



1. Operation Information

Operation ID P160667	Operation Name Governance of Public Resources Nutrition
Country Guatemala	Practice Area (Lead) Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s) IBRD-86600	Closing Date (Original) 17-Nov-2017	Total Financing (USD) 250,000,000.00
Bank Approval Date 17-Nov-2016	Closing Date (Actual) 09-Sep-2019	
	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	250,000,000.00	0.00
Revised Commitment	250,000,000.00	0.00
Actual	250,000,000.00	0.00

Prepared by Vandana Chandra	Reviewed by Judyth L. Twigg	ICR Review Coordinator Jennifer L. Keller	Group IEGEC
---------------------------------------	---------------------------------------	---	-----------------------

2. Program Objectives and Pillars/Policy Areas

a. Objectives

The Government of Guatemala Improved Governance of Public Resources and Nutrition Development Policy Financing (DPF) Operation aimed to support the Government in “strengthening the policy and institutional framework to reduce chronic malnutrition, improve primary health care and social programs, and enhance the governance of public resources and accountability” (Program Document [PD], p. 1).



The original Development Policy Operation (DPO) was one of a two-part programmatic DPF series but the second operation in the DPL series never materialized.

The Program Development Objective (PDO) was to: “(i) enhance the policy and institutional framework to address primary health care deficiencies and chronic malnutrition; and (ii) strengthen the regulatory and institutional framework to improve governance of public resources and accountability, (PD, p. 10).

For the purpose of this ICRR, the objectives of the operation (against which outcomes will be assessed) are taken to be the following:

Objective 1: Enhance the policy and institutional framework to address primary health care deficiencies and chronic malnutrition; and

Objective 2: Strengthen the regulatory and institutional framework to improve governance of public resources and accountability.

b. Pillars/Policy Areas

The operation was structured around two pillars (PD, p. 10), identical to the operation’s objectives: (i) enhancing the policy and institutional framework to address primary health care deficiencies and chronic malnutrition; and, (ii) strengthening the regulatory and institutional framework to improve governance of public resources and accountability.

Pillar 1 (addressing primary health care deficiencies and chronic malnutrition) had four prior actions (PA):

PA1: A Ministerial Decree is approved creating the new primary health care model, including the expansion of an essential package of nutrition and health services.

- PA2: The framework to set policies to reduce malnutrition is established through (a) Executive Decree creating the Presidential Commission for the Reduction of Chronic Malnutrition; and (b) a Resolution of CONASAN approving the strategy to reduce chronic malnutrition and prioritizing the seven neediest sub-national jurisdictions (departments) for its implementation.
- PA3: A Ministerial Decree is approved adopting a Geographical Targeting Methodology for MIDES programs and projects with a view to enhance targeting to the poor and efficiency of social spending.
- PA4: A Ministerial Decree is issued to restructure the Food-CCT by replacing the in-kind transfer with a periodic conditional transfer that is: (i) targeted better to poor and extreme poor households enrolled on the basis of socioeconomic indicators, (ii) provided through a debit card to be used in pre-identified food establishments, and (iii) geo-referenced to beneficiary household data.

Pillar 2 (improving governance of public resources and accountability) had six prior actions:

PA5: Amendments to the organic Law of the Tax Administration Superintendence (SAT) and related Laws, including provisions to limit bank secrecy embedded in these related Laws, are enacted to improve governance of the SAT and enhance tax collection compliance.



- PA6: Establishment of an internal affairs/investigation unit in the SAT, with a view to strengthen internal accountability.
- PA7: Amendments to the Procurement Code are enacted, and corresponding regulations are issued, with a view to increase competition and limit discretion in procurement procedures, including procurement procedures for public trusts.
- PA8: For purposes of enhancing payroll controls of public sector employees, the government mandated: (a) the carrying out of a public sector workforce census, and (b) the use of the integrated system of human resources and of the unified payroll system, as evidenced by Executive Decree No. 180-2016, dated September 21, 2016.
- PA9: The Superintendence of Banks has strengthened its supervision of financial transactions of High Risk Clients, including significant transactions with Public Sector Entities, by mandating: (a) financial institutions to carry out enhanced due diligence of business relationships with State Contractors, including bank accounts; (b) all Regulated Entities to comply with procedures for managing and addressing the risks related to money laundering and financing of terrorism, all pursuant to the Borrower's Law No. 67-2001, as amended to the date of this Agreement, and as evidenced by the Special Verification Intendent's letter No. 3654-2016 dated September 30, 2016.

PA10: Amendments to the Public Prosecution Law are enacted with a view to strengthen the independence and capacity of the Public Ministry to combat corruption; and a Disciplinary Commission is created.

c. Comments on Program Cost, Financing and Dates

The DPF operation was a USD 250 million Single Tranche IBRD Operation (P160667). It was the first in a programmatic series of two DPF operations, the second of which was cancelled.

The project was approved on November 17, 2016 and was due to close on November 17, 2017 (ICR). The effectiveness deadline was extended to August 9, 2018 (Loan Agreement, p. 3). The Operation closed on September 9, 2019.

According to Bank staff, "Delays in the Congressional approval of the first operation caused delays in Program implementation and made it unfeasible to prepare the second operation within the standard time frame of a DPL series. Hence, the second operation in the programmatic series was cancelled," (ICR, p. 9).

3. Relevance of Design

a. Relevance of Objectives

The objectives of the series were highly relevant to the country situation, the government's reform program and the Bank's SCD and CPF priorities for Guatemala.

Country situation

The series was prepared in the aftermath of Guatemala's 2015 political and institutional crisis precipitated by a corruption scandal involving the Tax Administration Superintendence (SAT) and the highest levels of



government. The crisis culminated in a massive social uprising that led to the resignation of the President and other senior officials.

Government's reform program

A newly elected government was constituted in early 2016 with a strong mandate to redress social shortcomings, especially malnutrition, fight deep-rooted corruption, and improve governance. Two of the five strategic pillars of its General Policy of the Government for 2016- 2020 were based on the National Development Plan (K'atun, our Guatemala 2032) and included: (i) "increasing access to better quality health services by implementing the recently launched National Strategy to Reduce Chronic Malnutrition and ensuring universal access to primary health services, among other; and (ii) instituting zero tolerance for corruption by fostering governance and transparency, in particular in the management of public funds, among other things;" (PD, p. 9).

WBG priorities

The series objectives reflected government priorities specified in the two strategic pillars and were directly pertinent to the country's situation described briefly below.

The need for reforms to end chronic malnutrition and improve the governance of public resources had been a long- standing development challenge in Guatemala but the 2015 uprising established that the Government had to act. In 2016, almost half of all children (47 percent) were stunted, with disproportionate incidence in the lowest quintile (66 percent) and among indigenous children (61 percent), and only one in two children (12 to 23 months of age) in the lowest income quintile received all the required vaccinations. These outcomes were due mainly to limited funding for basic social services and the lack of a basic institutional framework for service delivery, especially health care, resulting in inadequately funded and ad hoc social assistance programs for poor households (PD, p.2).

Inadequate funding for critical social services was attributable to low fiscal revenues as well as weak governance and inefficient spending practices. In 2015, the tax-to-GDP ratio of 10.2 percent of GDP reflected an extremely low level of revenue mobilization for Guatemala's level of per capita income and its development objectives. In addition to a narrow tax base and low tax rates, fiscal revenue mobilization was constrained by weak governance evident in widespread tax evasion, lack of transparency, weak monitoring and controls, Value Added Tax (VAT) revenue leakages due to fraudulent invoicing, and high levels of informality. As corruption and lack of accountability and enforcement had severely eroded public trust in the SAT, strengthening the regulatory framework to enhance tax collection, and re-building trust in the SAT were considered prerequisites for raising the tax-to-GDP ratio. These measures, however, would not increase revenues to levels necessary to fund essential social services. As Guatemala lacked non-tax sources of revenue to supplement the pot of domestically collected taxes, it was even more critical for the government to use the tax revenues it collected efficiently in delivering social services. These factors provided a direct rationale for combining the twin objectives of efficient revenue and expenditure management with the delivery of essential social services into a single DPO. The efficient delivery of social services was affected by widespread corruption, and inadequate transparency and accountability in public spending across most government departments. Wide discretion in procurement practices led to misallocation, non-competitive procedures (at a higher cost), and possible misuse of public resources that squeezed the funds for procuring essential goods such as vaccines for children. Fiscal leakages in the civil servants' payroll further drained government's budget. Anti-money laundering regulations provided insufficient controls to prevent laundering through the financial system, including of resources related to public sector transactions. Limited government



capacity in the Public Ministry to enforce and prosecute illegal public and private behavior related to the misappropriation of public resources undermined public trust in government institutions.

The series' objectives are also fully consistent with the World Bank Group's CPF for Guatemala (FY17-FY20) which was presented in parallel to this operation and was based on the SCD (2016) and other analytic work specifically examining the social sector (Guatemala: Social Sector Expenditure and Institutional Review, World Bank (2016)). High rates of chronic malnutrition (stunting) were also identified as a priority area in the SCD theme of inclusion, growth and sustainability in Guatemala (Figure 9). The CPF was anchored in the Government's strategy reflecting Guatemala's commitment to, inter alia, fight corruption and enhance transparency, improve tax collection, and enhance welfare outcomes, especially related to health and nutrition. Being informed by WBG's existing portfolio (specifically IFC) and past engagement in Guatemala, the CPF was modest in its ambitions given the government's lack of experience, and the weak implementation and governance environment. Within the framework of the CPF, the series sought to influence outcomes in both overarching CPF pillars: (i) fostering social inclusion, in particular increasing access to basic services for vulnerable groups; and (ii) addressing bottlenecks to sustainable growth, improving public resource management and accountability (PD, p. 17). This DPF series was central to the CPF which was highly selective, with new activities focusing mainly on advancing the malnutrition agenda and improving governance through a complementary package of instruments (including the accompanying Crecer Sano Project) bringing together global knowledge, technical assistance, and financial solutions. Thus, the strategic purpose of the DPF series was relevant to the key priorities of the country and WBG's country program priorities.

b. Relevance of Prior Actions

Rationale

The operation was structured around two pillars (PD, p. 10), identical to the operation's objectives: (i) enhancing the policy and institutional framework to address primary health care deficiencies and chronic malnutrition; and, (ii) strengthening the regulatory and institutional framework to improve governance of public resources and accountability.

Objective 1: Addressing primary health care deficiencies and chronic malnutrition. PA 1 – 4.

PA1 was relevant because it helped to bridge the large disparities in access to primary health care and pervasive malnutrition due to the absence of a health care model that covered *all* citizens, especially in the lowest income quintile. Large disparities in access were due to the centralization of Guatemala's primary care facilities mainly in the wealthier urban areas, as well as government's discontinuation in 2015 of the Extension of Coverage Program (PEC) which provided basic health services through NGOs. In 2014/15, only 52 percent of children aged 12 to 23 months in the lowest income quintile received all the required vaccinations, compared to 62.4 percent of children in the highest income quintile. The new health care model would also provide an essential package of nutrition and health services to all quintiles to reduce maternal and child mortality and chronic malnutrition. The health institutional teams would provide services in existing health facilities as well as through mobile teams in underserved or unserved areas.

PA1 would establish the new primary health care model to expand access to all, and directly reduce primary health care deficiencies and chronic malnutrition, especially among the vulnerable segments of the population. **(Relevance of PA1 = S)**



PA2: In line with its political commitment to prioritize chronic malnutrition, the new government allocated more than 50 percent of the increase in the 2017 budget to health and malnutrition, but in the absence of a basic institutional framework for service delivery, an increase in budgetary resources alone would not achieve better health outcomes for the most vulnerable segments of the population. PA2 was highly relevant in initiating the process to establish a clear institutional framework and coordinated approach involving multiple departments at the central and municipal government levels. The President established a Commission for the Reduction of Chronic Malnutrition which would work with civil society and government institutions to design a multisectoral strategic framework that would be vetted by the National Council of Food Security and Nutrition (CONASAN), confirming the latter's technical input and ownership of the framework at the highest levels of the new government, as well as across jurisdictions, and civil society CONASAN would also prioritize the seven neediest sub-national jurisdictions (departments) for the implementation of the framework. Given the prevailing politically and socially fragile conditions, a national-level policy framework for service delivery could not be implemented without appropriate buy-in from all concerned agencies. Thus, PA2 was essential for the achievement of PDO1. **(Relevance of PA2 = HS)**

PA3 was relevant to the achievement of PDO1 because it would close the critical gap in the delivery of basic health services between the poor and non-poor across geographic locations and ethnic groups and foster social inclusion. Less than 50 percent of the Guatemalan population had access to primary health services, and most Guatemalans did not have access to drinking water and improved sanitation, especially in rural, Indigenous and low-income urban areas. Guatemala's social protection programs could not channel resources to the neediest due to inadequate funding, lack of targeting and prioritization. The creation of the Ministry of Social Development (MIDES) and the establishment of the Unique Registry of Beneficiaries and Social Information System strengthened the institutional framework and improved coordination of programs but did not go far enough to improve the quality of social spending by targeting them to reach segments suffering from chronic malnutrition. PA3 fulfilled this need by introducing a new targeting methodology that could contribute in guiding limited resources to reach the poorest. **(Relevance of PA3 = S)**

PA4 was relevant for the achievement of PDO1 because it eliminated the inefficiencies related with the in-kind food transfer program (Food CCT) by substituting a debit card and improved targeting to ensure that scarce resources reached the most vulnerable. The in-kind program was overextended, poorly targeted and highly inefficient because the purchase and distribution of in-kind items cost more than what beneficiaries would pay to buy them. PA4 replaced the program with a conditional transfer, thus reducing distribution costs significantly and increasing overall transparency. The conditional transfer would be implemented through debit cards provided to beneficiaries selected through a socio-economic needs assessment. The beneficiaries could use the debit cards only in pre-identified food establishments, conditional on their participation in information and awareness workshops on nutrition, consumer rights and financial literacy. PA4 increased the efficiency of health service delivery by introducing an information-based system that used the latest household survey/census data to geo-reference the location of the poor, thus stemming waste related with lack of targeting and use of in-kind transfers. **(Relevance of PA4 = S)**

Prior actions under pillar one for addressing primary health care deficiencies and chronic malnutrition are rated **Satisfactory**.

Objective 2: Improving governance of public resources and accountability. PA 5–10.

PA5 was relevant for PDO2 as it focused directly on the institutions and regulatory structures governing the Law of the Tax Administration Superintendence (SAT). Revenue collection by the SAT was at record low levels (less than 11 percent of GDP) for a country with Guatemala's income level. It was also severely constrained by



weak governance, inadequate controls, excessive discretion, lack of transparency and limited enforcement of tax compliance resulting in widespread tax evasion, low revenue collection and high levels of informality by businesses. The 2015 political and social crisis revealed the pervasiveness of tax evasion and corruption and presented a compelling case for wide-ranging reforms in the SAT's governance and legal framework to restore public trust in the tax authorities, reform the tax administration system and improve revenue collection necessary to fund basic service delivery. PA5 covered three key reforms necessary to amend the SAT: (i) the creation of an administrative tribunal within SAT (TRIBUTA) in charge of administrative tax appeals; (ii) modifications in the procedures for the SAT Superintendent, Board of Directors and TRIBUTA members, limiting political interference in the nominations; and (iii) relaxation of bank confidentiality provisions granting SAT the authority, with a competent judge order, to access taxpayer financial information for auditing and investigation purposes. These measures would significantly strengthen SAT's ability to enforce tax compliance and tax auditing functions more effectively, and boost revenue collection.

PA5 contributed to the achievement of PDO2 by directly focusing on three key and long overdue reforms necessary to enable SAT to enforce tax compliance constrained by flawed bank confidentiality provisions, improve governance and accountability, and increase tax revenues needed to fund service delivery.

(Relevance of PA5 = S)

PA6 was relevant in achieving PDO2 as it would empower the SAT, Guatemala's central tax collection agency, to investigate tax fraud and boost accountability, which was at record low levels, thus restoring public trust in the tax administration agency. Lack of effective internal control mechanisms hindered the detection of conflict-of-interest situations and corrupt activities within SAT. Reforms to enforce better tax compliance and fight tax fraud in Guatemala required internal accountability within SAT. Although it had an Internal Audit unit, existing institutions rendered it ineffective in implementing internal controls. PA6 addressed these constraints directly.

By facilitating the creation of an internal affairs/investigation unit in SAT, PA6 would institutionalize control mechanisms and send a strong signal to SAT staff that there would be accountability, thus contributing directly to PDO2's goal of strengthening governance and accountability. This unit would report directly to the Board of Directors, and would have the capabilities to detect irregular situations, receive complaints, and conduct investigations on possible mismanagement and fraudulent activities, thus boosting internal accountability.

(Relevance of PA6 = S)

PA7 was relevant in initiating a long outstanding reform of the procurement law, with an emphasis on transparency, limiting discretion, and increasing competition to protect limited fiscal resources. Numerous practices in Guatemala's public procurement system undermined its integrity through provisions that encouraged discretionary control, reduced operational efficiency, discouraged competition, inhibited citizen oversight, and enabled corruption. Public procurement was implemented without guidelines, standard bidding documents and inadequate controls and evaluation criteria. Alternative mechanisms, such as public trusts limited competition and encouraged discretionary awarding of contracts. Collusion practices and single source or emergency award of contracts was pervasive. Between 2013 to 2015, more than 70,000 processes used direct contracting compared to fewer than 2,000 processes conducted competitively and approximately 2,400 under exceptional clauses [PD pg. 17, para 49].

PA7 fostered a procurement reform that leveraged stricter procedures and improved controls to strengthen transparency, competition, and accountability. The reforms would establish a General Register for State Procurement to register vendors and the contracts awarded to them. The new legal framework would encourage competition, restrict direct contracting, encourage competitive selection methods, standard specifications, and new procurement methods such as reverse auction, concessions, and e-procurement to



introduce efficiency. PA7 would also help to close a critical loophole by mandating all public trusts to apply procurement provisions, and reforming framework agreements with clear guidelines for procedures, accountability, and public information and transparency. **(Relevance of PA7 = S).**

PA8 was relevant for initiating reforms in Guatemala's human resources management system that was fragmented, lacked transparency, and led to a waste of public resources. On the Civil Service Development Index (2004-11/13), Guatemala scored 24 out of 100 points and the index was unchanged during 2004-2013. The Central government wage bill accounted for 41 percent of current spending in 2016. A weak Civil Service Law led to parallel hiring schemes through different budget lines causing uncertainty about the actual size of the public sector, including of the Central Government public workforce. The absence of a unified job classification and single remuneration system resulted in fragmented databases of active and retired workers leading to largescale potential for fraud in salaries and pensions.

PA8 was relevant for PDO2 as calling for a census of public servants was essential for assessing the size of the public service, establishing an integrated system of human resources and a unified payroll system. In addition to government employees, the census would also collect information on individuals who provide technical, professional, and consulting and advisory services. **(Relevance of PA8 = S).**

PA9 was relevant for the objective of improving public resource management and accountability related with banking sector transactions. It empowered banks to engage in greater supervision of high-risk clients especially state contractors, legal entities linked to politically exposed persons, and individuals with business relationships with jurisdictions with high-risk of corruption/money laundering cases. To identify and mitigate these specific risks, the Financial Intelligence Unit (IVE) would enforce the policy of identification of the final beneficiaries and apply penalties for non-compliance. The new regulations would enable financial institutions to enhance due diligence of state contractors, making it more difficult for the latter to launder proceeds from corrupt activities through the financial system, thus rooting out corruption in public procurement. PA9 was a complement to PA7 because the information collected by the financial institutions would enable government to identify suspicious transactions related to a public official (or entity controlled by a politically exposed person) which provided services to a state entity.

PA9 supported the regulations that instructed banks, finance companies and offshore entities on the identification and evaluation of money laundering/terrorism financing risks, and mitigation measures. These regulations were mandatory with heavy penalties for non-compliance. Thus, PA9 was relevant for contributing to PDO2's goal of stemming corruption in public resource management through money laundering and increasing better governance and accountability. **(Relevance of PA9 = S)**

PA10 was relevant because the laws of the Public Ministry in Guatemala allowed political interference and discouraged prosecutors from prosecuting corrupt officials or individuals because their own careers were not protected from disciplinary action by politicians. Most importantly, the President could dismiss the Attorney General based only on an evaluation of his/her performance. PA10 would foster civil service reforms to safeguard independence and shield prosecutors from political pressures, protecting their professional careers. PA10 also mandated that the dismissal of the Attorney General would require a conviction. Other related reforms focused on administrative and economic crimes, extortions, crimes against women, and children protection. PA10 would establish a Disciplinary Commission to investigate cases within the Public Ministry, replacing the former Council which was exposed to political interference.



PA10 contributed to PDO2 by introducing key reforms in the legal system to ensure that the new government's effort in fighting corruption in public resource management and increasing accountability would not be undermined by a legal system that was compromised by political interference. **(Relevance of PA10 = S)**

Prior actions under pillar two for improving governance of public resources and accountability are rated **Satisfactory**.

While the PAs of the first series were relevant for both PDOs, their sustainability was subsequently compromised by the cancellation of the second series due to a 21-month delay in Congressional approval. The institutional reforms that were initiated by the PAs, and were expected to be completed during DPF2, were therefore incomplete and jeopardized the eventual sustainability of the PAs themselves as well as the effectiveness of the overall PDO. Included among the triggers of DPF2 were critical reforms that would have established a monitoring system to evaluate the implementation of the programs targeting a decline in malnutrition, or institutional arrangements that would link the financing of the social programs such as the CCT programs and public procurement of medicines for the poor to the Finance Ministry's budget cycle to ensure regular and guaranteed funding. These and other critical reforms never materialized.

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

Table 1: Results Indicators by Pillar, Baseline/Target and Status

RI (number and description)	Associated PA	Baseline/target	Status Status
Pillar 1: Enhancing the policy and institutional framework to address primary health care deficiencies and chronic malnutrition			
RI1: Percent of children 12 months old in the areas prioritized by the National Strategy to Reduce Chronic Malnutrition receiving the complete vaccinations scheme required for their age.	PA1: Creation of a new primary health care model, including the expansion of an essential package of nutrition and health services.	Baseline 2015 =74 % Target 2018 = 80%	Actual 2019=74%



RI2: The cost of the essential package of primary health care medicines is reduced.		Baseline 2015=Q397.07 Target 2018=5% lower	Actual 2020: NO DATA REPORTED
RI3: Coverage of the health system for growth monitoring and promotion.	PA2: Establishment of framework for policies to reduce malnutrition.	Baseline 2015=10% Target 2018=30%	Actual June 2020 =19% NOT ACHIEVED
RI4: Percent of 0-2 children in priority municipalities that complete the full cycle of nutrition verification.		Baseline 2015=0% Target 2018=50%	Actual 2020 = NO DATA REPORTED
RI5: Number of on-time transfers paid in a year to recipients of the health transfer (Bono de Salud) in areas prioritized by the National Strategy to Reduce Chronic Malnutrition.	PA3: Adoption of a Geographical Targeting Methodology for social programs and projects to enhance targeting and efficiency in social spending. PA4: Restructuring of the Food-CCT.	Baseline 2015 = 1 Target 2018 = 4	Actual 2019 = 4
Pillar 2: Strengthening the Regulatory and Institutional Framework to Improve Governance of Public Resources and Accountability			
RI6: Estimated VAT non-compliance level (as a share of potential VAT revenues) is reduced.	PA5: Amendments to the organic Law of the Tax Administration Superintendence (SAT). PA6: Establishment of an internal investigation unit in the SAT.	Baseline 2015 = 34.2% Target 2018 = 29%	Actual 2019 = 26.3%
RI7: Share of public procurement executed through competitive	PA7: Amendments to the Procurement Code to increase competition and	Baseline 2015 = 36%	Actual 2020 = 62%



processes in total value of executed public procurement.	limit discretion in procurement procedures.	Target 2018 = 52%	
RI8: Percent of public employees of the Executive who are paid through the unified payroll system (Guatenóminas) with updated and verified profiles and certified identity.	PA8: Enhancement of payroll controls of public sector employees.	Baseline 2015 = 0% Target 2018 = 95%	Actual 2020 = 99.6%
RI9: Percent of financial entities (banks, finance companies and offshore banks) that include in the compliance manual their specific ML/TF risks and assessment as well as measures for their monitoring, management and mitigation.		Baseline 2015 = 0% Target 2018 = 50%	Actual 2020 = 100%
RI10: Percent of financial entities (banks, finance companies and offshore banks) for which the Financial Intelligence Unit (IVE) checks compliance with the regulation on administration of risks and enhanced due diligence measures for CPEs.	PA9: Strengthening supervision of financial transactions of High-Risk Clients.	Baseline 2015 = 0% Target 2018 = 82%	Actual 2020 = 100%
RI11: Number of Prosecutor's Offices specialized in handling corruption cases (Agencias de la Fiscalía Especializada Contra la Corrupción) created.	PA10. Amendments to the Public Prosecution Law to strengthen the independence and capacity of the Public Ministry to combat corruption.	Baseline 2015 = 1 Target 2018 = 4	Actual 2020 = 4









Pillar 1: Results Indicators (RI) to measure primary health care deficiencies and chronic malnutrition.

Creation of a new primary health care model, including the expansion of an essential package of nutrition and health services. Supported by PA1. Progress measured by RI1 and RI2.

Both RIs were relevant in measuring achievements in reductions in health care deficiencies and chronic malnutrition. Given the large disparities in access to basic health care, especially for the Indigenous ethnic groups, women and children concentrated in rural areas, RI1 would measure progress in vaccinating twelve-month-old children in the most vulnerable segments of the population. RI2 would measure progress in improving access to basic health care for the neediest by lowering prices and making medicines and medical supplies more affordable. RI1 and RI2 were measurable indicators of achieving PDO1 through the implementation of PA1. **[Relevance of RI1= S; and Relevance of RI2 = S]**

Establishment of the framework for policies to reduce malnutrition. Supported by PA2. Progress measured by RI3 and RI4.

RI3 and RI4 were relevant in measuring progress in reducing chronic malnutrition through the newly established framework designed by the new Presidential Commission and CONASAN and vetted by a large group of stakeholders across various government departments and civil society. RI3 would monitor growth of malnourished children and adults while RI4 would track the share of 0-2 children completing the full cycle of nutrition verification in priority municipalities. **[Relevance of RI3 = S; Relevance of RI4 = S]**

Adoption of a Geographical Targeting Methodology for social programs and projects to enhance targeting and efficiency in social spending (PA3) and Restructuring of the Food-CCT (PA4). Supported by PA3/PA4. Progress measured by RI5.

RI5 would measure the effectiveness of the new Geographical Targeting Methodology in identifying the location of the most vulnerable segments of the poor in the Bono de Salud program area as envisioned by PA3. It would also monitor the roll-out of the newly introduced debit card-enabled cash transfers to the neediest (PA4). As designed, RI5 would measure the number of on-time transfers paid in a year to the recipients of the health transfer program in the Bono de Salud areas prioritized by the National Strategy to Reduce Chronic Malnutrition. However, despite its valuable potential, its limited coverage to recipients of only the Bono de Salud program area diminished RI5's relevance as a national indicator of Guatemala's progress in targeting the neediest to reduce chronic malnutrition. Ideally, RI5's coverage should have been extended to all areas vetted by the newly designed Geographical Targeting Methodology that was based on comprehensive datasets and scientific methods. RI5 would then record annual progress in reducing chronic malnourishment among all Guatemalans. **[Relevance of RI5 = MU]**



Pillar 2: Strengthening the Regulatory and Institutional Framework to Improve Governance of Public Resources and Accountability.

Amendments to the organic Law of the Tax Administration Superintendence (SAT)(PA5) and establishment of an internal investigation unit in the SAT (PA6). Supported by PA5/PA6. Progress measured by RI6.

RI6 was a critical indicator for measuring achievements in PDO2's goal of strengthening governance and accountability in public resource management along two dimensions. It was a good indicator for monitoring the impact of reforms in SAT's governance and legal framework on tax revenues (PA5) as it tracked the reduction in the level of VAT non-compliance (as a share of potential VAT revenues). However, RI6 was not appropriate for tracking achievements of the newly established internal investigation unit in stemming tax fraud and improving accountability in SAT (PA6). Achievements related with this dimension of PDO2 warranted a dedicated RI. **[Relevance of RI6 = MU]**

Amendments to the Procurement Code to increase competition and limit discretion in procurement procedures. Supported by PA7. Progress measured by RI7.

RI7 directly measured the impact of reforms in the public procurement system envisaged by PA7 to support the objective of enhancing governance and accountability in public resource management. Prior to 2015, competition was limited, discretionary control and corruption were rampant, procurement guidelines were mostly nonexistent, and most state contracts were awarded directly, bypassing the public procurement system. The public procurement system was not without problems. RI7 was measurable and would monitor progress in the share of public procurement executed through competitive processes in total value of executed public procurement, thus directly tracking the procurement reforms specified by PA7. **[Relevance of RI7 = S]**

Enhancement of payroll controls of public sector employees. Supported by PA8. Progress measured by RI8.

RI8 was key to measuring reduction in waste in the civil service payroll system and improvements in overall public resource management. It linked well with PA8 focused on a civil service census and related reforms designed to establish a unified payroll system across all tiers of government. Factors fueling waste in the civil service included lack of proper documentation and verification of active and retired employees, and multiple remuneration and hiring systems. However, RI8 was limited to measuring the percentage of public employees of only the Executive who were paid through the unified payroll system (Guatenóminas) with updated and verified profiles and certified identity. It did not cover other tiers of government where fiscal leakages and fraud in the civil service payroll system were equally widespread. As designed, RI8 was inappropriate to serve as a nationally representative RI reporting on progress across all tiers of government. **[Relevance of RI8 = MU]**

Strengthening supervision of financial transactions of High-Risk Clients. Supported by PA9. Progress measured by RI9 and RI10.



Both RIs were good measures of achievements in improving governance and accountability in public resource management through financial sector reforms aimed at stemming money laundering related with state contracts and public procurement (as per PA9). RI9 would track the percent of financial entities (banks, finance companies and offshore banks) that include in the compliance manual their specific ML/TF risks and assessment as well as measures for their monitoring, management, and mitigation. RI10 would track the share of financial entities (banks, finance companies and offshore banks) for which the Financial Intelligence Unit (IVE) checks compliance with the regulation on administration of risks and enhanced due diligence measures for CPEs. Both RI9 and RI10 were directly aligned with PA9 that required financial institutions to enhance due diligence of business relationships with state contractors with the objective of generating intelligence for launching corruption investigations, while making it harder to move proceeds of corruption through the financial system. **[Relevance of RI9 = S; and Relevance of RI10 = S]**

Amendments to the Public Prosecution Law to strengthen the independence and capacity of the Public Ministry to combat corruption. Supported by PA10. Progress measured by RI11.

RI11 was partially relevant in measuring the achievement of improving governance and accountability of the Public Ministry through fair public prosecution of individuals found guilty of tax fraud. PA10 supported this objective by seeking to strengthen the independence of the Public Ministry from political interference. However, RI11 did not touch on the independence of the Public Ministry – this aspect was fundamental to fighting corruption, improving governance, and restoring the public’s trust in government. By only measuring the number of new Prosecutor’s Offices specialized in handling corruption cases, RI11 risked overlooking their role in simply perpetuating previous corrupt practices, thus undermining the Public Ministry’s fight against corruption and effort to improve governance and accountability. **[Relevance of RI11 = MU]**

Table 2: Relevance and Efficacy Rating for Each Results indicator				
Results Indicator	Relevance rating	Efficacy rating (from RI or complementary evidence)	Pillar Efficacy Rating	Overall Efficacy Rating
Pillar 1: Enhancing the policy and institutional framework to address primary health care deficiencies and chronic malnutrition				Moderately Unsatisfactory
RI1	S	Negligible	Unsatisfactory	
RI2	S	Negligible		
RI3	S	Modest		
RI4	S	Negligible		
RI5	MU	Modest		
Pillar 2: Strengthening the Regulatory and Institutional Framework to Improve				



Governance of Public Resources and Accountability			
RI6	MU	Modest	Moderately Satisfactory
RI7	S	High	
RI7	S	High	
RI8	MU	Modest	
RI9	S	High	
R10	S	High	
R11	MU	Modest	



Pillar 1 Rating = 4.6 = S; Pillar 2 Rating = 4 = MS.

Overall Rating of Relevance of RIs = 4.3 = MS.

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

OBJECTIVE 1: Enhancing the policy and institutional framework to address primary health care deficiencies and chronic malnutrition. Supported by PA1 – 4; Progress measured by R11 – R15.

Rationale

The objective of addressing primary health care deficiencies and chronic malnutrition was to be achieved through (i) the creation of a primary health care model, (ii) establishment of a framework/system to reduce malnutrition; (iii) replace the existing health service delivery system with a new Geographical Targeting Methodology to facilitate targeting social spending to areas where the neediest resided; and (iv) increase the efficiency of social spending by restructuring the Food transfer program (Food CCT).

Creation of a primary health care model, including the expansion of an essential package of nutrition and health services to the poorest. Two results indicators, R11 and R12, would monitor progress. R11



measured the percentage of children 12 months old receiving the complete vaccination scheme required for their age in areas prioritized by the National Strategy to reduce malnutrition, setting the 2015 Baseline at 74%. The 2018 Target of 80% was not achieved; in 2019 at the time of closing it was still 74%. RI2 measured the reduction in the cost of the essential package of primary health care medicines. The 2015 Baseline was set at Q397.07, and the 2018 Target was 5% lower. At the time of this ICR's preparation in 2021, no data was reported for this indicator for 2020. **[RI1 Efficacy = Negligible; and RI2 Efficacy = Negligible.]**

Establishment of a framework for policies to reduce malnutrition. Two results indicators would monitor progress towards this objective. RI3 measured the increase in the coverage of the health system for growth monitoring and promotion. The 2015 Baseline was set at 10%, and the 2018 Target was 30%. As progress in June 2020 was only 19%, the Target was not achieved. RI4 measured the percent of 0-2 children in priority municipalities that completed the full cycle of nutrition verification, starting with the 2015 baseline of 0%. The 2018 Target was 50%. At the time of this ICR's preparation in 2021, no data was reported for this indicator for 2020. **[RI3 Efficacy = Modest; and RI4 Efficacy = Negligible.]**

Adoption of a Geographical Targeting Methodology for social programs to enhance targeting and improve efficiency of social spending by restructuring of the Food-CCT. Progress in achieving these objectives would be monitored by RI5 which measured the number of on-time transfers made in a year to recipients of the Bono de Salud area prioritized by the National Strategy. The transfers replaced the in-kind transfers with cash transfers distributed through debit cards. The 2015 Baseline was 1 and the 2018 Target of 4 was achieved. Despite achieving the target, RI5 fell short of appropriately measuring achievement of the objective because it reached only 12,784 beneficiary families in program area and only counted the number of on-time transfers to them. It did not report the share of the covered families in the national total. The ICR reports that success in other social assistance policy areas in Guatemala was minimal. In the Bono Social program area, only 122,000 households (out of 3.3. million) were reached due to a low budget, implementation delays and now due to a major revamping of the social safety net in response to the COVID-19 pandemic. Given the large territorial inequalities and the high correlation between poverty and location, RI5 could have leveraged better the newly available Geographic Targeting Methodology and covered a larger area. **[RI5 Efficacy = Modest]**

Rating

Unsatisfactory

OBJECTIVE 2

Objective

Pillar 2: Strengthening the Regulatory and Institutional Framework to Improve Governance of Public Resources and Accountability. Supported by PA5 – 10; progress measured by RI6 – RI11.

Rationale

The objective of improving the governance of public resources and accountability was to be achieved through (i) strengthening SAT legislation to increase tax revenues, and establishing an internal investigation unit within the SAT to investigate tax fraud; (ii) amending the Procurement Code to increase competition and limit discretionary control in public procurement; (iii) enhancing the public sector payroll control system to eliminate wastage and fraud; (iv) strengthening supervision of financial transactions of High-Risk Clients to stem



corruption; and (v) amending the Public Prosecution Law to strengthen the independence and capacity of the Public Ministry to combat corruption.

Strengthening the organic Law of the Tax Administration Superintendence (SAT) and establishing an internal investigation unit in the SAT. RI6 would monitor progress in this objective by measuring the reduction in the estimated VAT non-compliance level (as a share of potential VAT revenues). The 2015 Baseline was 34.2% and the 2018 Target was 29. By reaching a VAT non-compliance level of 26.3% in 2019, the Target was exceeded. However, although the momentum initiated by early implementation of reforms in the SAT led to achievement of the Target, progress was not sustained. As reductions in tax fraud and improvements in accountability within SAT were not measured by RI6, it is unclear if there was any progress. According to the ICR “ Due to signing delays, the Transparency and Efficiency in Tax Administration Project was cancelled, negating important implementation support for the reforms,” (ICR, pg. 21, para 36-37). Despite these developments, the ICR reports that even during the COVID crisis response period, the government continued improving the SAT’s institutional structure to enhance revenue generation. **[RI6 Efficacy = Modest]**

Amending the Procurement Code to increase competition and limit discretion in procurement procedures. The achievement of this objective would be monitored by RI7 which would measure change in the share of public procurement executed through competitive processes in total value of executed public procurement. Compared to the 2015 Baseline of 36% and 2018 Target of 52%, the Actual share of 55% in 2018 and 62% in 2020 exceeded the target, confirming sustained progress. The ICR reports that due to the increase in public expenditures during the COVID19 crisis, “the Government has sought to adjust further the Procurement Law with complementary provisions to balance the need for agility with measures to ensure transparency and accountability in the public procurement process,” (ICR pg. 22, para 40). **[RI7 Efficacy = High]**

Enhancing payroll controls of public sector employees. Progress in achieving this challenge would be monitored by RI8 which measured change in the percent of public employees of the Executive (including the Presidency of the Republic, Ministries, Departments and other units under the Executive) who are paid through the unified payroll system (Guatenóminas) with updated and verified profiles and certified identity. Given the Actual 2020 record of 99.6% and the 2015 Baseline of 0%, the 2018 Target of 95% was achieved. While implementing a unified payroll system was a critical achievement for the Government, the overall objective was not fully achieved as it did not apply to either “decentralized and autonomous” entities in the tiers of the civil service outside the central government, or persons performing short-term, temporary and product-based jobs. According to the ICR, these would constitute next steps in a subsequent Crisis Response and Recovery in Guatemala DPF. **[RI8 Efficacy = Modest]**

Strengthening supervision of financial transactions of High-Risk Clients. Given the pervasiveness of money laundering in Guatemala, the achievement of this objective would be monitored by two indicators. RI9 measured the percentage of financial entities that included in the compliance manual their specific ML/TF risks and assessment as well as measures for their monitoring, management, and mitigation. Starting with a 2015 Baseline of 0%, the 2018 Target of 50% was doubly achieved when by 2020, all 32 financial entities had complied with the new Guidelines for Managing ML/TF Risk reaching 100%. The new AML/CFT law was



submitted to Congress in August 2020 and has been under consideration of two legislative commissions since.

RI10 monitored progress of the objective by measuring the percentage of financial entities for which the Financial Intelligence Unit (IVE) checks compliance with the regulation on administration of risks and enhanced due diligence measures for CPEs (state contractors). Compared to the 2015 Baseline of 0%, the 2018 Target of 82% was exceeded by 2020 when all financial entities (100%) were being checked for compliance by the IVE. According to the ICR, “The Superintendence of Banks’ efforts continued in 2019 and 2020, when 21 and 27 financial entities’ compliance with the regulation were verified, respectively,” (ICR pg.24, para 44). **[RI9 Efficacy = High; and RI10 Efficacy = High.]**

Strengthening the independence and capacity of the Public Ministry to combat corruption. Progress in achieving this objective would be measured by RI11 that would track changes in the number of Prosecutor’s Offices specialized in handling corruption cases created. While the 2018 Target of 4 was achieved (Actual 2020 number = 4) relative to the 2015 Baseline of 1, RI11 measured achievement of the objective only partially, neglecting issues related with the independence of Public Ministry. Achievement of the Target was not sustained. The new Prosecutor’s Offices and a Disciplinary Commission (*Junta Disciplinaria*) with a mandate to investigate disciplinary cases within the Public Ministry were concentrated in the capital. FECL, the Public Office against Impunity was closed for two years before reopening in August 2020. The independence of the Public Ministry to combat corruption, the key objective, was cast in doubt when public suspicion increased over the selection process of the Constitutional Court which is the highest court in Guatemala for all contentious criminal, judicial and political cases. **[RI11 Efficacy = Modest].**

Amending the Procurement Code to increase competition and limit discretion in procurement procedures. The achievement of this objective would be monitored by RI7 which would measure change in the share of public procurement executed through competitive processes in total value of executed public procurement. Compared to the 2015 Baseline of 36% and 2018 Target of 52%, the Actual share of 55% in 2018 and 62% in 2020 exceeded the target, confirming sustained progress. The ICR reports that due to the increase in public expenditures during the COIV19 crisis, “the Government has sought to adjust further the Procurement Law with complementary provisions to balance the need for agility with measures to ensure transparency and accountability in the public procurement process,” (ICR pg. 22, para 40). **[RI7 Efficacy = High]**

Enhancing payroll controls of public sector employees. Progress in achieving this challenge would be monitored by RI8 which measured change in the percent of public employees of the Executive (including the Presidency of the Republic, Ministries, Departments and other units under the Executive) who are paid through the unified payroll system (Guatenóminas) with updated and verified profiles and certified identity. Given the Actual 2020 record of 99.6% and the 2015 Baseline of 0%, the 2018 Target of 95% was achieved. While implementing a unified payroll system was a critical achievement for the Government, the overall objective was not fully achieved as it did not apply to either “decentralized and autonomous” entities in the tiers of the civil service outside the central government, or persons performing short-term, temporary and product-based jobs. According to the ICR, these would constitute next steps in a subsequent Crisis Response and Recovery in Guatemala DPF. **[RI8 Efficacy = Modest]**



Strengthening supervision of financial transactions of High-Risk Clients. Given the pervasiveness of money laundering in Guatemala, the achievement of this objective would be monitored by two indicators. RI9 measured the percentage of financial entities that included in the compliance manual their specific ML/TF risks and assessment as well as measures for their monitoring, management, and mitigation. Starting with a 2015 Baseline of 0%, the 2018 Target of 50% was doubly achieved when by 2020, all 32 financial entities had complied with the new Guidelines for Managing ML/TF Risk reaching 100%. The new AML/CFT law was submitted to Congress in August 2020 and has been under consideration of two legislative commissions since.

RI10 monitored progress of the objective by measuring the percentage of financial entities for which the Financial Intelligence Unit (IVE) checks compliance with the regulation on administration of risks and enhanced due diligence measures for CPEs (state contractors). Compared to the 2015 Baseline of 0%, the 2018 Target of 82% was exceeded by 2020 when all financial entities (100%) were being checked for compliance by the IVE. According to the ICR, “The Superintendence of Banks’ efforts continued in 2019 and 2020, when 21 and 27 financial entities’ compliance with the regulation were verified, respectively,” (ICR pg.24, para 44). **[RI9 Efficacy = High; and RI10 Efficacy = High.]**

Strengthening the independence and capacity of the Public Ministry to combat corruption. Progress in achieving this objective would be measured by RI11 that would track changes in the number of Prosecutor’s Offices specialized in handling corruption cases created. While the 2018 Target of 4 was achieved (Actual 2020 number = 4) relative to the 2015 Baseline of 1, RI11 measured achievement of the objective only partially, neglecting issues related with the independence of Public Ministry. Achievement of the Target was not sustained. The new Prosecutor’s Offices and a Disciplinary Commission (*Junta Disciplinaria*) with a mandate to investigate disciplinary cases within the Public Ministry were concentrated in the capital. FECl, the Public Office against Impunity was closed for two years before reopening in August 2020. The independence of the Public Ministry to combat corruption, the key objective, was cast in doubt when public suspicion increased over the selection process of the Constitutional Court which is the highest court in Guatemala for all contentious criminal, judicial and political cases. **[RI11 Efficacy = Modest].**

Rating

Moderately Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

The program achieved partially only one of its two objectives. Only two of five targets for the first objective of enhancing the policy and institutional framework to address primary health care deficiencies and chronic malnutrition were achieved modestly. Either no progress was made regarding the other targets, or no data was reported. The second objective was to strengthen the regulatory and institutional framework to improve governance of public resources and accountability. Although all six targets of the RIs were exceeded or achieved for the second objective, actual progress was either sustained or improved over the 2018 targets for only three RIs. For the remaining three RIs, the program was canceled in one case (tax office legislation), the RI did not



cover all tiers of government (federal and state) and was therefore only partially representative of success in achieving the objective (civil service payroll reform), or the RI was only modestly indicative of progress because it did not include key aspects of the objective related with the independence and capacity of the Public Ministry to combat corruption. The program achieved partially only one of its two objectives. Only two of five targets for the first objective of enhancing the policy and institutional framework to address primary health care deficiencies and chronic malnutrition were achieved modestly. Either no progress was made regarding the other targets, or no data was reported. The second objective was to strengthen the regulatory and institutional framework to improve governance of public resources and accountability. Although all six targets of the RIs were exceeded or achieved for the second objective, actual progress was either sustained or improved over the 2018 targets for only three RIs. For the remaining three RIs, the program was canceled in one case (tax office legislation), the RI did not cover all tiers of government (federal and state) and was therefore only partially representative of success in achieving the objective (civil service payroll reform), or the RI was only modestly indicative of progress because it did not include key aspects of the objective related with the independence and capacity of the Public Ministry to combat corruption.

Overall Efficacy Rating

Moderately Unsatisfactory

6. Outcome

Rationale

While the relevance of the prior actions is rated Satisfactory, the achievement of objectives is rated Moderately Unsatisfactory with an overall outcome rating of Moderately Unsatisfactory. The operation was highly relevant for Guatemala as clear from the strong public support following the ousting of the previous government for not addressing concerns underlying the two operational objectives. The ten prior actions supporting these two objectives were highly relevant and appropriately emphasized strengthening the policy/regulatory and institutional frameworks by Executive or Ministerial Decrees to ensure ownership at the highest levels of the new Government and were expected to set the stage for sustained progress in the implementation of reforms [JC1] [VC2]. However, the ten PAs were designed to be complemented by eight indicative triggers for DPF2 which never materialized. As these eight triggers included critical institutional arrangements that were necessary for the eventual sustainability of the PAs, the cancellation of DPF2 compromised the sustainability of the overall operation.

The overall outcome rating for the operation was brought down by the Highly Unsatisfactory rating for the achievement of the first objective due to a 21-month delay between the DPF's Board approval and disbursement, inadequate budgets, presidential elections, inauguration of the new government and excessive modifications to implementation modalities by the new administration (related with the new primary health care model). Most of the targets were either not achieved or had no data to show progress in reducing chronic malnutrition. The second objective had a mixed outcome and a Moderately Satisfactory achievement rating. Guatemala passed impressive institutional/legal reforms exceeding targets in several challenging prior action areas such as public procurement, public sector payroll control, and anti-money laundering especially



related with high-risk clients like state contractors. However, it could not sustain progress in reforms related with prior actions such as the tax administration, and independence and capacity of the public prosecutor to combat corruption and increase public revenues. Their results indicators were only modestly achieved.

The effectiveness of the program supported by the operation after closing is reflected in measures such as a smoother COVID-19 emergency response (e.g., geographical targeting of social assistance programs and adoption of emergency procurement policies). Some of the policy areas under Pillar 1 remain high on the Government's list of priorities and progress in most of the Pillar 2 targets that were achieved has been sustained. However, the institutional reforms and policies for revenue mobilization, procurement and independence of the Public Ministry to combat corruption in public resource management remain outstanding.

The overall Outcome rating is Moderately Unsatisfactory, based on the Satisfactory relevance of the prior actions, an Unsatisfactory rating for the Efficacy of Pillar 1 and a Moderately Satisfactory rating for the Efficacy of Pillar 2.

a. Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

The ICRR concurs with the ICR that considering the prevailing political and governance landscape in Guatemala, there are several risks to the sustainability of the development outcomes. In addition to the cancellation of the second operation in this DPF series which derailed necessary institutional arrangements that were critical for the sustained impact of the PAs of the first series and hence the overall operation,, there were also delays or cancellations in concurrent IPFs (*Crecer Sano*; Transparency and Efficiency in Tax Administration) which would have bolstered the government's capacity to implement the prior actions for PDO1 and PDO2. - The likelihood of sustained progress in development outcomes is strong in areas where they continued to feature on the government's priority list, and have support from Congress and other stakeholders. Examples include amendments to the Procurement Law and establishment of an investigation unit in the SAT. The Government's commitment to reforms under the new COVID-19 crisis response DPF series (which builds on similar policy areas) contributes to the sustainability of development outcomes in these areas. This was demonstrated during the COVID-19 crisis when Government implemented an impressive scale-up of health and emergency safety nets.

There is a high risk to the sustainability of anti-corruption measures development outcomes even though the Government continues to assign them priority. The pervasiveness of corruption, especially its entrenchment among long-standing influential interest groups increases the risks of slippages in sustaining institutional reforms related with the tax administration, and independence and capacity of the Public Prosecutor's office to combat corruption. The abolition of the International Commission against Impunity in Guatemala created by the United Nations in the aftermath of the 2015 political crisis is indicative of the difficulty of sustaining anti-corruption outcomes. There is a high risk to the independence of the specialized Prosecutor's Offices Against Corruption given that one of the four offices was closed until August 2020 and public concerns have been raised about the remaining offices regarding the selection process of the Constitutional Court which is the highest court for civil law and decides almost all the contentious political, judicial and criminal issues arising in Guatemala.



8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The DPF series' design rested on a sound foundation of knowledge and operational experience which highlighted Guatemala's difficult political economy challenges, especially substantial risks for operations focused on improving public resource management and accountability. A key lesson from previous DPFs was the need to design such operations with strong government ownership and this lesson was applied to this series. It was initiated at the direct request of the new government immediately following the collapse of the previous government for failure to respond responsibly to chronic malnutrition and pervasive financial corruption in public resource management. The series centered on issues that were of fundamental relevance to Guatemala's development needs, had strong public support and were the new Government's leading priorities for which it sought World Bank support. Given that long-overdue institutional reforms were a prerequisite for any operation involving public revenue generation or expenditures in Guatemala, it was an appropriate time for the Bank to respond to the government's request. However, other lessons regarding ways to garner Congressional approval in times when the new government does not have a long record or support capacity building to demonstrate some early results to win public support were not addressed.

Eight sets of institutional reforms required to achieve the overall objectives of the DPF series comprised the Indicative Triggers (IT) for DPF2 whose cancellation compromised the effectiveness of the PAs and sustainability of the overall operation. For example, IT1 under DFP2 would have established a centralized procurement program for essential medicines and medical supplies to support the new primary health care model established under PA1. IT2 would have scaled up the health information system to monitor health care activities and results in the seven priority sub-national jurisdictions to support the framework to reduce malnutrition implemented by PA2. IT3 would have set up an inter-ministerial agreement between the targeting agency and the Ministry of Public Finance to ensure timely budget releases for the targeting system approved through PA3. IT4 would prioritize the timely flow of funds needed for the CCT program launched by PA4. IT5 would have enacted the amendments to the tax code to enforce overall compliance with the VAT which was key to the tax collection efforts under PA5 and PA6. IT6 would have established a General Directorate and registry of public acquisitions to support the institutional reforms to the public procurement framework implemented under PA7. IT7 would have led to the completion of the public sector workforce census and update of the payroll systems mandated by PA8. IT8 would have reformed the AML/CFT Law to align it with international standards and strengthen its effectiveness thus completing the processes introduced by PA9 and PA10.

As the reforms underpinning the series were anchored in the Government's National Development Plan, it benefited indirectly from the extensive consultations the Government conducted with the public, Government agencies, civil society, NGOs, and workshops with cooperatives, unions, indigenous groups (Maya and other groups), and SMEs. The series was also enriched by consultations for specific reforms such as amendments to the public prosecution law for which the Government consulted with over 1,000 specialists in more than 50 technical roundtables; the procurement reform and amendments to the SAT



organic law whose consultations also included think tanks, academia, public institutions, private sector, and specialized NGOs. Given the close overlap between the thematic focus and timing of the SCD, CPF and the DPF, the latter also benefitted from the field consultations the World Bank teams undertook while preparing these three activities and operations. The World Bank team coordinated with the IADB and IMF (especially on tax administration); the IADB, USAID, and Spanish/EU Cooperation on primary health care and malnutrition.

The PAs and RIs were underpinned by knowledge generated by a large range of sources which included recent IEG assessment of the Guatemala Enhanced Fiscal and Financial Management for Greater Opportunities DPL Series (2012-2014), Systematic Country Diagnostic (2016), and Guatemala Economic Diagnostic for National Action informed the overall design of the DPF. The PAs and RIs for Pillar 1 drew on (i) Guatemala: Social Sector Expenditure and Institutional Review (2016); (ii) Health System Functional Review (2015); (iii) a series of nutrition studies; (iv) Central America Social Expenditures and Institutional Review (2016), and (v) The Cost of Hunger: social and economic impact of child undernutrition in Central America and the Dominican Republic (R. Martinez and A. Fernandez (2008)). Pillar 2's PAs and RIs drew on: (i) Guatemala IAMTAX Diagnostic (2014); (ii) ICEFI: Proposal of Reforms to the Organic Law of SAT (2016); (iii) Identifying Options for Improving Framework Agreements for the Purchase of Medicines in Guatemala, Rapid Diagnostic – Quick Gains (2009-2010); (iv) IADB Civil Service Development Index, and assessments (2004,2014); (v) National Money Laundering and Terrorism Financing Risk Assessment TA using WBG Methodology (2015) and completed by Guatemalan Authorities (2015); (vi) Action Plan of the National ML/TF Risk Assessment (2015); (vii) Anti-Money Laundering and Combating the Financing of Terrorism Mutual Evaluation Report – GAFILAT (2016); and (viii) several external studies related to the role of and careers in the Public Ministry.

Rating

Moderately Satisfactory

b. Bank Performance – Implementation

Rationale

While there was close monitoring of progress in Congressional approval of the DPF, less emphasis was placed on monitoring progress towards development outcomes given the long delay between loan signing and loan effectiveness. The ICR notes that the Bank team produced three ISRs but “the ISRs mentioned only progress towards key dates, especially effectiveness, and PDO and Implementation Progress (IP) ratings appear to have been driven towards progress in Congressional approval, as opposed to towards progress in development outcomes.... none of the DPF’s ISRs updated progress on implementation of the reforms and achieving results indicator targets,” [ICR, pg. 28, para 57]. When the cancellation/delays occurred in the complementary projects that would have facilitated implementation, the team did not have any mitigating measures to address risks to achievement of PDOs. No triggers were modified to ensure that the operation should proceed due to the inordinate delay between Board approval (November 2016) and effectiveness (August 2018). The project team later noted that Bank Management continued to stress to the Government the importance of tackling the nutrition and revenue mobilization agendas, including at the Spring and Annual meetings, and these messages were also conveyed through missions and other communication channels. The project team stressed that not all implementation support was captured through the ISRs, and that the Bank devoted significant resources to



maintaining strong policy dialogue and implementation support to the core reforms supported by the operation. The operation closed in September 2019.

Rating

Moderately Unsatisfactory

c. Overall Bank Performance

Rationale

The series was fully aligned with the new Government and World Bank priorities, reflected Guatemala's development needs, and was generally well-designed though some of the PAs could have had a clearer results chain. The Bank team clearly identified that the risk of improving governance of public resources and accountability in a politically sensitive environment was substantial, and designed mitigating measures by strategically situating the series at the core of the Country Partnership Framework to ensure sufficient resources and designing the series within a package of two complementary IPF operations to support the implementation of each Pillar. While more flexible use of early technical assistance may have mitigated the risk of delay in effectiveness and improved outcomes, such risks are difficult-to-mitigate. The series was informed by a wealth of recent analytic work, including sector-specific studies underpinning its ten prior actions, lessons from prior operations, wide-ranging field consultations, and was well-coordinated with development partners. Given the excessive delay between loan signing and effectiveness, ISRs reported more on monitoring delays and ensuring the relevance of the PAs than progress in implementation and outcomes.

Overall Bank Performance Rating

Moderately Satisfactory

9. Other Impacts

a. Social and Poverty

Under Pillar 1, the following PAs were expected to reduce poverty directly through the following channels: (i) the new primary health care model would increase access of the most vulnerable segments of the population to primary health care, prioritizing on-time vaccinations, and the essential package of nutrition and basic health services at affordable prices in areas with limited health care services, and high rates of chronic malnutrition and maternal mortality (PA1); (ii) PA2 would address chronic malnutrition prioritizing areas where the stunting rates for children are above the national average; (iii) under PA3, the new Geographical Targeting Methodology for MIDES' programs would target resources to areas with the highest poverty levels, and where the majority of poor households were not receiving public transfers; and (iv) PA4 would replace the in-kind transfers with a periodic conditional cash transfer program through improved targeting to redistribute benefits away from the non-poor to those in need.



Unfortunately, the lack of data preempts monitoring of progress towards expected targets for Pillar 1. The policy actions under Pillar 2 were expected to benefit the poor by increasing the pool of government revenues available for social sector services through improved tax collection, and more efficient use of limited government revenues by reforming various aspects of public administration.

b. Environmental

The DPF was not expected to have any environmental, forest or natural resource impacts.

c. Gender

Pillar 1 was expected to directly benefit women and children in the neediest segments of the population, especially among the Indigenous groups, through policy actions and institutional reforms that would establish the new primary health care model and improve their access to an essential package of nutrition and basic health services at affordable prices. The absence of a pre-existing monitoring system and oversight in establishing a system for regular data collection to monitor progress towards the targets for Pillar 1 resulted in the absence of any information to gauge the impact on women and children who were the main beneficiaries.

d. Other

None identified.

10. Quality of ICR

Rationale

The ICR is well written and presents a comprehensive, evidence-based discussion of the relevance of the PAs in achieving the PDOs, including their links to the program objectives. Given Guatemala's experience with several prior not-so-successful operations that also sought to improve the governance of public resource management and accountability, the ICR explains well why the World Bank proceeded to respond to the new Government's request for support in fighting the same objectives with the current operation and a subsequent DPF (Crisis Response and Recovery) with similar objectives. It offers significant detail on the broad achievement of targets within reform areas, but also notes the risks to the sustainability of the outcomes of politically sensitive reforms. The tables displaying the results chain are clear, and the discussion of the relevance of the RIs could have been more comprehensive and discussed why most of the targets for Pillar 1 were not achieved. The ICR is particularly notable for being candid in discussing the Bank's role, and offers a creative suggestion/insight from the operation on how to improve outcomes in situations with a long delay



between loan signing and effectiveness when the prevailing political environment is difficult, and the government is new, inexperienced and unfamiliar with international loan processes and requirements.

a. Rating

High

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	High	

12. Lessons

This review concurs with two lessons drawn by the ICR: Prior not-so-successful operations suggest that improving the governance of public resources and accountability in Guatemala’s politically sensitive environment is subject to substantial risk and requires innovative and sustained effort. Institutional reforms featured as a top government priority do not signal government commitment and efficient implementation of related projects. Capacity and corruption are leading constraints to timely implementation, particularly in the case of a government without a long record. Leveraging early non-lending TA to accelerate implementation, and closely tracking outcomes can have early payoffs only if they are accompanied by investments in a well-managed communications strategy to win local support of the communities, press and key stakeholders. Demonstrating the benefits of projects in their early stages is also critical for mounting public pressure on government and reluctant Congressional leaders to approve and support difficult institutional reforms.

In addition to tracking progress towards key dates such as Congressional approval, the ISRs for DPF operations should also track progress on implementation of reforms and achievement of RI targets.

13. Project Performance Assessment Report (PPAR) Recommended?

No