PROJECT PERFORMANCE ASSESSMENT REPORT

GUATEMALA

Enhanced Fiscal and Financial Management for Greater Opportunities DPL Series

Report No. 141817

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PROJECT PERFORMANCE ASSESSMENT REPORT
GUATEMALA
Fiscal Space for Greater Opportunities:
First Programmatic DPL (P131763) (IBRD-82030)

and

Enhanced Fiscal and Financial Management for Greater Opportunities:
Second Programmatic DPL (P133738) (IBRD-83850)

November 14, 2019

Human Development and Economic Management

Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Guatemalan Quetzal (GTQ)

2015	$1.00	7.76
2016	$1.00	7.60
2017	$1.00	7.35
2018	$1.00	7.52

Abbreviations

CES	Consejo Económico Social (Economic and Social Council)
DPL	development policy loan
GDP	gross domestic product
IDB	Inter-American Development Bank
IMF	International Monetary Fund
M&E	monitoring and evaluation
PPAR	Project Performance Assessment Report
SAT	Superintendencia de Administración Tributaria (tax administration service)

All dollar amounts are U.S. dollars unless otherwise indicated.

Fiscal Year

Government: January 1 – December 31

Director-General, Independent Evaluation	Ms. Alison Evans
Director, Strategy and Operations	Ms. Sophie Sirtaine
Manager, Country Programs and Economic Management	Mr. Jeff Chelsky
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Contents

Box

Tables

Appendixes

This report was prepared by Željko Bogetić (task team leader), with research assistance support from Jorge Coj, Amshika Amar, and Johan Lopez, who assessed the program during May–August 2019. The report was peer-reviewed by Konstantin Atanesyan and panel-reviewed by Robert Lacey. Carla Fabiola Cole and Dung Thi Kim Chu provided administrative support.

Principal Ratings

Operation 1: Fiscal Space for Greater Opportunities: First Programmatic Development Policy Loan (P131763), Approved on September 27, 2012

Operation 2: Enhanced Fiscal and Financial Management for Greater Opportunities: Second Programmatic Development Policy Loan (P133738), Approved on June 17, 2014

Indicator	ICR[a]	ICRR[a]	PPAR
Outcome	Moderately satisfactory	Moderately satisfactory	Moderately unsatisfactory
Risk to development outcome	Substantial	Substantial	High
Bank performance	Satisfactory	Moderately satisfactory	Moderately unsatisfactory
Borrower performance	Moderately satisfactory	Moderately satisfactory	Moderately unsatisfactory

Note: ICR = Implementation Completion and Results Report; ICRR = Implementation Completion and Results Report Review; PPAR = Project Performance Assessment Report.
a. The ICR is a self-evaluation by the responsible Global Practice. The ICRR is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR.

Key Staff Responsible

Fiscal Space for Greater Opportunities

Management	Appraisal	Completion
Project team leader	Marco Antonio Hernandez Ore	Marco Antonio Hernandez Ore
Sector Manager or Practice Manager	Pablo Saavedra	Pablo Saavedra
Sector Director or Senior Global Practice Director	John Panzer	John Panzer
Country Director	J. Humberto Lopez	J. Humberto Lopez

Enhanced Fiscal and Financial Management

Management	Appraisal	Completion
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Sector Director or Senior Global Practice Director	J. Humberto Lopez	John Panzer
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Preface

This Project Performance Assessment Report (PPAR) evaluates a series of two development policy loans (DPLs) to Guatemala: Fiscal Space for Greater Opportunities ($200 million, P131763), and Enhanced Fiscal and Financial Management for Greater Opportunities ($340 million, P133738). The assessment aims to verify whether the operation achieved its intended outcomes, to understand what worked well and what did not, and to draw lessons for the future.

The PPAR was prepared by Željko Bogetić (task team leader) under the supervision of Jeff Chelsky (manager). Preparation benefited from research analyst support from Jorge Coj during the Guatemala mission and team assistance from Jairi Yesenia Hernandez Coro in the Guatemala City office. Research support from Amshika Amar and Johan Lopez and team assistance from Dung Thi Kim Chu and Carla Fabiola in the Washington, DC, office are also gratefully acknowledged. The PPAR team wishes to express sincere gratitude to the government officials, stakeholders, and World Bank staff interviewed, who provided their perspectives and valuable information in the course of this assessment.

The first DPL was approved on September 27, 2012, declared effective on November 21, 2013, and closed as planned on December 31, 2013. The second loan was approved on June 17, 2014, declared effective on February 26, 2015, and closed as planned on March 31, 2015 (Appendix A). Delays in effectiveness were due to the long process for obtaining Parliament's approval of the loans. Both loans were fully disbursed on effectiveness. The World Bank extended the DPL series in support of the government's program, which included tax reform, the Fiscal Pact, and the Zero Hunger Pact. There was no parallel program with the International Monetary Fund (IMF). The World Bank coordinated with the IMF and Inter-American Development Bank, the main development partners, on budget support–related issues and policy dialogue.

This report presents findings based on a review of program documents, Implementation Completion and Results Reports, Implementation Completion and Results Report Reviews, supervision reports, IMF and World Bank reports, and other relevant materials. An Independent Evaluation Group mission visited Guatemala City during April 22–27, 2019, to interview government officials and other stakeholders, including World Bank, IMF, and Inter-American Development Bank staff (see appendix C for the complete list of persons interviewed). World Bank staff members, representatives of development partners, and other information providers were also interviewed at headquarters. Following standard Independent Evaluation Group procedures, the draft PPAR was sent to the borrower for comments; no comments were received.

Summary

The objectives of the series were to (i) strengthen tax administration and tax policy, (ii) strengthen budget management and increase the results orientation of public spending, and (iii) improve the management and coordination of social policies.

Relevance of objectives was **substantial**. They were closely aligned with the World Bank's strategy and the government's priorities. They were relevant to country conditions, in particular the need to address the long-standing problems of low domestic revenue mobilization and the adequacy and quality of public spending, especially that directed toward the poor. Relevance of design was **modest**. Key policy areas were identified through analytical work, especially the Public Expenditure Review, and through policy dialogue. However, the links between policy measures and intended results were not always clear, and the results indicators were not sufficiently outcome oriented. Underlying political economy factors behind the long-standing problem of low government revenues were not addressed. Instead, it was assumed that the technical design and focus on upstream revenue measures would be enough to ensure parliamentary passage of the key tax reforms and their effective implementation. This approach, however, ran against Guatemala's history of legislative and interest group resistance to tax reform.

Achievement of the objectives was **modest**. Targeted increases in government revenues did not materialize; rather, by the end of 2018, the ratio of revenue to gross domestic product was a full percentage point lower than at the inception of the program in 2012. No data are available to gauge improvements in tax administration. Evidence on results-based budgeting is mixed and suggests that formal adoption had not yet translated into improved results. The creation of the new Ministry of Social Development and the activities of the Economic and Social Council raised awareness of social issues and involved various stakeholders and achievement in this area has been more substantial, but coordination of social policies does not appear to have improved significantly. Reflecting substantial relevance of objectives, modest relevance of design, and modest achievement of objectives, the overall outcome for the series is assessed as **moderately unsatisfactory**.

The reasons for the limited achievement of the tax administration and tax policy objectives lie in the complex and deep-seated forces that prevent government revenues from increasing on a sustainable basis. First, there is a strong ideological opposition to higher government revenues among influential groups in Parliament, the private sector, and the government. Second, low revenues mean that public investment and pro-poor programs are seriously underfunded. This situation, together with widespread corruption, crime, violence, and political scandals, has resulted in low public trust in

government. Third, an estimated 80 percent of economic activity in Guatemala is in the informal sector, reflecting a culture of noncompliance and lack of trust in government. Finally, the tax administration's weak capacity has constrained the scope of reform.

Bank performance, both at entry and during implementation, was **moderately unsatisfactory**. Program design did not adequately consider or address the deeply rooted opposition to reform of tax administration and tax policy. Prior actions, and links between objectives and results indicators, were weak. The monitoring and evaluation design had significant shortcomings, such as the absence of any indicator measuring improvement in tax administration. Supervision missions noted inadequate progress but could not resolve issues stemming from design weaknesses.

This Project Performance Assessment Report offers the following lessons:

- Tax administration and tax policy reforms in the face of major governance issues and long-standing opposition from influential interest groups are unlikely to be successful, even if backed by the World Bank's analytical support, policy dialogue, and financing. Under these conditions, directly and indirectly targeting the governance issues over a longer period is necessary.

- Achieving progress on results budgeting requires strengthening of capacity, political commitment, sound monitoring and evaluation indicators, and cross-agency collaboration.

- Achieving results in policy lending requires a sound results framework, a credible theory of change, close linking of objectives with policy actions, and outcome-oriented target indicators.

Sophie Sirtaine

Director, Strategy and Operations
Independent Evaluation Group

1. Background and Context

1.1 After the conclusion of the 36-year civil war and the peace accord in 1996, Guatemala's subsequent governments have attempted to rebuild institutions and the fiscal revenue base, deal with the pressing postconflict issues, and restart broad-based growth conducive to poverty reduction. Guatemala, a lower-middle-income country with a per capita income of $4,060 and a population of 17 million in 2017, is the largest economy in Central America. During the 2011–18 period, despite political tensions and institutional weaknesses, the government maintained low fiscal deficits, public debt, and inflation, reflecting long-standing political aversion to fiscal and monetary instability.

1.2 Growth averaged above 3 percent, but per capita growth was much lower due to a rapid increase in population, even after large-scale emigration. Extreme poverty, measured by the international poverty line of $1.9 per person per day, fell from 11.1 percent of the population in 2006 to 8.7 percent in 2015 (the latest estimate), but poverty measured at the much higher national poverty line shows an unfavorable trend, increasing from 51.0 percent to 59.3 percent. Indigenous peoples have the highest level of poverty. During the same period, the income Gini coefficient declined from 54.6 but remains high at 48.3. The Human Development Index lags that of the Latin America and the Caribbean region. Persistent low government revenues have severely limited financing for basic public services and public investment. Weak institutional quality is reflected in Worldwide Governance Indicators,[1] which showed no significant improvement over the past two decades. Crime, violence, and corruption are identified as significant problems for both security and efficient functioning of the public and private sectors (World Bank 2005, 2012c).

1.3 The context for the development policy loan (DPL) series was characterized by a major and long-standing policy and development challenge: a government revenue–to–gross domestic product (GDP) ratio of only 11.6 percent in 2011 (one of the lowest in Latin America), reflecting a restricted tax base and limited nontax sources of revenues (Table 1.1). The World Bank Group's Systematic Country Diagnostic attributed high and persistent poverty in Guatemala to, among other factors, a weak social safety net, directly attributable to limited availability of financing (Sanchez, Scott, and Lopez 2016). This is of particular concern given households' high vulnerability to frequent natural disasters. Previous country diagnostics have repeatedly pointed to this issue and its importance for broader economic progress.

> "The greatest macroeconomic challenge for Guatemala lies in improving its internationally low public revenue–to-GDP ratio. The Peace Accords set a target of 12 percent of GDP to be reached by 2002, a significant increase from the level

that existed at the time of the Accords (7.9 percent). Unfortunately, progress has been slower than expected and the dearth of public funds continues to limit investments in key growth-enhancing investments, including those that are critical to boost the pace of economic and social progress. Moreover, with a relatively low level of tax receipts, fiscal policy has few degrees of freedom to accommodate shocks and provide countercyclical stimulus when needed." (World Bank 2005, iii)

1.4 Why has the revenue-to-GDP ratio not risen in the face of massive social and investment needs?[2] Various studies point to interaction among factors, including a low-trust social equilibrium, fragmented social contract, and weak taxpayer culture, where the private sector and households do not trust the government and resist participation in the formal, tax-paying economy. These factors are reinforced by the extremely limited services that the government is able to provide to its citizens, as well as by sizable tax expenditures in favor of select sectors and enterprises (World Bank 2012c, 16).

1.5 In reviewing performance at the time of the first DPL's approval, the Independent Evaluation Group's Country Partnership Strategy Completion Report Review for Guatemala drew the following lesson for future Bank Group engagement in Guatemala:

"The most important of these [lessons] is the need for realism in the assessment of the prospects for results, with a much sharper focus on the degree of ownership of various stakeholders and the effects this is likely to have on prospects for policy reform and institutional development. The political economy factor overwhelms any of the design and implementation factors under the WBG's [World Bank Group's] control." (World Bank 2012a, 2)

Table 1.1. Guatemala Select Economic Indicators, 2011–18

Indicator	2011	2012	2013	2014	2015	2016	2017	2018
Real GDP	4.2	3	3.7	4.2	4.1	3.1	2.8	3.1
CPI (end of period)	6.2	3.8	4.3	3.4	2.4	4.4	4.4	4.4
Fiscal indicators *(% of GDP)*								
Budgetary expenditure	14.4	14	13.8	13.4	12.3	12.1	12.1	12.3
Wages and salaries	3.8	3.8	4.0	4.1	4.2	4.0	4.0	4.0
Interest payments	1.4	1.5	1.6	1.4	1.6	1.5	1.4	1.4
Capital expenditures	3.2	2.9	3.0	2.9	2.2	2.1	2.2	2.4
Budgetary revenue	11.6	11.6	11.6	11.5	10.8	11	10.8	10.6
Budget balance	−2.8	−2.4	−2.1	−1.9	−1.4	−1.1	−1.3	−1.8
Monetary and external indicators								
Credit to private sector *(% of GDP)*	28.7	31.7	33.1	33.6	35.2	35.9	37.3	34.3
Interest (end of period)	—	—	5.0	4.0	3.0	3.0	2.7	—
Current account balance	−3.4	−2.6	−3.2	−2.1	−0.2	1.5	1.1	0.8
Foreign direct investment	—	—	−2.3	−2.2	−1.7	−1.6	−1.3	−1.0
Net international reserves *($, millions)*	—	6,197	6,433	6,587	7,077	7,498	7,498	—
Public debt *(% of GDP)*	23.9	24.6	25.1	24.3	24.2	24.5	24.7	24.5
Short-term debt *($, billions)*	2.3	0.9	0.9	0.9	0.8	0.9	1.1	—
Short-term debt *(% of total reserves)*	13.8	13.0	13.0	10.9	10.1	9.0	—	—
Credit rating (Moody's)	—	—	—	—	Ba1	Ba1	Ba1	Ba1
GDP, nominal *($, billions)*	47.7	50.4	53.9	58.7	63.8	68.7	74.6	78.9

Sources: Bank of Guatemala; International Monetary Fund (IMF) 2019; IMF DataMapper, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD; IMF, *Fiscal Monitor;* IMF International Financial Statistics database; Moody's, https://www.moodys.com/credit-ratings/Guatemala-Government-of-credit-rating-600011455; Statistical Institute of Guatemala; World Bank Data Catalog, https://datacatalog.worldbank.org/dataset/international-debt-statistics; World Bank Open Data, https://data.worldbank.org/indicator/DT.DOD.DSTC.IR.ZS?locations=GT&view=chart.
Note: — = not available; CPI = consumer price index; DPF = development policy financing; DPL = development policy loan; GDP = gross domestic product.

Table 1.2. Development Policy Loan Projections versus Outturn of Select Economic Indicators, 2012–18

Indicator	2012	2013	2014	2015	2016	2017	2018 (projected)
Real GDP growth *(%)*							
At the time of DPL approval (Sept. 2012)	3	3.5	3.5	3.6	3.6	—	—
As of 2018[a]	3	3.7	4.2	4.1	4.1	3.1	2.8
Difference (actual minus projected)[b]	0	0.2	0.7	0.5	−0.5	3.1	2.8
Government revenues *(% of GDP)*							
At the time of DPL approval (Sept. 2012)	11.7	11.7	11.9	11.9	11.9	—	—
As of 2018[a]	11.6	11.6	11.5	10.8	11.0	10.8	10.9
Difference (actual minus projected)[b]	0.1	0.1	0.4	1.1	0.9	—	—

Sources: Bank of Guatemala; International Monetary Fund (IMF) 2019; IMF DataMapper, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD; IMF, *Fiscal Monitor;* IMF International Financial Statistics database; Statistical Institute of Guatemala; World Bank Data Catalog, https://datacatalog.worldbank.org/dataset/international-debt-statistics; World Bank Open Data, https://data.worldbank.org/indicator/DT.DOD.DSTC.IR.ZS?locations=GT&view=chart.
Note: The values for 2012 for "As of 2018" are from the Guatemala 2016 IMF Article IV Consultation report (IMF 2016). The values for 2013 and 2014 for "As of 2018 (projected)" are from the Guatemala 2016 IMF Article IV Consultation report (IMF 2016). For the line "At the time of DPL [development policy lending] approval," the value for 2012 is actual, and values for 2013–17 are projections from the DPL program document. The value for 2018 is the projection from the 2018 IMF Article IV Consultation report (June 8, 2018) (IMF 2018a). — = not available; CPI = consumer price index; DPL = development policy loan; GDP = gross domestic product.
a. Actual values for years 2012–17 and projection for 2018 are from the Guatemala Article IV Consultations for 2016 and 2018.
b. Values calculated as the difference of the 2018 projection and values at the time of DPF approval (Sept. 2012).

1.6 Against this backdrop, a new government led by President Otto Perez Molina, who took office in January 2012, declared its intention to implement tax reform to broaden the tax base, eliminate exemptions, and improve revenue collection. However, results were disappointing: in 2013, both revenue collection and budgetary cash flow were below expectations. By 2014, government revenues had increased by only 0.25 percent of GDP rather than the 1.25 percent that was planned (table 1.2; IMF 2014, 7). Despite maintenance of low fiscal deficits, the government experienced a cash flow crisis, which provided additional motivation to seek budget support from the World Bank.

1.7 The World Bank responded by preparing a programmatic series of two budget support operations: Fiscal Space for Greater Opportunities (DPL 1, $200 million), approved on September 27, 2012, and Enhanced Fiscal and Financial Management for Greater Opportunities (DPL 2, $340 million), approved on June 17, 2014. The DPLs were made effective and disbursed on approval. No International Monetary Fund (IMF) program was in place during this period, although the World Bank consulted the IMF during preparation and during the policy dialogue.

2. Relevance of the Objectives and Design

Objectives

2.1 The series' development objectives were to "(i) strengthen tax administration and tax policy; (ii) strengthen budget management and increase the results orientation of public spending; and (iii) improve the management and coordination of social policies" (World Bank 2014, iv, 9). They were substantially relevant at the time of preparation and remain so today. They were consistent with the government's agenda to promote growth and social development and with the pillars of the Country Partnership Strategy, presented to the World Bank Board of Executive Directors (the Board) jointly with DPL 1. The relevance of the objectives is further highlighted by the fact that for decades Guatemala has had one of the lowest revenue-to-GDP ratios in the world and, therefore, very limited resources with which to address pervasive poverty and extreme social inequities. The objectives of the series were also linked to the government's Fiscal Pact and Zero Hunger Pact targeting improvements in fiscal and nutrition outcomes. However, the objectives would have been even more relevant if they had been less broad and more precisely formulated.[3] For example, the first objective is so broad that almost any fiscal measure could be conceptually related to it, yet it would be difficult to argue that any single measure could clearly contribute in a meaningful way to such a broad objective. Increasing government revenues, by contrast, is a clear objective that would have made the associated results framework and measurement of its achievement more logical and transparent.

Design

2.2 Relevance of design is rated **modest**. The theory of change was unclear, with weak links between objectives, activities, and indicators. Design appears to have been based on the assumption that policy reform is largely a straightforward undertaking, in which measures result in outcomes without the intrusion of governance issues. It was assumed that laws that were passed would be implemented. Thus, the strengthened tax policy and tax administration objectives were to be implemented through some legislative reforms and executive decisions at the level of the Ministry of Finance to reduce some exemptions, simplify rates, and increase registration of taxpayers.[4] This assumption was a significant flaw because, in Guatemala, governance issues underlying policies are critical factors that affect policy implementation, especially in the realm of taxation.

2.3 Prior actions were mostly process, output, and upstream activities, with some of them easily reversible and/or requiring considerable follow-up to ensure implementation and desired outcomes. They were also weakly linked to the intended results and associated outcome indicators. For example, tax-related prior actions were linked to legislative reforms and implementation of executive decrees on simplifying rates and eliminating exemptions and specific taxes, but legislation was immediately challenged in the constitutional court, delaying and effectively stymying implementation. Executive decrees were upstream measures, far removed from implementation, given the long history of past reform attempts being blocked by vested interests. Outcome indicators were the income tax–to-GDP ratio and the number of taxpayers, neither of which, in isolation, is an adequate measure of a strengthened tax policy and administration (appendix B). There was no indicator to measure improvements in tax administration. Actions to achieve results-oriented budgeting were introductory steps requiring considerable further measures before any tangible results could be expected. Prior actions to enhance management and coordination of social policies were stronger, resulting in the creation of the Ministry of Social Development with a clear institutional mandate in this area.

2.4 It is unclear whether development policy financing was the most appropriate instrument for supporting such process-oriented, upstream actions, which might have been better supported through technical assistance or capacity-building projects, especially given the small fiscal deficit and the lack of commitment to expand social sector spending. Development policy financing should support policy and institutional reforms with potential to deliver tangible improvements in reform outcomes. Moreover, in Guatemala's case, the emphasis on process seems especially inappropriate given the country's poor track record in implementation of taxation-related policy reform. Major governance issues and opposition to reform implementation were well known in the design stage, but there is no evidence that the World Bank planned for or took mitigating measures directly targeting these constraints. Even taking the choice of DPL at face value, there was no targeted technical assistance that would aim to alleviate capacity constraint and/or deal with underlying governance issues in the key reform areas.

2.5 The macroeconomic framework was fiscally sound at the time of approval. The government's long-standing position on fiscal and monetary policy aimed at low inflation, small fiscal deficits, and limited borrowing. The framework remained adequate throughout the series and subsequently. The budget deficit averaged 1.7 percent of GDP during the 2012–18 period and annual inflation was 3.9 percent. The public debt–to-GDP ratio remained unchanged at about 24.5 percent. However, very low government revenues, at 11.6 percent of GDP in 2012—declining to 10.6 percent in 2018—constrained capital expenditures, which remained at less than 2.5 percent of GDP during most of the evaluation period. Social expenditures were inadequate, especially given the scale of poverty, exclusion, and inequities in Guatemala. There was no IMF program. In 2012, in parallel to the World Bank program, the Inter-American Development Bank (IDB) provided hybrid financing, combining budget support and investments in support of fiscal consolidation.[5]

3. Achievement of the Objectives

3.1 The achievement of program development objectives was **modest**. This rating is based on updated results indicators using data from mission interviews and subsequent IMF and World Bank reports (table 3.1). It reflects modest achievement in strengthening tax administration, tax policy, and results budgeting, and substantial achievement in coordination of social policy.

Strengthening Tax Administration and Tax Policy

3.2 The achievement on tax administration and tax policy was modest. The first outcome indicator was an increase in the income tax–to-GDP ratio from a baseline of 2.7 percent in 2011 to 3.2 percent by the end of 2014; it was not achieved according to the latest data available at the end of 2018 (table 3.1). Although the ratio improved in 2014, this was not sustained, and by 2018 it had fallen to 2.8 percent, barely above the baseline. Indirect tax revenues and overall tax revenues as a percentage of GDP also declined—the total revenue–to-GDP ratio in 2018 stood at 10.6 percent, a full percentage point lower than at the time of the approval of the series in 2012.[6] Other measures of indirect tax revenues and overall revenues, which would have been more appropriate measures of broad tax effort, also declined (table 1.1). The second indicator was an increase in the tax base (measured as the number of effective taxpayers making direct payments to the Superintendencia de Administración Tributaria [tax administration service; SAT]) by at least 10 percent from 2011 to 2014 (baseline: 2011 = 1.44 million; target: 2014 = 1.58 million). This was achieved and sustained, with 2.2 million taxpayers registered in 2018. The third indicator was the increase in the value of administrative sanctions in the area of customs in line with the National Customs Law (baseline: 2013 = 0; target: 2014 = Q 4 million). Although the target was achieved in 2014, the customs service has subsequently been unable to carry out its functions due to a series of corruption scandals. Therefore, no data are available on this indicator as of 2018, and its continued achievement after 2014 could not be verified. The fourth indicator was the increase in the number of countries with which Guatemala has a signed agreement to exchange tax-related information (baseline: 2011 = 0; target: 2014 = 60); and the number of countries with which Guatemala is exchanging tax-related information, on request, through information-sharing agreements or through the Organisation for Economic Co-operation and Development Multilateral Convention (baseline: 2011 = 0; target: 2014 = 5). Again, no updated information was available. Moreover, it is not clear how relevant this indicator is to achieving the objective of strengthening Guatemala's tax policy and tax administration with a view to increasing revenues. As noted earlier, there is no indicator to measure improvements in tax administration.

3.3 The main reason for lack of achievement was the opposition to tax reform reflected in strong private sector opposition, delays in parliamentary approval of the tax reform legislation, and the failure to implement many measures that had been legislated or decreed. The World Bank expected this strong opposition but underestimated the opposition's ability effectively to block tax reform, despite similar impediments to previous attempts. The World Bank showed excessive optimism about the new government's chances of overcoming opposition from vested interests.

3.4 Although the counterfactual is unknown, there are some indications from mission interviews that revenue performance might have been even worse in the absence of the 2012–13 tax reforms, but this is, of course, conjectural.

3.5 On the positive side, the World Bank had an innovative technical dialogue with the SAT, using behavioral insights to help improve marginal tax compliance of delinquent taxpayers (see Box 3.1). Although these efforts may have yielded some results in the short term, their overall impact on revenues over the longer term has not been large, since they targeted only identified delinquent taxpayers and past taxes due on the margin. Nevertheless, the SAT has taken up the approach and has continued using it in subsequent years. Moreover, the intervention has been emulated in some other countries (see Box 3.1).

Box 3.1. What Works: Using Behavioral Insights and "Nudges" to Improve Tax Compliance

The World Bank worked with the Superintendencia de Administración Tributaria (tax administration service; SAT) in using behavioral insights and experience from the United Kingdom to help improve tax compliance in Guatemala. The objective was to adopt simple and almost costless interventions that had the potential to improve compliance through modifying standard SAT letters to taxpayers and specifically through invoking social norms and potential audits. In 2015, SAT rolled out a nationwide experimental campaign designed to measure the impact of specific messages sent in letters to delinquent income tax payers. The letters attempted to convey what was thought to be the most effective message in the Guatemalan context. The intervention "worked" in the sense that collection from delinquent taxpayers increased. It was found that letters invoking social norms and audits were four times more likely to result in increased compliance than other letters. The SAT has since adopted, modified, and used such experiments on its own. After the Guatemala experience, similar interventions were made in other countries, such as Albania and Costa Rica.

Sources: Calvo-González, Cruz, and Hernandez 2018; Calvo-González and Zoratto 2017.

Table 3.1. Guatemala DPL Series: Achievement of Target Indicators under the First Two Objectives

Indicator	Baseline	Original Target	Actual Value	Updated Value
Indicator 1:	Increase in the income tax-to-GDP ratio			
Value	2.7 % GDP	3.2% GDP	3.1% GDP	2.8% GDP
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-18
Source:	http://www.minfin.gob.gt/images/archivos/estadisticas/doc108.pdf [17-apr-2019]			
Indicator 2:	Increase in the tax base (number of effective tax payers making direct payments to SAT) by at least 10 percent from 2011 to 2014			
Value	1,441,246	1,585,370	1,658,765	2,228,549
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-18
Source:	chrome-extension://bpmcpldpdmajfigpchkicefoigmkfalc/views/app.html [17-apr-2019]			
Indicator 3:	Increase in the amount of administrative sanctions in the area of customs in line with the National Customs Law			
Value	0	Q. 4 mill	Q. 7.2 mill	n/a
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-18
Source:				
Indicator 4:	Increase in the number of countries with which Guatemala has a signed framework to exchange tax related information; (b) increase in the number of countries with which Guatemala is exchanging tax related information, upon request, through information sharing agreements			
Value	0	60 & 5	94 & 13	n/a
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-18
Comments	OCDE Press release indicates that convention includes 111 jurisdictions			
Source:	http://www.oecd.org/countries/guatemala/guatemala-strengthens-international-tax-co-operation-ratifies-the-convention-on-mutual-administrative-assistance-in-tax-matters.htm			
Indicator 5:	Increase in the percentage of children under 1 year old in 83 prioritized municipalities who receive the appropriate growth promotion package of services for their age which include weight and height check-ups			
Value	37.50%	50%	87%	n/a
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-18
Comments	Indicators found are relative to vaccination rates and height check-up for five years old.			
Source:				
Indicator 6:	Increase in the percentage of the total budget under the results-based budgeting framework			
Value	0	9%	9.50%	39.27%
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-18
Comments	IEG team's calculations based in the information available on Minfin´s web page.			
Source:	www.mingin.gob.gt			

Sources: Independent Evaluation Group; government of Guatemala data.
Note: IEG = Independent Evaluation Group; Minfin = Ministry of Public Finance; n/a = not available; OECD = Organisation for Economic Co-operation and Development; SAT = Superintendencia de Administración Tributaria (tax administration service).

Strengthening Budget Management and Increasing Results Orientation of Public Spending

3.6 Achievement under this objective was modest. The DPL series aimed to promote greater accountability and outcome orientation of public spending. Previous experience with a World Bank–financed emergency operation (after the eruption of a volcano in 2010) revealed weak monitoring and accountability mechanisms, reflected in difficulties in accounting for public expenditures allocated to beneficiaries of the emergency operation.[7] The introduction of results-based budgeting started with the health sector, with the intention of applying its experience to other line ministries later.

3.7 The first outcome indicator (indicator 5, Table 3.1) was an increase in the percentage of children under one year old in 83 prioritized municipalities who receive the appropriate growth promotion package of services for their age, which includes weight and height check-ups (baseline: 2011 = 37.5 percent; target: 2014 = 50 percent). Although the target appeared to have been exceeded in 2014, no further data on this indicator are available. Data exist for children under the age of five, but they are only marginally related to the effectiveness of basic health and growth promotion services for infants. Stunting rates for children under five years are particularly high among the poor (66 percent), rural dwellers (59 percent), and indigenous groups (61 percent), reflecting widespread malnutrition among infants and in early childhood.[8]

3.8 The second indicator (indicator 6, table 3.1) was an increase in the percentage of the total budget prepared using the results-based budgeting framework (baseline: 2011 = 0 percent; target: 2014 = 9 percent). As of 2018, this target appeared to have been surpassed, with 39 percent of total budget expenditures covered under the formal results-based budgeting framework. However, mission discussions indicate that, although progress may have been made in the formal adoption of results-oriented budgeting, practices and outcomes do not reflect this, especially outside the Ministries of Finance and Health. The 2018 Public Expenditure and Financial Accountability assessment shows the lowest scores on indicators related to results budgeting and medium-term fiscal planning, policy, and budgeting (Giussani, Guardiola, and Ospina 2018). Form does not replace substance, and the attainment of the indicator target should be viewed in that light.

Table 3.2. Guatemala DPL Series: Achievement of Target Indicators under the Third Objective

Indicator 7:	Increase in the percentage of beneficiaries across all social programs that are included in the Unique Beneficiary Registry			
Value	0	80%	90%	100%
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-18
Comment	Press release indicates the existence of an information system "Registro Único de Usuarios Nacional -RUUN-" that consolidates the information of beneficiaries across all the social programs.			
Source:	http://www.mides.gob.gt/webtwo/mides-capacita-personal-para-anal			
Indicator 8:	Increase in the percentage of the population in the country represented by an active COMUSAN that is in charge of coordinating the implementation of the Zero Hunger Pact at the local level			
Value	25%	90%	100%	99.41%
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-18
Comment	In 2018 SESAN reported the existence of 338 comusan, currently the country is divided in 400 municipalities.			
Source:	http://www.sesan.gob.gt/wordpress/wp-content/uploads/2019/02/M			
Indicator 9:	CES holds regular meetings to discuss public policies, and has issued consensus resolutions on policy issues that have been supported by its members			
Value	No	Yes	Yes	Yes
Date of reference	31-Dec-11	31-Dec-14	31-Dec-14	31-Dec-17
Source:	https://ces.gob.gt/wp-content/uploads/2019/01/MEMORIA-DE-LABOR			

Note: CES = Consejo Económico Social (Economic and Social Council); COMUSAN = Comisión Municipal de Seguridad Alimentaria y Nutricional del Municipio (Municipal Commission on Food Security and Nutrition); SESAN = Secretaría de Seguridad Alimentaria y Nutricional.

Improving the Management and Coordination of Social Policies

3.9 Achievement under this objective was substantial. The reforms supported included the creation of the Ministry of Social Development, the development of a national social information system, and the establishment of the Consejo Económico Social (Economic and Social Council; CES) as a consultative body bringing together representatives of the private sector, government, and civil society and indigenous groups to discuss policy and reform issues, which was lacking in Guatemala's deeply fragmented and divided polity. The CES was also seen as a way to raise the profile of pressing social issues that did not get sufficient attention in the priority policy agenda.

3.10 The first outcome indicator (indicator 7, Table 3.2) was an increase in the percentage of beneficiaries across all social programs who are included in the Unique Beneficiary Registry (baseline: 2011 = 0; target: 2014 = 80 percent). The target has been achieved as there now exists a unique registry that includes beneficiaries from all social programs. This action was a necessary condition for efficient administration and targeting. The second indicator (indicator 8, Table 3.2) was an increase in the percentage of the population in the country represented by an active community organization (Municipal Commission on Food Security and Nutrition) that is in charge of coordinating the implementation of the Zero Hunger Pact at the local level (baseline: 2011 = 25 percent; target: 2014 = 90 percent);[9] the indicator was also achieved. The third indicator (indicator 9, Table 3.2), that the CES hold regular meetings to discuss public policies and issue consensus resolutions that have been supported by its members, was also achieved, although the field interviews raise questions about the frequency and effectiveness of these meetings as a mechanism for coordination. Mission discussions also indicate that there has not been a noticeable improvement in the coordination of views expressed by the nongovernment stakeholders, who anticipated that a stronger voice for the vulnerable groups in the CES would result in more tangible results—for example, improved nutrition and health outcomes. Instead, these continue to be poor. Another weakness is that there are no data available or any indicators to measure improved management of social programs, one of the two dimensions of the objective.

3.11 Despite the shortcomings noted, however, the actions and achievements in the three results areas are overall deemed substantial, as they go in the desired direction—toward strengthening of social policies for effective poverty reduction—in the early stage of long-term reform.

4. Outcome

4.1 The outcome of the DPL series is **moderately unsatisfactory**, reflecting substantial relevance of objectives, modest relevance of design, and modest achievement of results. Program objectives were weakly related to actions, and results indicators had significant weaknesses in that they were mostly upstream and process oriented; other indicators not included could have measured important elements of the objectives (for example, tax administration and management of social programs). The impact of reforms appears limited. Revenue collection did not improve. Strong opposition to tax reform from vested interests, including constitutional challenges to tax reform and parliamentary opposition, delayed and undermined implementation. Although results-based budgeting was formally adopted across several ministries, there are no indications that this has resulted in greater accountability and efficiency in the use of resources. Coordination-related outcome targets under the third objective were achieved, but there is, thus far, no evidence of improved results in the field, nor of enhanced management of social programs.

Risk to Development Outcome

4.2 The risk to development outcome is **high**. Government revenues in relation to GDP decreased rather than increased as the program intended. This major issue therefore continues to affect adversely all other economic and social reforms, and in particular, two key dimensions of the series. Lack of government funding constrains the implementation of social policies, as well as investments in better data, monitoring and evaluation (M&E) systems, skills, and capacity necessary for effective implementation of results-based budgeting. As noted in the Implementation Completion and Results Report Review, the issue also is a source of macroeconomic vulnerability; the government budget remains highly sensitive to natural disasters and external shocks, with potentially significant economic and social impacts. Without budgetary buffers and insurance mechanisms, the ability of the government, private sector, and households to cope with such shocks is severely limited.

Bank Performance

Quality at Entry

4.3 Bank performance was **moderately unsatisfactory**. On the positive side, there was considerable analytical work that informed the DPL series, including on government revenues, results-based budgeting, and social programs (World Bank 2012b). There was good coordination with the IDB, which had a parallel operation supporting fiscal consolidation, and with the IMF, although there was no IMF program in place.

4.4 However, the World Bank's approach to the design of the key tax reforms was overly technical. Insufficient account was taken of political economy considerations and of the strength of the opposition from vested interests, which was able to stall the reforms through constitutional challenges and parliamentary obstruction. Governance issues were, however, long-standing and well known to the World Bank at the time of the preparation of the series. There was awareness that reforms would probably be challenged in the courts and in Parliament. In fact, as part of its internal review, the World Bank sought a legal expert opinion on the probability that revenue reforms would be approved by Parliament before the first loan was considered by the Board, and the opinion was positive. With hindsight, the World Bank perhaps could have aimed to alleviate political economy constraints by convening the main stakeholders to seek common ground and help build consensus for reform. Alternatively, it could have provided more parallel technical assistance to alleviate capacity constraint.

4.5 There was no IMF program. The IMF did not provide a comfort letter to the World Bank for the series (although both Article IV Consultations and IMF Executive

Board discussions persistently emphasized the criticality of strengthening revenue mobilization for lasting fiscal and social sustainability). The decision nevertheless to proceed reflected the perception that this was a high-risk but potentially high-reward series. Moreover, the tax reforms adopted by the new government in 2012 were wider in scope than prior efforts. Although the government did face cash flow problems, there was a sense that there was no threat of sovereign default, so this possibility did not seem to be a factor in the World Bank's decision to lend. It is noteworthy that the IDB's parallel operation faced similar opposition.

4.6 The M&E design had significant shortcomings, such as the absence of any indicator measuring improvement in tax administration (see the "Monitoring and Evaluation: Design" section).

4.7 As noted, although the macroeconomic framework was formally adequate for the purposes of development policy lending, there was a serious and long-standing issue regarding how macroeconomic stability was maintained—via very low government revenues and low and inadequate social and public investment spending and borrowing. This issue, in turn, affected achievement of results-based budgeting and the social policy agenda.

World Bank Supervision

4.8 Two supervision reports (World Bank 2012d and 2013b) and the program document for DPL 2 (World Bank 2014) reflect the World Bank's continued dialogue and attention to the reform agenda. They also report on the delays to the effectiveness of the first operation because of the slow parliamentary approval of the loan. However, supervision missions could not resolve design weaknesses, especially the consequences of insufficient attention to political economy issues, as these were beyond their control. Stronger triggers on tax reform for the second operation, for example, could have tested the readiness for additional budget support.

Borrower Performance

Government Performance

4.9 Government performance is rated **moderately unsatisfactory**, mainly on implementation/achievement grounds. On the positive side, the government carried out the prior actions and consulted widely with the World Bank, the IDB, and the European Union. The tax administration service also engaged the World Bank in the innovative intervention on tax compliance that achieved some results on the margin and that seems to have institutional traction. However, implementation of key reforms was lacking; and on the main objective of the series, stronger government revenues, performance was worse in 2018 than in 2012, when the first loan in the series was approved. The lack of support for reforms in the Parliament and among private sector groups remained a key constraint on reform implementation. It appears that there was no systematic effort to engage and convene these different groups to help build consensus for reform.

Monitoring and Evaluation

Design

4.10 M&E quality is rated **modest**. Objectives were too broad and weakly related to indicators. Although the overall revenue indicator was useful as a measure of the overall progress in tax policy and tax administration reform, it was subsequently replaced by a narrower measure. There was no indicator for improved tax administration. Results-based budgeting indicators were also process oriented and upstream and could not measure actual implementation of the framework. The indicator on international tax agreement was only weakly related to the tax policy and administration goals. Social policy indicators were useful in gauging progress on coordination, but they did not reflect results in the field. There was no indicator measuring the quality of social program management.

Implementation and Use

4.11 The Ministry of Finance oversaw implementation and use of M&E indicators under the DPL series. It has not been possible to document the extent to which M&E data were used for policy making or communication with reform stakeholders, but the government routinely communicated with the World Bank, IDB, and IMF on these and related indicators and reforms.

5. Lessons

5.1 The Independent Evaluation Group draws three lessons from the development policy operation series. They are additional to the lessons provided earlier, in the Implementation Completion and Results Report Review stage, which largely remain valid today.[10]

- Tax administration and tax policy reforms in the face of major governance issues and long-standing opposition from influential interest groups are unlikely to be successful, even if backed by the World Bank's analytical support, policy dialogue, and financing; under these conditions, directly and indirectly targeting the governance issues over a longer period would be more appropriate.

- Achieving progress on results budgeting requires strengthening of capacity, political commitment, sound M&E indicators, and cross-agency collaboration.
- Achieving results in policy lending requires a sound results framework, a credible theory of change, close linking of objectives with policy actions, and outcome-oriented target indicators.

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[1] For more information, see the Worldwide Governance Indicators website at https://info.worldbank.org/governance/wgi/#home.

[2] The International Monetary Fund states that "higher social and infrastructure spending that would raise government expenditure to at least 15 percent of gross domestic product (GDP) is key to lifting more Guatemalans out of poverty" (IMF 2018b).

[3] Insufficiently operational and specific objectives have been a source of weak design in many development policy loans, making it difficult to link them to prior actions and results frameworks in a convincing theory of change (World Bank 2016a). See also World Bank 2016d.

[4] Although reform of legislation commendably targeted reduction of exemptions, simplification of taxes, and the increase in registration of taxpayers, laws were immediately challenged in the constitutional court and implementation was very limited.

[5] The Inter-American Development Bank (IDB) approved an operation aimed at promoting fiscal sustainability. The results indicators of the program measured reduction of the debt level and fiscal deficit. The instrument was hybrid, including a budget support section of $234 million, and an investment section of $3.2 million. The program was approved in August 2012 and the budget support was disbursed in 2013, with the investment section ending its disbursement in 2017.

[6] To put this in context, the tax revenue–to-GDP ratios during this period for other Central American countries were 13.8 percent for Costa Rica; 17.8 percent for El Salvador; 17.3 percent for Honduras; and 16.5 percent for Nicaragua.

[7] In 2011, the World Bank approved the $100 million Emergency Support for Social Services project with the objective to preserve health and education services in disaster-stricken areas after severe flooding and other natural disasters that had taken place in Guatemala a year earlier.

[8] In response to the continued malnutrition crisis among infants, in 2017 the World Bank approved the $100 million Crece Sano nutrition project targeting malnutrition in the first 1,000 days of children's lives.

[9] For more information on the Municipal Commission on Food Security and Nutrition, see the organization website at https://comusanguatemala.wordpress.com/quienes-somos.

[10] The following three lessons were drawn in the Implementation Completion and Results Report Review (World Bank 2016c): (i) weak governance continues to undermine implementation of tax policy reforms; (ii) the data needed to monitor and evaluate an objective to improve budget

management (that is, data such as that collected by a Public Expenditure and Financial Management Assessment) are lacking, so that results from the changes in the budgetary framework could not be fully assessed; and (iii) social expenditures could be made more effective by integration across social programs and across government levels.

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Appendix A. Basic Data Sheet

Fiscal Space for Greater Opportunity First Programmatic Development Policy Loan (IBRD-82030; P131763)

Table A.1. Key Project Data

Financing	Appraisal Estimate *($, millions)*	Actual or Current Estimate *($, millions)*	Actual as Percentage of Appraisal Estimate
Total project costs	200	200	100
Loan amount	200	200	100
Cofinancing	--	--	--
Cancellation	0	0	0

Note: -- = not available.

Table A.2. Cumulative Estimated and Actual Disbursements

Disbursements	FY14
Appraisal estimate *($, millions)*	200
Actual *($, millions)*	199.50
Actual as percentage of appraisal	100
Date of final disbursement	12/2013

Note: FY = fiscal year.

Table A.3. Project Dates

Event	Original	Actual
Concept review	06/28/2012	06/28/2012
Board approval	09/27/2012	09/27/2012
Signing	11/13/2013	11/13/2013
Effectiveness	11/21/2013	11/21/2013
Closing date	12/31/2013	12/31/2013

Table A.4. Staff Time and Cost

	World Bank Budget Only	
Stage of Project Cycle	**Staff time** ***(no. weeks)***	**Cost[a]** ***($, thousands)***
Lending		
FY13	22.46	70.32
Total	22.46	70.32
Supervision or ICR		
FY13	50.50	175.61
Total	50.50	175.61

Note: FY = fiscal year; ICR = Implementation Completion and Results Report.
a. Includes travel and consultant costs.

Table A.5. Task Team Members

Name	Title[a]	Unit
Jasmin Chakeri	Senior Economist	GMF04
Oscar Calvo-González	Practice Manager	GPV04
Mateo Clavijo	Financial Analyst	GFM04
Patricia Chacon Holt	Language Program Assistant	GMF04
Alma Hernandez	Executive Assistant	CSRVP
Daniel Alvarez	Senior Public Sector Management Specialist	GGO16
Enrique Fanta	Senior Trade Facilitation Specialist	GTC04
Maria Gonzalez de Asis	Lead Operations Officer	GGHVP
Tracey Hsu	Junior Professional Associate	LCSPE
Leonardo Lucchetti	Economist	GPV04
Kinnon Scott	Senior Economist	GPV04
Mauricio Garita		LCCGT
Katherine Grau		LCCGT
Fernando Paredes	Operations Officer	LCCGT
Christine Lao Pena		LCSHH
Edmundo Murrugarra	Senior Social Protection Economist	GSP04
Jimena Garrote	Senior Counsel	LEGLE
Escarlata Baza		LEGLE
Rodrigo Serrano-Berthet		LCSSO
Concepcion Aisa	Senior Financial Officer	FABBK
Rodrigo Cabral	Senior Financial Officer	FABDM

Name	Title[a]	Unit
Raul Junquera	Lead Public Sector Specialist	GGO18
Kai Kaiser	Senior Economist	GGO14
Michele Gragnolati	Lead Specialist	GHNDR
C. Felipe Jaramillo	Director, Strategy and Operations	MDI
Rodrigo A. Chaves	Country Director	EACIF
Auguste Tano Kouame	Practice Manager	GMF05
Oscar Avalle	Manager	SECPO

Note: a. Co-task team leader

Enhanced Fiscal and Financial Management for Greater Opportunities: Second Programmatic DPL (IBRD-83850; P133738)

Table A.6. Key Project Data

Financing	Appraisal Estimate *($, millions)*	Actual or Current Estimate *($, millions)*	Actual as Percentage of Appraisal Estimate
Total project costs	340	340	100
Loan amount	340	340	100
Cofinancing	--	--	--
Cancellation	0	0	0

Note: -- = not available.

Table A.7. Cumulative Estimated and Actual Disbursements

Disbursements	FY15
Appraisal estimate *($, millions)*	340
Actual *($, millions)*	339.15
Actual as percentage of appraisal	100
Date of final disbursement	03/2015

Note: FY = fiscal year.

Table A.8. Project Dates

Event	Original	Actual
Concept review	03/27/2014	03/27/2014
Board approval	06/17/2014	06/17/2014
Signing		
Effectiveness	02/26/2015	02/25/2015
Closing date	03/31/2015	03/31/2015

Table A.9. Staff Time and Cost

Stage of Project Cycle	World Bank Budget Only: Staff time (no. weeks)	World Bank Budget Only: Cost[a] ($, thousands)
Lending		
FY14	21.96	50.50
Total	21.96	50.50
Supervision or ICR		
FY14	12.71	53.27
Total	12.71	53.27

Note: FY = fiscal year; ICR = Implementation Completion and Results Report.
a. Includes travel and consultant costs.

Table A.10. Task Team Members

Name	Title[a]	Unit	Responsibility or Specialty
Lending			
Marco Antonio Hernandez	Senior Economist	GMF04	Task Team Leader
Mateo Clavijo	Financial Analyst	GFM04	
Miguel Angel Saldarriaga	Junior Professional Associate	GFM04	
Patricia Chacon Holt	Language Program Assistant	GMF04	
Diana Lachy	E T Temporary	GMFD1	
Christine Lao Pena		LCSHH	
Edmundo Murrugarra	Senior Social Protection Economist	GSP04	
Wendy de Leon	Consultant	GEDDR	
Fernando Paredes	Operations Officer	LCCGT	
Carolina Rendon	Senior Public Sector Specialist	GGO16	
Enrique Fanta	Senior Trade Facilitation Specialist	GTC04	
Katherine Grau		LCCGT	
Javier Baez	Senior Economist	GPV01	
Leonardo Lucchetti	Economist	GPV04	
Maria Eugenia Genoni	Economist	GPV04	
Kiyomi Cadena	Consultant	GPV04	
Kathy Lindert	Lead Economist	GSPDR	
Maria Pia Cravero	Junior Counsel	LEGLE	
Jimena Garrote	Senior Counsel	LEGLE	
Patricia de la Fuente Hoyes	Senior Financial Management Specialist	GGO22	
Robert Montgomery	Lead Environment Specialist	GEN04	

Name	Title[a]	Unit	Responsibility or Specialty
Antonio Blasco	Senior Financial Management Specialist	GGO21	
Concepcion Aisa	Senior Financial Officer	FABBK	
David Gould	Lead Economist	ECACE	
Marcelo Bortman	Senior Public Health Specialist	GHN04	
Munawer Khwaja	Tax Administrator		
Maryanne Sharp	Country Operations Adviser	LCC2C	
Humberto Lopez	Country Director	LCC2C	
Auguste Tano Kouame	Practice Manager	GMF05	
Oscar Avalle	Manager	SECPO	
Oscar Calvo-González	Lead Economist – Sector Leader	GPV04	

Note: a. At time of appraisal and closure, respectively.

Appendix B. Development Policy Loan Policy and Results Matrixes

Policy Actions Supported by DPL 1	Policy Actions Supported by DPL2	Results Indicators for DPL2 (end-2014)	Status at Time of Implementation Completion and Results Report Review (end-2014)
Pillar 1: Strengthening Tax Administration and Tax Policy			
To raise tax revenues, the borrower has • Widened the tax base subject to income tax, through the reduction of the number of tax exemptions • Simplified the tax rates for salaried workers • Increased the tax rate on the circulation of land, sea, and air vehicles, as evidenced by Legislative Decree 10-2012; and reformed the value added tax (VAT) regime for small taxpayers by expanding the eligibility criteria for this VAT regime, as evidenced by Legislative Decree 4-2012	To raise tax revenues, the borrower has • Issued implementing regulations for (i) the income tax reform, as evidenced by the Borrower's Executive Agreement No. 213-2013; (ii) the VAT reform, as evidenced by the Borrower's Executive Agreement No. 5-2013; and (iii) the tax reform for the new tax on motor vehicles' first registration, as evidenced by the Borrower's Executive Agreement No. 133-2012; and (indicative trigger for the second operation) • Improved the organizational structure of the Superintendencia de Administración Tributaria (tax administration service, SAT) in line with international practices, as evidenced by Legislative Decree No. 13-2013	1. Increase in the income tax–to–gross domestic product (GDP) ratio (baseline: 2011 = 2.7 percent; target: 2014 = 3.2 percent) 2. Increase in the tax base (number of effective taxpayers making direct payments to the SAT) by at least 10 percent from 2011 to 2014 (baseline: 2011 = 1,441,246; target: 2014 = 1,585,370)	**Partially achieved** The income tax–to-GDP ratio increased but fell short of the target value by 0.1 percentage points of GDP. **Achieved** The number of effective taxpayers making direct payments to SAT increased by 15 percent, from 1,441,246 in 2011 to 1,658,765 in 2014. The target was exceeded by 80 percent.
To strengthen the control authority of the SAT, the borrower has • Introduced the requirement of bank-based transactions above a certain threshold amount to be eligible for tax declaration	To strengthen the SAT in alignment with the Central American Uniform Customs Code and its regulations, the borrower • Approved the National Customs Law through the enactment of	3. Increase in the amount of administrative sanctions in the area of customs in line with the National Customs Law (baseline: 2013 = 0; target: 2014 = Q 4 million)	**Achieved** The amount of administrative sanctions in customs, in line with the National Customs Law, reached Q 7.3 million in 2014, from a baseline of zero in 2013. The target was exceeded by 80 percent.

Policy Actions Supported by DPL 1	Policy Actions Supported by DPL2	Results Indicators for DPL2 (end-2014)	Status at Time of Implementation Completion and Results Report Review (end-2014)
purposes, as evidenced by Legislative Decree 4-2012 • Aligned the borrower's sanctions legislation on customs to the Central American Uniform Customs Code, as evidenced by Legislative Decree 10-2012	Legislative Decree No. 14, 2013, including (i) a definition of customs infringements and related sanctions; (ii) the regulation of the suspension and cancellation of customs licenses; and (iii) the establishment of procedures against fraud and contraband (implementing regulation was an indicative trigger for the second operation)		
To increase transparency and exchange of information on international taxation, the borrower has • Signed a separate tax information exchange agreement with seven countries, as evidenced by the Tax Information Exchange Agreements • Introduced the concept of transfer pricing in the valuation of transactions between related parties (*partes relacionadas*), as evidenced by Legislative Decree 10-2012 • Signed a memorandum of understanding with the United States, dated May 30, 2012, which provides for the exchange of relevant tax information between both countries concerning the declared value of imports and exports	To increase transparency and exchange of information on international taxation, the borrower has • Signed an additional tax information exchange agreement with the Commonwealth of Australia, dated September 26, 2013, (indicative trigger for the second operation) • Signed the Convention on Mutual Administrative Assistance in Tax Matters on December 5, 2012 • Created an international taxation unit within the borrower's Ministry of Public Finance to support the exchange of information related to international taxation, as evidenced by the borrower's Executive Agreement No. 26-2014	4. Increase in the number of countries with which Guatemala has a signed framework to exchange tax-related information (baseline: 2011 = 0; target: 2014 = 60); and the number of countries with which Guatemala is exchanging tax-related information, on request, through information-sharing agreements or through the Organisation for Economic Co-operation and Development Multilateral Convention, in line with the Global Forum's standards of transparency and exchange of tax information (baseline: 2011 = 0; target: 2014 = 5)	**Achieved** The number of countries with which Guatemala has a signed framework to exchange tax-related information reached 94 jurisdictions (includes State Parties to the Convention as well as jurisdictions) as of December 2015 from a baseline of zero (2011). As of August 2015, Guatemala had signed one bilateral Double Tax Convention, eight Bilateral Tax Information Exchange Agreements, and a Mutual Assistance Convention with four other Central American countries from a baseline of zero (2011). The target was significantly exceeded.

Policy Actions Supported by DPL 1	Policy Actions Supported by DPL2	Results Indicators for DPL2 (end-2014)	Status at Time of Implementation Completion and Results Report Review (end-2014)
Pillar 2: Enhancing Budget Management and Increasing the Results Orientation of Public Spending			
To improve budget management and implement a results-based methodology of public expenditure, the borrower's Ministry of Public Finance and Ministry of Public Health and Social Assistance have • Signed a results-based management agreement, dated June 28, 2012, whereby the borrower commits to, among other things, allocating budget toward meeting specific targets for reproductive and nutritional health programs for calendar year 2012	To improve budget management and implement a results-based methodology of public expenditures, the borrower has • Adopted a legal framework for results-based budgeting, as evidenced by Legislative Decree No. 13-2013 • Complied with the requirements to expand the application of results-based budgeting to the borrower's Ministry of Economy and the Ministry of Sports and Culture • Established operating and coordination mechanisms for results-based budgeting in the borrower's Ministry of Public Finance and the Ministry of Public Health and Social Assistance	5. Increase in the percentage of children under one year old in 83 prioritized municipalities who receive the appropriate growth promotion package of services for their age, which includes weight and height check-ups (baseline: 2011 = 37.5 percent; target: 2014 = 50 percent) 6. Increase in the percentage of the total budget under the results-based budgeting framework (baseline: 2011 = 0 percent; target: 2014 = 9 percent)	**Achieved** The percentage of children under one year old in the 83 prioritized municipalities who receive the growth promotion package of services for their age, which includes weight and height check-ups, has increased from 37.5 percent (2011) to 48 percent in 2013 and to 87 percent in 2014. The target was exceeded by 74 percent. **Achieved** The increase in the percentage of the total budget under the results-based budgeting framework reached 9.5 percent in 2014 from a baseline of 0 percent in 2011.
	To strengthen budget management and transparency of public expenditures, the borrower has • Mandated the use of the treasury single account to process budget transactions • Mandated that all entities that execute projects with public funds adequately report their activities to the borrower's Ministry of Public Finance		

Policy Actions Supported by DPL 1	Policy Actions Supported by DPL2	Results Indicators for DPL2 (end-2014)	Status at Time of Implementation Completion and Results Report Review (end-2014)
	• Introduced regulations to strengthen the monitoring and evaluation of loans and grants to, and trust funds managed by, public entities • Mandated that all public entities use the Sistema Integrado de Administraci6n Financiera (Integrated Financial Management System) to consolidate budgetary and financial information, as evidenced by Legislative Decree No. 13-2013 • *Further measures (program document, World Bank 2014, 25) to strengthen results budgeting were indicative trigger for the second operation.*		
Pillar 3: Improving the Coordination and Management of Social Policies			
To improve the coordination in the design and implementation of social policies, the borrower has • Created the Ministry of Social Development, as evidenced by Legislative Decree 1-2012, dated January 24, 2012, and published in the borrower's Official Gazette on February 7, 2012 • Adopted the Zero Hunger Pact, as evidenced by the Consejo Nacional de Seguridad Alimentaria y Nutricional Resolution 01-2012, dated June 19, 2012	To improve the management of social policies, the borrower has • Established a social information system in the borrower's Ministry of Social Development, including information on social programs and policies related to beneficiaries, geographic coverage and type of program, and a single beneficiary registry that includes information on beneficiaries for at least 75 social programs (*indicative trigger for the second operation*)	7. Increase in the percentage of beneficiaries across all social programs who are included in the Unique Beneficiary Registry. (baseline: 2011 = 0; target: 2014 = 80 percent)	**Achieved** The percentage of beneficiaries across 72 social programs in 16 institutions included in the Unique Beneficiary Registry increased to 90 percent in 2014 from a baseline of 0 percent in 2011.

Policy Actions Supported by DPL 1	Policy Actions Supported by DPL2	Results Indicators for DPL2 (end-2014)	Status at Time of Implementation Completion and Results Report Review (end-2014)
To strengthen the participation of trade unions, cooperatives, and the business sector in public economic and social policy making, the borrower has • Created the Economic and Social Council (CES), as evidenced by Legislative Decree 2-2012, dated January 24, 2012, and published in the borrower's Official Gazette on February 23, 2012	To support the implementation of the Zero Hunger Pact, the borrower has • Established 120 Comisión Municipal de Seguridad Alimentaria y Nutricional del Municipio (Municipal Commission on Food Security and Nutrition; COMUSAN) groups during 2012 and 2013 in prioritized municipalities with the highest incidence of chronic malnutrition	8. Increase in the percentage of the population in the country represented by an active COMUSAN that is in charge of coordinating the implementation of the Zero Hunger Pact at the local level (baseline: 2011 = 25 percent; target: 2014 = 90 percent) 9. CES holds regular meetings to discuss public policies and has issued consensus resolutions on policy issues in Guatemala that have been supported by its members	**Achieved** The percentage of the population in the country represented by an active COMUSAN that is in charge of coordinating the implementation of the Zero Hunger Pact reached 100 percent in 2015 from a baseline of 25 percent in 2011. **Achieved** The CES was created in 2012 to promote multisectoral policy consensus. The CES meets once per month and has a permanent commission that meets on a weekly basis, composed of the CES president, the technical secretary, and representatives from the private sector, cooperatives, and labor unions.

Appendix C. List of Persons Met

Name	Title	Institution
Government		
Dorval Carias	Ministro de Finanzas	Ministerio de Finanzas Públicas
Rosa María Ortega	Directora de Crédito Público	Ministerio de Finanzas Públicas
Azucena Ramírez	(suplente) Dirección de Crédito Público	Consejo de Cooperación Internacional, Ministerio de Finanzas Públicas
Luis Javier Ortiz	Subdirector de Crédito Público	Ministerio de Finanzas Públicas
Francisco Javier Ortiz	Director de DTP, Crédito Público	Ministerio de Finanzas Públicas
Rodolfo Orozco	Director Ejecutivo	CONFECOOP
Academia		
Sigfrido Lee	Director del Observatorio Económico Sostenible	Universidad Del Valle de Guatemala
Nongovernmental Organizations		
Ricardo Barrientos	Economista Sénior	Instituto Centroamericano de Estudios Fiscales
Abelardo Medina	Economista	Instituto Centroamericano de Estudios Fiscales
Mario Garcia Lara	Director Ejecutivo	Fundación 2020
Jorge Lavarreda	Presidente	Centro De Investigaciones Económicas Nacionales
Development Partners		
Gerardo Peraza		International Monetary Fund
Oscar Lora Rocha		Banco Interamericano de Desarrollo
Beatrice Bussi	Jefe de Delegación	Unión Europea
World Bank		
Jasmin Chakeri	Task Team Leader	World Bank
Oscar Calvo-Gonzales	Former Lead Economist	World Bank
Marco Hernandez	Task Team Leader	World Bank
Homa Zahra-Fotouhi	Country Manager	World Bank
Carlos Fernando Paredes Solorzano	Senior Country Operations Officer	World Bank
Auguste Kouame	Former Practice Manager	World Bank

Appendix D. Approach, Methods, and Ratings

About This Report

The Independent Evaluation Group (IEG) assesses the programs and activities of the World Bank to ensure the integrity of the World Bank's self-evaluation process, to verify that the World Bank's work is producing the expected results, and to help improve directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20–25 percent of the World Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which executive directors or World Bank management have requested assessments; or those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG panel review, and management approval. The PPAR is commented on by the responsible World Bank Country Management Unit and is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and borrower comments are attached to the document sent to the World Bank's Board of Executive Directors. After the assessment report is sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers a rigor and flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://ieg.worldbankgroup.org).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* refers to relevance of objectives and of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with World Bank country and sectoral assistance strategies and corporate goals. Relevance of design is the extent to which the project's design is consistent with stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared with alternatives. The efficiency dimension is not applied to development policy operations, which provide general budget support. *Possible ratings for outcome:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Risk to development outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained. *Possible ratings for risk to development outcome:* high, significant, moderate, negligible to low, and not evaluable.

Bank performance: The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Borrower performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation and complied with covenants and agreements toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for borrower performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.