



Misterio de Economía de Guatemala

GUATEMALAN NATIONAL ACTION PLAN

STRATEGY FOR STRENGTHENING AND CREATING TRADE RELATED CAPABILITIES

**BY THE FOREIGN TRADE DEPARTMENT OF THE ECONOMY
MINISTRY OF GUATEMALA**

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INITIAL ABBREVIATIONS AND ACRONYMS

ANACAFE	National Coffee Association
BANGUAT	Banco de Guatemala (Bank of Guatemala)
ECLAC	Economic Commission for Latin America and the Caribbean
COGUANOR	Guatemalan Commission on Norms
CONAP	National Council on Protected Areas
CONAPEX	National Council on Export Promotion
CONEI	National Commission on International Economic Negotiations
DACE	Economy Ministry's Department of Foreign Trade
DAE	Department of Economic Analysis
DGRVCS	General Department of Health Regulation, Supervision and Control
DPCE	Department of Foreign Trade Policies
DR-CAFTA	Dominican Republic-Central American Free Trade Agreement with the United States of America
INAB	National Forestry Institute
INGUAT	Guatemalan Tourism Institute
INVEST	Invest In Guatemala
FAUCA	Central American Single Customs Form
MAGA	Ministry of Agriculture, Livestock and Food
MARN	Ministry of the Environment and Natural Resources
MEM	Ministry of Energy and Mining
MINECO	Ministry of the Economy
MINFIN	Ministry of Public Finance
MINEX	Ministry of Foreign Relations
MSMES	Micro, Small and Medium-sized Enterprises
MP	Office of Public Prosecutor
MSPAS	Public Health and Social Assistance Ministry
MTPS	Labor and Social Provision Ministry
NAP	National Action Plan
SPM	Sanitary and phytosanitary measures
ILO	International Labor Organization
OGA	Guatemalan Licensing Office
WTO	World Customs Organization
WTO	World Trade Organization
PACIT	Program of Trade, Investment and Tourism Attaches
PRONACOM	National Competitiveness Program
SAT	Tax Authority Office
SIAF	Integrated System of Financial Administration
SIMOP	Public Works Information and Monitoring System
SIT	Department of Telecommunications
FTA	Free Trade Agreement
NAFTA	North American Free Trade Agreement
USAID	United States Agency for International Development
VUPE	Export Single Counter Service Window

INTRODUCTION

As part of the measures that Guatemala has adopted for strengthening its economy and competitiveness through increased integration into the global market, in 2003 the country began negotiations aimed at joining the Dominican Republic-Central American Free Trade Agreement with the United States of America (DR-CAFTA). Following nine rounds of negotiations and related legislative and legal adjustments, DR-CAFTA took effect in Guatemala on July 1, 2006.

The treaty has led the government of Guatemala to launch a number of actions to better implement and take advantage of the terms and commitments assumed under DR-CAFTA. In this context, the adoption of a National Action Plan (NAP) provided the country with a valuable tool for identifying Guatemala's needs on the level of trade.

The NAP's main objective is to identify and prioritize trade-related needs with an eye toward the creation and strengthening of the trading capabilities of official institutions that are engaged in the implementation and utilization of DR-CAFTA. In this sense it is designed to serve as a tool for mobilizing and managing international technical cooperation in line with such priorities.

The first NAP was drawn up in 2003 at the same time as the country began negotiating the FTA, and employed a general model for identifying the country's trade capabilities. The current NAP is a version of this plan that has been revised and updated by an ad-hoc group in which both the private and public sectors are represented with technical assistance provided by the United Nations' Economic Commission on Latin America and the Caribbean (ECLAC). Those changes reflect the needs the country faces following the adoption and implementation of DR-CAFTA.

The document is divided into two parts. The first contains a brief analysis of the national context, providing an overview of the current institutional structure and policy design for the negotiation and implementation of trade accords. The second part includes an evaluation of the country's trade capability, identifying various projects that are classified by subject -within DR-CAFTA- and how they rank among priorities in the creation and strengthening of trade related capabilities during the implementation phase.

EXECUTIVE SUMMARY

In the framework of the DR-CAFTA meeting of the Committee on Trade Capacity Building, the government of Guatemala offers the current document, describing a series of projects that are deemed necessary including some seen as priorities for correctly implementing and taking advantage of DR-CAFTA.

The document includes 35 projects that form part of the implementation phase and two major projects identified as forming part of the phase of transition to free trade. These latter two encompass a series of sub-projects related to Rural Development and to micro, small and medium-sized enterprises, thus making them priorities according to the Committee's criteria.

Another three priority projects have been defined that are included in the implementation phase and which are related to the strengthening of institutions in charge of sanitary measures and of national meteorological laboratories.

The four main needs that were identified in the case of all of the projects described below consist of: a) training the actors involved in DR-CAFTA, whether they be public officials, business owners or part of the information media; b) providing the information needed to make treaty-related decisions; c) procuring technical assistance for the execution, reform and implementation of legal instruments; and, d) assuring the proper infrastructure for implementing treaty-related activities.

Projects offered in matters of access to goods, customs procedures, facilitating trade and technical obstacles to trade include the creation of data bases and information systems; training provided by the Department of Foreign Trade (DACE), the Guatemalan Tax Authority (SAT) and the private sector in matters related to rules of origin, strengthening the Origin Verification Unit, training and systemization in customs matters, the establishment of a Food and Medicines Institute, and the incorporation of technological means for the modernization of the customs system.

In order to strengthen trade defense and controversy resolution, we must reinforce DACE's Trade Defense Unit, the Judicial Unit and the High Court for attending and responding to controversy resolution cases. It is necessary to strengthen the Department of Government Procurement Norms in order to better handle the public purchasing and the letting of contracts.

The following projects were defined in relation to services: promulgating a law on e-commerce and digital signature; strengthening the national financial system through the issuing of norms; training those persons in charge of guarding against the laundering of money and other assets, and; reviewing the General Telecommunications Law.

Projects involving intellectual property, labor and environmental issues consist of developing and implementing electronic systems for intellectual property management, as well as the strengthening of the Intellectual Property Rights Protection Agency, the Labor

Ministry and the Ministry of the Environment and Natural Resources (MARN) while also bolstering environmental protection standards. Treaty management projects contemplate the modernization and systemization of the DACE and the implementation of the Information System for Managing Foreign Trade.

The project on the “Export Promotion and Development with emphasis on Micro, Small and Medium-sized Enterprises”, which is contained within the section on the transition to free trade, seeks to promote and stimulate the country’s export development by internationalizing its MSMEs and implementing entrepreneurial and financial development services. The project on “Rural Development and Productive Re-conversion” is designed to develop new productive options for agricultural chains with broad economic and social impact by means of specific projects such as determining exportable supply; normative compliance; infrastructure projects and investment viability; training; and the establishment of a second Mayan community school of tourism and the institutional strengthening of the Guatemalan National Federation of Community Tourism (FENATECGUA).

PART A. Contextual and Institutional Framework

I. Contextual Framework

Guatemala is the most populous Central American country with close to 13 million people living in a territory of 108,889 km². According to data published by ECLAC, during 2006 the Gross Domestic Product (GDP) of Guatemala expanded 4.9% (to USD30.64 billion), powered by growth in private consumption. Of the USD4.05 billion worth of goods the country exported that year, 71% were destined for the United States, El Salvador, Honduras, Costa Rica and Mexico. Thanks to its proximity to the countries of the North American Free Trade Agreement (NAFTA) and its Central American neighbors, Guatemala enjoys a privileged geographical location as an export platform.

As part off a broader strategy of international insertion, trade talks have served as a crucial pillar of the country's foreign-trade policies. To date Guatemala has adopted a number of free trade treaties with the rest of Central America and the Dominican Republic, the United States of America, Mexico, and China (Taiwan). It has also signed partial trade accords (Colombia, Venezuela, Cuba and Panama) and is currently in negotiations regarding other treaties and accords with countries such as Canada, Chile, Colombia and Venezuela, and the CARICOM nations. Some of these talks are much farther along than others. Ratification of a treaty with Belize is expected as is the launch of negotiations with the European Union on an Economic Association Agreement.

The idea of DR-CAFTA began to take shape as far back as 1992 as Central American countries became increasingly aware of the need for a framework through which to regulate trade relations with the United States, their main trading partner. Up until that point these nations only enjoyed unilateral preferential trade accords such as the Generalized System of Tariff Preferences and the Caribbean Basin Initiative. Following several meetings with the United States government, in 2003 formal negotiations on the DR-CAFTA began, and came to fruition following nine rounds of talks.

The general objectives the Guatemalan government pursued during the negotiation were to:

- Promote Guatemala's economic and social development by consolidating economic liberalization.
- Work toward the construction of an open economy.
- Establish a free trade zone between the parties that could provide new and better trade opportunities for current and potential exportable supply.
- Establish a stable, legal framework for investment promotion and development.
- Improve and broaden conditions of access to the US market arising out of existing trade preferences.
- Set norms governing trade in goods and services based on clear, transparent and stable rules.
- Create mechanisms that serve to avoid the application of unilateral and discretionary measures that can hinder trade flows.
- Promote cooperation between countries and in some instances by means of specific projects involving priority developmental issues.

While it is true that Guatemala has made progress in recent years on the level of both infrastructure and the economy in general, in order for the country to take full advantage of DR-CAFTA it faced the need to implement a range of actions including legislative reform and specific improvements to the country's infrastructure.

Relevant legal reforms dating back as far as the 1990s include the Law on Export and Maquiladora Promotion and Development (Decree 29-89), the Law on Free Trade Zones (Decree 65-89), the General Law on Electricity (Decree 93-96), the Law on Foreign Investment (Decree 9-98), the Law on Copyright and Related Rights - (Decree 33-98), the Law on Industrial Property - (Decree 57-2000), the Telecommunications Law (Decree 94-96 and later amendments to it) and, the Free Currency Exchange Law (Decree 94-2000, in effect since May 2001). All of this legislation was designed to create a climate more conducive to both investment and transparency.

It is important to note that in order to clear the way for DR-CAFTA and thus facilitate trade, attract investment and generate jobs the country made changes to existing laws and adopted others under Decree Number 11-2006. Since that time additional rules and regulations have been adopted that flesh out the broad legal framework.

Such measures reflect the extent to which the authorities conceive of a positive relationship between economic development and free trade as manifest in the Plan of Social and Economic Reactivation better known as "*Vamos Guatemala!*" (Let's Go Guatemala), which contains five action points or strategic components, "each of which contain the abbreviated reference to the country "Guate":

- a) "*Guate Solidaria*" responds to the need to assure that social development policy complements economic development.
- b) "*Guate Crece*" refers to the infrastructure investments needed to accompany the development of key sectors of the national economy such as housing, road, seaport, airport, and tourism infrastructure and in the forest sector.
- c) "*Guate Compite*" is geared toward bolstering the country's competitiveness through a range of actions such as projects focused on improving the productive platform; supporting those sectors with the greatest competitive potential; creating systems that support productivity and technological innovation; promoting exports; providing logistical support for productive activity through the creation and/or upgrading of infrastructure; generating a business climate by means of eliminating obstacles and facilitating administrative procedures while promoting productive investment from within and from outside the country.
- d) "*Guate Verde*" works toward creating a climate of confidence conducive to responsible environmental investment, promoting the competitiveness of environmental goods and services and the consolidation of a democratic environmental culture.
- e) "*Guate Invierte*" seeks to better target and employ the scarce funds the government –more specifically the Ministry of Agriculture, Livestock and Food (MAGA) – has at its disposal, by providing loan guarantees, incentives to acquire farm insurance

and financial incentives to invest as well as technical and pre-investment assistance. In this sense, “Guate Invierte” works more like a tool than an end in itself; in other words, it is a means through which certain public policy and economic growth objectives are to be achieved.

The Guatemalan government’s economic objectives are to:

- a. Achieve sustainable GDP growth;
- b. Contribute to the elimination of extreme poverty;
- c. Promote the creation of formal sector employment while encouraging the right business environment;
- d. Develop conditions of competitiveness that provide Guatemala with a productive edge over its trading partners;
- e. Position Guatemala as one of the best destinations for both domestic and foreign investment;
- f. Assure that Guatemala achieves and expands a sustainable trade surplus that serves to generate more jobs;
- g. Support the competitiveness of micro, small and medium-sized enterprises (MSMES), especially in rural areas;
- h. Facilitate national production’s access to the international market;
- i. Lead, consolidate and perfect full Central American integration Central American; and,
- j. Achieve free competition in the national market as a way to avoid any excesses that would be penalized in the globalized market for the exchange of goods and services.

II. Institutional Framework for Policies and the Implementation of Trade Agreements

In keeping with article 32 of the Executive Branch Law, it is the responsibility of the Ministry of the Economy (MINECO), to negotiate bilateral and multilateral trade agreements, and once they have been approved and formally ratified to oversee their implementation through the DACE, which coordinates such activities with other competent institutions.

Since 2001, and as part of an effort to strengthen the executive branch, MINECO’s institutional structure was divided into three deputy ministries: 1) Integration and Foreign Trade, 2) Investment and Competition, and, 3) Micro, Small and Medium-sized Enterprises.

The Deputy Ministry of Integration and Foreign Trade is responsible for formulating and coordinating economic relations, the development of foreign trade, and promoting regional economic integration. More specifically it is charged with: promoting foreign trade policies; designing and developing the strategy for participating in regional, bilateral or multilateral trade forums; designing and directing negotiations on international-trade and investment-promotion accords and treaties; managing and supervising compliance with existing international trade agreements; designing technical instruments for executing tariff policies, and; encouraging export development and promotion.

The Deputy Ministry of Integration and Foreign Trade consists of three departments:

- Department of External Trade Policy (DPCE) - Responsible for international economic negotiations including reciprocal investment protection and promotion. The DPCE designs, formulates and executes the negotiating strategy in consultation with other competent government entities as well as civil society. It also acts as a counterpart to Guatemala's Permanent Mission to the WTO, and to the Central American integration and export promotion process.
- Department for Managing Foreign Trade (DACE). This office received ISO 9001:2000 certification on August 29, 2007, thereby making customer service more demanding. In order to provide a quality service it is necessary to acquire the expertise for sustaining process efficiency and efficacy. The DACE is responsible for managing the implementation and enforcement of international agreements that apply to Guatemala. Its specific functions are to: a) establish procedures for applying trade treaties or accords to which Guatemala is a party; b) provide the legal harmonization needed to facilitate compliance with standing commitments and exercising the rights conferred by existing trade rules; c) orient domestic producers on the best ways to apply trade's normative issues; d) coordinate the various technical committees; e) contribute to updating and making known information regarding all manner of trade agreements and treaties; f) manage contingent tariffs or similar mechanisms and provide advisory services in this regard; and, g) search for and investigate information regarding the measures (laws or practices) being implemented by the United States and which might serve as obstacles to Guatemalan export activity.
- Department of Economic Analysis (DAE) - Responsible for managing and analyzing economic-commercial statistics, their economic, social and political ramifications, and to provide the resulting information that might prove useful to ministerial policy decisions.

The Deputy Ministry on Investment and Competition is charged with overseeing the development of domestic commerce and investment. Its tasks are linked to the promotion of domestic competition and consumer protection; the development of technical norms for facilitating the operation of quality insurance systems; incentive regimes for investment and production and export promotion; direct and coordinate the registry work that MINECO is legal mandated to develop; assure that the country's technical rules are in keeping with the terms of trade conventions, agreements and accords to which the country belongs. The Deputy Ministry of Investment and Competition consists of four departments: Department of Trade and Investment Services, Department for the Promotion of Competition, National Quality System Department and the Department of Consumer Assistance and Attention (DIACO).

- The Deputy Ministry of Trade and Investment Services includes the departments of Industrial Policy and Investment Promotion. The latter of these is designed to serve as an agile, modern, and effective facilitator of services for both domestic and foreign investors, combining the structural changes of the country's various productive sectors in order to promote a favorable and competitive environment that tends to improve the standards of living of the Guatemalan people.

As its name implies, the Deputy Ministry for Micro, Small and Medium-sized Enterprises is in charge of facilitating the competitive development of micro, small and medium-sized firms producing goods and providing services. Its specific tasks include, among others: the provision of training and technical assistance, support for group organization and marketing; designing public programmes on competitive development; encourage and facilitate the flow of financial and technical resources toward the sector's development, and; act as an agency that provides direction and coordination on the level of firm development. The deputy ministry has three departments: the Department of Firm-development Services, the Department of Financial Services and the Department of Competitiveness.

Other ministry offices involved in commerce-related affairs include the Securities Market and Mercantile Registry, which is in charge of judicial control and the registering of the legal acts and contracts entered into by people who intervene in the markets regulated by the law underpinning the registry's existence. Another is the Guatemalan General Mercantile Registry, the office in charge of recording, enrolling and registering individuals and firms that develop mercantile activities, as well as the commercial deeds, transactions and contracts that are subject to registration; and the Intellectual Property Registry, an office in charge of promoting compliance with intellectual property rights as well as recording and registering such property.

Responsibility for bilateral investment accords corresponds to the Inter-institutional Investment Technical Group, coordinated by the Ministry of Foreign Relations (MINEX). Another important group is the National Commission on International Economic Negotiations (CONEI), bringing together most of the institutions overseen by MINECO with the aim of defining trade negotiations.

In addition to MINECO, there are three other cabinet-level ministries that are foreign-trade related such as MAGA, MSPS and MINEX. MAGA is responsible for applying regulations on unprocessed, natural foods, regulating and exerting control over animal and vegetable health, the inspection and certification of plants and related products destined for export and verifying how well imported products comply with sanitary and phytosanitary rules. The Public Health and Social Assistance Ministry (MSPAS) is also involved in managing the sanitary and phytosanitary system for processed foods. MSPAS' participation consists of applying sanitary and phytosanitary measures and overcoming technical obstacles to trade.

For purposes of export promotion and attracting investment Guatemala has a number of institutions such as the National Promotional Council of the National Competitiveness Program and the Office for Attracting Investment (INVEST in Guatemala), which are joint forums between the public and private sectors.

CONAPEX is the agency in charge of making proposals to the President of Guatemala on national policies for the promotion, diversification and expansion of exports, tourism and investment, as well as assuring the implementation and execution of said policies. This body is presided over by the Economy Ministry, who is also joined by the ministers of Public Finance, Agriculture, Foreign Relations, Energy and Mines and Labor, the

Presidency's Office of Planning and Programming, the Tax Authority, the Chairman of the Bank of Guatemala; and on behalf of the private sector the presidents of the various business associations.

Among the most significant accomplishments of CONAPEX we can cite the establishment of an Export Single Counter Service Window, the Program of Trade, Investment and Tourism Attaches with four offices in US cities (New York, Washington, Los Angeles, and Miami), one in Tapachula, Mexico, another in Berlin, Germany, and lastly, one in Ontario, Canada. The effective implementation of the Law on the Promotion of Export and Maquiladora Activity (29-89), and the Law on Free Trade Zones (65-89) can also be counted among this agency's achievements.

PART B:**EVALUATION AND IDENTIFICATION OF NEEDS FOR CREATING TRADE RELATED CAPABILITIES****I) Identification of priority projects**

Priority projects were identified based on the main definitions adopted for the meeting of the Committee on Trade Capacity Building planned for November 2007, with emphasis on rural development and support for Micro, Small and Medium-sized Enterprises, including their potential export-related activities.

1. Project No.1 of the adjustment period: Export promotion and development with emphasis on micro, small and medium-sized enterprises.
2. Project No 2 of the adjustment period: Rural development and productive re-conversion.
3. Project E2 of the implementation phase: Strengthen the project for simplifying the processes for obtaining MSPAS permits and service provision from the Business Chamber.
4. Project F1 of the implementation phase: Strengthening the technical competitive capacity of national laboratories (both the National Metrology Laboratory and private labs).
5. Project E3 of the implementation phase: Establish a Food and Medicines Institute

II. Treaty implementation phase

A) Transversal topics: Diffusion and training

Project Name	Objectives	Activities
A1. Make widely known opportunities and challenges that DR-CAFTA poses for all productive sectors.	<ul style="list-style-type: none"> - Allow investors, producers and/or current and potential exporters to take full advantage of DR-CAFTA. - Informational outreach and advisory response to productive, community and commercial sectors as well as the general public. 	<ul style="list-style-type: none"> - Update and improve the volume and quality of information published on MINECO's website (the most important information regarding DR-CAFTA, related events, activities and Internet links). - Conduct public events to better inform organized groups and members of the public and private sectors. - MINECO publishing papers regarding DR-CAFTA. - Participation of MINECO officials and technical personnel in events or forums organized by a wide range of institu-

		<p>tions.</p> <ul style="list-style-type: none"> - Creation of a coordinating body between MINECO, MAGA and MSPAS that can act as a permanent link between MINECO and civil society in attending to consultations. - Publishing all the measures being implemented that are related to the import and export of goods, including over the Internet.
A2. Training public and entrepreneurial officials.	Train all protagonists involved in DR-CAFTA to take better advantage of the treaty.	<ul style="list-style-type: none"> -Conduct training for the entrepreneurial class through business chambers, associations and other private sector organizations. - MINECO training sessions or programmes, which are open to the public and those that can be organized and announced through business associations, etc. -Training for university students majoring in subjects related to international trade. - Teaching courses or providing specialized training for journalists, legislative advisors and other key actors in the opinion formation of civil society. - Training officials in charge of implementing the treaty (officials with the executive and judicial branches of government, with the Tax Authority and the High Court) - Training in the analysis of agricultural trade flows, marketing, entrepreneurial capability, the sustainability of the production systems of small and medium-sized producers and the development of new productive options for the agricultural chain.
A3. Create the data bases needed for expeditiously obtaining information for applying the FTA.	- Improve the collection and public distribution of economic and trade statistics.	<ul style="list-style-type: none"> -Assure the existence of information and diffusion systems providing information regarding the Treaty's, results and impact as well as manuals for applying mechanisms and disciplines appropriate to the Treaty. - Maintain statistical series for conducting economic studies and in this way determine the trends in the country's foreign trade in order that the Department of Foreign Trade Policy may better

		negotiate trade agreements.
A4. Conduct market studies regarding specific products with information about potential buyers, geographic location, US norms, etc.	Publicize business opportunities, treaty norms, access regulations, studies, statistics and other information so as to make it easier to take better advantage of DR-CAFTA. This constitutes an important component for providing timely information and guidance on applying FTA and regarding specific business opportunities.	<ul style="list-style-type: none"> - Drawing up sectorial studies. - Practical manuals on a variety of treaty-related topics. - Commercial intelligence in specific sectors in which the private sector has detected opportunities. - A series of workshops are tentatively planned on specialized advisory services and the training of national instructors that can assure program continuity (reinforce the specialization of the 10 DAE and DACE advisors using high level courses on customs issues, and specific questions about how to export for those with the potential to exert a multiplying effect throughout business sectors, associations, cooperatives, etc.) - Improve the collection and publishing of trade statistics - Implementation of a data base (INFOCOMEX) at MINECO - Prepare documents on sources of financing that can be accessed if one decides to export - Continue to prepare practical guides on how to take advantage of DR-CAFTA in the case of specific products.

B. Access of goods to the US market
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The main agencies responsible for treaty implementation on the level of goods access are MINECO, MAGA and MSPAS.

Project Name	Objectives	Activities
B1. Set up data bases and information systems	<ul style="list-style-type: none"> - Have the information essential to decision making. -Strengthen the performance of trade attaches in third countries. - Monitor trade flows and national production. 	<ul style="list-style-type: none"> - Upgrade processes used to collect, and publish trade statistics in coordination with BANGUAT and the Tax Authority. - Acquire data bases and update them for purposes of market access. - Implement a market intelligence system and mechanisms for making known opportunities in coordination with MAGA and PACIT.

		<ul style="list-style-type: none"> - Implementation of information systems on market access. - Consider ways to provide business owners, chambers and associations with access to information.
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C. Rules and customs procedures

Norms of origin are the key to market access, a matter for which DACE is responsible.

Project Name	Objectives	Activities
C1. Training DACE, the Tax Authority and the private sector on rules of origin.	<ul style="list-style-type: none"> - Acquire a full grasp of the subject. - Avoid entrepreneurs from falsifying origin certificates. - Teach local industry personnel on the subject. 	<ul style="list-style-type: none"> - Training for identifying the origin of goods entering the country. - Compile and publish US norms of origin rules and laws - Training, seminars, conferences and workshops on how businesses can comply with norms of origin and offer them to business owners, chambers and associations - Draw up manuals on procedures for applying rules of origin norms.
C2. Institutionally strengthening of the import Origin Verification Office.	<ul style="list-style-type: none"> - Exploit the full export potential of DR-CAFTA. - Avoid trade triangulation from non DR-CAFTA countries. 	<ul style="list-style-type: none"> - Train producers, exporters and importers as well as personnel at public and private entities the correct way to apply origin rules so as to better employ treaties. - Establish legal, inter-institutional mechanisms that allow MINECO and the Tax Authority to better fulfill their obligations without detriment to their respective purviews, and to combine their efforts to meet DR-CAFTA objectives; this implies actions that would lead to the publishing of joint manuals, the application of the risk module in both sectors, defining the corresponding rules and establishing notification and collection mechanisms that guarantee the effective collection of tariffs that are being lost.

D. Customs management and trade facilitation

In order to lower the relative costs of foreign trade and thereby support the country's competitiveness it is necessary for customs and other institutions that participate in the

import and export process to adopt a trade-facilitation focus while employing appropriate security criteria. In order that the country's export products be more competitive trade expenses must be low (when possible), which is possible when customs and other institutions that participate in trade become more efficient and eliminate corruption. For purposes of greater trade facilitation, Guatemala along with the other countries of the region, has taken a major step by promoting the Customs Union. However, while that is in the process of being implemented, it will be important to streamline as much as possible export, import, migratory and customs procedures.

Agencies that exist for conducting export procedures are: a) the Export Single Counter Service Window or VUPE (for its Spanish-language acronym), which works out of Guatemala City and a regional office in Quetzaltenango; b) the National Coffee Association (ANACAFE), which certifies Form A (SGP) and in the case of Venezuela, ALADI certificates of origin; and, c) the Electronic Export Authorization Service (SEADEx), for expediting procedures for obtaining an export license and related documents such as the Uniform Central American Customs Form (FAUCA), export licenses, phytosanitary, zoosanitary and free sale (Food) certificates issued by MSPAS.

Project Name	Objectives	Activities
D1. Systemization and training in customs matters so as to facilitate trade.	<ul style="list-style-type: none"> - Improve capabilities on the level of origin verification and supervision of compliance with laws, regulations and procedures (especially important for textiles and apparel products) - Prevent and investigate illegal activities - Streamline customs filings. - Implement a control system that makes product information immediately and transparently available, thereby helping to avoid instances of document falsification. 	<ul style="list-style-type: none"> - Provide various forms of training for customs personnel that include the exchanges of experts and internship programmes. - Generate capabilities for the origin verification of textiles and apparel, and other items. - Implementation of a trade-information exchange project with other customs authorities. - Training in intellectual property norms and their application. - Establish informational links and applications that allow customs workers and officials to know which brands are authorized. - Re-engineer the customs system, eliminate steps and unnecessary documents and mechanisms that streamline and expedite customs procedures. - Create a system making it possible to immediately access complete information on a product; to that end work with health authorities to monitor the same. - Implement a project for achieving an exchange of trade information between all customs officials. - Establish the automatic implementation of international norms for the electronic processing of information, and software

		development. - Train customs personnel in computerized customs systems. - Software containing information on regulations, tariffs and other taxes needed to import or export to DR-CAFTA countries.
D2. Modernization of the customs system.	- Incorporate technological media that expedite the handling of goods.	-Automate work flows and implement electronic systems for the reception and processing of information in keeping with WTO norms.
D3. Technical assistance in customs matters.	- Avoid the triangulation of goods - Strengthen controls and response capabilities to potential disloyal trade practices arising out of rules on tariff exemptions, deferments or rebates.	- Implement risk management systems in verification activities. - Establish mechanisms for providing preferential treatment of goods that are co-produced by countries that are part of the treaty.
D4. Strengthen the performance of customs officials.	- Make widely available information regarding productive chains and the implications companies often face from delays with raw materials or goods in customs.	- Develop a standing training plan in which those using the system expound upon the peculiarities of their productive sector.

E. Sanitary and phytosanitary measures

Sanitary and phytosanitary measures seek to sustain the controls necessary for the defense of human, animal and vegetal health, however, it is necessary to assure that they do not adversely affect trade between parties by becoming non-tariff trade barriers. To avoid such a scenario, procedures must be streamlined, made more uniform and cheaper across the region.

On a national level it is the task of MAGA and MSPAS to implement, execute and manage the sanitary and phytosanitary system. MSPAS is responsible for applying technical sanitary rules on processed food products, medicines and related products, import and export authorizations, quality and innocuous certification, compliance evaluation and sanitary inspections. MAGA is responsible for the applicable regulations on unprocessed natural foods, the enforcement of animal and vegetal health, the inspection and certification

of related plants and products destined for export and verifying whether imported products comply with sanitary and phytosanitary rules.

Project Name	Objectives	Activities
E1. HACCP training seminars at the Health Ministry	Be prepared about norms that may not yet be in force globally but which are increasingly applied by the United States and the European Union	- Train MSPAS officials in how to implement HACCP
E2. Strengthen the project for MSPAS and the Business Bureau's process simplification of sanitary authorization and intervention procedures	- Streamline trade among Central American countries and with the United States.	- Informational equipment to be used as servers -Financing for maintaining the system until the process concludes and becomes self-financing -Delegate to the private sector (industry chambers) the task of awarding permits that can be delegated
E3. Create an Institute of Food and Medicines	- Establish an institution through which the Health Ministry may access all necessary sanitary and legal information regarding the foods and medicines that are bought and sold in the country. - Abide by the Treaty's agreements on the application of sanitary and phytosanitary measures and technical barriers to trade. - Create a centre of techno-scientific and normative information that serves as a legal basis for the enforcement system and that may be consulted by both domestic and foreign manufacturers. - Build a network of national sanitary officials as well as with those of other countries for the exchange of scientific information and alerts regarding potentially dangerous products.	- Technical advisory services for the creation of the institute. - Create the institute's legal framework for technical and legal advisory services. - Implement an integrated system of sanitary and phytosanitary information that facilitates inter-country trade. - Risk-evaluation training in determining the innocuousness of foods and medicines. - Create the proper infrastructure employing qualified human resources necessary for an agile, effective and representative monitoring that strengthens existing systems and helps to provide support for the health authorities. - The creation of an information system between countries, for receiving and issuing alerts regarding products that pose consumer risk. - Set up specialized data bases. - Training in alternative mechanisms of controversy resolution for settling trade disputes. - Maintain a research-support centre.

	- Strengthen joint activities by institutions in charge of guaranteeing compliance with DR-CAFTA measures.	
E4. Implement a national support network linking MAGA, MSPAS and MINECO	Strengthen the national and international electronic intercommunication system	Develop the national information system on sanitary and phytosanitary measures and epidemiological monitoring of diseases food borne disease.
E5. Strengthening MAGA and MSPAS	<ul style="list-style-type: none"> - Stand guard on human health and avoid environmental contamination - Simplify waiting times - Standardize procedures and methods. 	<ul style="list-style-type: none"> - Training on the inspection of bovine, porcine, and poultry slaughter houses and conduct audits of the innocuousness of such facilities - Implement mobile, phytosanitary laboratories - Training in inspection and sampling techniques

F. Technical obstacles to trade

It is extremely important that the country not simply develop the capacity to produce products but also to define and measure their quality, comparing them against specification values. If the product meets specifications its may penetrate international markets without difficulty.

MINECO, through la Guatemalan Commission on Norms (COGUANOR), which in turn is affiliated to the National Quality System Department, is in charge of preparing and adopting technical norms and regulations, as well as to assure their compliance with competition criteria. The commission is comprised of representatives from MINECO, MSPAS, MAGA, the Chamber of Industry, Chamber of Commerce, General Association of Farmers and the Guatemala School of Engineers through their respective technical committees. Once the National Quality System Law took effect, cooperation with the National Quality System is coordinated through PRONACOM.

The Guatemalan Licensing Office (OGA), through its technical committees, in which MSPAS, MAGA and the organized productive and academic sectors participate, is to assume responsibility for accrediting norms and rules related to laboratory testing and other procedures related to certification and inspection activities in compliance with the rules contained in the National Quality System Law.

Project Name	Objectives	Activities
F1. Strengthening the competitive technical capacity of national (National Meteorology Laboratory) and private	- Provide exporters and importers of farm products and other tradable goods reliable	- Launch a national information centre on quality norms using catalogues on the technical norms of the country, the ISO, and the technical rules of the coun-

laboratories	analytical services.	try's trading partners. - Mandatory publication and notification of transparency standards. - Training in the management and application of rules and norms for technical personnel –such as internationally accredited inspectors. - Strengthen OGA's capacity in accreditation and certification activities in keeping with their responsibilities under the national law on the quality evaluation and accreditation of laboratories.
F2. Train high level officials at MAGA, MINECO, MARN and MSPAS.	Assure that officials are familiar with the strengths of the quality systems of other Latin American countries. (Mexico, Colombia, Brazil and Chile)	Internships and similar programmes

G. Trade defense and controversy resolution

DACE is the department responsible for implementing procedures solving unfair competition cases such as those involving dumping, subsidizing, safeguarding and others that serve as hurdles to trade, as well as for the correct application of controversy resolution mechanisms.

It is important to develop tools that facilitate or permit the correct application of trade defense mechanisms and create the capacities for their correct and effective use in a manner that promotes the use of arbitration and other alternative controversy resolution methods for settling private trade disputes. Some priority actions in this regard include:

Project Name	Objectives	Activities
G1. Strengthening the DACE's Trade Defense Unit.	-Strengthen the ability to attend to requests for the adoption of trade defense measures and attending to controversy resolution cases that arise from trade or non-compliance with commitments assumed under each chapter of CAFTA that are susceptible to controversy resolution.	- Monitoring procedures for filing complaints on behalf of the various branches of domestic industry. - Training both public officials and private sector representatives in alternative mechanisms of controversy resolution for resolving trade disputes, providing them with updated knowledge of procedures, panels, appeals bodies, jurisdictional issues and arbitration. - Draw up manuals or guides for the adoption of trade defense measures. - Technical assistance for improving

		trade statistics and access to the same. - Strengthening the national section of controversy resolution on a Central American level. - Integrate a specific unit for dealing with issues of dumping and safeguarding as well as compensatory measures.
G2. Strengthening the grasp judicial and High Court officials have of such issues.		- Training in knowledge of international procedures adopted by the WTO. - Train judges and magistrates regarding the various issues related to intellectual property

H. Government procurement

According to the Law on Government Procurement there are four institutions in charge of maintaining registry lists: Ministry of Public Finance; Ministry of Communications, Infrastructure and Housing; the Presidency's Department of Planning and Programming and the Accounting Comptroller's Office.

The Norms Procurement and Contracting Department of the Ministry of Public Finance (MINFIN) is the normative body for public sector purchasing. For some time the government has been making an effort to guarantee the transparency of its procurement processes using such means as the Integrated System of Financial Administration (SIAF), updating Guatemala's Law of Government Procurement based on the United Nations Commission on International Trade Law (UNCITRAL) and the introduction of the government's electronic procurement and contracting system known as GUATECOMPRAS (www.guatecompras.gt).

The Presidency's Department of Planning has developed a system for monitoring public investment with an eye toward increasing the transparency of investment processes in government procurement.

The private sector, in the form of the Guatemalan Association of the Construction Industry with the support of USAID launched a Public Works Information and Monitoring System (SIMOP) website (www.simop.info) aimed at facilitating access to information regarding the letting of construction contracts by dates, bidding terms, monitoring, adjudication, budgeting, etc. The website has been so successful that it has been proposed as a model for the Regional Organization of Construction Industry Chamber in Central America and the Caribbean.

Project Name	Objectives	Activities
H1. Strengthen the Norms Procurement and Contracting De-	- Have the latest information available and	- Train local governments in the use of "Guatecompras" while extending

<p>partment of the Ministry of Public Finance so that it fulfils its mission in keeping with international standards.</p>	<p>training to take advantage of the opportunities DR-CAFTA provides on the level of public procurement.</p>	<p>and generalizing its use.</p> <ul style="list-style-type: none"> - Establish and maintain procedures for declaring which parties are eligible to bid on government contracts. - Technical assistance in order to completely update the legal framework. - Obtain the equipment and data base needed to manage the information on pre-qualified projects. - Draw up a government procurement manual. - Improve the compiling of purchasing information and statistics. - Establish a special studies program on Administration and Government procurement. - Training for MSMES to better exploit the advantages of the Treaty.
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I. Trade in services

Project Name	Objectives	Activities
<p>II. Making widely known and implementing a law on electronic commerce and digital signature</p>	<p>- Adopt such a law that allows for its full legislation by Congress and application in Guatemala.</p>	<p>- Implementation of the Law on Electronic Commerce and Digital Signature.</p> <p>- Make changes to the law to include electronic transactions and typify illicit activities in this field.</p>

J. Financial services

MINECO's Deputy Ministry for the Development of Micro, Small and Medium-sized Enterprises promotes and facilitates the competitive development of micro, small and medium-sized enterprises (MSME). The agency's MSME competitiveness policy for 2005 includes a strategy for strengthening and contributing to the development of a MSME sector that is competitive in markets locally and abroad, proactive, creative, with a Guatemalan business identity, with access and open to information, training, technological assistance, agile and timely access to financial markets and with a proper regulatory framework. MINECO has the experience needed to coordinate this type of activities and consultancies, a quality that has been evident in the efficient manner in which it has efficiently coordinated work to draw up bills for laws on micro-financial firms and property guarantees, as well as future bills that can serve to make the financial services system more open and accessible to MSMEs such as:

Project Name	Objectives	Activities
<p>J1. Strengthening and supervising the non banking financial services market:</p> <ul style="list-style-type: none"> - A bill on the System of Mutual Guarantee Societies for MSMEs. - A draft Law on Property Guarantees. - Bill proposing a law of micro-financial service providers. - Bill proposing a law regulating financial factoring. - Bill proposing a law regulating financial leasing. - Bill proposing a law regulating savings and loan cooperatives. 	<p>Reinforce the national financial system by issuing norms designed to strengthen and supervise the non-bank financial services market.</p>	<ul style="list-style-type: none"> - Hire the consulting firms necessary for drawing up the regulatory framework that would strengthen the MSME sector. - Educating people who are in charge of developing strategies for granting credit to the MSME sector. - Training in application of the law.
<p>J2.Changes to the Law on the Securities and Mercantile Markets and Collective Investments</p>	<p>- Establish norms that conform to international standards and offer guarantees of legal security and informational transparency that encourage investors to invest in local markets and encourage them to commit their savings.</p>	<ul style="list-style-type: none"> - Hire the consulting firms necessary for revising the regulatory framework - Training in application of the law.
<p>J3. Training people in charge of overseeing application of the Law on the Laundering of Money or Other Assets.</p>	<p>- Abide by the law.</p>	<ul style="list-style-type: none"> - Training on new banking rules and regulations. - Provide updated information on the inspection and development of manuals for overseeing all financial entities.

K. Telecommunications

Major changes were made to the country's telecommunications laws in 1996 when Guatemala adopted the General Telecommunications Law. The reforms were part of a broader program for scaling back state assets and were aimed at encouraging free competition, the establishment of market rates, the creation of mechanisms for developing

public and rural telephone coverage, setting up a regulatory body overseeing the Department of Telecommunications (SIT). The results of this new legal framework included heightened competition, a greater degree of coverage in telephony and informational technologies (wired and wireless lines, public, rural, and Internet access), greater efficiencies and lower tariffs.

Project Name	Objectives	Activities
K1. Strengthening the Department of Telecommunications	<ul style="list-style-type: none"> - Review the General Telecommunications Law so as to make the changes needed to provide the SIT with more decision making powers and with functional and financial autonomy. - Strengthen the work of SIT as the sector's regulatory body. 	<ul style="list-style-type: none"> - Exert direct control over operators. - Promote transparency in the process of adjudicating frequencies. - Improve the performance of the Department of Telecommunications. - Encourage respect for the principle of "interconnection", through which a service provider is guaranteed access to the country's telecommunications networks. - Issue guarantees to companies of access to and use of any public telecommunications services. - Implement aspects of desegregation of telecommunications networks, joint placement of equipment, resale of services, numerical portability, circuit leasing and universal service.
K2. Support the information technology projects addressed by the Plan Puebla Panama	<ul style="list-style-type: none"> - Offer connectivity and above all well-being to all the peoples of the Mesoamerican region through an efficient use of the new digital opportunities provided by information and communications technologies. 	<ul style="list-style-type: none"> - Mesoamerican Information Highway (AMI) - Mesoamerican digital step (Telecenters) - The Central American Network Access Point - The Integrated System of Central American Networks (SIRCANET) for rural areas. - Define a strategy for promoting the Information Society in the PPP region - Development of a regional regulatory framework for the implementation of the AMI project

L. Intellectual property rights

The entities responsible for the register and issuing of permits, licenses or rights related to intellectual property are MINECO's Intellectual Property Registry; the Department for the Regulation and Control of pharmaceuticals and Related Products of the MSPAS General Department for the Regulation and Control of Health, and; the Norms and Regulations Unit of del MAGA. Other institutions that participate in compliance with intellectual property

rights are the Tax Authority (SAT), the courts (judges); and the Intellectual Property Protection Agency of the Office of Public Prosecutor (MP).

The main laws affecting intellectual property are the Law on Industrial Property and its secondary or accompanying rules, the Law of Copyright and Related Rights and its accompanying rules, and, to a certain extent, for criminally classifying infractions and applying penal codes.

Project Name	Objectives	Activities
L1. Strengthening the Intellectual Property Registry of the Department for the Regulation and Control of pharmaceutical and Related Products, Unit of Norms, Regulations and Customs.	- Increase the knowledge, development and implementation of electronic systems employed by those managing intellectual property	- Training in new matters subject to treatment as intellectual property such as olfactory and sound branding. - Training courses for specializing and exchanges of information between the intellectual property offices and other and regional institutions (for example, between the offices working on matters related to the United States, MSPAS' Pharmaceutical Control and Regulation Department and MAGA's Norms and Regulations Unit. - Establish a Department of Technological Diffusion and Transference - Support the country signing and ratifying a range of international treaties dealing with intellectual property and their incorporation into national law. - Support programmes for making the public more sensitive to and better informed about using intellectual property as a means of research and innovation as well as with regard to the observance of protections on intellectual property
L2. Strengthen the Intellectual Property Protection Agency of the Office of Public Prosecutor and judges.	- Strengthen the ability to legally prosecute violations of property rights protections such as the illicit production of pirated goods and knockoffs	- Training in combating crimes against intellectual property. - Workshops on applying the law in instances of crimes against intellectual property.

M. Labor Issues

The Labor and Social Provision Ministry (MTPS) is the government body responsible for policies on labor, the encouragement of job creation and worker training, as well as the

promotion and harmonization of labor relations while assuring compliance with labor and social-provision laws. The country's Labor Code codifies the rights and obligations of both employers and employees.

During 2001 legal reforms gave the Labor Ministry greater authority to impose fines whenever labor legislation had been broken. Certain weak points remain, however, that demand special attention such as:

Project Name	Objectives	Activities
M1. Institutional strengthening of the MTPS	- Meet the challenges and the recommendations of the DR-CAFTA.	<ul style="list-style-type: none"> - Training (seminars, internships, etc.) in such as personnel training and the updating of norms such as those on work health and safety. - Design strategies and policies so that companies may positively cope with the impact of labor rules. - Increase the ministry's budget for modernizing the office of the Labor Inspector General Office. - Technical assistance for the Department of Planning and Cooperation, the Department of International Relations, the offices of Labor Inspector General, Social Provision and Social Communication Social. - Set up a contact-point office. - Technical assistance to MTPS units involved in Treaty implementation (such as the Department of Planning and Cooperation, International Relations Department, the Labor Inspector General, Social Provision.
M2. Strengthening social dialogue.	Improve working conditions	<ul style="list-style-type: none"> - Conduct studies, seminars and training for various labor market leaders especially regarding subjects dealt with in the eight basic ILO covenants. - Training programmes on labor relations for employees and workers - Training the top and mid-level leaders of labor unions with an emphasis on explaining the meaning of DR-CAFTA.

N. Environmental Issues

Environmental issues are explicitly trade-related in as much as they were directly included in DR-CAFTA (rather than being negotiated on a parallel basis as was the case with NAFTA), concerning several chapters such as the ones on investments, controversy

resolution, labor, intellectual property, sanitary and phytosanitary measures, and market access, etc. Given that scope, it is worthwhile to create capacities ranging from structural issues to human resource training in order to implement investment projects to be correctly and efficiently applied with respect for environmental needs.

Once DR-CAFTA took effect, a national environmental committee was established and changes were made to the consultative council in order to link it to, and make progress in the implementation of, and strict compliance with the Treaty. However, this demands significant resources including specialized human and financial ones.

While trade issues predominate over environmental ones in DR-CAFTA, MARN is in charge of applying the environmental section of the treaty including environmental cooperation. However, it is important to note that due to issues of institutional authority, environmental management is handled through a coordinated and consensual effort by a number of public agencies including the Ministry of Energy and Mining (MEM), MAGA, National Council on Protected Areas (CONAP) and the National Forestry Institute (INAB), as well as private sector chambers and associations including those of the construction, and industrial chambers of Guatemala via the Guatemalan Centre for Cleaner Production and others.

Project Name	Objectives	Activities
N1. Improve environmental protection standards	- Combine environmental protection and improvement in order to achieve sustainable development	- Support programmes for implementing ISO 14001 norms of environmental management systems by industry - Technological transference for environmental protection purposes. - Strengthen local governments.
N2. Strengthening MARN and other competent bodies.	Immediate, timely and effective compliance with CAFTA-DR commitments because it is not possible to sustain economic growth without a healthy environment and vice versa.	- Train personnel in environmental affairs and in the implementation of the Environmental Cooperation Agreement (ECA). - Mechanisms for the application and compliance of environmental laws. - Establish mechanisms for linking the environment with issues of investment, intellectual property, sanitary and phytosanitary norms and obstacles that might become trade barriers. - Training in environmental law to achieve an effective compliance with environmental legislation. - Training for making the public aware of water and air quality. - Seminar-workshop on "How to reach multilateral environmental agreements and to evenly apply trade rules in a mutually supportive manner," including trade policies versus environmental

		<p>policies.</p> <ul style="list-style-type: none"> - Immersion human-resource training to provide an in-depth understanding of environmental dumping and compensatory measures. - Training in non-tariff trade obstacles.
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O. Treaty Management

DACE, is responsible for ensuring exact compliance with Guatemala's existing trade accords so it is important to strengthen application of new subjects such as those related to the environment, labor, public hiring and bidding, intellectual property.

Project Name	Objectives	Activities
O1. Modernization and systemization of DACE.	- Modernize the departments' working organization in order to better manage Guatemala's existing trade accords.	<ul style="list-style-type: none"> - Maintain ISO 9001:2000-based certification of DACE's quality management system issued by the Colombian Institute of Technical Norms and Certification (ICONTEC), and the International Certification Network (IQNet) in August 2007. - Constant review of the departments' working organization so as to assure ongoing implementation of DR-CAFTA based on objective criteria with a proper legal footing. - A clear and precise delineation of its tasks as defined in MINECO's internal rules (Governmental Accord 182-2000) or propose the reforms necessary for avoiding problems arising from a lack of competency. - Create data bases regarding the commitments and specific requirements that goods entering Guatemala must meet - Strengthen both public and private sector consultancy bodies at the political level (through CONAPEX) and on the technical level through the national committees. - Award scholarships and course funding to personnel responsible for each topic so that they can stay up to date in foreign trade issues. - Strengthen coordination with other entities responsible for applying the Treaty - Vehicle for paying visits to companies that request origin verification certificates. - Equipment such as laptops. - Draw up a guide for exporters and im-

		porters as well as manuals on mechanisms for the application of trade norms.
O2. Implementation del Information System for Managing Foreign Trade		<ul style="list-style-type: none"> - Statistics: trade balance: imports and exports by product, country, volume and value - Consultation program on access conditions (tariff, requirements, norms, others) by tariff level. - Products with export potential to the US market based on an analysis of US import statistics for goods imported from other countries and information regarding productive sectors - Products at risk owing to abrupt shifts in import and export trends. - Software containing information on what the US requires of imports (norms, tariffs, non tariff barriers, importers, tariff classification, product name, local taxes and border taxes).

III. Phase of adjustment or transition to free trade

The second phase of the NAP corresponds to the development of the longer term actions the country must take in order to face the challenge of implementing and taking advantage of DR-CAFTA.

Within this contextual framework two major projects were adopted:

- 1) Export Promotion and Development with emphasis on Micro, Small and Medium-sized Enterprises.
- 2) Rural Development and both Agricultural and Industrial Re-conversion

Project No 1.

Project Description: Export Promotion and Development with emphasis on Micro, Small and Medium-sized Enterprises

Diagnosis of the Current Situation or Justification:

Micro, small and medium-sized enterprises (MSME), represent a broad productive sector in Guatemala that employs around 60% of the labor force and generally uses local raw materials; it also contributes to improving the living conditions of their owners, their

families and employees and, therefore, to lowering poverty rates. For these reasons supporting and strengthening the sector is one of the country's economic development strategies for assuring growth with equity over the short and medium terms.

DR-CAFTA opens up the opportunity for Guatemalan production to acquire free access to a market of more than 300 million people, but this at the same time implies that Guatemalan firms, especially small and medium-sized enterprises, must become better prepared to compete with US companies. The biggest challenge facing Guatemala and the other Central American countries is to achieve the conditions necessary for their SMEs to cope with the impact of DR-CAFTA. Such conditions can only be achieved through financial and business development programmes that provide incentives to, and strengthen the capacities of MSMEs.

One of the greatest problems currently facing the MSME sector is a shortage of capital that limits their growth and competitiveness in a globalized world. MINECO, through its Deputy Ministry of MSME Development, has launched programmes directed at the provisioning of financial services (basically credit) to the MSME sector, but funding is limited and such firms are dealt with in a non discriminatory manner. Furthermore, there are no specific programmes or mechanisms for assuring the flow of such assistance to export-oriented small and medium-sized enterprises necessary for them to take advantage of the opportunities opened up by the free trade agreements to which Guatemala is a signatory.

Objectives:

- Promote and encourage a greater role by MSMEs in Guatemalan export activity.
- Support SME development through projects that enhance their productivity and competitiveness, creating conditions that best favor their ability to successfully export and compete on the international market.
- Create the most propitious conditions for such firms to successfully export and compete on the international market.

Components and/or Activities:

1) Internationalization of MSMEs

- Export-project oriented credit (accessible lines of credit, start-up funds).
- Prepare business owners to deal with globalization.
- Promote business networks between producers and/or exporters for identifying new market niches
- Program for developing value chains (identification of best practices)

2) Business Development Services (SDE)

This is an issue of vital importance for bolstering the competitiveness of Guatemalan SMEs, which can be achieved by providing support for the consolidation of the following initiatives contained in the national MSME development policy:

- a) Program to help, beginning in 2008, MSMEs to form alliances as a way to support continuity in the National Strategy of Alliances that is just now getting under way, through a national consultation process. More resources are needed for the implementation of the

action plan, which includes the strengthening of national capacities for the conformation of businesses networks, productive chains, clusters, and the strengthening of businesses associations on both a national and sectorial level.

b) Strengthening technical assistance programmes in business management, production and quality management as part of a program of SME-bonds described in the National MSME Development Policy under the SDE Promotion Program.

c) Strengthening domestic commerce as a means for developing its potential aligning, associations and linking (business fairs and roundtables), activities that have been conducted very successfully during 2005-2007 for micro-business, but the program must be broadened and greater funding provided to strengthen larger scale small and medium-sized enterprises.

d) Set up a MSME business services orientation and information centre providing strategic information such firms need to compete more successfully. Such centers, which should be opened in the main offices of the Deputy Ministry for MSMEs that are located around the country, must strengthen the support available to the private sector and bolster the integration of regional MINECO agencies such as MSME, the Mercantile Registry and DIACO. These business service centers are also contemplated as part of the UNDP-Spain support strategy for achieving Millennium Objectives and although these are focused on providing guidance for women's entrepreneurship they are expected to strengthen other areas, thereby posing the need to reinforce the program with qualified personnel and technical equipment.

e) Campaign for Consumer Culture through communications media, informational material, seminars and steps to strengthen organizations that represent consumer interests, which can also be achieved by setting up DIACO offices inside the SDE Centers referred to in point d) above.

3) Financial services to MSME

f) Facilitate the legal framework for facilitating access to credit by pushing for legislative approval of the Law on Mutual Guarantee Funds (in order to generate guarantee funds that facilitate the issuing of credit); and implementation of the Law on Property Guarantees (accept guarantees on furniture, merchandise, machinery, tools, etc.) that the Guatemalan Congress recently approved (Decree 51-2007).

g) Establish a line of credit to cover the needs of the small and medium-sized firms of Guatemala that present viable projects, manage it through a wholesale banking arrangement taking advantage of the new regulatory conditions regarding micro-financing that are pending implementation (one part has already been passed and another is pending approval; see point f above).

h) Create a fund for awarding financing to companies with export potential, classified within the following sectors: i. exports of ornamental plants, foliage and flowers; ii. production and export of traditional and native craft work; iii. export of hydro-biological (fish and fish products); iv. production and export of furniture and other wood products; v. production and export of textiles and apparel; vi. export of organic products: coffee, cardamom, macadamia nuts, sesame, broccoli, honey, dried lemons, black tea, bananas, cacao, etc.; vii. production and export of agro-industrial products; and, viii. export of fruits and vegetables.

i) Financing directed at an expansion of working capital, machinery, equipment and infrastructure; particularly systems for collecting and distribution of water for irrigation and collection reservoirs and cold chain.

4) Lower the cost of formality

j) Make it easier for micro, small and medium-sized enterprises to complete the paper work and meet the requirements necessary for them to operate as fully registered formal businesses. Progress has already been made on this level with the opening of an expedited window at which a firm can be registered in the capital city within 24 hours (that includes the Mercantile Registry, SAT, IGSS and *Diario de Centro América*). On November 22, 2007 the second phase of this endeavor will be launched in the form of a fast-track approach to environmental regulations and sanitary registration. Similar progress must be consolidated in the rest of the country through the local offices of the Mercantile Registry at the SDE Centers that we referred to in point d).

Expected results:

1. Offer SDE and SF for narrowing the gap separating the supply and demand for these services and improve MSME competitiveness.
2. Promote the creation and growth of legally registered MSMEs.
3. Improve the conditions of credit access for MSMEs.
4. Generate employment opportunities for the Guatemalan people
5. Help the MSME sector to overcome challenges and/or take advantage of the opportunities arising out of the implementation of trade accords and treaties, especially CAFTA
6. Contribute to the implementation of the National MSME Development Policy

Project No. 2

Project Description: Rural Development and Productive Reconversion

Diagnosis of the Current Situation or Justification:

Rural development should be conceived of as a process that tends to qualitatively and quantitatively improve living conditions in the countryside in keeping with the prevailing forms of social, cultural and political organization as well as the ecosystem's production potential.

In its conceptual framework, sustainable rural development consists of the balance of four capitals: human capital or human integral development; social capital or social participation and institutional development; economic capital or sustainable productive development; and, natural capital or comprehensive environmental management.

It is important to understand that participation begins by recognizing the concept of differentiated rural development, which includes land use planning for developmental planning and achieving sustainability in all four of its dimensions. In other words, the intervention should begin with a coordinated and decentralized management of public

institutions so as to strengthen the active participation of people from rural areas, using the Central American-Caribbean basin as the developmental planning unit.

Most rural inhabitants live in conditions of poverty with few options for advancement due to a variety of factors that are aggravated by technological disadvantages and a lack of accessible resources. Implementation of the free trade agreement with the United States heightens the risks faced by those living in the countryside and makes all the more urgent the search for a solution that can modernize their productive structure. This demands the identification of the comparative advantages of each region of the country and re-conceptualization of rural life to include basic services on the level of education, healthcare, infrastructure sanitary, electrification, communications systems, etc., thereby leading us to think in terms of a policy of rural development.

However, the treaty represents a developmental opportunity for agriculture, as well as the best and only option for sustaining the country's productive base and expanding its exportable output. To that end there are certain actions that are needed in the farm sector for attending to the challenges of such a focus. Agricultural diversification is one of the most important political areas for which MAGA has proposed a "Program of Productive Diversification and Reconversion" as a viable alternative geared toward consolidating the increase in exportable supply through improving infrastructure and achieving highly competitive quality, sanitary and phytosanitary standards.

Objectives:

A general objective of the Program is to develop new productive options for the agricultural chain with broad economic and social impact and that are based on demand and market regulation while promoting the modernization and competitiveness of the sector in a sustainable manner.

Specific objectives:

1. Consolidate and broaden the exportable supply of raw materials, as well as sub-agricultural products and processed and unprocessed products, satisfying the demands and quality, volume and pricing standards of the United States of America as a way to better successfully.
2. Promote the access to the United States market of farm products (current and potential) through bilateral accords.
3. Strengthen market information systems between public and private entities for the exchange of information about products of interest with the United States.
4. Strengthen information systems between public and private entities regarding sanitary and phytosanitary norms as well as those that apply to the quality and handling of agrochemicals.
5. Strengthen institutional capabilities for applying agreements on sanitary and phytosanitary measures in keeping with existing programmes such as the Integral Program for Agricultural and Environmental Protection on unprocessed products and the Health Ministry's Inspection System for processed products.
6. Establish technical assistance and human resource training programmes for the public and private sectors in the following fields: production fields, processing plants, packaging plants, laboratories, knowledge of and the handling of agrochemicals, sanitary

and phytosanitary norms, the quality of products chosen by the program, and business management.

Components and Activities:

A. Determining exportable supply

1. Implementation of a strategic information system for agro-businesses that can reinforce the competitive capacity of agribusinesses and agro-industries
2. Support improved competitiveness in priority agro-productive commercial chains through the Councils of Agricultural and Animal Production.
3. Export promotion

B. Normative compliance

1. Institutional strengthening of national inspection systems for fresh and processed products
2. Strengthening the technical competitiveness of laboratories
3. Good farm and manufacturing practices on the level of farm production and export with emphasis on source of origin.
4. Development of admissibility rules for new farm products in order to better facilitate the development of the country's competitive capacity for non traditional products
5. Draw up a nation inventory of major infestation and disease quarantines affecting exports of farm and non traditional products
6. Implementation of a program for developing good manufacturing practices Good practices in the food industry
7. Implementation and certification of the HACCP (Hazard Analysis and Critical Control Points) system in the food industry
8. ISO 14000 environmental management
9. Cleaner production: (P+L for its Spanish abbreviation)
10. Implementation of the ISO 9001:2000 quality management system

C. Infrastructure

Acquire the infrastructure needed to properly respond to the following activities:

1. Production and propagation of certified vegetative material for establishing commercial planting
2. Set up and equip collection centers
3. Build Construction de treatment plants for unprocessed products facing quarantine restrictions
4. Irrigation systems in order to incorporate new areas and communities into precision agriculture activities.

D. Investment viability

This component seeks to support the search for responses to challenges on the level of financing, risk management and technical assistance posed by MAGA in the Farm and Sectorial Policy 2004 – 2007. In April 2005, the *Guate – Invierte* financial services instrument was launched as a rural investment fund aimed at:

- Provide access to credit in rural areas.
- Provide liquid capital with which to back credit issued by financial institutions to farm producers, and providers of tourism, commerce and other services.
- Lower the investment risks faced by small-scale rural producers.
- Incorporate owners of informal businesses into the formal sector of the economy
- Support the development of productive chains.
- Assist organized economic groups.
- Generate a culture of using farm insurance.

This is a public trust with an initial capital of 150 million quetzals, resources exclusively drawn from public funds that were reassigned from other programmes, and which are now being channeled toward providing four basic services to rural producers and/or private investors interested in the countryside:

- a. Liquid guarantees in the participating parts of the national financial system;
- b. Farm insurance incentives, helping with up to 70% of premiums;
- c. Financial incentives (interest rate support) for investing in long maturity projects, and
- d. De technical assistance and pre-investment, outsourcing farm extension services specializing in providing support to formulating and monitoring productive projects for access to credit.

E. Technical Assistance and Training

Strengthening the technical abilities of public and private sector personnel involved in the following activities: farm production, product processing or transformation, sanitary and phytosanitary measures, product presentation and packaging, and the study of entrepreneurship, agro-industry and environmental impact.

F. Creation of a second bi-lingual (Spanish-Q'eqchi) Mayan Indigenous Community School of Tourism for the Verapaces region (replicating the experience of the Indigenous Community School of Tourism for Indigenous Mayans developed by Ak'Tenamit, a non-profit international development organization working to reduce poverty in Eastern Guatemala).

- a. Reproduce in the Verapaces region the success of the model of the Community School of Tourism, using the practical schoolroom system used at the aforementioned school in Izabal, Guatemala, managed by Ak'Tenamit.
- b. Build and furnish the Community School of Tourism in the Verapaces region, which should include: a) student dormitory facilities; b) a sanitary services module, c) gardens, demo farm plots, and recreational facilities; d) a theoretical classroom module; and, e) a practical classroom unit, complete with a student-managed restaurant and fair-price store).
- c. Establish a structure for the organization, design, and approval of curriculum guides to be used at the school and which employ methodologies that are most appropriate for the rural Mayan communities of the region.

G. Institutional Strengthening of the Guatemalan National Federation of Community Tourism (FENATECGUA)

- a. Encourage and strengthen the leadership of FENATACGUA through its actions and dedication to coordinating, integrating and regulating efforts aimed at developing community tourism in an inclusive and sustainable manner with respect for the needs and major interests of its members with an eye toward community development.
- b. Build a permanent staff of professional and motivated individuals with the necessary training for fulfilling their tasks, responsibilities and the application and centralization of their functions.
- c. Design strategic planning and a logical framework for the long-term and self-sustainable work of FENATUCGUA.
- d. Have the infrastructure and resources needed to implement the four Strengthening Program projects: a) implementation of decentralized management; b) analysis of the targeted areas and community organizations; c) establish contacts, exchanges and strategic alliances on both the regional and national levels; and, d) future planning and deliver results.