

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUATEMALA

PROGRAM FOR THE DIGITAL TRANSFORMATION OF GUATEMALA FOR INCLUSIVE ACCESS TO CONNECTIVITY

(GU-L1175)

LOAN PROPOSAL

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ABBREVIATIONS

CGC	Contraloría General de Cuentas [Office of the Comptroller General]
CIV	Ministry of Communications, Infrastructure, and Housing
CO ₂	Carbon dioxide
COCODES	Community Development Councils
COMUDES	Municipal Development Councils
FDI	Foreign direct investment
FONDETEL	Fondo para el Desarrollo de la Telefonía [Telecommunications Development Fund]
ICB	International competitive bidding
ICT	Information and Communications Technology
INFOM	Instituto de Fomento Municipal [Municipal Development Institute]
IRU	Indefeasible Rights of Use
ITU	International Telecommunication Union
IXP	Internet exchange point
KIF	Korea Infrastructure Development Cofinancing Facility for Latin America and the Caribbean
NCB	National competitive bidding
NOC	Network Operation Center
OC	Ordinary capital
OECD	Organisation for Economic Co-operation and Development
PEU	Program execution unit
QCBS	Quality- and cost-based selection
SAG	Government Audit System
SIAF	Integrated Financial Management System
SICOIN	Sistema de contabilidad integrado [Integrated accounting system]
SIT	Superintendency of Telecommunications
UNESCO	United Nations Educational, Scientific and Cultural Organization
VMC	Office of the Deputy Minister of Communications
WEF	World Economic Forum

PROJECT SUMMARY

GUATEMALA

PROGRAM FOR THE DIGITAL TRANSFORMATION OF GUATEMALA FOR INCLUSIVE ACCESS TO CONNECTIVITY (GU-L1175)

Financial Terms and Conditions					
Borrower:				KIF	Flexible Financing Facility ^(a) - Ordinary Capital
Republic of Guatemala			Amortization period:	25 years	18.25 years
Executing agency:			Disbursement period:	5 years	5 years
The Ministry of Communications, Infrastructure, and Housing (CIV), acting through the Telecommunications Development Fund (FONDETEL)			Grace period:	7 years	10.75 years ^(b)
Source	Amount (US\$)	%	Interest rate:	2.5%	LIBOR-based
			Charges on the loan facility	0.1 % ^(c)	N/A
			Credit fee:	N/A	^(d)
			Inspection and supervision fee:	N/A	^(d)
IDB (Ordinary Capital):	45 million	64.3	Inspection and supervision fee:	N/A	^(d)
IDB (KIF) ^(e) :	25 million	35.7	Weighted Average Life:	N/A	15.25 years
Total:	70 million	100.0	Approval currency:	U.S. dollar	
Project at a Glance					
Project objective/description: The general objective is to increase the Guatemalan public's access to fixed and mobile broadband. This will be achieved through the following specific objectives: (i) improve connectivity by investing in digital infrastructure; (ii) improve conditions for adopting digital infrastructure solutions; and (iii) build institutional and operational capacity to facilitate the development of a digital agenda.					
Special contractual conditions precedent to the first disbursement of the loan proceeds: The executing agency will have submitted to the Bank evidence that the program Operating Regulations have entered into force under the terms previously agreed upon with the Bank (paragraph 3.6). For conditions precedent to the first disbursement of a fiduciary nature, see paragraph 5.1 of Annex III.					
Special contractual conditions for execution: For special contractual conditions for execution of a fiduciary nature, see paragraph 5.2 of Annex III.					
Exceptions to Bank policies: None.					
Strategic Alignment					
Challenges: ^(f)		SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>
Crosscutting themes: ^(g)		GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>
				EI	<input type="checkbox"/>
				IC	<input checked="" type="checkbox"/>

^(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 Korea Infrastructure Development Cofinancing Facility for Latin America and the Caribbean (KIF) charges a 0.1% one-time, front-end fee on the approved loan amount payable within 60 days following the effective date of the contract.

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

^(e) Funds administered by the Bank under the KIF (document GN-2804, resolution DE-12/15). Agreement signed between the Government of the Republic of Korea and the Bank on 28 March 2015 and subsequently amended to increase the amount of the facility in April and October 2017.

- (f) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (g) GD (Gender Equity and Diversity); CC (Climate Change); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic context and competitiveness in Guatemala.** Between 2014 and 2019, Guatemala's economic growth averaged 3.5%. Over the same period, the fiscal deficit stood, on average, at 1.7% of GDP, creating headroom to mitigate the impact of the pandemic. The Bank of Guatemala projects that the economy will contract 1.5% in 2020 to rebound 4% in 2021. In November 2020, the monthly indicator of economic activity posted year-on-year change of 2%, an improvement over the level posted in May (-10.8%). In the second half of the year, family remittances grew 7.9%, which helped mitigate the economic impact of the COVID-19 pandemic. However, the country's moderate economic growth has not translated into better income distribution. Guatemala is the second most unequal country in the Northern Triangle and one of the six most unequal countries in Latin America.¹ The country has high poverty rates that reach 59%.² Guatemala scored 53.52 on the 2019 Global Competitiveness Index published by the World Economic Forum (WEF), which assesses how countries use their resources and abilities to provide high levels of prosperity to their residents. The country was ranked 98th out of 141 countries,³ slipping two places from 2018.
- 1.2 On 6 March 2020, the Guatemalan government declared a state of emergency and designated telecommunications as an essential activity and a key economic sector.⁴ The COVID-19 pandemic has underscored the importance of affordable access to telecommunications services. Gaps in access to and use of information and communication technologies (ICT) have limited the ability of the most vulnerable groups (older adults, low-income households, and residents of rural areas) to make use of telemedicine services, make consultations remotely, access online education, and work from home.
- 1.3 An econometric analysis of the economic impact of the severe acute respiratory syndrome-associated coronavirus (SARS CoV) in 2003 has shown that countries with better broadband infrastructure were able to counter the negative impact of the pandemic. According to one study,⁵ countries with developed connectivity infrastructure mitigated 75% of the economic losses from the severe acute respiratory syndrome (SARS) epidemic and the socioeconomic impact of the public health measures instituted. The crisis has shown that people must develop basic digital skills to be able to benefit from Internet use. After execution of the proposed program, Guatemala will be better prepared to handle this type of crisis in the future, thanks to the execution of connectivity infrastructure projects and the

¹ [World Development Indicators](#). World Bank.

² [World Development Indicators](#). World Bank.

³ [The Global Competitiveness Report 2019](#). WEF.

⁴ Government Decrees 5-2020, 6-2020, and 7-2020. Government Decree 15-2020 was ratified on 31 July 2020, extending the state of emergency for an additional 30 days. On 26 August 2020, Government Decree 17-2020 extended it again, until 5 October 2020.

⁵ [El Estado de la Digitalización de América Latina frente a la Pandemia COVID-19](#). Development Bank of Latin America.

development of policies that facilitate the adoption of ICT as a tool for human and economic development.⁶

- 1.4 **The telecommunications landscape.** The Broadband Development Index (2018) ranks Guatemala 61st out of the 65 countries studied.⁷ Foreign direct investment (FDI) in the telecommunications sector has stood at around US\$130 million per year over the last five years, accounting for approximately 11% of total FDI in Guatemala over that period. Despite this investment effort, Guatemala faces significant challenges. While 70% of the Guatemalan population (12.7 million) resides in 111 municipios (with more than 50,000 residents), the remaining 30% (5.4 million) is spread out across 222 municipios.⁸ For disadvantaged groups, the cost of broadband services is steep, with the cost of fixed broadband amounting to 28% of the monthly income of 40% of the low-income population, while the cost of mobile broadband amounts to 18% (paragraph 1.17). These figures are indicative of the fact that broadband services are less affordable than the averages for Central American countries (17% and 12%), Latin America and the Caribbean (16% and 10%), and the member countries of the Organisation for Economic Co-operation and Development (OECD) (2% and 3%) ([optional link 4](#), Sector Analysis). In Guatemala, there is a duopoly over mobile phone and Internet services, with two companies (Claro and Tigo) taking in more than 95% of the market. As of the third quarter of 2020, their market shares of the mobile telecommunications industry were 48.5% and 51.5%, respectively.⁹ As for mobile Internet, Claro's market share was 50.6%, while Tigo's was 44.9%.¹⁰
- 1.5 **The institutional framework for telecommunications.** The Ministry of Communications, Infrastructure, and Housing (CIV), through the Office of the Deputy Minister of Communications (VMC), seeks to offer the Guatemalan people greater opportunities by increasing connectivity (paragraph 1.19). The Superintendency of Telecommunications (SIT) is responsible for and has the capacity to regulate telecommunications markets, and it operates as a department of the VMC under Guatemalan law. The Telecommunications Development Fund (FONDETEL), which operates as a department of the VMC, was created as a financial/administrative vehicle to foster the development of telecommunications in low-income rural and urban areas in Guatemala, financing the subsidy for telecommunications projects. Currently, it is the department responsible for cellular telecommunications programs and projects.
- 1.6 **Ongoing challenges.** Inequality and poverty divides are exacerbated in places with less coverage of high-speed networks¹¹ ([optional link 3](#)). This lack of public connectivity services and goods limits the public's access to economic

⁶ [Digitalización: Herramienta de defensa ante la crisis del Covid-19 y para el desarrollo sostenible](#). Inter-American Development Bank (IDB).

⁷ [Broadband Development Index](#). IDB. This index measures the digital divide in the region through an analysis of 47 variables/indicators that affect the development of broadband in each country.

⁸ Estimates of total population by municipio, 2008-2020. National Statistics Institute of Guatemala.

⁹ Telegeography (2020).

¹⁰ Idem, footnote [9].

¹¹ The correlation between 4G coverage and poverty rates by department in Guatemala is 0.2845.

development. Improving the deployment of infrastructure has a direct impact on the Sustainable Development Goals.¹² According to the International Telecommunication Union (ITU), the percentage of individuals using the internet in Guatemala is 34%,¹³ below the averages for Latin America and the Caribbean (59%) and OECD countries (84%).¹⁴ The low level of access to fixed and mobile broadband is the general problem that this project has identified and will help address. This problem results from the following specific problems: (i) limited coverage of broadband infrastructure; (ii) a low level of digital skills; and (iii) limited institutional capacity to promote digitalization. The situation described above demonstrates the need to promote the digital delivery of government services to the public.

- 1.7 **Limited coverage of broadband infrastructure.** Only 64% of the population has mobile broadband coverage (compared to 67% in Latin America and the Caribbean and 97% for OECD countries). Adoption rates are among the lowest in Latin America and the Caribbean: penetration rates for fixed and mobile broadband stand at 3% and 10%, respectively, far below other Latin American and Caribbean countries (11% and 66%) and OECD countries (30% and 97%).¹⁵ This is mainly due to the fact that operators aggregate traffic in a backbone network and only deploy access networks in economically profitable areas, which creates infrastructure divides in rural and remote areas.¹⁶ These infrastructure divides between rural and urban areas generate inequalities that drive rural-urban migration, given the empirical evidence of the link between migration and underemployment.^{17,18} Figure 1 shows the ratio between the number of inhabitants and the number of mobile broadband antennas for the most popular broadband service in the country (the 3G service provided by Claro, a popular broadband operator). This figure indicates that the area with the largest infrastructure divide is in northwestern Guatemala, where access to 3G mobile broadband infrastructure is 300% scarcer¹⁹ than areas with better coverage in central and southern Guatemala. At present, the private sector has rolled out infrastructure for a backbone network that reaches the departmental capitals but has not developed last-mile infrastructure to connect public facilities to that network. Linking public facilities to the network will help improve connectivity of the areas where they are located and penetration and use indicators. Key to achieving this is having in place

¹² An increase of 1% in telecommunications helps reduce the poverty rate by 0.0132 percentage points. A. García et al. (2019). [The Impact of Digital Infrastructure on the Sustainable Development Goals](#). IDB.

¹³ Active Internet users, regardless of device, in the last three months. Definition of indicators. ITU.

¹⁴ Idem, footnote [7].

¹⁵ The digital gender divide is even wider: in Alta Verapaz, only one woman out of 10 residents uses the Internet.

¹⁶ Only 4% of schools are connected to the Internet, which limits access to educational content.

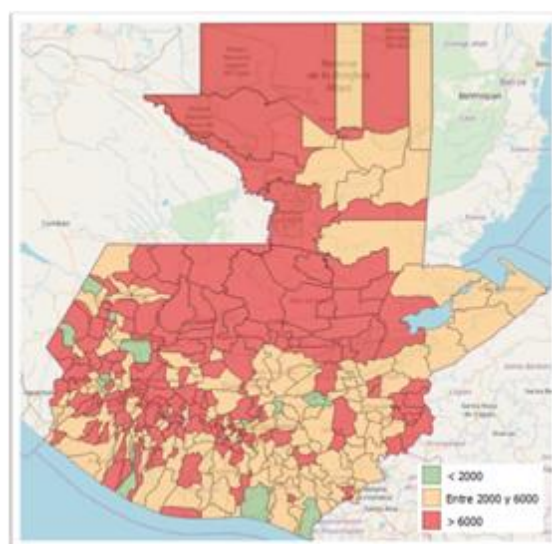
¹⁷ [Migración y capital social en la Guatemala rural](#). Rafael Landívar University. 2016.

¹⁸ [Migración y desarrollo rural en ALC](#). Food and Agriculture Organization of the United Nations. 2019.

¹⁹ Measured as the number of inhabitants per 3G antenna (Figure 1).

a network operation center²⁰ and a data center that boost the security and efficiency of the public services that the network will support.²¹

Figure 1. Inhabitants per 3G antenna



Source: [Claro Guatemala \(2019\)](#).

- 1.8 **Low level of digital skills and the gender divide.** Guatemala is ranked 107th out of 129 countries worldwide on the 2019 Global Innovation Index,²² which affects its competitiveness and its economic and social development. One contributing factor is the limited development of the digital economy, due to a lack of access to ICT and the infrequent use of digital infrastructure solutions.²³ On the WEF's Global Competitiveness Index, Guatemala scored just 3.3 points out of 7 on the "digital skills among active population" indicator, resulting in a rank of 125th worldwide.²⁴ Yet efforts to improve the active population's digital skills are slow to produce results, since they target children and young people, who do not become part of the active population for many years.²⁵ There is also a gender divide: the percentage of men who use the Internet is 1.1 points higher than the percentage of women. The percentage of women with higher education who are employed is also quite low: Guatemala is ranked 99th out of 129 countries.²⁶ This inequity

²⁰ A network operation center enhances the efficiency of infrastructure use and of the services provided using that infrastructure.

²¹ See benefits associated with data centers in Figure 2.2 in [Data Centers and Broadband for Sustainable Economic and Social Development Evidence from Latin America and the Caribbean](#). IDB.

²² [Global Innovation Index 2019](#). World Intellectual Property Organization.

²³ Idem, footnote [7].

²⁴ [The Global Competitiveness Report 2019](#). WEF.

²⁵ The Ministry of Education promotes [education and communication technologies, which focuses ICT on educational uses](#) and offers [specialized courses](#).

²⁶ Idem, footnote [7].

means that women face greater obstacles to harnessing digital technologies to bridge other gender divides (on the WEF's Global Gender Gap Index, Guatemala scored 0.666 out of 1 in the area of gender parity, resulting in a rank of 113 out of 153, with very low indicators in the education and skills area).²⁷ This is mainly due to: (i) a low level of digital education;²⁸ and (ii) low levels of training and certification of women in ICT (the percentage of women graduates from ICT programs is less than 1).²⁹ There are also significant digital divides affecting the indigenous population. According to the 2018 census, 16% of the Mayan population has Internet access, compared to 39% of the nonindigenous population. In certain linguistic communities (such as the Q'eqchi', Ixil, and Ch'orti' communities), Internet use is less than 10%. Furthermore, most Internet content is in Spanish and does not represent indigenous cultures,³⁰ making indigenous languages even more vulnerable.³¹

- 1.9 **Limited institutional capacity and lack of a digital agenda to promote digitalization.** Guatemala has a weak legal, regulatory, institutional, and public policy framework for ICT. Some of the core considerations regarding the development of digital services and technologies in the Telecommunications Act (Decree 94-96) and its reforms³² have become obsolete, which limits the SIT's regulatory capacity. The WEF ranks Guatemala 121st worldwide due to the country's institutional weaknesses and ranks it 90th in the area of "legal framework's adaptability to digital business models," giving the country a score of 3.3 out of 7.³³ Guatemala does not have a National Connectivity and Broadband Plan or a Digital Agenda that establishes guidelines for broadband development and the country's social and economic development. This is mainly due to: (i) weak institutional coordination for promoting digital solutions;³⁴ and (ii) weak development of human capital in digital infrastructure and solutions, which is reflected by Guatemala's rankings on the Global Innovation Index (117th out of 129 countries in research and development and 126th in technology creation).³⁵
- 1.10 **Climate change and challenges for the development of digital infrastructure in the country.** Guatemala's geography and climate variability heighten the country's risks to more frequent weather events ([optional link 5](#)). According to the Climate Risk Index, Guatemala was among the countries most vulnerable to

²⁷ [The Global Gender Gap Report 2020](#). WEF.

²⁸ Idem, footnote [7].

²⁹ Idem, footnote [2727].

³⁰ According to the United Nations Educational, Scientific, and Cultural Organization (UNESCO), there are 64 endangered languages in Central America, 23 of which are spoken in Guatemala. The five most important in Guatemala are K'iche' (922,378), Q'eqchi' (726,723), Mam (519,664), Kaqchikel (475,889), and Q'anjob'al (99,211).

³¹ According to the Permanent Forum on Indigenous Issues, no fewer than 40% of 6,700 languages are at risk of disappearing, based on calculations from 2016.

³² Decrees 115-97, 47-2002, 82-2002, and 11-2006.

³³ [The Global Competitiveness Report 2019](#). WEF.

³⁴ The CIV's internal operating regulations no longer fit the institution's needs and were reformed by means of [Executive Order 421-2001](#), which sets out the institution's organizational chart in detail.

³⁵ [Global Innovation Index 2019](#). World Intellectual Property Organization.

climate change over the 1996-2015 period.³⁶ The country is expected to be significantly more vulnerable by 2030, moving from “moderate” vulnerability (in 2010) to “high” vulnerability.³⁷ Faced with this systemic vulnerability to climate change, the Guatemalan government is undertaking and promoting efforts to reduce vulnerability and enhance adaptation processes in key sectors, including infrastructure. The country is committed to reducing its greenhouse gas emissions by 11.2% by 2030 (base year 2005). One pillar of the strategy to achieve that target is energy savings and efficiency.

- 1.11 **Bank support in the sector and lessons learned.** The Bank has provided multidimensional support in the form of: (i) updates to public policy and regulatory frameworks through the Program for Strengthening the Digital Agenda, Connectivity, Electronic Government and Digital Productive Transformation in Argentina (loan [4755/OC-AR](#)), the Program to Improve the Connectivity and Digitalization of the Economy in Colombia (loan [4701/OC-CO](#)), and the Public Policy Support Program for the New Economy in Paraguay (loan [4985/OC-PR](#)); (ii) support for the deployment of digital infrastructure, such as the Broadband Program in Nicaragua (loan [3612/BL-NI](#)), the Digital Agenda Support Program in Paraguay (loan [4650/OC-PR](#)), and the Puerto Cortés Expansion and Modernization Program in Honduras (loan [2470/BL-HO](#)); and (iii) the following loan and technical cooperation operations in Mexico: a Conditional Credit Line for Investment Projects (loan ME-O0004) with the Program for the Financing of the Shared Telecommunications Network (loan [4666/OC-ME](#)), which also featured the participation of IDB Invest, Support to the Strategic and Regulatory Modernization of the “Instituto Federal de Telecomunicaciones” (technical cooperation operation [ATN/OC-14768-ME](#)); and support for the Department of Communications and Transportation to prepare the Mexican National Broadband Plan (technical cooperation operation [ATN/OC-13987-ME](#)).
- 1.12 The main lessons learned from Bank interventions concern: (i) the importance of digitalization as a catalyst for fostering economic development. This lesson has been incorporated into the design of this program through Component 1, which entails linking public facilities to the network to promote digitalization; (ii) the need to obtain the agreement of the public facilities to be connected to the network, with the facilities assuming, once connected, the technical and sustainability commitments in a way that is conducive to making access to digital services universal (paragraph 3.5); (iii) the need for digital infrastructure to be developed to a degree that allows for the continuity of public services and digital solutions. Design of this operation has taken this into account in Component 1 (developing digital infrastructure to connect public facilities) and Component 2 (developing digital content and skills); (iv) the need for local counterparts to tap the support of the public facilities to be connected to the network to ensure that those facilities are cleared to receive digital connectivity equipment. This lesson is captured through the interagency coordination under Component 1; and (v) the importance of user engagement in finalizing the design of activities to develop digital content. This is incorporated into the program under Component 2, in the development of

³⁶ The Long-Term Climate Risk Index. [Germanwatch, 2017](#).

³⁷ DARA Climate Vulnerability Monitor, 2012.

content for training modules. The program will also benefit from the studies and publications on the digiLAC platform and the dialogue network established as part of the regional public goods initiative (technical cooperation operation [ATN/OC-17689-RG](#)).

- 1.13 **Technical cooperation.** Technical cooperation operation [ATN/KK-17690-GU](#) was approved and has been eligible for disbursement since December 2019. Its objective is to support improvement of the digital environment of Guatemala by developing a strategy to increase broadband connectivity (especially in rural areas) and developing policies that would facilitate new trends of broadband services. It will also support implementation of this program through prefeasibility studies and cost-benefit analysis associated with the program investments.
- 1.14 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy 2020-2023 (document AB-3190-2) and addresses the following development challenges: (i) productivity and innovation, by supporting the use of digital technologies in education and municipal government to support the continuity of the delivery of public services, especially in the current circumstances stemming from the COVID-19 pandemic; and (ii) social inclusion and equality, by increasing access to broadband³⁸ and improving service quality, especially in light of the fact that access to digital infrastructure will allow residents of areas far from large urban centers to benefit from comparable prices and service quality. The program is also aligned with the crosscutting themes of: (i) institutional capacity and the rule of law, by developing the institutional framework and strengthening the CIV's operational capacity; (ii) gender equity and diversity, by encouraging women to participate in digital skills training modules that help bridge the digital gender divide and developing a change management and communication strategy that reflects the country's ethnic diversity (paragraph 1.15); and (iii) climate change, through sustainable digital infrastructure that will help reduce the carbon footprint with the savings from fewer trips associated with investments in the sector and efficiency gains for processes in which digital infrastructure solutions will be used. For activities planned under the framework of Component 1, priority will be given to the installation of equipment that is the most energy efficient and most resilient to climate change and geophysical hazards. According to [the joint methodology of the multilateral development banks for tracking climate change adaptation finance](#),³⁹ 87.86% of the operation's resources are invested in climate change mitigation and adaptation activities. These resources contribute to the IDB Group target of increasing financing for climate-related projects to 30% of all approvals by the end of 2020. Furthermore, the program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12), through the following indicators: (i) students benefited by education projects; (ii) women beneficiaries of economic empowerment initiatives; and (iii) agencies with strengthened digital technology

³⁸ The extension will focus on points that can be easily connected (due to proximity to the backbone network and/or existing access points, taking advantage of existing infrastructure) and areas with a reasonable expectation of sustainability. The program will coordinate with sector agencies to determine the specific facilities that will be linked to the network based on these criteria.

³⁹ In coordination with specialists from the Climate Change and Sustainable Development Sector, guidelines and a checklist will be prepared for bidders to complete when submitting proposals ([optional link 5](#)).

and managerial capacity. The program also aligns with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2) through the action area of “improving innovation and productivity for growth and social welfare;” and it is consistent with the Innovation, Science, and Technology Sector Framework Document (document GN-2791-8) through the dimension of promoting the ability of Latin American and Caribbean economies to take full advantage of the potential of the digital economy. In addition, it aligns with the IDB Group Country Strategy with Guatemala 2017-2020 (document GN-2899)⁴⁰ inasmuch as it contributes to the priority area of reducing poverty and inequality through the strategic objective of improving access to quality education services and to the priority area of private sector development through the strategic objective of expanding and modernizing logistics infrastructure, thanks to the development and expansion of telecommunications infrastructure. Lastly, the operation is included in the Update of the Annex III of the 2020 Operational Program Report (document GN-2991-3).

- 1.15 **Special gender and diversity considerations.** This operation will help bridge the digital divide (paragraph 1.8) in rural areas and the digital gender divide in particular by encouraging women to participate in digital skills training courses and creating a communication strategy that reflects the country’s ethnic diversity⁴¹ (paragraphs 1.18 and 1.19).

B. Objectives, components, and cost

- 1.16 **Program objective.** The general objective is to increase the Guatemalan public’s access to fixed and mobile broadband.⁴² This will be achieved through the following specific objectives: (i) improve connectivity by investing in digital infrastructure; (ii) improve conditions for adopting digital infrastructure solutions; and (iii) build institutional and operational capacity to facilitate the development of a digital agenda.
- 1.17 **Component 1: Broadband infrastructure and connectivity (US\$61.5 million).** This component will finance the following activities: (i) expansion and outfitting of access networks, with the goal of connecting approximately 3,214 public facilities⁴³

⁴⁰ The Country Strategy is still current and in the transition period.

⁴¹ Emphasis will be placed on science, technology, engineering, and mathematics. The operation will also develop programs (particularly for young indigenous people) to develop digital content in Mayan languages and applications that reinforce identity and learning, with a particular emphasis on children and young people.

⁴² The program will be implemented in the departments of San Marcos, Huehuetenango, Quiché, and Alta Verapaz, but will generate positive externalities throughout the country.

⁴³ Such as municipally owned buildings and public schools. Buildings belonging to Municipal Development Councils (COMUDES) and Community Development Councils (COCODES) in urban and rural areas are expected to benefit from the program, in addition to city halls.

⁴⁴ using existing infrastructure⁴⁵ and the outfitting of necessary telecommunications equipment (paragraph 2.2);⁴⁶ (ii) implementation (installation and outfitting) of a State data center and an internet exchange point⁴⁷ using existing infrastructure, to provide, in accordance with good practices for broadband network security and efficiency, services including a private cloud for the State (the data center's objective will be to store and process public data that will be used to develop platforms for public service delivery); and (iii) deployment of a network operation center,⁴⁸ in accordance with good practices for broadband network security and efficiency, whose core will consist of a series of equipment and systems. The objective of the network operation center will be to monitor the networks financed under the program and identify potential problems with the connectivity of public facilities and the platforms hosted on the data center, with the ultimate goal of initiating the process of addressing the incidents. Procurements of goods and infrastructure will give priority to solutions that are highly energy efficient and that have climate change risk management experience, in addition to taking into account the special considerations concerning interagency coordination (paragraph 3.5).

- 1.18 **Component 2: Increase in digital skills⁴⁹ (US\$4 million).** This component will finance the development of digital trainings on the use of the technology and equipment for the public facilities connected to the network, with the goal of training trainers who will then conduct courses and workshops to help internal (civil servants and officials) and external (the public) users develop digital skills (at basic and advanced levels). In implementation of these activities, special attention will

⁴⁴ The connection of public facilities to the network will be carried out through bidding processes in which the private sector will present the most cost-effective solutions in view of the identified service needs and technical specifications. The bidding processes will be linked to subsidies for procurement of Internet access and connectivity services. The program will work with the Ministry of Education and the corresponding municipalities to prioritize 3,214 sites, adhering to the following criteria: (i) potential impact (number of users benefited, public employees trained, etc.); (ii) potential savings (difference between available commercial offers and network delivery costs); and (iii) the agreement of the school or municipal government to be connected to the network, which will assume the service maintenance and sustainability commitments once connected. Specific connectivity needs stemming from the COVID-19 pandemic will also be taken into account. All told, 3,014 of Guatemala's 8,000 public schools should be connected. Bidding processes will be technologically neutral, and the required price and quality conditions will be set forth in the bidding specifications. See section 2.4 of the [program Operating Regulations](#) for details on the prioritization criteria. Guatemala currently receives support from several international organizations to improve the conditions, equipment, and infrastructure of its health care system. In addition to the IDB, these organizations include the World Bank, the Central American Bank for Economic Integration, and the European Union, with which the Bank is coordinating execution of loan [4691/OC-GU](#).

⁴⁵ Acquiring indefeasible rights of use allows the rights holder to make use of a portion of the capacity of a fiber optic cable for a given amount of time. Normally it applies to dark fiber (inactive, not connected to equipment), which is lit (activated) by being connected to optical equipment.

⁴⁶ This equipment (e.g., router) includes active components that are used to make existing passive infrastructure (e.g., communications towers) operational, thereby leveraging its capacity to offer broadband services with the most suitable technology (e.g., wired or wireless).

⁴⁷ IXP.

⁴⁸ NOC.

⁴⁹ This component concerns the creation of content as well as the creation of spaces to develop digital solutions.

be given to Guatemala's cultural diversity, and there will be a strong emphasis on giving priority to women in the digital training process and on producing content in indigenous languages. In this way, the program should help bridge the digital gender divide and contribute to digital inclusion of indigenous communities, encouraging these two demographic groups to take advantage of the opportunities offered by ICT^{50,51} (paragraph 1.8).

- 1.19 **Component 3: Strengthening of the institutional framework and operational capacity for developing the digital agenda (US\$3 million).** This component will finance the following activities: (i) the design of a new management structure for the CIV's VMC, identifying new departments whose objectives will be confined to ensuring successful implementation of the digital agenda and the sustainability of the public telecommunications policy; (ii) design and implementation of a change management strategy that supports program sustainability; (iii) design and implementation of a communication strategy that reflects the country's ethnic diversity and encourages partnerships with the private sector and civil society; (iv) development and implementation of a software that uses georeferencing to identify obstacles to the development of digital infrastructure at the municipal level, which will help expedite deployment at the priority public facilities; (v) technical training for employees from key institutions;⁵² and (vi) preparation of digital transformation policies that aim to bridge the digital gender divide and promote the digital inclusion of indigenous communities, with due regard to socioeconomic conditions in Guatemala.^{53 54 55}
- 1.20 **Program administration.** The estimated cost of program administration is US\$1.5 million, which includes monitoring, audits, and evaluation.
- 1.21 **Beneficiaries.** The beneficiaries will be the schools and public agencies connected to the network as well as the students and members of the general public who make use of access to digital services at the connected public facilities (public schools and municipally owned buildings described in [optional link 3](#)) in the departments of Quiché, Alta Verapaz, San Marcos, and Huehuetenango. The program will also benefit Guatemalans who improve their digital skills thanks to the training modules offered. The CIV will also benefit, as it will improve its institutional capacity for the digitalization of public services in the country.

⁵⁰ Aligned with the recommendations of the 2018 National Encounter of Digital Activists for Indigenous Languages, such as creating online digital content in various Mayan languages spoken in Guatemala.

⁵¹ Digital content will be designed through a participatory process with indigenous peoples in the target area who will benefit from the project.

⁵² The CIV.

⁵³ In Guatemala, at least 25 initiatives that promote the use of indigenous languages in digital media have been identified.

⁵⁴ Aligned with the recommendations from "Multilingualism in Cyberspace: Indigenous Languages for Empowerment," a conference organized by UNESCO and held in 2015, the National Distance Education University, and the Government of Costa Rica, which include the need for public policies that promote respect and recognition of indigenous cultures and their languages.

⁵⁵ The development of public policies for digital inclusion of indigenous communities will be carried out through a participatory process with beneficiary indigenous peoples to ensure a suitable level of indigenization.

C. Key results indicators

- 1.22 **Expected impact and outcomes.** The impacts of this specific investment loan will be: (i) enhanced digital inclusion in Guatemala, measured through the percentage of Internet users per 100 inhabitants; and (ii) the reduction in carbon dioxide (CO₂) emissions, measured through the percentage reduction in CO₂ emissions, described in [optional link 5](#). The expected outcomes are: (i) better quality and price of digital infrastructure, measured through broadband line penetration per 100 inhabitants; (ii) the development of digital infrastructure solutions that foster the digital economy and reduce the digital gender divide,⁵⁶ measured through the percentage of students who get certified or complete the digital skills course; and the percentage of women who have completed at least 40 hours of digital skills training; and (iii) strengthened institutional capacity, measured through the “adaptability to digital business models” indicator.
- 1.23 **Economic analysis.** For the economic analysis, the benefits were calculated by quantifying some of the program’s expected direct positive effects, which were selected based on their quantitative relevance and availability of data and parameters for monetarily quantifying their size. The most important of these effects are the increase in broadband service adoption among the public and the reduction in its cost. Considering a social discount rate of 12% and a five-year evaluation horizon, the project yields a net present value of US\$36.1 million, an internal rate of return of 22%, and a cost-benefit ratio of 1.67. The expected economic result was also sensitized, adjusting three variables considered key due to their potential impact on the program’s economic result: (i) the increase in the adoption rate for broadband services generated by the project; (ii) the expected reduction in the price of fixed broadband services; and (iii) the expected reduction in the price of mobile broadband services ([spreadsheet](#) from the [economic analysis](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is a specific investment loan consisting of US\$45 million from the Bank’s Ordinary Capital and US\$25 million from the Korea Infrastructure Development Cofinancing Facility for Latin America and the Caribbean (KIF). There will be no local counterpart contribution. The disbursement period will be five years.⁵⁷

⁵⁶ The expansion of digital infrastructure will also facilitate the delivery of Internet services to strategic sectors (e.g., education) thanks to connections at public facilities.

⁵⁷ The disbursement period was calculated based on the infrastructure needed for the data center, the commissioning of that infrastructure, and capacity building at the institutions involved.

Table 1. Budget by source

Component	KIF	IDB	Total	%
Component 1: Broadband infrastructure and connectivity	20,750,000	40,750,000	61,500,000	87.8
▪ Public buildings/sites, connected	16,500,000	36,500,000	53,000,000	75.7
▪ Data center and internet exchange point, operational	3,750,000	3,750,000	7,500,000	10.7
▪ Network operation center, deployed	500,000	500,000	1,000,000	1.4
Component 2: Increase in digital skills	2,000,000	2,000,000	4,000,000	5.7
▪ Digital training	2,000,000	2,000,000	4,000,000	5.7
Component 3: Strengthening of the institutional framework and operational capacity for developing the digital agenda	1,500,000	1,500,000	3,000,000	4.3
▪ Design of a new VMC management structure	250,000	250,000	500,000	0.7
▪ Design and implementation of a change management strategy for a public digital transformation policy	200,000	200,000	400,000	0.6
▪ Design and implementation of a communication strategy	100,000	100,000	200,000	0.3
▪ Development and implementation of software to identify obstacles to the development of digital infrastructure at the municipal level	250,000	250,000	500,000	0.7
▪ Technical training for employees of key institutions in the public ICT ecosystem	250,000	250,000	500,000	0.7
▪ Development of digital transformation policies that aim to close the digital gender divide and promote the digital inclusion of indigenous communities	450,000	450,000	900,000	1.3
Administration, monitoring, audits, and evaluation	750,000	750,000	1,500,000	2.1
Administration	500,000	500,000	1,000,000	1.4
Monitoring	37,500	37,500	75,000	0.1
Audits	37,500	37,500	75,000	0.1
Evaluation	175,000	175,000	350,000	0.5
Total	25,000,000	45,000,000	70,000,000	100

Table 2. Tentative disbursement schedule (US\$)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
KIF	575,000	5,621,125.3	8,471,253.4	5,158,753.4	5,173,867.9	25 million
IDB	1,035,000	10,118,025.6	15,248,486.6	9,285,756.1	9,312,731.7	45 million
Total	1.61 million	15,739,150.9	23,719,740.0	14,444,509.5	14,486,599.6	70,000,000
% per year	2.3%	22.5%	33.9%	20.6%	20.7%	100%

B. Environmental and social risks

- 2.2 In accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), this program has been classified as a Category "C" operation since there are no expected environmental or social risks associated with the proposed activities. The program will only use existing infrastructure and will only contract services from providers and companies already on the market. Compliance with applicable local regulations and the restriction to the use of existing infrastructure will be included in the [program Operating Regulations](#), which must be approved as a condition precedent to the first disbursement (paragraph 3.6).

C. Fiduciary risks

- 2.3 An institutional capacity assessment using the methodology of the institutional capacity assessment platform was performed in July 2020, and a risk management exercise was conducted, with the participation of FONDETEL officials. The analysis found that the program's fiduciary risk is medium and identified the following high-level risk: (i) execution delays due to the limited availability of human resources, a lack of experience with execution of Bank-financed operations, and limited experience with execution of investment expenses. The proposed mitigation measures are: (a) verification that the FONDETEL officer and responsible staff who are reporting officers (the procurement specialist and the financial management specialist) will be supported by consultants who have experience with Bank processes to streamline procurement and financial management, and (b) fiduciary training, assistance, and supervision provided by the Bank. The following medium risks were also identified: (ii) delays in expected program procurements due to the executing agency not following the provisions of Bank policies. The proposed mitigation measures are: (a) the members of the qualification boards will be staff who have experience with the program governance framework and Bank policies, (b) the members of the qualification boards will receive training in advance, with Bank support, and (c) procurement management procedures, flows, responsibilities, and timelines will be set out in the program Operating Regulations; (iii) delays in execution due to budgetary allocations that are too low or not expedient enough for program financial execution. The proposed mitigation measures are: (a) a program structure will be created to identify the investment program within the FONDETEL budget; and (b) there will be comprehensive planning of activities and identification of budget requirements so allocations can be processed in a timely fashion; (iv) delays in execution due to financial quotas that are too low and/or not expedient enough for financial execution of the program. The proposed mitigation measures are: (a) timely planning of financial quotas in accordance with the financial plan, and (b) coordination with the lead agency; (v) delayed payments to contractors and suppliers. The proposed mitigation measures are: (a) the plan of payments to contractors and suppliers will be monitored on a regular basis, and (b) the program Operating Regulations will include effective procedures and flows that set out actions, responsible parties, and time frames; (vi) ineffective contract management. The proposed mitigation measures are: (a) the contract management certificate will be implemented as a tool for contract monitoring, and (b) the parties responsible for contract management will be established; and (vii) challenges in preparing and executing complex procurement processes, to be

mitigated by coordination between FONDETEL's technical offices and the procurement specialist, with the support of the consultant with experience with Bank policies.

D. Other key risks and issues

2.4 The other project risks that have been identified are the following:

- a. **Fiscal sustainability.** One high-level risk identified is the lack of resources to ensure the sustainability of the solutions financed under the program. To mitigate this risk, the CIV's activities will include the preparation of a sustainability plan, financed with program resources (paragraph 1.19).
- b. **Public management and governance.** The following high-level risks were identified: (i) the lack of a communication strategy for bidding processes and for projects implemented under the program. To mitigate this risk, a change management and communication strategy will be designed and implemented, which will be included as one of the outputs under the proposed components (paragraph 1.19); and (ii) the lack of a mechanism that sets out clear, standardized rules for the CIV and encompasses the participation of other actors and the development of local training to promote digitalization. To mitigate this risk, a governance model that sets out the rules for the participation of other actors (paragraph 3.3) will be designed and implemented, and the program strategic/operational coordination mechanisms set out in paragraph 3.5 will be taken into account.

2.5 **Program sustainability.** The program will finance a change management strategy for the public digital transformation policy,⁵⁸ which will be used to estimate costs and identify potential sources of financing for economic sustainability, as well as trainings for employees of key institutions in the public ICT ecosystem to ensure the technical skills necessary for operational sustainability. To ensure the maintenance of the assets acquired by the program, maintenance obligations will be included in the contracts. In addition, one criterion for the prioritization of municipios will be the availability of resources for maintenance, and this commitment will be reflected in the agreements signed with the municipios, which will be included in the program [Operating Regulations](#).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

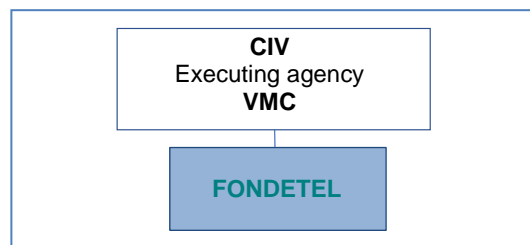
3.1 **Execution mechanism.** The program's executing agency will be the Ministry of Communications, Infrastructure, and Housing (CIV) through the Telecommunications Development Fund (FONDETEL). FONDETEL, which is a department within the VMC,⁵⁹ will act as the program execution unit (PEU).

⁵⁸ Notably: (i) the development of public policy actions to foster skills and service adoption on the demand side; and (ii) the reduction of the cost of network deployment thanks to infrastructure sharing and regulations that facilitate infrastructure deployment at the municipal level.

⁵⁹ Executive Order 311-19. Regulations of the Ministry of Communications, Infrastructure, and Housing.

- 3.2 FONDETEL will be responsible to the Bank for program execution, and its primary duties will include: (i) carrying out the procurement processes envisaged under the program and supervising their implementation; (ii) preparing (a) the annual work plan; (b) the procurement plan, (c) the multiyear execution plan and any modifications thereto; (d) semiannual progress reports; and (e) the audited financial reports; and (iii) contracting the preparation of the midterm and final evaluations and submitting the respective reports to the Bank.
- 3.3 To carry out these functions, FONDETEL's responsibilities will include planning, monitoring, project management, administration, procurement management, financial management, environmental and social management, and communications. During program execution, FONDETEL's General Manager will act as program coordinator,⁶⁰ tapping one official from the Finance Department to serve as the financial management specialist and one official from the Administrative Department to serve as the program procurement specialist. Thus, the program execution team will include, at a minimum: (i) the program coordinator; (ii) a procurement specialist; and (iii) a financial specialist.⁶¹ In addition, financing will be provided for the following consultants to support program execution: one to support the procurement specialist, one with experience with Bank policies to support the financial specialist, one to support monitoring and planning, one to support communications, one to provide legal support, and technical support for each component, as needed and in accordance with the profiles set forth in the [program Operating Regulations](#).

Figure 2. Structure of the executing agency for execution



Source: Prepared by the authors.

- 3.4 The program coordinator will have the following duties: (i) liaising with the Bank; (ii) planning and monitoring; (iii) procurement management; (iv) administering program resources, which includes processing disbursement requests and preparing reports on the use of funds; (v) preparing and submitting to the Bank the multiyear execution plan, annual work plan, procurement plan and modifications thereto, semiannual progress reports, audited financial reports, the midterm evaluation report, the final evaluation report, and other documents listed in the

⁶⁰ The program coordinator, as the General Manager of FONDETEL, is a reporting officer under the terms of the Budget Act Regulations, as are the financial management specialist and the procurement specialist.

⁶¹ These staff members will not be financed with operation funds and are the responsibility of the executing agency.

program Operating Regulations; and (vi) supervising management of the program's environmental and social risks, if necessary.

3.5 Strategic/operational coordination mechanisms for program implementation.

To ensure successful implementation of program activities and their sustainability, each year the CIV will issue a call for interest to public schools and buildings owned by municipal governments in the intervention area so they can express their interest in getting connected to the network and their commitment to sustainability and maintenance of that connection. In the case of the schools, permission will be obtained from the Ministry of Education. The parties will agree to their responsibilities in an agreement, as described in the program [Operating Regulations](#). When the call for interest has ended, FONDETEL will prioritize the sites based on impact and technical specifications agreed upon with the Ministry of Education and the corresponding municipality as established in the criteria mentioned in paragraph 1.17 (footnote [44]). The coordination mechanism will be discussed in greater detail in the [program Operating Regulations](#).

3.6 Special contractual conditions precedent to the first disbursement of the loan proceeds. The executing agency will submit to the Bank evidence that the [program Operating Regulations](#) have entered into force under the terms previously agreed upon with the Bank. This is key to ensuring successful execution of the program since it will set forth in detail the guidelines and procedures to be followed by the executing agency. For contractual conditions precedent to the first disbursement of a fiduciary nature, see paragraph 5.1 of Annex III.

3.7 Procurement of works, goods, and consulting and nonconsulting services. Procurements financed with loan proceeds will be carried out in accordance with the policies set forth in documents GN-2349-15 and GN-2350-15.

3.8 Audits. During execution, the CIV, through FONDETEL, will submit audited financial statements for the program on an annual basis, under the terms required by the Bank. The program will require the selection of an independent audit firm eligible for the Bank in Guatemala, or audits can be conducted by the Office of the Comptroller General (CGC). Yearly audited financial statements will be submitted within 120 days after the end of the fiscal year, and the final audited financial statements will be submitted within 120 days after the date of the last disbursement.

B. Summary of arrangements for monitoring results

3.9 Monitoring and supervision system. The outcome and output indicators set out for each component in the results matrix and reflected in the progress monitoring report will be used to measure program progress and evaluate fulfillment of its objectives. The executing agency will be responsible for maintaining data collection and monitoring systems. The multiyear execution plan will include: (i) an estimated budget; (ii) an updated [procurement plan](#); (iii) expected results matrix indicators; (iv) planned activities; and (v) an execution timeline. FONDETEL will also submit semiannual progress reports within 60 days after the end of each six-month period. The tools for program monitoring are discussed in greater detail in the [monitoring and evaluation plan](#).

- 3.10 **Monitoring by the Bank.** The Bank will conduct administrative missions and inspection visits. FONDETEL will prepare the progress monitoring report, which will project disbursements and the attainment of physical targets and outcomes. Yearly meetings with the Bank will be held to discuss: (i) progress on the activities identified in the annual work plan; (ii) level of fulfillment of the results matrix indicators; (iii) the annual work plan for the following year; and (iv) a procurement plan for the next 12 months and potential modifications of the per component budget allocations. The executing agency commits to maintaining a system for monitoring and evaluation of all components, which it will use to prepare the reports and data delivered to the Bank. The executing agency will have a consultant responsible for monitoring program activities ([monitoring and evaluation plan](#)).
- 3.11 **Evaluation.** The results matrix and [monitoring and evaluation plan](#) will be used for program evaluation. There will be a midterm and a final evaluation covering the technical, administrative, and financial aspects of the program as well as an ex post cost/benefit analysis. The midterm evaluation will be prepared once 50% of program proceeds have been disbursed or three years have passed from the date of the first disbursement of the proceeds of either program loan (whichever occurs first). The final evaluation will be prepared once 90% of program proceeds have been disbursed, and its goal will be to verify progress toward fulfillment of the targets set for each of the expected outcomes and generation of outputs by component. Outside services will be contracted to prepare the two evaluations, the cost of which will be included in the program budget. The PEU will submit the respective evaluation reports to the Bank within 30 days of their completion. The Bank will prepare a project completion report, which will be submitted within 180 days after the last disbursement. The project completion report will be based on the executing agency's semiannual progress reports, progress monitoring reports, the results matrix, audited financial reports, the midterm and final evaluation reports, and the results of the evaluation workshops, as well as any studies, investigations, or other actions deemed relevant.
- 3.12 **Impact evaluation.** The proposed evaluation methodology is a randomized controlled study. The program will carry out a pilot study that entails the delivery of different types of information and development at the level of the public facility. The unit of analysis will be the trained user. In other words, information campaigns will be randomly assigned to the public facilities that are connected to the network, and impact analyses will be conducted with the proposed treatment and control groups. The expected result is to generate evidence to offer public policy recommendations.

Development Effectiveness Matrix		
Summary		GU-L1175
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	<div>-Social Inclusion and Equality</div> <div>-Productivity and Innovation</div> <div>-Gender Equality and Diversity</div> <div>-Climate Change</div> <div>-Institutional Capacity and the Rule of Law</div>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<div>-Students benefited by education projects (#)</div> <div>-Women beneficiaries of economic empowerment initiatives (#)</div> <div>-Agencies with strengthened digital technology and managerial capacity (#)</div>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2899	Contribution to the priority areas of: (i) Reducing poverty and inequality, through the strategic objective of Improving access to quality education services; and (ii) Private sector development, through the strategic objective of expanding and modernizing logistics infrastructure, via the development and expansion of telecommunication infrastructure.
Country Program Results Matrix	GN-2991-3	The intervention is included in the 2020 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		7.1
3.1 Program Diagnosis		1.6
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.0
4. Ex ante Economic Analysis		6.5
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		7.8
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		3.8
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	A TC was approved (ATN/KK-17690-GU) whose objective is to support the improvement of digital environment through the development of a strategy to increase broadband connectivity (especially in the rural areas) and the development of policies that will facilitate new broadband service trends, and also will support the implementation of this program.

Evaluability Assessment Note: The main goal of the operation is to increase the access of Guatemalan citizens to fixed and mobile broadband. The proposal defines three specific areas of intervention. The first area proposes an improvement of internet connectivity through an investment in digital infrastructure. The second area aims to improve the adoption of digital solutions, and the third area proposes an increase of institutional capacity to develop a digital agenda in the country.

The project proposal diagnosis describes a low coverage and access of citizens to the internet; almost 3% of the Guatemalan population have access to fixed broadband and 10% to mobile broadband. Additionally, the diagnosis presents a gap between rural and urban areas; in fact, the northeast region concentrates the lowest rates of connectivity infrastructure. Additionally, the diagnosis presents a limited offer of digital skills training. The diagnosis also shows a weak institutional framework for developing public policies in telecommunications. Overall, the diagnosis identifies problems and their causes.

The solutions are aligned with the problems. There is no evidence on effectiveness for some proposed solutions in the country. Some results targets are not based on evidence.

The economic analysis provides a quantification of some economic benefits. It quantifies benefits associated with an increase of the broadband users and the benefits related to an increase in human capital derived from digital skills training. The assumptions on the magnitude of the expected benefits are not based on evidence. The calculus does not show benefits related to the institutional strengthening activities included in the third component. The costs include maintenance and investments associated with the loan. The analysis concludes the project has a net present value of US\$36.08 million.

Monitoring relies on reports by UIT and semesterly reports from CIV. The evaluation plan includes an impact evaluation. The evaluation aims to quantify the effect of component two on the creation of human capital, employment, and the inclusion of women in ICT.

RESULTS MATRIX

Project objective:	The general objective is to increase the Guatemalan public's access to fixed and mobile broadband. This will be achieved through the following specific objectives: (i) improve connectivity by investing in digital infrastructure; (ii) improve conditions for adopting digital infrastructure solutions; and (iii) build institutional and operational capacity to facilitate the development of a digital agenda.
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EXPECTED IMPACT

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
Impact 1: Improved digital inclusion in Guatemala										
Percentage of Internet users per 100 inhabitants	%	34.5	2019	36%	40%	45%	50%	58%	58%	International Telecommunication Union (ITU) statistics.
Impact 2: Reduction in carbon dioxide (CO₂) emissions										
Percent reduction in CO ₂ emissions ¹	%	0	2019	0.0033%	0.09%	0.28%	0.38%	0.52%	0.52%	World Bank statistics.

¹ Component 1 of the operation will finance the expansion of the broadband network to public buildings owned by municipal governments and public schools in northwestern Guatemala through the acquisition of rights to existing fiber optic cables, the installation and outfitting of a data center, and the acquisition of equipment to operate those networks and a network control center. To align procurements with efforts to mitigate climate change and promote infrastructure resilience, priority will be given to the installation of the equipment that is the most energy efficient and that best handles potential climate risks based on the location of the infrastructure and its characteristics.

EXPECTED OUTCOMES

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Outcome 1: Improving the quality and price of digital infrastructure											
Penetration of broadband lines per 100 inhabitants.	Broadband lines / 100 inhabitants	3	2019	4	7	9	14	17	17	ITU statistics	Broadband line penetration will be used as a proxy for the expected outcome of the improvement to the quality and price of infrastructure under the program. Better digital infrastructure supply will translate into a wider adoption of the service.
Outcome 2: Development of digital infrastructure solutions that foster the digital economy and bridge the digital gender divide											
Percentage of students who get certified or complete the digital skills course.	%	0	2019	-	-	70	75	80	80	Output 4, Target 2: Digital skills trainings offered.	
Percentage of women who have completed at least 40 hours of digital skills training.	%	0	2019	-	-	15	20	25	25	Output 4, Target 2: Digital skills trainings offered	Pro-gender indicator, since it establishes a minimum percentage of women (25%, one-fourth of the total) who have completed a minimum amount (40 hours, equivalent to a full work week) of digital skills training.
Outcome 3: Improved institutional capacity											
Adaptability to digital business models	1-7	3.2	2019	4.0	4.2	4.3	4.4	4.5	4.5	Global Innovation Index	The World Economic Forum's "adaptability to digital business models" indicator measures the institutional framework's ability to promote an ecosystem where digital businesses and solutions flourish. Component 3 should have a positive impact on this indicator.

OUTPUTS

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Component 1: Broadband infrastructure and connectivity											
Output 1: Public buildings/sites connected to the network.	# of units	0	2019	-	803	803	804	804	3,214	Program status report	
▪ Target 1: Public schools connected to the network.	# of public schools	0	2019	-	753	753	754	754	3,014	Program status report	
▪ Target 2: Municipally owned buildings connected to the network.	# of municipally owned buildings	0	2019	-	50	50	50	50	200	Program status report	The buildings will include 101 city halls and 99 buildings belonging to Municipal Development Councils (COMUDES) or Community Development Councils (COCODES).
Output 2: State data center and internet exchange point (IXP), implemented.	# of data centers/IXP	0	2019	-	-	-	-	1	1	Program status report	
Output 3: Network operation center (NOC), deployed.	# NOC / Security Operation Center (SOC)	0	2019	-	-	-	-	1	1	Service certification reports	
Component 2: Increase in digital skills											
Output 4: Digital trainings developed.	# of active digital training programs	0	2019	1	1	1	1	1	5	Program status report	Pro-gender and pro-diversity indicator, since the educational content organized into digital training modules will focus on the country's cultural diversity and emphasis will be placed on giving priority to women in

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
											the digital training process and on the production of content in indigenous languages. In this way, the program should help bridge the digital gender divide and contribute to digital inclusion of indigenous communities, encouraging both groups to take advantage of the opportunities offered by information and communication technologies (ICT).
▪ Target 1: Digital training modules developed.	# of modules	0	2019	4	4	4	4	4	20	Program status report	
▪ Target 2: Digital skills trainings offered.	# of trainings	0	2019	40	40	40	40	40	200	Program status report	
Component 3: Strengthening of the institutional framework and operational capacity for developing the digital agenda											
Output 5: Design of a new management structure for the Office of the Deputy Minister of Communications (VMC).	# of systems	0	2019	-	-	-	1	-	1	Program status report	
▪ Target 1: Detailed current state assessment, prepared.	# of assessments	0	2019	1	-	-	-	-	1	Assessment report	The assessment will include an exhaustive analysis of the organization and its procedures as well as the IT systems, human resources, and logistical resources available for its operations, as well as

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
											an analysis of the organizational climate. The analysis will cover strategic, mission-related, and support areas.
▪ Target 2: 2020-2025 Strategic Plan, designed.	# of plans	0	2019	1	-	-	-	-	1	Strategic plan document	The document will set out the VMC's vision, mission, and values, shape the strategic sector portfolio, and include a strategic roadmap based on its mission-based role and defined according to its legal framework, with annual targets.
▪ Target 3: Management instruments, approved.	# of instruments	0	2019	-	5	8	-	-	13	Legal / institutional order approving the instruments	
▪ Target 4: Change management strategy, designed and implemented.	# of strategies	0	2019	-	1	-	-	-	1	Strategy document Implementation management report	
Output 6: Change management strategy for a public digital transformation policy.	# of strategies	0	2019	-	-	1	-	-	1	Strategy document	An analysis will be prepared of the strategic actions that will contribute to those identified by the Ministry of Communications, Infrastructure, and Housing (CIV) to ensure the sustainability of each

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
											of the operation's components after program end. The plan will include a mix of short-, medium-, and long-term actions to ensure the continuity of the outputs financed by the program.
Output 7: Communication strategy, designed and implemented.	# of strategies	0	2019	-	-	-	1	-	1	Strategy document	A communication mechanism will be developed, both for internal CIV communications and for communications with various industry actors. The model will set out clear, standardized rules that ensure an appropriate dissemination of results and coordination with both public and private actors.
Output 8: Tool to facilitate infrastructure deployment at the municipal level, developed and implemented.	# of tools	0	2019	-	1	-	-	-	1	Program status report	
Output 9: Employees of key institutions in the public ICT ecosystem, trained.	# of people	0	2019	-	50	100	50	-	200	Training implementation report List of attendees	

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Output 10: Digital transformation policies, prepared.	# of policy documents	0	2019	-	1	-	-	-	1	Program status report Policy document	Pro-gender and pro-diversity indicator, since the digital transformation policies will include guidelines that aim to bridge the digital gender divide and promote the digital inclusion of indigenous communities, taking into account socioeconomic conditions in Guatemala.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Republic of Guatemala
Project no.:	GU-L1175
Name:	Program for the Digital Transformation of Guatemala for Inclusive Access to Connectivity
Executing agency:	Ministry of Communications, Infrastructure, and Housing (CIV), acting through the Telecommunications Development Fund (FONDETEL)
Prepared by:	Marcela Hidrovo and Rodrigo Castro (VPC/FMP)

I. SUMMARY

- 1.1 The fiduciary agreements on procurement and financial management for the program take into account: (i) the fiduciary context of the country; and (ii) the institutional capacity analysis of the Ministry of Communications, Infrastructure, and Housing's (CIV) Telecommunications Development Fund (FONDETEL) using the institutional capacity assessment methodology and the associated assessment of fiduciary risks.

II. FIDUCIARY CONTEXT OF THE COUNTRY

- 2.1 **Country Procurement System.** Guatemala's procurement system has been built upon the framework established by Decree 57-92 of 27 October 1992, the "Public Procurement Act."¹ The lead agency of the procurement system is the Ministry of Public Finance, which acts through the Public Procurement Office. Public procurement processes are carried out using the GUATECOMPRAS public procurement information system.
- 2.2 **Financial management system.** Guatemala's public financial management system consists of the Integrated Financial Management System (SIAF) and the Government Audit System (SAG). The SIAF is made up of subsystems for public budget, government accounting, national treasury, public credit, and procurement, and its lead agency is the Ministry of Public Finance, which acts through its Budget, Accounting, Treasury, Public Credit, and Procurement Regulations offices, respectively. The SAG consists of the Government Audit System, whose lead agency is the Office of the Comptroller General (CGC).

¹ Reformed by Congressional Decrees 45-2010, 6-2011, 9-2015, and 46-2016. The regulations for the latest reform were issued via Executive Order 172-2017 of 2 August 2017, "Regulations for the Public Procurement Act."

III. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 3.1 The borrower will be the Republic of Guatemala, and the executing agency will be the CIV, acting through FONDETEL.² FONDETEL, a department under the Office of the Deputy Minister of Communications (VMC³), will act as the program execution unit (PEU).
- 3.2 FONDETEL will be responsible to the Bank for execution, and its primary fiduciary duties will include: (i) conducting the procurement processes planned for the program and supervise implementation; and (ii) preparing the: (a) annual work plan; (b) procurement plan; (c) multiyear execution plan and modifications thereto; and (d) audited financial reports. FONDETEL will also be responsible for planning and monitoring processes, project management, procurement management, and financial management. FONDETEL's General Manager will act as the program coordinator⁴ and will have a fiduciary team that includes two reporting officers⁵ responsible for procurement and financial management, who will be supported by two consultants with experience in financial management and procurement processes under Bank policies and financed with program funds.
- 3.3 For financial management, the Financial Management Guidelines for IDB-financed Projects (document OP-273-12 or the version currently in effect) and the SIAF regulations will apply. Guatemala's Budget Act regulates the budget, accounting, treasury, and public credit subsystems that are part of the SIAF and operate according to the principle of regulatory centralization and operational decentralization. FONDETEL is subject to all budget, accounting, and treasury regulations for this type of institution and must obtain the approval of the Ministry of Public Finance for certain procedures.
- 3.4 For procurement, the policies contained in documents GN-2349-15 and GN-2350-15 (or the versions currently in effect) will apply, and the GUATECOMPRAS portal will be accepted exclusively as an information system for announcing procurement processes.

IV. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 4.1 The Institutional Capacity Assessment of FONDETEL found that the institution has a regulatory framework, uses the SIAF, and has institutional procedure manuals but in practice lacks: (i) experience managing a volume of resources like the one entailed by this program; (ii) experience managing investment projects financed with external or Bank resources; and (iii) staff with enough availability and the

² <http://fondetel.gob.gt/>.

³ Executive order 311-19, Regulations establishing the Ministry of Communications, Infrastructure, and Housing.

⁴ The program coordinator, as the General Manager of FONDETEL, is a reporting officer under the Budget Act regulations, as are the financial management specialist and the procurement specialist.

⁵ Employees who are reporting officers are accountable to the CGC, pursuant to Article 53 of the National Budget Act: Public officials and civil servants who administer funds from reimbursable or nonreimbursable international aid must be hired under line 011 or line 022 (contractual employees), to ensure they are accountable and serve as reporting officers as part of their administrative management (Article 33 of Decree 13-2013).

required fiduciary skills to execute the program according to Bank policies. In light of the above, the assessment found that FONDETEL has a medium level of development for executing projects financed with external resources.

- 4.2 As a result of the analysis, it was determined that the program's fiduciary risk is medium. The following risk, rated high, has been identified: (i) execution delays due to the limited availability of human resources, a lack of experience with execution of Bank-financed operations, and limited experience with execution of investment expenses. The proposed mitigation measures are: (a) verification that the FONDETEL officer and responsible staff who are reporting officers (the procurement specialist and the financial management specialist) will be supported by consultants who have experience with Bank processes to streamline procurement and financial management, and (b) fiduciary training, assistance, and supervision provided by the Bank. The following medium risks were also identified: (ii) delays in expected program procurements due to the executing agency not following the provisions of Bank policies. The proposed mitigation measures are: (a) the members of the qualification boards will be staff who have experience with the program governance framework and Bank policies, (b) the members of the qualification boards will receive training in advance, with Bank support, and (c) procurement management procedures and flows will be set out in the program Operating Regulations; (iii) delays in execution due to budgetary allocations that are too low or not expedient enough for program financial execution. The proposed mitigation measures are: (a) a program structure will be created to identify the investment program within the FONDETEL budget; and (b) there will be comprehensive planning of activities and identification of budget requirements so allocations can be processed in a timely fashion; (iv) delays in execution due to financial quotas that are too low and/or not expedient enough for financial execution of the program. The proposed mitigation measures are: (a) timely planning of financial quotas in accordance with the financial plan, and (b) coordination with the lead agency; (v) delayed payments to contractors and suppliers. The proposed mitigation measures are: (a) the plan of payments to contractors and suppliers will be monitored on a regular basis, and (b) the program Operating Regulations will include effective procedures and flows that set out actions, responsible parties, and time frames; (vi) ineffective contract management. The proposed mitigation measures are: (a) the contract management certificate will be implemented as a tool for contract monitoring, and (b) the parties responsible for contract management will be established; and (vii) challenges in preparing and executing complex procurement processes, to be mitigated by coordination between FONDETEL's technical offices and the procurement specialist, with the support of the consultant with experience with Bank policies.

V. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

- 5.1 **Special contractual conditions precedent to the first disbursement of the loan proceeds: (i) The Borrower will have opened at the Bank of Guatemala subaccounts for each financing source, in U.S. dollars and attached to the treasury single account, into which the loan proceeds will be disbursed and from which program-related payments will be made, as referred to in**

Article 4.01(c) of the General Conditions. This condition was prompted by a request from the borrower and is included in all loan contracts so that the Bank of Guatemala can authorize the opening of accounts in U.S. dollars; **and (ii) for the purposes of the provisions of Article 4.01(d) of the General Conditions, the borrower will have assigned specific budgetary codes, by financing source (Ordinary Capital (OC) and the Korea Infrastructure Development Cofinancing Facility (KIF)), to identify the loan in the Integrated Accounting System (SICOIN), pursuant to the borrower's current regulations and in the name of the program as established in the loan contract.** This condition is justified in order to ensure that the country financial management system can be used without the need to keep auxiliary or parallel books in Excel, which will facilitate program execution and financial reporting by financing source

5.2 Special contractual conditions for execution. The following will be the special contractual conditions for execution:

- a. The contract will include the following provisions to be observed when national competitive bidding (NCB) is used: (i) participation will not be restricted to suppliers from Bank member countries and suppliers from non-member countries will not be declared ineligible; (ii) no percentages of origin, preference margins, or registration requirements will be established; (iii) considerations to be included in bidding documents; and (iv) the members of the evaluation committees or boards will be familiar with the program governance framework and Bank procurement policies. The program Operating Regulations will establish specific criteria for forming those committees or boards, and the PEU will be responsible for monitoring compliance. This is justified by the need to ensure that eligible companies, firms, and consultants have equal opportunity to compete and to ensure that the procedures set out in Bank policies are applied when evaluating bids and proposals.
- b. **Use of disbursement modalities established in document OP-273-12 (or the version currently in effect).** As a general rule, the advance of funds modality will be used, based on a financial plan in accordance with the real liquidity needs of the program for a period no longer than six months or another reasonable period to be determined during execution, subject to prior fulfillment and documentation of payments made. The following disbursement can be processed once supporting documentation has been provided for 80% of the previous advance. Disbursements will be subject to ex post review. Expenses incurred after the date the loan contract enters into effect will be recognized as eligible expenditures.
- c. The exchange rate used for program financial reporting will be the one in effect on the transaction date as reported by the Bank of Guatemala. Earnings generated as a result of exchange differentials or interest may be used to finance expenditures relevant to program objectives.

VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

6.1 Procurement execution. For procurement and contracting, the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15)

and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15) will apply as follows:

- a. **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services arising under the program and subject to international competitive bidding (ICB) will be executed using the standard bidding documents issued by the Bank. Bidding processes subject to NCB will be carried out using documents agreed upon with the Bank. The program sector specialist will be responsible for reviewing the technical specifications of procurements during the preparation of bidding processes.
 - (i) **Procurement of information and communications technology (ICT) systems.** The Bank's ICT specialist will provide advisory support for designing provisions for these procurements. Where applicable, use of the standard bidding document for information systems is recommended.
- b. **Selection and contracting of consultants.** Consulting services contracts generated under the program will be executed using the standard request for proposals issued by or agreed upon with the Bank, based on whether the shortlist is international or national. The program sector specialist will be responsible for reviewing the terms of reference for the contracting of consulting services.
- c. **Selection of individual consultants.** The contracting of individual consultants will adhere to the provisions set forth in document GN-2350-15, Section V, paragraphs 5.1 through 5.4, pursuant to the methods set out in the procurement plan.
- d. **Use of the country procurement system.** In document GN-2538-26, the Bank approved the use of the electronic reverse auction system or subsystem up to the shopping threshold for goods and/or nonconsulting services, which may be applied once the required measures for its implementation have been fulfilled. The GUATECOMPRAS information system is accepted exclusively for advertising purposes.
- e. **Thresholds applicable to the program.** The recommended thresholds for the use of ICB and an international shortlist of consultants are those established for Guatemala (<http://www.iadb.org/procurement>).

Table 1. Threshold amounts (in U.S. dollars)

International advertising (works)	Shopping (works)	International advertising (goods) ⁶	Shopping (goods)	International advertising (consulting services)	Shortlist 100% national
≥US\$1,500,000	<US\$150,000	≥US\$150,000	<US\$25,000	≥US\$200,000	<US\$200,000

⁶ Includes nonconsulting services.

- 6.2 **Main procurements.** The main procurements to be financed with Bank resources are goods to outfit data and network operations centers; nonconsulting services related to the expansion and outfitting of access networks; and services from consulting firms. Once the program is approved, the PEU will be responsible for preparing the procurement plan.⁷ The procurement specialist will provide assistance and ensure that the procurements are appropriate and of the required quality in accordance with the Bank's procurement policies, which will require the issuance of an expert opinion.

Table 2. Main procurements (in thousands of U.S. dollars)

Activity	Selection method	Estimated date of request for proposals / Invitation	Estimated amount
Goods			
Telecommunications equipment and servers for the data center	ICB	2021	7,500
Equipment and systems for the network operations center	ICB	2022	1,000
Nonconsulting services			
Expansion and outfitting of access networks	ICB	2021	53,000
Digital skills development courses and workshops (multiple processes)	NCB	2022	1,000
Consulting services			
Development of educational content for digital training modules for trainers	Quality- and cost-based selection (QCBS)	2022	2,000
Development of digital transformation policies with the objective of bridging the digital gender divide and promoting the digital inclusion of indigenous communities	QCBS	2022	900
Design and implementation of a new organizational structure within the VMC	QCBS	2022	500
Development and implementation of a software for identifying obstacles to the development of digital infrastructure at the municipal level	QCBS	2021	500
Design and implementation of a change management strategy for a public digital transformation policy	QCBS	2022	400

* To access the 18-month procurement plan, see this [link](#).

⁷ Documents GN-2349-15 (paragraph 1.18) and GN-2350-15 (paragraph 1.25). The borrower shall prepare and, before loan negotiations, furnish to the Bank for its approval, a Procurement Plan acceptable to the Bank for an initial period of at least 18 months.

- 6.3 **Procurement supervision.** The procurement supervision method will be ex ante review. Fiduciary procurement visits will be conducted at least once every six months in accordance with the program's supervision plan and will include at least one physical inspection visit.⁸
- 6.4 **Records and files.** The PEU will be responsible for maintaining program records and files, using the formats and procedures agreed upon and set forth in the program Operating Regulations.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 7.1 **Programming and budget.** Guatemala's integrated accounting system (SICOIN) will be used for operational management of the budget. For program execution, a budget unit and a budget program with an investment classification for each financing source, as well as a multiyear investment program, will be created, to enable planning of the budget and financial requirements for program execution. This will be included in the loan contract as a special contractual condition for execution (see Section V).
- 7.2 **Accounting and information systems.** Program accounting and records will be decentralized and managed by FONDETEL through SICOIN, which is the sole source of information on the use of program funds and can be used to show a breakdown of funds by source of financing. The existing accounts and expense structure will be used, and there will be no special chart of accounts. Supporting documentation for payment transactions will remain on file at FONDETEL, which will be responsible for keeping records and making payments charged against the program. The transactions will be converted at the exchange rate reported by the Bank of Guatemala on the date of the transaction.
- 7.3 **Disbursements and cash flow.** The treasury single account mechanism is acceptable for managing the Bank-financed resources. The resources received as advances of funds will be consistently deposited into two secondary U.S. dollar accounts under the single treasury account, one for each source (OC and KIF). Payments to suppliers, beneficiaries, and contractors will be made from those secondary accounts. Since the program has two financing sources (OC and KIF), they will be handled as subloans.
- 7.4 The Bank will disburse funds from each financing source using advances of funds or any other modality established in document OP-273-12. Advances of funds will be made based on a financial plan generated from the multiyear execution plan reflecting real payment needs for a period no longer than six months, provided that the payments are made on time and properly documented. Subsequent disbursements can be processed once supporting documentation has been submitted for 80% of the prior advances from each source. If necessary, use of the accommodations established in document OP-273-12 may be considered.
- 7.5 **Internal control and audits.** The country's internal audit subsystem will not be used.

⁸ Physical inspections verify the existence of the items procured, leaving verification of quality and compliance with specifications to the sector specialist.

- 7.6 **External control and reports.** The program financial statements will be audited on an annual basis by an external audit firm in Guatemala eligible for the Bank or by the CGC in accordance with its manual on auditing special financial statements for IDB-financed projects. The terms of reference will be previously agreed upon with the Bank. The audit firm will be hired no more than 120 days before the end of the year to be audited. It is strongly recommended that only one hiring process be carried out for the entirety of program execution until program end. During execution, the audited financial statements will be submitted annually, within 120 days after the closing date of each fiscal year or, in the case of the final audit, the date of the last disbursement. In addition, the IDB may request audited or unaudited financial reports related to the program whenever deemed necessary.
- 7.7 Pursuant to the IDB's current access to information and information disclosure policy, the program's audited reports will be published in Bank systems.
- 7.8 **Financial supervision.** Financial management will be supervised through consultations of budget information, payments, and accounting in SICOIN and the multiyear execution plan. In addition, at least one financial fiduciary oversight visit is planned for each year, and the unaudited financial information prepared by the executing agency will be reviewed.

VIII. EXECUTION MECHANISMS

- 8.1 **Execution mechanism.** See paragraphs 3.1, 3.2, and 3.3 of the loan proposal.

**PROGRAM FOR THE DIGITAL TRANSFORMATION OF GUATEMALA FOR INCLUSIVE ACCESS TO
CONNECTIVITY**

GU-L1175

CERTIFICATION

The Grants and Co-Financing Management Unit (ORP/GCM) certifies that the referenced operation¹ will be financed through:

Funding Source	Fund Code	Currency	Amount Up to
Korea Infrastructure Development Co-Financing Facility for Latin America and the Caribbean	KIF	USD	25,000,000

Certified by: (Original Signed
Maria Fernanda García
Chief
Grants and Co-Financing Management Unit
ORP/GCM

28/Aug/20
Date

¹ In case of Project Specific Grants (PSG) or Financial Intermediary Fund (FIF), the availability of resources is contingent upon the signature of the agreement between the Donor and the Bank and the receipt of the resources.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Guatemala. Loan ____/KI-GU to the Republic of Guatemala
Program for the Digital Transformation of Guatemala for
Inclusive Access to Connectivity

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, acting as the Administrator of the Korea Infrastructure Development Co-financing Facility for Latin America and the Caribbean ("the Facility"), 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 for the Digital Transformation of Guatemala for Inclusive Access to Connectivity. Such financing will be for an amount of up to US\$25,000,000 from the resources of the Facility, 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 ____ 2021)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Guatemala. Loan ____/OC-GU to the Republic of Guatemala
Program for the Digital Transformation of Guatemala for
Inclusive Access to Connectivity

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 for the Digital Transformation of Guatemala for Inclusive Access to Connectivity. Such financing will be for the amount of up to US\$45,000,000 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 ____ 2021)

LEG/SGO/CID/EZSHARE-317695454-16732
GU-L1175