### *Critics dismiss claims of success in Washington*

Opposition parties challenged Portillo's claims, igniting a new round of political debate. Whereas Portillo emphasized the approval of funding, critics emphasized the strings attached. Furthermore, the promised funds are about half what the administration says it needs to meet the 1996 goals, especially in poverty eradication. The daily Prensa Libre said in an editorial, "Although the government tried to present [the meeting]...as one hundred percent positive...the truth is that the international community reduced the donations and confined its participation exclusively to loans conditioned upon a series of important requisites, precisely those related to the criticisms made within Guatemala at all social levels." S

iglo Veintiuno said the administration's presentation to the Grupo Consultivo misrepresented Guatemalan reality. Portillo had suggested, for example, that the failures of the Empresarial, Metropolitano, and Promotor banks were "difficulties," and that the widely criticized bailout attempts were necessary "to protect the integrity and confidence of the banking system." If the past is any guide, Portillo's efforts in Washington may not guarantee progress on the peace accords. Of the US\$1.376 billion in donor aid previously promised, only US\$669.1 million reached Guatemala. The rest was held back because of noncompliance with required reforms.

-- End --