Office of Evaluation and Oversight

Independent Country Program Review

Guatemala
2017-2020

IDB IDB | Invest

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Independent Country Program Review

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Contents

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Abbreviations

CABEI	Central American Bank for Economic Integration
CDC	Country development challenges
CGC	Contraloria General de Cuentas [Office of the Comptroller General]
CPD	Country program document
CPE	Country program evaluation
DPL	Development policy loan
ECLAC	Economic Commission for Latin America and the Caribbean
ENSMI	Encuesta Nacional de Salud Materno-Infantil [National Survey on Maternal-Child Health]
FAO	Food and Agriculture Organization
ICPR	Independent country program review
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MIDES	Ministry of Social Development
MINFIN	Ministry of Finance
NSG	Non-sovereign guaranteed
OVE	Office of Evaluation and Oversight
PAPTIN	Plan Alianza para la Prosperidad del Triángulo Norte [Plan of the Alliance for Prosperity in the Northern Triangle]

PBL	Policy-based loan
PCR	Project completion report
PMR	Progress monitoring report
ReTS	Recommendation tracking system
RFI	Rapid financing instrument
SAT	Superintendencia de Administración Tributaria [Office of the Superintendent of Tax Administration]
SDO	Sustainable Development Objectives
SG	Sovereign guaranteed
SMEs	Small and medium-sized enterprises
TC	Technical cooperation
TFFP	Trade Finance Facilitation Program
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization
XSR	Expanded supervision report

Executive Summary

Purpose. This independent country program review (ICPR) covers the Bank's country strategy with Guatemala and the Guatemala country program during the period 2017 2020. ICPRs assess the relevance of the country strategy and provide additional information on the alignment and execution of the country program. If the available information allows, ICPRs also report on progress toward the objectives set by the IDB Group in its country program. With this product, OVE seeks to provide the Boards of Executive Directors of the IDB and IDB Invest with useful information for analysis of the country strategies submitted to them for consideration.

Country context. Guatemala is the largest country in the Central American region in terms of both the size of its economy (US$76.2 billion) and its population (17.6 million). During the period 2017 2020, the country has established a prudent macroeconomic policy associated with low-volatility growth, but poverty (above 55%) and exclusion continue to pose challenges. Poverty has ethnic and geographic dimensions, as evidenced by gaps in income, exclusion from basic services, and vulnerability to natural disasters and humanitarian crises. Access to basic services, particularly in rural areas, remains limited and constrains human capital development. Diagnostic assessments by the IDB, the World Bank, and the International Monetary Fund (IMF) similarly identify three types of challenges in the country's efforts to generate inclusive growth: (i) narrowing gaps in access to social services; (ii) solidifying a growth model with greater investment and productivity; and (iii) strengthening the institutional capacity of the State. These assessments were in line with the government's priorities for 2016 2020 as well as the country's long-term plans. The fallout of the pandemic has confirmed that these challenges remain.

Strategic objectives of the country strategy. The country strategy identified nine strategic objectives in three priority areas: (i) improving public management and transparency; (ii) reducing poverty and inequality; and (iii) private sector development. It also identified crosscutting areas: incorporating local considerations, gender equality, and climate change into design work. This country strategy featured a shift in focus from its predecessor by including private sector development as a priority area. Generally speaking, the 2017 2020 strategic objectives proved relevant in view of the country's challenges and comparative advantages stemming from the Bank's previous work. Although the country strategy appropriately took the country's priorities and the IDB Group's institutional objectives into account, the relevance of the objective related to natural gas was weaker, as it was not addressed in the Bank's diagnostic assessments. The strategy's evaluability was low with most indicators in its results matrix not allowing for measurement of progress due to limitations in the statistical system. The country strategy offered a detailed analysis of execution, political, and natural disaster risks and called for mitigation actions, particularly for execution risks. The political risks and mitigation measures have been similar to those of previous cycles, including actions related to better communication and dissemination of programs in the legislative bodies, but coordination between the branches of government remains the chief cause of delay.

Program alignment. The Bank's estimated lending envelope with Guatemala for 2017-2020 was US$521 million in sovereign guaranteed (SG) approvals, down from 2012-2016 and subject to plans to improve execution of existing operations. At the start of the evaluation period, legacy operations established action plans and were taken off "alert status," enabling the Bank to issue new approvals. In this setting, the Bank approved a total of five SG loans toward the end of the programming period for US$480 million, less than the amount projected in the country strategy. The private sector took on a larger share with increased non-sovereign guaranteed (NSG) lending (nine NSG operations for around US$349 million). Program anticipation was low: only one third of loans programmed for the period were approved (out of 16 programmed loans for US$725 million, only four SG operations and two NSG operations, totaling US$438 million, were approved). The country program for 2020 was better attained due to the pandemic. The operations program also had a significant balance of legacy reimbursable operations (totaling US$593 million), including the only policy-based loan (PBL) in the portfolio. Amid difficult conditions for the approval of new PBLs for thoroughgoing reforms, the Bank focused on executing the legacy portfolio, approving investment loans, and supporting the Congressional authorization of loans that were behind schedule. IDB Invest, meanwhile, increased the diversity of instruments in its portfolio, with the most common instrument being senior loans to financial institutions to support small and medium-sized enterprises (SMEs). The use of technical cooperation operations focused on operational support, in line with the recommendation of the previous country program evaluation. The crosscutting areas noted in the country strategy were incorporated into the design of the approved projects. The program was partially aligned with the strategic objectives of the country strategy, with four new approvals (one NSG and three SG operations) that were not aligned. The legacy portfolio focused on supporting the objectives of the priority areas of *improving public management* and *transparency and reducing poverty and inequality*, whereas new operations focused on *private sector development*.

Program implementation and results. For the legacy portfolio, the Bank completed most of the proposed actions to accelerate execution, which helped to close out operations. In this context, the pace of disbursements for the legacy portfolio accelerated, initially as a result of proactive steps to execute old operations and subsequently as part of the pandemic response. Despite improved execution of the legacy portfolio, lower-than-expected approvals and delays in authorization by Congress meant that SG disbursements to the country fell short of amounts projected in the country strategy. However, the rollout of operations in the private sector led to a substantial increase in NSG disbursements during this period. New operations were approved toward the end of the period that kept the Bank as leading development partner. As for the approved program, the Bank also instituted, at least partially, the improvements proposed in the country strategy for design and preparation work, although their impact cannot yet be evaluated. The time taken from registration in the Bank's systems to loan contract signature continued to be long. Barriers to project implementation remain significant and require continued follow-up measures for accelerated execution of active operations.

Despite swifter execution, the program has made modest contributions to the objectives of the country strategy. According to information in the project completion reports (PCRs), most of the operations aligned with the country strategy that were closed out in this period were not effective. The contribution to the strategic objectives of improving public management and transparency was limited, and no achievements were reported in net tax revenue or cumulative impunity. The contribution to the objectives of reducing poverty and inequality was limited; projects in health and in water and sanitation performed poorly; and information on the contribution to educational access and quality has been limited. The contribution to the objectives for private sector development was primarily associated with the Rural Economic Development Program to support the Chixoy River area and IDB Invest's work to facilitate SME access to finance, but it is too early to know the results of most operations with financial institutions.

01

Introduction

1.1 The Office of Evaluation and Oversight (OVE) of the Inter-American Development Bank (IDB) conducts periodic evaluations of the IDB Group's program with each borrowing country, in accordance with the Protocol for Country Program Evaluations (document RE-348-3). The Guatemala country program evaluations (CPEs) have covered the following evaluation periods: 1993-2003 (document RE-304-2), 2004-2007 (document RE-352), 2008-2011 (document RE-404), and 2012-2016 (document RE-503).

1.2 Following on the last country program evaluation, this independent country program review (ICPR) covers the IDB Group country strategy (document GN-2899) and country program with Guatemala during the period 2017-2020. ICPRs are more limited in scope than country program evaluations, assessing the relevance of the country strategy and providing additional information on the alignment and execution of the country program. If the available information allows, ICPRs also report on progress toward the objectives set by the IDB Group in its country program. With this product, OVE seeks to provide the Boards of Executive Directors of the IDB and IDB Invest with useful information for analysis of the country strategies submitted to them for consideration. Like the CPE, the ICPR is based on available documentation on projects and programs[1] and includes interviews with key IDB Group actors in the Guatemala country program. Unlike the CPE, however, the ICPR does not include interviews with key country actors or field visits.

1.3 This ICPR is structured in six sections and informational annexes. Following a brief section describing the country context (Section II), the ICPR reviews the objectives of the 2017 2020 country strategy, as well as its evaluability and vertical logic. It also looks at the findings of previous CPEs and the implementation of their recommendations (Section III). Section IV reviews the country program's actual approvals and disbursements, as compared to plans, and its alignment with the objectives of the country strategy, while also considering the loan portfolio and technical cooperation (TC) operations that remain active as legacy operations from previous country strategy periods. Section V reviews progress in implementation and the contributions and results of the IDB Group's program, as well as the feasibility of the objectives set in the country strategy. Section VI puts forward conclusions.

1 The following documents were reviewed: country program documents (CPDs), loan proposals, project completion reports (PCRs), validations, progress monitoring reports (PMRs), annual supervision reports, data on implementation from the Development Effectiveness Learning, Tracking, and Assessment (DELTA) tool, six-monthly reports and portfolio performance reviews, loan extension memorandums, and reports on fulfillment of policy conditions for PBLs.

02

Context of the 2017-2020 Country Program

2.1 Guatemala is the largest country in the Central American region, in terms of both the size of its economy and its population. Its GDP for 2020 was estimated at US$76.2 billion, and it has a population of some 17.6 million people. Its demographic profile is young, growing, and ethnically and culturally diverse (among the countries of Latin America and the Caribbean (LAC), Guatemala trails only Bolivia in the size of its indigenous population). Despite the severe political crisis of 2015 due to cases of corruption brought to light by prosecutors with support from the International Commission Against Impunity in Guatemala (CICIG),[2] the last two transitions of government have been orderly. The Vamos Party won the most recent presidential elections in 2019 amid a challenging governance scenario due to a continuing fragmented political system,[3] structural governance problems (see Annex, Figure I.1.1), and perception of corruption.[4]

2.2 The country consolidated a prudent macroeconomic policy in 2017 2020 associated with low-volatility growth. Monetary, fiscal, external account, and debt policies were moderated[5] alongside low-volatility growth. GDP grew at an annual rate of 3.3% in 2017 2019, similar to the relatively stable growth achieved since 2010 (3.5% average annual growth in 2010 2019). The external account balance improved over the preceding period, as remittances became increasingly important to the economy,[6] the trade balance improved, and international reserves grew.[7] Although growth was disrupted in 2020 by the impacts of COVID-19 and the aftermath of two hurricanes, the International Monetary Fund (IMF) projected a 2% decline in GDP for the year, a moderate drop compared to the estimated LAC and Central

2 The CICIG was ratified by Congress in 2007 as an independent, international body, sponsored by the United Nations at the government's request, to support government institutions in the investigation and dismantling of crimes committed by criminal networks. Its mandate expired in 2019 and was not renewed.

3 The Vamos por una Guatemala Diferente Party (founded in 2017) won the presidential runoff election with 10% of the seats in Congress, and the governing coalition holds a slim majority. The party system is marked by fragmentation (19 parties participated in the latest election), instability, and mutability (elected representatives changing party affiliation). Since ratification of the 1985 Constitution, no party has won the presidency more than once.

4 Transparency International's corruption perceptions index worsened during this period, falling from 28 to 26 in 2016-2019, as Guatemala's overall ranking fell from 136th to 164th (out of 198 countries).

5 Between 2016 and 2020, expectations of the value of the U.S. dollar held steady, and inflation stayed within the Central Bank's target band (3% to 5%). The fiscal deficit remained low (under 2.2% through 2019), and public debt (26.6% of GDP in 2019) remained among the lowest in LAC, along with Chile's.

6 According to World Bank data, remittances received by Guatemalan families increased to nearly 14% of GDP in 2019, up from 11.7% in 2017, and were projected to increase further in 2020.

7 The current account of the balance of payments has posted positive balances since 2019, closing 2019 at 2.4% of GDP. According to the World Bank, reserves increased from the equivalent of 5.4 months of imports in 2016 to 7.5 months in 2019.

American averages (8.1% and 5.9%, respectively). Despite an expected increase in the fiscal deficit in 2020 (projected at 5%), [8]debt levels should remain low.[9]

Table 2.1. Macroeconomic indicators, 2011-2020

Indicator	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GDP growth, constant prices (% change)[a]	4.4	3.1	3.5	4.4	4.1	2.7	3	3.2	3.8	-2
Inflation, average consumer prices (% change)[a]	6.2	3.8	4.3	3.4	2.4	4.4	4.4	3.8	3.7	2.1
Net tax revenues (% of GDP)[b]	10.9	11.0	11.1	11.0	10.5	10.8	10.8	10.7	10.6	10.1
Gross government debt)[a]	23.8	24.6	25	24.7	24.8	24.9	25.1	26.5	26.6	32.2
Net government savings / debt (% of GDP)[a]	-2.8	-2.4	-2.2	-1.9	-1.5	-1.1	-1.4	-1.9	-2,2	-5.6
Official exchange rate[c]	7.8	7.8	7.9	7.7	7.7	7.6	7.3	7.5	7.7	0
Exports of goods and services (% of GDP)[c]	26.6	24.9	22	21.7	19.8	18.8	18.5	18.2	17.7	0
Imports of goods and services (% of GDP)[c]	37.4	36.1	34.7	33.3	30.1	27.6	27.6	28.9	28.2	0
Personal remittances received (% of GDP)[c]	9.5	9.9	10	9.9	10.4	11.1	11.7	12.9	13.9	0

Notes: Values for 2019 onward are estimates. See annex, Table I.1.1, for further indicators.
Source: [a]IMF, 2020; [b]Office of the Superintendent of Tax Administration (SAT); [c]World Bank, 2020.

2.3 Macroeconomic gains, however, were still not enough to reduce gaps in terms of poverty and exclusion. On average, GDP per capita (at purchasing power parity) remained stagnant in relative terms in 2017-2020 (see Annex, Figure I.1.2). The percentage of people living in poverty remained, on average, above 55% (with another 30% living in vulnerable conditions). Poverty has ethnic and geographic dimensions, as evidenced by gaps in income, exclusion from basic services, and unequal levels of vulnerability to disasters and humanitarian crises. Investment (public and private), at nearly 12% of GDP in this period, remained low for LAC (with average investment levels above 20%).[10] Social expenditure, although higher in 2020 to counter the effects of COVID-19, remained low (7% of GDP in 2018),[11] constrained by a tax revenue intake rate that ranks among the lowest in LAC. [12]Net tax revenues of approximately 10.5% of GDP on average, amid problems in

8 Projected as of October. Press conference, 13 October, Bank of Guatemala.

9 According to IMF projections, public debt could rise to 32% of GDP in 2020, well below the projected averages for Central America (52%) and LAC (79.3%).

10 IMF Article IV report and Country Development Challenges (CDC) report, 2019.

11 The lowest social expenditure level in Central America, Mexico, and the Dominican Republic (averaging 9.1%), and below the averages for the Caribbean (12.2%) and South America (13.2%) (Economic Commission for Latin America and the Caribbean (ECLAC)).

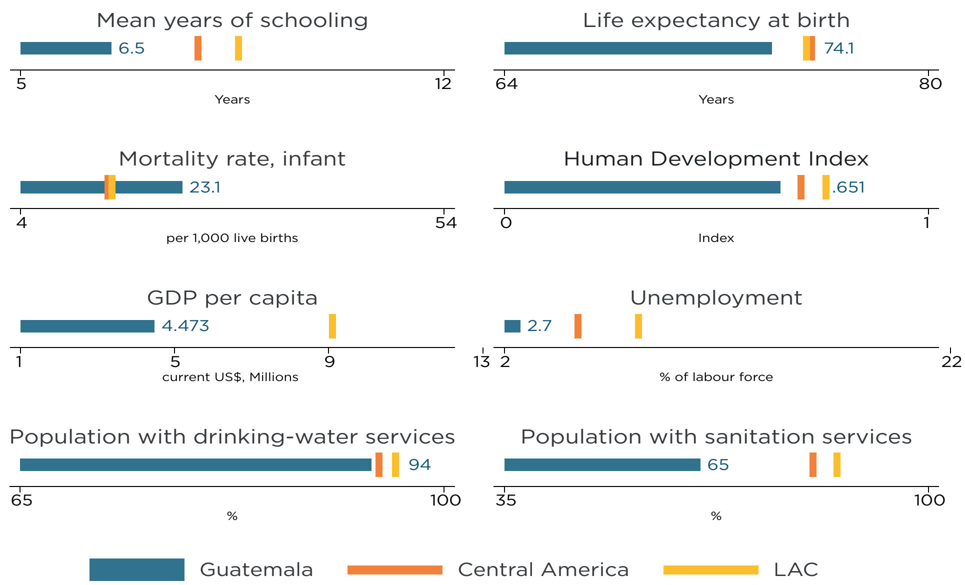
12 Central government revenues were approximately 11.5% of GDP in recent years and were estimated at 11.3% and 10.3% for 2019 and 2020, respectively (IMF) (see Annex, Table I.1.1).

expenditure efficiency and effectiveness, are not enough to address the country's challenges. Moreover, the country's economy remains highly informal (the informal sector accounted for over 20% of GDP and 70.2% of employment in 2019).

Figure 2.1

Social indicators

Source: OVE, based on data from the United Nations Development Programme (UNDP) (2020) and the World Health Organization (WHO) (2018).



Note: The most recent available indicators (2017, 2018) are shown. For more details, see annex, Table I.1.2.

2.4 Access to basic services, particularly in rural areas, remains limited and constrains human capital development. Guatemala has improved its water and sanitation services in recent decades, but access and quality remain well below the regional average. Electricity coverage has also improved, reaching 88% of the population (in 2018) but trailing the LAC average of 92%. However, challenges remain in rural areas, especially in four departments.[13] There are also problems related to unequal access to health care, and these problems have been exacerbated by the pandemic. Maternal and child health remained at low levels. The chronic malnutrition rate among children under 5 (46.5%)[14] is the highest in the region and one of the highest in the world. In education, the illiteracy rate remained above 18% in 2019,[15] and the secondary school dropout rate is the highest in Latin America.[16] Migration

13 Seventy percent of the households without access to electricity are in Alta Verapaz, Petén, Quiché, and Huehuetenango.

14 Latest available data (National Survey on Maternal-Child Health (ENSMI), 2017).

15 According to data from the latest census (2019), some 2.7 million people are unable to read or write.

16 Guatemala has the lowest high school graduation rate (48%) in Latin America (CDC report, May 2019).

continued to be a major factor, both as a pathway out of the country and in terms of the substantial resources that Guatemala receives from migrants in other countries.[17]

2.5 Multiple recent diagnostic assessments have noted certain constraints on development, which remain in place and may have been exacerbated by the pandemic. For instance, analyses by the IDB, the World Bank, and the IMF agree that generating inclusive growth will require: (i) narrowing gaps and increasing inclusion; (ii) transforming the model of growth with low productivity and investment; and (iii) strengthening the necessary capacities of the State to sustain changes (see Table 2.1). These assessments were in line with the government's priorities for 2016 2020 and the country's long-term plans. The Government of Guatemala articulated its priorities for the period in its General Government Policy 2016 2020, which included five policy pillars: (i) zero tolerance for corruption and modernization of the State; (ii) food and nutrition security, comprehensive health care, and quality education; (iii) development of micro, small, and medium-sized enterprises (MSMEs), tourism, housing, and employment; (iv) citizen security; and (v) the environment and natural resources.[18] This government policy was framed within the K'atun 2032 National Development Plan and the Sustainable Development Objectives Agenda (see Box 2.2).

Box 2.1. Guatemala's development priorities

Taken together, the recent diagnostic assessments of Guatemala by the IDB (CDC reports, 2016 and 2019), the World Bank (Systematic Country Diagnostic, 2016), and the IMF (Article IV report) agree in their analyses of various constraints on the country (see Annex, Table I.1.3). These documents consistently describe gaps in outcomes between rural and urban areas, between indigenous and nonindigenous people, and between the informal and formal sectors in terms of productivity and access to services.

The IDB's 2016 CDC report uses the growth diagnostic methodology to identify the main current constraints on inclusive growth. It found the primary constraints to be related to the problem of control of corruption and government effectiveness, insecurity, human capital, access to basic services, and credit for SMEs. The assessment also identified fiscal constraints as an "underlying" factor that limits the capacity to carry out needed investments. The CDC report also used a complementary "priorities for productivity and revenue" methodology, which identified, as additional priorities, the need to help young people enter the workforce and the need for economic integration into the rest of the world. On

17 Seventy percent of Guatemalan migrants in the United States send remittances, and 20% of them make investments, thereby maintaining close ties to the country. Guatemala has been one of the top five recipients of remittances, as a percentage of GDP, in LAC in recent years (In the Footprints of Migrants, IDB, 2019).

18 The policy also set 12 government priorities related to transparency, health, education, economic development, and citizen security, with specific targets identified through 2019.

the basis of these two analyses, the CDC report proposed 36 policy recommendations in four areas: public finance, institutional capacity, human capital, and productive opportunities.

The World Bank's 2016 Systematic Country Diagnostic identified similar constraints and described how these constraints operate in combination with one another. This analysis found that challenges are related not only to the size and diversity of excluded groups, but also to low levels of public and private investment and low levels of agricultural productivity, which give rise to problems related to competitiveness and creation of job opportunities. These challenges are exacerbated by a "fragmented social contract" whereby people (both excluded and non-excluded) tend to accept the existence of a small public sector. On the basis of this assessment, it was concluded that achieving inclusive growth will "require systematic, large-scale interventions" with a focus on seven critical policy areasa that largely coincide with those identified as priorities in IDB's CDC report (with the exception of land use planning).

The medium-term recommendations of the IMF's Article IV report (2019) also emphasize policies aligned with the recommendations from IDB and World Bank diagnostic assessments in terms of: (i) fiscal policy (maintaining macroeconomic stability while seeking more productive expenditure through increased tax revenues, expenditure efficiency, and public service coverage/quality); (ii) an anticorruption strategy; (iii) a thriving business environment; and (iv) financial inclusion.

[a] (i) Fiscal reform, (ii) social responsibility and social contract, (iii) quality in education, (iv) malnutrition, (v) public and private investment, (vi) agricultural productivity, (vii) natural disasters and the environment; and (viii) land use planning.

Source: OVE, based on the CDC reports (2016 and 2019), the 2016 Systematic Country Diagnostic, and the IMF's Article IV report (2019).

Box 2.2. Long-term country priorities: K'atun 2032 National Development Plan and Sustainable Development Objectives Agenda 2030

In August 2014 Guatemala established a long-term National Development Plan, under the name "K'atun," which identified 5 pillars, 36 priorities, and 80 targets to be met by 2032. The five pillars focused on inclusive growth and integration (urban-rural, people's wellbeing, wealth) and on improved management (of natural resources and of the State as guarantor of rights). Meanwhile, Guatemala joined 192 other countries in 2015 to support the Sustainable Development Objectives (SDO) agenda by signing the declaration "Transform Our World: The 2030 Agenda for Sustainable Development." These two frameworks (SDO and K'atun) were combined in July 2017, identifying 10 national development priorities through 2030 2032. These national development priorities, approved by the National Urban and Rural Development Council (CONADUR), prioritize and integrate 99 targets, 16 which are deemed strategic. These long-term strategic priorities are: (i) poverty reduction and social protection; (ii) access to health services; (iii) access to water services and natural resource management; (iv) food and nutrition security; (v) employment and investment; (vi) economic value of natural resources; (vii) institution-strengthening, security, and justice; (viii) education; (ix) comprehensive fiscal reform; and (x) land use regulation.

Source: OVE, based on the Voluntary National Review 2019, Department of Planning (SEGEPLAN).

03

IDB Group Country Strategy with Guatemala 2017-2020

3.1 The 2017-2020 country strategy was approved in December 2017, with adjustments to the preceding country strategy, amid a complex institutional context that had adversely affected portfolio execution in the previous period. The country strategy identified nine strategic objectives in three priority areas: (i) *improving public management and transparency*; (ii) *reducing poverty and inequality*; and (iii) *private sector development* (see Table 3.1). It also identified crosscutting areas, such as incorporating local considerations into design work (especially in rural areas), gender equality, and climate change. Moreover, it identified dialogue areas such as the development of intermediate cities, with a focus on the areas prioritized by the Plan of the Alliance for Prosperity in the Northern Triangle (PAPTN).[19]

Box 3.1. Priority areas and strategic objectives, country strategy 2017-2020

Priority areas	Strategic objectives
i. Improving public management and transparency	• Strengthen public finances. • Strengthen the institutional framework to combat money laundering and corruption. • Strengthen the Public Prosecutor's Office.
ii. Reducing poverty and inequality	• Strengthen the coverage and quality of the integrated health services network. • Improve access to quality education services. • Expand access to water and sanitation services.
iii. Private sector development	• Expand and modernize logistics infrastructure. • Promote the generation of renewable energy and gas. • Facilitate SME access to finance.
Crosscutting areas and dialogue areas	
• Crosscutting areas: Design incorporating local considerations, gender equality, and climate change. • Dialogue area: Development of intermediate cities. • Dialogue area: PAPTN.	

Source: OVE, based on the country strategy.

3.2 The 2017-2020 country strategy featured a shift in focus from its predecessor by including private sector development as a priority area. The 2012-2016 country strategy had revolved around two axes: one institutional and the other, rural. For the rural axis, the new country strategy identified execution problems associated with the preceding country strategy[20] and did not group specific objectives on a territorial basis. Instead, it introduced the need to incorporate local considerations into the

19 Guatemala, El Salvador, and Honduras (the countries of the Northern Triangle) created the Plan of the Alliance for Prosperity in the Northern Triangle (PAPTN) in 2014 in response to increased flows of unaccompanied minors migrating to the United States. It established four strategic focus areas: revitalization of the productive sector, development of human capital, improvement of citizen security and access to justice, and strengthening institutions and improving transparency. The Bank's country strategy included the PAPTN as "guidance for implementation" of the strategy with the aim of finding synergies between the operations and the regions prioritized by the PAPTN and coordinating efforts with other donors.

20 "Execution in rural areas was complicated due to geographic conditions, limited decentralization of public services, and providers' limited interest in executing works in those areas" (2017-2020 country strategy).

designs—including sociocultural, governance, and community considerations—as a crosscutting area, particularly for actions in rural and indigenous areas. It also included private sector development as a new priority area that included objectives in renewable energy (previously a dialogue area) and logistics infrastructure and SME financing. These objectives had been noted in the policy recommendations of the CDC document as important to help develop productive opportunities. For SME financing, initiatives were to be pursued in relation to value chains, access to credit, entrepreneurship, and productivity.

3.3 Generally speaking, the 2017-2020 strategic objectives proved relevant in view of the country's challenges and comparative advantages stemming from the Bank's previous work. In priority areas I and II, the country strategy retained objectives from the preceding period and added new objectives on which the Bank had worked and for which the Bank had gained experience and lessons learned. The areas of education and water and sanitation—which had no explicit objectives in the 2012-2016 country strategy,[21] although operations in these areas were in execution at the start of 2017—were included as strategic objectives. Meanwhile, the issue of transparency was reinforced by adding a specific objective for improving the institutional framework to combat money laundering and corruption. This new objective was in addition to that of strengthening the Public Prosecutor's Office, which had legacy operations. The challenge of transparency had been identified as a priority in both the diagnostic assessments and the government's plan, and it reflected a problem that had worsened toward the end of the preceding period.

3.4 While the country strategy appropriately took the country's priorities and the IDB Group's institutional objectives into account, the relevance of its objectives related to energy was weaker. Generally speaking, all strategic objectives were aligned with both the government's development priorities and the objectives set in the IDB's Update to the Institutional Strategy through 2020 (see Annex, Table I.2.1). Moreover, the objectives related to the private sector reflected IDB Invest's priorities in the 2016-2019 Business Plan and the document articulating the renewed vision for the private sector.[22] Only one of the nine objectives was more weakly aligned: the energy objective included an increase in the share of natural gas in electricity generation as an outcome. This priority was not explicitly identified in either the National Development Plan or the Bank's diagnostic assessment (the 2016 CDC report focused on the challenges of rural electrification and renewable

21 These areas were not new, however, as they were included in the 2008-2011 country strategy, and education was identified as a dialogue area in the 2012-2016 country strategy.

22 Also in the Guatemala Country Insight document of 2019.

generation). It reflected an agreement between Mexico and Guatemala to introduce natural gas into the Central American mix with a 600-km pipeline and the government's interest in advancing that project, which ultimately did not happen.

3.5 The strategy's evaluability was low, and most of the indicators in its results matrix did not allow for measurement of progress. Vertical logic was almost uniformly adequate, with 21 proposed indicators well aligned with specific objectives and expected outcomes.[23] One factor affecting evaluability was a lack of indicators for expected outcomes in public expenditure efficiency. Moreover, 24% of the indicators proposed by the country strategy did not allow for measurement of progress over the period 2017 2020 (see Annex, Table I.2.2), and 40% had data only up to 2018 or 2017. In total, 66% of the indicators were not updated frequently enough for the country strategy's time horizon. Another three indicators had baseline data that did not coincide with the country strategy's start date (prior to 2014). These weaknesses are linked to the difficulty in finding available data in the country and the challenges in the national statistics system that hinder the ability to select appropriate indicators.[24] In accordance with current guidelines for country strategy preparation, no indicators in the country strategy had targets.[25] Nonetheless, the country strategy adopted four indicators directly from legacy operations that did include targets and monitoring, and this had a positive impact on evaluability.

Box 3.1. Recommendations of the 2012 2016 country program evaluation and Recommendation Tracking System (ReTS)

Five of the recommendations from the 2012-2016 Guatemala CPE were endorsed by the Board of Executive Directors and included action plans developed by Management and tracking by OVE. The CPE recommended: (1) prioritizing structural governance problems that limit the State's effectiveness; (2) restructuring and downsizing the existing portfolio in accordance with institutional capacity (a recommendation previously made in the 2008 2011 CPE); (3) reorienting the use of instruments to achieve results through (a) structuring final tranches of PBLs with results-based conditions and (b) testing results-based approaches; (4) approving operations with simple designs and thorough analyses to minimize design problems in the existing portfolio; (5) using TC operations to assist in preparing and executing operations; and (6) redefining the IDB Group's private sector support strategy, particularly as it pertains to financial institutions. All of these recommendations were endorsed by the Board of Executive Directors

23 According to the Development Effectiveness Matrix (DEM), the results matrix had a rating of 100% in its definition, objectives, outcomes, and vertical logic.

24 In 2019, the national review of the National Development Plan found that only 51% of the 237 prioritized indicators had statistical data that would allow for estimates. For those indicators that did have statistical data, the frequency of censuses, surveys, and studies was the main limiting factor. The Bank supported the evaluation of statistical capacity in 2017. One achievement of this period was completion of the 2018 Census as a tool that will aid in generating new baselines.

25 The Bank's current practice is not to set end-of-period targets for the country strategy, but to identify an expected direction for the indicator.

for implementation, except for 3(a) and 4. In 2017, Management developed action plans to implement the recommendations. The plans were entered in the Recommendation Tracking System (ReTS) and remained active through 2020 (see Annex, Section III)

Generally speaking, actions remained relevant, and progress was observed toward fulfillment of the recommendations related to portfolio restructuring, use of TC operations, and redefinition of the private sector strategy. While OVE did not evaluate the effectiveness of specific measures, there were deficiencies related to recommendations 1 and 3(b) that will make them difficult to fulfill in the period 2017 2020. For recommendation 1, the expected support for the Office of the Superintendent of Tax Administration (SAT) did not materialize (through an investment operation—loan GU L1162—that was programmed but not approved), nor did the strengthening of the Public Prosecutor's Office (through an operation delayed in Congress). For recommendation 3(b), no financing mechanism was introduced for the achievement of results in the Bank's portfolio. However, recommendation 2—restructuring and downsizing the legacy portfolio—was largely fulfilled (except for one operation), as was recommendation 5 for better targeting of TC operations in preparing and executing operations. For recommendation 6 (redefining the private sector strategy), particularly as it pertains to financial institutions, IDB Invest made progress in incorporating a diagnostic assessment and a strategy with specific objectives at the institutional level. Support for increased SME access to finance continued to be executed primarily through operations with financial institutions, although the array of instruments proposed by IDB Invest was greater than in the preceding period and included specific targets for a relevant portfolio and the pursuit of greater additionality in operations.

Source: OVE based on Revisión Nacional Voluntaria 2019, Segeplan.

3.6 The country strategy offered a detailed analysis of execution, political, and natural disaster risks and called for mitigation actions, especially in execution. The risk analysis for the 2017 2020 country strategy was more comprehensive than for the preceding country strategy, with major risks classified into three groups: (i) execution risks; (ii) political risks; and (iii) natural disaster risks. Mitigation actions were identified for natural disaster risks at the crosscutting level in the design of Bank operations. In terms of execution risks, whereas the 2012 2016 country strategy had identified delays in implementing the investment program as the primary risk, the new country strategy provided a more detailed identification of risks and mitigation measures, with actions that the Bank proposed to execute during the country strategy period and were effective in accelerating the legacy portfolio (see Section V).

3.7 The political risks and mitigation measures have been similar to those of previous cycles. The 2008 2011 CPE had identified the risk that coordination between the executive branch and Congress might lead to delays in congressional authorization of projects, which could ultimately undermine program effectiveness and efficiency.[26] Since then, subsequent country strategies have noted the problem and identified similar actions to mitigate it through

26 Document RE-404, page 10: 1956.

improved communication and dissemination of programs in the legislative branch,[27] but coordination between the branches of government is still the main source of delay.

27 For example, the 2012-2016 country strategy identified, as a mitigating factor, "coordinating actions with the Government of Guatemala to work more closely with Congress" and with "... the various political actors from the earliest phases of projects" by "... enhancing the relevance of projects and their contribution to the country's development; technical criteria will be used in order to facilitate consensus-building" (document GN-2689, page 27: 3905). In addition, the 2017-2020 country strategy stated that "actions to disseminate the Bank's programs in Congress should be increased and coordinated with the respective bodies to facilitate legislative ratification" (document GN-2899), page 13: 2182).

04

Program Alignment

4.1 The Bank's estimated lending envelope with Guatemala for 2017 2020 was US$521 million in sovereign guaranteed (SG) approvals, down somewhat from 2012 2016 and subject to plans to improve execution of existing operations. An average of US$130 million in annual approvals was projected, down from the annual average of US$200 million approved in the period 2012 2016. One of the main changes from previous cycles was that approval of new operations in each sector was subject to corrective actions on existing problem operations. For new operations to be added in a sector, a corrective action plan agreed upon with the government had to be in place for active problem operations in that sector (measured in accordance with the Bank's monitoring system, the progress monitoring reports (PMRs).

4.2 SG approvals in this period fell short of projections in the country strategy, even though the corrective actions for existing operations were completed. At the start of the evaluation period, operations from previous periods set forth action plans and ceased to be on alert status, which, under the rules governing the country strategy, enabled the Bank to issue new approvals. Against this backdrop, the Bank approved a total of five SG loans toward the end of the programming period (in 2019 and 2020) for approximately US$480 million.[28] Four of these approvals were for investments in health care, road infrastructure, forest management, and rural electrification. The fifth, in August 2020, was a loan for US$100 million to counter the effects of the pandemic as part of the Bank's COVID-19 rapid response (loan GU-L1176, a prototype operation to support vulnerable populations).

4.3 The private sector took on a larger share with increased non-sovereign guaranteed (NSG) lending. IDB Invest approved nine NSG operations for some US$349 million—mostly for financial institutions, with the exception of one for telecommunications and two for renewable energy. The loans for financial institutions included additional client support from the outset (gender, green financing, e-commerce, and financial education). For example, one operation includes activities to improve internal gender policies and promote portfolios of women-led SMEs, and another includes complementary technical assistance to develop a virtual

28 Road Infrastructure Development Program (GU-L1169, US$150 million), Program to Strengthen the Institutional Health Care Services Network (PRORISS) (GU-L1163, US$100 million), Sustainable Forest Management Project (GU-L1165, US$8.5 million), and Infrastructure for the Rural Electrification Program of Guatemala (GU-L1171, US$120 million). The rural electrification and sustainable forest management operations were the only two that were cofinanced. The rural electrification operation was 50% cofinanced by the Korea Infrastructure Development Cofinancing Facility for Latin America and the Caribbean (KIF). The Sustainable Forest Management Project was wholly financed by the Climate Investment Funds (CIF). Additionally, the Government of Sweden provided a guarantee of up to US$100 million, enabling the IDB to make up to US$300 million in loans in Bolivia, Colombia, and Guatemala and freeing up resources to support the COVID-19 response (loan GU-L1176).

system for climate risk identification and management in the agricultural loan portfolio. This marked progress in pursuing greater additionality in operations for financial institutions, in contrast to operations approved during the previous cycle ending in 2016. In terms of the IDB Group as a whole, NSG operations had greater weight compared with the prior period, increasing their share of all IDB Group approvals to nearly 40%.[29]

4.4 Programming anticipation was low: only one third of the loans programmed for the period (SG and NSG) were approved. Of the 16 loans (10 SG and 6 NSG) for US$725 million programmed in the annual country program documents, six (4 SG and 2 NSG) for US$438 million were approved in the period. Anticipation of nonreimbursable operations was somewhat higher, with 9 of the 17 programmed operations approved for the period. Overall, counting the year the loans entered the annual programming, the anticipation rate was even lower, as four of the loans were approved later than expected.[30]

4.5 In contrast, the pandemic that began in 2020 led to a better attained annual program (initially prepared in November 2019). The programming effort in 2020 supported an increase in approvals amid the pandemic. Approvals in 2020 not only focused on the rapid response to the emergency (through prototype operations) but addressed previously programmed objectives for rural electrification, forest management, and SME financing through financial institutions.

4.6 The operations program also had a significant balance of legacy reimbursable operations (for US$593 million), including the only policy-based loan (PBL) in the portfolio. At the start of 2017, there was a portfolio of 12 legacy SG operations with undisbursed loan balances of about US$590 million (71% of their original amounts). These included a PBL to support tax administration and transparency (GU-L1096, US$250 million, 2016), an educational coverage and quality program (GU-L1087, US$150 million, 2015), and a program to strengthen the Public Prosecutor's Office (GU-L1095, US$60 million, 2016), which were pending authorization in Congress. The other legacy operations were old (approved nine years ago, on average). For instance, the water and sanitation program (GU-L1039/GU X1005, US$100 million), the largest operation in this old portfolio, was approved in 2009 but was still 97% undisbursed at the start of the period due to a number

29 Approvals by IDB Invest (not including the Trade Finance Facilitation Program (TFFP)) rose from 12% of all reimbursable loan amounts approved by the IDB Group (in 2012-2016) to 42% (in 2017-2020).

30 The four anticipated SG loan operations (health care, rural electrification, road infrastructure, and forest management) were approved the year after the year they were programmed (health care and road infrastructure projects in 2019, and the other two in 2020). Thus, the average ratio of approved to anticipated amounts is only 16.6% in this period.

of problems in execution. IDB Invest, meanwhile, had four legacy NSG operations with US$4 million pending disbursement for the strategic objectives of SME financing and renewable energies.

4.7 In terms of instruments, the share of PBLs in the programming decreased, and IDB Invest increased the diversity of instruments in its portfolio. In the SG portfolio, the lack of PBLs encouraged greater use of investment loans. Amid difficult conditions for the approval of new PBLs to support thoroughgoing reforms, the Bank focused on executing the legacy portfolio, approving investment loans, and accelerating congressional authorization of operations that were behind schedule (such as the legacy PBL for tax administration). This stood in contrast to the previous period (2012 2016), when PBLs accounted for over 70% of approved SG operations (US$670 million), but execution of the investment portfolio did not proceed as planned. The most common NSG instruments, meanwhile, were senior loans to financial institutions, in the amount of US$225 million, to support SMEs. Also approved during this period was a subordinated loan to Banco G&T and a debt instrument to Banco Industrial for business financing and housing.[31] In addition, the private sector program received a corporate senior loan (12296-02, Movistar Guatemala Handset Financing) and a recent capital investment (GU Q1003, Energía Kingo). Approvals of short-term loans for financial institutions for the Trade Finance Facilitation Program (TFFP) also increased. In fact, some clients used a variety of complementary products as their objectives and timing needs shifted

4.8 Technical cooperation (TC) operations were increasingly targeted to operational support, as recommended in the previous CPE. The program approved 25 TC operations for US$12.5 million in 2017 2020, a decrease from the preceding period, which saw 51 TC approvals (for US$20 million). At the start of the review period there were still 17 legacy TCs with an undisbursed balance of some US$11 million. This decrease came amid a strategic shift in TC approvals in line with the recommendation from the 2012-2016 CPE to target TCs to support loan preparation and implementation and to activities directly tied to country strategy priorities. As a result, 52% of the new TC portfolio was for operational support (13 TCs for around US$5 million). Another 10 TCs were for client support, all but three of them tied to strategic

31 Four of the operations to support SMEs through financial institutions were senior loans (US$225 million), one was a subordinated loan (US$75 million), and one was a debt instrument.

objectives or established lines of support.[32] In addition, two operations were approved for research and dissemination (for more details, see annex, Table I.4.11).

4.9 The program was partially aligned with the strategic objectives of the country strategy, with four operations that were not aligned (three SG operations from 2020 and one NSG operation from 2018). In view of pending balances at the start of 2017, the legacy portfolio focused on supporting objectives in priority areas (i) *improving public management and transparency* and (ii) *reducing poverty and inequality*.[33] Only two legacy loans, which have small undisbursed balances, were not aligned with country strategy objectives.[34] Of the five new SG approvals in this period, those for health care (GU-L1163) and road infrastructure (GU L1169) were aligned with the country strategy. The three remaining SG operations did not support any strategic objective. One was a pandemic response operation that supports a cash transfer program from the Ministry of Social Development (MIDES) to economically affected populations (the "Bono Familia" program), as part of the IDB Group's overall response to the pandemic outbreak (document GN-2996). The other two were the projects for rural electrification[35] and the sustainable forest management, which had been identified as a priority issues in diagnostic assessments but ultimately were not included as strategic objectives in the country strategy. New private sector operations focused on priority area (iii) private sector development, targeting the objective SME access to finance in terms of both number and amount. Only one of the nine NSG operations (Movistar) was not aligned with the strategic objectives of the country strategy. Additionally, two strategic objectives (for energy and logistics infrastructure) lacked a sufficient active program and so could not contribute substantially to the expected outcomes of the country strategy for the period (see Annex, Tables I.4.1 and I.4.2).

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32 Emergency TC operations: support for the emergency response to the volcanic eruption, Hurricane Iota, and Hurricane Eta (GU-T1289, GU-T1321, and GU-T1322). The last two sought to deliver humanitarian aid to victims and redirect health and education loan balances to finance the reconstruction of damaged infrastructure.

33In early 2017, 50% of undisbursed balances of legacy loans were aligned with public management and transparency, and 45% were aligned with the objectives related to poverty and inequality..

34 One for trade and integration (GU-L1037, 2008), and another to support the land registry (GU-L1014, 2009).

35 Rural electrification was not included as a strategic objective in the 2017-2020 country strategy but was identified as a priority in the Bank's diagnostic assessment (CDC report, 2016). The Bank also had recent experience, in the period 2012-2016, through the Multiphase Rural Electrification Program (GU-L1018) and a US$55 million operation (GU-L1084) that was canceled in June 2017 after awaiting congressional authorization for 30 months.

Box 4.1. What role did the different development partners play?

The IDB remained the leading development partner in Guatemala, although both the IDB and other cooperation partners reduced their share of the country's external debt. As a result of increased financing through eurobonds (which rose from 30% of external debt stock in 2016 to 51% in 2020) and low financing needs until 2020, the IDB's share of external debt declined from 29% to 21% (as of October 2020), even falling below the level estimated in the country strategy[a] but in line with the reduced share of other cooperation partners. For example, the share of the Central American Bank for Economic Integration (CABEI) fell from 13% to 7.4% with US$578 million in approvals in 2017 2019. The World Bank also scaled back its share from 21% to 17% with US$420 million in approvals in 2017 2019. Since 2017, CABEI had focused on infrastructure development and agricultural productivity (e.g., Prorecafe), while the World Bank's program focused on transparency, health (nutrition), education, and development of natural disaster risk management (in this last case, through a DPL with a deferred drawdown option for US$200 million in May 2019). Only the nutrition operation had disbursements in the period prior to 2020.

In the second half of 2020, the development partners stepped up their response to COVID 19 and Hurricane Eta, although some operations have been cancelled. In June 2020 the IMF approved a rapid financing instrument (RFI) for US$594 million (cancelled in November 2020). In late 2020 CABEI approved US$500 million in response to Hurricane Eta, while the World Bank approved a development policy loan (DPL) in the same amount and a US$20 million investment loan (cancelled in November 2020) for the COVID-19 crisis response. In November 2020, the IDB coordinated with the World Bank and CABEI to develop an action plan for Central America in response to the hurricanes. The Bank also approved the sustainable forest management operation in 2020, in coordination with a World Bank project, prioritizing areas in its design that coincided 80% with the areas hardest hit by the hurricanes (these operations have not yet been authorized by Congress).

In addition, the United States government continued to play a leading role in channeling resources to the country. In the period under review, the United States Agency for International Development (USAID) aligned itself with the U.S. strategy in Central America (in support of the PAPTN), which focuses on factors affecting undocumented immigration, such as high levels of violence and fear for personal safety, persistent poverty, and chronic malnutrition. USAID offered crosscutting support, with greater emphasis on governance, agriculture, health, and education, through nonreimbursable operations with US$734 million in disbursements, accounting for 30% of all disbursements from multilaterals, bilaterals, and other donors to Guatemala.[b] United Nations agencies—United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD), and United Nations Children's Fund (UNICEF)—were also very active during this period. Nonetheless, official development assistance to Guatemala remained at approximately US$22 per capita, below the levels in neighboring countries such as El Salvador, Honduras, and Nicaragua (see Annex, Section IV.C).

[a] Ministry of Finance (MINFIN) report on public credit, October 2020. The country strategy projected that the debt to the IDB would be 22.8% of Guatemala's external public debt for 2020.

[b] International Aid Transparency Initiative (IATI).

4.10 Approved projects also included the crosscutting areas identified by the country strategy in their design. In terms of climate change, the forest management project had objectives associated with reducing deforestation and carbon dioxide emissions. In health, the Bank built water saving and efficiency measures into the designs for construction and improvement of health facilities in areas vulnerable to climate change. In addition, resilience and adaptation to natural disaster and climate risks were designed into operations involving infrastructure (electrification and road operations). For gender equality, two projects (health care and forest management) included specific objectives and activities in this area (maternal-child health, gender violence prevention, and empowerment of rural women producers). Meanwhile, infrastructure-related projects included fewer specific objectives and actions, even as they supported measures to promote the hiring of females for some program activities and studies to identify economic and labor gaps, so that actions can be proposed for the rural indigenous women's population. As for the incorporation of local considerations in design work, the projects included participatory management with indigenous peoples in the hiring of intercultural facilitators and community members (in health care), an indigenous peoples strategy (in forest management), evaluation of consent processes and good-faith agreements (in road development), communication strategy and dialogue actions with the community in view of social and cultural considerations (in electrification and the COVID-19 response through the "Bono Familia" program). Lastly, OVE determined that 30% of the TCs approved in this period were oriented to crosscutting areas, with more than half targeted to client support.

Table 4.1. Loans and disbursements, by strategic objective (SG and NSG)

Strategic objectives	Legacy			Approved in 2017 2020		
	#	US$ millions		#	US$ millions	
		Balances 2017	Disbursed 2017-2020		Approved amount	Disbursed
Improving public management and transparency						
Strengthen public finance/ Strengthen the institutional framework to combat money laundering and corruption.	2	252	252	-	-	-
Strengthen the Public Prosecutor's Office.	2	70	15	-	-	-
Reducing poverty and inequality						
Strengthen the coverage and quality of the integrated health services network.	1	18	18	1	100	1,9
Improve access to quality education services.	2	175	78	-	-	-
Expand access to water and sanitation services.	1[c]	97	56	-	-	-
Private sector development						
Expand and modernize logistics infrastructure.	-	-	-	1	150	5,1
Promote the generation of renewable energy and natural gas.	2	-	-	1[a]	N/A	N/A
Facilitate SME access to finance.	4	29	29	6[b]	340	312
Not aligned with the 2017 2020 country strategy						
Not aligned with the 2017 2020 country strategy.	2	2	2	4	233,5	5
Total	16	643	450	13	827	324

[a] This operation is a capital investment.
[b] Includes a debt instrument.
[c] Includes the balance and disbursement associated with a grant approved in conjunction with the loan.
Source: OVE, using data from Data Warehouse.

05

Program Implementation

5.1 In view of lessons from the preceding period, this country strategy included measures to accelerate execution of the active portfolio and to adjust the design and preparation of future operations (see Box 5.1). The country strategy proposed actions to accelerate disbursements in the legacy portfolio through increased monitoring of contracts and the inclusion of project planning and management instruments with direct support from the Bank (e.g., conditions for the extension of disbursement periods). For new operations, meanwhile, design work was to be simplified and adjusted to the local context. In addition, efforts were pursued in coordination with the Ministry of Finance (MINFIN) to promote a degree of technical and administrative autonomy for new execution units in the public sector (e.g., to finance wages, promote auditing and procurement policies, conduct training on Bank policies, manage and supervise personnel from executing agencies, MINFIN, and the Office of the Comptroller General (CGC). For budgeting, efforts were made to promote multiyear allocations for Bank programs, emphasizing the importance of better synchronizing approvals with the budget.[36]

Box 5.1. Actions proposed in the country strategy to mitigate execution risks

Progress information: (C) completed, (NC) not completed, (P) partial, (ND) no data	
Accelerate execution of active portfolio:	**Adjust design and preparation of new operations:**
• Extend deadlines only for bidding processes for which an award decision has been made (C). • Strengthen contractor selection criteria (C). • Enhance preinvestment quality (C). • Meet regularly with MINFIN and CGC (C). • Include assistance for civil associations (C). • Monitor contracts and planning instruments (C). • Increase portfolio synergies in PAPTN areas (P).[a]	• Perform design work in accordance with local capacity and context (C). • Incorporate staff reimbursement mechanisms and audits to streamline execution in accordance with IDB policies (P). • Support design and execution with TCs (C). • Clarify IDB procurement policies (C). • Disseminate a standard project management tool (C) • Establish a procurement plan and prebidding packages (P) • Promote multiyear budget allocations (P). • Synchronize approvals with the budget (NC).

[a] Only one of the five operations approved in the period does not consider the PAPTN areas in its design (road infrastructure), since it is a multiple works project. OVE identified that two explicitly considered them in the loan document (health and forest management), and two coincided with prioritized municipios based eligibility criteria (electrification and COVID-19).
Note: Preliminary information based on data self-reported by Management.
Source: OVE, based on the 2017 2020 country strategy.

5.2 For the legacy portfolio, the Bank completed most of the proposed actions to accelerate execution, which helped to close out operations. The main execution bottlenecks anticipated in the country strategy are related to what OVE identified for this ICPR based on the review of project completion reports (PCRs) and progress monitoring reports (PMR). These were related to

36 Concerns related to synchronization had been noted in the 2008-2011 CPE and introduced in the 2012-2016 country strategy: "synchronize the Bank's interventions with the country's planning and budgeting cycle" (document GN-2689).

delays and design work not suited to the local context, as well as to institutional weaknesses.[37] During this period, the Bank attempted to bring the portfolio into line with programming through closer monitoring by supporting, through execution units and ministerial counterparts, efforts to update execution plans and targets and fulfill commitments.[38] This involved shortening the length of extensions and planning with firmer commitments, which led to partial cancellations in 2018 and 2019[39] and helped to close out all problem operations from the preceding period (except the water and sanitation project).[40] Execution costs also remained higher than in the region.[41]

5.3 In this context, the pace of disbursements for the legacy portfolio accelerated, initially as a result of proactive steps to execute old operations and subsequently as part of the pandemic response. Sovereign guaranteed (SG) disbursements in this period totaled US$452 million,[42] almost all of it for legacy operations. Eight of the 12 oldest operations were closed out during this period, following a recommendation from the previous CPE and in line with the country strategy. In 2020, amid the pandemic, the Congress authorized a number of pending operations,[43] including the policy-based loan (PBL) to support tax administration, approved in 2016. This allowed for the Bank's rapid response to

37 Institutional issues included low executing agency capacity, interagency coordination problems, staff turnover in public entities, and administrative delays.

38 Other measures highlighted by Management are the development of project management protocols, the redefinition of result matrixes, increased physical supervision of works, implementation of contract management records, georeferencing of outputs, and clear criteria for the cancellation of undisbursed resources or return of unused resources, once the established deadlines have passed. Another factor mentioned as favoring execution was the inclusion of key actions to be completed during the period in the country strategy document. These factors were summarized by Management in Technical Note IDB TN-01805.

39 Partial loan cancellations in the amount of US$35 million represented 27% of the undisbursed balance at the start of 2017 for the nine operations that had been authorized by Congress. Three loans account for 85% of these cancellations: the Mi Escuela Progresa [My School Is Making Progress] Program (GU-L1023, US$13 million), the Program to Support Strategic Investments and Productive Transformation GU-L0163, US$9 million), and Improved Access and Quality of Health and Nutrition Services – Phase I (GU-L1022, US$8 million). Only two projects have been reformulated (GU-L1006 and GU-L0163).

40 This project continued to experience problems until 2018, when it began executing. As of the end of the period, 100% of its funds have been committed, and 58% have been disbursed.

41 The average execution costs per US$ million disbursed on investment loans rose 11% from US$29,000 in 2012-2016 to US$32,300 in 2017-2020. These costs increased 24% in the average for the Country Department Central America, Haiti, Mexico, Panama and the Dominican Republic (CID) and 9% in the Bank-wide average (for approximately US$18,300 per US$ million disbursed in both cases).

42 This includes amounts associated with a grant approved in conjunction with the water project loan.

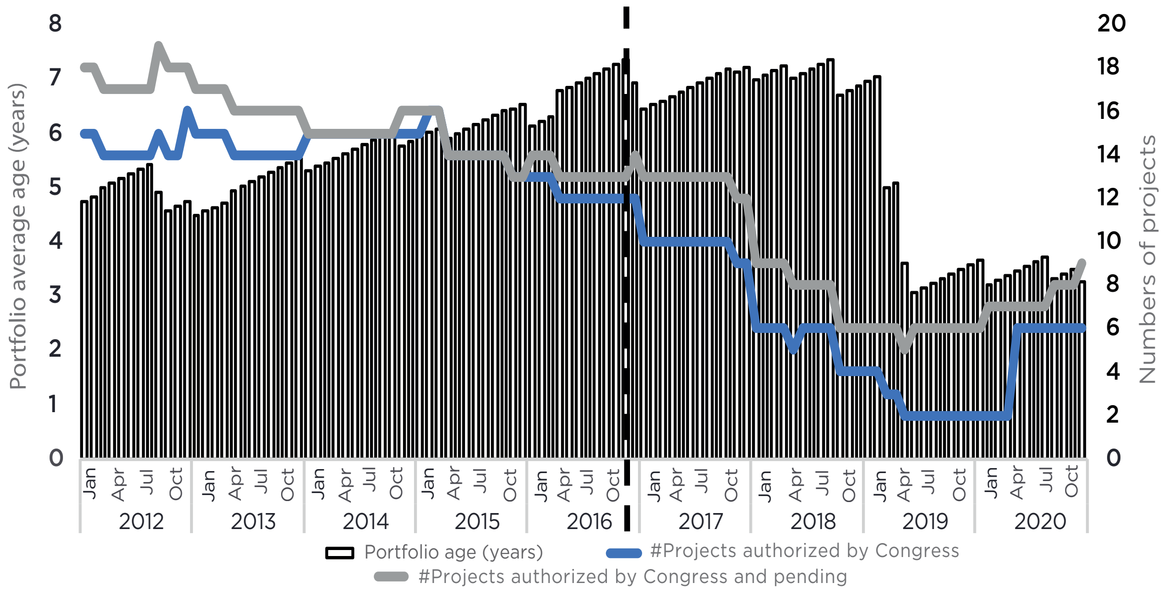
43 Loans GU-1096, the PBL operation; GU-L1169, the road infrastructure development project; GU-L1163, the health care operation; and GU-L1095, the loan program to support the Public Prosecutor's Office.

the pandemic, with disbursements totaling US$286 million in 2020.[44] All told, the age of the portfolio was cut in half from 2016, when it was one of the Bank's oldest.

Figure 5.1

Portfolio age and number of projects approved by the IDB (authorized by Congress and pending)

Source: OVE, using data from Data Warehouse.



5.4 Despite improved execution of the legacy portfolio, lower-than-expected approvals and delays in the Congress meant that SG disbursements to the country fell short of projections in the country strategy. Disbursements were lower than expected in a context of few active operations between 2017 and 2019. The country strategy projected some US$426 million in approvals and US$612 million in disbursements by the start of 2020, but approvals and disbursements in 2017 2019 fell well short of these figures (US$250 million and US$151 million, respectively). Despite the increase in disbursements in 2020, total disbursements during the period (US$433 million) fell short of the amount projected in the country strategy (US$650 million).

5.5 However, the rollout of operations in the private sector led to a substantial increase in non-sovereign guaranteed (NSG) disbursements during this period. IDB Invest disbursed US$325 million, more than double the amount in the previous country strategy period, not including the Trade Finance Facilitation Program (TFFP). These disbursements were focused on facilitating SME access to finance (US$316 million). The TFFP also saw increased use, with US$388 million disbursed,[45] more than double the previous period. In fact, the TFFP has signed two

44 The PBL (GU-L1096) in the amount of US$250 million was authorized by Congress in April 2020 and subsequently disbursed, becoming the first operation to be disbursed during the pandemic and the largest disbursement for the entire 2017-2020 period.

45 On 45 loans, with an average term of 262 days.

new lines of financing (for Banco Ficohsa and BAC) in addition to the five already in place, and it has raised the credit limits for the country's lines of credit by an average of 53% as part of the pandemic response (the combined limit for all lines of credit rose from US$200 million to US$310 million). An additional US$128 million in resources were mobilized through B loans.

5.6 As for the approved program, the Bank also instituted, at least partially, the improvements proposed in the country strategy for design and preparation work, although their impact cannot yet be evaluated. The Bank made changes in its new operations, putting more emphasis on local considerations and execution mechanisms. On the road infrastructure project, for example, efforts have been made to provide greater technical and administrative autonomy to the coordinating unit (by hiring in accordance with suitable job descriptions, raising its status and engagement level in the public sector hierarchy, and providing support through a technical assistance firm). On the rural electrification project, the execution mechanism (previously through a trust fund) was changed due to legal constraints, moving the execution unit to the National Electrification Institute (INDE). This could result in greater control over program targeting, which was a problem in the previous operation. Still, these operations are in early stages of execution, and the impact of these changes is not yet clear. Meanwhile, no progress has been made in synchronizing approvals with the budget or in multiyear budget allocations.

5.7 The time taken from registration in the Bank's systems to loan contract signature continued to be long. Firstly, preparation times for the investment projects lengthened significantly over the previous period (by 50%), but this has not entailed significant increases in the cost of preparing the new operations.[46] The increase in preparation times was mainly due to the difficulty of approving operations amid slower public investment growth as a consequence of the agenda to improve transparency after the 2015 2016 political crisis. Secondly, although time to signature for new investment loans improved over the previous period, this was due to the fast-tracking of authorizations by Congress amid the pandemic.[47] Despite this improvement, times to signature remained longer than in comparable countries, and three

46 Compared to the previous period, the cost of preparing approved investment operations rose from US$3,700 to US$4,100 per US$ million approved, which is close to Bank averages. The conclusion stands if the cost of preparing projects not approved is included.

47 In 2020, four of the five operations authorized by Congress during the period under review were authorized in Congress, including two legacy operations and two operations approved in 2019. Comparing across periods, the average time from approval to signature of investment loans shortened from 23 to 12 months. During the period, the Bank has taken steps since 2018 (presentations, meetings, and dialogue with Congress and other key stakeholders) to educate the Congress about four of the five operations ultimately authorized, which Management regarded as positive.

operations were still pending authorization in Congress at year's end.[48] For example, the prototype loan operation as part of the pandemic response for Guatemala has not yet been authorized by Congress, and experienced longer delays than the average of all Bank-approved prototype operations, as well as of all projects approved for countries that require legislative authorization.[49]

5.8 Barriers to project implementation remain significant and require continued follow-up measures for accelerated execution of active operations. In addition to the pandemic's impact on project execution, active operations faced a number of challenges similar to those described in the previous country strategy in relation to the legacy portfolio: e.g., low technical capacity of execution units and contractors (in water and sanitation) and slowness in forming execution units and developing bidding processes (education). Administrative delays were also identified in all active projects, due to slow processes and the uncertainty associated with subsequent review of those processes (which has worsened due to the political and institutional crisis in the previous period). Meanwhile, the long time it takes to achieve eligibility, as described above, has historically led to additional problems in implementation, which could also have an adverse effect on active operations, as in the project to strengthen the Public Prosecutor's Office (which took three-and-a-half years to be authorized by Congress) or in operations not yet authorized by Congress. For example, 9 of the 12 legacy loan operations that were reviewed had experienced severe delays in congressional authorization that impacted the original planning—as designs and costs were no longer current and the scope changed due to unforeseen events (such as natural disasters or institutional changes)—before the project was ready for execution. This occurred, for instance, in the water, health care, and electrification operations.

5.9 In terms of country systems, progress was reportedly made in the areas targeted for strengthening in the country strategy, except for internal audit management. As self-reported by Management, progress has been made in strengthening actions related to adopting the International Public Sector Accounting Standards (IPSAS), as well as in the diagnostic assessment of the country procurement system, in accordance with the OECD/CAD methodology. Improvements have also been made in validating the electronic reverse auction method as a country system. For internal audit, however, targets related to support for the Office

48 Loans GU-L1171, GU-L1175, and GU-L1165. The two operations that were authorized by Congress took seven months longer than the IDB average.

49 As of year-end 2020, this operation had sat 125 days without being signed, making it the only one not yet authorized by Congress at that time among all countries requiring congressional review. The average time until signature for COVID-19 response projects for countries requiring congressional authorization was 37 days.

of the Comptroller General (CGC) for adoption of government audits in accordance with international standards were not met. Nor were targets met in terms of the percentage of projects with ex post supervision and reviews conducted by internal auditors (see Annex, Section V.B).

5.10 According to information in the project completion reports (PCRs), most of the operations aligned with the country strategy that were closed out in this period were not effective. Of the six SG operations, three (health care, fiscal consolidation, and productivity) have been validated by OVE and received an effectiveness rating of "unsatisfactory," while one was rated "partially unsatisfactory." The only SG loans aligned with the country strategy that Management self-reported as "satisfactory" in effectiveness were the education operation and the Rural Economic Development Program, but they have not been validated by OVE. Only one expanded supervision report (XSR) validated by OVE is available for the NSG loans; this loan was rated as "excellent" (see Table 5.1 for a breakdown of the rating for each loan).

Table 5.1. Effectiveness results of loans with information is available

Closed-out loans	Effectiveness rating	Source
GU-L1022 (Health care)	Unsatisfactory	Validated PCR
GU-L1160 (Fiscal Consolidation)	Unsatisfactory	Validated PCR
GU0163 (Productivity)	Unsatisfactory	Validated PCR
GU-L1014 (Protected areas, not aligned with country strategy)	Partially unsatisfactory	Validated PCR
NA	Excelent	Validated XSR
GU0177 (Criminal justice)	Partially unsatisfactory*	Unvalidated PCR
GU-L1006 (Rural Economic Development)	Satisfactory*	Unvalidated PCR
GU-L1023 (Education)	Satisfactory*	Unvalidated PCR
GU-L1037 (Trade, not aligned with country strategy)	Satisfactory*	Unvalidated PCR

*Loans evaluated using old methodologies. For the effectiveness rating, "probable" achievement of development objective has been deemed equivalent to a rating of "satisfactory" in the current methodology, and "low probability" of achievement of development objective has been deemed equivalent to a rating of "partially unsatisfactory" in the current methodology.
Source: OVE, using data from validated and unvalidated PCRs and XSRs.

5.11 The program has made modest contributions[50] to the country strategy objectives. The contribution to the strategic objectives of improving public management and transparency was limited, and no achievements were reported in net tax revenue or cumulative impunity in the system. The contribution to the objectives of

50 In this analysis, contributions are understood as outcomes or impacts (not outputs) achieved by aligned operations during the strategy period, as demonstrated with evidence, that are directly related to the expected results of the corresponding strategic objective (see Annex, Table I.5.2, for detailed information on each operation).

reducing poverty and inequality was limited; projects in health and in water and sanitation performed poorly; and information on the contribution to educational access and quality has been limited. The contribution to the objectives for private sector development was primarily associated with the Rural Economic Development Program to support the Chixoy River area and IDB Invest's work to facilitate SME access to finance, but it is too early to know the results of most operations with financial institutions. The program's contributions and outcomes for each strategic objective of the country strategy, based on validated PCRs and XSRs, PMRs, interviews, and other available sources of information, are compiled below.[51]

A. Improving public management and transparency

5.12 Strengthen public finances. The main operation in the portfolio, the legacy PBL (GU-L1096), aimed to provide support to the Office of the Superintendent of Tax Administration (SAT) for governance, processes, human capital, controls, and efforts to combat money laundering but was not authorized in Congress until the final days of the program. To support the PBL, an investment loan to strengthen the SAT had been programmed for 2017 but was never approved.[52] The PBL experienced delays in the fulfillment of milestones[53] until it was authorized in Congress in April 2020, and within six months it met all conditionalities, and its second tranche was disbursed.[54] One of its most important milestones was the 2016 passage of the Law to Strengthen Fiscal Transparency and Governance of the SAT, which, among other measures, modified the duties and membership of the SAT board of directors and established the Tax and Customs Administrative Court. Meanwhile, the disbursement in 2020 provided timely support to the government in its COVID-19 response effort. This operation does not yet have a PCR. Another small legacy operation

51 The following documents were reviewed: loan proposals, validated PCRs and XSRs, PCRs, XSRs, PMRs, annual supervision reports, DELTA information on implementation, six-monthly reports and portfolio performance reviews, loan extension memorandums, and reports on fulfillment of policy conditions (for PBLs).

52 Program to Support the Institutional and Technological Strengthening of Systems at the SAT (GU-L1162) for US$60 million. The government decided not to pursue this operation after passing eligibility. Loan GU L1162 was to be complemented by a US$55 million loan from the World Bank, which was not authorized by Guatemala's Congress and had to be canceled.

53 Four milestones remained to be fulfilled as of April 2020: three for component II under the responsibility of the SAT, and one under component III under the responsibility of the Office of the Superintendent of Banks (SIB).

54 The Bank also provided technical assistance through TC operation GU-T1274 (in execution) on electronic invoice, tax analysis, information security, and process improvement. This TC was initially intended to support loan GU-L1162, but the outputs were redefined when the loan was cancelled.

(GU-L1160)[55] associated with a PBL from the prior period (GU-L1064) supported the institutional strengthening of MINFIN and the Municipal Promotion Institute (INFOM), but according to the validated PCRs these two operations were not effective in terms of results.[56] *Despite these contributions, the expected outcomes of the program were not achieved, as net tax revenue during the period did not meet the target of 11% of GDP.*

5.13 Strengthen the institutional framework to combat money laundering and corruption. The PBL included five actions to combat money laundering, chiefly supporting the Office of the Superintendent of Banks, which were completed. These included regulatory changes for the capital adequacy of financial institutions providing financing in foreign currency, as well as for the dissemination of information on financial institutions, authorizing supervisors to require updated data. In addition, adjustments were made to a strategic plan to combat money laundering, the system for exchange of statistical information (including the SAT) was implemented, and a law was remitted to strengthen existing laws and regulations for prevention and enforcement. *Although this law has not been passed (and therefore no contribution is associated with this action), completion of the other four actions means a contribution was feasibly made to the strengthening of the institutional framework. In addition, the outcome indicator in the country strategy (the money laundering index published by the Basel Institute on Governance) has improved during this period, declining from 5.78 in 2018 to 5.10 in 2020.*

5.14 Strengthen the Public Prosecutor's Office. The Bank provided support in the form of two loans. Firstly, the legacy program to support the criminal justice system (GU-0177, 2007) was executed mostly in the previous period and was fully disbursed in 2017. According to its PCR, eight public prosecutor's offices and seven police stations were built, but only 11 out of 15 justice of the peace courts, and two out of five regional legal defense offices. Despite these advances, the PCR rated as unlikely that the effectiveness, access, and efficiency of the criminal justice system would be improved, since the main output—the construction of 13 integrated criminal justice centers—went unexecuted. The project also experienced severe design problems that led to coordination problems and delays. Secondly, in 2016 the Bank approved a loan with the same objective of supporting the Public Prosecutor's Office (GU-L1095), but this loan was delayed in legislative authorization (until April 2020). It became eligible in September

55 A reimbursable technical cooperation operation to support the PBL for fiscal consolidation in Guatemala (GU-L1064), executed in the previous period. The operation supported the procurement of hardware and software, financing of consulting services, and workshops to strengthen technical capabilities.

56 In accordance with the jointly validated PCR for GU-L1064 and GU-L1160.

and is now at the start of its execution phase (its launch has been accelerated, and its planning has been updated). *There were no new operations to support the Public Prosecutor's Office between 2017 and 2020, and, on the whole, the Bank has not contributed during this period to the country strategy outcome of reducing cumulative impunity in the system (which remained high, at 97.6% in 2018, according to the latest data from the International Commission Against Impunity in Guatemala (CICIG).*

B. Reducing poverty and inequality

5.15 Strengthen the coverage and quality of the integrated health services network. The program inherited a relevant project to support access and quality in health and nutrition services (GU-L1022, 2010). This project included infrastructure improvements and provided nutrition and preventive health services by hiring medical personnel and subcontracting with support organizations. Due to regulatory changes in 2013, the program had to be refocused by hiring more medical personnel but with less targeting. Upon completion in September 2018, the project had generated some partial results (more professionals available for nutritional prevention and maternal-child health, at least two prenatal checkups, and supervision visits to health posts) but did not meet most of its targets (e.g., checkups for children under 12 months, preventive nutritional services, checkups of pregnant women before the twelfth week of pregnancy, and immunizations). OVE's validation of the PCR rated the project's effectiveness as "unsatisfactory." Also completed during this period were the Mesoamerica initiative (GU-G1002)[57] and six TC operations (four legacy and two new),[58] which generated experience and validated a new policy for managing quality in the integrated health service networks (RISS). The prior lessons learned and the new approach supported the design and targeting of a new loan (GU-L1163) that was authorized in Congress in late 2020, which was timely amid the pandemic, but is still early in its execution phase. *The partial results mean that the feasible contribution to the objective is limited. Although no updated data is available from the National Survey on Maternal-Child Health (ENSMI) or the Ministry of Public Health and Social Assistance (MSPAS), indicators from WHS*

57 The operation experienced delays that adversely affected the objective of improved coverage of primary and secondary care. While improvements were made toward the objective on health service quality, disbursements were not made due to the failure to make minimal progress on outcome indicators, and the operation was canceled (based on the aide-mémoire from the mission and the evaluation report).

58 The legacy operations (GU-T1186, GU-T1243, GU-T1242, and GU-T1245) were mainly to provide support for nutrition and prenatal care. The previous CPE concluded that they were disconnected from the loan program. The new operations (GU-T1287 and GU-T1266) were to support the new program.

and the National Statistics Institute (INE) show improvements in specialized care in childbirth and maternal and infant mortality, which are expected outcomes of the country strategy.

5.16 Improve access to quality education services. The program provided support for infrastructure, management, teacher support, and educational content through two legacy operations (GU-L1023, 2008, and GU-L1087, 2015). The PCR (which has not been validated by OVE) for the Mi Escuela Progresa [My School Is Making Progress] Program (an operation closed out in 2019) rates as "probable" the prospects of achieving its development objectives. According to the PCR, the program benefited 562,000 children with coverage improvements; three million students and 27,800 schools with educational materials; 20,000 teachers with training; and 3,605 parents' organizations with school management funds.[59] Outcome targets related to grade promotion, grade repetition, dropout rates, and classroom hours were met. However, according to the PCR, the project faced difficulties in implementation leading to the cancellation of 9% of its amounts, and no suitable indicators are available to measure the fulfillment of targets related to improved educational access and quality.[60] The second operation, for improved coverage and educational quality, was authorized by Congress in 2018. Although aligned with the strategic objective, this operation has encountered startup problems with delays in setting up the execution unit and was on alert status in 2019 before disbursing in late 2020. Its progress is rated as low (7% average physical progress). *Despite the progress on outputs, no reliable statistics on coverage rates or updated information on learning outcomes are available that could be used in analyzing the program outcomes.*

5.17 Expand access to water and sanitation services. The legacy operation (GU-L1039/GU-X1005, 2009)— the oldest operation in the current portfolio— sought to enhance and expand access to water and sanitation in rural, urban, and periurban areas but faced difficulties in execution and has not progressed as projected in the country strategy. Prior to the period under review, the program was impacted by delays associated mainly with structural problems of weak sector stewardship and a lack of interagency coordination in the country's water and sanitation sector that persist to this day.[61]

59 Among the output targets met are repairs to 409 schools, 2,245 classrooms outfitted with school furniture, 3,605 classrooms repaired, 843 educational modules installed, 19,584 teachers trained, and 27,800 schools provided with libraries.

60 The PCR indicates that the coverage indicators are not reliable due to: (i) the time passed since the last Census in 2002, (ii) errors in the projections of school-age children (in 2003 a fertility rate of 5.1 was projected but was 3.6 in 2008) and (iii) changes in the control system for the personal code for enrolled students.

61 These delays were due to slow legislative authorization, design and coordination problems of subnational executing agencies, political conditions in 2015, the commitment to multisector support in the Chixoy area, and an agreement with the government to prioritize works in municipal seats of government affected by a 2012 earthquake.

Execution of the operation began in late 2018, following a period of adjustment and redefinition of works and target areas. In 2020, the operation stagnated again, due primarily to the pandemic but also new challenges affecting the operation (changes in municipal authorities, amendments to the originally tendered designs, and delays in securing easements and rights-of-way). This led to another request for an extension in October 2020 (until 2022), and the project is now on "alert status." By late 2020, the operation had reported progress and partial results in the number of rural households with water and sanitation solutions (42% and 50% of the target, respectively) and in the number of urban households with water and sewer service (4% and 3% of the target, respectively). *These partial gains mean that the program's feasible contribution to the strategic objective of the country strategy is limited. The indicators of access to drinking water and sanitation (at both the national and rural levels) have shown improvements, according to information from the 2018 Census.*[62]

C. Private sector development

5.18 Expand and modernize logistics infrastructure. According to its PCR, the legacy Rural Economic Development Program (GU-L1006) will feasibly contribute to increasing productivity in the Chixoy River area through infrastructure and the development of land management capacities associated with the construction of 17.5 kilometers of highways. Management regards the lessons learned from Chixoy as positive, since the operation has promoted a more gradual and comprehensive model for providing services through smaller-scale multisector initiatives targeted to a specific geographic area. Only one of the operations that the Bank had planned in CPDs dating from 2018 was approved during the period (GU-L1169, 2019, for US$150 million), the first in the sector by a multilateral partner since 1999. This operation was authorized by Congress in April 2020 for road infrastructure development and is in the early stages of execution. The loan to support connectivity and broadband infrastructure (GU-L1175) was recently approved in March 2021. *Taken together, these actions have made a limited contribution to the achievement of expected outcomes of the country strategy due to their scale or the timing of their approval. Guatemala's logistics performance index, which was the country strategy's results indicator, showed a decline in the period.*

62 The indicator of access to clean drinking water has risen from 77.8% in 2014 (ENCOVI) to 89.2% in 2018 (Census) (rising in rural areas from 64.4% to 81.6%). For its part, the indicator of access to improved sanitation services has risen from 58.3% (ENCOVI) to 62.9% (Census) (rising in rural areas from 28.9% to 36.9%).

5.19 Promote the generation of renewable energy and natural gas. This objective did not have enough operations in execution during this period to generate contributions to the achievement of expected outcomes of the country strategy. Two IDB Invest legacy loan operations for small hydroelectric plants faced resistance from local communities, and no information is available on the progress of their outputs. Considering this complex scenario, the IDB subsequently approved a technical cooperation operation to support these communities (GU-T1270) through comprehensive development in the project area (coordinating actions with IDB Invest). Meanwhile, an IDB Invest technical assistance operation supported a client in developing prepaid solar energy systems, which subsequently facilitated IDB Invest's first equity investment in the country (GU-Q1003, Energía Kingo) on an innovative project in collaboration with IDB Lab, which is still in execution. *On the whole, these actions have not contributed to the achievement of expected outcomes of the country strategy due to implementation difficulties, their scale, and the timing of their approval.*

5.20 Facilitate SME access to finance. In terms of the SG portfolio, the Program to Support Strategic Investments and Productive Transformation (GU0163), intended to support the National Competitiveness Program (PRONACOM), had design flaws and execution problems that led to unsatisfactory results as validated in its PCR (which rated program results as "unsatisfactory").[63] In terms of the NSG portfolio, results have been reported on only one of the seven IDB Invest loans for financial institutions, which was the only operation to reach early operational maturity and was rated excellent in effectiveness. Two other operations reported satisfactory partial results in accordance with the DELTA supervision report.[64] No results have been reported on the nonfinancial additionality of these operations, nor is information available on results from the TFFP, but the increased demand for short-term financing amid the COVID-19 pandemic means it is likely to have contributed during this period. *In summary, no results are available for the majority of projects, given their status, nor are aggregate statistics available on SME access to finance in the country during this period (an expected outcome of the country strategy).*

63 Its investments were disconnected and were not conducive to removing obstacles to business development, investment, or improved productivity. About 30% of its original amount was canceled due to delays in implementation.

64 Another loan, not included in the portfolio of this evaluation since it is part of a regional facility, that also reached early operational maturity during the period was the Banco de América Central, S.A. SME Internationalization Financing Partnership (GU-L1081). This operation had a satisfactory effectiveness rating, achieving SME portfolio growth and growth in the share of portfolio SMEs that internationalized their business, while keeping the repayment period constant.

06

Conclusions

6.1 The 2017-2020 country strategy established relevant objectives, increased the focus on private sector development, and put forward a program partially aligned with objectives. The country strategy proposed objectives that were suited to country challenges and targets and consistent with the IDB Group's objectives and prior experience. It also called for specific actions to bring a large, troubled legacy portfolio—one far older than the Bank's average portfolio—into line with programming. The program was partially aligned with the strategic objectives of the country strategy, except for the objective of promoting renewable energy and natural gas, which had less relevance. In addition, this objective and the objective related to logistics infrastructure were not sufficiently covered by the program, as they lacked active operations at a scale that could contribute substantially to the expected outcomes of the country strategy during the period.

6.2 The effort to bring the old portfolio into line with programming had impacts in terms of accelerating and subsequently closing out almost all old operations, although implementation risks remain for the active portfolio. Implementation problems associated with delays, ineffective design work, and institutional weaknesses were exacerbated by the political crisis that preceded the country strategy period and remained throughout the 2017-2020 cycle. Amid difficult conditions for the approval of PBLs with thoroughgoing reforms, the Bank focused on executing the legacy portfolio through the actions called for in the country strategy, monitoring operations more closely and establishing firm commitments. While this regularization strategy was successful, implementation problems remain.

6.3 Late in the strategy period, the programming effort supported the increase in approvals amid the pandemic during 2020 that kept the Bank as leading development partner. A number of operations recently approved by the Bank or authorized by Congress (in road infrastructure, health care, forest management, rural electrification, and COVID-19 response) make up a young portfolio for the next programming cycle, which, due to similar implementation problems, will still require close monitoring by the Bank in order for the accelerated execution to continue. Measures related to improved design work and preparation to mitigate risks were at least partially implemented (measures related to the national budget were not instituted), and their effectiveness cannot yet be evaluated.

6.4 Despite accelerated execution, the program has made modest contributions to the country strategy objectives. This period saw lower-than-expected SG approvals and a slow pace in congressional authorization of operations, which resulted in a smaller-than-expected portfolio through 2020. As a result of the close-out of old operations, most of which were ineffective, and the lack of approvals of new operations and authorizations by Congress toward the end of the period, the program did not make significant contributions to the objective of improving public management and transparency (except in the area of money laundering) and made limited contributions to the objective of reducing poverty and inequality. Meanwhile, the strategic area of private sector development was supported primarily by IDB operations in road infrastructure and IDB Invest operations through financial institutions (focused on the specific objective of facilitating access to finance). Since the majority were approved recently, only two of the operations has reported favorable results (the Rural Economic Development Program and one of the operations with financial institutions).

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