



ECONOMIC GROWTH

GUATEMALA

USAID economic growth programs create jobs and boost incomes, improving living conditions for Guatemalans and reducing migration.

Lack of meaningful and sustained economic opportunity is the single largest driver of irregular migration from Guatemala. USAID/Guatemala’s economic growth programs are closely aligned with Pillar I of the Root Causes Strategy. USAID promotes economic development in Guatemala through partnerships with the private sector to strengthen small and growing businesses and supporting improvements to the business climate. USAID is addressing obstacles in access to finance and markets, including efforts in large-scale foreign direct investment with a focus on nearshoring, and facilitating the construction of productive infrastructure,

USAID works jointly with local organizations to develop market-led local solutions to development challenges and support sectors of the economy that have a high potential for job creation. USAID is fostering an ecosystem whereby over thousands of small and growing businesses can access critical business development services, leadership and business skills development, networking opportunities, and direct access to private sector value chains. As these businesses are a critical driver of job creation, supporting their increased success assists in directly deterring irregular migration.

In addition, USAID supports workforce development in the country and expands economic opportunities and access to vocational training for Guatemala’s youth and indigenous populations to

improve their livelihoods. By creating alliances directly with private sector companies, USAID targets training for jobs already identified, meeting market requirements and supporting local economic growth. Through this process of working directly with the market and have directly placed over eight thousand youth in meaningful employment.

In order to address underlying factors constraining broad-based economic growth, USAID activities align with key Government of Guatemala priorities in private sector investment and job creation through programs like *Guatemala No Se Detiene*, *Invest Guatemala*, and *Sello Blanco*.

CONTEXT AND CHALLENGES

In 2021, the gap between formal job creation and the number of youth entering the workforce was close to 500,000 forcing these young people to look for alternative employment in the informal sector or turn to irregular migration. The informal sector, which accounts for over 70 % of the economically active population (68% men and 75.7% women) in Guatemala is plagued with low productivity, low wages (\$300 a month on average), and poor competitiveness. Without access to economic opportunities at home, Guatemalans are migrating to other countries.

Guatemala's population is young and rapidly urbanizing, with 57% of the population living in urban areas and almost 70% under 35 years old. Much of Guatemala's workforce lacks sufficient education and training, access to financial services for small and growing businesses are limited, infrastructure connecting cities is outdated, and regulations inhibit investment. While agriculture is the most labor-intensive sector in the Guatemalan economy—employing 29.2%¹ percent of the population—it only contributes 9.9%² to the gross domestic product and offers limited opportunities for prosperity and growth. This landscape makes it difficult for Guatemalans to attain a better quality of life, and by one estimate, has driven 1.9 million Guatemalans to emigrate in the last 20 years.

INCREASED ECONOMIC PROSPERITY

USAID partners with Guatemala's private and public sectors to strengthen value chains, support small and growing businesses and improve economic opportunities for Guatemalans. USAID is investing in sectors like textiles and apparel, food and beverages, and electronics manufacturing to entice producers to move their production closer to home to take advantage of Guatemala's strategic location close to the United States market and its benefits through the CAFTA-DR trade agreement.

Additionally, USAID partners with the government and local communities to address food insecurity, chronic malnutrition, and to support co-management of forests and conservation of biodiversity. Support for these, create a healthy workforce with a climate resilient economy.

PRIVATE SECTOR PARTNERSHIPS

¹ <https://www.ine.gob.gt/tablero-enei/>

² <https://datos.bancomundial.org/indicador/NV.AGR.TOTL.ZS?locations=GT>

Sparked by the Vice President's Call for Action, USAID is creating direct partnerships with American and Guatemalan companies to directly support the entrepreneurial ecosystem. Through partnerships with major corporations including Pricemart, Cargill, Starbucks, Walmart and others, we are moving past the concept of corporate social responsibility and working with these companies to access untapped markets, strengthen their value chains, and make real economic change in Guatemala.

Private enterprise is a powerful force for improving lives and strengthening communities. USAID works to create substantive relationships with U.S. and Guatemalan private sector entities to identify shared interests in implementing market-driven solutions to development challenges. USAID/Guatemala's goal is to engage private sector counterparts to expand trade, investment, and job creation, while moving into promising new sectors like forestry, beverage and food processing, information technology, and tourism. USAID strengthens private sector investment in areas of high out-migration, prioritizing those geographic areas where the local/national government will also invest.