PUBLIC
SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUATEMALA

PROGRAM TO STRENGTHEN THE INSTITUTIONAL HEALTHCARE SERVICE NETWORK (PRORISS)

(GU-L1163)

LOAN PROPOSAL

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LINKS

REQUIRED

1. Multiyear Execution Plan and annual work plan (AWP)
2. Monitoring and Evaluation Plan
3. Environmental and Social Management Report (ESMR)
4. Procurement Plan

OPTIONAL

1. Economic analysis of the program
2. Sector Analysis: Guatemala Network Study
3. Contribution to climate change
4. Gender analysis
5. Health and Nutrition Sector Framework Document
6. Work breakdown structure
7. Production costs in blood banks
8. Characterization of the sample
9. Network of partner organizations
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ABBREVIATIONS

AWP	Annual work plan
CAIMI	Centro de Atención Integral Materno Infantil [Comprehensive Maternal and Child Care Center]
CAP	Centro de Atención Permanente [Permanent Care Center]
CQI	Continuous Quality Improvement
DAS	Dirección de Área de Salud [Health Area Directorate]
ENSMI	Encuesta Nacional de Salud Materno Infantil [National Survey of Maternal and Child Health]
ERAGU	Estudio de Red Guatemala 2018 [2018 Guatemala Network Study]
ESMF	Environmental and Social Management Framework
ESMR	Environmental and Social Management Report
INE	Instituto Nacional de Estadística de Guatemala [National Statistics Institute of Guatemala]
MHF	Mesoamerican Health Facility
MSPAS	Ministry of Public Health and Social Assistance
PAHO	Pan American Health Organization
PEP	Program Execution Plan
PHC	Primary Healthcare
SHPPEU	Special health program and project execution unit
VAW	Violence against women

PROJECT SUMMARY

GUATEMALA
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<table>
<tr><th colspan="5">Financial Terms and Conditions</th></tr>
<tr><td colspan="3" rowspan="2">Borrower: Republic of Guatemala</td><td colspan="2">Flexible Financing Facility[a]</td></tr>
<tr><td>Amortization period:</td><td>24 years</td></tr>
<tr><td colspan="3" rowspan="3">Executing agency: Ministry of Public Health and Social Assistance (MSPAS)</td><td>Disbursement period:</td><td>6 years</td></tr>
<tr><td>Grace period:</td><td>6.5 years[b]</td></tr>
<tr><td>Interest rate:</td><td>LIBOR-based</td></tr>
<tr><td>Source</td><td>Amount (US$)</td><td>%</td><td>Credit fee:</td><td>[c]</td></tr>
<tr><td rowspan="2">IDB (Ordinary Capital)</td><td rowspan="2">100,000,000</td><td rowspan="2">100</td><td>Inspection and supervision fee:</td><td>[c]</td></tr>
<tr><td>Weighted average life:</td><td>15.25 years</td></tr>
<tr><td>Total</td><td>100,000,000</td><td>100</td><td>Approval currency:</td><td>U.S. dollar</td></tr>
<tr><th colspan="5">Project at a Glance</th></tr>
<tr><td colspan="5">Program objective/description: The objective of the program is to help reduce maternal and child mortality primarily in the departments of Huehuetenango and San Marcos, by modernizing the national healthcare network so it can deliver timely, quality, and efficient services.</td></tr>
<tr><td colspan="5">Special contractual conditions precedent to the first loan disbursement: (i) Presentation of evidence that the special health program and project execution unit (SHPPEU), established with authority over technical, administrative, procurement, and financial matters for the comprehensive execution of the program, which is dependent on the institution's senior authority and is deconcentrated from the MSPAS's Financial Administration Unit, is operating; (ii) the SHPPEU has appointed the minimum staff for general, technical, and operational coordination, as well as for finance and procurement, to carry out the activities; (iii) the request for proposals has been sent to the firms specialized in technical assistance in project management that appear on the shortlist, in accordance with the terms of reference previously agreed upon with the Bank; and (iv) the program Operating Manual has been agreed to and is in effect, under terms agreed upon with the Bank (paragraph 3.8). See other conditions in Annex III.

Special contractual conditions for execution: Within 90 days following the date on which the Bank determined the eligibility of the loan disbursements, the MSPAS will have contracted the firm specialized in technical assistance in project management (paragraph 3.9). See other conditions in Annex III, and socioenvironmental conditions in the Environmental and Social Management Report (ESMR).</td></tr>
<tr><td colspan="5">Exceptions to Bank policies: None</td></tr>
<tr><th colspan="5">Strategic Alignment</th></tr>
<tr><td>Challenges:[d]</td><td colspan="4">SI ☑ PI ☐ EI ☐</td></tr>
<tr><td>Crosscutting themes:[e]</td><td colspan="4">GD ☑ CC ☑ IC ☐</td></tr>
</table>

[a] 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.

[b] 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.

[c] The credit fee and the 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 applicable policies.

[d] SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

[e] 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, problems, and rationale

1.1 **Coverage and organization of the Ministry of Public Health and Social Assistance (MSPAS).** Some 81.9%[1] of the national population depends on the MSPAS for health services; it also acts as lead agency and regulatory body for the entire health sector. The MSPAS service network is organized in three levels. The first level includes health posts that are served by nursing assistants, are located primarily in rural areas, and deliver preventive, promotional and general care. The second level includes health centers, Centros de Atención Permanente [Permanent Care Centers] (CAPs), and Centros de Atención Integral Materno Infantil [Comprehensive Maternal and Child Care Centers] (CAIMIs). They are generally located in urban areas and are responsible for delivering professional care in general medicine, nursing and CAIMI specialist care. The CAPs and CAIMIs handle childbirth. The first and second level are administered by the Direcciones de Área de Salud [Health Area Directorates] (DAS) and constitute primary healthcare (PHC). The third level consists of 45 hospitals that are located in urban sectors and provide hospitalization, emergency consultation, and specialist consultation services, as well as surgeries and specialized procedures.

1.2 **Pending agenda in maternal and child health.** Guatemala has the second lowest life expectancy at birth (73.3 years) in Central America.[2] It presents a transitional epidemiological profile, with a rapid increase[3] in chronic noncommunicable diseases, while high maternal and child mortality rates persist. Maternal mortality has fallen from 113 maternal deaths per 100,000 live births in 2013[4] to 108 in 2015. Child mortality has increased since 2009 when there were 20.4 deaths[5] in young children per 1,000 live births to 21.4 in 2016.[6] These figures are higher than those for countries such as El Salvador, Honduras, and Nicaragua. One of the causes contributing to child mortality is malnutrition, which has not improved significantly over the last decade, with 46.5% suffering from chronic malnutrition in 2014/2015.[7]

1.3 **Priority areas.** The greatest challenges in maternal and child health are concentrated in seven departments: Huehuetenango, San Marcos, Quiché, Sololá, Totonicapán, Alta Verapaz, and Chimaltenango (optional link 2), characterized by a high percentage of rural and indigenous inhabitants. Of those departments, the Bank and the MSPAS prioritized Huehuetenango and San Marcos for inclusion in the program due to: (i) a high prevalence of maternal and child health problems; (ii) prior

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1 Corresponds to the noncontributory population. Estudio de Red Guatemala 2018 [2018 Guatemala Network Study] (ERAGU) (optional link 2).

2 Life expectancy at birth 2000-2016. World Health Organization. http://www.who.int.

3 Global Burden of Disease (GBD) Compare. https://vizhub.healthdata.org/gbd-compare/.

4 Maternal Mortality Surveillance Report, MSPAS.

5 National Institute of Statistics of Guatemala (INE).

6 The Encuesta Nacional de Salud Materno Infantil [National Survey of Maternal and Child Health] (ENSMI) 2014-2015 reports a child mortality rate of 30 per 1,000 live births, a figure 38% higher than the INE for the period 2005-2014. It is estimated that the INE figures are lower due to under-reporting of children who have died.

7 ENSMI 2014-2015.

IDB experience through the Mesoamerican Health Facility (MHF) and loan 2328/BL-GU; and (iii) feasibility of implementing the health network strategy.[8]

1.4 **Coverage and quality of care.**[9] Maternal and child mortality are associated with failures in coverage and quality of maternal and child services, as well as a lack of intercultural adaptation, which can diminish demand. Evidence of service coverage shortfalls includes: (i) prenatal care provided by a physician reaches 64% nationally, 42.2% in Huehuetenango, and 56.3% in San Marcos; (ii) institutional childbirth care is 65% nationally, with 38% in Huehuetenango, and 54.7% in San Marcos, reflecting the persistence of home deliveries; (iii) postpartum care provided by a physician or nurse for up to two days is 63.9% nationally, 42.3% in Huehuetenango, and 55.8% in San Marcos; and (iv) the complete vaccination schedule for children from 12 to 24 months is 59% nationally, 43.7% in Huehuetenango, and 37.8% in San Marcos. With respect to service quality, the baseline survey in MHF facilities[10] indicates that: (i) although 55% of pregnant women completed four prenatal visits, only 1% has at least four checkups by a physician or nurse; and (ii) 76% of women who gave birth in hospitals had obstetric emergencies and none of these births were attended according to the standard due to a lack of medications, key equipment, or adequate procedures. The intercultural challenges are reflected in: (i) the high percentage of home deliveries indicated above, which are due in part to women's preference for being attended by midwives; and (ii) only 36.1% of institutional deliveries were attended in compliance with indigenous relevance criteria.

1.5 **Condition of the network.** The Bank and the MSPAS conducted the Estudio de Red Guatemala 2018 [2018 Guatemala Network Study] (ERAGU) (optional link 2) analyzing: (i) epidemiological conditions; (ii) production of services; (iii) availability of resources and services; and (iv) networked operation. That study showed:

a. **Infrastructure.** There is a deficit of 112 health posts, 18 CAPs, and 546 beds[11] in San Marcos, and 118 heath posts, 21 CAPS, and 661 beds in Huehuetenango; these departments have the highest deficits nationally. In addition, the infrastructure is highly deteriorated and an estimated 25 health posts need to be replaced and 128 need to be improved in both departments. Through loan 2328/BL-GU, the Bank financed the renovation of 45 health posts. However, at the hospital level in San Marcos and Huehuetenango, there

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8 The health network strategy prioritizes four action pillars: (i) strengthening of healthcare services that includes infrastructure, equipment, personnel, inputs, and an organizational and management strategy to provide care for individuals, families, and communities; (ii) development of emergency and scheduled patient referral systems to manage flows among levels of care; (iii) modernization of healthcare support services, to deliver goods and services needed under the network approach, such as blood banks, laboratories, maintenance, medications and inputs logistics, information technology in health; and (iv) development of network planning and governance, the objective of which is to coordinate, supervise, and measure the performance of healthcare systems, referral services, and healthcare support services.

9 ENSMI 2014-2015.

10 SM2015 – Guatemala Baseline. http://iadb.org/.

11 The shortage of beds is concentrated in obstetrics, neonatology, and emergency services in some hospitals (e.g., Malacatán) where occupancy exceeds 100% and translates into overcrowding. This gap will grow due to the increase in institutional deliveries.

is one hospital that needs to be replaced,[12] two are in poor condition, and two are in fair condition.

b. **Human resources.** The availability of human resources[13] (physicians, nurses, nursing assistants) nationally is 1.75 per 1,000 users, compared to 0.81 in Huehuetenango and 1.19 in San Marcos. Through loan 2328/BL-GU, the Bank helped to close this gap in 2017, contracting 1,749 new support positions for both departments, including nursing assistants and data entry staff. Closing the PHC gap in these departments would require an estimated 2,401 additional positions, including 1,084 nursing assistants (optional link 2). In addition, there is high staff turnover, which creates a demand for continuous training.

c. **Continuity of care.** Currently, outpatient hospital appointments operate on the basis of spontaneous demand and are not coordinated with PHC. This situation impedes continuity of care and creates inequities, as those who live near hospitals have more opportunities to receive care than those who live in rural and remote areas. There is no emergency coordination system to ensure the timely transfer of patients from their community to a health facility.

d. **Healthcare support services.** The support services analyzed include blood banks, laboratories, medications and inputs logistics, maintenance, and information technologies. Currently (i) blood banks have shortages[14] as well as efficiency problems,[15] (ii) in PHC each CAP has a laboratory; however, there is a lack of personnel, equipment, and inputs, making it difficult to ensure that tests are done; (iii) the supply of some medications and clinical inputs shows shortages, limiting care, while others show surpluses or are discarded; (iv) there is no maintenance of infrastructure and equipment, leading to early deterioration of these assets; and (v) the use of information technology is focused on administrative, financial, and production records in the hospitals and DAS. For this reason, information quality is not ensured (e.g., the same person may have multiple files), and there are inconsistencies between local records and national consolidated records.

e. **Network governance.** Hospitals and DAS are managed independently and there is no institutional authority to coordinate, supervise, and evaluate them.

1.6 **Institutional framework of the MSPAS.** The regulatory framework of the MSPAS has some limitations: (i) maternal and child healthcare standards have been updated and only cover primary care; (ii) there are no standards that would allow for planning using a health network approach; and (iii) intercultural issues do not have a ministerial agreement allowing for budget requests for specific actions such as the contracting of intercultural facilitators.

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12 San Pedro Necta, where a replacement project is in progress.

13 ERAGU (optional link 2).

14 The Huehuetenango hospital shows a deficit of 41%. Programa de Medicina Transfusional y Bancos de Sangre, MSPAS 2016.

15 A study (2006) on blood banks in Guatemala (optional link 7) shows that smaller hospitals have higher production costs than large hospitals and recommends concentrating production to produce economies of scale.

1.7 **How to respond to the challenge.** Expanding service coverage and quality would address maternal and child mortality. In terms of coverage, the strategy will be to build and operate new health posts and hospitals in sectors with large rural and indigenous populations and to expand/improve existing PHC services and hospitals that serve a population that is mostly indigenous. In terms of quality, the maternal-child standards of the MSPAS[16] will be modernized and updated, and the measures needed for their enforcement will be established. The health objectives of the intervention are: (i) to avoid and space pregnancies through family planning; (ii) to prevent, recognize, and manage risks in the pregnant mother, newborns, and the postpartum period through the four delays model[17] and the implementation of Essential Obstetric and Newborn Care (EONC) in the network's three levels; and (iii) to identify early and manage risk situations for infant development, such as nutritional deficit, lack of immunization, and incidence of childhood illnesses. The interventions will be carried out in community, family, and individual settings. The community level will work with the Consejos Comunitarios de Desarrollo [Community Development Councils] (COCODE), municipal mayors' offices, as well as community organizations represented by midwives and traditional practitioners using an intercultural approach. At the family level, home visits will be conducted in which plans will be established for managing risks associated with health objectives (e.g., childbirth plan). At the individual level, health and morbidity checkup services will be provided. To achieve the coverage and quality outcomes, the health network strategy will be applied to ensure: (i) the efficient design of healthcare services, equipment, and competent personnel; (ii) referrals from the community to more complex levels of care; (iii) the availability of micronutrients, inputs, medications, blood, maintenance, and information technologies; and (iv) a monitoring and evaluation system for all components of the network that verifies the coverage and quality of services, as well as the level of efficiency with which they are provided.

1.8 **Challenges in the effective implementation of health services with an intercultural approach.** The consultations conducted for preparation of the Environmental and Social Management Report (ESMR) (required link 3) identified the need to: (i) overcome linguistic barriers through staff who speak the local language or rely on interpreters during healthcare visits; (ii) integrate the work of traditional midwives with the health services in a setting that recognizes their practices; and (iii) ensure appropriate and respectful personal interactions.

1.9 **Challenges for the gender strategy in the health area.** Violence against women (VAW) is a significant problem;[18] 20% of women aged 15 to 49 have experienced physical violence over the last 12 months and 7% of pregnant women have endured violence. To date, the MSPAS has implemented 42 clinics that serve victims who have survived sexual violence in the national hospital network. However, the

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16 These standards establish the activities to be undertaken in the different age groups. The standards will be updated for the first and second levels of care with a network approach, and standards applicable to the hospital level will be developed.

17 (i) Occurs due to ignorance of the danger signs; (ii) when the woman depends on others in her family circle to make the decision to seek care; (iii) due to the lack of access to services because of limited routes or means of transportation; and (iv) related to deficient, untimely, or low quality institutional care. See SEGEPLAN. (2011). Estudio Nacional de Mortalidad Materna. Secretaría de Planificación y Programación de la Presidencia: Guatemala.

18 ENSMI 2014-2015.

challenge is to provide adequate spaces and documents to orient the way VAW is addressed in all its manifestations.

1.10 **Evidence on effectiveness.** The program proposes to implement health networks based on PHC, an approach that has proven to be successful at the regional level[19, 20] because it increases access to health services from the point of entry, improves the quality of care, and helps to slow the growth of healthcare spending.[21] Maternal and child mortality levels could be significantly reduced through: (i) the application of prenatal care protocols; (ii) quality care during childbirth; (iii) emergency obstetric care; and (iv) standardized sexual and reproductive health services, ensuring resources for their application.[22, 23, 24] Key to the achievement of these outcomes is improved prevention and health promotion actions at the primary care level and responsiveness for providing medical care,[25] ensuring continuity and coordination among the different levels of care (hospitals), so that users receive comprehensive and integrated care that addresses their health problems. This requires having standardized processes, information systems, and an active monitoring and evaluation mechanism. The use of information technologies may help to overcome human resources bottlenecks by making some processes more efficient, overcoming geographic barriers, freeing up professionals' time, and supporting their training.[26]

1.11 **Rationale and proposed interventions.**[27] The Guatemalan government has asked the Bank for a loan to address the development of the service network from a comprehensive perspective, in the entire health system and at all levels of care, for health networks. The program will include two interventions: (i) to help modernize the health services production strategy to provide support to maternal and child actions through the institutional design and implementation of the health network strategy; it will include the implementation of services with national scope in information technology, emergency network coordination, blood banks, routine laboratories; and maintenance; and (ii) adaptation and implementation of the health networks, primarily in the prioritized departments, including: (a) strengthening of the administrative departmental network management units that monitor and evaluate health outcomes, service quality, and network efficiency, generating corrective measures; this includes supervision of Continuous Quality Improvement (CQI) for maternal and child programs; (b) improved coverage through new construction, expansions, and improvement of the PHC network and hospitals, and improved quality through the implementation of the CQI strategy in maternal and child health

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19 Pan American Health Organization (PAHO) (2012), *Mejora de Cuidados Crónicos a través de las Redes Integradas de Servicios de Salud*. http://www.paho.org, optional link 5.

20 World Health Organization. The World Health Report 2008: Primary Health Care: Now More Than Ever. Geneva 2012. ISBN.

21 PAHO. Renewing Primary Health Care in the Americas: PAHO Position Paper. Washington, D.C.: PAHO 2007.

22 Optional link 5.

23 https://www.sciencedirect.com.

24 Vilaça Mendes, Eugênio. *Las Redes de Atención de Salud*. PAHO Brazil Country Office, Gerencia de Sistemas de Salud/Unidad Técnica de Servicios de Salud. Brasilia/DF 2013.

25 The costs of a general PHC appointment is 24% of the cost of a hospital visit. RISS Cost Analysis.

26 Health and Nutrition Sector Framework Document, Social Protection and Health Division, 2016.

27 The program's work breakdown structure is included in optional link 6.

in the PHC network and hospitals, considering prenatal checkup, childbirth, postpartum, and newborn management, family planning, and checkups for children under age five to include nutritional checkups; (c) development of referral systems among the services to ensure timely care of patients with emergencies and scheduling of appointments for specialty consultations; and (d) the redesign of support service networks that ensure availability through the regionalization of blood banks and routine laboratories, the implementation of networked maintenance and logistics management strategies, and the implementation of information technologies.

1.12 **The Bank's knowledge of the sector and lessons learned.** The Bank has recently executed the following: Program to Strengthen the Hospital System (1852/OC-GU) and Improved Access and Quality of Health and Nutrition Services (2328/BL-GU)[28] and the grant for the Mesoamerican Health Facility (MHF) Second Operation (GRT/HE-15451-GU, GRT/HE-15452-GU). In all cases there have been problems with missed deadlines and/or under-execution related to excessively bureaucratic procedures; for this reason, the MSPAS has created the SHPPEU to execute the program (paragraph 3.1). In operation 1852/OC-GU, the search for suitable land led to a reduction in the number of hospitals built and to prolonged program execution. For this reason, from the preparation phase, the MSPAS has been asked to ensure the availability of land for the works described in paragraph 1.25. In operation 2328/BL-GU, 96.5% of the support staff financed with the loan proceeds was recontracted by the MSPAS, acknowledging the government's commitment and its capacity to improve health services and supporting the financial viability of the program. Under the MHF, lessons learned have been identified regarding the CQI strategy, where performance has improved considerably in maternal and child care in PHC and hospitals in Huehuetenango and San Marcos, through the optimization of care, monitoring, and evaluation of indicators, and technical assistance for teams. These lessons regarding improvements in the quality of services are included in paragraph 1.19. This same experience showed that in order to maintain the level of performance of the CQI strategy, the MSPAS and DAS must assume the process governance role that the MHF fulfilled, which is included in the design of Component 1 (paragraph 1.19), establishing the institutional framework for network governance and in Component 2 (paragraph 1.24), implementing that framework in the prioritized departments.

1.13 **Coordination with other donors.** In Guatemala, aid partners are coordinated under the Red de Cooperantes Internacionales en Salud [Network of International Aid Partners in Health], currently under the leadership of the Pan American Health Organization (PAHO). Through this body, information has been provided on project development and working meetings have been held to coordinate actions. It is proposed that this work be formalized with an operational coordinating entity that optimizes international cooperation resources and facilitates the action of the MSPAS. Optional link 9 describes the current status of international cooperation and the proposed coordination.

[28] Program 2328/BL-GU was designed as a multiphase operation, but the current program could not be implemented as a new phase, since the care strategy used in program 2328/BL-GU was discontinued.

1.14 **Government strategy.** The government has established the priority of improving the population's well-being and health through various instruments, notably: (i) the National Development Plan: K'atun, Our Guatemala 2032; (ii) the 2030 Sustainable Development Goals (SDG 3); and (iii) the 2016-2019 General Government Policy. These priorities have been incorporated in the 2018-2032 Institutional Strategic Plan of the MSPAS, which includes ambitious targets in the area of maternal mortality and child mortality.[29] In maternal mortality, the plan is to reduce the rate from 108 maternal deaths per 100,000 live births in 2015 to 93 in 2019. In child mortality, the plan is to reduce the rate from 35 deaths per 1,000 live births in 2015 to 25 in 2019. The central strategy is to expand the public supply of services under the health network strategy, which will be formalized in a ministerial agreement in preparation.

1.15 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (document AB-3008) and strategically aligned with the development challenge of social inclusion and equality, helping to reduce maternal mortality and child mortality based on improved coverage and quality of services. The program is also aligned with the crosscutting areas of: (i) gender equality and diversity, given the emphasis on maternal health; and (ii) climate change and environmental sustainability, through actions to mitigate and adapt to climate change. In accordance with the Joint Report on Multilateral Development Banks' Climate Finance, and as established in the procedures for the processing of sovereign guaranteed operations, this operation contains 52.5% in climate finance, specifically in works and health equipment that help to mitigate climate change. These resources contribute to the IDB Group goal of increasing financing for programs related to climate change to 30% of operational approvals by the end of 2020. The program's climate change measures are described in optional link 3. The program is also aligned with and contributes to the Corporate Results Framework (CRF) 2016-2019 (document GN-2727-6) through its contribution to the number of beneficiaries receiving health services and the reduction in maternal mortality. It is also consistent with the Health and Nutrition Sector Framework Document (document GN-2735-7) in its Dimension of Success 2 that seeks to ensure that all have timely and continuous access to high quality health services and nutrition, as well as the Gender and Diversity Sector Framework Document (document GN-2800-8), in its Dimension of Success 1 that seeks to promote gender equality and women's empowerment and Dimension of Success 2 that seeks to promote development with identity and social inclusion of indigenous peoples and Afro-descendants.

1.16 **The Bank's country strategy.** The program is aligned with the IDB Group Country Strategy with Guatemala 2017-2020 (document GN-2899), helping to strengthen the coverage and quality of the integrated healthcare service network. The program contributes to supporting the government in the implementation of the Plan of the Alliance for Prosperity in the Northern Triangle of Central America.[30]

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[29] Children under the age of five who died per 1,000 live births. https://www.

[30] https://www.pronacom.gt/proyectos/.

B. Objectives, components, and cost

1.17 **Objective**. The program objective is to help reduce maternal and child mortality primarily in the departments of Huehuetenango and San Marcos, by modernizing the national healthcare network so that it can efficiently deliver timely, quality services. The program structure includes two components:

1.18 **Component 1. Modernization of the healthcare network under the national health network strategy (US$18.9 million).** The objective of this component is to help modernize the health services production strategy through the institutional design and implementation of four pillars of the health network strategy: (i) the network governance structures; (ii) healthcare services; (iii) patient referral systems; and (iv) healthcare support services. This component will finance services, goods, and works.

1.19 **Establishing the governance of health networks.** In order to modernize and institutionalize the network planning and governance instruments, financing will be provided to: (i) strengthen the comprehensive planning methodology for the departmental healthcare network; and (ii) strengthen the network's comprehensive governance strategy, which will include the CQI strategy.

1.20 **Modernizing the healthcare services planning and management methodology.** To modernize and institutionalize healthcare services planning and management methodologies, financing will be provided to: (i) supplement maternal and child care standards with a network and CQI approach; (ii) develop and apply an investment prefeasibility[31] and feasibility methodology for PHC and hospitals; and (iii) update the management model for hospitals, health centers, CAPs, and CAIMIs, to include the intercultural perspective and the prevention and comprehensive health care in cases of VAW.

1.21 **Establishing the patient referral system and implementing emergency coordination.** In order to modernize and institutionalize the patient referral system, as well as implement the national emergency system, financing will be provided for: (i) designing and implementing the national emergency network; and (ii) designing the model for patient scheduling among health facilities. Financing will also be provided for the implementation of the national emergency regulatory center and the purchase of medical ambulances.[32]

1.22 **Modernizing healthcare support services.** In order to modernize, institutionalize, and implement healthcare support services on the national level, financing will be provided for: (i) the regionalization of blood banks and routine laboratories; and (ii) medication and input logistics. Financing will also be provided for: (i) the design, construction, and outfitting of a blood center; (ii) the design of a strategy for maintenance of health infrastructure and equipment, and the equipment required to carry it out; and (iii) the design and implementation of the strategy for developing information technologies at the national level.

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[31] Prefeasibility includes determining the scale of the supply and demand for services and productive factors. Feasibility includes the construction design and technical specifications for works and goods.

[32] To facilitate the nationwide expansion of the emergency model, the purchase of ambulances was included for the entire country, excluding Chimaltenango, which already has one. Huehuetenango and San Marco will purchase ambulances under Component 2.

1.23 **Component 2. Implementation of the health network strategy at the departmental level. (US$77.6 million).** The objective is to implement the health network strategy developed in Component 1, primarily in the departments of San Marcos and Huehuetenango, tailoring it to specific local conditions. This component will finance services, goods, and works.

1.24 **Strengthening of the administrative units for departmental network management.** To strengthen the integration of departmental network management, financing will be provided for: (i) technical assistance for the planning, organization, and management of the departmental health network; and (ii) adaptation of the physical space and equipment, if necessary, of the administrative units that manage the network.

1.25 **Expansion and improvement of healthcare services.**[33] The expansion and improvement of the supply of healthcare services entails the financing of modular structures, construction, expansion, improvement, and equipment for healthcare services. Financing will be provided for: (i) the construction of health posts in Río Blanco Chiquito, Xenaxicul, Ixquebaj, Lolbatzam, Cucal, Bacu, Suculque, and Tuinima; (ii) the construction of the CAP in Tajumulco; (iii) the expansion or improvement of the hospitals in Malacatán and Huehuetenango; (iv) the improvement the health posts in Tocache, Taltimiche, Piedra de Fuego, Pueblo Nuevo, and Tojchoc; (v) the improvement of the CAPs in Comitancillo and Malacatán; and (vi) the other works to be financed by the program in addition to the sample works consist of financing for modular structures, construction, and equipment for health posts, CAPs, and district hospitals; expansion, improvement, and equipment for health posts, health centers, CAPs, CAIMIs, and hospitals in San marcos and Barrillas. In addition, financing will be provided for: (i) the training of nursing assistants[34] and staff on maternal and child health standards, PHC management, hospital management, network organization and management, referral systems, continuous quality improvement, intercultural health,[35] and the gender perspective;[36] and (ii) the procurement of medical equipment for health posts, health centers, CAPs, and CAIMIs that have not benefitted from infrastructure works as indicated in point (vi) above.

1.26 **Implementation of healthcare referral units.** To implement the healthcare referral units, financing will be provided for: (i) the procurement of equipment and the adaptation of physical space, if necessary, for the emergency coordination and appointment scheduling units; and (ii) the procurement of medical ambulances.

1.27 **Strengthening of healthcare support services.** In order to strengthen healthcare support services, financing will be provided for the procurement of goods, the

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33 This corresponds to the sample works. The estimated number of projects to be built/improved per category is described in Annex II and optional link 1.

34 Training of local staff will be given priority.

35 The intercultural health strategy will include ethnocultural adaptation of the architecture (health posts, health centers, CAPs, CAIMIs, and hospitals), translation services, updating of standards and procedures for working with Community Development Councils, therapists, and midwives, etc.

36 Hospital VAW clinics will be strengthened through the implementation of a monitoring system, staff training, and a follow-up system enabling comprehensive care of women, including prevention actions, such as information campaigns.

construction of works,[37] and the contracting of services for the implementation of: (i) a blood bank network; (ii) a routine laboratory network; (iii) a medication and input logistics system; (iv) an equipment and infrastructure maintenance system; and (v) information systems, to include infrastructure, communications, applications, and change management, for implementation of the electronic medical history, telehealth, and telemedicine.

1.28 **Technical assistance and evaluation (US$3.5 million).** Financing will be provided for: (i) the contracting of consulting services to support the operation of the SHPPEU, the procurement of equipment, vehicles, and other operational expenses; (ii) the contracting of a firm specialized in technical assistance in project management to improve the technical capacity for preinvestment and operational management of that unit; and (iii) the program audit, evaluation, and monitoring.

1.29 **Characterization of beneficiaries.** In Component 1, the creation of the emergency network regulatory center and the development of information technologies will potentially benefit the entire MSPAS user population. For other interventions such as medication and input logistics and the regionalization of routine laboratories, the benefits will be more limited, given that the program will generate and provide the institutional strategies, but does not include resources for their implementation at the national level.

1.30 In Component 2, the expansion of new PHC services will benefit 159,807 people, will improve PHC services for approximately 241,089 people, and hospital improvements will benefit all users of the MSPAS in the departments of Huehuetenango and San Marcos, which will total approximately 2,468,017 users as of 2020 (optional link 2). The indigenous population[38] accounts for 57.3% in Huehuetenango and 30.3% in San Marcos, and the poverty rate in the two departments is 73.8%[39] and 60.2%, respectively.

C. Key results indicators

1.31 **Expected impacts and outcomes.** The impact of the operation is reduced maternal mortality and child mortality in the departments of Huehuetenango and San Marcos, in alignment with the goals of the MSPAS 2018-2032 Institutional Strategic Plan. There will be improvements in coverage, quality, and efficiency in maternal and child services. Improvements in coverage will be made through the increase in the percentage of women subject to prenatal control, institutional deliveries, and monitoring of growth in children under the age of two. Quality improvements include an increase in the percentage of childbirth and newborn care according to the standard of care and of women subject to prenatal control with complete laboratory examinations; hospitals that apply the VAW protocol, and reduced overcrowding in hospitals in the area of obstetrics. In the area of efficiency, reduction of the number of hospital blood banks and routine laboratories in PHC is considered.

1.32 **Technical viability.** Under Component 1, technical-financial design options will be formulated and the most efficient ones will be recommended. At least two options will be considered for execution: (i) MSPAS as the service provider; and (ii) purchase

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37 Preinvestment will determine the type of works and the resources needed for start-up.

38 https://www.ine.gob.gt.

39 https://www.ine.gob.gt.

of services, based on the relevance of their application. The purchase of services will be evaluated in particular for the management of specialized maintenance, information technology services, emergency mobilization, and medication and input logistics. Under Component 2, the largest investment is associated with infrastructure and equipment improvements. The new services (CAPs, health posts, and hospitals) have resulted from an analysis that combines medical relevance criteria, land suitable for construction, and legal viability of the land. For the intervention in existing hospitals, the options reflect technical and health relevance.

1.33 **Economic analysis (optional link 1).** Based on the specific evidence for Guatemala, the economic analysis quantifies the incremental benefits derived from the program's investments, including: (i) productivity gains due to reduced morbidity and mortality, particularly in women and children, associated with increased coverage, quality, and efficiency through the implementation of the health network strategy; (ii) savings in hospital expenditure due to reduced admissions for conditions responsive to basic care; and (iii) gains due to the implementation of lines of care. The analysis quantifies the disability adjusted life years (DALYs) that can be saved due to the implementation of investments in a context of healthcare service networks, analyzing the increase in effective coverage and the time needed for results. In the base-case scenario for effective coverage, with conservative assumptions in terms of the effectiveness of the interventions, over a time horizon of five years and using a discount rate of 3%, the benefit/cost ratio is 1.13 and the internal rate of return (IRR) is 22.2%. In addition, the sensitivity analysis over 10 years shows that the benefit/cost ratio is higher than one, including in the least favorable scenarios.

1.34 **Financial viability.** Analysis of the program's fiscal sustainability in terms of the impact of spending on operational resources (personnel, administrative, and operational expenditures) indicates that it will be necessary to include additional resources of approximately US$2.7 million at the end of the third year of the program and US$16.4 million at the end of the sixth year (US$14.9 million in the departments and US$1.5 million at the MSPAS level). This amount should be maintained once the program is completed. This increase represents 1.41% of public expenditure in health in 2015[40] and is within the expansion frameworks observed between 2014 and 2017, which varied between US$57 million and US$139 million.[41] The Guatemalan government is committed to the gradual absorption of incremental current expenditures.

[40] http://apps.who.int / http://www.healthpolicyplus.com.

[41] http://www.minfin.gob.gt/.

II. Financing Structure and Main Risks

A. Financing instruments

2.1 **Modality.** The program will be financed through an investment loan under a multiple works modality,[42] in that it involves physically similar and independent works that will be subject to bidding according to the design and build modality with a deadline for the physical start of the works during the first five years of program execution.[43] The total amount is US$100,000,000, which will be financed by the Bank from regular Ordinary Capital resources. The consolidated budget is shown below by component.

Table 1. Program cost (US$)

Component	Total (IDB)	%
Component 1. Modernization of the healthcare network under the national health network strategy	18,891,000	18.9
Component 2. Implementation of the health network strategy at the departmental level	77,609,000	77.6
Technical assistance and evaluation	3,500,000	3.5
Total	**100,000,000**	**100.0**

See itemized budget in optional link 10.

2.2 A six-year disbursement period is considered starting with the effective date of the loan contract. The following table presents the disbursement schedule.

Table 2. Disbursement schedule (US$)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
IDB	1,637,381	4,105,514	35,619,921	28,817,544	21,305,612	8,514,028	100,000,000
%	1.6	4.1	35.6	28.8	21.3	8.5	100.0

2.3 **Representative sample.** Eighteen works involving health posts, CAPs, and hospitals were analyzed, equivalent to 30.14% of the investment in works. These include new works, improvements, and expansions, and have preliminary designs to be bid on during execution. Optional link 8 describes the characteristics and status of the projects. Of the projects in addition to the sample, 69.86% will be of the same technical type as those evaluated and will be located in the prioritized departments. Projects with national scope represent 9% of the works and will be located primarily in the department of Guatemala.

2.4 **Eligibility criteria and prioritization of infrastructure and/or modular works.** In addition to the sample works, those eligible for financing using program resources

[42] Multiple works loans are investment loans designed to finance groups of similar works projects characterized as follows: (1) they are physically similar but independent; (2) their feasibility does not depend on the execution of a set number of projects; and (3) their individual size does not justify direct management by the Bank. Preparation should include an analysis of a sample of approximately 30% of the project. During execution, projects that meet the eligibility criteria receive financing.

[43] The term has been established to enable the smaller works to be started, at the latest, during year five, and completed within the program's original disbursement period.

will meet the following eligibility criteria: (i) health relevance; (ii) land suitable for construction; (iii) legal viability of the land; and (iv) compliance with the Bank's environmental and social safeguards set forth in the Environmental and Social Management Framework (ESMF) (required link 3), including the eligibility criteria mentioned therein and excluding financing for category "A" projects.[44] If, during program execution, the demand for investments exceeds the available resources, projects will be prioritized considering at least: (i) location in Huehuetenango and San Marcos; (ii) health damage indicator (e.g., child mortality, malnutrition); and (iii) services gap (population without coverage).

B. Environmental and social risks.

2.5 In accordance with the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the operation has been classified as a category "B"[45] operation because the construction, improvements, and operation of the health infrastructure to be carried out in inhabited areas, mostly indigenous communities, have negative socioenvironmental risks and impacts that are identified as localized and temporary.

2.6 The main socioenvironmental risks and impacts identified in the program are: (i) grant of lands other than those in the sample that do not comply with the environmental and social safeguards included in the special execution condition of the ESMR (required link 3); (ii) management of health services without incorporating procedures that adhere to the standards of cultural relevance (e.g., care provided in local languages); (iii) production of hospital waste and wastewater; and (iv) suspension of patient health services during improvement works. To mitigate these risks and impacts, the Environmental and Social Management Plan (ESMP), Sociocultural Analysis (SCA), and ESMF define specific actions and plans for the projects in the sample and for future projects to be carried out during program execution, such as: (i) inclusion as eligibility criteria works whose donated lands comply with the environmental and social safeguards; obtaining indigenous consent in the case of community lands; and support for the processing of the grant and titling of lands using program funds; (ii) participatory and culturally appropriate management through the contracting of intercultural facilitators and community members to ensure cultural relevance; (iii) management of hospital wastes, wastewater, and an occupational safety and health plan; (iv) construction of collection areas for hospital wastes and contracting of accredited company for final waste management; and (v) management to ensure continuity of service. In addition, the hospital complaints mechanism was identified as requiring efficiency improvements, as were the primary and secondary health care services incorporated as part of its management. To this end, the program will determine actions ensuring the functioning of a system of complaint and claim mechanisms with effective recording, processing, resolution, and reporting.

2.7 The following were developed for the program: the Environmental and Social Analysis, ESMP, SCA, and the Consultation Plan and Report for the sample works, as well as an ESMF for future projects. These were published on 20 August 2018,

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[44] The environmental classification categories used by the Bank are described in Operational Manual OP-703. http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=39430551.

[45] Idem.

on the IDB website and at https://www.mspas.gob.gt/index.php/transparencia/proriss. During preparation of the operation, significant consultations were carried out for the projects in the sample, with inclusive gender participation and indigenous cultural relevance; confirming the desire to grant lands to the State for the construction of health services and defining procedures for future projects for: (i) obtaining the consent of the indigenous population regarding community lands; (ii) processing grants; and (iii) recording lands. The program's natural disaster risks were evaluated in accordance with Operational Policy OP-704, with the conclusion that these are moderate type 1 risks because the projects will be located in an area exposed to floods, seismic movements, landslides, and volcanos. Type 2 risk is not applicable to the program. The Bank will supervise program execution in compliance with the respective operational safeguards.

C. Fiduciary risks

2.8 The program's financial fiduciary risk was evaluated using the Institutional Capacity Assessment System (ICAS), considering: (i) the regulatory framework; (ii) the quality of the financial information accounting and control system; (iii) institutional processes; and (iv) MSPAS experience executing operations financed by international organizations, determining that there is high financial risk of possible delays in payment processes due to lengthy bureaucratic procedures. In the area of procurement, the MSPAS does not have sufficient human resources, technical capacity, or delegated powers to carry out procurement processes with the application of Bank policies. Consequently, conducting procurement processes through the entity's purchasing unit entails a high risk that those processes will not follow Bank policies and may involve possible delays due to lengthy bureaucratic procedures. Both risks will be mitigated with the use of the SHPPEU with authority with respect to technical, administrative, procurement, and financial matters for the comprehensive execution of the program.

D. Other program risks

2.9 The lack of coordination among levels was identified as a high development risk due to factors such as the lack of activities scheduling, the lack of a system to coordinate consultations among institutions, insufficient medical support networks. This risk is expected to be mitigated with the design and implementation of the referral systems, healthcare support service networks, and administrative units for departmental network management. The key element will be the application of information technologies for monitoring patients and analyzing information. In addition, a participatory process will be ensured in the design of processes, training, and technical assistance for system adaptation and implementation.

2.10 Two medium-level public management type risks were identified. The first is insufficient human resources in remote locations in San Marcos and Huehuetenango, given the difficulty of contracting and retaining trained staff. To mitigate this risk, the following actions are planned: (i) training of local nursing assistant staff; (ii) training of existing staff; (iii) support with telecare and telemedicine; (iv) promotion of medical training under an agreement with academic institutions; and (v) review of the incentives policy for remote areas. The second risk is the lack of lands suitable for the construction of the planned new health posts, the CAP, the blood center, and the district hospitals, and delays in their legalization. To mitigate this risk, new health post and CAP projects that already have deeds of gift

and have initiated procedures to register lands in the name of the State will be selected. In addition, with respect to the new posts, consideration is being given to financing modular buildings that do not require land ownership title for execution (required link 3). This process is being supported through technical cooperation operation ATN/OC-16730-GU.

2.11 Also identified as a high public management risk is the risk that the change in authorities may cause delays in program execution. The following activities are planned to mitigate this risk: (i) use of the SHPPEU created in the MSPAS to shield the execution of programs and projects by minimizing the risk of turnover of management bodies; (ii) contracting of a firm specialized in project management to provide technical support to the MSPAS on the preinvestment and operational management of the program; and (iii) dialogue actions with the new authorities to promote the empowerment of the program and its importance.

III. Implementation and Management Plan

A. Summary of implementation arrangements

3.1 **Special execution unit.** The executing agency will be the MSPAS, through the SHPPEU,[46] which has authority in technical, administrative, procurement, and financial matters. The SHPPEU will execute the program as established in the loan contract and the program Operating Manual (optional link 12), where the basic institutional arrangements for program execution will be laid out. Coordination includes at least one monthly meeting throughout the life of the program (required link 2), considering the activities planning, institutionalization, implementation, and monitoring phases, which will be described in the program Operating Manual.

3.2 **Program execution team.** For program execution, the staff will be appointed to carry out its activities, including at a minimum: general, technical, and operational coordination, as well as the program's financial and procurement activities. The appointed staff will have the profiles agreed with the Bank. Moreover, for program execution, the SHPPEU will have its technical, operational, and management capacities strengthened by a firm specialized in technical assistance in project management (paragraph 1.28). The hiring of consultants to support the unit's operation, the procurement of equipment and vehicles, and other operating expenses may be financed with program resources as indicated in paragraph 1.28.

3.3 **SHPPEU processes – execution cycle.** The SHPPEU will implement the activities that make up the program execution cycle or any updates thereof: (i) planning of program execution to achieve the expected outputs; (ii) management of the program's technical considerations with the other areas of the MSPAS, as applicable; (iii) implementation of program procurement; and (iv) budget management, contract management, payments, financial and accounting recording, and reports and financial statements. The program Operating Manual will describe in greater detail the specific activities included in each of the program stages.

[46] Ministerial Resolution 163-2018 created the SHPPEU, reporting to the Office of the Minister.

3.4 **Program Operating Manual.** The program Operating Manual (optional link 12) will regulate—with technical and operational detail—the provisions of the loan contract. Specifically, it will provide detailed information including: (i) technical and operational aspects on environmental, fiduciary, financial, and other matters, to be applied in executing the program; (ii) the powers and responsibilities of the SHPPEU; (iii) SHPPEU work flows—program execution cycle; (iv) work methodology; (v) entities for coordination with the executing agency and the borrower; (vi) the Bank's role in the supervision of the program and technical assistance measures during execution; (vii) penalties for nonperformance in the execution of contracts for works, goods, and services; and (viii) program management, and other matters, so the entire contract operation cycle is fully itemized.

3.5 **Program execution plan (PEP).** Program activities will be developed according to programming established through the PEP and annual reviews to be incorporated in the respective annual work plan (AWP). The PEP contains detail equivalent to the AWP for each year of execution. However, it will be amended each year, considering actual progress made in the program. Annual revisions of the PEP (e.g. AWP) will be submitted to the Bank.

3.6 **Fiduciary agreements and requirements.** Annex III reflects the financial management and procurement execution guidelines to be applied for program execution. These have been developed based on analysis of the fiduciary context of the country and the executing agency, the institutional analysis of the executing agency, the risks workshop with staff from all participating entities, meetings held with executing agency staff, and ongoing meetings with the program team and key staff in the participating entities.

3.7 **Procurement plan.** The procurement plan contains the details of program procurement to be carried out in accordance with the policies set forth in documents GN-2349-9 and GN-2350-9 and details: (i) contracts for works, goods, and consulting services required to carry out the program; (ii) proposed methods for the contracting of goods and the selection of consultants; and (iii) the procedures applied by the Bank for procurement review. The borrower should update the procurement plan each year or according to program needs. Any proposed revision of the procurement plan will be submitted to the Bank for approval. Goods and services procurement packages have been consolidated in order to reduce the number of bidding procedures.

3.8 **Special contractual conditions precedent to the first loan disbursement: (i) presentation of evidence that the SHPPEU, established with authority over technical, administrative, procurement, and financial matters for comprehensive program execution, which is dependent on the institution's senior authority and is deconcentrated from the MSPAS's Financial Administration Unit, is operating; (ii) the SHPPEU has appointed the minimum staff for general, technical, and operational coordination, as well as for finance and procurement, to carry out the activities,** conditions necessary to ensure the proper execution of the program; **(iii) the request for proposals has been sent to the firms specialized in technical assistance in project management that appear on the shortlist, in accordance with the terms of reference previously agreed upon with the Bank,** to ensure technical assistance for proper execution; and **(iv) the program Operating Manual has been agreed to and is in effect, under terms agreed upon with the Bank**. This condition is justified in order to

ensure that operational processes are clear and transparent and help to streamline program execution.

3.9 **Special contractual conditions for execution**: Within 90 days following the date on which the Bank determines the eligibility of the loan disbursements, the MSPAS will have contracted the firm specialized in technical assistance in project management. The terms of reference will be established by the MSPAS and will have the Bank's no objection. This condition is justified in order to ensure that the executing agency actually has the technical support and to mitigate the risk of under-execution (paragraph 2.11).

B. Summary of arrangements for monitoring results

3.10 **Monitoring.** Through the SHPPEU, the MSPAS will be responsible for the supervision and operational and administrative coordination of the program monitoring system. The Program Monitoring Report (PMR) will be the basis for monitoring, using for the purpose the Results Matrix, PEP, AWP, risks matrix, financial and physical progress schedules, and other documents. Monitoring will use the Earned Value methodology.[47] In addition, the monitoring tools defined in the monitoring and evaluation plan (optional link 2) will be considered.

3.11 **Evaluation.** A reflexive (before and after) evaluation will be conducted for the program, for which a baseline will be established in the first year of the operation as of the effective date of the loan contract, and annual measures will be taken starting in the year two as of the same date, and for up to one year after the last disbursement. Once 90% of the loan proceeds have been disbursed, the borrower will submit to the IDB a final evaluation prepared for the purpose of measuring the operation's outcomes. That evaluation will include an analysis of key processes related to the continuity of the network and the systems supporting it. The purpose of this strategy is to have results on a timely basis so as to make adjustments in the operation's processes. That evaluation will measure the results indicators included in the Results Matrix based on records from a sample of primary and secondary care level health facilities in the areas served by the program. A midterm evaluation is also considered, and its report will be submitted once 50% of the loan proceeds have been disbursed. The details of the evaluation are found in optional link 2.

C. Preimplementation program activities

3.12 The Bank will support the stage prior to program implementation with technical cooperation funding ATN/OC-16730-GU "Support for the preparation of preinvestment studies for operation GU-L1163," which will finance the prefeasibility studies related to the investment programs to be financed by the loan: hospitals, CAPs, CAIMIs, regionalization of blood banks, regionalization of routine laboratories, information technology, emergency network, medication and input logistics, and maintenance.

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[47] A Guide to the Project Management Body of Knowledge (Third Edition). PMBOK Guide, Chapter 7, Section 7.3.

Development Effectiveness Matrix		
Summary	GU-L1163	
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity -Climate Change and Environmental Sustainability	
Country Development Results Indicators	-Maternal mortality ratio (number of maternal deaths per 100,000 live births)	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2899	To strength the coverage and quality of the integrated healthcare network
Country Program Results Matrix		The intervention is not included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	9.5	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	2.5	
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	B	
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. 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		

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

The project presents clear development objectives that are linked to an adequately identified problem. The characterization of the main problems includes a description of the main contributing factors and is supported by empirical evidence of the magnitude of the deficiencies for the specific context of the project. The proposed solutions in its two operational components are related to the problems described in the diagnosis.

The Results Matrix corresponds to the vertical logic of the project, showing a clear relationship between products, results and impacts. It should be noted that most of the products identified in component 1, correspond to the design and approval of plans, guidelines and standards of service provision and management. Therefore, the main challenge for the fulfillment of the project´s vertical logic will be the effective implementation of these tools, which is considered in component 2. The proposed impact, outcome and output indicators in the RM are SMART.

Considering a discount rate of 3%, the cost-benefit analysis of the project produces a rate of return of 22%. The identification and quantification of benefits is consistent with the expected results of the proposed interventions. The project does not have an impact evaluation that allows identifying the causal effect of the intervention; therefore, the attribution analysis may be based on an analysis of the plausible contribution of the program, supported by evidence of effectiveness with sufficient internal and external validity.

RESULTS MATRIX

Project objective:	The objective of the program is to help reduce maternal and child mortality, primarily in the departments of Huehuetenango and San Marcos, by modernizing the national healthcare network so it can deliver timely, quality, and efficient services.

EXPECTED IMPACTS

Indicators	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final target	Means of verification	Comments
Impact: Reduced maternal mortality and child mortality												
Maternal mortality ratio in Huehuetenango and San Marcos	Deaths in women per 100,000 live births	137.2	2016						110	110	MSPAS Report on Maternal Mortality Surveillance	Pro Gender
Child mortality rate in Huehuetenango and San Marcos	Deaths in children under the age of one year per 1,000 live births	14.8	2016						13.0	13.0	INE	Under-reporting of child deaths is estimated to be 30% in Huehuetenango, so that improved control may initially increase the rate

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final target	Means of verification	Comments[1]
Specific objective 1: Improved coverage of maternal and child services in Huehuetenango and San Marcos												
Timely prenatal care coverage	Percentage	34.72%	2017					42%	50%	50%	SIGSA INE	Number of pregnant women with prenatal checkup before 12 weeks / Number of pregnancies expected
Institutional delivery coverage		46.66%	2016				50%	58%	65%	65%	INE	Number of deliveries in health facility[2] / Total number of births
Coverage of monitoring of growth in children under 24 months		29%[3]	2015				35%	43%	50%	50%[4]	SIGSA 5	Number of children under 24 months subject to growth monitoring check according to standard / Number of children under 24 months
Specific objective 2: Improved service quality in Huehuetenango and San Marcos												
Deliveries attended according to standard	Percentage	36.1%[5]	2015				40%	50%	60%	60%	Audit of records MSPAS information system from year three and thereafter	Number of deliveries attended according to standard / total institutional deliveries
Newborns attended according to standard		18.6%	MHF 2017				33%	53%	73%	73%	Audit of records MSPAS information system from year three and thereafter	Number of newborns attended according to standard / total institutional deliveries

1 Denominators with a population base may vary once data from the 2018 National Census are available.

2 Qualified personnel: general physician, gynecologist/obstetrician, professional nurse, nursing assistant, midwife.

3 MHF 2015 baseline Quiché and Sololá.

4 Equivalent to 57,918 monthly growth monitoring checks to be conducted by the MSPAS services, estimating 10 weight checks per child/year.

5 MHF 2015.

Indicators	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final target	Means of verification	Comments[1]
Overcrowding in hospital obstetrics ward in Malacatán Hospital	Obstetrics occupancy rate	111%	2016					80%	80%	80%	MSAPS	Occupied bed days in obstetrics / available bed days in obstetrics at Malacatán Hospital
Hospitals that apply the violence against women (VAW) protocol	Hospitals	0	2018	0	0	0	1	4	0	5	MSPAS Gender Unit Report	Pro Gender
Coverage of pregnant women with laboratory exams in prenatal checkup	Percentage	53%[6]	2015				65%	75%	85%	85%	Audit of records	Number of pregnant women in prenatal checkup with laboratory exams according to standard / Number of pregnant women in prenatal checkup
Specific objective 3: Improved productive efficiency												
Number of MSPAS processor blood banks at the national level	Number	27	2018				22	18	14	14	MSPAS report	
Number of operating routine laboratories in PHC in Huehuetenango and San Marcos		66	2018				30	15	6	6	Huehuetenango and San Marcos DAS reports	

[6] Baseline MHF 2015.

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final target	Means of verification	Comments
Component 1 Modernization of the healthcare network under the national health network strategy												
1.1. Establishing the governance of health networks												
1.1.1. Maternal and child standards supplemented and approved	Number	0	2018	0	4	0	0	0	0	4	Ministerial resolution	Includes standards on pregnancy, childbirth and postnatal care, newborns, infants, and children
1.1.2. Departmental healthcare network planning methodology published		0	2018	0	1	0	0	0	0	1		
1.1.3. Comprehensive network management manual approved		0	2018	0	1	0	0	0	0	1		
1.1.4. Action plan on interculturality implemented		0	2018	0	0	1	0	0	0	1		Ethnic criterion
1.1.5. Proposal for treating violence against women implemented		0	2018	0	0	0	0	1	0	1		Pro Gender
1.2. Modernizing healthcare services planning and management methodology												
1.2.1. Methodologies for preparing investment projects approved	Number	0	2018	0	4	0	0	0	0	4	Ministerial resolution	Includes prefeasibility methodologies, PHC and hospitals, feasibility of hospitals and medical equipment
1.2.2. PHC prefeasibility studies approved		0	2018	0	0	15	0	0	0	15	MSPAS approval	
1.2.3. Hospital prefeasibility studies approved		0	2018	0	0	2	0	0	0	2		
1.2.4. Hospital feasibility study approved		0	2018	0	0	0	0	0	2	2		
1.2.5. Hospital management and organizational proposal approved		0	2018	0	1	0	0	0	0	1	Ministerial resolution	
1.2.6. Health center, CAP, CAIMI management and organizational proposal approved		0	2018	0	1	0	0	0	0	1		
1.3. Establishing the patient referral system and implementing emergency coordination												
1.3.1. Emergency network management plan approved	Number	0	2018	0	1	0	0	0	0	1	Ministerial resolution	
1.3.2. National emergency network regulatory center in operation		0	2018	0	0	0	1	0	0	1		
1.3.3. Elective network management and organizational proposal approved		0	2018	0	1	0	0	0	0	1		

Outputs	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final target	Means of verification	Comments
1.4. Modernizing healthcare support service models												
1.4.1. Proposal for regionalization of blood banks approved	Number	0	2018	0	1	0	0	0	0	1	Ministerial resolution	
1.4.2. Blood center in operation		0	2018	0	0	0	0	0	1	1		
1.4.3. Plan for regionalization of routine laboratories approved		0	2018	0	1	0	0	0	0	1		
1.4.4. Maintenance strategy implemented		0	2018	0	0	1	0	0	0	1		Plan development, technical assistance, contracting model, equipment purchase included
1.4.5. Medication and input logistics management plan implemented		0	2018	0	0	1	0	0	0	1		Plan development and technical assistance included
1.4.6. Proposed ICT system in health implemented		0	2018	0	0	1	0	0	0	1		
Component 2. Implementation of the health network strategy at the departmental level												
2.1. Implementation of departmental network management administrative units												
2.1.1. Departmental network administrative units implemented	Number	0	2018	0	0	2	0	0	0	2	DAS / Hospital resolution	Includes design of comprehensive network management model, staff training, network monitoring and evaluation, includes CQI strategy
2.1.2. Departmental network study approved		0	0	0	0	2	0	0	0	2	DAS minutes	
2.2. Expansion and improvement of healthcare services												
2.2.1. Constructed health posts in operation	Number	0	2018	0	0	37	38	0	0	75	Minutes of receipt of works and equipment, copy of personnel contracts.	
2.2.2. Improved/ refurbished health posts in operation		0	2018	0	0	31	32	0	0	63		
2.2.3. Constructed CAPs in operation		0	2018	0	0	0	1	0	0	1		
2.2.4. Improved/ refurbished Health centers/CAPs/CAIMIs in operation		0	2018	0	0	0	12	0	0	12		
2.2.5. Huehuetenango, Malacatán, San Marcos hospitals standardized and in operation		0	2018	0	0	0	0	3	0	3		Standardization means bringing facilities up to standard, which may represent up to 50% of the cost of replacement
2.2.6. Improved Barillas hospital in operation		0	2018	0	0	0	1	0	0	1	Minutes of receipt of works and equipment	Improvement means limited investments that do not reach 10% of the cost of replacement
2.2.7. Health posts/health centers/CAPs/CAIMIs equipped		0	2018	0	0	127	0	0	0	127		

Outputs	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final target	Means of verification	Comments
2.2.8. Constructed district hospitals operational		0	2018	0	0	0	0	0	2	2	Minutes of receipt of works and equipment	
2.2.9. Nursing assistants trained		0	2018	0	0	0	600	0	0	600	Degree certificates	
2.2.10. Teams trained in network planning and management		0	2018	0	0	71	0	0	0	71	Certificates of approval	Includes DAS, hospitals, and districts
2.2.11. Personnel trained in hospital management		0	2018	0	0	60	0	0	0	60		
2.2.12. PHC teams trained		0	2018	0	0	64	0	0	0	64	Training certificates	
2.3. Implementation of healthcare referral units												
2.3.1. Departments with operating emergency coordination system	Number	0	2018	0	0	2	0	0	0	2	DAS resolution	
2.3.2. Departments with operating referral/counter-referral system		0	2018	0	0	2	0	0	0	2	DAS-Hospital resolution	Includes referral/counter-referral criteria; demand selector; appointment scheduling; case monitoring
2.4. Implementation of healthcare support services												
2.4.1. Departments with routine laboratories network in operation	Number	0	2018	0	0	2	0	0	0	2	DAS resolution	
2.4.2. Departments with blood network in operation		0	2018	0	0	2	0	0	0	2	Huehuetenango and San Marcos Hospitals report	
2.4.3. Departments with logistics system in operation		0	2018	0	0	2	0	0	0	2	DAS Departmental resolution	
2.4.4. Departments with maintenance system in operation		0	2018	0	0	2	0	0	0	2	DAS/Hospital resolution	
2.4.5. Municipios of Huehuetenango and San Marcos with information technologies operating		0	2018	0	0	0	64	0	0	64	SIGSA	

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Republic of Guatemala
Operation:	Program to Strengthening the Institutional Healthcare Service Network (PRORISS) (GU-L1163)
Executing agency:	Ministry of Public Health and Social Assistance (MSPAS)
Prepared by:	Lilena Martínez and Rodrigo Castro (FMP/CGU)

I. EXECUTIVE SUMMARY

1.1 The MSPAS is the lead agency responsible for health in Guatemala,[1] in charge of formulating policies and enforcing the law with regard to preventive health and treatment activities, actions for protection, promotion, recovery, and rehabilitation of physical and mental health of the country's inhabitants and hygienic environmental conservation; for direction and coordination of technical and financial cooperation in health and for ensuring compliance with international treaties and conventions related to health in cases of emergencies due to epidemics and natural disasters.

1.2 The MSPAS's institutional capacity was assessed, determining that its level of development for executing projects financed with external resources is incipient,[2] a situation that is confirmed by the results seen in the execution of loans 1852/OC-GU and 2328/BL-GU, as well as grants GRT/HE-13077-GU and GRT/HE-15451-GU, which experienced considerable delays in execution deadlines, procurement processes, and payment management, in addition to limited technical capacity and availability of human resources to promote the activities associated with the execution of these operations, as well as the immersion of project execution in a regulatory, organizational, and procedural framework within the MSPAS that has not allowed for efficient progress in the execution of the operations. In this regard, actions must be undertaken to strengthen the agency and mitigate fiduciary risk, which is considered high.

1.3 For financial management, the Financial Management Guidelines for IDB-financed Projects (document OP-273-6) will be applied as will the regulations of the Integrated Financial Management System (SIAF), on a complementary basis. For procurement, the policies contained in documents GN-2349-9 and GN-2350-9 will be applied, accepting the portal of the Guatemalan State Procurement and Contracting System (GUATECOMPRAS) exclusively as the information system for the dissemination of procurement processes.

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1 Executive Branch Law, Art. 39.

2 ICAS, consolidated weighted global result, 57.73%.

1.4 Program execution will be the responsibility of the special health program and project execution unit (SHPPEU), established with authority over technical, administrative, procurement, and financial matters for comprehensive program execution, reporting to the senior authority of the institution, and which is a decentralized agency of the MSPAS Financial Administration Unit.

II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

2.1 The Organic Budget Law of Guatemala regulates the budget, accounting, treasury, and public credit subsystems that make up the SIAF and operate under the principle of regulatory centralization and operational decentralization. The MSPAS is an entity of the central government and is thus subject to all regulations on budgetary, accounting, and treasury matters for institutions of this kind and requires approval by the Ministry of Public Finance (MINFIN) for most procedures. The institutional capacity assessment determined that there are deficiencies in the management of assets, internal and external control, as well as a lack of personnel with the skills needed to execute the program. Additionally, financial, procurement, and contracting processes are too lengthy, with the intervention of multiple agencies extraneous to project execution, generating hybridized application of the Bank's policies and national legislation, leading to excessive delays that imperil the success of procurement processes and the timely management of payments.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

3.1 The program's financial fiduciary risk was evaluated through an institutional analysis, considering the regulatory framework, the quality of the MSPAS financial, accounting, and control information system, institutional processes, and MSPAS experience executing operations financed by international organizations, determining that there is high financial risk of possible delays in payment processes due to lengthy bureaucratic processes. This can be mitigated through the operation of the SHPPEU, by strengthening it with the appointment of specific staff to carry out financial and procurement activities for the program, so that they can manage the budget, records, and payments, which will be supplemented by monitoring, advisory services, and training by the Bank.

3.2 In the area of procurement, the MSPAS does not have sufficient human resources, technical capacity, and delegated powers to handle procurement processes while applying Bank policies. Consequently, procurement processes through the executing agency's purchasing unit entail a high risk of not following Bank policies, with possible delays due to lengthy bureaucratic processes. To mitigate this risk, execution should be carried out through the SHPPEU indicated in the preceding paragraph, ensuring that both procurement staff and staff responsible for evaluating procurement processes have the necessary technical skills and knowledge of the Bank's procurement policies.

IV. Considerations for the Special Provisions or the Single Annex to the Contract

4.1 A subaccount will be opened under the treasury single account (TSA) in the Bank of Guatemala in United States dollars, in which loan disbursements will be deposited and from which payments will be made under the program, as provided as the condition precedent in the General Conditions of the contract. This responds to a request by the borrower, which is included in all loan contracts with Guatemala so that the Bank of Guatemala can authorize the opening of the account in dollars.

4.2 The exchange rate for rendering accounts for program resources will be the rate reported by the Bank of Guatemala on the effective date of the payment transaction. Any gains resulting from an exchange rate differential may be reinvested in the program with the Bank's prior no objection.

4.3 The borrower agrees to assign a specific budget code in the integrated accounting system (SICOIN) pursuant to the borrower's current legislation, for the identification of the loan.

4.4 For program execution, the MSPAS may sign multiyear execution contracts, for which it will manage the annual budgetary allocations and provisions in subsequent fiscal years, as applicable, according to the commitments and obligations assumed under the program and pursuant to the borrower's current legislation. This is justified to allow the executing agency the possibility of signing multiyear contracts and avoiding the unnecessary splitting of contracts whose execution transcends the fiscal year.

4.5 The SHPPEU, reporting to the Office of the Minister, as a decentralized agency of the institution's Financial Administration Unit, endowed with sufficient authority, powers, and capacities in administrative, technical, operational, procurement, and financial matters for the effective execution of the program, will be operational and will be strengthened with the appointment of staff for financial and procurement activities.

4.6 The following provisions to be observed when using national competitive bidding (NCB) will be included for matters related to: (i) not restricting the participation of suppliers from the Bank's member countries and declaring suppliers from countries that are not member countries ineligible; (ii) not establishing percentages of origin, preference margins, or registration requirements; (iii) considerations to be included in bidding documents; and (iv) the formation of evaluation committees or boards whose members have knowledge of the program's governance framework and the Bank's procurement policies. The program Operating Manual will establish specific criteria for the formation of these committees or boards, and the Coordinator of the SHPPEU will be responsible for ensuring their formation.

V. Agreements and Requirements for Procurement Execution

5.1 The Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9) will be applied as follows:

a. **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services arising under the project and subject to international competitive bidding (ICB) will be executed using the standard bidding documents (SBDs) issued by the Bank. Procurement processes subject to national competitive bidding (NCB) will be executed using documents agreed upon with the Bank. The project's sector specialist is responsible for reviewing the technical specifications for procurement during the preparation of selection processes.

b. **Selection and contracting of consultants.** Consulting services contracts arising under the project will be executed using the standard Request for Proposals (RFP) issued by or agreed upon with the Bank. The project's sector specialist is responsible for reviewing the terms of reference for the contracting of consulting services.

c. **Selection of individual consultants.** Individual consultants may be selected based on comparing the qualifications of at least three candidates.

d. **Use of the country procurement system.** The Bank approved the use of the electronic reverse auction subsystem in document GN-2538-26 up to the shopping threshold for goods and/or nonconsulting services that may be applied once the envisaged measures for implementation have been fulfilled. Moreover, the GUATECOMPRAS information system is accepted exclusively for purposes of advertising.

e. **Recurring expenses.** The contracting of communications services are expected to be financed by the project under the annual budget approved by the Bank.

5.2 **Threshold amounts applicable to the project.** The threshold amounts recommended for the operation correspond to thresholds established for Guatemala.

Thresholds (US$ thousands)

International advertising works	Shopping (works)	International advertising goods[3]	Shopping (goods)	International advertising consulting	Shortlist 100% national
Greater than or equal to US$1,500	Less than US$150	Greater than or equal to US$150	Less than US$25	Greater than or equal to US$200	Less than US$200

5.3 **Main procurement processes.** Works, health infrastructure equipment, and vehicles; nonconsulting services for communications; consulting services for design and supervision of works, and health management models; and technical assistance in project management. Once the loan is approved, the SHPPEU will be responsible for preparing the procurement plan, and the procurement specialist will provide and ensure that items procured are adequate and have the required quality in accordance with the Bank's procurement policies, through issuance of the required opinion.

[3] Includes nonconsulting services.

Main Procurement Processes (US$ thousands)

Activity	Selection method	Estimated date of invitation to bid	Estimated amount
Goods			
Ambulances	ICB	2021	1,395
Equipment for health posts, health centers, CAPs, CAIMIs (*)	ICB	2021/2022/2023	5,831
Equipment for blood center	ICB	2024	1,000
Equipment for expanded hospitals (*)	ICB	2023/2024	7,591
Equipment for PHC institutions	ICB	2020	5,041
Equipment for district hospitals (*)	ICB	2024	5,344
ICT equipment (*)	ICB	2021	2,521
Works			
Construction of regulatory center	NCB	2021	1,451
Construction of blood center	ICB	2022	3,868
Construction of (37 + 38) health posts (*)	ICB	2021/2022	9,959
Improvement of (32 + 31) health posts (*)	NCB	2021/2022	2,350
Expansion of Malacatán Hospital	ICB	2021	8,548
Expansion of Huehuetenango Hospital	ICB	2021	5,432
Expansion of San Marcos Hospital	ICB	2021	3,900
Improvement of Barrillas Hospital	NCB	2021	1,285
Construction of District Hospital 1	ICB	2021	6,513
Construction of District Hospital 2	ICB	2021	6,514
Consulting services (firms)			
Technical assistance in project management	QCBS	2020	1,193
Application development	QCBS	2021	1,500
Change management development (*)	QCBS	2021	2,533
Preparation of preinvestment studies (*)	QCBS	2020/2021	1,768
Supervision of works	QCBS	2021	1,650
Nonconsulting services			
Communications	ICB	2021	1,000

(*) Various processes.

(**) To access the 18-month procurement plan, see Procurement plan.

5.4 **Procurement supervision.** The procurement will be subject to ex ante supervision. Fiduciary visits regarding procurement will be conducted at least every six months in accordance with the project supervision plan and will include at least one physical inspection visit.[4]

5.5 **Records and files.** The SHPPEU will be responsible for maintaining the project's files and records. The forms or procedures that have been agreed upon and that will be described in the program Operating Manual will be used for the preparation and filing of project reports.

[4] The physical inspection verifies the existence of procurement deliveries, leaving the verification of quality and compliance with specifications to the sector specialist.

VI. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL EXECUTION

6.1 **Programming and budget.** The operational management of the budget will be executed in the system of integrated accounting (SICOIN), applying the provisions of applicable regulations in the area of financial management and control, as well as the specific regulations contained in the program's loan contract. For program execution, a specific execution unit has been created at the program level, with activities classified as investment and responding to the costs table contained in the single annex to the loan contract.

6.2 **Accounting and information systems.** Program accounting and records will be managed on a deconcentrated basis in the SHPPEU, using the SICOIN, the sole source of information on the use of program funds. The existing expenditure structure and accounts will be used and there will be no special chart of accounts. Supporting documentation for payment transactions will remain in the files of the SHPPEU, which will be responsible for making entries and payments charged to the program. Transactions will be converted using the exchange rate of the transaction date as reported by the Bank of Guatemala.

6.3 **Disbursements and cash flow.** The TSA mechanism is acceptable for managing the Bank-financed resources consistently. Resources for advances of funds will be deposited in a secondary TSA account in dollars, from which payments will be made to providers, beneficiaries, and contractors.

6.4 Funds will follow the flow established by the MINFIN, in the Manual of Procedures for the Administration of Monetary Deposit Accounts and other execution methods financed by funds from multilateral and bilateral investment organizations. The Bank will disburse funds under the advance of funds modality or another modality established in the Financial Management Guidelines for IDB-financed Projects (document OP-273-6). Funds will be advanced based on a financial plan for the next six months or another reasonable period, when payments made are duly accounted for and documented. Subsequent disbursements may be processed when 80% of prior advances have been justified. If necessary, the use of flexible payment methods established in document OP-273-6 may be analyzed. Disbursements will be subject to ex post review.

6.5 **Internal control and internal audit.** The SHPPEU created in the MSPAS has the internal control structure and mechanisms as described in the program Operating Manual. The country's internal audit subsystem will not be used because it has not been validated as a country system for IDB-financed operations.

6.6 **External control and reports.** The program's financial statements will be audited annually by an external audit firm deemed eligible by the Bank, in accordance with the terms of reference and the standard model contract. The Office of the Comptroller General (CGC) is also eligible to audit Bank-financed projects.

6.7 **Financial supervision plan.** Financial management will be supervised through consultations of budgetary information, payments, and accounting in the SICOIN. There are also plans to conduct at least one supervision visit per year and to review unaudited financial information prepared by the executing agency.

6.8 **Execution arrangements.** Execution will be deconcentrated in the SHPPEU, which will be responsible for budgetary, accounting, and treasury records, including payments. The SHPPEU was created by means of Decree 163-2019. Prior to the first disbursement, it will be verified that this unit is operating and has been strengthened with the appointment of staff for activities including finance and procurement.

6.9 **Other financial management agreements and requirements.** N/A.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/19

Guatemala. Loan ____/OC-GU to the Republic of Guatemala
Program to Strengthen the Institutional Healthcare
Service Network (PRORISS)

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 Program to Strengthen the Institutional Healthcare Service Network (PRORISS). Such financing will be for the amount of up to US$100,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ _____ 2019)

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