

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**GUATEMALA**

**SUPPORT FOR VULNERABLE POPULATIONS AFFECTED BY COVID-19**

**(GU-L1176)**

**LOAN PROPOSAL**

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Proposed resolution

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Annex III	Fiduciary Agreements and Requirements (simplified format)

REQUIRED LINKS	
1	<a href="#">Simplified monitoring and evaluation plan</a>
2	<a href="#">Procurement plan</a>

OPTIONAL LINKS	
1	<a href="#">Economic viability rationale</a>
2	<a href="#">Note on social protection policies in the context of COVID-19</a>
3	<a href="#">Supplemental analysis of background, problem to be addressed, and rationale</a>
4	<a href="#">Decrees and regulations concerning COVID-19 and Bono Familia in Guatemala</a>
5	<a href="#">Safeguard policy filter and safeguard screening form</a>

## **ABBREVIATIONS**

CCT	Conditional cash transfer
DAS	Departamento de Asistencia Social [Social Assistance Department]
DPI	Documento Personal de Identificación [individual identification document]
ECLAC	Economic Commission for Latin America and the Caribbean
ENEI	National Employment and Income Survey
FGE	Fundación Génesis Empresarial
ICEFI	Instituto Centroamericano de Estudios Fiscales [Central American Institute for Fiscal Studies]
ILO	International Labour Organization
IMF	International Monetary Fund
INE	National Statistics Institute
kWh	Kilowatt-hours
MIDES	Ministry of Social Development
MINFIN	Ministry of Finance
NCB	National competitive bidding
PND	Plan Nacional de Desarrollo: K'atun, Nuestra Guatemala 2032 [National Development Plan]
SICOIN	Sistema de Contabilidad Integrada [Integrated Accounting System]
UEFPS	Unidad Ejecutora del Fondo de Protección Social [Social Protection Fund Execution Unit]

**PROJECT SUMMARY**  
**GUATEMALA**  
**SUPPORT FOR VULNERABLE POPULATIONS AFFECTED BY COVID-19**  
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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(a)</sup>	
Republic of Guatemala			Amortization period:	23.5 years
Executing agency:			Disbursement period:	18 months
Ministry of Social Development (MIDES)			Grace period:	7 years <sup>(b)</sup>
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	100,000,000	100	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total:	100,000,000	100	Weighted average life:	15.25 years
			Approval currency:	U.S. dollar
Project at a Glance				
<b>Project objective/description:</b> The general objective of this program is to contribute to supporting minimum levels of consumption for vulnerable persons amid the crisis caused by COVID-19 in Guatemala. The specific objective is to support minimum income levels for those affected by the emergency measures stemming from the COVID-19 pandemic in the immediate period and during the recovery through support for Bono Familia.				
<b>Special contractual conditions precedent to the first disbursement of the loan proceeds:</b> The first disbursement of the loan proceeds is conditional upon fulfillment, to the Bank’s satisfaction, of the following conditions: (i) the executing agency will have submitted to the Bank evidence of the appointment of the following key program staff: a program technical coordinator and, within the execution unit, a financial management officer and a procurement officer (reporting officers); and (ii) the program Operating Regulations will have been approved and will have entered into effect, under the terms previously agreed upon with the Bank. See Annex III for other conditions.				
<b>Special contractual conditions for execution:</b> See Annex III for conditions.				
<b>Exceptions to Bank policy:</b> None.				
Strategic Alignment				
<b>Challenges:</b> <sup>(d)</sup>		SI	<input checked="" type="checkbox"/>	PI <input type="checkbox"/> EI <input type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(e)</sup>		GD	<input checked="" type="checkbox"/>	CC <input type="checkbox"/> IC <input type="checkbox"/>

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem to be addressed, and rationale

- 1.1 **Background.** On 11 March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. COVID-19 is a respiratory disease caused by the 2019 novel coronavirus, or nCoV-2019. As of 30 June, WHO had reported 10,321,689 confirmed cases in 216 countries or territories, which have resulted in more than 507,435 deaths.<sup>1</sup> The first cases in Latin America and the Caribbean were reported in late February. Since then, the number of cases has been rising fast, with some 2,587,944 confirmed cases of COVID-19 and 116,233 deaths reported.<sup>2</sup> The number of cases and deaths is expected to continue to grow. In Guatemala, the first confirmed case and death was reported on 15 March.<sup>3</sup> As of 30 June, the country had reported some 18,096 cases and 687 deaths.
- 1.2 **Macroeconomic and social context.** Guatemala's macroeconomic performance in recent years has been positive, with the country posting average GDP growth of 3.5% since 2010, compared to a rate of 2% for the region. However, while poverty rates for Latin America and the Caribbean have dropped from 45.5% in 2002 to 28.7% in 2012 and have held steady around that figure since, there has been no significant change to poverty rates in Guatemala in the last two decades.<sup>4</sup> Data from the 2019 National Employment and Income Survey (ENEI) indicate that 56% of the population was living in monetary poverty and 30% was vulnerable. Therefore, around 85% of the population requires social protection to withstand adverse economic shocks.<sup>5</sup> In addition, projections released by the International Monetary Fund (IMF) in June 2020 indicate that the region's GDP will shrink 9.4% due to the pandemic. This is 4.2 percentage points lower than the IMF's previous

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<sup>1</sup> WHO, COVID-19 Status Report at: <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>, 16 April 2020.

<sup>2</sup> COVID-19 Situation Update processed by the Social Protection and Health Division with data from the European Centre for Disease Prevention and Control (ECDC).

<sup>3</sup> <https://covid19.who.int/region/amro/country/gt>.

<sup>4</sup> Data for Latin America and the Caribbean are available in the Social Panorama of Latin America 2019 from the Economic Commission for Latin America and the Caribbean (ECLAC), which can be accessed at: [https://repositorio.cepal.org/bitstream/handle/11362/44969/5/S1901133\\_es.pdf](https://repositorio.cepal.org/bitstream/handle/11362/44969/5/S1901133_es.pdf). Data for Guatemala are available from the National Statistics Institute (INE) and the analysis of the ENEI developed by the Bank's Social Sector database (Sociómetro), which shows very similar poverty rates for 2000 (54%) and 2019 (56%).

<sup>5</sup> This analysis uses a poverty line of US\$5 per person per day for poverty and a range of between US\$5 and US\$12.4 per person per day for vulnerability, adjusted for purchasing power parity. The vulnerability line is defined as the income level at which it is highly likely that a person will fall into poverty. People are considered vulnerable with regard to COVID-19 if their incomes could be adversely affected due to the crisis and, as a result, their consumption levels would decrease because they rely on wages for their livelihood and have limited ability to save. These data are consistent with the information provided by the INE, which reported a poverty rate of 59.3% in 2014 using the national poverty line.

projection from April 2020.<sup>6</sup> In the case of Guatemala, the drop is projected to be between 2.5% and 3.5% of GDP in 2020.<sup>7</sup>

- 1.3 **Problem to be addressed.** COVID-19 can spread easily from person to person through respiratory secretions<sup>8</sup> and direct contact. For this reason, social distancing and isolation measures are essential features of the public health response with the goal of reducing the number of healthy people whom a patient can infect or, stated another way, the average number of new cases generated by a case over time (reproduction number), to a value below 1. The health measures necessary to fight COVID-19, particularly social distancing, have immediate impacts and will have lasting consequences for the economies of the countries of the region. These impacts are associated with the necessary changes in people's behavior to "flatten the curve" of coronavirus progression, which will help save lives. These behavior changes may be the result of government mandates (closing schools and restaurants, canceling public events, etc.), decisions made by companies and other institutions (teleworking, cutting back production, etc.), or decisions made by consumers (reducing social contact). From a macroeconomic perspective, in addition to shrinking domestic demand, the Economic Commission for Latin America and the Caribbean (ECLAC) sees at least six mechanisms underlying the crisis's impacts on the region's economy:<sup>9</sup> (i) slowing economic activity of key trading partners that will impact the demand for exports; (ii) less demand for tourism services; (iii) interruption of global value chains; (iv) falling commodity prices; (v) dwindling remittances; and (vi) worsening financial terms. The economic slowdown is expected to reduce tax revenues, while pressure to spend will increase in order to respond to the public health emergency.<sup>10</sup>
- 1.4 In Guatemala, as a result of WHO's declaration that the COVID-19 epidemic is an international public health emergency<sup>11</sup> and the Plan for COVID-19 Prevention, Containment, and Response issued by the Ministry of Public Health and Social Assistance, the government declared a state of emergency on 6 March by means of [Government Decree 05-2020](#).<sup>12</sup> The measures it has established include

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<sup>6</sup> See <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUNupdateJune2020>.

<sup>7</sup> The Bank of Guatemala adjusted its projections -2.5% to -1.5% based on the IMF projections released on 25 June (<https://www.prensalibre.com/economia/coronavirus-economia-guatemala-cerrara-en-numeros-rojos-este-ano-y-caera-a-un-2-5/>). Projected decline according to the IMF as of June (2020). World Economic Outlook Database, April 2020 Edition. <https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/index.aspx>. The 3% decline is from the World Bank (2020), Global Economic Prospects. June 2020. <http://pubdocs.worldbank.org/en/538491588787962322/Global-Economic-Prospects-June-2020-Analysis-LAC.pdf>. In addition, ECLAC indicated in April that extreme poverty could increase around two percentage points. See [https://repositorio.cepal.org/bitstream/handle/11362/45527/5/S2000325\\_es.pdf](https://repositorio.cepal.org/bitstream/handle/11362/45527/5/S2000325_es.pdf).

<sup>8</sup> <https://www.who.int/es/emergencies/diseases/novel-coronavirus-2019/advice-for-public/q-a-coronaviruses>.

<sup>9</sup> See <https://www.cepal.org/es/comunicados/covid-19-tendra-graves-efectos-la-economia-mundial-impacta-paises-america-latina>.

<sup>10</sup> According to ECLAC, "The crisis will place additional pressure on countries with limited fiscal headroom, which will jeopardize social spending, which is already under stress after seven years of slow economic growth." [https://repositorio.cepal.org/bitstream/handle/11362/45337/4/S2000264\\_es.pdf](https://repositorio.cepal.org/bitstream/handle/11362/45337/4/S2000264_es.pdf).

<sup>11</sup> WHO declared COVID-19 a global public health emergency on 30 January 2020 and declared the COVID-19 outbreak a pandemic on 11 March.

<sup>12</sup> [Optional link 4](#) includes links to the most important decrees and regulations related to COVID-19 and Bono Familia in Guatemala.

restrictions on social gatherings and movement between districts, event cancellations, and the establishment of minimum and maximum prices to prevent hoarding of items, supplies, or services related to the COVID-19 response. In addition, [Decree 06-2020](#) issued on 21 March restricted the movement of individuals entering or leaving the country and extended the moratorium on meetings and events. The state of emergency has been extended and is currently set to end on 5 August ([Decree 27-2020](#)).<sup>13</sup>

- 1.5 The global economic impacts described above, combined with the direct impacts of the public health measures implemented by the Guatemalan government, have led to a significant economic downturn with immediate manifestations and lingering effects, even after the public health emergency has ended. For example, data on tax revenue in Guatemala show a 24% decrease in May 2020 compared to May 2019.<sup>14</sup>
- 1.6 **The most recent data show that the repercussions of the crisis will hurt the income of most people in Guatemala**, who depend on their largely informal work activities to support their consumption. In Guatemala, 85% of the population is poor or vulnerable. Therefore, most Guatemalans are not able to sustain their consumption in the event of temporary shocks or drastic cuts to their daily income. Furthermore, remittances could decrease due to the impact of the crisis in the United States. ECLAC indicates that the lack of remittances<sup>15</sup> could increase poverty by nearly 18 percentage points.<sup>16</sup> This situation also puts formal sector workers at risk, as businesses will be hard pressed to preserve precrisis employment and wage levels. Recent data from the Guatemala City metropolitan area show that 70% of respondents have seen their income decrease, with half having their incomes drop more than 25%.<sup>17</sup> The International Labour Organization (ILO) reports estimated losses of approximately 9% in the amount of hours worked in Central America in the second quarter of 2020.<sup>18</sup> Instituto Centroamericano de Estudios Fiscales [the Central American Institute for Fiscal Studies] (ICEFI) estimates that more than 500,000 jobs could be lost for each month of work stoppage caused by the coronavirus crisis in Guatemala, which is equivalent to

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<sup>13</sup> See [optional link 4](#).

<sup>14</sup> For example, see: <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>, as well as the reports in the statistical bulletin published by the Tax Administration System, <https://portal.sat.gob.gt/portal/estadisticas-tributarias-sat/#1506903647072-b0b5ebcd-fec4teix>

<sup>15</sup> The Bank of Guatemala anticipates a 9% decrease in foreign currency income from family remittances in 2020, after 13.1% growth in 2019.

<sup>16</sup> Poverty would increase from 39.5% to 59.2% (2017). Available at [https://repositorio.cepal.org/bitstream/handle/11362/45527/5/S2000325\\_es.pdf](https://repositorio.cepal.org/bitstream/handle/11362/45527/5/S2000325_es.pdf).

<sup>17</sup> A survey conducted by Prodatos in the Guatemala City metropolitan area found that incomes have decreased due to the measures to prevent the spread of the coronavirus. The survey, conducted between 5 and 7 May, found that 7 out of every 10 Guatemalans report that their income has decreased. In addition, 35% of those whose incomes have decreased report decreases ranging from 25% to 50%, while another 12% of respondents report a decrease of between 50% and 75%. Socioeconomic segment D has been hit the hardest: 79% of respondents in that segment reported a decrease from the amount they normally receive. Generally speaking, these are people who live hand to mouth with no savings, insurance, or other coverage. In segments A, B, and C, incomes decreased 58% on average.

<sup>18</sup> ILO, ILO Monitor: COVID-19 and the World of Work. [https://www.ilo.org/global/about-the-ilo/WCMS\\_740981/lang-es/index.htm](https://www.ilo.org/global/about-the-ilo/WCMS_740981/lang-es/index.htm).



8% of the employed population.<sup>19</sup> A survey conducted in May by Asociación de Investigación y Estudios Sociales [Association for Social Studies and Research] (ASIES) found that 82% of the 278 companies surveyed that are directly involved in tourism have closed temporarily, while another 5% have closed permanently. On average, 27% of their workers have been laid off.

- 1.7 **Indigenous peoples are overrepresented among the groups that are at highest risk of poverty and vulnerability associated with the COVID-19 crisis.** According to data from the 2019 ENEI, 36% of Guatemalans live on less than US\$3.1 per day (extreme poverty), while another 20% have incomes of between US\$3.1 and US\$5 per day (moderate poverty).<sup>20</sup> However, the indigenous population is much more vulnerable, as 54% of indigenous Guatemalans live in extreme poverty and 21% live in moderate poverty, compared to 24% and 9%, respectively, of the rest of the population. Only 11% of indigenous workers have formal jobs, in contrast to 31% of the rest of the population.
- 1.8 **Guatemala has a strong macroeconomic framework that allows it to take measures to offset the negative impact of the COVID-19 pandemic on the economy.** The Guatemalan authorities have consistently achieved single-digit inflation (4% per year), a public debt level that is among the lowest in Latin America and the Caribbean (25% of GDP in 2019), and a moderate fiscal deficit (2.1% of GDP in 2019). Since the country has fiscal and monetary headroom, it has taken several policy measures. For example, the benchmark interest rate was cut by 100 basis points between March and June 2020 (from 2.75% to 1.75%), and public spending has increased to respond to the crisis.<sup>21</sup> By means of Decree 20-2020, Congress authorized expansions for the budget, social spending, and external financing by 1%, 1.9%, and 1.4%, respectively, of projected GDP for 2020. Accounting for the pandemic's impact on the macroeconomic context to date, the Ministry of Finance projects that the 2020 fiscal deficit should be 5.7% of projected GDP for 2020, 3.4 percentage points higher than the deficit posted in 2019.<sup>22</sup>
- 1.9 **Prior to the COVID-19 crisis, Guatemala had a number of conditional cash transfer (CCT) and other social programs executed by the Ministry of Social Development (MIDES) to support the poor and vulnerable.** These programs are still in place, but due to limited coverage they are not enough to respond to the challenges stemming from COVID-19.<sup>23</sup> The largest programs are CCTs in the areas of health and education, Bono Social, which reached around

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<sup>19</sup> ICEFI, 2020. *Análisis sobre posibles impactos económicos y fiscales de la crisis potenciada por el COVID-19*. [http://icefi.org/sites/default/files/icefi\\_-\\_presentacion\\_-\\_covid\\_19\\_-\\_analisis\\_de\\_las\\_consecuencias\\_economicas\\_y\\_fiscales.pdf](http://icefi.org/sites/default/files/icefi_-_presentacion_-_covid_19_-_analisis_de_las_consecuencias_economicas_y_fiscales.pdf).

<sup>20</sup> This is approximately 1.2 million households in extreme poverty and 722,000 households in moderate poverty.

<sup>21</sup> The Monetary Board of the Bank of Guatemala approved cuts of 50 basis points, 25 basis points, and 25 basis points in decisions issued on 19 March, 25 March, and 24 June, respectively.

<sup>22</sup> The higher fiscal deficit will increase demand for financing, but that increase is considered manageable thanks to a long history of prudent fiscal and monetary policies, a low public-debt-to-GDP burden, and proven economic resilience to internal and external shocks. The main credit rating agencies (Moody's Investors Service, Standard & Poor's, and Fitch Ratings) share this opinion.

<sup>23</sup> MIDES. *Cuarto Año de Gobierno. Memoria de Labores 2019-2020*. Guatemala. 2020. In 2020, cash transfers have been issued making allowance for the fact that schools are closed, and health centers have restricted outpatient visits, which makes it impossible for beneficiaries to meet program conditions.

128,000 families in 2019 with a budget of 242 million quetzales (approximately US\$31.4 million). There is also a notable, smaller-scale program offering food support through cash transfers, Bolsa Social, which benefited 26,740 people in 2019 with a budget of 45.4 million quetzales (around US\$5.9 million). According to MIDES, less than 200,000 families are served by these and other social programs, which stands in stark contrast with the approximately 1.2 million families who live in extreme poverty and 722,000 families in moderate poverty based on data from the 2019 ENEI. MIDES also operates a community kitchens program, which served more than three million meals in 2019 with an investment of 77.5 million quetzales (US\$10 million).<sup>24</sup>

- 1.10 **Government response to the pandemic.** In addition to the state of emergency declarations and corresponding public health response, Congress approved an Emergency Act for Protecting Guatemalans from the Effects of the COVID-19 Coronavirus Pandemic, published on 1 April, with the objective of mitigating the pandemic's effects through public health, economic, financial, and social measures,<sup>25</sup> as well as the Economic Rescue Act for Families Affected by COVID-19 ([Decree 13-2020](#)).<sup>26</sup> The two measures have a combined cost of

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<sup>24</sup> In response to the pandemic, the Ministry of Agriculture, with support from the World Food Programme and MIDES, is implementing a Food Support Program as part of the measures announced in [Decreto 12-2020](#). See <http://www.sesan.gob.gt/wordpress/2020/06/15/sesan-participa-en-lanzamiento-del-programa-del-apoyo-alimentario-por-emergencia-del-covid-19/>.

<sup>25</sup> Congress of the Republic of Guatemala. [Decreto Número 12-2020. Ley de Emergencia para Proteger a los Guatemaltecos de los Efectos Causados por la Pandemia Coronavirus COVID-19](#). Published on 1 April 2020, the law incorporates the following into public health measures: an information dissemination strategy, interagency cooperation measures, price controls for medications, services, food and cleaning inputs to prevent hoarding, and mandates for supplying hospitals and health centers. A series of economic, fiscal, and social security measures were announced to mitigate the social impact, including extended deadlines for tuition payment, extended supports for school lunch programs, and measures to ensure that healthcare is available throughout the country. Furthermore, the budget for fiscal year 2020 was expanded to create funds and programs like social safety nets and special regulations. The funds that have been created include the Emergency Fund (FEMER), with an allocation of 1.5 billion quetzales (approximately US\$195 million) for hospital infrastructure; in-kind food support for vulnerable groups and families; and loans for micro, small, and medium-sized enterprises (MSMEs), sole proprietors, professionals, businesses, and savings and loan cooperatives. Lastly, an exemption for donations to non-profit organizations was issued as a fiscal policy and social security measure.

<sup>26</sup> Congress of the Republic of Guatemala. [Decreto Número 13-2020. Ley de Rescate Económico a las Familias por los Efectos Causados por el COVID-19](#). Published on 8 April 2020. The law decreed a budget expansion of 11 billion quetzales (approximately US\$1.43 billion), which was allocated to MIDES, the Ministry of Economy, and the Department of State Obligations Chargeable to the Treasury. The government has developed other programs in addition to Bono Familia, described below. The Ministry of Economy was put in charge of the Employment Protection Fund, which has been allocated 2 billion quetzales (approximately US\$260 million) to support private-sector workers who have been laid off by giving them 75 quetzales (US\$10) a day, free from taxes, deductions, and withholding. The Working Capital Credit Fund has been authorized to receive 3 billion quetzales (approximately US\$390 million) in funds to issue soft loans for up to 250,000 quetzales (US\$32,510) to individuals or corporations to finance working capital and business continuity.

14.7 billion quetzales (approximately US\$1.9 billion) and amount to 2.5% of the GDP projected by the Bank of Guatemala for 2020.<sup>27</sup>

- 1.11 **Bono Familia.** The measures instituted under [Decree 13-2020](#) include the creation of Bono Familia, a fund to support those whose finances have been hit the hardest in the wake of the pandemic. Given the limited scope of the transfer programs in place before the COVID-19 crisis (see paragraph 1.9) and the lack of a national registry of vulnerable persons, an innovative model for issuing transfers on a large scale was designed, which allows for the swift identification and registration of potential beneficiaries as well as the use of digital payment methods. Bono Familia will be executed by MIDES<sup>28</sup> and will issue up to three unconditional transfers of up to 1,000 quetzales per transfer (around US\$130). The program has been given a budget of up to 6 billion quetzales (approximately US\$780 million), which will benefit some 2 million families.
- 1.12 Two inclusion criteria were developed to identify the eligible population. The first is based on household electricity consumption:<sup>29</sup> families are flagged as eligible if they reside in a household whose energy consumption was no more than 200 kilowatt-hours (kWh) in February 2020, prior to the outbreak of COVID-19 in Guatemala.<sup>30</sup> Up to 10% of beneficiaries of the Bono Familia fund (around 200,000 families) can be enrolled using the second method, which identifies highly vulnerable families that reside in dwellings with no access to electricity. MIDES has identified this group using estimates of poverty rates at the municipal level and an analysis of electricity coverage at the community level, both of which use data from the 2018 Census. These criteria were used to rank municipios by estimated poverty rate, and communities in municipios where 65% or more households do not have electricity were selected.<sup>31</sup> Communities identified in this way will be

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<sup>27</sup> The Guatemalan government's response is consistent with the objectives of the Plan Nacional de Desarrollo: K'atun, Nuestra Guatemala 2032 [National Development Plan] (PND), which sets forth the long-term national development policy that coordinates the management cycle for national development, and particularly with lines of action (ii) and (v) of the PND. The plan is organized around five lines of action: (i) urban and rural Guatemala; (ii) prosperity for the people; (iii) wealth for all men and women; (iv) natural resources for today and tomorrow; and (v) the State as a guarantor of human rights and a driver of development. <https://observatorioplanificacion.cepal.org/es/planes/plan-nacional-de-desarrollo-katun-nuestra-guatemala-2032>. The PND is a tool that guides and organizes public sector activities at all levels, with a step-by-step approach that sets forth priorities, targets, results, and guidelines. The PND is also an opportunity to coordinate development activities that involve international aid and civil society representatives.

<sup>28</sup> Decree 22-2020 updates certain provisions concerning Bono Familia. For further detail, see the Bono Familia Manual, Second Edition ([optional link 4, Decrees and Manuals concerning Bono Familia](#)).

<sup>29</sup> Electricity consumption measurements are reported by the National Electricity Commission (CNEE) or the country's electricity distribution companies, where applicable. Data from the 2019 ENEI indicate that 89.6% of households have access to electricity and use a meter to pay for the electricity they consume. This figure is higher in urban areas than in rural ones (94.2% and 83.1%, respectively), and indigenous peoples have lower rates of electricity access (77.4% compared to 94.1% for the rest of the population).

<sup>30</sup> Decrees 12-2020 and 22-2020 and the Bono Familia Manual, Second Edition, set forth the procedures and criteria for putting together the roster of Bono Familia beneficiaries ([optional link 4, Decrees and Manuals concerning Bono Familia](#)).

<sup>31</sup> These criteria are set forth in the Bono Familia Manual, Second Edition ([optional link 4, Decrees and Manuals concerning Bono Familia](#)).

visited<sup>32</sup> to enroll all households without access to electricity in Bolsa Familia. This methodology helps prioritize the municipios that are the most vulnerable and where a large share of the population consists of indigenous peoples.<sup>33</sup>

- 1.13 Public servants, retirees,<sup>34</sup> public sector contractors currently under contract, and beneficiaries of other social programs executed by MIDES (mentioned in paragraph 1.9) are not eligible for Bono Familia. Households that have been identified as potentially eligible based on their electricity consumption are notified through their electric bills. To prevent crowds and reduce the spread of the coronavirus, eligible beneficiaries register on the Bono Familia platform via the website, by text message, or over the phone through a call center. To register, they need an identification number printed on their electric bill, the number on their personal identification document (DPI),<sup>35</sup> and a cell phone number. As of 30 June, more than 1.6 million potential beneficiaries had registered: 55% on the website, 42% by text message, and the remainder through the call center. Beneficiaries selected based on the Bono Familia fund's inclusion and exclusion criteria receive a text message confirming their enrollment and a unique number that they can use to access the financial benefits at ATMs, banks within the system, or commercial establishments that receive debit card payments. MIDES's teams have already begun the field work to obtain basic information from households without access to electricity, enroll them in Bono Familia, and ensure the corresponding payments can be issued.<sup>36</sup>
- 1.14 MIDES has developed a technological platform for managing Bono Familia that is organized into five macroprocesses: (i) data for establishing the roster of beneficiaries; (ii) applicant registration; (iii) establishment of the roster of beneficiaries; (iv) creation of the preliminary list of payees and financial inclusion; and (v) creation of the list of payees and authorization of financial benefits.<sup>37</sup> Beneficiary registration and dissemination of funds began in the second half of May after a pilot test. For program execution, cooperation agreements have been

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<sup>32</sup> Teams from MIDES will conduct these visits, following public health protocols to reduce the risk of spreading COVID-19. This work should be completed in the second half of October.

<sup>33</sup> For example, based on census data and MIDES's suggested ranking of communities from highest to lowest poverty rates, the first 67 municipios are home to 202,000 households without access to electricity (52% of all households without access to electricity in Guatemala). All told, 90% of these 202,000 households have an indigenous head of household. This is a sample analysis that ranks municipios by poverty rates using MIDES's methodology and calculates the sum total of households without access to electricity, in poverty (measured by unmet basic needs according to INE), and by indigenous population. According to data from the 2018 Census, approximately 2.9 million households in Guatemala have access to electricity, while 388,000 do not.

<sup>34</sup> All retirees were excluded from the program under Decree 13-2020, but afterwards Decree 22-2020 included retirees who receive pensions equal to or less than 2,000 quetzales a month.

<sup>35</sup> A DPI is required for registration and also for collecting payments, as described below. Since DPIs expire every 10 years, Article 11 of the Economic Rescue Act for Families Affected by COVID-19 states that any DPI that expires in 2020 will be valid for the purposes of identifying program beneficiaries. See the 19 May 2020 INFORENAP bulletin in [optional link 4, Decrees and Manuals concerning Bono Familia](#).

<sup>36</sup> The teams will collect information using electronic devices, and enrollment in Bono Familia will be included as part of that process.

<sup>37</sup> MIDES. Bono Familia Manual, Second Edition ([optional link 4, Decrees and Manuals concerning Bono Familia](#)).

established with banks to open simplified bank accounts,<sup>38</sup> and arrangements have been made to allow all public institutions to share administrative databases in a timely manner so MIDES can obtain the data it needs to register and monitor beneficiaries via its platform.

- 1.15 Bono Familia uses an innovative mechanism for issuing payments, which lets beneficiaries access funds in three ways: (i) by presenting their DPI and Bono Familia code at any bank branch; (ii) by selecting the “Bono Familia” option at any banking system ATM and entering their DPI, their Bono Familia code, and the password or personal identification number (PIN) they received at registration; or (iii) by presenting their DPI and Bono Familia code at any business that accepts electronic payments from Visa, where they can purchase products as if they were using a debit card. These payment methods allow the program to mount an agile response, pay out transfers through several complementary channels, reduce wait times, and prevent crowds. In the first few weeks of execution, 79% of withdrawals used ATMs, 19% took place at bank branches, and only 2% have been payments to businesses.<sup>39</sup>
- 1.16 MIDES has developed outreach strategies with an intercultural approach to raise awareness about eligibility criteria, requirements, and how to collect Bono Familia during the public health crisis, so families with indigenous heads of household are able to access Bono Familia if eligible based on their consumption level.<sup>40</sup> Field work to register households without access to electricity in municipios that have the highest poverty rates, which should have larger indigenous populations, will be conducted using culturally appropriate protocols. Along these lines, one of the first measures for the COVID-19 response included in Article 4 of [Decree 06-2020](#) included a mandate that stated that provisions related to the crisis response must be translated into Mayan, Garifuna, and Xinca languages to ensure that they are communicated and made known to all of the country’s ethnic groups.
- 1.17 **Rationale and strategy.** To offset loss of income as a result of the global, regional, and national economic crisis caused by COVID-19, this operation will support implementation of the largest response approved by the Guatemalan government to support the vulnerable population, Bono Familia,<sup>41</sup> which is a fast, temporary, and large-scale intervention. At the same time, the Bank will work with MIDES through a nonreimbursable technical-cooperation operation to support

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<sup>38</sup> These accounts are created specifically for Bono Familia and do not allow beneficiaries to deposit funds.

<sup>39</sup> It should be noted that 54% of the people enrolled are women.

<sup>40</sup> According to data from the 2019 ENEI, 75% of indigenous households have access to electricity and have a meter in their home, in contrast with a 93% of the rest of the population. The Bank will support these efforts with a technical cooperation operation, currently in preparation. For example, the audio for radio announcements with registration information and instructions is available in three Mayan languages: Tz’utji, Kaqchiquel, and K’iché. <https://www.guatemala.com/noticias/sociedad/covid-19-como-registrarse-programa-bono-familia-beneficiara-mas-necesitados.html>.

<sup>41</sup> ECLAC and the United Nations Food and Agriculture Organization (FAO) have stressed the importance of CCT and other social programs in preventing a food crisis in the wake of the pandemic. Social programs implemented in Guatemala as part of the government response to the crisis follow their recommendations. In light of projections of food insecurity and poverty in the region, the share of the Guatemalan population living in extreme poverty, and their dependence on family remittances from the United States, these organizations published a report that includes urgent actions to prevent the COVID-19 crisis from becoming a food crisis. <https://www.cepal.org/es/publicaciones/45702-como-evitar-que-la-crisis-covid-19-se-transforme-crisis-alimentaria-acciones>.



implementation of Bono Familia by strengthening the architecture of the technological platform designed to improve the management, coverage, and efficiency of CCT programs, as well as developing and consolidating management capacity for a social protection system with a larger scope after the pandemic has passed.

- 1.18 **Coordination with other Bank projects.** As part of the IDB Group's efforts for the COVID-19 response, IDB Invest issued a loan of up to US\$20 million to Fundación Génesis Empresarial (FGE) to increase access to financing for micro, small, and medium-sized enterprises (MSMEs) in Guatemala and expand financial and technological inclusion of those companies, especially those in rural areas.<sup>42</sup> It is expected that a portion of those resources could mitigate the COVID-19 pandemic's adverse impact on the liquidity of MSMEs and help safeguard the country's business fabric.<sup>43</sup> As for the response to the public health crisis, the portfolio includes US\$100 million for the Program to Strengthen the Institutional Healthcare Service Network (PRORISS) (loan 4791/OC-GU). That operation's activities notably include a direct contribution to the COVID-19 response through the implementation of the national emergency coordination center and the procurement of medical equipment for the healthcare service network.
- 1.19 **Bank experience and lessons learned.** Since the mid-1990s, the Bank has supported the design, implementation, and evaluation of cash transfer programs in 18 countries in the region. The Bank was a trailblazer in its support for the development of CCT programs in Honduras and Nicaragua and for the consolidation of these programs in Mexico. During the shock caused by the 2008/2009 global financial crisis, the Bank supported the introduction of extraordinary transfers under the CCT program framework. The evaluation of these programs found that cash transfers are the most effective instrument for redistributing resources and supporting the most vulnerable families' consumption. Moreover, the Bank's operational experience in this area shows that evaluating the vulnerability of households, inputting records in information systems, and processing payments requires time and fieldwork. Experience has shown that making payments in remote areas may require cash distributions and involve the gathering of crowds. Experience suggests that, in a context of ongoing social distancing measures and given the need to swiftly respond to the crisis, building upon existing social protection systems (beneficiary rosters and systems) and emphasizing payments to bank accounts or via other electronic mechanisms (e.g., digital wallets) is a strategic approach. As part of the COVID-19 response, the Bank has identified alternatives to promote the use of various electronic payment mechanisms, promote financial inclusion, and enhance the efficiency of

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<sup>42</sup> IDB Invest, operation 12696-01. See <https://www.idbinvest.org/es/medios-y-prensa/bid-invest-promueve-el-acceso-al-financiamiento-para-mipyme-traves-de-la-fundacion-genesis>.

<sup>43</sup> IDB Invest's support for FGE will be supported with advisory services to help develop a sustainable long-term financing strategy, including a structure suitable for issuing themed bonds and the development of a social and environmental risk management system. Assistance will also be provided to help FGE acquire technology that can be used to effectively identify and supervise climate risk in its portfolio of loans for the agriculture value chain.

the transfers.<sup>44</sup> Meanwhile, in cases where social protection systems have a narrow scope, such as in Guatemala,<sup>45</sup> there is a need to find innovative methods for identifying and enrolling vulnerable individuals using other information systems or registries. For example, public utility records can be used when coverage rates are very high. In addition, payments will be made through several channels using the banking system to prevent crowding (see paragraph 1.15).

- 1.20 In 2014, the Bank approved the policy-based loan “Program to Improve Social Spending Allocation and Effectiveness” (loans 3290/OC-GU and 3291/BL-GU). One of the program components addressed operational issues related to disbursement of CCTs by MIDES. Execution of this component yielded important lessons learned regarding the execution of social programs in Guatemala.<sup>46</sup> First, in operation design, it was determined that the main constraint on execution of CCT programs was the lack of timely, adequate budget allocations. A key element to successful execution of the operation was close, collaborative monitoring by the Ministry of Finance (MINFIN) to secure the budget allocation for the program, which ensured that indicators related to timely payments to beneficiaries were met. For the execution mechanism, the decree creating the Bono Familia fund ensures that enough resources will be available so payments to beneficiaries can be made in a timely manner (paragraph 1.11). Another important constraint on social programs in Guatemala was the lack of a registration system that could be used to coordinate public benefits to improve targeting, coverage, monitoring, and oversight. On that point, it should be noted that Bono Familia has been designed and implemented through the use of a technological platform that consolidates all processes in the project cycle. In addition, an effort was made to strengthen the Social Information System (SISO) as a consolidated registry of users of social programs. This effort was a predecessor to the new electronic platform that MIDES created specifically for execution of Bono Familia, which will be used in the operation to identify, track, and monitor eligible beneficiaries. Lastly, it was determined that households eligible to benefit from the CCT program were not included because they did not have a Unique Identification Code (CUI), which was a source of exclusion. Efforts to implement the DPI were stepped up in 2014, and currently a high percentage of the population, across all sectors, has one. Bono Familia uses the DPI as a tool to verify beneficiaries’ identities, which significantly reduces the likelihood that beneficiaries will be excluded due to not having an identification document.
- 1.21 **Coordination with other multilaterals and/or donor agencies.** This operation fits within the framework of the agreement between the Bank and the Government of Sweden, acting through the Swedish International Development Cooperation Agency (SIDA), that establishes an innovative risk transfer mechanism to support development in Latin America and the Caribbean. The instrument allows the Bank

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<sup>44</sup> These lessons learned are compiled in an IDB publication, “*Los mecanismos de pago digitales: Una guía para los proyectos de protección social durante pandemia*,” <https://publications.iadb.org/es/los-mecanismos-de-pago-digitales-una-guia-para-los-proyectos-de-proteccion-social-durante-pandemias>.

<sup>45</sup> As indicated above, standard programs cover around 128,000 families, which stands in contrast with the 1.2 million families that were living in extreme poverty in 2019.

<sup>46</sup> IDB. Program to Improve Social Spending Allocation and Effectiveness (loans 3290/OC-GU y 3291/BL-GU). [Project Completion Report](#).

- to increase its lending capacity by US\$300 million for new projects in Bolivia, Colombia, and Guatemala.<sup>47</sup> In the case of Guatemala, this operation will be fully financed as part of the increase in the Bank's Ordinary Capital resources for Guatemala under that instrument.
- 1.22 The Bank is coordinating its response to the COVID-19 crisis with other international organizations. The Central American Bank for Economic Integration launched the Emergency Support and Preparedness Program for COVID-19 and has approved US\$1 million in nonreimbursable funding for each member country.<sup>48</sup> In addition, the World Bank approved a US\$20-million COVID-19 response loan to strengthen the health system's response to the pandemic.<sup>49</sup> In the area of support for vulnerable populations, the Bank, the World Bank, and the United Nations International Children's Fund (UNICEF) have supported MIDES's technical teams with Bono Familia implementation and, in particular, with the design of the technological platform and related technical aspects. At present, financing for Bono Familia does not include financing from any other multilateral development bank or international aid agency. The IMF approved US\$594 million in emergency assistance for the pandemic response on 10 June 2020.<sup>50</sup>
- 1.23 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and aligned with the challenge of social inclusion and equality through support for maintaining minimum levels of income and welfare for the populations most vulnerable to COVID-19. The program is also aligned with the crosscutting area of gender equality and diversity inasmuch as it prioritizes populations vulnerable to COVID-19, particularly indigenous and Garifuna peoples, with socioculturally appropriate outreach strategies, including the use of indigenous languages. The program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicator of beneficiaries of anti-poverty programs. The program is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing equity and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which underscores the importance of supporting vulnerable populations, particularly from external shocks, through responsive social protection policies. The program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996) since one of its priorities is protecting the income of vulnerable groups affected by the crisis.

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<sup>47</sup> For more information about the guarantee, see document GN-2989.

<sup>48</sup> <https://www.bcie.org/bcie-ante-covid-19>.

<sup>49</sup> <http://documents1.worldbank.org/curated/en/768711594243518325/pdf/Guatemala-COVID-19-Response-Project.pdf>.

<sup>50</sup> The IMF operation is for 428.6 million in Special Drawing Rights, equivalent to US\$594 million at the exchange rate on the date of approval. <https://www.imf.org/es/News/Articles/2020/06/10/pr20241-guatemala-imf-executive-board-approves-us-594-million-in-emergency-assistance>.



## **B. Objectives, components, and cost**

- 1.24 **Objectives.** The general objective of this program is to contribute to supporting minimum levels of consumption for vulnerable persons amid the crisis caused by COVID-19 in Guatemala. The specific objective is to support minimum income levels for those affected by the emergency measures stemming from the COVID-19 pandemic in the immediate period and during the recovery through support for Bono Familia. The operation is structured as one sole component.
- 1.25 **Sole component. Cash transfers through the Bono Familia fund to protect vulnerable populations (US\$99.5 million).** This component will partially finance cash transfers to vulnerable persons eligible for Bono Familia. Eligible beneficiaries include people who live in households that do not have access to electricity located in communities where there are high poverty rates, as well as people who live in households with access to electricity whose monthly electricity consumption was less than 200 kilowatt-hours (kWh) in February 2020.<sup>51</sup>
- 1.26 **Program administration, auditing costs, and contingencies (US\$500,000).** Resources under this heading will fund the program's administrative and auditing costs. An amount for contingencies is also included.
- 1.27 **Beneficiaries.** Transfers financed under this program will benefit vulnerable persons affected by the COVID-19 crisis. Support will be provided to families eligible for Bono Familia, including families without access to electricity that do not receive other transfers from MIDES and are considered vulnerable because they are living in poverty, as well as families with access to electricity that consume less than 200 kWh per month and meet other inclusion criteria for the program.<sup>52</sup> Funding will be provided for 765,000 transfers, which is the equivalent of 255,000 families receiving three payments of up to 1,000 quetzales per payment.

## **C. Key results indicators**

- 1.28 **Expected outcomes.** This program aims to support minimum levels of consumption among people vulnerable to COVID-19 whose ability to earn an income is adversely affected during the public health crisis and the first few months of recovery. To that end, it will help support household income. The main expected outcome indicators are the percentage of Bono Familia beneficiaries that are vulnerable households without access to electricity, the percentage of beneficiary households without access to electricity whose members are indigenous peoples, and the coverage rate for households whose electricity consumption is less than 200 kWh.
- 1.29 **Economic viability.** Income support for poor and vulnerable people amid the COVID-19 crisis will reinforce health measures and help families maintain minimum levels of consumption. Based on the foregoing, a cost-benefit analysis was conducted in which a net present value of US\$42.8 million was estimated in

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<sup>51</sup> The number of beneficiary families will depend on the schedule of payments and program disbursements. Individual families could receive one, two, or three payments with the resources provided by this operation. Each transfer could be for up to 1,000 quetzales (around US\$130).

<sup>52</sup> Details are provided in paragraphs 1.11 and 1.12 and in the [Bono Familia Manual](#).

the base-case scenario.<sup>53</sup> The general analysis also discusses the benefits associated with lowering the rate of effective spread of the disease as a result of social distancing policies.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 This operation is a specific investment loan for a total of US\$100 million and will be financed with resources from the Bank's Ordinary Capital. The disbursement period will be up to 18 months.<sup>54</sup>

**Table 2.1. Estimated program costs (US\$ millions)**

Component	IDB	%
Sole component. Cash transfers through the Bono Familia fund to protect vulnerable populations	99.5	99.5
Administration, auditing, and contingencies	0.5	0.5
<b>Total</b>	<b>100.0</b>	<b>100.00</b>

**Table 2.2 Projected disbursements (US\$ millions)**

	Year 1	Year 2	Total
<b>IDB</b>	99	1	100
<b>%</b>	99	1	100

### B. Environmental and social safeguard risks

- 2.2 In accordance with Directive B.3 of the Bank Environment and Safeguards Compliance Policy (Operational Policy OP-703), the program has been classified as a Category "C" operation because it will not finance any physical infrastructure components or cause any negative environmental or social impacts.

### C. Fiduciary risks

- 2.3 The fiduciary risk is medium. The following risks have been identified: (i) complex financial reporting and verification of accounts, since large payments will be made all over the country using various payment modalities. To mitigate this risk, reasonable assurance audits will be conducted, and the reports from those audits will be included with supporting documentation for expenditures. In addition, the topics addressed in the program Operating Regulations will include verification criteria and specific procedures for ensuring proper management of loan proceeds; (ii) delays in execution, resulting from a lack of manuals and not enough human resources with specific experience managing operations with IDB financing. To mitigate this risk, (a) the executing agency will hire a consultant with financial

<sup>53</sup> The base-case scenario uses a discount rate of 5%, and the internal rate of return is 45.09%. With a discount rate of 12%, the net present value is US\$40.1 million. The 5% discount rate is consistent with practices for evaluating social programs. See [optional link 1](#).

<sup>54</sup> An 18-month execution period has been proposed so that the program can cover payments to beneficiaries without access to electricity, who will receive their first payment in October and so that the corresponding administrative and audit processes can be completed.

expertise and experience managing operations in accordance with IDB policies; (b) the IDB will provide training, support, and fiduciary supervision; and (c) the program Operating Regulations will include specific fiduciary management procedures and flows that align with IDB policies; and (iii) delays in execution due to budget allocations and commitment, verification, or financial quotas that are insufficient and/or inappropriate for meeting the program's disbursement and financial execution demands. The mitigation measures include: (a) comprehensive, timely planning of activities and identification of budgetary needs, for appropriate allocation management; and (b) coordination with the governing body to ensure the amounts required by the program are properly allocated.

**D. Other key issues and risks**

- 2.4 Implementation of a large-scale transfer program poses public management risks, since the planned scale is several times larger than standard transfer programs. Starting in the design stage of the Bono Familia program, measures were taken to mitigate this risk, through definition and approval by MIDES of the necessary processes, regulations, and manuals (explained in detail in the Bono Familia Manual), and the use of electronic signatures to streamline implementation at the various MIDES agencies involved in execution. These processes will be used in this operation, and the execution unit's team will be strengthened with consultants with expertise in financial management and procurement, as well as consultants with expertise in other areas as needed, to support Bono Familia fund management processes and the overall operation of the Social Protection Fund Execution Unit (UEFPS).<sup>55</sup>
- 2.5 In transfer programs that are part of the COVID-19 response, a medium-level development risk has been identified, namely, that crowding at registration and payment points could put the payment staff—as well as the beneficiaries themselves—at risk of infection. For Bono Familia, electronic and remote registration processes (online or by text message or phone) have been established, as have three ways to access the funds (at ATMs, at any branch of 11 financial institutions, and by purchasing products from businesses able to receive payments).
- 2.6 Another development risk inherent to the operation is the uncertainty regarding the evolution and duration of the pandemic and the potential appearance of additional outbreaks (in Guatemala or its regional trade partners) that would impede economic recovery, perpetuating or even heightening the need to continue implementing social distancing measures and actions to compensate those affected by such measures. Since March 2020, Congress has extended the state of emergency and has approved updates to measures to support the population. This has created an environment in which the state of emergency can be extended, and additional response measures taken, if needed, moving forward.
- 2.7 **Sustainability.** Bono Familia is considered sustainable since the financed support measures are exceptional, and it has been announced that it will be a temporary fund designed to address the immediate crisis caused by COVID-19. This operation supports Guatemala's efforts to respond to the pandemic and mitigate

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<sup>55</sup> For execution details see paragraphs 3.1 and 3.2.

its economic impacts on the most vulnerable groups. The financing is just a fraction of the financial effort Guatemala is making to defray the economic costs of the crisis caused by COVID-19 and promote economic recovery.<sup>56</sup>

- 2.8 MIDES will also face the challenge of leveraging the effort made to implement Bono Familia to develop a comprehensive social protection system that is more efficient and has greater coverage. As part of this agenda, the Bank will provide MIDES with technical assistance to strengthen the Bono Familia technological platform and make progress on developing a comprehensive information system that will improve the efficiency of the social programs it normally runs.
- 2.9 Another risk that has been identified, which has a medium probability of occurring but whose potential impact is significant, is the risk of potential delays in legislative approval of the program, which would delay the delivery of transfers to vulnerable individuals during the crisis. The mitigation measure is to promote dialogue between the various actors involved, making the Bank's technical support available as needed.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower is the Republic of Guatemala. The executing agency will be MIDES, which will receive support—as it currently does for Bono Familia—from the Social Assistance Department (DAS) of the Office of the Deputy Minister for Social Protection for administrative execution and management of the beneficiary registry, and from the Social Protection Fund Execution Unit (UEFPS), attached to the Office of the Minister, for financial and procurement management. A technical coordinator appointed by MIDES will be in charge of interagency coordination.
- 3.2 **Execution and administration.** MIDES will act through the DAS, the UEFPS, and a technical coordinator appointed for program execution. The technical coordinator will be the principal contact between the Bank and the executing agency. During execution, MIDES will be responsible for overall program administration, which includes planning; legal management; procurement; disbursement, administrative, financial, and accounting management; follow-up; monitoring; and evaluation.<sup>57</sup>
- 3.3 **Interagency coordination.** Several departments within MIDES will participate in implementation of Bono Familia, and external agencies will participate to identify potential beneficiaries. For example, electric power distribution companies will help establish levels of household electricity consumption and deliver invoices with notices informing users that they are potentially eligible for Bono Familia, and

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<sup>56</sup> Specifically, the Bono Familia program has a budget equivalent to US\$780 million, meaning that this US\$100 million operation would contribute 12.8% of the total budget.

<sup>57</sup> The program Operating Regulations mentioned in paragraph 2.4 and whose approval has been included as condition precedent (see paragraph 3.4) will be developed around the Bono Familia Manual and related decrees ([optional link 4](#)). They will set forth the eligibility criteria for beneficiaries and fiduciary considerations related to the application of the Bank's financial management and procurement policies. The program Operating Regulations are being developed with the participation of technical teams from the DAS, the UEFPS, and other MIDES offices.

public agencies, such as the National Registry of Persons, Guatenóminas, and pension data systems, will share databases to confirm eligibility.<sup>58</sup> [Decree 13-2020](#) and its regulations establish coordination mechanisms that are operating efficiently for implementation of Bono Familia and will be maintained for implementation of this operation. In addition, MIDES, VisaNet Guatemala, and banks have signed an agreement that specifies procedures and the responsibilities of the parties and establishes that the flow of funds will not entail any cost to the beneficiaries or the Guatemalan government.

- 3.4 **Special contractual conditions precedent to the first disbursement of the loan proceeds:** The first disbursement of the loan proceeds is conditional upon fulfillment, to the Bank's satisfaction, of the following conditions: **(i) the executing agency will have submitted to the Bank evidence of the appointment of the following key program staff: a program technical coordinator and, within the execution unit, a financial management officer and a procurement officer (reporting officers); (ii) the program Operating Regulations will have been approved and will have entered into effect, under the terms previously agreed upon with the Bank; and (iii) the executing agency will have submitted terms of reference for program auditing (see paragraph 3.8) with the Bank's respective no objection.** These measures are critical given the short execution period and the resulting urgent need to have support, budget, and audit personnel on board when execution begins.
- 3.5 **Special contractual conditions for execution. See the conditions set out in Annex III (Fiduciary Agreements and Requirements).**
- 3.6 **Procurement.** Procurement processes partially or fully financed with Bank resources will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), or the policies in effect at the time of execution. The Procurement Plan ([required link 2](#)) lists the planned procurements.
- 3.7 **Disbursements:** Disbursements will be made through advances of funds. Funds will be advanced based on the liquidity needs, following a financial plan that covers up to a maximum of six months. Subsequent disbursements will be processed once supporting documentation has been submitted for at least 70% of the cumulative balance of the prior advances. This percentage has been set because supporting documentation must be accompanied by a reasonable assurance audit report. Advances and financial reporting will follow the provisions of the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) or the guidelines in effect at the time of program execution.

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<sup>58</sup> Decentralized and autonomous entities that do not use Guatenóminas must send their approved payrolls to MIDES for verification of eligibility.

- 3.8 **Audit.** Due to the characteristics of this type of program, supporting documentation for expenditures related to cash transfers submitted to the Bank by the executing agency will be accompanied by a reasonable assurance report on the fulfillment of the criteria agreed upon for such payments.<sup>59</sup> Due to the program's short execution period, within 120 days following the date of the final loan disbursement, or another date agreed upon by the parties, the executing agency will submit a final financial auditing report that consolidates the investments made under the program. The audited financial reports will be prepared according to the Bank-approved terms of reference by an independent auditing firm acceptable to the Bank or by the General Accounting Office. The audit's scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audit. Audit costs will be financed with program resources.

**B. Summary of arrangements for monitoring results**

- 3.9 **Monitoring.** The executing agency will be responsible for implementing the monitoring and evaluation plan (see [required link 1](#)). The main monitoring tool for this program will be the program results matrix. The main source for monitoring the impact, outcome, and output indicators will be the Bono Familia fund's administrative records, along with household surveys. The main reporting tool will be the progress monitoring report (PMR), which will use the program's semiannual reports as its main source of information.
- 3.10 **Evaluation.** Given the nature of this operation, a before-and-after analysis will be performed, using data from available time series on the outcome indicators, specifically the coverage of transfers and consumption records of the individuals who use Bono Familia to purchase products in stores. Likewise, a supplementary evaluation will be conducted on Bono Familia operating procedures to measure the quality of program implementation and identify lessons that will improve management of MIDES social programs (see [required link 1](#)). Evaluation expenses will be financed with resources from the technical cooperation operation to support implementation of Bono Familia

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<sup>59</sup> Criteria for the identification, registration, and designation of beneficiaries and payment procedures and verification are set forth in the Bono Familia Manual and will be stipulated in the program Operating Regulations along with the details on execution of the proceeds. The Operating Regulations will be approved by MIDES with the Bank's no objection as a condition precedent to the first disbursement (see paragraph 3.4).

Development Effectiveness Matrix		
Summary		GU-L1176
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		This project is consistent with the Proposal for the IDB Group's Response to the COVID-19 Pandemic Outbreak (GN-2996), since one of its priorities is to protect the income of vulnerable affected populations. For more details see par. 1.17 of the DLP.
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control.  Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Support for the implementation of the BF and Strengthening of the Management Capacity of MIDES

Note: (\*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

**Evaluability Note:** The operation GU-L1176, for USD100,000,000, is part of the Bank's operational response to the COVID-19 Pandemic, Support for Vulnerable Populations Affected by Coronavirus. The general objective of the project is to contribute to supporting minimum levels of consumption of vulnerable people in the face of the crisis caused by COVID-19 in Guatemala. The specific objective is to support minimum income levels of people affected by the emergency measures derived from the COVID-19 pandemic, in the immediate period and during recovery, through support to the Bono Familia (BF).

The loan proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are appropriate to respond to the identified problems and their contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of results and impacts. The result indicators are appropriately defined to measure the achievements of the project and the fulfillment of its specific objective. The impact indicator reflects the contribution to the final economic ("Income level of vulnerable families (lowest three quintiles) with respect to income level of non-vulnerable families (highest two quintiles) 12 months after the start of the crisis") objective of the operation.

The economic evaluation shows that the operation is efficient with a Net Present Value of USD42.8 million. In a context of high uncertainty, the analysis considers the benefits associated with the multiplier effect on the economy from the spending of families who benefit from the transfers, which are households without access to electricity in vulnerable conditions, who mostly belong to indigenous groups, and households with access to electricity residing in homes with a consumption of less than 200 kWh, prior to the start of the COVID-19 pandemic.

Given the nature of this operation, the monitoring and evaluation plan proposes to carry out a reflexive evaluation (before and after) using the information from available time series on the outcome indicators, in particular the coverage of transfers among the target population.



## RESULTS MATRIX

<b>Program objective:</b>	The general objective of this program is to contribute to supporting minimum levels of consumption for vulnerable persons amid the crisis caused by COVID-19 in Guatemala. The specific objective is to support minimum income levels for those affected by the emergency measures stemming from the COVID-19 pandemic in the immediate period and during the recovery through support for Bono Familia.
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### EXPECTED IMPACT

Indicator	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
<b>General objective:</b> To contribute to supporting minimum levels of consumption for vulnerable persons amid the crisis caused by COVID-19 in Guatemala.						
Income level of vulnerable families (the three lowest quintiles) compared to that of nonvulnerable families (the two highest quintiles), 12 months after the onset of the crisis.	Percentage	21	2019	21	The National Statistics Institute's (INE) National Employment and Income Survey (ENI), conducted on an annual basis.	The vulnerable population consists of the three lowest income quintiles, while nonvulnerable refers to the highest two. Average income of families in the lowest three quintiles divided by the average income of families in the highest two quintiles.

### EXPECTED OUTCOMES

Indicator	Unit of measure	Base-line	Baseline year	Final target	Final target year	Means of verification	Comments
The <b>specific objective</b> is to support minimum income levels for those affected by the emergency measures stemming from the COVID-19 pandemic in the immediate period and during the recovery through support for Bono Familia.							
Vulnerable households without access to electricity that are beneficiaries of Bono Familia and are receiving transfers as part of the strategy for responding to the impact of COVID-19.	Percentage	0	2019	10	2020	Bono Familia technological platform.	The aim is for 10% of program beneficiaries to be households that do not have access to electricity. Numerator: Number of vulnerable households without access to electricity that are beneficiaries of Bono Familia and are receiving transfers as part of the strategy for



							<p>responding to the impact of COVID-19.</p> <p>Denominator: Number of households that are beneficiaries of Bono Familia and are receiving transfers as part of the strategy for responding to the impact of COVID-19.</p>
<p>Bono Familia beneficiary households without access to electricity whose members are indigenous peoples that are receiving transfers as part of the strategy for responding to the impact of COVID-19.</p>	Percentage	0	2019	70	2020	<p>Bono Familia technological platform; Bono Familia registration forms for households without access to electricity.</p>	<p>Numerator: Number of Bono Familia beneficiary households without access to electricity whose members are indigenous peoples that are receiving transfers as part of the strategy for responding to the impact of COVID-19.</p> <p>Denominator: Number of households without access to electricity that meet the eligibility criteria and are receiving Bono Familia transfers.</p>
<p>Households with access to electricity that meet the eligibility criteria, are Bono Familia beneficiaries, and are receiving transfers as part of the strategy for responding to the impact of COVID-19.</p>	Percentage	0	February 2020	85	2020	<p>Bono Familia technological platform.</p>	<p>This indicator measures program coverage of people whose electricity consumption is less than 200 kWh and who are eligible and enrolled in the technological platform.</p> <p>Numerator: Number of households with access to electricity that meet the eligibility criteria, are Bono Familia beneficiaries, and are receiving transfers as part of the strategy for responding to the impact of COVID-19</p> <p>Denominator: Number of households (estimated using all electricity meters) whose electricity consumption is 200 kWh or less who receive invoices that indicate</p>

							that they have been identified as potentially eligible for Bono Familia.
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**OUTPUTS**

Output	Unit of measure	Base-line	Baseline year	2020	2021	Final target	Means of verification	Comments
<b>Sole Component: Cash transfers through the Bono Familia fund to protect vulnerable populations</b>								
Transfers paid to Bono Familia beneficiary households.	Number of transfers	0	2019	765,000		765,000	Bono Familia technological platform.	Transfers paid to individuals eligible to receive Bono Familia according to the current Operations Manual (up to 1000 quetzales per transfer). The indicator will be broken down by gender.

**Country:** Guatemala      **Sector:** SPH      **Project number:** GU-L1176      **Year:** 2020  
**Cofinancing:** Not applicable (N/A)      **Coexecution:** N/A

### Fiduciary Agreements and Requirements

**Executing agency:** Ministry of Social Development (MIDES)  
**Program name:** Support for Vulnerable Populations Affected by COVID-19

#### **I. Fiduciary Context of the Executing Agency**

##### **1. Use of country systems in program**<sup>1</sup>

Budget <input checked="" type="checkbox"/>	Reports <input checked="" type="checkbox"/>	Information system <input checked="" type="checkbox"/>	NCB <input type="checkbox"/>
Treasury <input checked="" type="checkbox"/>	Internal audit <input type="checkbox"/>	Shopping <input type="checkbox"/>	Advanced NCB <input type="checkbox"/>
Accounting. <input checked="" type="checkbox"/>	External control <input checked="" type="checkbox"/>	Individual consultants <input type="checkbox"/>	Consulting firm <input type="checkbox"/>

**Applicable laws/regulations:** National Budget Act, Act Establishing the General Accounting Office, Declaration of the State of Emergency (Executive Decree 5-2020 and amendments), Economic Rescue Act for Families Affected by COVID-19 (Legislative Decrees 13-2020, 20-2020, and 22-2020), Bono Familia Operating Manual (Ministerial Agreement DS-28-2020 and updates), Regulations on the Bono Familia Fund (Executive Agreement 57-2020 and updates), and the resolutions, recommendations, and provisions for the COVID-19 public health emergency.

##### **2. Fiduciary capacity of the executing agency**

The program will be executed by MIDES, through the Social Protection Fund Execution Unit (UEFPS).<sup>2</sup> An institutional capacity analysis was conducted using an executive questionnaire that gathered information on the technical, financial, and procurement areas, and it found that the institution's capacity for administering program funds is average. Although it has experience, technical capacity, and staff (reporting officers<sup>3</sup>), technological tools, and monitoring and control processes for executing cash transfer and social programs,<sup>4</sup> for which over 90% of the program financing will be used, it has not executed any projects with IDB financing in the past few years. Due to the lack of staff members with time available and experience in managing operations with IDB funds, the team will have to be reinforced with additional employees, including financial specialists and, as needed, procurement specialists. Regarding fiduciary risk, procurement risk is low because no significant procurements are expected, while financial management risk is medium due to the potential factors set forth below.

<sup>1</sup> Any system or subsystem subsequently approved could be applicable to the operation, in accordance with the terms of the Bank's validation thereof.

<sup>2</sup> The Social Protection Fund Execution Unit reports to the Ministry's head office. It was created by Ministerial Agreement DS-85-A-2016, and its areas of responsibility were established in Executive Agreement 57-2020.

<sup>3</sup> Employees who are reporting officers are accountable to the General Accounting Office; pursuant to Article 53 of the National Budget Act: public employees and civil servants who administer funds from reimbursable and nonreimbursable international aid must be hired under line 011 or 022, contractual employees, to ensure they are accountable and serve as reporting officers as part of their administrative management (Article 33 of Decree 13-2013).

<sup>4</sup> All told, 92% of MIDES processes and activities focus on current transfers. MIDES also executes other social benefit programs, including social, educational, and grow healthy interventions <http://www.mides.gob.gt/webtwo/programas-sociales/bono/>.

### 3. Fiduciary risks and mitigation measures

**Fiduciary risk:** High ☐ ; Medium ☒ ; Low ☐

Risk	Risk level (medium/high)	Mitigation plan
Complex financial reporting and verification of accounts, due to large payments made all over the country using various payment modalities.	Medium	Reasonable assurance audits will be conducted, and the reports from those audits will be included with supporting documentation for expenditures. The topics addressed in the project Operating Regulations will include verification criteria and specific procedures for ensuring proper management of loan proceeds.
Delays in execution due to a lack of manuals and not enough human resources with specific experience managing operations with IDB financing	Medium	A consultant with financial expertise and experience managing operations in accordance with IDB policies will be hired/brought on to support the MIDES financial officer with program management. The IDB will provide training, support, and fiduciary supervision. Specific fiduciary management flows and procedures that follow IDB policies will be included in the Operating Regulations.
Execution delays due to budget allocations and commitment, verification, or financial quotas that are insufficient and/or inappropriate for meeting the program's disbursement and financial execution demands	Medium	A program structure will be created for identifying the program within the MIDES budget. There will be comprehensive, timely planning of activities and identification of budgetary needs, for appropriate allocation management. There will be coordination with the governing body to ensure the amounts required for the program are properly allocated.

## II. Considerations for the Special Provisions of the Contract

**Conditions precedent to the first disbursement:** (i) the executing agency will have submitted the terms of reference for program auditing with the Bank's respective no objection; and (ii) a special subaccount specifically for program use and denominated in U.S. dollars will have been opened under the treasury single account at the Bank of Guatemala. Loan disbursements will be deposited into this account, from which the payments under the program framework will be made. This condition was prompted by a request by the borrower and is included in all loan contracts with Guatemala so that the Bank of Guatemala can authorize the opening of accounts in U.S. dollars. These measures are critical given the short execution period and the resulting urgent need to have support, budget, and audit personnel on board when execution begins. The Bank will provide technical support to the executing agency to streamline the necessary recruitment and contracting processes for the program.

**Special contractual conditions for execution (special covenants):**

- a) The contract will include the following provisions to be observed when national competitive bidding (NCB) is used: (i) participation will not be restricted to suppliers from Bank member countries; (ii) no percentages of origin, preference margins, or registration requirements will be established; (iii) considerations to be included in bidding documents; and (iv) the members of the evaluation committees or boards will be familiar with the program governance framework and Bank procurement policies; the Operating Regulations will establish specific criteria for forming these committees or boards, and the UEFPS will be responsible for ensuring compliance. This is justified by the need to ensure that eligible companies, firms, and consultants have equal opportunity to compete, and that bids and proposals will be evaluated according to the procedures established in Bank policies.
- b) The borrower and/or executing agency will have assigned a specific budgetary code to identify the loan in the Integrated Accounting System (SICOIN), pursuant to the borrower's current regulations and in the name of the program as established in the loan contract. These conditions are justified in order to ensure that the national financial management system can be used without the need to keep auxiliary or parallel books in Excel, which will facilitate program execution and financial reporting.
- c) Auditing services for the program will have been contracted within 60 days after the loan contract enters into effect.
- d) A consultant with expertise in financial management and experience with IDB policies will be brought on to the UEFPS project team, which will be financed with program resources.
- e) **Exchange rate:** For reporting, the applicable exchange rate will be the rate reported by the Bank of Guatemala on the effective date on which the borrower, executing agency, or any other individual or legal entity to whom authority to incur expenses has been delegated makes the respective payments or transfers. Earnings generated as a result of exchange differentials or interest may be used to finance expenses relevant to program objectives. Any potential losses from exchange rate differential related to eligible program expenses may be recognized in the last expenditure justification submitted by the executing agency during the term of the loan contract after securing the Bank's no objection.

**Audited financial reports for the program:** Supporting documentation for expenditures related to cash transfers submitted to the Bank by the executing agency will be accompanied by a reasonable assurance report on fulfillment of the criteria agreed upon for such payments. Due to the program's short execution period, within 120 days following the date of the final loan disbursement, or another date agreed upon by the parties, the executing agency will submit a final financial auditing report that consolidates the investments made under the program.<sup>5</sup> The audited financial reports will be prepared according to the Bank-approved terms of reference by an independent auditing firm acceptable to the Bank or by the General Accounting Office. MIDES will be responsible for engaging the external auditing services for the program, and audit costs may be financed with project funds. The audited report will be published in accordance with the Bank's access to information policies.

**Other:** N/A.

### III. Agreements and Requirements for Procurement Execution

Exceptions to policies and guidelines:

No exceptions to the Bank's policies have been identified.

<sup>5</sup> The scope of this audit may be limited and will not include the transfers that have already been audited/reviewed by the auditor through the assurance work.

<b>Retroactive financing and/or advance procurement<sup>6</sup></b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Additional procurement support</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Alternative procurement arrangements</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Projects with financial intermediaries</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Procurement agents</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Direct contracting</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

<b>Operating expenses will be financed:</b> <input type="checkbox"/> N/A	<b>Domestic preference:</b> N/A <input type="checkbox"/>
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<b>General project procurement supervision method:</b>	
<b>Supervision method:</b> Ex ante.	<b>For:</b> As agreed in the program procurement plan.

Country thresholds: [www.iadb.org/procurement](http://www.iadb.org/procurement)

#### IV. Financial Management Agreements and Requirements

<b>Programming and budget.</b>	<ul style="list-style-type: none"> <li>The executing agency is responsible for managing the budgetary and financial quota processes, in coordination with the relevant institutions and departments. Since the program will partially finance the Bono Familia program, MIDES will include this financing within the existing Bono Familia budget structure or other applicable structure.</li> </ul>
<b>Treasury and disbursement management</b>	<ul style="list-style-type: none"> <li>Disbursements will be made through advances of funds.</li> <li>The disbursement mechanism will be through the submission of physical disbursement requests, as the e_Desembolsos electronic disbursement system has not yet been implemented in Guatemala.</li> <li>Bank account and flow/advances of funds: The treasury single account of the Central Bank of Guatemala will be used, and the funds will subsequently be transferred to the secondary account denominated in dollars and designated for program use, from which the transfers will be made to the financial institutions responsible for making the final payments to Bono Familia beneficiaries.</li> </ul>

<sup>6</sup> Pursuant to the Bank Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (document GN-2259-1) or the equivalent policy in force at the time of the operation.

	<ul style="list-style-type: none"> <li>Financial plan: Advances will be made for a period of up to six months, based on the actual liquidity needs of the executing agency, in accordance with the financial plan and itemized cash flow.</li> <li>Percentage for financial reporting: 70% of the balance of advances pending justification, as established in document OP-273-12, "Financial Management Guidelines for IDB-financed Projects." This percentage has been set because supporting documentation must be accompanied by a reasonable assurance audit report. If deemed necessary to expedite disbursements, depending on risk and once agreed upon with the Bank, the supporting documentation for the first advance may be provided on a provisional basis without the assurance report, and the necessary adjustments will be made once the report is received.</li> </ul>
<b>Accounting, information systems, and reporting</b>	<ul style="list-style-type: none"> <li>Eligibility of expenditures - cash transfers: The amount of the payments effectively made to the beneficiaries through the bank system will be accepted as an eligible expense.</li> <li>Specific accounting standards: Governmental accounting standards. In 2022, the International Public Sector Accounting Standards (IPSAS) will begin to apply.</li> <li>Financial reporting: Cash flow statement and statement of cumulative investments, prepared based on information from SICOIN and auxiliary reports in Excel where necessary.</li> <li>Accounting method and currency: The accounts will be kept on an accrual basis, but program financial reports will be prepared on a cash basis and in U.S. dollars, which is the disbursement currency.</li> </ul>
<b>External control</b>	<ul style="list-style-type: none"> <li>MIDES, in agreement with the Bank, will select and engage the services of an eligible auditor, or will use the services of the General Accounting Office, in accordance with the terms of reference previously agreed upon with the Bank.</li> </ul>
<b>Program financial supervision</b>	<ul style="list-style-type: none"> <li>Financial supervision will take place through visits, working meetings, and review of the assurance reports and other audited financial reports.</li> </ul>

## V. Relevant Information for the Operation

### Policies and guidelines applicable to the operation

<b>Financial management</b>	<b>Procurement</b>
<ul style="list-style-type: none"> <li><a href="#">Document GN-2811 [OP-273-12]</a></li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Document GN-2349-15</a></li> <li><a href="#">Document GN-2350-15</a></li> </ul>

### Records and files

The executing agency will keep its records independently, in digital and physical files, and have procedures and instructions for their proper maintenance. At any time, the Bank may verify the arrangements used for the organization, control, and security of records.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/20

Guatemala. Loan \_\_\_\_/OC-GU to the Republic of Guatemala  
Support for Vulnerable Populations Affected by COVID-19

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Guatemala, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Support for Vulnerable Populations Affected by COVID-19". Such financing will be chargeable to the Bank's Ordinary Capital (OC), up to the amount of US\$100,000,000, subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_ \_\_\_\_\_ 2020)