Public-Private Alliances: Indispensable for the Continuity of Export and Competitiveness Strategies

A COUNTRY PAPER CONTRIBUTED BY
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I. Introduction:

From the year 2000 to the year 2004, unfortunately, Guatemala had a conflictive and corrupt Government that seriously affected the institutions of the country. On January 15th, 2004, President Oscar Berger took office and new Government came to be. This Administration has as its foundation political and State reform, decentralization and participation, solidarity and inclusion. The pillars of this activity are integral security, conditions that promote productivity, social investment and environmental sustainability, with the purpose of creating jobs and well being for all Guatemalans.

II. Background:

The experience of Guatemala in issues of “Public-Private Alliances” began in the year 1986, with the creation of the National Council for the Promotion of Exports – CONAPEX, which was created with the purpose of proposing to the President of the Republic all national policies of promotion, diversification and increase of exports, tourism and investments, as well as oversee its systematizing and execution. This Mixed Council was composed, at first, by the Minister of Economy, who presides it, and the Foreign Relations, Finance, Communications and Agriculture Ministers, the President of the Central Bank and by the private sector and the different Presidents of the Business Chambers. Later, it included participation of the Minister of Energy and Mines, the Labor Minister, the Secretary for Economic Planning and the Tax Administration Superintendent. CONAPEX has a Coordinating Committee and Secretariat in charge of the private sector, specifically of the Guatemalan Non Traditional Exporters Association – AGEXPRONT.

More recently, in the year 1999 and with the support of the World Bank, the National Competitiveness Program – PRONACOM – was established, presided by the Vice-president of the Republic, whose objective is to coordinate the design and execution of the actions and national policies directed to accomplishing a real integration of Guatemala in the world economy. This Program is also a mixed program, composed of a mixed Executive Committee (in which the private and public sector participate) and an Extended Executive Committee also with participation of the private and public sectors, research centers and representatives of some social groups.

III. Results:

Regarding the National Council for the Promotion of Exports – CONAPEX, the following results can be listed:

- **The Promotion Law for Export and Maquila Activity.** This law promoted the establishment of export companies, especially in the apparel and textile sectors. Currently there are 554 companies working under this law: 313 apparel and textile sector, 84 from the agricultural sector, 129 in manufacture, 12 hydrobiological resources and 16 from other sectors.
- **Duty Free Zones Law.** Under this law there are 21 qualified duty free zones around the country.
- **The One Stop Window for Export Procedures,** which concentrated in one office all the institutions related with export procedures. Currently, these paperwork can be done by exporters in a electronic way, through internet, 365 days of the year, 24 hours a day. The management of this office was turned over from the Ministry of Economy to the Guatemalan Non-Traditional Products Exporters Association.
- **The Program of Commercial Attachés, Investment and Tourism – PACIT -,** which is jointly financed by the public and private sectors. It has four offices in United States, one in Germany, one in Tapachula (Mexico) and one in the Dominican Republic. The commercial attachés are selected through exams prepared by CONAPEX, method that has permitted selecting officers with great ability to execute their tasks efficiently.
• The Warehouse of Exports and Imports for In Air Cargo Management, which is located at the Airport and efficiently manages the import and export merchandise with modern and safe automated systems. Management of this warehouse was transferred from the Government to the private sector.

• The Foreign Trade Integral Policy, approved in 1997 and ratified on February 2004, which is based on systemic competitiveness and trade negotiations.

• The prioritization of negotiation fronts, approved in August, 2004.

• Coordination of the Central American Free Trade Agreement Negotiation with the United States.

• Approval of the strategy to retake the road towards economic development, approved in February 2004.

• Specific problems faced by the exporters have been solved, as an example the Proposal for simplifying the devolution of the Value Added Tax (VAT) to exporters. March 2004.

Regarding the accomplishments of the National Competitiveness Program - PRONACOM - the Agro-industrial, Forestry, Manufactures, Tourism, Apparel and Textile clusters were established.

During the last four years, the work of PRONACOM was focused on promoting the implementation methodology of the Clusters, on creating the Investment office and making a modification proposal for the Duty Free Zones. Unfortunately, with the previous Government’s administration (which ended in 2004), this program wasn’t given the necessary importance and was basically inactive. Its conformation was even modified and it minimized participation of the private sector in the Executive Committee. Regarding funding of the PRONACOM, it had funds granted by the World Bank. They tried to use them for other purposes, but thanks to the fact that the World Bank required a work plan and that all expenses were approved by the Executive Committee, these funds were practically frozen and their use was minimum.

IV. Current Situation and Future Actions:

National Council for the Promotion of Exports – CONAPEX –

During the year 2004, CONAPEX has met 6 times. One of its most important decisions is ratifying the Integral Foreign Trade Policy, based on Systemic Competitiveness and Commercial Negotiations as means to generate productive investments that the country needs to create, helping fight poverty.

CONAPEX is an important example of an important alliance between the public and private sectors, which promote the country, strategies of export promotion and foreign trade. Throughout the years, the forum has not been contaminated with the political issues of the day, and has been able to focus on important issues and accomplish those goals for which it was created.

Since systemic competitiveness is one of the pillars of the of the Integral Trade Policy that CONAPEX promotes, the Presidential Commission on Investment and Competitiveness is invited to report the advances of PRONACOM, so that all diverse activities are coordinated.

The challenge of CONAPEX resides in transforming the Foreign Trade Policy, based on competitiveness, into a National Policy – a policy for development of the country. Only through exports will it be possible to create the four million formal jobs that are needed in the country. To accomplish this, the interaction and commitment to get in action, among the different role players, and the focus on public policies towards accomplishing this objective becomes indispensable. The members of CONAPEX are conscious of what is previously stated. There is good leadership and we believe that their actions are focused on accomplishing the objectives.
**National Competitiveness Program –PRONACOM-**

A new Committee of PRONACOM has been created, which is broader and therefore more inclusive. Apart from the business sector (large, medium and small companies) and the public sector, research centers, rural social groups and academia are also participating.

The work areas that PRONACOM is promoting are the following: business environment, clusters, local development agendas, promotion of investments and competitiveness actions at a regional level (with Central America).

It is very important that competitiveness is promoted and focused on the real needs of the productive sectors. For this reason, it is important that the agenda comes from the micro level to the macro, meso and meta levels.

The challenge of PRONACOM is to effectively promote systemic competitiveness. This requires that key participants in the diverse levels of competitiveness (meta, macro, meso and micro) play the role that corresponds to them. Is important to raise the awareness of society about the importance of competitiveness as a tool that allows us to compete in a world market and generates jobs and well-being. Also, it is important that this awareness becomes a commitment to act by the different role players, with a strategy and a plan.

**V. Lessons learned/Best Practices**

- It is important that public-private alliances have the necessary law framework.
- The success of public-private alliances depends on the leadership of its members.
- Participation by the private sector is indispensable if the public sector’s policies and actions are to answer the real needs of the productive sector, to fully compete in a global market.
- It is necessary to create awareness and a compromise by all key role players so that they execute the role they must play according to their responsibilities.
- It is important that the programs of these public-private alliances have a certain degree of independence, in such a way that they are not subject to radical changes when governments change.
- In a certain way, participation of the private sector in joint programs reinforces their longevity and the fulfillment of those objectives for which they were created, throughout time and even with change of Government authorities.
- It is important that the alliances with the international cooperation. It is important that the focus of the cooperation goes to trade productive projects in order to make them sustainable after the aid is ended.