



GOBIERNO DE LA REPÚBLICA  
**GUATEMALA**



# Republic of Guatemala

## Sustainable Financing Framework Presentation

*July 2024*



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# Guatemala At-a-Glance

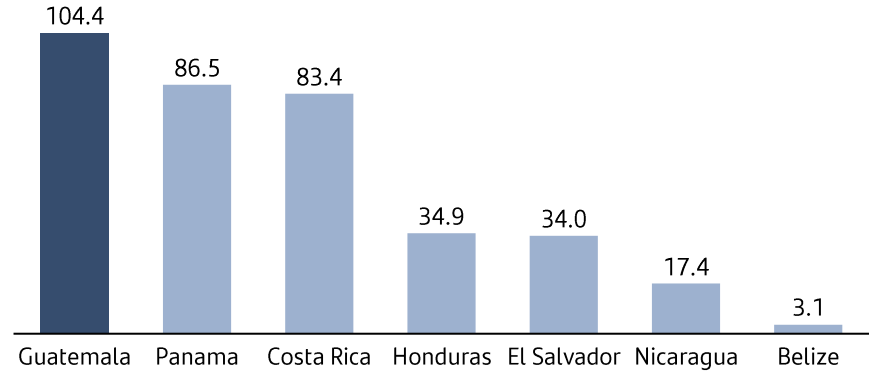
## Quick Recovery and Still One of the Strongest Growth Momentum in the Region



- Bordered by Mexico to the northwest, Belize to the northeast, Honduras to the east and El Salvador to the southeast
- 42,042 square miles (108,889 square kilometers).
- Estimated population of 17.8 mm in 2024

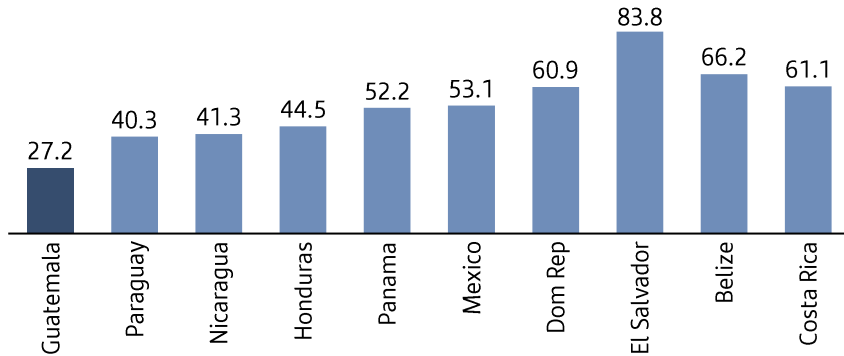
### Largest Economy in Central America

(GDP 2023 YE USD Billions)



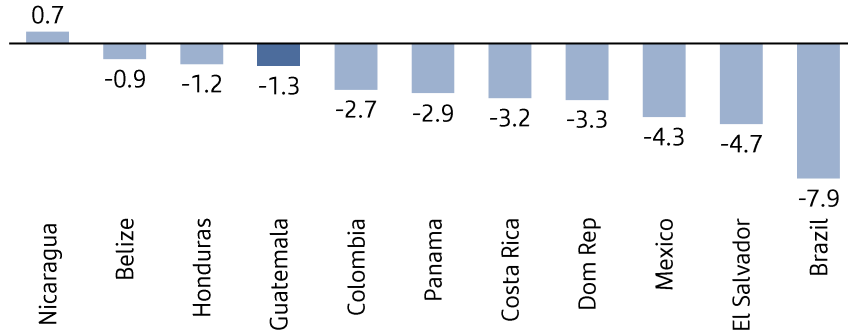
### Lowest Leverage Among Peers

Public Sector Debt (% of GDP) as of December 31, 2023



### ...and One of the Lowest Fiscal Deficits in the Region

Fiscal Deficit as of December 31, 2023



# Key Environmental & Social Policies of Guatemala

Guatemala has created a Sustainability Financing Framework to support environmental and social expenditures aimed at accelerating broader investment in the transition to a more sustainable future

## Climate Change Policy

- Creation of a National Climate Change Policy
- Signature of the Paris Agreement in April 2016 and ratification in January 2017
- Introduction of the Nationally Determined Contribution (NDC) within the framework of the Paris Agreement, committing to:



Target	Unconditional	Conditional
GHG (vs BAU)	-11.2% by 2030	-22.6% by 2030
Non-GHG	80% of clean energy by 2030	-

- The Government also supported the National Low Carbon Development Strategy, developed with the support of USAID, as an official roadmap for climate change mitigation in the country
- The development of Early Warning Systems

\*Guatemala accounts for 0.08% of global GHG emissions

## Development Policy

- Creation of a National Development Plan K'atun 2032, including the following priorities:



### Social

- Provide social protection as a mechanism for individual and social development
- Guarantee food and nutritional security, especially boys and girls under five years old
- Reduce maternal, infant and child mortality
- Reduce general morbidity and mortality
- Develop comprehensive sexual and reproductive health
- Guarantee the coverage and quality of education
- Reduce illiteracy, with emphasis on the population between 15 and 24 years old

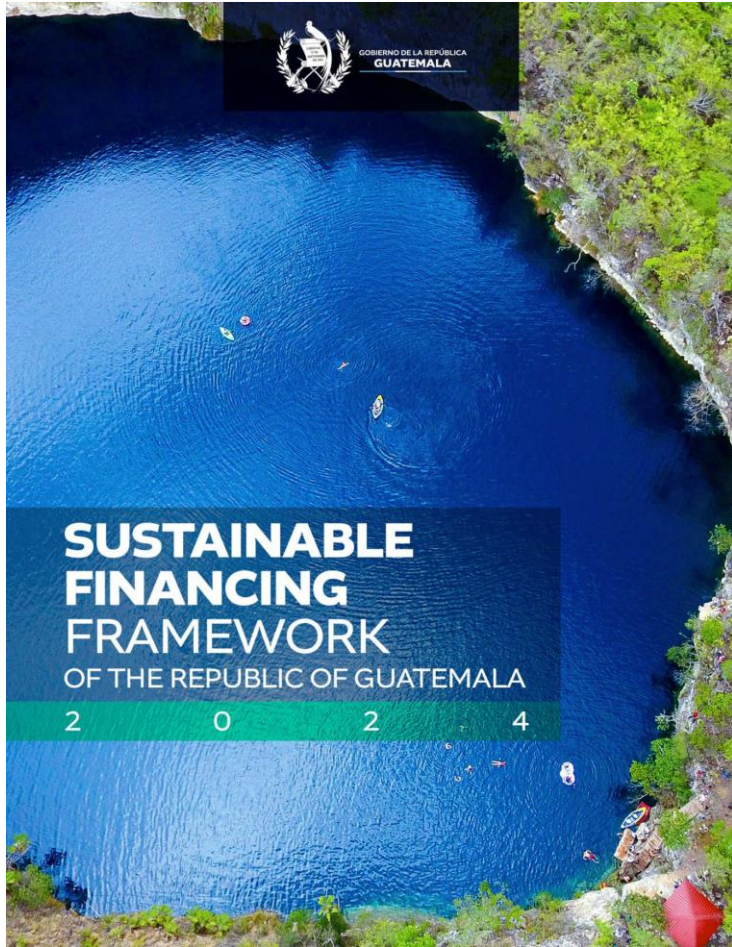
### Environmental

- Climate change adaptation and mitigation
- Conservation and sustainable use of forests and biodiversity for climate change adaptation and mitigation
- Sustainable management of water resources to achieve social, economic and environmental objectives
- Increase in the participation of renewable energy in the energy matrix, considering citizen participation and culture, ethnicity and age



# Overview of Guatemala's Sustainable Financing Framework

The framework establishes guidelines for an issuer of sustainable bonds



The Framework and Second Party Opinion are available on the Ministry of Public Finance website

- Green, social and sustainability instruments are expected to allow the country to capture funds to finance or refinance, in whole or in part, budgetary expenditures that generate positive environmental and/or social impacts based on the strategy for the fulfillment of the UN SDGs
- The Republic intends to allocate an amount equal to the net proceeds of any green, social and sustainability instrument to eligible green and/or social expenditures which promote sustainability and contribute to climate change mitigation, conservation of natural resources and/or to social development



## Alignment with Market Principles



The Framework follows internationally accepted voluntary best practice guidelines for transparency, disclosure and integrity:

- ✓ ICMA Green Bond Principles, 2021 (GBP)
- ✓ ICMA Social Bond Principles, 2023 (SBP)
- ✓ ICMA Sustainability Bond Guidelines, 2021 (SBG)
- ✓ LSTA/LMA/APLMA Green Loan Principles, 2023 (GLP)
- ✓ LSTA/LMA/APLMA Social Loan Principles, 2023 (SLP)



Guatemala has obtained a Second Party Opinion from Moody's

# Eligible Green & Social Expenditures in the Framework



## Eligible categories in line with the Principles and UN SDGs

- A maximum look-back period of 3 years will be applied from the date of issuance of the instruments for eligible expenditures originated through operating expenses (OpEx); and such limitation will not apply to those carried out through capital expenditures (CapEx), which will be communicated prior to each issuance where possible
- The full allocation of SFI net proceeds will be finalized, to the extent possible, within the second calendar year following the issuance of the instruments

### Eligible Green Expenditures



Renewable energy



Clean transportation



Green buildings



Sustainable water and wastewater management



Terrestrial and aquatic biodiversity conservation



Climate change adaptation



Sustainable management of living natural resources and land use

### Eligible Social Expenditures



Food security and sustainable food systems



Affordable housing



Access to essential services



Employment generation

Eligible Social Expenditures seek to achieve positive social outcomes in Guatemala, especially, but not exclusively, for the following target population:



Living below the poverty line



Underserved population



Population with low educational level



Unemployed people



Indigenous peoples



MSMEs

# Responsibilities of the Ministry of Public Finance (MINFIN)



The MINFIN will evaluate and select projects, allocate an amount equal to net proceeds to Eligible Expenditures and report its allocation and impact

## Ministry of Public Finance (MINFIN)

### Process for Project Evaluation & Selection

*Oversees the process of evaluating and selecting expenditures that meet the eligibility criteria*

- Incorporates government process for evaluation of public investment projects, which includes environmental components, adaptation to climate change and risk related to natural disasters
- Reviews, at least annually, Eligible Expenditures and uses financial and risk-based metrics, as well as the impact that expenditures will have on various ESG metrics, to determine the amount of available proceeds that should be allocated to each category
- Removes Eligible Expenditures that no longer meet the eligibility criteria and replacing them with new ones as soon as possible (ideally within a 12-month period)

Support from various Offices and Ministries

### Management of Proceeds

*Allocates an amount equivalent to the net proceeds of the instruments to Eligible Expenditures*

- The net proceeds of any issuance will be transferred to the general accounts of the Republic
- While instruments are pending allocation, the Republic's internal records will show an amount at least equal to the net proceeds outstanding while their allocation to Eligible Expenditures is completed
- Unallocated proceeds, if any, will be temporarily held as cash or cash equivalents in accordance with Public Credit Office policies, until allocated to Eligible Expenditures

National Treasury

### Reporting & External Review

*Publishes annual reports starting the calendar year after the issuance until full allocation*

#### Allocation

- The total amount expenditures allocated to Eligible Expenditures, by category
- The share allocated to new and existing Eligible Expenditures;
- The amount pending allocation, if any
- A complete summary list of current instrument-funded Eligible Expenditures

#### Impact

- A qualitative description of Eligible Expenditures allocated to instruments;
- The intended impact of the Eligible Expenditure allocated to the relevant instruments, in accordance with the indicative impact metrics
- Information on the methodology and assumptions used to calculate and evaluate the impacts of Eligible Expenditures, if applicable

External Verification of Allocation Report

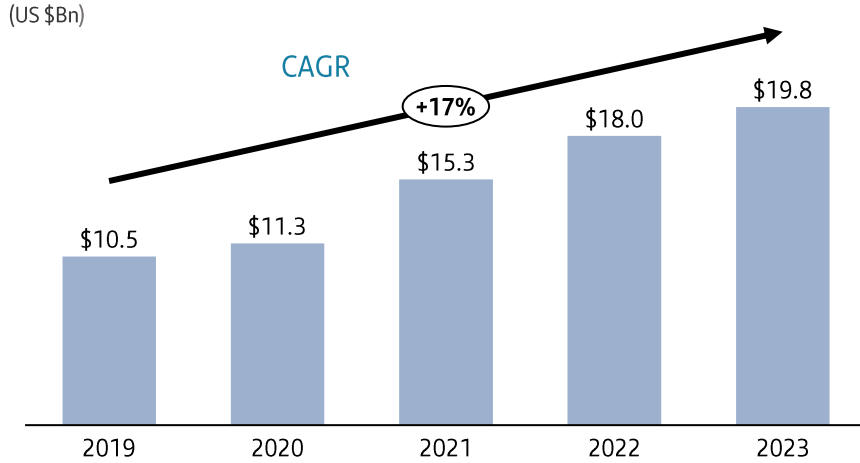


# Appendix

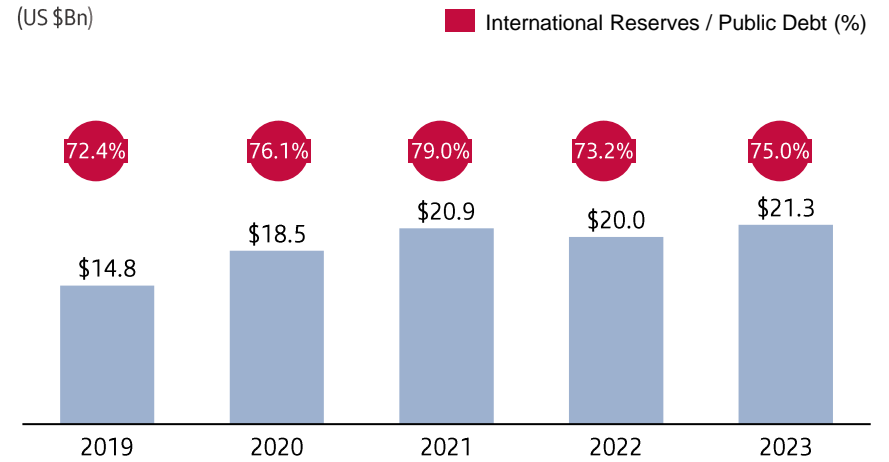


# Solid Economic Fundamentals and Growth

## Workers' Remittances Remain a Strong Driver of Growth

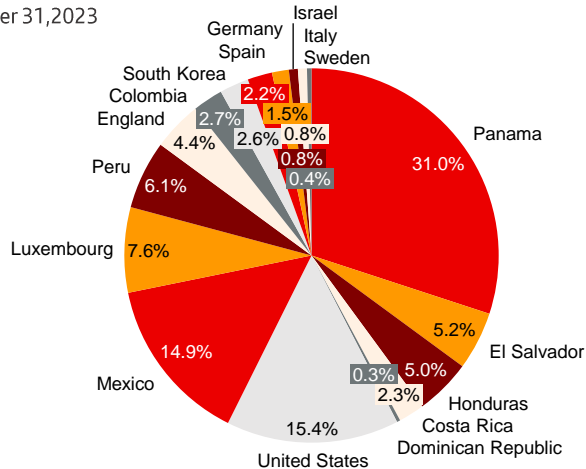


## ..and Strong Net International Reserves

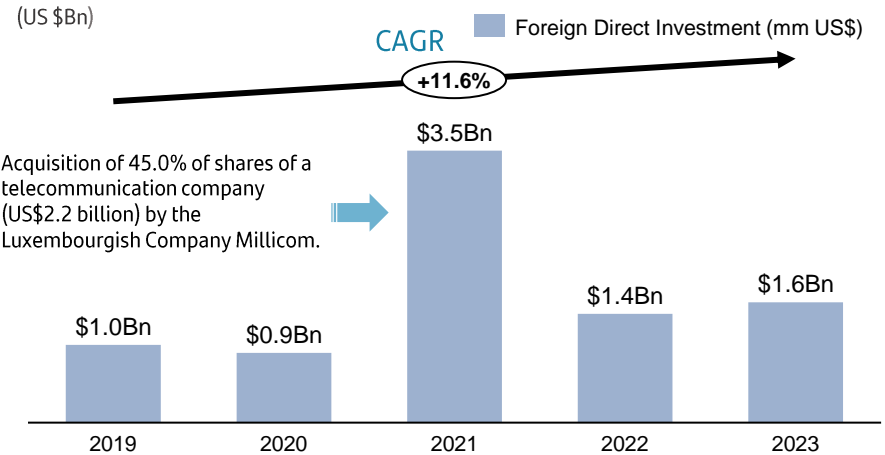


## Consistent Foreign Direct Investment

As of December 31, 2023



## Stable Foreign Direct Investment

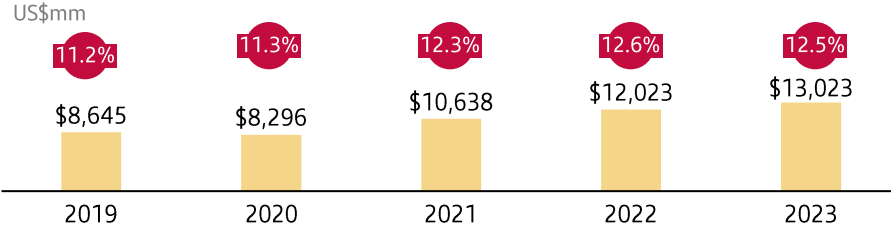


Sources: Guatemala: Bank of Guatemala, Ministry of Public Finance, Non-U.S. dollar amounts are translated to U.S. dollars at the official exchange rate for each year-end date

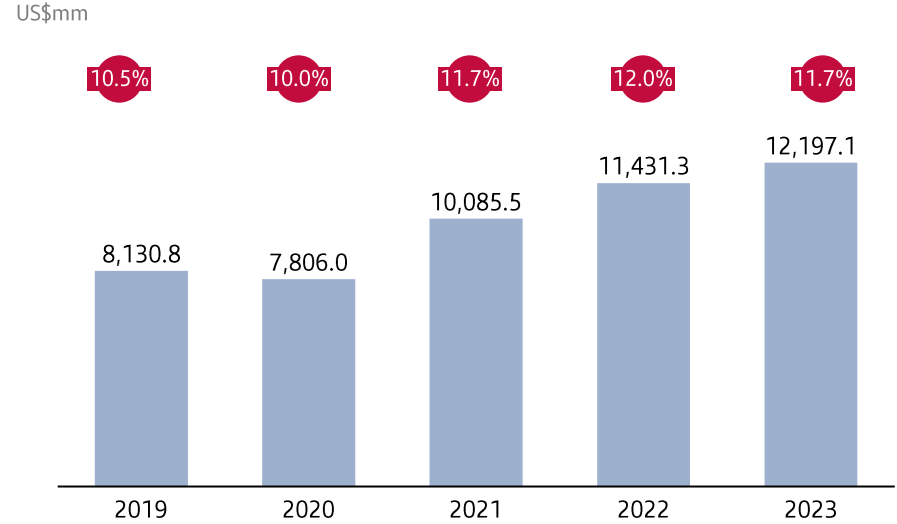
# Disciplined Fiscal Policy and Increasing Collections have Reduced the Historical Deficit



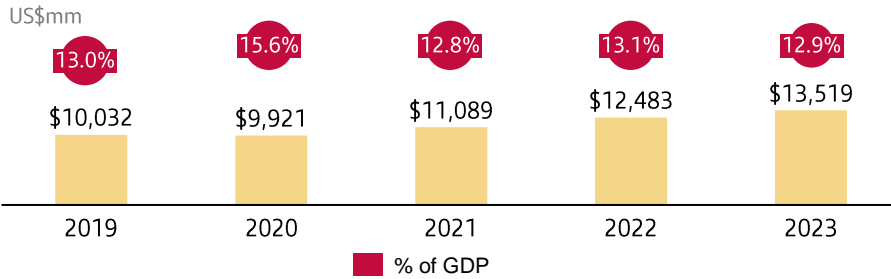
## Government Fiscal Revenues



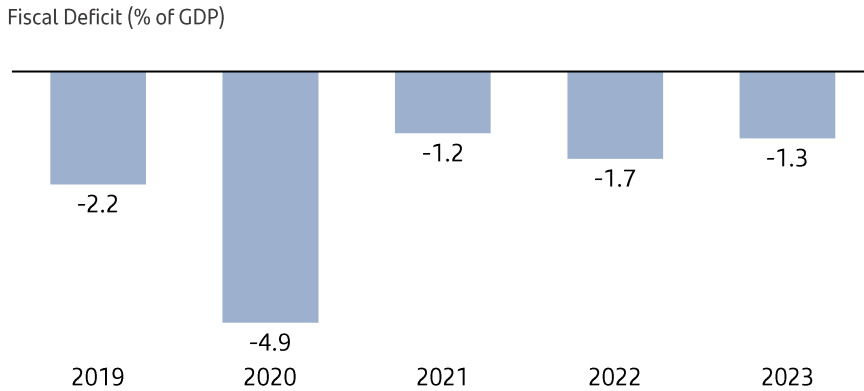
## Improving Tax Collections



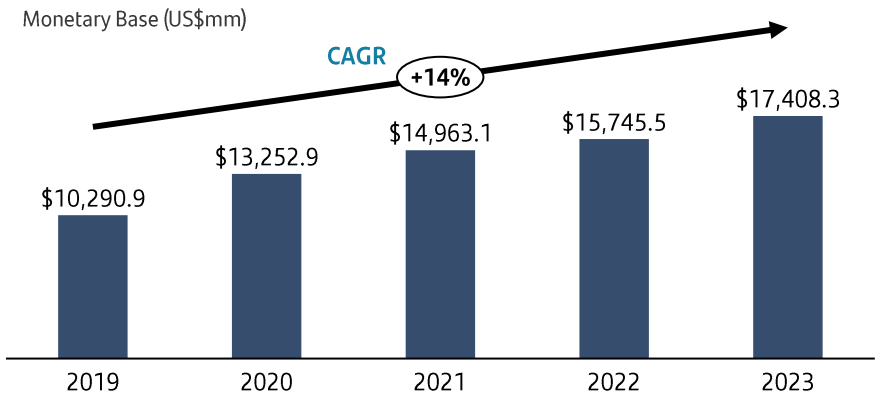
## Total Public Expenditure



## ... Continuing with Narrow Fiscal Deficit...



## While Expanding the Monetary Base

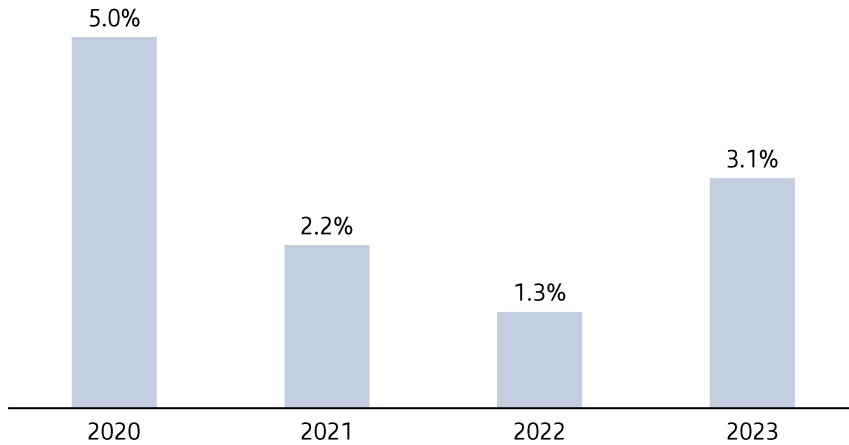


# Guatemala's Sound Monetary and Exchange Rate Policy



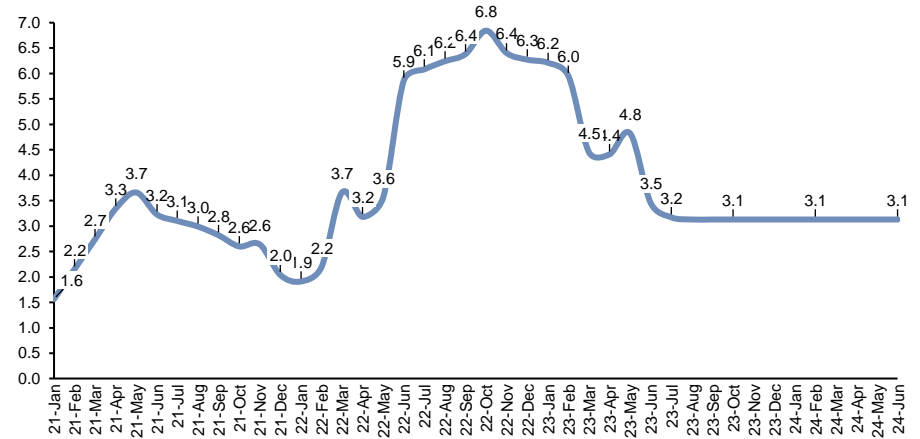
## Maintaining Current Account Surplus

Current account surplus (% of GDP)



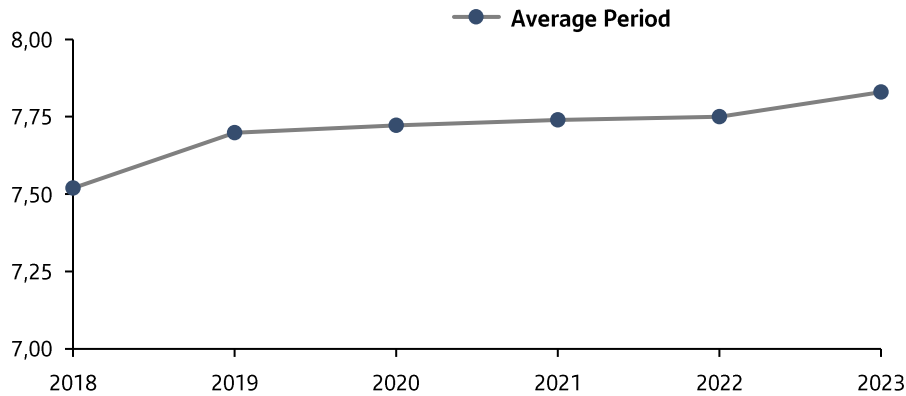
## Inflationary Pressures are Stabilizing

Monthly Inflation Rate (% change in CPI)



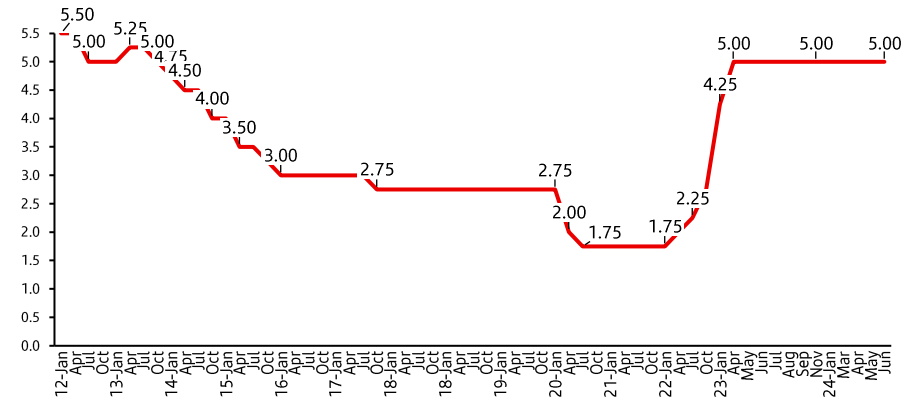
## Stable Foreign Exchange Rate

Exchange rates (Q per US\$1.00)



## Conservative Monetary Policy to Curb Inflation

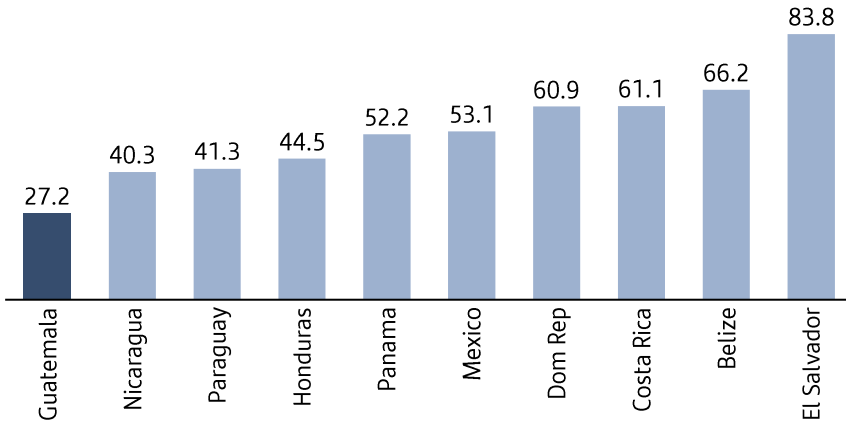
Nominal Monetary Policy Leading Rate (%)



# Guatemala Maintains a Conservative Debt Profile

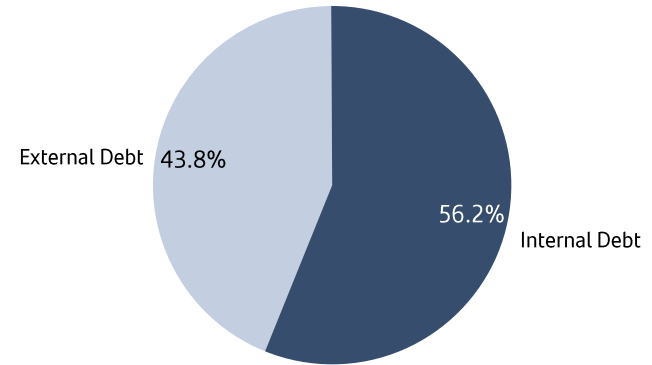
## One of the Lowest Debt to GDP ratios in the Region

Public Debt (2023, % of GDP)



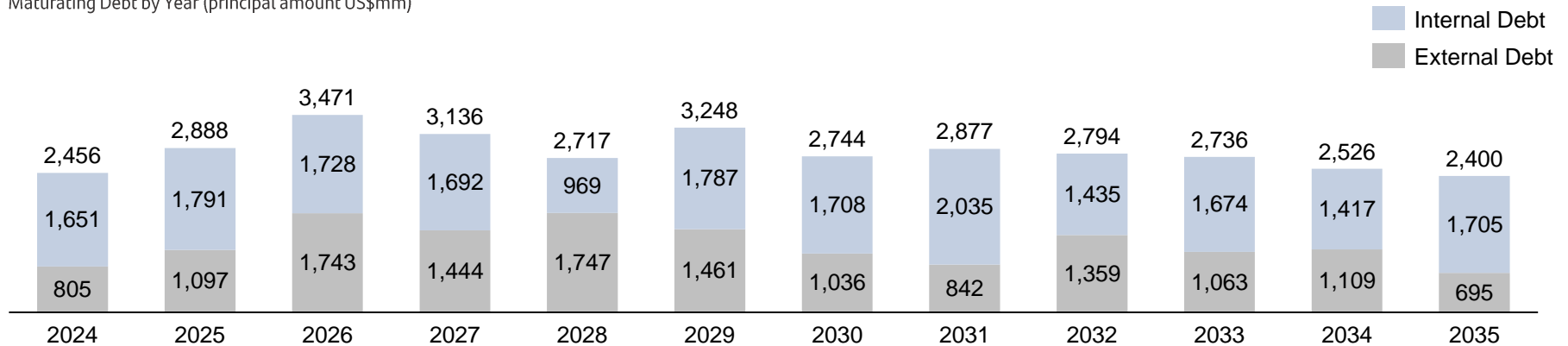
## With Balanced Debt Composition

Public Sector Debt Breakdown by Currency (December 31, 2023)



## Prudent Maturity Profile...

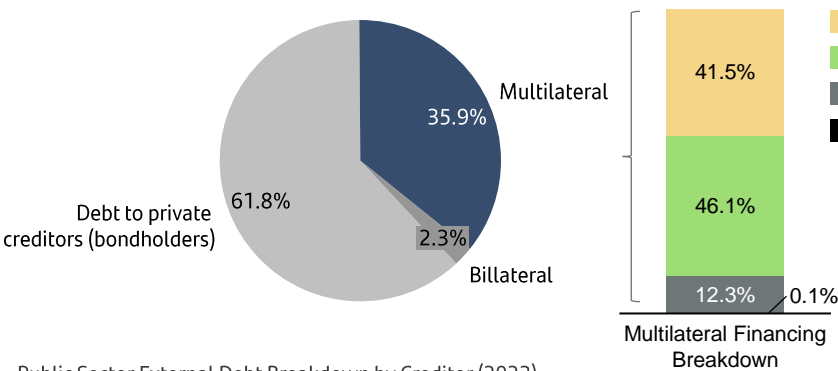
Maturing Debt by Year (principal amount US\$mm)



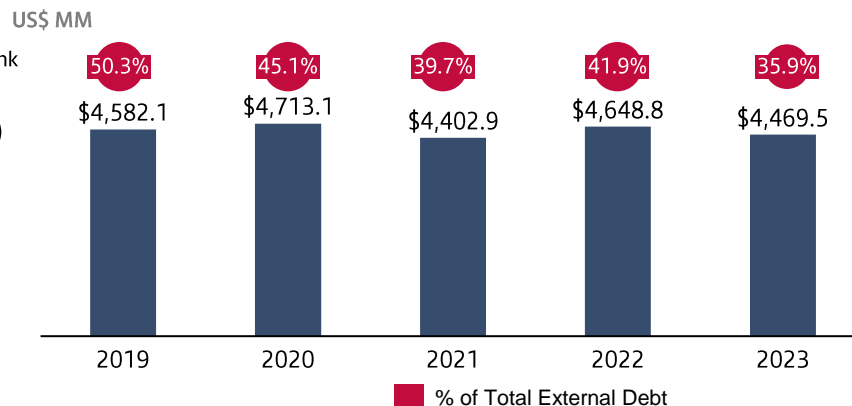
# Guatemala Retains its Close Relationship with Multilaterals, the FMI and the United States



Main Multilateral Agencies has Constantly Supported the Country. As of December 31, 2023, 35.9% of Guatemala's Total External Debt was with Multilateral Institutions



## Multilateral Support During the last Five Years



## Close Relationship with the United States

- In June 2022, the Vice President of the United States, Kamala Harris, announced the new U.S. government initiatives and investment commitments from the private sector for the Northern Triangle of Central America
- That announcement included a new commitment with private companies to invest more than 1.9 billion dollars in Guatemala, Honduras and El Salvador, the creation of a Central American Service Corps (CASC) and an initiative to further empower the women of the Northern Triangle and the western hemisphere
- In January 2024, President elect President-elect Bernardo Arévalo formed a new government, and held meetings with the Administrator of the United States Agency for International Development (USAID), Ms. Samantha Power
- In March 2024, Vice President Kamala Harris, after meeting with President Arévalo, announced that the United States intended to provide US\$170 million for development, economic, health and security assistance for Guatemala, subject to Congressional notification, including a planned USAID investment of US\$135 million
- On March 18, 2024, the High-Level Economic Dialogue (HLED) between the United States of America and the Republic of Guatemala was held in Guatemala City, with the purpose of strengthening the bilateral relation and to stimulate sustainable, inclusive and equitable economic growth, that accelerates the creation of jobs

(1) Others: International Fund for Agricultural Development, Organization of Petroleum Exporting Countries  
Sources: Guatemala: Ministry of Public Finance, Bank of Guatemala. Other countries: IMF, World Economic Outlook Database