

GUATEMALA

STRIDING FROM CRISIS TO A BRIGHTER FUTURE



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Guatemala City.

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STRIDING FROM CRISIS TO A BRIGHTER FUTURE

Having undergone an historic institutional crisis, Guatemala's new administration is plotting a path to boost inward investment and usher in a new era of stability to drive forward the region's largest economy

After coming through the deepest institutional crisis of its history, Guatemala is preparing a strategy in order to start living up to its promise as Central America's largest economy by reasserting its democratic principles and encouraging investment flows to unlock its full potential.

Despite boasting macroeconomic stability, a strategic location, and a plethora of investment opportunities, the country has historically grappled with a lack of foreign direct investment (FDI). However, recent developments signal a shift in this narrative, with Guatemala readying itself to emerge as a beacon of economic opportunity in the region.

In January Bernardo Arévalo was sworn in as Guatemala's president with the backing of the international community after overcoming concerted efforts to derail the transfer of power and prevent his inauguration. Now, Arévalo's administration is focused on restoring prestige to the country's institutions and using its legitimate power to bring improvements to the lives of Guatemala's 18 million inhabitants.

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"We are implanting what I call the three R's: rescuing our institu-



"If the fight against corruption is the most urgent task, the most important one is to provide solutions for the country's development"

Bernardo Arévalo
President of Guatemala

tions from the asphyxiating embrace of corrupt appropriation; rebuilding those institutions so they can perform the function for which they were intended; and responding to the needs of the population," said Arévalo

And there are increasing signs that the economy is moving in the right direction. According to data released by Guatemala's Central Bank, foreign direct investment (FDI) rose to \$1.55 billion in 2023, marking an 8% increase from the previous year and the second highest inflow since 2008. For 2024 the government has reaffirmed its commitment to create the necessary conditions to encourage more private investment from within and outside the country.

Invest Guatemala, the country's private investment promotion agency, is generating tailored strategies to attract investments in key sectors, including apparel and textiles, light manufacturing, pharmaceuticals and medical devices, biotech, electronic manufacturing services, BPO and IT outsourcing, as well as sustainable tourism. The goal is to grow annual FDI beyond the \$2-billion mark in the short term.

In terms of economic performance, Guatemala's trajectory is equally promising. Despite global headwinds, GDP grew by an encouraging 3.5% in 2023. Looking ahead, growth drivers for 2024 encompass a spectrum of sectors, including banking and financial services, real estate and mining, underpinning the nation's diversified economic landscape.

Investors can count on Guatemala's robust financial system, coupled with the lowest government debt in Central America at 27.2% of GDP. Prudent fiscal management is also evident in Guatemala's fiscal deficit, which stood at a mere 1.3% of GDP in 2023. Other hallmarks of Guatemala's financial system are low levels of non-performing loans, ample liquidity, and robust solvency.

Free trade agreements encompassing over 40 countries and including the DR-CAFTA accord

with the US mean Guatemala provides a base with broad access to global markets, facilitating seamless trade and commerce. Guatemala also offers a suite of fiscal incentives and special regimes aimed at bolstering investment attractiveness, including income tax exemptions, VAT and tariff duty exemptions, and a foreign investment law guaranteeing equal treatment for both domestic and foreign investors.

President Arévalo believes the drive to provide legal stability will in turn encourage much-needed investment and enable his administration to boost Guatemala's infrastructure and human capital, citing plans to roll out public-private partnerships (PPPs) for growth.

"We are convinced that the state needs to boost significantly the levels of public investment in infrastructure for our development," he said.

Through initiatives like the Guatemala Moving Forward (Guatemala No Se Detiene) plan, which fosters collaboration between the private sector, government, and academia, Guatemala is charting a course towards enhanced competitiveness and a more favorable business climate. Improvements to Guatemala City's airport, major and minor highways, and the country's ports are seen as key developments in a more dynamic future economy.

In terms of energy, more than 70% of Guatemala's electricity is generated from renewable sources,

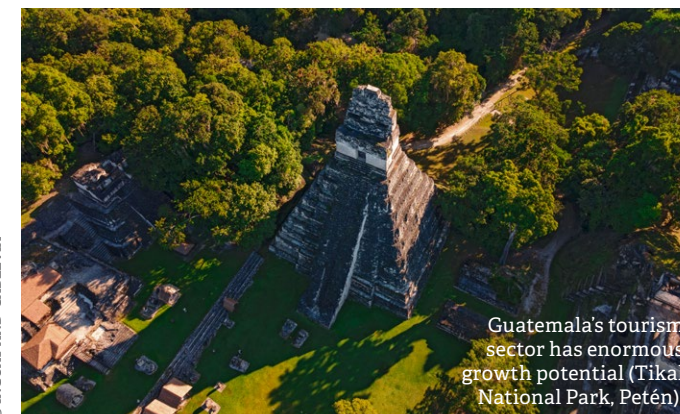
Guatemala is committed to multilateralism and an international system based on the rule of law to advance the causes of democracy, peace and development

underscoring the nation's commitment to sustainable development and environmental stewardship.

Arévalo's presidency has received support from the US Administration, with Guatemala's leader present at the White House for a bilateral meeting in March. Noting that the "will of the Guatemalan people, by our observation, has triumphed," Vice President Kamala Harris announced an additional \$170 million in US funding for development, economic, health, and security assistance in Guatemala.

Arévalo claimed "a new foundation had been laid" for US-Guatemala relations, part of the country's strategy of becoming a bigger player on the international stage as a reliable partner for economic partnership and human development.

"What the international community can expect to find in Guatemala is a transparent and open partner for any collaborative strategy that leads to the improvement of the conditions for the development of both democratic institutions and the well-being of the people who live in our countries," Arévalo concluded. ■



Guatemala's tourism sector has enormous growth potential (Tikal National Park, Petén).



A virtual rendering of an AeroMetro station.

HIGH-IMPACT INFRASTRUCTURE

Large-scale projects already underway are poised to transform connectivity in Guatemala's urban centers and foster economic diversification

Guatemala is moving forward through plans for high-impact infrastructure in which collaboration between the private sector and the country's administrations is key to developing projects that will boost competitiveness and employment.

Two stand-out projects are set to transform mobility and spur economic and social development in Guatemala City. AeroMetro is an urban cable car system aimed at revolutionizing transportation in Guatemala's capital, while the Belice 2 Bridge is a road and rail project that will improve traffic distribution and boost connections with a light railway system between the southern and northern parts of the city.

AeroMetro, a public-private partnership project, comprises two sections covering nine kilometers that will allow commuters to transfer onto existing and future Transmetro lines, as well as the planned MetroRiel light railway. The \$225m Belice 2 Bridge will help to connect the center of Guatemala City with the main Atlantic highway and zone 18, a neighborhood with a

population of 350,000 people.

"The cable car system and the bridge will reduce travel times and congestion by streamlining intermodal and sustainable transportation. Commuters will enjoy faster and more seamless travel, bringing a productivity boost to the capital," said Juan Carlos Zapata, executive director of FUNDESA, a non-profit business organization that promotes Guatemala's economic and social development.

Outside the capital, the department of Escuintla in the country's south has seen the launch of construction on Synergy Industrial Park, the biggest project of its kind in Central America. Synergy's innovative plan combines state-of-the-art business units, housing, commerce, hotels and entertainment complexes as well as hospitals, universities and schools over 4,700 hectares that will also include natural green spaces.

The combined impact of these projects and a growing spirit of partnership brings with it a promise of modernization and diversification for Guatemala's economy. ■

125 YEARS BUILDING COMMUNITY WITH SOLID FOUNDATIONS

Progreso, Guatemala's leading construction materials and solutions company, wants to align its values of social and environmental sustainability with a new drive to boost the country's infrastructure



Progreso leads HogaRES, replacing dirt floors with concrete floors, improving families' wellbeing.

Construction industry leader Progreso has a proud 125-year history of driving Guatemala's social and economic development. Now, CEO José Raúl González is positive about what promises to be the start of a new era of opportunities for the country to advance much-needed infrastructure programs.

When Carlos F. Novella returned to Guatemala after studying civil engineering at Louvain in Belgium, he brought with him knowledge of more advanced building techniques and a heartfelt desire to help develop the nation with this science. In 1899 "Don Carlos" founded the company that would eventually become Progreso, starting to produce cement for construction in 1901. The business found itself frequently flirting with bankruptcy until the great 1917-18 series of earthquakes, when Don Carlos's modern constructions proved resilient.

José Raúl González, who leads the fourth generation of the company as CEO, sees potential for another epoch-making moment in Guatemala under a new government that has stated its commitment to

development and improving public services and infrastructure.

The company is part of group of enterprises supporting the "Guatemala Moving Forward" initiative, which plans to bring to fruition infrastructure projects worth more than \$7 billion that would transform the country's transport networks and connect the metropolitan area with the country's other cities and ports while generating 574,000 jobs, increasing productivity and social inclusion in Guatemala.

"Now we have a great opportunity with our products, technical know-how and quality of service to make a difference, faced with the current state of our national infrastructure and the poor standard of housing in much of Latin America," says González. The matter is of vital importance. For example, millions of Latin American families live in housing with dirt floors, meaning that children are

Progreso is also optimistic about reforms the new government is promoting



"This political moment has the possibility of transforming into economic opportunity so we can build a country for everyone to live in"

José Raúl González
Chief Executive Officer

constantly exposed to respiratory, intestinal, and skin disease risks. Progreso has responded with its 'healthy (concrete) floors' project to end this situation.

González explains that Progreso has stated its commitment to working with Guatemala's new administration as long as promises to reinforce the public sector and combat the blight of corruption within government are honored. "The private sector must align itself with a commitment to restore the prestige of Guatemala's public institutions. This political moment has the possibility of transforming into economic opportunity so we can build a country for everyone to live in."

Progreso is also optimistic about another possible reform under the new government, a proposed Competition Law, which the company says will be a positive thing as long as it truly improves competitive market conditions by eliminating artificial barriers.

"Any competition legislation must have as its sole purpose the promotion of free competition, seeking to increase the economic efficiency of our market and, therefore, grow our country's economy," remarks González.

Progreso has expanded regionally and now operates in six countries beyond Guatemala's borders: Belize, El Salvador, Honduras, Costa Rica, Panama, and Colombia. By 2030 it plans on being the largest building materials and solutions company in the region and a major player in the infrastructure development of the countries where it is present.

For Progreso's CEO, the company's expansion is a matter of pride, but not for the expected financial reasons. "For us, growth is not an end but merely the means; the end is to create value through our products and services, as well as the application of our principles."

Progreso's competitive edge is honed by the work done in the company's labs and R&D center seeking constant innovation and technological development of construction materials, such as the development of a 3D-printed home prototype. Research is helping Progreso move toward more sustainable products and services that have seen the business increase its efficiency and reduce its carbon footprint in recent years. The company also invests in reforestation and the expansion of renewable energy.

In terms of human and social values, the Ethisphere institute has recognized Progreso as one of the Most Ethical Companies in the World in each of the past 11 years, and the business submits its occupational health and safety standards to the auditing process of the British Safety Council.

"Our slogan is 'Progreso (progress) in everything we do'. Creating economic value is what gives us financial sustainability, but also environmental and social value," says González. "With these three complementary values, we believe we can guarantee the sustainability of our business for another 125 years." ■



SUGARCANE SECTOR TAKES LEAD ON SUSTAINABLE DEVELOPMENT

The sugarcane industry is of vital importance to Guatemala's prosperity, a fact that obliges the sector's leaders to act responsibly and promote sustainable development for the Central American country's population

Guatemala's sugar agroindustry, Latin America's third-largest producer, generates almost \$700 million in foreign exchange annually and provides more than 55,000 direct jobs and 278,000 indirect jobs in the country. The sector is served by 6,000 small, medium-sized and large enterprises, in turn generating more employment.

Although only 2.97% of the cultivable land in Guatemala is used for sugarcane production, the industry has the capacity to be transformative for the developing nation. Asazgua, the Association of Sugar Producers of Guatemala, is committed to generating opportunities and prosperity as part of the country's sustainable development.

Created in 1957, Asazgua includes 10 sugar mills and five technical organizations specialized in research, climate change, innovation, sugar exportation and social responsibility. In 2022 it created its

own Innovation Hub to develop a program of innovative projects through the identification and optimization of products, activities, processes and business models in the sugar agroindustry.

In 2023 Asazgua became the first organization of its kind worldwide to present case studies documenting the sector's contribution toward compliance with the United Nations' 17 Sustainable Development Goals (SDGs). The study was made in coordination with Asazgua by Dr. Iván Vera, a senior United Nations consultant on energy, water and sustainable development.

In analyzing Asazgua's performance in contributing to Guatemala's progress towards meeting the 17 SDGs, Dr. Vera stressed the importance of public-private collaboration in industrialization processes in order to make advances in the social, economic and environmental aspects of sustainable development. "It is very important to

involve all stakeholders: political and institutional leaders, business leaders and community members, who all have a great deal to contribute to accelerate the process of implementing the Development Goals," he said.

An example of such collaboration is the clinic run by Fundazúcar, Asazgua's social arm for health, education and development programs. According to the case study referring to SDG number three, Good Health and Wellbeing, Fundazúcar Medical Clinic in Escuintla provides medical attention to over 45,000 patients per year across five medical specialties: general medicine, pediatrics, dermatology, ophthalmology and odontology.

Regarding SDG number six on safeguarding a clean water supply, the study reveals that Guatemala's sugar agroindustry has reduced its water footprint by an extraordinary degree. Thanks in part to advances by Cengicaña, Asazgua's sugarcane research body and its development of new crop varieties and more efficient cultivation processes, water consumption per tonne is 45% below the world average.

Water conservation has also been boosted by the research institute's Cengirriegos software tool, which advises growers on the volume of irrigation to devote to each specific plot of land based on analysis of the crop, moisture levels, the soil, and weather conditions.

On SDG number seven regarding clean and affordable energy,

"The sugarcane agribusiness in Guatemala is clearly implementing an integrated sustainability strategy, aligning its objectives as an industry with the SDGs."

Dr. Iván Vera
United Nations Senior Consultant

Asazgua includes 10 sugar mills and five technical organizations specialized in research, climate change, innovation, sugar exportation and social responsibility

Guatemala's sugar agroindustry has made major strides in making more efficient use of sugarcane biomass to generate electricity. During the 2021-2022 harvest season, 91% of the electricity used for the sugar agroindustry came from the waste product known as bagasse, an energy resource that accounts for as much as 27% of national electricity generation during the November-May harvest season.

SDG number nine refers to industry and infrastructure, with the case study noting that Asazgua's members operate 10 power plants that generate electricity and heat, nine of which provide electricity to the country's national grid. The Guatemala sugar agroindustry's boarding terminal, Expogranel, launched in 1994 to store, inspect and ship sugar from all of Guatemala's sugar mills is considered one of the most efficient terminals for loading sugar in the world.

Finally, in pursuit of the vital SDG 13 on the need for climate action, in 2010 Asazgua created the Private Institute for Climate Change Research (ICC), active in Guatemala and El Salvador in research programs that contribute to the design of strategies to reduce vulnerability, mitigation and adaptation to climate change in communities and productive systems.

Of the ICC, Dr. Vera says that it "has become a catalyst for climate action, setting an example in the region and globally".

The UN consultant concludes that Guatemala's sugar agribusiness is performing work that supports the 17 SDGs. "In my view, these good practices should serve as an example for other countries, other industries and other private companies and organizations." ■

CREATING DEEP ROOTS FOR LONG-TERM POSITIVE IMPACT

Driven by its culture of innovation and commitment to the country, Banco Industrial promotes initiatives that seek to create value, inclusion and opportunities to prosper

With more than five decades of experience, Banco Industrial has established itself as Guatemala's leading financial institution. Thanks to its deep roots and love for the country, the bank seeks out and encourages initiatives for sustainable development to create better opportunities for the future.

After its 1968 foundation, Banco Industrial started on a path of permanent innovation with Guatemalan essence and regional vision. Today it provides solutions to two million clients in the country and three million in the Central American region, thanks to the reach of Bicapital Corporation and its subsidiaries.

"With our strategic vision and strong collective commitment, we focus on creating value and connecting initiatives that allow everyone to take root, grow and reach new heights," says Luis Lara Grojec, CEO of the corporation and of Banco Industrial (Bi).

Banco Industrial is conscious of the fact that the creation of digital financial products facilitates inclusion

The bank's strategy not only aims to contribute to economic wellbeing but also to generate a positive impact on society and the environment. This conviction that much can be done "together, always moving forward", as its motto states, goes hand in hand with Guatemalan culture, where it is essential to root, establish and build a community in order to prosper.

That is why the bank stimulates the growth of Guatemalan companies and key sectors (such

as commerce, industry, energy and construction) to dynamize the economy, because this is what boosts productivity and job creation. In the last year, the bank's general loan portfolio grew by 14.7% and its microfinance portfolio by 18.2%.

The bank especially serves small and medium-sized enterprises, which account for approximately 70% of total employment in Guatemala. Banco Industrial recently received \$220 million in financing from the International Finance Corporation (IFC), a member of the World Bank Group, to support SMEs and strengthen their capacities.

Additionally, the promotion of

"The goal is to ensure that Guatemala reaches a banking and financial inclusion level of around 80% of the population before the end of this decade."



Luis Lara Grojec
Chief Executive Officer

financial programs for entrepreneurship focuses on ensuring that the projects of new generations of entrepreneurs are consolidated, opening spaces to Guatemalan talent and creativity to build community and nourish a sense of belonging.

But none of this is possible if people are unaware of the benefits that banking products and services provide, which is why Banco Industrial – conscious of the fact that the creation of digital financial products facilitates inclusion – has emphasized this line of work, which fits closely with the innovative culture that characterizes the institution.

"The goal is to ensure that Guatemala reaches a banking and financial inclusion level of around 80% of the population before the end of this decade, a mission that the bank takes very seriously," says Lara Grojec. To this end, Banco Industrial is advancing rapidly in its digital transformation with new functionalities and solutions such as ZIGI, a platform that allows financial operations to be carried out through a cell phone number.

It has also built a successful regional experience with some 5,000 banking agents, who provide remote communities with various financial services and products. Simultaneously, the small businesses that have joined this network of agents have achieved growth, thus fulfilling their own dreams and contributing to the economic dynamics of their home areas.

"To reinforce our performance as a leader in the national financial sector, we will continue to focus on generating long-term value, based on our ethical approach and sustainable vision, making it possible to take root and grow," Lara Grojec concludes. ■



Headquarters of Banco Industrial in Guatemala City.



At Banco Industrial, we promote development and innovation, supporting entrepreneurs who are transforming the regional economy.

Together, always moving forward

Bi

BANCO INDUSTRIAL

BIG DATA TO UNLOCK A DREAM DESTINATION

Tourism is Guatemala's flagship economic sector, and plans are being drawn up to harness the country's world-famous visitor appeal with modern technology and improved infrastructure to play a vital role as a catalyzer of social development

While Guatemala's well-known volcanoes and Mayan archeological treasures will continue to pull in the crowds, the country's tourism authorities say it is time to modernize the approach to attracting tourists to boost visitor numbers and "change the narrative" in a positive way as the country embarks on a new era.

"Technology is going to be our secret weapon," said Harris Whitbeck, the new director general of INGUAT, Guatemala's tourism institute, revealing plans to use big data in the push for a bigger share of the international tourism market.

"Having access to big data and artificial intelligence will be absolutely key in order to make more informed decisions about how to use the digital realm to communicate better."

Whitbeck, a journalist by profession, is confident that he has a spectacular product to market. In Guatemala, ancient history is still living and breathing; 3,000 years of culture can be witnessed through the 22 different Mayan ethnic groups that make up half the country's population, and the territory boasts 37 volcanoes, four of which remain active.

"We have the advantage that our product is different. We can offer adventure like Costa Rica, but we can also offer pre-Hispanic culture. We can offer gastronomy as Mexico does, but we also have volcanoes. So, we have to sell it. The issue is how to communicate, how to sell," Whitbeck explained.

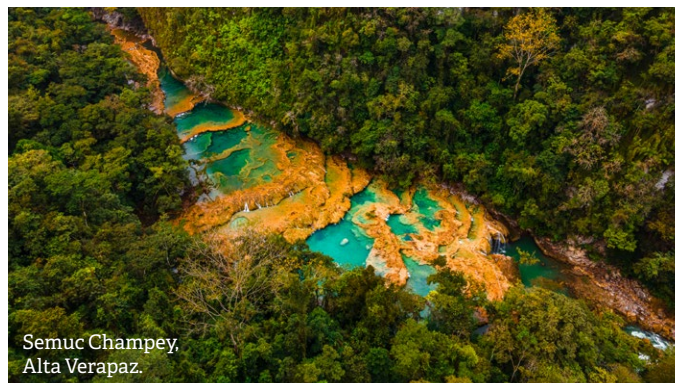
With such extraordinary heritage comes great responsibility. Guatemala's authorities are aware that the country's archaeological sites – 4,000 and counting as



La Antigua Guatemala, Sacatepéquez.

Guatemala is a memorable country for its cultural richness, megadiversity, natural beauty and the warmth of its people

LiDAR technology continually uncovers new treasures beneath the thick jungle canopy – must also be conserved and ancient communities benefited by the impact of tourism. For INGUAT, the key to a sustainable approach is harnessing local knowledge and working with, not against, the communities concerned.



Semuc Champey, Alta Verapaz.

"We want to work closely with communities, to seek out and create the conditions so that they can discover innovation in their approach to tourism. They are the ones who know best how to protect the sites and to maintain their relationship with the forest," Whitbeck noted.

The idea of integration extends to other stakeholders in Guatemala. INGUAT's director general is opening a period of consultation with representatives of the public and private sectors, with a focus on improving infrastructure to improve access to the country's



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Harris Whitbeck
Director general of INGUAT

"megadiverse" tourism offering.

First and foremost, improving Guatemala's international airport will be a key step in serving the new markets INGUAT's communication strategy is aimed at reaching. INGUAT hopes to see improved connectivity with North America, as well as boost visitor numbers from Spain, France, Germany, Italy, the UK, and Arab countries, which are increasingly rich in untapped tourism potential.

Public-private cooperation is also behind the development of a convention center project, which Whitbeck believes will boost Guatemala's potential to become a major player in MICE (meetings, incentives, conferences and exhibitions) tourism, broadening Guatemala's brand as a destination.

As Whitbeck summed up: "Guatemala is a memorable country. Whoever comes here never forgets the surprise that comes from discovering so much cultural wealth, so much diversity, so much natural beauty, and the warmth of the people. Countries that offer you all of that are rare, but here it is true." ■

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GUATEMALAN
COFFEES

A SHOT OF THE FUTURE

