

MANAGEMENT AND IMPLEMENTATION	
13. Type of financing⁵	Direct management through: <ul style="list-style-type: none"> - Grants - Procurement Indirect management with Guatemala

1.2. Summary of the Action

At the outset of the COVID-19 pandemic in 2020, Guatemala faced complex challenges related to the sanitary crisis, which had a negative impact on the living conditions of most citizens, particularly the most vulnerable. This was aggravated late in the year by natural climatic events (i.e., tropical storms ETA and IOTA), which heavily affected rural communities in some of the poorest areas of the country. The government has had difficulties delivering an effective response to the manifold problems and faces significant challenges to deliver on most of the SDGs. Nevertheless, in an international context of high uncertainty, Guatemala's macroeconomic fundamentals remain stable. In addition, Guatemala faces significant employment challenges. As evidenced by the latest National Survey on Employment and Income, the country's main issue is not unemployment (only 2.5%⁶) but rather the high level of informal employment and the poor quality of employment. In fact, 70.2% of people work in the informal sector, particularly in rural areas where 83.7% of the workforce carries out informal productive activities. Moreover, there is a significant gender dimension to employment, with the ratio of female-to-male labour force participation rate standing at 47%.

In order to address this problem, the EU has been actively engaged in employment related projects. In fact, as a result of the successful implementation of previous programmes, notably the "Youth Employment Programme - DCI-ALA/2011/023-514" and the ongoing "Support to Decent Employment in Guatemala Programme - LA/2018/40889" (also known as Decent Employment Programme), which builds upon the achievements of the former, the EU is recognised as a key partner in the promotion of decent employment in Guatemala. Actually, the National Policy for Decent Employment 2017 – 2032 (*Política Nacional de Empleo Digno – PNED* -) that the Youth Employment programme contributed to develop and whose implementation the Decent Employment Programme is currently supporting, has become the public policy that has transcended governments that guides and channels efforts by the main stakeholders aiming to improve employment conditions in the country. Regarding the Decent Employment Programme, it is important to point out that it was financed by the previous MIP for Guatemala (2013-2020) with an EU contribution of € 15 million. The financing agreement was signed by Guatemala on December 12th 2019 and came into effect that same day. Its implementation period ends in December 2024.

The EU is committed to supporting Guatemala's efforts to drive an economic recovery and tackle the significant employment challenges the country is facing in a post-COVID context. Specifically, for this purpose, **the EU proposes this action, which is a €15 million top-up to the ongoing "Support to Decent Employment in Guatemala Programme" (LA/2019/040-889).** The proposed action aims to contribute to priority area 2) Sustainable and inclusive growth of the MIP 2021-2027. Specifically, it will contribute to reaching Specific Objective 2: Guatemala has a conducive business environment that support entrepreneurship and the competitiveness of micro, small and medium sized enterprises (MSMEs), in particular in the green, blue and circular economies for the generation of decent employment opportunities. Regarding expected results per specific objective, it will contribute to achieving Result 2.3: Labour market access for youth, women, returning migrants, persons with disabilities and indigenous population is improved. Moreover, the action will continue to support the implementation of the PNED. This policy is aligned with the the National Development Plan "*Plan Nacional de Desarrollo K'atun: Nuestra Guatemala 2032*", the Government's General Policy 2020-2024 and other relevant public policies. Furthermore, it is in line with the New European Consensus on Development (2017), which reiterates the European Union's commitment to poverty reduction and inclusive and sustainable growth with regard to Agenda 2030, with a strong emphasis on human development and employment policies to achieve this objective. It is also aligned with the EU Gender Action Plan III.

⁵ Art. 27 NDICI

⁶ in 2019. Source: *Encuesta Nacional de Empleo e Ingresos, Instituto Nacional de Estadística* (INE).