

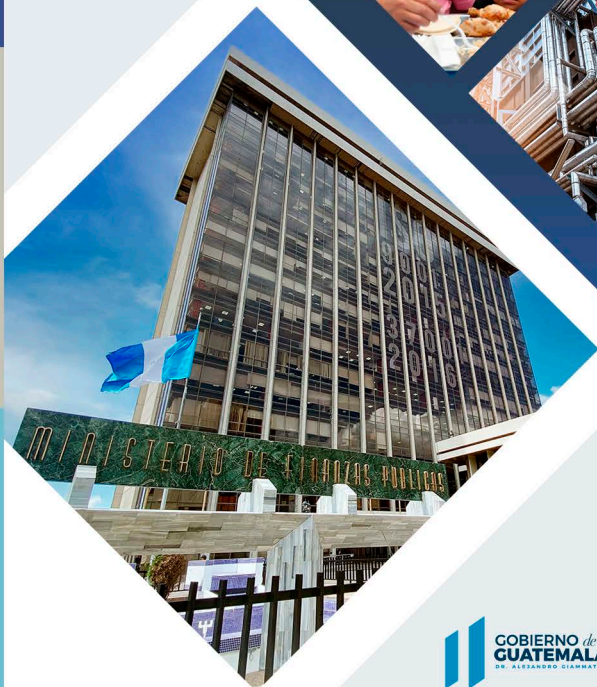


Summary of the Proposed

# General Budget

of Revenues and Expenses of the Republic

for the Fiscal Year 2024



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## Introduction

For the right structuring in the role of the administrative application of the Government, more dynamic and modern processes are carried out every day, which are developed under a series of tasks that culminates with the Project of the Government's Budget for the Fiscal Year 2023, therefore it has been formulated on the basis of a policy of prudent management of public indebtedness, the effective performance of tax collection and sound macroeconomic stability.

The Republic's budget is an instrument for optimizing the distribution of resources among various public entities and programs, with the aim of contributing to the improvement of living conditions of Guatemalans, managing collective efforts and achieving better results.

Due to the foregoing, we show in this brochure a summary of the work completed emphasizing the budget balance between revenues and expenditures, as well as the attention to the main areas of investment and expenditure, which reflects the commitment of the Government of Guatemala to maintain a liable financial administration and focused in the sustainable development of the country, hoping to be useful for the reader's analysis.

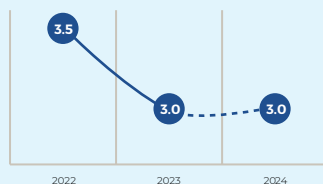
# SUMMARY OF THE PROPOSED GENERAL BUDGET of Revenues and Expenses of the Republic for the Fiscal Year 2024

World economy continues to recover gradually, however, Russian invasion to Ukraine and the increased in interest rates due to inflationary pressures, have had, as a result, a decrease in world economic growth on the part of the main international organizations, as in the case with the International Monetary Fund (IMF) who has adjusted its forecasts; after an increase of 3.5% in 2022, it is foreseen that economy experiences a decrease to 3.0% in both 2023 and 2024.

## Economic Growth period 2022-2024

(In percentages)

### World Economy



Source: Own preparation based on IMF data (July 2023).

The deceleration is focused in advanced economies, in which, according to the IMF, growth will decrease from 2.7% in 2022 to 1.5% this year, and will remain at a moderate level of 1.4% next year. In this context, economic activity in the United States of America would register by 2023 an increase of 1.8% and a slight contraction by 2024 by reaching 1.0%. The Eurozone will experience an upward trend in 2023, as ac-

ording to the Central European Bank the projection of economic growth will be 0.9% and 1.5% by 2024, in a context of deceleration of energy prices and improvements in supply chains.

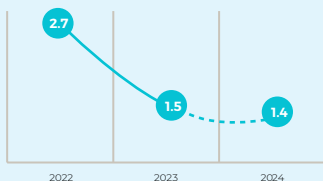
In Latin America, economic growth slowed, as a result of a lower external demand and restrictions on public expense monetary policies, so according to projections of the IMF will decelerate up to 1.9% in 2023, followed by a recovery scenario by reaching a growth of 2.2% in 2024.

In all Central American countries, despite the less favorable environment, the economic activity would expand 3.6% in 2023 and 3.8% in 2024, as a result of the increase in domestic demand, particularly in private consumption, largely helped by the sustained growth of family remittances, mainly in Guatemala, El Salvador and Honduras. This behavior is driven by the upward trend of the external sector, facilitated in part by the positive effect of the decrease in the cost of food and fuel imports.

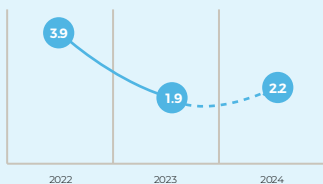
### Economic Growth period 2022-2024

(In percentages)

#### Advance Economies



#### Latin America



Source: Own preparation based on IMF data (July 2023)

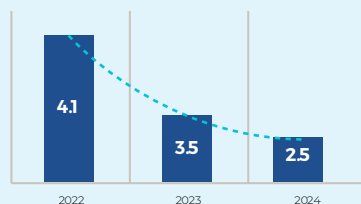
Another economic indicator that is decisive for analyzing economic expectations is inflation, that is, the behavior of the consumer price index that affects the population directly. Currently, inflationary pressures are diminishing in many countries through immediate and decisive actions of central banks and the decline in world food and energy prices, in the face of the downward trend in oil prices and the extension of production cutbacks by the Organization of the Petroleum Exporting Countries and other important products (OPEC+), as well as the reduction of the supply coming from Russia in response to sanctions imposed on its crude exports. Thereon, the IMF projects that in 2023 world inflation will reach 6.8% and 5.2% in 2024, with European countries recording the lowest levels.

On the domestic scenario, according to the amounts from the Bank of Guatemala (Banguat, its initials in Spanish), economic momentum is expected to be maintained by the resilience of the country to adapt to new circumstances, so economic activity is expected to return to its long-term growth of 3.5%, although given the uncertainty existing in the international field particularly, a range of growth is expected between 2.5% and 4.5%; also, by 2024 the same average growth is expected to be maintained as by 2023.

## Macroeconomic variables of Guatemala 2022-2024

(figures in percentages)

### Gross Domestic Product -GDP-



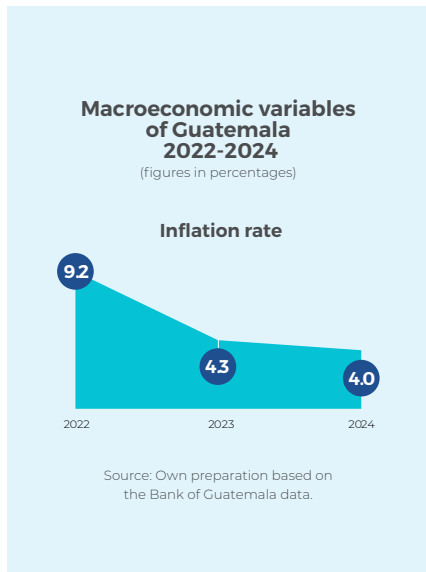
Source: Own preparation based on the Bank of Guatemala data.

In relation to the external sector, the Central Bank projects by 2023 a recovery in exports, registering a growth rate of 4.5% and 4.0% in 2024, influenced by the expected demand for domestic products by the country's major trading partners. In the case of imports, it is projected to grow 6.5% in 2023 and 6.0% the following year, as a result of favorable prospects in the demand of goods earmarked for final consumption, intermediate consumption and investment. Additionally, the good performance in foreign exchange income from family remittances is consistent with the expected behavior in the country's economic activity, so accor-

ding to the Monetary Authority by 2023 these will stand at US\$19,393 million an increase of 7.5% compared to 2022 and by 2024 they estimate an increase of US\$1,164 million, reaching an amount of US\$20,557 million, equal to an increase of 6.0%.

Inflation in Guatemala, contrary to what was observed in most countries worldwide, has shown a decreasing trend, which will contribute to a total inflation rate of 4.3% by December 2023 and 4.0% by December 2024, both forecasts within the margin of tolerance determined by the monetary authority.

In fact, at the 2023 Article IV Consultation with Guatemala, the IMF assessed positively the country's macroeconomic performance and outlooks, despite the less favorable external environment, while major sovereign rating companies improved the country's credit rating, derived from the resilience of the economy to internal and external



shocks, good economic and fiscal performance, advances in business climate and attracting investment, as well as the strengthening of external sustainability metrics.

The description of the economy in Guatemala, with a prudent policy of managing public debt and sound macroeconomic stability, has established the foundations for the preparation of the nation's budget. According to macroeconomic forecasts of the Bank of Guatemala and the estimate of tax collection made by the Superintendencia of Tax Administration (SAT, its initials in Spanish), the Proposed General Budget of Expenses for the Fiscal Year 2024 has been established as an instrument for optimizing the distribution of resources among various public entities and programs, with the aim of contributing to the improvement of living conditions of Guatemalans. The emphasis on the budget balance between revenues and expenses, as well as the attention to the main areas of investment and expenditure, which reflects the commitment of the Government of Guatemala to maintain a liable financial administration and focus on the sustainable development of the country.

The preparation of the Proposed General Budget of Revenues and Expenses of the Republic for the Fiscal Year 2024 has been carried out in compliance with current legal regulations and considering the planning guidelines and strategic guidelines. Instruments such as Results Management, the K'atun National Development Plan, the Sustainable Development Goals and the General Government Policy have been used to ensure more equitable development for the benefit of the population.

Thereon, the Proposed Budget totaled Q124,880.0 million, an increase of 5.7% as approved for the 2023 Fiscal Year. The revenues will come from tax collection (78.9%), with a projected increase of 14.2% over 2023. As well, it will be completed with resources of public credit operations (10.9%) and other non-tax revenues (10.2%).

Regarding tax revenues, a collection of Q98,533.3 million is foreseen, the Income Tax (ISR, its initials in Spanish) and the Value Added Tax (VAT, IVA its initials in Spanish) being the main taxpayers.

Also, due to the increase in tax revenues, an increase in the tax burden is estimated, so by 2024 it would position itself at 11.7%. In addition to the foregoing, actions will be implemented to improve collection, such as the use of Microsoft's Power BI board and verification of affiliation to the Electronic Billing regime. The non-tax, principal incomes and current transfers will together constitute 3.9% of the revenue budget, with social security contributions and sale of goods and services among the main components.



Financing will be obtained from a 17.2% from financial sources, including the issuance, trading and placement of treasury notes, usage of cash balance of previous financial period and fo-

rein loans, so a decrease is observed in dependence on domestic and external financing, it is projected a reduction in the acquisition of new debt by Q2,199.9 million compared to 2023, reaching an amount of Q13,672.0 million.

Under the principle of budget balance, the budget of expenses totaled Q124,880.0 million, of which 89.6% is focused in six institutions, among which Obligations of the State Treasury, Ministry of Education, Public Debt Service, Ministry of Health and Social Assistance, Ministry of the Interior and Ministry of Communication, Infrastructure and Housing.

In relation to the entity called Obligations of the State Treasury, in which the contributions that the Executive Branch makes to Decentralized and Autonomous Entities are transferred to give compliance with the Political Constitution of the Republic of Guatemala and other ordinary laws, an increase of 0.7% compared to the approved amount for 2023, equivalent to Q279.3 million, which complies with the contributions made to Municipalities, Departmental Development Councils, Universidad de San Carlos de Guatemala, among others.



## Budget of expenses per entity 2023 approved - 2024 recommended

(In millions of Quetzales and as percentages)

Entity	*2023 Approved	2024 Recommended	Percentage change	Percentage distribution
<b>Total</b>	<b>118,173,4</b>	<b>124,880,0</b>	<b>5,7</b>	<b>100</b>
Presidency of the Republic	205.0	200.0	-2.4	0.2
Ministry of Foreign Affairs	739.8	784.8	6.1	0.6
Ministry of the Interior	7,383.5	7,839.2	6.2	6.3
Ministry of National Defense	3,222.3	3,502.0	8.7	2.8
Ministry of Public Finance	397.0	404.7	1.9	0.3
Ministry of Education	22,254.4	23,050.6	3.6	18.5
Ministry of Health	12,053.4	12,555.1	4.2	10.1
Ministry of Labor	1,413.5	1,425.7	0.9	1.1
Ministry of Economy	497.0	504.8	1.6	0.4
Ministry of Agriculture	1,514.2	1,676.0	10.7	1.3
Ministry of Communications	6,990.1	6,580.0	-5.9	5.3
Ministry of Energy and Mines	242.7	101.0	-58.4	0.1
Ministry of Culture and Sports	672.7	720.6	7.1	0.6
Secretariats	1,434.4	1,452.3	1.2	1.2
Ministry of Environment	277.6	255.8	-7.9	0.2
Obligations	40,853.7	41,132.9	0.7	32.9
Public Debt Service	16,141.7	20,778.4	28.7	16.6
Ministry of Development	1,728.1	1,737.8	0.6	1.4
Attorney General's Office	152.3	178.3	17.0	0.1

Source: Sistema de Contabilidad Integrada -SICOIN-

Note: there may be differences by rounding.

\*Approved by Decree No. 54-2022 and its extensions to July 31, 2023 in accordance with articles 104, 113, 117, 121 and 129 thereof, and Decrees No. 01-2023, 05-2023 and 10-2023, all of them from the Congress of the Republic of Guatemala.

The Ministry of Education is the entity with the highest allocation within the expenditure budget, reaching Q23,050.6 million. Approximately, 73.1% of this amount is directed towards educational programs ranging from preschool education to high school education, including extracurricular education. The purpose of this allocation is to improve several indicators, a level of proficiency in reading of elementary school students, which is expected to be achieved by increasing the rate from 44.5% recorded in 2023 to 47.2% by 2028.

The entity of Public Debt Services has an allocation of Q20,778.4 million, which are distributed as follows Q14,025.7 million for interest payments, commissions and other expenses of the public debt services; Q4,278.7 million for amortization of loan with foreign governments and international bodies; and Q2,474.0 million are designated to cover the net deficiencies of the Bank of Guatemala for the accounting year 2022, pursuant to Decree No. 16-2002 of the Congress of the Republic of Guatemala, the Organic Law of the Bank of Guatemala, Article 9.

Likewise, the Ministry of Public Health and Social Assistance has Q12,555.1 million, distributed in five specific health programs, such as Recovery of Health; Health Promotion and Preventive Medicine; Prevention of Child Mortality and Chronic Malnutrition; Health Infrastructure; and, Prevention of Maternal and Neonatal Mortality.

The Ministry of the Interior has Q7,839.2 million, mainly for the National Civil Police and Penal System, including the construction of a service of the sentence center.

The Ministry of Communications, Infrastructure and Housing has an allocation of Q6,580.0 million, distributed 95.2% in six executing units, with emphasis on the construction, expansion, replacement and improvement of road infrastructure, whose allocation would be around 45.3% of the institutional budget, as well as the maintenance of the country's road network, having a yearly budget equivalent to 23.6% of the amount allocated to the Ministry.

The rest of the institutions represent the 10.4% of the total budget and outstanding allocations for the Ministry

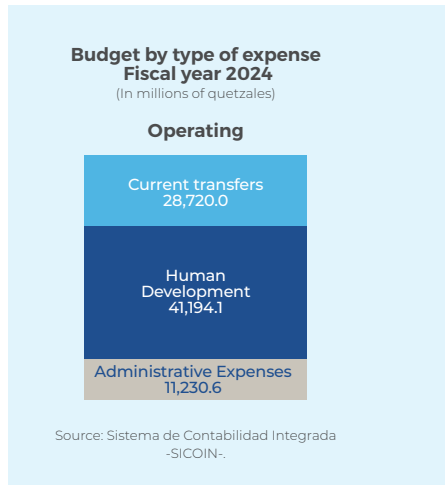
of Social Development with Q1,737.8 million, which includes the provision to comply with the Temporary Law of Integral Development; the Ministry of Agriculture, Livestock and Food with an amount of Q1,676.0 million, which includes assistance and food supply, support to family agriculture to strengthen the peasant economy, among others; the Secretariats and Other Executive Dependencies with Q1,452.3 million; and, the Ministry of Labor and Social Security, which included the financing for the Economic Contribution Program for the Elderly, which will have an allocation of Q1,175.3 million, complying with the provisions of the Decree No. 85-2005 and the expansion of authorized coverage through Decree No. 10-2023.

The other entities add together Q3,150.0 million. To summarize, the expenses budget by 2024 seeks to strengthen several areas and programs to improve the standard of living of Guatemalans.

It is important to mention that the expenses budget may be classified according to different types of expenses, which are grouped in three major categories: operation, investment and public debt.

Based on the above, the operating expenses include allocations that the entities use for their administrative or technical tasks, as well as those necessary for the production of goods or the provision of services to the population, and those aimed at improving the quality of human resource.

Thereon, the operating expenses included in the Proposed Budget for Fiscal Year 2024 totaled to the amount of Q81,144.8 million, equivalent to 65.0% of which Q11,230.6 million are used for administrative expenses; Q41,194.1 million to human development and Q28,720.0 million to current transfers.



Regarding public investment, this one is defined as the group of financial and technical resources used for the creation, updating, replacement, reconstruction and improvement of the country's capacity to produce goods and services.

In this regard, the investment may be classified into three expenses subtypes, these being physical investment, capital transfers and financial investments.

Under that context, the Proposed Budget for Fiscal Year 2024 previews allocations for Q22,956.8 million in investment, which represents 18.4% of the total budget, of which Q5,539.1 million are for physical investment, Q17,397.7 million for capital transfers and Q20.0 million for financial investment.

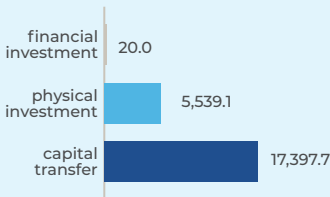
In which, 2,815 physical work projects distributed in different departments of Guatemala have been programmed, the amount totaled to Q8,583.7 million, of which Q4,660.0 million belong to project programmed by the Ministries of State; and Q3,923.7 million to the Departmental Councils of Urban and Rural Development (CODEDES, its initials in Spanish) granted by Capital Transfers through Obligations of the State Treasury.

It is important to emphasize that the Proposed Budget shows a prudent policy of management of the public indebtedness, by which for the payment of public debt, including interests, commissions and amortization of external loans and treasury notes an amount of Q20,778.4 million was allocated.

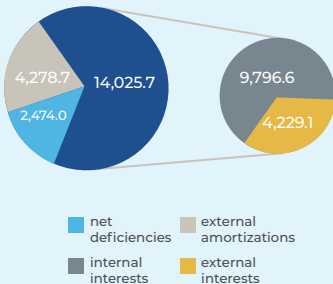
### Budget by type of expense Fiscal year 2024

(In Millions of quetzales)

#### Investment



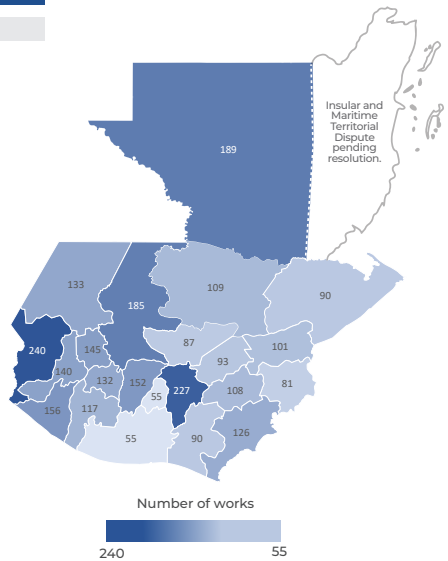
#### Public Debt



Source: Sistema de Contabilidad Integrada -SICOIN-.

**Draft Program of Physical Investment,  
Capital Transfers and Financial Investment 2024**  
Total Programming of Investment Projects by Department  
of the Ministries of State and CODEDES

Code	Description	Number of works
	<b>TOTAL</b>	<b>2,815</b>
01	GUATEMALA	227
02	EL PROGRESO	93
03	SACATEPÉQUEZ	55
04	CHIMALTENANGO	152
05	ESCUINTLA	55
06	SANTA ROSA	90
07	SOLOLÁ	132
08	TOTONICAPÁN	145
09	QUETZALTENANGO	140
10	SUCHITEPÉQUEZ	117
11	RETALHULEU	156
12	SAN MARCOS	240
13	HUEHUETENANGO	133
14	QUICHÉ	185
15	BAJA VERAPAZ	87
16	ALTA VERAPAZ	109
17	PETÉN	189
18	IZABAL	90
19	ZACAPA	101
20	CHIQUIMULA	81
21	JALAPA	108
22	JUTIAPA	126
30	MULTIREGIONAL	2
33	MULTIDEPARTAMENTAL REGIÓN III	1
34	MULTIDEPARTAMENTAL REGIÓN IV	1



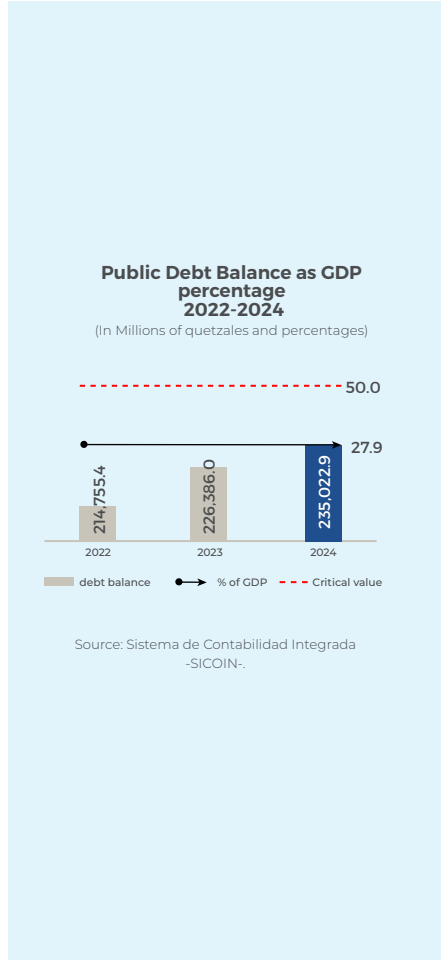
Notes:

1. The number of works includes those programmed by the Ministries of State and Departmental Development Councils.
2. The higher the color density per department, the higher the number of Programmed Investment Projects.
3. Multiregional and Multidepartmental are not displayed on the map.

Although an increase in the debt balance is foreseen, Guatemala remains the country with the lowest figure of Central America and the second one in America. The debt as percentage of GDP is estimated at 27.9% by 2024, showing a decrease over previous years.

Therefore, it is important to emphasize that Guatemala has been positively recognized by both the country risk rating agencies and the International Monetary Fund (IMF) due to its solid foundations and prudent management of economic policies. These improved grades are the result of the country's ability to face internal and external adversities, its macroeconomic stability and a good fiscal performance. In addition, the public debt stands out in relation to GDP (27.9%) and the budget outturn (deficit), which has a downward trend, estimated to reach 1.7% of GDP.

Generally, it can be seen that the efforts made have had a positive effect in the forecast of economic growth and stability in Guatemala, as well as sound management of public finances.



### Financial Standing of the Central Administration 2023 Approved - 2024 Recommended

(In millions of Quetzales and percentages)

Detail	*2023 Approved	2024 budget ceiling	% of GDP 2024
Total income	91,119.6	103,446.2	12.3
Current revenues	90,997.2	103,371.3	12.3
Taxes	86,247.6	98,533.3	11.7
Non-tax and donations	4,749.6	4,838.0	0.6
Capital revenues	122.4	74.9	0.01
Total public expenses	113,744.5	118,127.3	14.0
Operating and investment	102,031.6	104,101.6	12.3
Interests of Public Debt	11,712.9	14,025.7	1.7
Budget outturn (deficit)	(22,624.9)	(14,681.1)	(1.7)
Financing	22,624.9	14,681.1	1.7
Net External Financing	(1,277.6)	(1,193.9)	(0.1)
Net Domestic Financing	12,720.6	8,113.2	1.0
Variation of Cash and Banks	11,181.9	7,761.8	0.9
<b>GDP (scenario under Banguat)</b>			<b>843,097.9</b>
<b>Total budget expenses</b>	<b>118,173.4</b>	<b>124,880.0</b>	<b>14.8</b>
<b>Total budget revenues</b>	<b>118,173.4</b>	<b>124,880.0</b>	<b>14.8</b>

Source: Sistema de Contabilidad Integrada -SICOIN-

Note: there may be differences by rounding.

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Proposed General Budget of Revenues and Expenses of the Republic for the Fiscal Year 2024



Executive Summary



Draft Physical Investment, Capital Transfers and Financial Investment program

