



Approach Paper

Guatemala 2012-2016

Country Program Evaluation



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ABBREVIATIONS

CICIG	Comisión Internacional contra la Impunidad en Guatemala [International Commission Against Impunity in Guatemala]
CID	Country Department Central America, Mexico, Panama, and the Dominican Republic
CPE	Country program evaluation
ECLAC	Economic Commission for Latin America and the Caribbean
LAC	Latin America and the Caribbean
OMJ	Opportunities for the Majority Sector
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
SCF	Structured and Corporate Financing Department
TFFP	Trade Finance Facilitation Program

I. INTRODUCTION

- 1.1 As part of its 2016 work plan, the Office of Evaluation and Oversight (OVE) is preparing the country program evaluation (CPE) for Guatemala covering the 2012-2016 period. This approach paper establishes the scope of the evaluation. This CPE is OVE's fourth evaluation of the program with Guatemala; the previous ones covered the periods 1993-2003 (document RE-304-2), 2004-2007 (RE-352), and 2008-2011 (RE-404).
- 1.2 According to the Protocol for Country Program Evaluation (document RE-348-3), the main goal of a CPE is "to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance."
- 1.3 In the context of the Merge-Out of the Bank's private sector windows (the Structured and Corporate Financing Department (SCF) and the Opportunities for the Majority Sector (OMJ)) and the Inter-American Investment Corporation (IIC), OVE has also received a mandate to evaluate the operations financed by the IIC.¹
- 1.4 This evaluation looks at the IDB Group's relationship with the country from an independent perspective² with special reference to the relevance and effectiveness of the program, including both financial and nonfinancial products offered by the Group during the period under review. Its special emphasis will be on the role of the IDB Group and its future implications in a low-income country like Guatemala facing significant economic, social, and institutional challenges.

II. GENERAL CONTEXT OF THE COUNTRY

- 2.1 **Guatemala is the largest economy in Central America³ and has one of the lowest levels of development in Latin America and the Caribbean (LAC).** It is also the most populated country in Central America (16 million inhabitants). The population is multi-ethnic, and Guatemala has the second-largest indigenous population in LAC after Bolivia (38,8%, ENCOVI 2014). Although the process of urbanization has accelerated, half the population currently lives in rural areas. Guatemala's level of human development is low.⁴ Despite gains in the last decade, per capita income (US\$7,720 on a purchasing power parity basis) remains below the LAC average (US\$15,467) and is the third lowest in Central America (Figure 1, Annex).
- 2.2 **Guatemala has experienced moderate rates of growth over the last decade, but these have been less volatile than in other economies in the region.** Real GDP grew at an annual average rate of 3.7% in 2005-2015, compared with 4.4% growth in other countries of the Country Department Central America, Mexico, Panama, and the Dominican Republic (CID) (Figure 2, Annex). The economy flagged during the 2008-2009 international financial crisis, but recovered rapidly

¹ Resolution of the IIC Board of Governors (document CII/AG-2/15).

² In this document, "IDB Group" refers to both the Inter-American Development Bank and the Inter-American Investment Corporation.

³ Guatemala's GDP was US\$58.8 billion in 2014.

⁴ Guatemala ranks 128th on the Human Development Index (HDI), the second lowest in LAC.

driven by domestic demand, higher export prices, and the implementation of countercyclical policies. Guatemala grew by 3.7% on average in the period 2012-2015, which was higher than the LAC average (1.8%) but lower than in other CID countries (4.2%). Domestic consumption has been the main driver of growth (Figure 3, Annex).⁵ Private consumption is the main contributor to growth (84% of GDP), rising on average by 3.8% in the last decade and 4% in 2012-2015. This is the result of an expansion in consumer credit (Figure 4, Annex) and growth in remittances, which accounted for 10% of GDP in 2015 (Figure 5, Annex). However, economic growth has been accompanied by low levels of job creation.⁶

- 2.3 **The relative economic stability is mainly the result of prudent macroeconomic policies.** Inflation has remained at comparatively low levels within the Central Bank's target band (Figure 6, Annex). The fiscal deficit has averaged 2% of GDP over the past decade, as well as in 2012-2015 (Figure 7, Annex),⁷ below the average for LAC (2.7% in 2005-2015 and 4.2% in 2012-2015). Although the deficit peaked at 3.3% in 2010 in the context of the 2008 financial crisis and natural disasters in 2009, since then it has been narrowing (1.8% in 2015), mainly as a result of reductions in public expenditure. The governments total gross debt has remained at around 20% of GDP over the last decade, and 24.5% in 2012-2015 (Figure 8, Annex). This is a low level compared to the rest of LAC (50.8% in 2015).
- 2.4 **Although Guatemala has succeeded in maintaining fiscal stability, tax revenue intake is among the lowest in the region, limiting the State's ability to meet the country's substantial challenges.** Guatemala has no significant sources of nontax revenue (Figure 10, Annex), and tax revenue is low (10.9% of GDP over the last decade) compared to LAC and other CID countries (Figure 11, Annex). A long-awaited, major fiscal reform was approved in 2012, aimed at reducing evasion, expanding the tax base, simplifying the tax code, and strengthening the framework for tax administration. However, the expected outcomes in terms of revenue intake have not yet materialized. Moreover, significant challenges remain in terms of improving the targeting and efficiency of public expenditure, including the rigidity of public spending and low rates of budget execution. Public spending is also under constant pressure as a result of vulnerability to natural disasters such as hurricanes and earthquakes.⁸
- 2.5 **Limited spending on infrastructure has contributed to the deficits seen in some sectors, mainly in rural areas.** Investment in infrastructure (public and private) is less than 3% of GDP (2008-2013), and the condition of infrastructure, particularly in rural areas, represents a significant obstacle to investment and growth. The population with access to improved sources of drinking water

⁵ In contrast, the lowest rate of growth was seen in the gross fixed capital formation component (14.6% of GDP): 2.4% in the period 2005-2015 and 3.8% in the period 2012-2015.

⁶ The rate of job creation (2.8%) has been lower than economic growth over the last decade. Informality (65.8%) has also fallen slightly since 2000, affecting mainly the rural population (81.2%), young people (69.9%), and indigenous groups (80.3%).

⁷ As a percentage of GDP, both revenue (11.7%) and expenditure (13.9%) have remained relatively stable over the last decade (Figure 9, Annexes).

⁸ From 1970 to 2016, Guatemala was impacted by 80 large-magnitude disasters that affected 14 million people and created economic losses totaling almost US\$4.5 billion (EM-DAT). According to the 2014 World Risk Report, Guatemala is the eighth most exposed country worldwide and fourth country most at risk of disasters caused by adverse natural events.

increased from 72.6% in 2000 to 77.8% in 2014. In urban areas this indicator is 89%, while in rural communities it stands at 64.4%. The population with access to improved sanitation services also increased (from 44.2% to 58.3%), though the gap between urban and rural areas is significant (83% versus 28.9%). Access to electricity is 72.1% in rural areas, and 84.8% in urban areas. Guatemala lags behind in terms of highway density, and a substantial part of the road network is in poor condition. The occurrence of climate phenomena is also a constant threat to infrastructure.

- 2.6 **Guatemala also has the lowest social spending in LAC and lags behind on a number of social indicators.** In 2013-2014, social spending was 7.6% of GDP, little changed over the past decade and lower than the average for LAC (29.3%). There are also significant challenges in terms of efficiency and targeting. The average years of schooling is 5.6, and the illiteracy rate is 16.6%. The completion rate for primary education rose by six percentage points between 2008 and 2013; however, net coverage declined from 95.2% to 89.1%. Net coverage for secondary education is low (43%). In the area of health, maternal and under-5 mortality rates fell between 2008 and 2013, yet they remain among the highest in LAC, at 163 and 40 per 100,000 live births, respectively. The prevalence of chronic malnutrition in children under five years of age is also the highest in LAC (46.5%).⁹
- 2.7 **In contrast to the majority of LAC countries, poverty rose in the last decade.** Official figures show an increase in poverty from 51% to 59.3% between 2006 and 2014,¹⁰ with extreme poverty rising from 15.7% to 23.7%. The incidence of poverty is higher among the rural population (76.1% versus 42.1%), which has less access to social services, infrastructure, and economic opportunities. In addition, 35.3% of the rural population suffers from extreme poverty, compared to 11.2% in urban areas. Poverty also affects vulnerable groups such as the indigenous population, which saw its overall poverty rate increase from 75% to 79.2%, and its extreme poverty rate from 27.3% to 39.8%.
- 2.8 **In addition, insecurity and violence continue to be major problems.** Although the upward trend has been reversed since 2013 (Figure 12, Annex), Guatemala has the fifth highest rate of homicide in LAC (30 per 100,000 inhabitants in 2015). Levels of victimization, unreported crime, and impunity are high. Crime is mainly associated with organized crime networks, gangs, and drug traffickers. Violence and fear of crime are also one of the main deterrents to investment and carry significant economic costs.¹¹ Against this backdrop of insecurity and violence in the region, there have been flows of undocumented migrants to the United States from Central America. From 2013 to 2014, there was an increase in migration flows involving unaccompanied minors. In late 2014, this led the governments of El Salvador, Guatemala, and Honduras (together with the United States and the IDB) to sign the Plan of the Alliance for Prosperity in the Northern Triangle, which aims to address the structural roots of the problem and engender medium-term actions.

⁹ Latest National Mother and Child Health Survey (ENSMI), 2013-2014.

¹⁰ The poverty line was 4,319 quetzales per person per year in 2006, rising to 10,218 quetzales in 2014. Major changes in the methodology for the 2014 National Survey of Living Standards (ENCOVI) mean that this survey can only be compared with the 2006 version, not with 2011.

¹¹ The World Bank's Enterprise Survey (2010) identified crime, theft, and disorder as the main obstacle (20.8%) to business development. A World Bank study in 2011 estimated losses due to violence and insecurity at 7.7% of GDP.

- 2.9 **Although Guatemala has made gains in terms of the strengthening of democracy, significant challenges remain in the area of governance.** In the 1980s, after more than three decades of civil war and political instability, Guatemala embarked on a process of democratic renewal that culminated in the signing of the 1996 Peace Accords. Since then, Guatemala has made a number of attempts to reform the justice system, strengthen the rule of law, and reduce corruption, but the process has been complicated and slow. Guatemala falls below the LAC average on all dimensions of the World Bank's governance indicators, and experienced deterioration on almost all dimensions between 2004 and 2014 (Figure 13, Annex). Furthermore, the system of political parties is weak and fragmented,¹² which has hindered consensus-building and long-term planning. In 2015, the country experienced a major political crisis that highlighted problems of corruption (Box 2.1).

Box 2.1. The 2015 Political Crisis

In April 2015, the Prosecutor's Office and the International Commission Against Impunity in Guatemala (CICIG)¹³ exposed a corruption and customs fraud scandal involving officials of the Tax Administration Superintendency (SAT) and senior government authorities. This led to widespread demonstrations demanding the resignation of Vice President Roxana Baldetti. In April 2015, President Pérez Molina extended the CICIG's mandate for two years, to continue the fight against corruption (it had been set to expire in September 2015). After months of demonstrations and the resignations of several ministers and members of the Partido Patriota, the vice president resigned in May 2015 and was subsequently arrested on August 21. That same day, the Supreme Court initiated preliminary proceedings against President Pérez Molina to strip his immunity so that he could also be investigated as part of the corruption case. Once stripped of his immunity, Pérez Molina resigned on September 2. On September 3, Alejandro Maldonado was appointed president pro tempore, and Pérez Molina was arrested. Presidential elections took place on September 6, as planned, with Jimmy Morales of the Frente de Convergencia Nacional (FCN-Nación) elected in the second round on October 25.

- 2.10 **These problems are reflected in the major challenge of attracting investment and enhancing the business climate.** The country ranks 78th out of 140 countries (10th position in LAC) in the World Economic Forum's Global Competitiveness Rankings for 2015-2016. The most problematic factors identified are institutions, health, and primary and tertiary education. These difficulties are reflected in poor business perceptions of the costs of crime and violence, corruption, the low quality of education and its impact on labor force skills, the inefficiency of government administration and public spending, and the inadequate supply of infrastructure. Informality and the regulatory burden involved in starting a business also continue to affect the business climate (Figure 14, Annex).

¹² Since the Constitution was approved in 1985, no party has succeeded in winning the presidency on more than one occasion. Moreover, parties are short-lived (more than 50 have been deregistered since 1985) and the ease with which politicians change party affiliation creates constant shifts in the political makeup of Congress, hampering the legislative agenda. (More than 25% of representatives have switched parties each year for the last decade.)

¹³ The CICIG is an independent, international body sponsored by the United Nations, established in 2007 at the request of the Government of Guatemala to investigate and support the criminal prosecution and disbanding of criminal networks.

III. OVERVIEW OF THE BANK'S PROGRAM (2012-2016)

- 3.1 **The previous evaluation period (2008-2011) was marked by the international financial crisis.** The Bank's sovereign guaranteed approvals in this period reached a historic high of US\$1.191 billion, mainly through policy-based loans (PBLs) (71%). In such a setting, the Bank established itself as the main source of external financing for Guatemala.¹⁴ The country program evaluation for 2008-2011 (document RE-404) highlighted the alignment of the Bank's program with government priorities. However, a deterioration in portfolio execution demonstrated that the country has limited ability to manage a portfolio of such size. Execution of some projects was also slowed by delays in congressional authorization of loans and poor choice of instruments and execution units. Moreover, attainment of the planned objectives was compromised by the poor implementation of instruments (for example, PBL waivers and retargeting of funds under certain investment projects to deal with emergencies).
- 3.2 **That being the case, OVE made four recommendations to the Bank's Management:** (i) maintain the strategy design approach envisaged in the pilot initiative; (ii) maintain the use of investment instruments in key sectors where the Bank has demonstrated its capacity to add value; (iii) match portfolio size to the country's institutional capacity and support the Government of Guatemala in overcoming the institutional weaknesses that limit timely use of resources; and (iv) minimize the use of waivers with PBLs (Table 5, Annexes).
- A. Country strategy with Guatemala, 2012-2016**
- 3.3 The 2012-2016 Government Plan had five areas of focus. In January 2012, Otto Pérez Molina of the Patriota party assumed the presidency against a backdrop of high social expectations and economic recovery following the international financial crisis. His plan for government ("Agenda for Change") identified five priority areas of focus with their corresponding objectives: (a) democratic security and justice; (b) competitive economic development; (c) productive and social infrastructure for development; (d) social inclusion; and (e) sustainable rural development. The plan was to be implemented via three major social pacts that would attempt to address significant hurdles to the country's development: the Fiscal Pact; the **Zero Hunger Pact; and the Pact for Peace, Security, and Justice.**¹⁵
- 3.4 **The current country strategy with Guatemala sought alignment with the government plan and was aimed specifically at "improving living conditions for the Guatemalan population, particularly those living in rural areas."** The strategy was approved in December 2012 (document GN-2626) and runs through December 2016. It structured the Bank's work along two axes: an institutional axis

¹⁴ The IDB accounted for about 38.6% of the public external debt and 46.6% of multilateral debt. Other significant sources of finance were the World Bank (25.4% of public external debt and 30.7% of multilateral debt) and the Central American Bank for Economic Integration (CABEI) (18.2% of public external debt and 22% of multilateral debt) (document GN-2689).

¹⁵ The government developed other plans, such as the National Competitiveness Agenda 2012-2021, and a Long-term Development Plan ("Nuestra Guatemala K'atun 2032"), presented in late 2014.

and a rural development axis.¹⁶ The **institutional axis** envisaged actions in three priority target areas: (a) fiscal and municipal management; (b) social protection; and (c) peaceful coexistence and citizen security. The **rural development axis** encompassed the Bank’s work in the following priority target areas: (a) productive development; (b) health; and (c) transportation. The Bank identified strategic objectives in these priority areas (Table 3.1).¹⁷ The strategy also identified the **crosscutting issues** for work with the country in climate change adaptation and mitigation, natural disaster impact mitigation, gender, indigenous peoples, and regional integration. In addition, the strategy envisaged the possibility of additional support in **dialogue areas** (education and energy), if project implementation in these areas advances significantly. With respect to **the Bank’s private sector windows**, the strategy identified possible opportunities in the areas of rural productive development, logistics and transportation infrastructure, renewable energy sources, financing for low-income housing and small and medium-sized enterprise, and the delivery of basic services.

**Table 3.1. Strategic Objectives in Priority Sectors
(document GN-2689)**

AXIS – INSTITUTIONAL	
Priority sectors	Strategic objectives
Fiscal and municipal management	Improve the pattern of taxation
	Improve budget planning and execution capacity
	Strengthen the fiscal capacity of municipalities
Social protection	Improve the targeting and target population coverage of social protection programs
Peaceful coexistence and citizen security	Strengthen the National Civil Police institutionally in such areas as career policing, personnel training, and control of police misconduct
	Improve the quality and results of criminal investigations
	Reduce the vulnerability of women and young people to violence and crime

¹⁶ The **institutional axis** was to be implemented using a “sector-based approach,” where the unit of analysis was the sector, with development challenges defined chiefly in relation to that sector. The **rural development axis** was to be implemented using a “place-based approach,” where the main unit of analysis was the territory and its inhabitants, with the goal of addressing complex, multidimensional problems such as rural poverty (document GN-2689).

¹⁷ The Bank also planned to expand its use of **country systems**, for which it established four strategic objectives: (a) strengthen the Financial Information and Administration System (SIAF); (b) improve the efficiency of financial management; (c) improve the investment quality of Bank-financed projects; and (d) improve transparency and competitiveness of procurement processes (document GN-2689).

AXIS – RURAL DEVELOPMENT	
Priority sectors	Strategic objectives
Productive development ¹⁸	Create opportunities to improve incomes from productive activities for the rural population
	Diversify sources of income of rural households
Health	Reduce under-5 chronic undernourishment in rural areas
	Reduce child mortality in rural areas
	Improve maternal health in rural areas
Transportation	Expand the rural road system
	Improve the infrastructure quality of the rural road system

Source: The Bank's country strategy with Guatemala 2016-2016 (document GN-2689).

- 3.5 **The strategy projected two scenarios for sovereign guaranteed lending—both lower than under the previous strategy.**¹⁹ The **base scenario** for the period 2012-2016 envisaged total approvals of US\$740 million, disbursements of US\$995.3 million, and negative net capital flows of US\$48.6 million. In a context of possible external shocks, such as climate factors or deterioration in the international economic environment, the strategy also included a **high scenario** involving approvals of US\$900 million. Disbursements under this scenario would be US\$1,183.3 million, and net capital flows would be positive (US\$124.7 million). Under both scenarios, the aim would be to frontload disbursements in the first few years of the strategy, so that project execution could begin during the country strategy period and dovetail better with the country's political cycle (Table 1, Annexes).
- 3.6 **The strategy also identified two implementation risks, with special emphasis on potential delays in investment programs.**²⁰ One of the main challenges identified in the strategy for the Bank's work in the country concerned the **timely execution of investment programs**. To mitigate this risk, the strategy considered the possibility of new mechanisms and a series of measures to accelerate execution,²¹ as well as exploring new ways of working with Congress during the approval process for Bank projects. A **macroeconomic** risk was also identified, stemming from the country's vulnerability to external shocks.²² Together with low

¹⁸ In the context of the country strategy, productive development was defined as the "set of actions intended to promote the creation, spread, consolidation, and/or growth of the business fabric" (document GN-2689).

¹⁹ Amid a less favorable international context, the previous country strategy for the period 2008-2011 (document GN-2501) envisaged a base scenario of US\$1.535 billion in approvals.

²⁰ The current strategy also identified risks specific to each one of its priority areas.

²¹ These measures included strengthening of the Bank's portfolio support and technical assistance role; innovative contracting and execution mechanisms; portfolio reformulation; improved operation design (e.g., scale, identification of suitable execution units, multisector collaboration); synchronization of interventions with the national planning and budgetary cycle; technical capacity-building of execution units; technical assistance to support projects; and preparation of project execution plans (Source: document GN-2689).

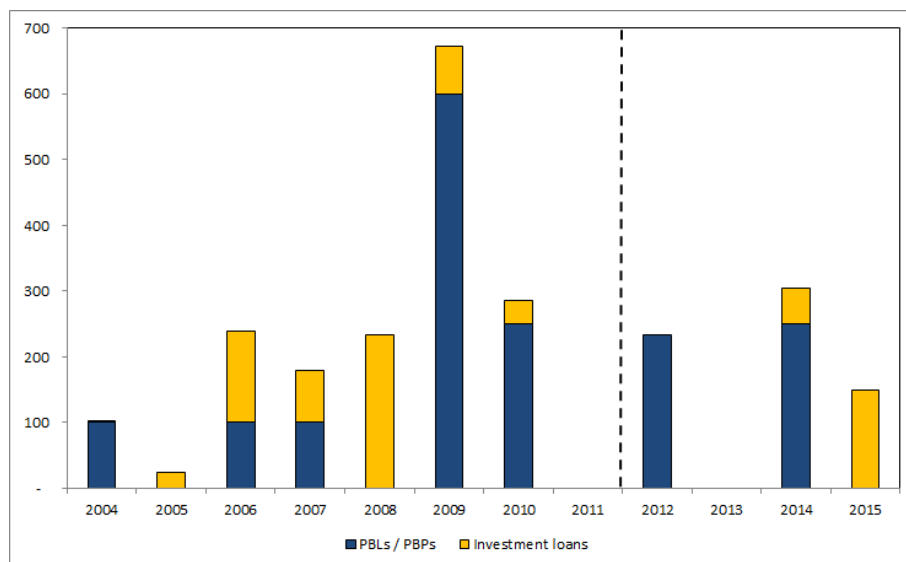
²² Specifically, a strong recession in the United States, a significant increase in food and oil prices, and a large-magnitude natural disaster.

tax revenue intake, this vulnerability could limit room to maneuver in the case of an unforeseen event. The Bank would seek to make financial and technical advisory support instruments available to mitigate such events.

B. Program implemented

3.7 **Between 2012 and March 2016, sovereign guaranteed loan approvals totaled US\$692.2 million, channeled principally through PBLs (70%).** The Bank approved four loans in the areas of fiscal management (one hybrid PBL for US\$237.2 million),²³ social protection (one PBL for US\$250 million), energy (one multiphase investment loan for US\$55 million), and education (one specific investment loan for US\$150 million). Sovereign guaranteed approvals were thus consistent with the base scenario for lending included in the current country strategy (US\$700 million), although lower than approvals during the prior evaluation period in the context of the international financial crisis (Figure 3.1). No sovereign guaranteed loans were approved in the first quarter of 2016, and the 2016 pipeline includes three loans for a total of US\$180 million.²⁴ The approvals from 2012 to March 2016, together with the sizeable balance of operations at the beginning of 2012 (US\$573.7 million, 17 loans), comprise a **sovereign guaranteed portfolio of 21 active loans for US\$1.2659 billion during the evaluation period.**

Figure 3.1. Sovereign Guaranteed Loan Approvals (2004-2015)



Note: Amounts originally approved as of 31 March 2016.

Source: OVEDA, using the Bank's Data Warehouse.

²³ The Fiscal Consolidation Program for Guatemala (loan GU-L1064) was structured as a multitranche PBL (US\$234 million) and a reimbursable technical cooperation operation (US\$3.2 million).

²⁴ Sovereign guaranteed loan pipeline (category A) as of 31 March 2016.

- 3.8 **The Bank also approved US\$29.8 million in nonreimbursable resources.**²⁵ From 2012 to March 2016, the Bank approved 49 nonreimbursable technical cooperation o for US\$20.2 million. The approved technical cooperation amounts were concentrated mainly in the areas of environment and natural disasters (26%), health (16.2%), and social investments (15.7%). In addition, most of the technical cooperation operations were approved under the category of *client support* (86%); *operational support* accounted for 10%, and *research and dissemination* for 4%. During the evaluation period, the Bank also approved one nonreimbursable investment operation (US\$6.9 million) under the Mesoamerica Health Initiative.
- 3.9 **The IDB Group’s private sector has also expanded their involvement in Guatemala, mainly through the Trade Finance Facilitation Program (TFFP).** From 2012 to 2015, the Bank’s private sector windows—the Structured and Corporate Financing Department (SCF) and Opportunities for the Majority Sector (OMJ)—approved US\$234 million in the area of financial services, consisting of three loans (US\$123 million) and eight operations linked to two existing credit lines under the TFFP program (US\$110 million) with two banks.²⁶ This figure is higher than the amount approved over the period 2008-2012 (US\$175.2 million). The IIC approved five operations for a total amount of US\$24.3 million between 2012 and 2015, principally in financial services (three operations for US\$11 million) and energy (two operations for US\$13 million). In the context of the merge-out of the Bank’s private sector windows, the IIC approved two operations associated with a TFFP line (US\$40 million) in the first quarter of 2016. Lastly, the MIF approved 16 operations for US\$13.5 million.

IV. EVALUATION SCOPE AND QUESTIONS

- 4.1 **The CPE will evaluate the IDB Group’s program with Guatemala for the period 2012-2016.** The evaluation includes a review of active operations during this period, i.e., operations approved in 2012-2016, as well as previously approved operations with significant undisbursed resources as of the beginning of 2012.²⁷ Operations with the **public sector** will include sovereign-guaranteed loans, technical cooperation operations, and nonreimbursable investment operations. In the case of the **private sector**, in addition to SCF and OMJ operations,²⁸ the evaluation will also consider IIC operations under OVE’s new mandate.
- 4.2 This CPE will analyze questions related to the **relevance, implementation and effectiveness**, and **sustainability** of the IDB Group’s program with Guatemala. The analysis of relevance and implementation will look at all operations in the portfolio. The analysis of outcomes (effectiveness) will focus mainly on operations

²⁵ This amount excludes MIF nonreimbursable operations (see paragraph 3.9).

²⁶ SCF approved US\$231 million, and OMJ US\$3 million.

²⁷ Operations with an undisbursed balance of at least 30% at the beginning of 2012. Operations with smaller balances may be considered depending on each sector (e.g., projects belonging to a programmatic series).

²⁸ MIF operations may be considered to the extent that they are directly related to the proposed lines of action of the priority sectors under the current strategy.

that are further along in implementation.²⁹ The analysis of sustainability will put special emphasis on closed operations or operations about to close.

A. Relevance

4.3 *Relevance* refers to the degree to which the design and objectives of the IDB Group's strategy and program of assistance were consistent with the needs of the country and the government's development plans and priorities. In this area, the CPE will seek to answer the following questions:

- Were the strategic objectives set in the country strategy consistent with Guatemala's main development challenges and the government's priorities during the evaluation period?
- To what extent was the program, as actually implemented in 2012-2016, consistent with the priority areas established in the country strategy and their respective strategic objectives?
- To what extent was IDB Group financing through non-sovereign guaranteed operations consistent with Guatemala's development needs?
- To what extent was the combination of loan operations (PBLs, investment, private sector) and technical cooperation operations used appropriately by the IDB Group to meet the strategic objectives in the priority areas?
- To what extent was the IDB Group's program consistent with the approach set out in the strategy (sector and territorial), for example, in terms of addressing complex, multidimensional problems in rural areas.
- To what extent did the IDB Group take the country's absorptive capacity into account, and was the program consistent with the country's limitations in terms of project execution and institutional capacity?
- To what extent did the IDB Group take into account, and coordinate with, assistance provided by other development agencies working in Guatemala?

B. Implementation and effectiveness

4.4 *Effectiveness* refers to the extent to which the assistance instruments achieved the objectives set. As part of the effectiveness analysis, the CPE will look at factors affecting program *implementation*, as well as efficiency-related issues (e.g., in preparation and execution). On this dimension, the CPE will seek to answer the following questions:

- What are the main determinants of success and problems affecting implementation of the IDB Group's program in Guatemala?
- To what extent did the strategy implementation risks materialize? What mechanisms has the IDB Group used to mitigate these risks, for example, the risk related to potential delays in the implementation of investment projects? How effective have these mechanisms been?
- To what extent has the IDB Group's program furthered the strategic objectives established under the strategy's priority areas (Table 3.1)?

²⁹ In the case of the public sector, operations under which at least 30% of resources have been disbursed. In the case of the private sector, operations that are either complete or have reached operational maturity.

- To what extent have PBLs been effective in supporting key reforms in such areas as fiscal management and social protection?
- To what extent was technical cooperation effective in providing operational support for the IDB Group's investment loan portfolio and the reforms advanced under the PBLs, as well as in generating other outputs and knowledge to satisfy the country's wants and needs, all in the context of the strategy objectives?
- To what extent was the assistance provided by the IDB Group's public and private sector windows coordinated?
- What lessons emerge in relation to the IDB Group's future role in Guatemala?

C. Sustainability

4.5 *Sustainability* refers to the likelihood that the outcomes of the IDB Group's assistance will persist after the program has concluded. On this dimension, the CPE will seek to answer the following questions:

- What evidence is there that the outcomes obtained under the IDB Group's program in Guatemala are sustainable?
- What have been the main factors that could affect the outcomes achieved under the IDB Group's program in Guatemala?

V. METHODOLOGY AND INFORMATION SOURCES

5.1 To answer questions concerning the **relevance** of the program, the CPE will analyze the congruence of the objectives included in the strategy/operations, Guatemala's main development challenges and government priorities, and the program implemented. The evaluation will also analyze the financial and nonfinancial instruments used by the IDB Group in each sector to meet the strategic objectives, as well as other issues relating to the design of operations (e.g., objectives, components, type of instrument, execution arrangements, main risks identified). Sources of information include, for example, strategy and country programming documents, sector diagnostic assessments, loan and technical cooperation proposals, the government plan ("Agenda for Change"), sector and development plans, economic and social data, and sector studies prepared by the government, the IDB Group, and others (e.g., World Bank, International Monetary Fund, Economic Commission for Latin America and the Caribbean (ECLAC), and the United Nations Development Programme (UNDP)).

5.2 To answer questions regarding the **implementation, effectiveness, and sustainability** of the program, the CPE will analyze, for example, the performance and efficiency of the portfolio of operations (e.g., preparation and execution times and costs, pace of disbursements, financial flows) with special emphasis on identifying the crosscutting factors that affect implementation and the execution arrangements introduced by the Bank to mitigate project delays. The CPE will also look at the degree of progress toward the project objectives and, more generally, the objectives of the strategy. For PBLs, moreover, the CPE will examine the depth of the reforms included in these operations using the methodology developed by OVE.³⁰ For technical cooperation operations, in addition to analyzing their

³⁰ OVE Annual Report, 2015. Summary of activities and analysis of policy-based lending at the IDB (document RE-485-6).

relevance and implementation, the evaluation will pay special attention to determining the principal outputs produced thus far, and to what extent those outputs have been utilized by the Bank, government, or beneficiary entities. Sources of information include, for example, information in IDB Group systems (e.g., OVEDA, OPS, FIN, LMS); monitoring reports (PMRs, PSRs); completion reports (PCRs, XSRs, XPSRs); mission minutes; midterm and final evaluations (internal and external) for operations; and portfolio review documents. Additionally, selective field visits may be made to certain projects in the portfolio.

- 5.3 The CPE will also review other OVE evaluations of relevance for Guatemala, such as Climate Change at the IDB: Building Resilience and Reducing Emissions (document RE-459-1, 2014) and the Review of IDB Institutional Support to Conditional Cash Transfers in Three Lower-Middle-Income Countries (document RE-473-1, 2015).
- 5.4 This analysis of data and documentation will be supplemented by interviews with various key respondents involved in design and implementation of the IDB Group's program in Guatemala, including authorities and officials responsible for financial and sector policies (current and previous administrations); staff of the executing/beneficiary agencies for loans and technical cooperation operations in the Bank's program in Guatemala; IDB Group staff; staff of other development agencies working in Guatemala (e.g., World Bank, CABEL); and other sector specialists.

VI. EVALUATION TEAM AND TIMELINE

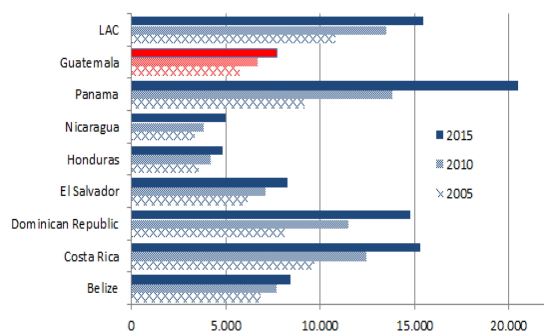
- 6.1 **Evaluation team.** The team consists of José Ignacio Sémbler, Monika Huppi, Maria Fernanda Rodrigo, Oliver Azuara, Jose Claudio Pires, Mauricio Torres, Maria José Hernández, Johanan Rivera, and Maya Jansson.
- 6.2 **Tentative timeline.** The current country strategy for 2012-2016 (document GN-2626) remains in effect until 31 December 2016 with a transition period in 2017. Nonetheless, IDB Group Management plans to approve the new country strategy with Guatemala in December 2016. Based on that date, the tentative timeline for the CPE is given below. If approval of the new country strategy is delayed, OVE will consider modifying the CPE timeline to cover most of 2016 (and the duration of the current strategy), so as to allow more up-to-date information to be provided to the IDB Group Management and Board of Executive Directors on the 2012-2016 program with Guatemala.

Table 6.1. Tentative Timeline for Guatemala CPE, 2012-2016

Activity	Date
Mission(s) to Guatemala (tentative dates)	June/July
Draft CPE for Management/government review	Mid-September 2016
Comments received from Management/government	Mid-October 2016
CPE sent to the SEC and Board discussion	November 2016
<i>IDB Group approval of new country strategy</i>	<i>December 2016</i>

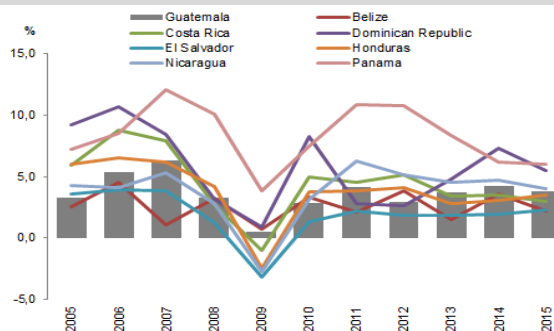
ANNEX FIGURES AND TABLES

Figure 1. GDP per capita (PPP)



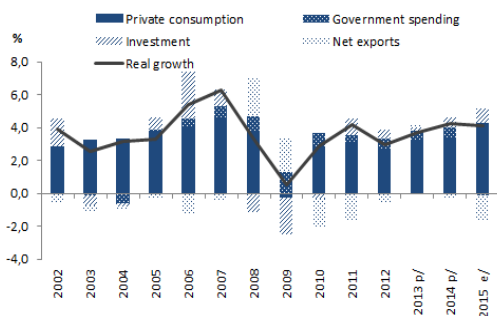
Source: IMF.

Figure 2. Real GDP growth



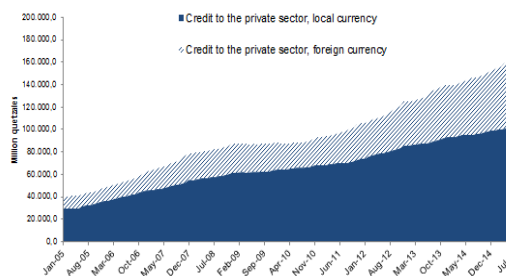
Source: IMF.

Figure 3. Contribution of expenditure components to real growth



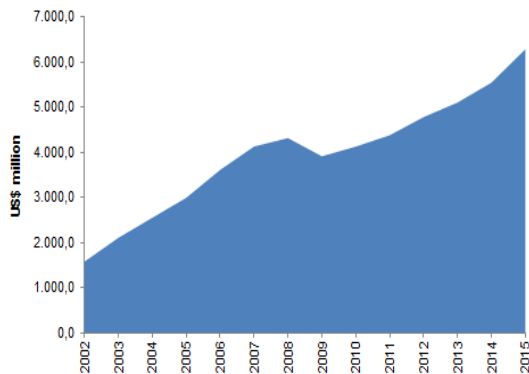
Source: BanGuat.

Figure 4. Credit to the private sector, total



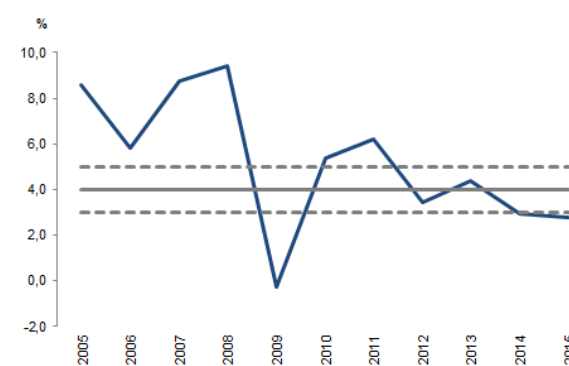
Source: BanGuat.

Figure 5. Remittances



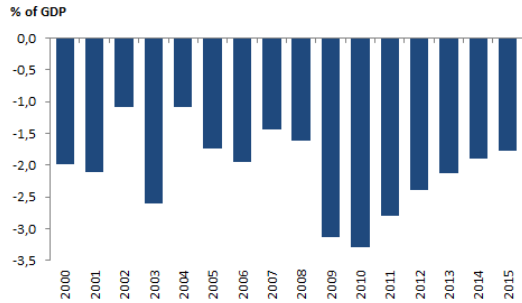
Source: BanGuat.

Figure 6. Annual inflation (end-of-period)



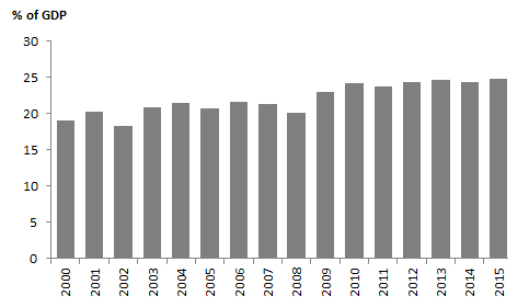
Source: IMF.

Figure 7. Public deficit



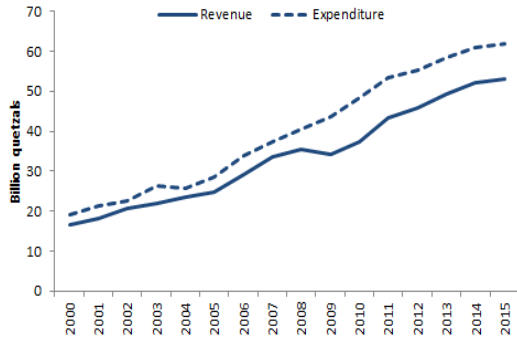
Source: IMF.

Figure 8. Total public debt

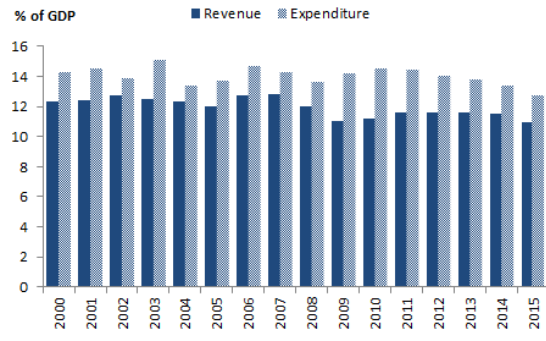


Source: Ministry of Finance.

Figure 9. Government revenue and expenditure

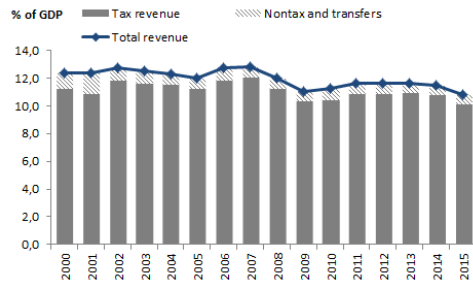


Source: IMF.



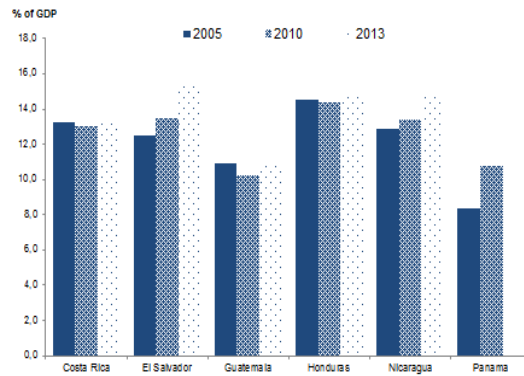
Source: IMF.

Figure 10. Public revenue



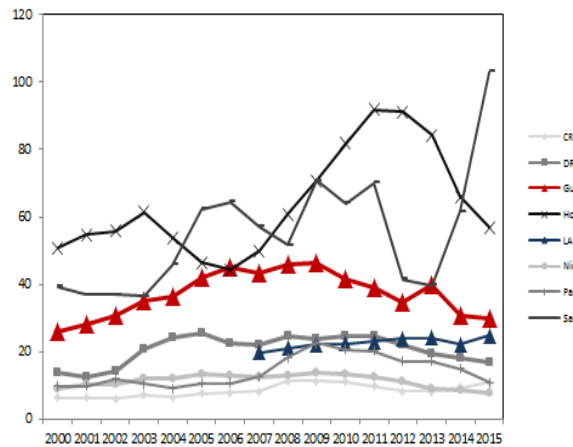
Source: Ministry of Finance.

Figure 11. Tax revenue



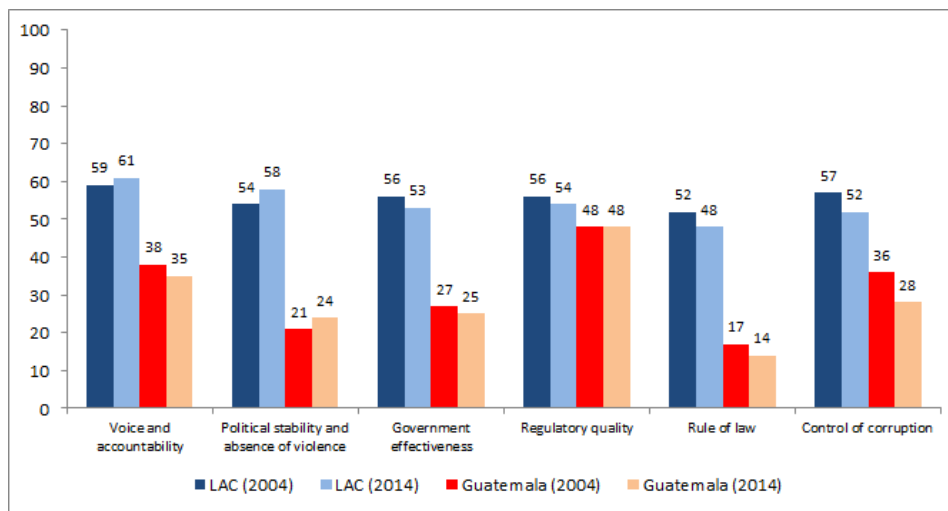
Source: ECLAC.

Figure 12. Homicides per 100,000 inhabitants



Source: World Bank.¹

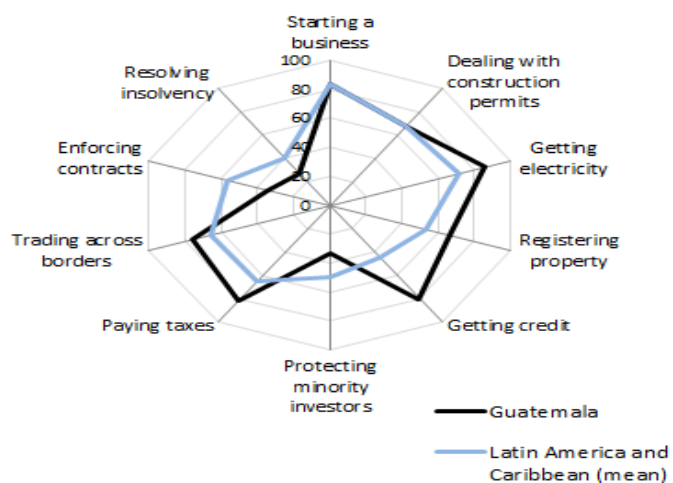
Figure 13. Governance indicators (percentile rank 0 to 100)



Source: World Bank.

¹ Various sources were used for 2014 and 2015: El Salvador (Forensic Statistics Unit, Institute of Legal Medicine), Honduras (Violence Observatory), Guatemala (National Institute of Forensic Sciences, INACIF), Dominican Republic (Citizen Security Observatory), Panama (Ministry of Public Security), Costa Rica (Judicial Investigations Unit), LAC (InSight Crime).

Figure 14. Guatemala's business climate, 2016
(Doing Business score; scale 0 (worst) to 100 (best))



Source: World Bank.

Table 1. Projected Sovereign Guaranteed Lending Framework, 2012-2016

(US\$ million)	Base scenario						High scenario					
	2012	2013	2014	2015	2016	Base	2012	2013	2014	2015	2016	High
Approvals	237,2	323,1	94,6	85,1	-	740	237,2	375	202,7	85,1	-	900
Disbursements	140	317,2	357,8	93,2	87	995,2	140	317,2	401,8	237,2	87	1183,2
Net capital flow	-48,2	123,9	146,3	-130,9	-139,6	-48,5	-48,2	123,9	188,8	6,5	-146,2	124,8

Source: The Bank's country strategy with Guatemala 2012-2016 (document GN-2689).

Table 2. Portfolio of Public Sector Operations (2012-March 2016)

Area	Operation No.	Name	Operation Group Type	Year approved	Original Approved Amount	Current Approved Amount	% Disbursed (31 Dec 2011)	% Disbursed (31 Mar 2016)
Water and Sanitation	GU0150	Rural Water Investment Program	Investment - SG	2003	50.000.000	35.335.143	58%	100%
	GU-L1039	Water and Sanitation Program for Human Development-Phase I	Investment - SG	2009	50.000.000	50.000.000	0%	4%
	GU-X1005	Water and Sanitation Program for Human Development	Investment Grant	2009	50.000.000	50.000.000	1%	20%
	GU-T1177	National Plan for Solid Waste Management in Guatemala	TC	2011	300.000	60.978	0%	100%
	GU-T1215	Support in Preparation and Bidding of Operational Technical Assistance (ATO)	TC	2013	170.000	178.069	-	100%
Energy	GU-L1018	Multiphase Rural Electrification Program - Phase I	Investment - SG	2008	55.000.000	54.403.336	3%	100%
	GU-L1084	Multiphase Rural Electrification Program Phase II	Investment - SG	2014	55.000.000	55.000.000	-	0%
	GU-T1120	Rural Electrification Master Plan of Guatemala	TC	2009	500.000	470.464	29%	100%
	GU-T1213	Knowledge Transfer in Biofuels	TC	2012	3.000	2.128	-	100%
	GU-T1203	Capacity Building of the Ministry of Energy and Mines to support the mitigation	TC	2014	250.000	250.000	-	2%
	GU-T1235	Institutional Strengthening for the management of hydrocarbon resources	TC	2015	280.000	280.000	-	0%
Environment and Natural Disasters	GU0066	Environmental Recovery Program for the Amatitlan Lake Basin	Investment - SG	2005	23.870.000	14.777.307	40%	100%
	GU-L1002	Petán Development Program for the Conservation of the Mayan Biosphere Reserve	Investment - SG	2006	30.000.000	30.000.000	36%	88%
	GU-L1014	Establishing Cadastral Registry & Strengthening Legal Certainty Protected Areas	Investment - SG	2009	22.000.000	22.000.000	0%	80%
	GU-L1063	Program to Support the Climate Change Agenda of Guatemala	PBL - SG	2010	250.000.000	250.000.000	60%	100%
	GU-X1001	GRT-Improvement of the Management Effectiveness in the MBR	Investment Grant	2008	3.660.000	3.660.000	21%	88%
	GU-T1135	Integral disaster risk management capacity strengthening	TC	2010	600.000	588.931	23%	100%
	GU-T1165	Green building pilot project design for MINFINs main building	TC	2011	64.000	56.953	17%	100%
	GU-T1176	Support to the Government of Guatemala in the update of the IDP Peten	TC	2011	200.000	188.887	0%	100%
	GU-T1164	Support to the national climate change program	TC	2011	1.000.000	962.910	0%	100%
	GU-T1172	Adaptation to Climate Change and indigenous peoples	TC	2011	400.000	387.810	0%	100%
	GU-T1189	Experience Exchange for Financial Strategies of Disaster Risk Management	TC	2012	8.920	8.920	-	100%
	GU-T1212	Support for the Reconstruction of Social Infrastructure and Productive Program	TC	2012	202.980	202.785	-	100%
	GU-T1211	Emergency Support for Earthquake in South Western Guatemala	TC	2012	200.000	200.000	-	100%
	GU-T1194	National Strategy for Reducing Emissions through Avoided Deforestation and Fores	TC	2013	3.800.000	3.800.000	-	23%
	GU-T1222	Support to the Climate Change Group in SEGEPLAN	TC	2013	200.000	200.000	-	54%
	GU-T1163	Support to the climate change work group in MINFIN	TC	2013	200.000	200.000	-	34%
	GU-T1234	Emergency Assistance for Earthquake in Guatemala	TC	2014	200.000	200.000	-	100%
GU-T1249	Emergency care for mudslide in El Cambray II	TC	2015	200.000	200.000	-	100%	
GU-T1250	Strengthening Early Warning Climate Vulnerability Reduction in Strategic Sectors	TC	2015	250.000	250.000	-	0%	
Urban Development	GU-T1217	Implementation of the ICES in a regular city in Guatemala (Quetzaltenango)	TC	2013	669.500	669.500	-	87%
	GU-T1220	Implementation of ICES in a regular city in Guatemala (Quetzaltenango)	TC	2013	430.500	430.500	-	98%
	GU-T1247	Developing urban capabilities in Smart City, Management, financial instruments	TC	2015	19.998	19.998	-	0%
Reform and Modernization of the State	GU-T1145	Guatemala: National Survey of Employment and Income	TC	2009	650.000	576.097	62%	100%
	GU-T1166	Transparency and Integrity in the Selection and Employment of Civil Servants	TC	2010	70.000	67.085	61%	100%
	GU-T1179	Support for the Preparation of Census Activities in Guatemala 2012-2013	TC	2011	717.667	608.667	0%	100%
	GU-T1219	Institutional Strengthening of the National Registry of Persons	TC	2013	400.000	400.000	-	75%
	GU-T1239	Law-Making Information System Knowledge transfer between Guatemala and Mexico	TC	2014	15.000	11.742	-	100%
	GU-T1241	Early Warning System for Births Pilot Programme	TC	2016	683.500	683.500	-	0%

Area	Operation No.	Name	Operation Group Type	Year approved	Original Approved Amount	Current. Approved Amount	% Disbursed (31 Dec 2011)	% Disbursed (31 Mar 2016)
Fiscal and Municipal Management	GU-L1031	Support for Modernization of the Ministry of Public Finance	Investment - SG	2008	8.500.000	8.393.323	47%	100%
	GU-L1064	Fiscal Consolidation Program for Guatemala	Hybrid PBL - SG	2012	237.200.000	237.200.000	-	100%
	GU-T1102	Support for the Ministerio de Finanzas Públicas	TC	2008	850.000	813.291	0%	100%
	GU-T1147	Greater Spending Effectiveness in the Municipality of Guatemala City	TC	2009	1.000.000	978.374	41%	100%
	GU-T1158	Fiscal decentralization in Guatemala	TC	2010	575.000	567.489	9%	100%
	GU-T1193	Program to Strengthen the Ministry of Public Finance	TC	2012	500.000	500.000	-	53%
	GU-T1221	Strengthening of Fiscal Institutions in the Municipality of Guatemala	TC	2013	260.000	260.000	-	90%
	GU-T1228	Strengthening the administrative financial management through the adoption of th	TC	2014	750.000	750.000	-	36%
GU-T1248	Enhancement of the capabilities to manage investment projects	TC	2015	300.000	300.000	-	0%	
Peaceful Coexistence and Citizen Security	GU0177	Project to Support the Penal Justice Sector	Investment - SG	2007	30.000.000	30.000.000	0%	25%
	GU-T1071	Support for Improving the Efficiency of the Ombudsman of Guatemala	TC	2007	149.300	62.442	0%	100%
	GU-T1180	Support to Police Reform	TC	2011	749.000	749.000	0%	60%
	GU-T1188	Crime Prevention Guatemala-Colombia Knowledge Transfer	TC	2012	4.000	2.930	-	100%
	GU-T1190	Electronic Notification System for the Constitutional Court	TC	2012	80.000	80.000	-	89%
	GU-T1218	Knowledge transfer between Guatemala and Colima, Mexico	TC	2013	10.000	9.975	-	100%
Education	GU-L1023	My School is Making Progress	Investment - SG	2008	150.000.001	150.000.001	20%	58%
	GU-L1087	Education Quality and Coverage Improvement Program	Investment - SG	2015	150.000.000	150.000.000	-	0%
	GU-T1205	Support to Operationalization and Evaluation of Educational Policies	TC	2012	250.000	249.714	-	100%
Social Protection	GU-L1085	Improvement Allocation and Effectiveness of Social Spending Program	PBL - SG	2014	250.000.000	250.000.000	-	100%
	GU-T1138	Support to MiFaPro's Communications Strategy	TC	2009	300.000	100.057	39%	100%
	GU-T1089	Impact Evaluation of MI Familia Progres	TC	2009	1.000.000	981.666	0%	100%
	GU-T1187	Recovering and Enhancing of the Mayan Heritage	TC	2012	230.000	230.000	-	100%
	GU-T1216	Supporting the National Youth Orchestra	TC	2013	11.000	6.979	-	100%
	GU-T1226	Cultural Identity Sstrengthening of Maya Achi'	TC	2013	500.030	500.030	-	71%
	GU-T1224	Support to pre-investment and territorial approach	TC	2013	770.966	770.966	-	84%
	GU-T1233	Promoting Economic Empowerment for Women Survivors of Violence	TC	2014	305.000	305.000	-	0%
	GU-T1232	Promoting Economic Empowerment for Women Survivors of Violence	TC	2014	164.400	164.400	-	0%
	GU-T1206	Support to the Implementation of the Reparation Public Policy	TC	2014	668.073	668.073	-	17%
	GU-T1238	Support for Improvement in the Allocation and Effectiveness of Social Expenditur	TC	2015	230.000	230.000	-	40%
GU-T1255	Support Develop Projects in Maya Communities	TC	2015	182.092	182.092	-	0%	
Health	GU-L1009	Strengthening Hospital Network Program	Investment - SG	2007	50.000.000	50.000.000	27%	100%
	GU-L1022	Improved Access and Quality of Health and Nutrition Services - Phase I	Investment - SG	2010	35.000.000	35.000.000	0%	24%
	GU-G1001	Mesoamerican Health Initiative 2015 - Guatemala	Investment Grant	2011	7.773.333	4.548.260	0%	100%
	GU-G1002	Mesoamerican Health Facility 2015 - Guatemala Second Individual Operation	Investment Grant	2015	6.933.333	6.933.333	-	0%
	GU-T1152	Support to the approach against acute malnutrition in Guatemala	TC	2010	1.200.000	1.196.042	19%	100%
	GU-T1132	Strategies to improve human resource management in rural health	TC	2010	638.000	544.033	0%	100%
	GU-T1170	Strengthening Management of Roosevelt Hospital	TC	2011	231.000	228.276	69%	100%
	GU-T1169	Control of the Neglected Tropical Diseases in Guatemala	TC	2011	480.000	80.402	0%	100%
	GU-T1186	Improvement Nutrition and Food Security in five municipalities of Baja Verapaz	TC	2012	1.499.500	1.499.500	-	70%
	GU-T1192	Zero Hunger Plan Support and Social Protection Sector	TC	2012	280.000	229.534	-	100%
	GU-T1244	Revaluation of Native Plants of High Nutritional Value to Promote Food Safety an	TC	2015	557.939	557.939	-	0%
	GU-T1243	Native Nutrition	TC	2015	330.665	330.665	-	13%
	GU-T1245	Increasing access, use, and sustainability of community health and nutrition ser	TC	2015	670.000	670.000	-	0%
	GU-T1242	Facing the challenge of undernutrition and obesity in Guatemala	TC	2015	823.550	823.550	-	0%

Area	Operation No.	Name	Operation Group Type	Year approved	Original Approved Amount	Current. Approved Amount	% Disbursed (31 Dec 2011)	% Disbursed (31 Mar 2016)
Rural Productive Development	GU0163	Program to Support Strategic Investments and Productive Transformation	Investment - SG	2006	29.000.000	29.000.000	0%	16%
	GU-L1006	Rural Economic Development	Investment - SG	2006	30.000.000	30.000.000	28%	54%
	GU-T1139	Productive and Commercial Value Chain of Orchids in Alta and Baja Verapaz	TC	2009	150.000	76.441	27%	100%
Financial System	GU-T1060	Program to Strengthen Crédito Hipotecario Nacional	TC	2006	149.000	80.498	0%	100%
	GU-T1113	Design and Installation of Electronic Moveable Property Registry	TC	2008	495.000	340.415	42%	100%
	GU-T1168	Strengthening the capacity of VMSMES to support MSME	TC	2010	70.000	-	0%	Cancelado
	GU-T1174	Information Tools to Improve Capacity for the Prevention of Money Laundering in	TC	2011	120.000	114.728	0%	100%
Trade	GU-L1037	Trade and Integration Support Program	Investment - SG	2008	20.000.000	20.000.000	13%	82%
Operational Support	GU-X1004	Support for the Bank Strategy with Guatemala	TC	2007	69.300	11.814	0%	100%
	GU-T1208	Support for the Regional Coordination Initiatives	TC	2012	150.000	149.054	-	100%
	GU-T1185	Action Plan for C and D Countries	TC	2012	327.827	323.895	-	100%
	GU-T1214	Action Plan for C and D Countries	TC	2013	309.717	293.775	-	100%
	GU-T1231	Action Plan for C and D Countries	TC	2014	312.752	312.742	-	100%
	GU-T1240	Action Plan for C and D Countries	TC	2015	308.028	308.028	-	77%
	GU-T1256	Support for the design and implementation of the Country Strategy 2016-2020	TC	2015	730.000	730.000	-	0%
	GU-T1258	Action Plan for C and D Countries	TC	2016	503.777	503.777	-	4%

Note: Approvals to March 2016.

Source: OVEDA using the Bank's data warehouse.

Table 3. Portfolio of Private Sector Operations (2012-March 2016)

Area	Operation No	Name	Window	Year approved	Original approved amount
Energy	GU3794A-01	Generadora San Mateo S.A.	IIC	2013	7.000.000
	GU3798A-01	Generadora San Andres S.A.	IIC	2013	6.000.000
Financial System	GU-L1073	Banco G&T Continental TFFP Loan under SCB Facility	SCF	2012	5.000.000
	GU-L1078	Banco G&T Continental S.A. - TFFP A Loan	SCF	2013	1.000.000
	GU-L1083	Banco G&T Continental S.A. - TFFP A/B Loan - Nov 2013	SCF	2013	5.000.000
	GU-L1082	Banco G&T Continental S.A. - TFFP A Loan	SCF	2013	20.000.000
	GU-L1081	BAC SME Internationalization Financing Partnership - Guatemala	SCF	2013	20.000.000
	GU-L1079	Banco Industrial SMEs Financing Partnership	SCF	2013	100.000.000
	GU3764A-02	Financiera de Occidente S.A.	IIC	2014	6.000.000
	GU-L1098	Banco Industrial de Guatemala 4th TFFP A Loan	SCF	2015	20.000.000
	GU-L1091	Banco Industrial de Guatemala 1st TFFP AB Loan	SCF	2015	20.000.000
	GU-L1094	Banco Industrial de Guatemala 3rd TFFP A Loan	SCF	2015	15.000.000
	GU-L1093	Banco Industrial de Guatemala 2nd TFFP A Loan	SCF	2015	25.000.000
	GU-L1092	FIDOSA	OMJ	2015	3.000.000
	GU1041B-01	Banco de Occidente II	IIC	2015	10.000.000
	GU-L1099	Banco Industrial de Guatemala 5th TFFP A Loan	IIC	2016	25.000.000
GU-L1100	Banco Industrial de Guatemala 6th TFFP disbursement	IIC	2016	15.000.000	
Industry	GU3815A-01	ARGO Industries	IIC	2014	330.000

Note: Approvals to March 2016.

Source: OVEDA using the Bank's data warehouse.

Table 4. MIF Operations (2012-March 2016)

Operation No.	Name	IDB Sector	Year approved	Original approved amount	Current approved amount	% Disbursed (31 Dec 2011)	% Disbursed (31 Mar 2016)
GU-M1021	Business Development in Rural Agricultural Community	AGRICULTURE AND RURAL DEVELOPMENT	2009	700.000	696.500	41%	100%
GU-M1031	Strengthening the competitiveness of the dairy chain	AGRICULTURE AND RURAL DEVELOPMENT	2010	498.737	286.460	11%	100%
GU-S1020	Agricultural Financing in Guatemala for High Value Markets	AGRICULTURE AND RURAL DEVELOPMENT	2011	220.000	220.000	0%	89%
GU-M1044	Recovery of Natural Capital of the Dry Corridor Region and Climate Adaptation	AGRICULTURE AND RURAL DEVELOPMENT	2012	3.610.494	3.419.757	-	53%
GU-M1045	Nutritional Program for Poor, Indegenous Hueseholds in Quiche.	AGRICULTURE AND RURAL DEVELOPMENT	2012	215.206	-	-	Cancelled
GU-S1022	Productivity and Sustainability of Small Mayan Coffee Producers North Region	AGRICULTURE AND RURAL DEVELOPMENT	2012	250.000	250.000	-	73%
GU-S1023	Improving the Beekeeping Production of Associated Small-scale Producers in the S	AGRICULTURE AND RURAL DEVELOPMENT	2013	160.000	160.000	-	71%
GU-M1055	Organization, Productive Diversification, and Marketing for Small Producers in G	AGRICULTURE AND RURAL DEVELOPMENT	2014	2.004.113	2.004.113	-	33%
GU-M1047	Strengthening the Waste Management System in the Lake Atitlan Watershed	WATER AND SANITATION	2014	1.146.220	1.092.114	-	33%
GU-S1010	Promotion of Local Micro and Small Enterprise Ecotourism Service Providers	PRIVATE FIRMS AND SME DEVELOPMENT	2006	105.000	81.408	59%	100%
GU-S1012	Consolidation of Community Financial System to Spur Local Economies	PRIVATE FIRMS AND SME DEVELOPMENT	2007	200.000	199.674	50%	100%
GU-M1026	Promoting alternative crops in Rural Communities of Totonicapán	PRIVATE FIRMS AND SME DEVELOPMENT	2008	520.270	517.669	58%	100%
GU-S1015	Financing Mechanism of PYMES Agrícolas, of Tourism and Forest	PRIVATE FIRMS AND SME DEVELOPMENT	2008	250.000	250.000	42%	100%
GU-S1013	Expansion of Credit Services to Low-income Rural Communities	PRIVATE FIRMS AND SME DEVELOPMENT	2008	160.000	148.642	56%	100%
GU-M1030	Supporting Competitiveness of the South West region of Guatemala	PRIVATE FIRMS AND SME DEVELOPMENT	2009	1.372.000	1.339.949	44%	100%
GU-S1017	Expansion of Microcredit to Low-Income Rural Communities	PRIVATE FIRMS AND SME DEVELOPMENT	2009	242.000	231.725	40%	100%
GU-S1019	Deepening of rural financial services in the South West	PRIVATE FIRMS AND SME DEVELOPMENT	2011	230.000	228.980	50%	100%
GU-M1041	Microfranchising as an Income-Generating Tool for Poor Rural Communities	PRIVATE FIRMS AND SME DEVELOPMENT	2012	1.260.000	1.171.430	-	59%
GU-M1046	Wakami Enterprises: Creating Prosperity for Women in Rural Guatemala	PRIVATE FIRMS AND SME DEVELOPMENT	2013	1.490.000	1.379.110	-	53%
GU-M1038	Extending factoring financial services for small enterprises in Guatemala	PRIVATE FIRMS AND SME DEVELOPMENT	2011	482.000	439.575	15%	100%
GU-M1053	Qestsol Pay-as-you-go Solar Power for the BoP in Guatemala	ENERGY	2014	262.920	262.107	-	100%
GU-M1016	Improving Competitiveness in the Textile and Garment Industry	INDUSTRY	2006	785.000	785.000	64%	100%
GU-M1042	Promoting Community Savings Groups among Rural Women in Guatemala	SOCIAL INVESTMENT	2013	994.000	994.000	-	77%
GU-M1051	Promoting community innovations through scalable market-based distribution model	SOCIAL INVESTMENT	2014	150.000	150.000	-	55%
GU-S1024	Microfinance Plus for Rural Families in Guatemala	FINANCIAL MARKETS	2013	215.000	215.000	-	55%
GU-S1025	Agricultural Community Credit Development for Women in Guatemala	FINANCIAL MARKETS	2014	215.000	215.000	-	22%
GU-M1034	Consumer Protection and Risk Reduction in Microfinancing	FINANCIAL MARKETS	2010	705.000	661.786	42%	100%
GU-M1022	Streamlining Fiscal Procedures for MSMs through improvement of processes and TIC	REFORM/MODERNIZATION OF THE STATE	2010	1.000.000	154.497	17%	100%
TC9802449	Strengthening Bank Supervision	REFORM/MODERNIZATION OF THE STATE	2002	1.355.000	1.311.737	0%	100%
GU-M1043	Improving Child Nutrition through Social Franchising in the Western Highlands of	HEALTH	2013	1.295.457	1.295.457	-	21%
GU-M1056	Prenatal Care in a Backpack for a Healthy Pregnancy	HEALTH	2014	149.816	149.816	-	62%
GU-M1054	Nutrition Support Program for Poor, Indegenous Households in Quiche	HEALTH	2014	150.000	-	-	Cancelled
GU-M1024	Definition and Mgmt. of Tourism Detination in the Cuatro Balam area, in Peten	SUSTAINABLE TOURISM	2009	907.780	878.054	55%	100%

Notes: Approvals to March 2016.

MIF operations will be considered to the extent that they are directly related to the proposed lines of intervention under the priority strategy sectors.

Source: OVEDA using the Bank's data warehouse.

**Table 5. Recommendations of the Country Program Evaluation, 2008-2011
(document RE-404)**

OVE's Recommendations	Bank Management's Response
<p>Maintain the strategy design approach envisaged in the pilot initiative. The pilot initiative was selective in choosing a small number of intervention areas on which it targeted and engaged its assistance efforts. Groups of operations were designed around these areas and focused on achieving the proposed strategic development goals. This approach produced significant synergies and improved the Bank's positioning.</p>	<p>Agree. Management will work toward developing a country strategy focused on overcoming the country's major development challenges, following the methodology developed by VPC in the last few years. This methodology makes it possible to maintain the framework of the pilot initiative and adopt a multisector approach that takes into account the Bank's experience, knowledge, and potential comparative advantages with respect to other development agencies.</p>
<p>Maintain the use of investment instruments in key sectors where the Bank has demonstrated its capacity to add value. The main constraints on growth identified in the 2008-2011 Strategy—the State's limited capacity to generate sufficient fiscal revenues, inadequate human capital as a result of inequity, childhood malnutrition, limitations on basic infrastructure in rural areas, and high crime and violence rates—continue to impede long-term development. These are areas that, should the Guatemalan government so decide, the Bank should continue to support.</p>	<p>Partially agree. During implementation of the next country strategy, the Bank will maintain the use of financing instruments in those sectors identified as priorities by the Bank and the country's new government (which may not necessarily be limited to the sectors listed in the recommendation). Among the factors that will determine the selection of intervention sectors, the new analyses of development challenges currently being carried out as the new country strategy is prepared will be taken into account. The Bank will make efforts to promote the areas mentioned by OVE in the dialogue with the country.</p>
<p>Match portfolio size to the country's institutional capacity and support the country in overcoming the institutional weaknesses that limit timely use of resources. It is recommended that the Office of the Manager of CID, jointly with the Guatemalan government, decide which operations to keep in the portfolio after identifying the sectors in which the Bank will support the new administration. The operations to be kept in the portfolio must be submitted to the Congress for authorization where necessary; operations whose objectives are not perceived as priorities by the new administration should be cancelled.</p>	<p>Agree. Policy dialogue with the new authorities will include an analysis of the country's absorption capacity in terms of macroeconomic stability and an evaluation of the portfolio under execution, taking into account sector execution capacity, the portfolio's relevance in the context of the new 2012-2016 strategy, and its potential adjustment needs. Any decisions related to cancellations will be made in the context of annual programming exercises during implementation of the next country strategy.</p>
<p>Minimize the use of waivers when PBLs are used. To ensure that the PBLs achieve the envisaged objectives it is vital that the proposed conditionalities agreed upon in the loan contracts be met. For this reason, the use of waivers must be avoided—especially in cases where the waiver is associated with key conditionalities since, by disbursing the resources, the Bank loses the capacity to support achievement of the operation's development objectives. The use of PBLs must also be limited to promoting policy changes. These instruments should be coupled with complementary operations to ensure that the objectives are achieved—this support was appropriately addressed in the 2008-2011 strategy.</p>	<p>Partially agree. PBLs help to develop a country's capacity to manage the process of policy reform and institutional change, lowering transaction costs associated with external assistance while simultaneously offering timely disbursement of resources for the national budget, and creating a significant incentive to approve and implement complex policy reforms.</p> <p>In this context, the Bank's Management should have sufficient margin to make changes in the structure of the operations (i.e., transition from two to three tranches for the social PBL) or even to assess potential waivers in specific cases if this contributes to the achievement of the desired medium- or long-term goals.</p>

	<p>In the case of Guatemala, PBLs have focused on advancing two essential public policy areas: fiscal reform and social policy. In both cases, PBLs successfully supported dialogue and policy implementation.</p> <p>The Human Capital Investment Program (GU-L1017) helped, along with other factors, to improve living conditions for the poorest segment of the population and to raise vaccination and schooling rates in the target population.</p> <p>The Program to Strengthen Public Finances (GU-L1020), in addition to its achievements in terms of expenditure quality and tax administration, laid the groundwork for approval of the fiscal reform, which took place this past February (“Ley de Actualización Tributaria” [Tax Reform Law]), expected to yield approximately 1% of GDP.</p> <p>PBL GU-L1020 contributed to the technical design of the approved reform, while the implementation of the remaining conditions paved the way for the approval of the law, as the Guatemalan government has formally acknowledged.</p> <p>This case shows that, even if the political timing and the timing of policy-based loan execution are not fully synchronized, this type of instrument makes it possible to support reforms that are of crucial importance to the country and create significant long-term effects.</p>
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Source: Comments on the Country Program Evaluation: Guatemala 2008-2011 (document RE-404-1).