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ANNEX I

to the Commission Implementing Decision on the financing of the annual action plan in favour of Guatemala for 2024

Action Document for E-governance and digitalisation in Public Administration and Financial Management in Guatemala

ANNUAL PLAN
This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	**E-governance and digitalisation in Public Administration and Financial Management in Guatemala** OPSYS/CRIS number: ACT-62546 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Guatemala
4. Programming document	Multiannual Indicative Programme for Guatemala 2021-2027
5. Link with relevant MIP(s) objectives / expected results	The proposed action contributes to reaching Specific Objective 1 under Priority Area 3: Strong, accountable and transparent national, regional and local administrations are able to efficiently design and implement sustainability-oriented national policies and mobilise sufficient national resources to finance them. Regarding expected results per specific objective, it contributes to achieving Result 1.1: Public institutions in charge of climate change, environmental protection and economic development are strengthened in the formulation of greener public financial management policies.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	The proposed action contributes to priority area 2 and 3 of the MIP 2021-2027: Stronger institutions for stronger social cohesion among regions and generations. Namely, to the Government and Civil Society-General (DAC Code 151) sector.
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 16 "Peace, Justice and Strong Institutions". Other significant SDGs (up to 9) and where appropriate, targets: SDG 17 "Partnerships for the Goals" (targets 17.6-17.8), SDG 9 "Industry, Innovation and Infrastructure"SDG

	13 "Climate action", SDG 5 "Gender equality", SDG 10 "Reduced Inequalities", SDG 1 "No Poverty", SDG 8 "Decent Work and Economic Growth"
8 a) DAC code(s)	15110 Public sector policy and administrative management 15111 Public finance management (PFM) 15112 Decentralisation and support to subnational government 15113 Anti-corruption organisations and institutions 15125 Public Procurement 15142 Macroeconomic policy 15210 Security system management and reform 22013 Information Services 22040 Information and Communication Technology (ITC) 25010 Business Policy and Administration
8 b) Main Delivery Channel	EGA (The E-Governance Academy); and World Bank – 44001 (International Bank for Reconstruction and Development)
9. Targets	☐ Migration ☐ Climate ☒ Social inclusion and Human Development ☒ Gender ☐ Biodiversity ☐ Education ☒ Human Rights, Democracy and Governance

10. Markers **(from DAC form)**	**General policy objective** @	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☐	☐	☒
	Aid to environment @	☒	☐	☐
	Gender equality and women's and girl's empowerment	☐	☒	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction @	☒	☐	☐
	Inclusion of persons with Disabilities @	☒	☐	☐
	Nutrition @	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity @	☒	☐	☐
	Combat desertification @	☒	☐	☐
	Climate change mitigation @	☒	☐	☐
	Climate change adaptation @	☒	☐	☐

11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	□	□	⊠
		YES	NO	
	digital connectivity	□	⊠	
	digital governance	⊠	□	
	digital entrepreneurship	□	⊠	
	digital skills/literacy	⊠	□	
	digital services	⊠	□	
	Connectivity @	⊠	□	□
		YES	NO	
	digital connectivity	□	⊠	
	energy	□	⊠	
	transport	□	⊠	
	health	□	⊠	
	education and research	□	⊠	
	Migration @	⊠	□	□
	Reduction of Inequalities1 @	⊠	□	□
	Covid-19	⊠	□	□

BUDGET INFORMATION	
12. Amounts concerned	Budget line(s) (article, item): 1402 01 40 Total estimated cost: EUR 9,000,000 Total amount of EU budget contribution EUR 9,000,000

MANAGEMENT AND IMPLEMENTATION	
13. Type of financing	**Indirect management** with the entities to be selected in accordance with the criteria set out in section 4.3.1: the Estonian Government Academy for specific objectives (SO)1, SO2 and SO3; and the World Bank for SO4, SO5 and SO6.

1.2 Summary of the Action

The action will create an enabling environment for the Global Gateway Investment Agenda (GGIA) roll out in Guatemala by focusing on strengthening Guatemala's e-government the digitalisation of public services and improving the effective management of public finances through digitalisation, among other. It will support e-governance and other digitalisation strategies in the public administration and the digitalisation of the public financial management system to increase good governance, efficiency and transparency in public spending and budgeting. The action will support the strengthening of the e-governance and e-government, the national cybersecurity and resilience of the public administration and financial systems, the development of a strong interoperability framework, data governance and digital information resources. This will contribute to the fight against corruption and increase much-needed revenues for development policies, critical infrastructure, public

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investment, and creating a predictable regulatory framework and business environment that attracts FDI from Europe.

The proposed action will contribute to the implementation of the EU-LAC Digital Alliance in Guatemala, in particular its Pillar 1: Promoting good governance, transparency, participation and accountability, and the Global Gateway Investment Agenda (GGIA) pillar related to inclusive digital transformation in Guatemala. In that sense, the action will take into account the operational takeaways of the EU-LAC High level Policy Dialogue on e-governance (held in San José, Costa Rica in May 2024) supporting the regional activities listed in the takeaways and leveraging their outputs to design/implement national activities. Moreover, the action will support the Global Gateway Strategy[2], mobilizing resources to ensure that the interventions help implementing the roadmap for the EU-CELACroadmap 2023 to 2025[3]. This action is in line with Guatemala's Digital Government Plan 2021-2026. It is also a priority for the new pro-development and anti-corruption government offering a window of opportunity to work on much-needed reforms related to governance. Digitalization serves as an excellent tool to promote international standards in public administration and transparency, combat corruption, and implement essential reforms that enhance the business environment and attract investment. Additionally, incorporating a strong digitalization component in public finance reform is crucial for improving the efficiency of public spending.

In addition, the action contributes to priority area 2 and 3 of the MIP 2021-2027: "Stronger institutions for stronger social cohesion among regions and generations". Namely, to the Government and Civil Society-General (DAC Code 151) sector. It supports achieving mainly Sustainable Development Goal (SDG) 16 "Peace, Justice and Strong Institutions". As well as SDG 17 "Partnerships for the Goals", SDG 13 "Climate action", SDG 5 "Gender equality", SDG 10 "Reduced Inequalities", SDG 1 "No Poverty", SDG 8 "Decent Work and Economic Growth" and SDG 9 "Industry, Innovation and Infrastructure".

The action will also contribute to the realisation of the EU Gender Action Plan 2021-2025 GAP III[4], in particular to its thematic area of engagement "Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation, Digitalisation, Climate change and environment". Likewise, it will contribute to the implementation of the EU's Action Plan on Human Rights and Democracy 2020-2024[5].

The Overall Objective of this action is to promote e-governance, public administration modernization and enhance efficiency, transparency and accountability of public spending by supporting digital transformation and e-government solutions for an improved digital ecosystem and boosting investments.

Specific Objectives (SO) 1, SO2 and SO3 aim to support the Government of Guatemala (GoG) on its path towards digital governance and public administration modernization, in alignment with European and worldwide good governance practices. This entails supporting the GoG with digital government transformation process, updating enabling regulatory frameworks, developing e-government architecture concept, developing interoperability framework, piloting a set of digital public services, conducting an interoperability pilot, and supporting with digital engagement and digital skills development.

Specific Objectives (SO) 4, SO5 and SO6 aim to enhance efficiency, transparency and accountability of public spending in Guatemala. The activities under these objectives will contribute to bringing the EU and Guatemala digital markets closer together through fostering good governance, transparency, participation and accountability and promoting digital solutions and e-government initiatives. More in detail:

- SO4 will contribute to modernizing the PFM digital platform known as "*Sistema Integrado de Administracion Financiera*" – SIAF, which is critical for the efficient and transparent management of public resources in Guatemala. Specific digital interventions will include: supporting the GoG to carry out a PFM system diagnostic and reform strategy, including assessing information exchange and interoperability requirements between core and support PFM processes; strengthening PFM governance, including a data governance model

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2   The Global Gateway, JOIN(2021) 30 (final) of 01.12.2021.
3   EU_CELAC ROADMAP 2023 to 2025 | EEAS (europa.eu)
4   EU GENDER ACTION PLAN (GAP) III – AN AMBITIOUS AGENDA FOR GENDER EQUALITY AND WOMEN'S EMPOWERMENT IN EU EXTERNAL ACTION, SWD(2020) 284 final
5   EU ACTION PLAN ON HUMAN RIGHTS AND DEMOCRACY 2020 – 2027 | EEAS (europa.eu)

and sustainability; developing digital tools for fiscal transparency and data-informed decision making and enhancing the Ministry of Finance (MINFIN) capabilities to protect digital information resources and to detect and respond to cybersecurity threats.

- SO5 will leverage digital solutions and data analytics to strengthen allocative and operations expenditure efficiency. Specific digital interventions will include: development of conceptual and functional models for the adoption of digital information management tools for public investment and asset mangement; development of digital systems to support procurement complaint management processes; and the creation of a digital public employment registry that supports employment analytics and wage bill forecasting.

- SO6 will reinforce Congress's capacity of oversight and decision making by developing methodologies and digital tools; and strengthening the Auditor General's Office's analytical capacity for control and oversight including leveraging artificial intelligence for corruption risk detection.

1.3 Zone benefitting from the Action

The Action shall be carried out in Guatemala.

2 RATIONALE

2.1 Context

1. Digital Agenda

Historically, Guatemala has faced significant challenges on its path towards digital transformation, and is lagging behind compared to other countries in the region. The current government led by President César Bernardo Arévalo de León has placed digitalisation high in the agenda and is marking a significant shift by promoting innovative technologies with an anti-corruption focus. This represents a pivotal moment to bolster the foundations of a true digital transformation in Guatemala.

The K'atun National Development Plan "Our Guatemala 2032" seeks to achieve upper-middle-income status by 2032 following a sustainable development approach. Strengthening Government of Guatemala (GoG) institutional capacities and improving public management are essential for achieving this vision through the adoption of a government digital transformation for greater transparency, better service delivery, and closer engagement with citizens. The 2024-2028 GoG General Policy outlines ten strategic axes, digital government playing a key role in two of them: (i) improving public management transparency; and (ii) facilitate and enhance public services efficiency. In addition, all GoG institutions were asked to simplify administrative services to help achieve the government's strategic objectives.

Survey data point to burdensome regulations affecting GoG administrative service delivery. Historically, public service delivery in Guatemala has been inequitable in terms of coverage and accessibility for all citizens. The GoG, at the central and municipal levels, has made some efforts to tap into the benefits of digitalization to bring services closer to citizens throughout the country. However, without a national strategy, application and impact has been negligible. The 2019 World Economic Forum Global Competitiveness Report ranked Guatemala 100 out of 141 countries for the burden of government regulations based on executive opinion surveys. Furthermore, the 2023 World Justice Project Index, based on expert and household surveys, presents more critical results, ranking Guatemala 135 out of 142 countries for the extent to which services are delivered without unreasonable delay.

Despite the GoG's considerable efforts, its progress in digital transformation is lagging behind other countries in the region. While the GoG has developed a few online services and platforms for citizens in the last years, there are not any official strategies or legal frameworks to ensure inclusive adoption and reliable quality. Guatemala ranks 121 out of the 193 countries included in the United Nations E-Government Development Index

(EGDI) and 112 out of 193 in the E-Participation Index (EPI). This puts Guatemala behind El Salvador and Nicaragua, and slightly ahead of Honduras. According to the 2023 Corruption Perceptions Index, compiled by Transparency International, Guatemala ranks 154th out of 180 countries, with a score of 23 out of 100, indicating a high level of perceived corruption in the country. Additionally, the United Nations E-Government Survey places Guatemala 27th out of 33 countries in Latin America and the Caribbean. Globally, the World Intellectual Property Organization's Global Information Technology Report ranks Guatemala 107th out of 143 countries, highlighting significant opportunities for improvement in the field of information and communication technology (ICT).

The digital divide persists in Guatemala across gender, geography, income, education and literacy, and ethnicity. With mobile broadband being the main way Guatemalans access the internet, the top barriers to mobile internet use in Guatemala for both women and men are safety and security, literacy and skills, and affordability. In 2021, the greatest barrier to mobile internet adoption for urban Guatemalans was safety and security while the greatest barrier for Guatemalans living in rural areas was literacy and skills. Nine percent more women than men report that handset cost is a major reason they do not use the internet and four percent more women than men report information security as a key barrier. Women in Guatemala are 11 percent less likely to use mobile internet and 11 percent less likely to own a smartphone than men. These gaps widen when gender intersects with Indigeneity.

At the same time, a gender-responsive approach to innovation, technology and digital education can increase women's and girls' awareness of their rights and civic engagement. Growing inequalities in digital literacy and access to technology are increasingly evident, with women being left behind as a result of this digital gender.

The Presidential Commission for Open and Electronic Government –GAE: Gobierno Abierto y Electrónico) is a temporary body established in 2012, which **is tasked with leading the GoG's digital transformation.** International organisations have provided technical assistance to enhance Guatemala's digital strategies in recent years. The GAE aims to support the Ministries and Agencies of the Executive Branch in implementing measures, commitments, and strategies derived from international instruments, as well as national policies and action plans, to contribute to the digital transformation of public management, ICT innovation, citizen participation, accountability, and transparency.

In 2021, the GAE formulated the National Digital Government Plan 2021-2026, updated in 2023. The plan aims to achieve 50 percent of services online by 2024 and 100 percent by 2026. However, progress is unclear since there is a lack of measurable outcomes. As part of fulfilling Commitment No. 2 of the 5th Open Government National Action Plan 2021-2023, the Presidential Commission for Open and Electronic Government updated the Digital Government Plan 2021-2026, which aimed to drive the digital transformation of the Guatemalan government.

In 2021, Decree 05-2021, known as the "Law for the Simplification of Administrative Requirements and Procedures," was approved. This law seeks to promote the modernization of the Guatemalan government by transferring direct responsibilities to the entities of the executive branch to digitize analog procedures, with the goal of facilitating and expediting administrative processes for citizens and improving the efficiency of the public administration. However, it lacks a centralized structure to manage and oversee these technological efforts. The aforementioned law, has a limited framework that leaves implementation criteria open within government systems. Currently, over a hundred systems and applications operate independently without integration or reuse of data collected from citizens across various executive branch dependencies.

Furthermore, data exchange between institutions lacks organization, limited to isolated agreements that do not benefit all stakeholders interested in data reuse. Each dependency has made individual efforts to establish data exchange agreements, but it is essential to implement mechanisms that facilitate integration and communication among governmental entities.

Up to now, efforts for digital transformation in Guatemala were dispersed among various state dependencies. This fragmentation is due to the absence of a governing body that coordinates a unified digital agenda for the government. As a result, coordination between institutions is slow, significantly delaying progress towards a more efficient and modern public administration, prompting the current government to seek a strategy to streamline efforts unidirectionally. This strategy is being formulated from the presidency throughout the entire executive

branch.

2. Public Financial Management (PFM)

Guatemala's governance landscape is marked by weak and inefficient government institutions that fail to operate as intended, and the fight against corruption is a widespread challenge for the new government. These institutional shortcomings are worsened by burdensome and inefficient regulatory frameworks, amplifying inefficiencies in public spending and creating fertile ground for corruption. Concerns persist regarding the quality of public investment management and the targeting of public programs, further straining the country's governance capacity. Moreover, weaknesses in Guatemala's data infrastructure, standards, and methods within the national statistical system impede effective PFM practices. Additionally, systemic corruption and political interference in the justice system pose longstanding challenges, undermining the effectiveness of PFM systems and eroding public trust. The country also grapples with obstacles in the digital transformation of the public sector, including insufficient digital infrastructure and weak capacity, which hamper service delivery and transparency efforts.

The importance of applying a gender lens to the PFM system is critical. According to the UN Women's Gender Snapshot 2022 report[6], women's exclusion from the digital world has shaved $1 trillion from the gross domestic product of low- and middle-income countries in the last decade—a loss that will grow to $1.5 trillion by 2025 without action. Reversing this trend will require tackling the problem of online violence, which a study of 51 countries revealed 38 percent of women had personally experienced.

Current president Bernardo Arevalo was elected and assumed the presidency amidst widespread discontent over corruption. However, Arévalo faces significant challenges in combating corruption, inheriting a weakened executive, a highy corrupted judicial system and a fragmented legislative. The government party Semilla Movement, had its legal status suspended, therefore its 23 representatives in Congress (out of 160) are sitting as independents. As they are a minority in Congress they have difficulties to propose and advance a legislative agenda. While these issues can potentially hinder anti-corruption reforms, Arévalo has utilized executive powers for his initial anti-corruption measures. In February 2024, his administration created the National Commission against Corruption (CNC), a renewd version of a presidential commission initiated by former President Alejandro Giammattei. By early March, the CNC had begun collaborating with ministries to expose potential corruption cases, particularly within public works, health, and education sectors, involving officials from the previous administration. Among some of the key priorities of the CNC is an improvement of the public service through building a professional, effective, efficient, and incorruptible civil service. In Congress, various political groups have already expressed their interest in supporting legislation on digitalisation, which could improve the overall transparency and accountability in the public sector.

Guatemala registers one of the lowest expenditures in the region on health and education both per capita and as share of GDP, as well as low public investment levels. Guatemala's fiscal policy is characterized by low expenditure levels. Total expenditures averaged 12.9 percent of GDP from 2015 to 2019, with current expenditures accounting for 74 percent of total expenditures, while capital expenditures accounted for the remainder. Total expenditures peaked in 2020 (15.6 percent of GDP) as a reflection of the government response to the COVID-19 crisis but scaled back to 14.3 percent of GDP in 2023.Guatemala's government expenditure on education was 3.2 percent of GDP in 2019, while its structural and aspirational peers spent 5.2 and 4.0 percent of GDP respectively. The average for LAC, upper-middle-income countries and high-income countries was also above Guatemala's respectively at 4.6, 4.0; and 4.7 percent of GDP. Government health expenditures in Guatemala was 2.4 percent of GDP, while structural and aspirational peers spent 3.7 and 4.1 percent of GDP respectively.

Low levels of public investment constrains competitiveness and growth of the country. Guatemala's public investment level averaged 2.5 percent of GDP in 2021-22, while the LAC average was 4.6 percent of GDP. The World Bank's Guatemala Systematic Country Diagnostics emphasizes the historically fragmented social contract and weak institutions in Guatemala, which contribute to low levels of public spending and undermine the state's ability to provide essential public services and invest in human and physical capital. The country needs to increase the efficiency of infrastructure investment and social spending. Low capacity and misaligned incentives

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6   [Progress-on-the-sustainable-development-goals-the-gender-snapshot-2022-en_0.pdf (unwomen.org)](Progress-on-the-sustainable-development-goals-the-gender-snapshot-2022-en_0.pdf)

among key actors limit the efficiency of public infrastructure investment. The resulting decline in infrastructure quality restricts the expansion of the private sector and diminishes its capacity to generate more and better jobs. Paradoxically, in the last few years, the Guatemalan Congress has been reluctant to approve loans with international financial institutions for public investments.

According to the Staff Report for the 2023 Article IV consultation of the International Monetary Fund (IMF), the country should continue to build on the achievements made in economic policy. The Guatemalan economy continued to show resilience in 2022, with growth exceeding its potential. Macroeconomic and financial stability was preserved despite an unfavourable global context. Large remittance inflows and vibrant bank credit to the private sector have played an important role in sustaining solid private consumption. Besides, large levels of international reserves persist. Stability was also the result of prudent monetary and fiscal policies. Inflationary pressures in Guatemala continued, hence the need to further strengthen the operationalisation of the inflation targeting framework and ensure swift action to accelerate the implementation of the pro-growth structural agenda. Addressing gaps in infrastructure, education, and health, improving governance, and the fight against corruption remain of the first order. Reforms are not only needed to attract foreign direct investment, but to secure sustainable and inclusive growth. The report acknowledged Guatemala's efforts on data transparency and digitalisation to address perceptions of weak legal protection, high legal uncertainty, weak governance, and crime (albeit it has declined in the past years). However it pointed out that more is needed to be done, to promote the country's development prospects.

President Arevalo's Government Plan 2024-2028 emphasizes eliminating all manifestations of corruption and increasing the efficiency and accountability of public finances. The Government Plan includes responsible and comprehensive management of public finances. In this context, the plan prioritizes bolstering e-government mechanisms to enhance the efficiency of public services and combat corruption, with a particular focus on taxation and accountability. This strategy is in line with Guatemala's "National Digital Plan 2021-2026", which prioritizes digital transformation in governance and e-government initiatives. Some efforts are related to rationalizing administrative burdens for citizens and businesses by streamlining processes; and implementing single-service chains or one-stop shops to simplify and integrate processes across different organizations. As well as to enhancing transparency and accountability by providing public access to information and protecting fundamental freedoms; and ensuring public access to information and protecting data privacy in accordance with national laws and international agreements. Other efforts aim to develop institutions that are effective, transparent, and accountable at all levels; strengthen the capacity of government employees and citizens to use and benefit from digital innovations; increase transparency in investment and public spending on digital transformation; and implement smart and integrated procurement mechanisms through digital solutions.

2.2 Problem Analysis

Short problem analysis:
Digital transformation readiness in Guatemala:

The most frequently mentioned challenge in Guatemala is related to digital infrastructure: 87 percent of households use mobile phones but only half use the internet, and only 4 percent of internet users enjoy a broadband internet connection. Compared to other countries in Latin America and the Caribbean, Guatemala has the largest gender digital gap, especially in rural areas and even more so among indigenous peoples. A study of six countries in the region carried out by the AIDB[7] (Argentina, Colombia, Ecuador, Guatemala, Paraguay and Peru) found that cost is the greatest barrier for women to adopt digital technologies. Just one gigabyte of mobile data costs 4 percent of the average monthly income in Guatemala.

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[7]   Agüero, Aileen; Bustelo, Monserrat; Viollaz, Mariana. (March 2020): Inequalities in the digital world?: Gender gaps in the use of ICT. Available here: http://dx.doi.org/10.18235/0002235

Low levels of digital literacy such as a lack of locally available capacity in digital skills and analytics, and digital awareness pose a major barrier to the inclusive adoption of digital technologies. This barrier is not only present in traditionally excluded groups. Digital literacy is a challenge for the digital transformation process that the GoG is executing. A lack of digital skills is present across every level of society. Gaps not only exist in terms of digital skills capacity, but also in terms of internet access and ability to provide digital services that are sufficiently tailored to local citizens. Despite these challenges, a regional study commissioned by Microsoft[8] showed that Guatemala stands out in Central America for the growth in demand for digital skills and remote working among small and medium enterprises, especially following the COVID-19 pandemic.

The GAE, the governing body of Guatemala's open and digital government, has limited authority, structure, and functions due to its temporary nature. With a short-term mandate (currently, until 2028) and the uncertainty of its renewal (every three or four years), GAE faces challenges establishing and monitoring a long-term vision and results. While it is legally empowered to coordinate actions within the Executive Branch, it lacks the authority to collaborate with other public sector stakeholders, including subnational governments and other branches. This hinders its ability to provide the necessary leadership for driving a national agenda.

Weaknesses in the digital ecosystem governance have led to isolated initiatives that do not harness the benefits of an integrated strategy and common tools. GoG institutions have developed digital services spread across multiple web pages without a cohesive service delivery strategy and a long-term vision, presenting significant challenges for integrated management. While the National Digital Government Plan 2021-2026 and legislation to streamline administrative services (*Ley Antitrámites,* Decree 5-2021) have been approved, the approach remains fragmented across sectors and institutions. Consequently, the GoG faces challenges in technology duplication, service disintegration, and the absence of data-driven decision-making to steer transformation efforts. This hinders establishing a continuous and sustainable development process that transcends different administrations.

Digital government efforts often fail due to insufficient socialisation, monitoring, evaluation, and financing. Survey data for the UNDP's Digital Readiness Assessment for Guatemala indicates that although political will for digital transformation exists, 70 percent of respondents believe that senior government officials do not fully support the projects. Moreover, 40 percent are uncertain whether the implementation progress is being effectively monitored and evaluated. Furthermore, the Digital Government Plan lacks a clear strategy for financing digital transformation, and half of the respondents noted that projects often do not receive funding beyond their initial life cycle.

Status of PFM institutions, processes, and information systems:

Guatemala's PFM system faces significant weaknesses that undermine the quality, transparency and accountability of public spending. The country's PFM processes and information systems are outdated and inefficient, with flaws such as weak cash management, misallocation of resources by line ministries and in-year changes to expenditure allocations. These PFM challenges are aggravated by inaccurate revenue forecasting, inadequate cash-flow planning and a lack of alignment between budgeting, service delivery and development outcomes. Moreover, non competitive procurement practices, representing over 80 percent of the past decade's procurement activities, have resulted in frequent cost overruns particularly in public works contracts, eroding confidence in the system. These systemic weaknesses disrupt public service delivery, limit the government's ability to react to economic and natural shocks, and undermine the alignment between public spending and national development priorities.

The Government of Guatemala (GoG) just like any other, relies on sound Public Financial Management (PFM) systems to deliver targeted services and enhance the well-being of citizens. PFM systems are essential tools to ensure that public services are delivered effectively, efficiently, and transparently. In the past four decades there has been a concerted global effort to strengthen PFM institutions, processes, and systems, with a particular emphasis on the design and implementation of integrated financial management systems (IFMIS). Practically every country in the world has undertaken at least one IFMIS reform project and many have embarked on multiple

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8   El impacto del COVID-19 en la cultura y operación de las PyMEs de Latinoamérica. Available here: El impacto del COVID-19 en la cultura y operación de las PyMEs de Latinoamérica (microsoft.com)

initiatives. However, the landscape of information technology (IT) has evolved significantly, presenting both challenges and opportunities. While implementing IT reforms has become increasingly complex, new technologies offer prospects for enhanced aggregation and integration of vast amounts of data, thereby facilitating more informed decision making.

Although Guatemala started implementing its IFMIS reform in the late 1990s, lack of proper maintenance and upgrading is posing significant constraints and risks on the capacity and reliability of the existing systems. Since 1997, three consecutive SIAF (*Sistema Integrad de Admnistración Financiera*) projects financed by the World Bank helped build one of the region's most comprehensive PFM information ecosystems both in functional scope and institutional coverage. This digital platform is critical for the efficient and transparent management of public resources in Guatemala. However, over a decade of limited investments and talent exodus has resulted in an outdated and vulnerable ecosystem with a wide array of information tools and technologies with varying degrees of effectiveness. It has also resulted in the creation of information silos which erode the quality and usefulness of PFM information.

Allocative and operational efficiency of public spending:

Despite efforts to boost revenues, Guatemala struggles with one of the lowest levels of public expenditure in Latin America, placing pressure on the need to enhance the quality and efficiency of spending. As of 2022, Guatemala reported the second lowest general government expenditure as a percentage of GDP (14.4 percent) in the region, surpassed only by Haiti (8.3 percent). However, Guatemala holds the potential to raise the standard of its expenditure through the adoption of results-based budgeting practices. Since 2013, supported by the EU's "Support to Budget Management" (AGEP) Programme, Guatemala has been implementing the Gestión por Resultados (GpR) methodology, marking significant progress in transitioning budget preparation and execution to a programme-oriented approach. This transition has led to the development of comprehensive plans, programme-based budget documents, and performance indicators. While supportive changes have been effectively integrated into the legal and financial management systems, ongoing assessments, such as the World Bank's Public Finance Review, underscore the necessity for further enhancements in performance indicator design, data quality and utilization of performance data for decision-making processes within the Guatemalan government.

The management of public sector employment and the wage bill presents significant opportunities for improvement and fiscal efficiency. Guatemala's public employment landscape exhibits distinct characteristics when compared to regional and global benchmarks. In 2022, public sector employment accounted for just 6 percent of total employment, below the Latin America and Caribbean (LAC) average of 12 percent and notably lower than the OECD average of 21 percent Despite this variance, Guatemala experienced robust growth in both public sector and total employment, boasting the highest annual average growth rate of public sector employment at 4 percent and the second-highest annual average growth rate of total employment at 3.2 percent (OECD, 2024). Concerning Guatemala's public sector wage bill though, employee compensation represented 43.5 percent of the country's total government expenditure in 2021, surpassing other LAC countries, therefore suggesting inefficiencies and resource allocation inadequacies related to the wage bill and the need for analysing the impact of the wage bill on Guatemala's fiscal sustainability and examining public employment and compensation trends.

Furthermore, enhancements in public expenditure management could bolster Guatemala's efforts in advancing climate mitigation and adaptation, and gender equality policies. Despite its relatively low global emissions contribution, Guatemala faces significant vulnerability to climate change impacts. Approximately 75 percent of its population is exposed to climate-related threats such as floods, droughts, and landslides, posing adverse effects on livelihoods and economic activities. According to the ongoing Public Finance Review conducted by the World Bank, Guatemala has made commendable strides in establishing a legal and policy framework for climate change; however, it lacks an effective mechanism for resource allocation towards climate mitigation and adaptation programs and projects. There is still ample space to complement these efforts by mainstreaming climate considerations into budgeting, public investment and asset management functions. Additionally, while Guatemala has implemented a gender tag in its budget, the quality of information remains inadequate, with gender-specific data and indicators seldom utilized in budgetary decisions. To address this gap, additional support is needed for enhancing gender budgeting practices to foster gender equality in a more practical and impactful way.

Transparency and accountability of public spending

Guatemala has the potential to enhance fiscal transparency, facilitate improved economic and fiscal decision-making and foster government accountability among citizens and markets. While the country is relatively advanced in fiscal reporting within the region, with the regular publication of various monthly fiscal reports enabling timely monitoring of diverse variables, there are still areas for improvement. Data inconsistencies across different reports and incomplete coverage remain prevalent issues. A 2023 International Monetary Fund (IMF) assessment identified gaps such as the absence of reporting on accrued interests, limited budget execution information from institutions outside the central government, and insufficient details in tax expenditure reports. Moreover, the assessment highlighted the need for enhanced transparency in fiscal forecasting, emphasizing the importance of clarifying projections and ensuring consistency with forecasts from the Bank of Guatemala. Additionally, it recommended expanding fiscal risk analysis to include risks from the financial sector, public-private partnerships (PPPs), contingent assets, and natural resource exploration activities.

Congress should play a pivotal role in overseeing fiscal and monetary policy and enhancing overall fiscal accountability, yet the existing practices, lack of procedures and low technical capacity significantly limit its effectiveness. The Congress' finance and budget commission (CFPM) holds responsibility for fiscal and monetary policy, including legislative reforms and external audit report reviews. However, its composition varies annually based on Plenary representation, potentially affecting member suitability. While expertise is recommended, it is not mandatory, potentially impacting legislative analysis quality. Additionally, guidance may come from permanent or temporary advisors, whose hiring process is at the discretion of block leaders or commission presidents, possibly disrupting legislative advice consistency. As a result, the CFPM has shown deficiencies in technical capacity, hindering comprehensive development, transparency and anticorruption efforts. The 2018 Public Expenditure and Financial Accountability (PEFA) report highlights legislative oversight shortcomings regarding external audit reports, with insufficient follow-up on findings. The CFPM's review of the 2024 budget revealed technical and legal inconsistencies, requiring rectification by the Congress Plenary. To address these issues, it is critical to establish a budget technical office to advise the CFPM on budget-related matters, revenue mobilization, public debt, and public investment project evaluation.

The Auditor General's Office serves as Guatemala's primary government oversight and control entity, responsible for supervising public fund management and ensuring officials' integrity. Comprising two branches—the Probity Sub-auditor's Office and the Quality of Public Expenditure Sub-auditor's Office—the Auditor General's Office conducts audits to assess financial management and transparency in resource utilization. However, reports such as the 2018 PEFA identify persistent weaknesses in external audits, characterized by material but non-systemic findings. In fiscal year 2022, the Public Expenditure Quality Sub-auditor conducted 713 audits, encompassing 46 performance and 667 financial and compliance audits. Despite yielding 3,169 findings pinpointing areas for enhancement, the fragmented audit processes did not result in clear and actionable recommendations and follow-up actions. Furthermore, auditing procedures are still performed through cumbersome bureaucratic practices that have not adopted yet the use of risk-based economic and financial analysis methodologies supported by data analytics or artificial intelligence tools.

A comprehensive reform strategy is essential to tackle the challenges in Public Financial Management (PFM) and to boost the effectiveness, transparency, and accountability of public expenditure. The proposed initiative, consisting of activities aimed at modernizing PFM governance and processes, enhancing the quality of public spending, and fortifying accountability mechanisms, seeks to address the underlying issues and establish groundwork for more sustainable and impactful public service delivery.

Identification of main stakeholders (duty bearers and right holders) and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:
Government institutions are direct beneficiaries of the action.

For Specific Objective 1 (SO1), SO2 and SO3, GAE (Presidential Commission on Open and Electronic Government) will lead and coordinate the project implementation as main stakeholder and leader of the Technical Working Group that will oversee the implementation of the Digital Agenda in Guatemala. The technical working group is formed by SEGEPLAN (General Secretary for Planning), MINFIN, MINEX, MINGOB and SENACYT

(General Secretary for Science and Technology). The **direct project right holders for these specific objectives** are:

- Employees from the Presidential Commission on Open and Electronic Government (Comisión Presidencial de Gobierno Abierto y Electrónico)

O**ther project right holders/duty bearers** include:

- Employees of other government line ministries, agencies, and departments, civil servants, technical staff.
- Local society groups/civil society organisations, representatives of citizens
- Private sector
- Universities, educational institutions

In case of SO4, SO5 and SO6, the Ministry of Finance (MINFIN) will serve as the primary partner for implementing activities. In addition, to MINFIN, the National Congress and the Auditor General's Office will be the main beneficiaries. Additionally, the private sector, local authorities and civil society (women´s organizations among others) are relevant stakeholders in this endeavour. As well as existing Gender focal points of the listed institutions.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective of this action is to promote e-governance, public administration modernization and enhance efficiency, transparency and accountability of public spending by supporting digital transformation and e-government solutions for an improved digital ecosystem and boosting investments.

The Specific Objectives of this action are to :

SO1: Support the digital government transformation process (incl. update enabling regulatory frameworks).

SO2: Develop and implement the interoperability framework, public service digitalisation and preparing a pilot with selected public services and institutions.

SO3: Strengthen institutional capacity building in all project Objectives (SO 1-2), stakeholder engagement, skills development and awareness-raising on e-government among the Government of Guatemala and the citizens.

SO4: Modernize PFM institutions, processes, and information systems.

SO5: Improve inclusive and gender-responsive public spending allocative and operational efficiency.

SO6: Strengthen control and oversight of public spending.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are

Contributing to Outcome 1 (or Specific Objective 1)

1.1 Strengthened and updated e-government strategic documents and regulatory frameworks for enabling Guatemala's digital governance.

Contributing to Outcome 2 (or Specific Objective 2)

2.1 Developed interoperability framework (including digital architecture descriptions); interoperability conceptual model; interoperability forming blocks; and an interoperability pilot with selected interoperability solution and a set of digital public services pilot, taking into account and addressing the digital divides across gender, geography, income, education and literacy, and ethnicity.

Contributing to Outcome 3 (or Specific Objective 3)

3.1 Enhanced capacities in the e-government field among government institutions, and increased public awareness among citizen groups.

Contributing to Outcome 4 (or Specific Objective 4)

4.1 PFM system diagnostic and reform strategy
4.2 Strengthened PFM governance and sustainability
4.3 Tools for fiscal transparency and data-informed decision making.
4.4. Enhanced MINFIN's capabilities to protect digital information resources.

Contributing to Outcome 5 (or Specific Objective 5)

5.1 Improved gender responsive and inclusive budgeting practices and expenditure analysis
5.2 Strengthened gender responsive and inclusive public investment and asset management
5.3 Reinforced public procurement and contract management
5.4 Strengthened human resources and compensation management

Contributing to Outcome 6 (or Specific Objective 6)

6.1 Reinforced Congress's capacity of oversight and decision making
6.2 Strengthened Auditor General's Office's analytical capacity for control and oversight

3.2   Indicative Activities

Indicative activities relating to Output 1.1:

1.1(i) Reviewing the existing strategic documents (e.g. Digital Government Plan 2021-2026) through desk research, and updating these, in terms of objective, scope for digital transformation, adding additional elements to the strategy, and strategy's implementation support mechanisms. If relevant, support will be provided also for the development of next digital government strategy; (ii) providing input to updating the governance structure and organizational setup with clear roles, responsibilities, and decision-making processes; (iii) providing institutional capacity-building through training, workshops, and discussions for stakeholders to identify TO-BE plans and support with implementing the strategy for digital transformation; (iv) supporting change management processes to prepare stakeholders for the changes brought about by digital transformation and to lead implementation in organizations; (v) assessing existing regulatory (legal and policy) frameworks to identify digital regulation and critical challenges; (vi) consultations and training on frameworks addressing information society; (vii) supporting the crafting of customized legal and policy frameworks aligned with national interests, industry-specific regulations, and international good practices.

Indicative activities relating to Output 2.1:

2.1(i) Analysing and assessing the existing government ICT related policy documents, existing digital architecture, organisational environment, public service processes, information systems, registries, digital platforms, infrastructure and networking operations, investments and innovation initiatives; developing an interoperability framework and reference architecture at different governance levels; (ii) creating a governance framework

supported by tools for managing the development and implementation of state information systems, including a catalogue of interoperable solutions; (iii) implementing the interoperability-by-design paradigm; (iv) creating a conceptual model for integrating information systems and services and forming interoperability building blocks; (v) institutional capacity building and skills development on interoperability related topics; (vi) analysing public services to identify digitalisation priorities; (vii) mapping AS-IS work processes and the ecosystem for existing services; (viii) defining the problems and understanding citizens' needs and user experience taking into account the digital gender divide; (ix) developing, describing, and visualising the future version (TO-BE process) of public services; (x) validating the selected solution with user groups; (xi) preparing the technical development of digital services and supporting implementation; (xii) calculating costs for future service management and supporting the development of a monitoring system; (xiii) identifying public institutions for government interoperability solutions pilot; (xiv) selection and deployment of a suitable interoperability and data exchange solution; (xv) conducting an initial data exchange service pilot using the selected interoperability solution and selected set of digital public services, ensuring equal access for women and marginalised groups; (xvi) building capacity to locally operate and sustain the platform; (xvii) strengthening and building up the interoperability platform to reach significant impact in the public sector (also including the staff from public authorities).

Indicative activities relating to Output 3.1:

3.1(i) Consultancy for digital engagement policy and framework development; (ii) facilitating seminars and validation workshops with stakeholder engagement; (iii) creation of guidelines for learning and development programmes; (iv) awareness-raising actions; (v) outlining training methodologies and offering training of trainers (ToT) programmes; (vi) creating inclusive digital skills development plans for the public sector authorities as well as to citizens, aimed at reducing the gender digital gap among other; (vii) institutional capacity building in all the project Objectives (SO1-2); (viii) organising custom designed study visits/seminars (indicatively in advanced European Union countries) for GoG public authorities, to exchange experiences in digital transformation; (ix) strengthening institutional capacity and cultivate a deeper comprehension of e-governance and inclusive digital transformation.

Indicative activities relating to Output 4.1

4.1.   PFM system diagnostic and reform strategy. Activities related to this output include: (i) a stocktaking of PFM information systems (notably of the PFM digital platform known as "Sistema integrado de Administración Financiera –SIAF-, which is critical for the efficient and transparent management of the country's public resources), including an assessment of the institutional coverage of existing information tools; (ii) assessing the core PFM functional processes and methodologies, including the development of updated conceptual and functional models for core PFM functions; (iii) assessing information exchange and interoperability requirements between core and support PFM processes; (iv) identifying investments needed to stabilize the PFM information ecosystem and strengthen cyber-security; (v) assessing PFM information governance models, with an emphasis in reform sustainability; (vi) Public Expenditure and Financial Accountability (PEFA) assessments at the first year (which will serve as a baseline) and last year of the Action (the Supplementary Framework for Assessing Gender Responsive PFM; and the Supplementary Framework for Assessing Climate Responsive PFM, will also be used).

Indicative activities relating to Output 4.2

4.2.   Strengthened PFM governance and sustainability: This output will be an integrated, inclusive, and scalable PFM system governance model that addresses the needs of all system governing bodies at MINFIN and provides a space for engagement and technical dialogue with other entities involved in public resource management. Activities related to this output include: (i) design of an improved PFM governance model; (ii) design and implementation of a PFM data governance model; (iii) establishment and initial support for the creation of the PFM system management unit; (iv) assessment of the life-cycle costs of alternative models for development, implementation, and operation of the PFM information ecosystem.

Indicative activities relating to Output 4.3

4.3.   Tools for fiscal transparency and data-informed decision making. MINFIN needs to develop the digital tools and culture for data analytics and evidence-based decision making. It also needs to promote fiscal

transparency through communication, capacity building and better digital tools. Activities related to this output include: (i) design digital tools to support evidence-based decision making for fiscal and financial management; (ii) review of existing fiscal reports in order to identify gaps in coverage and data inconsistencies; (iii) design of methodologies and procedures for improving the coverage, depth, and quality of fiscal reporting; (iv) promotion and capacity building to establish an institutional culture for the use of information; (v) design of knowledge management tools and building general PFM internal capacity; (vi) development and implementation of a communication campaign engaging external stakeholders; and (vii) enhancing public access to fiscal information and development of capacity to leverage open data.

Indicative activities relating to Output 4.4

4.4.   Enhanced MINFIN's capabilities to protect digital information resources. This output seeks to make digital information resources more resilient and strengthen the government's capacity to detect and respond to cyberthreats. Activities related to this output include: (i) an in-depth assessment of the cybersecurity of Guatemala's PFM information ecosystem that involves evaluating existing measures, identifying vulnerabilities, and assessing risks; (ii) the creation of a cybersecurity plan that is executable in the medium term whose ultimate goal is the establishment of an information security system based on international best practices (ISO 27000) and in line with the directives from the National Commission of Cybersecurity (Comité Nacional de Seguridad Cibernética – CONCIBER); (iii) support the creation and mobilization of a Security Operations Center (SOC); (iv) implementation of cybersecurity certification and external audit program. This will be linked to the work on cybersecurity that will be done under the EU-LAC Digital Alliance in Guatemala.

Indicative activities relating to Output 5.1

5.1.   Improved budgeting practices and expenditure analysis. This activity will support (i) in-depth expenditure analysis and spending reviews in selected priority sectors to identify ways to improve expenditure efficiency; (ii) adoption and use of advanced data analytical methods and micro-simulation models to inform better budgeting allocation; (iii) improving the design of performance indicators and use of performance information in the budgeting process in selected sectors; (iv) mainstreaming climate considerations in the budgeting process; (v) designing and piloting a methodology of gender-responsive budgeting; (vi) designing and piloting methodologies to strengthen citizen participation in the budgeting process.

Indicative activities relating to Output 5.2

5.2.   Strengthened public investment and asset management. It will include the following activities: (i) diagnostics of the current public investment management systems and factors that undermine the impact of public investment in the country; (ii) improving the public investment management system for enhanced design, execution, monitoring and evaluation of public investment projects; (iii) strengthening the Public-Private Partnership framework and processes to mobilize private sector participation; (iv) incorporating climate mitigation and adaptation considerations in public investment and asset management; (v) develop conceptual and functional models for the adoption of digital information management tools to support the public asset management function and strengthen the capacity of the MINFIN for public asset management.

Indicative activities relating to Output 5.3

5.3.   Reinforced public procurement and contract management. It will include the following activities: (i) Analysis and optimization of procurement modalities using demand driven approaches; (ii) review contract management lifecycle processes and practices to ensure they are properly executed and deliver results; (iii) development of a business continuity model including all aspects related to the security and integrity of the system; and (iv) design and implementation of a digital system to support procurement complaints management processes.

Indicative activities relating to Output 5.4

5.4.   Strengthened human resources and compensation management. It will include the following activities: (i) review of HRM processes and practices with emphasis on recruitment, evaluation and employee promotion; (ii)

design and implement payroll validation and control mechanisms; (iii) support the creation of an integrated digital public employment registry that supports employment analytics and wage bill forecasting.

Indicative activities relating to Output 6.1

6.1.   Reinforced Congress's capacity of oversight and decision making. This output is mainly concerned withsupporting the creation of a dedicated office to advise the Congress' finance and budget commission work. This commission oversees the budget proposals and review the quality of the public expenditure. The role of the new office will be to tackle issues related to budget, domestic revenue mobilization, public debt and public investment project evaluation, including initiatives related to the Public-Private Partnerships (PPP). The office's role on project evaluation is key to inform the commission decisions based on systematic economic, social (including gender) and environmental analysis. In addition, the office should advise the commission on liabilities strategic management as this capacity does not exist and the country has room to contract additional public debt. Activities related to this output: (i) proposal for the creation of the office, including institutional mandate, responsibilities, operating model, processes and procedures, staffing, and other relevant aspects; (ii) capacity building for operationalizing the unit, including methodologies and digital tools to support its functions.

Indicative activities relating to Output 6.2

6.2.   Strengthened Auditor General's Office analytical capabilities for control and oversight. Activities related to this output include: (i) design of methodologies of economic and financial analysis of public expenditure; (ii) methodologies for data-driven and risk-based control and audits; (iii) design and implementation of a corruption risk detection system by leveraging artificial intelligence to analyse data from PFM and administrative systems.

3.3   Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)
The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

The action will contribute to building climate resilience by enhancing the efficiency, transparency and accountability of public spending in Guatemala through strengthening the institutions, systems, and capacity of public financial management (PFM) adopting digital solutions. Particularly through the following activities related to SO5 Improved public spending allocative and operational efficiency:

Activities relating to Output 5.1 Improved budgeting practices and expenditure analysis:

(iv) Mainstreaming climate considerations in the budgeting process.

Activities relating to Output 5.2. Strengthened Public Investment and Asset Management:

(iv) Incorporating climate mitigation and adaptation considerations in public investment and asset management.

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1.

The action will promote gender equality by ensuring women have equal opportunities along the implementation of the intervention. The project activities are planned to be designed in a gender-inclusive way. Accordingly, gender-sensitive approaches will be used in capacity development trainings in all thematic areas, as well as in project deliverables development. The project will challenge gender stereotypes and promote a culture of respect for women. It 1 will contribute to the EU Gender Action Plan III (2021-27), specifically to the thematic area of engement digital transformation-digitalisation, in particular to specific thematic objective 1 'Women, men, girls and boys in all their diversity participate equally in policy-and decision-making for the digital world, on local, national, regional and international levels, and are represented in these policies and decisions' and specific thematic objective 3 'Women, men, girls and boys are equally provided with and using equally public digital literacy'

This implies that this action will ensure gender mainstreaming throughout its main activities and will contribute to the EU Gender Action Plan III (2021-27), specifically to the target of indicator 3.1 "At least 20 percent of new actions supporting PFM reforms include a gender budgeting component (from 2021)". In addition, it is in line with strategic objective 2 and areas of intervention "2.1. Governance: institutional strengthening and gender-sensitive budgets / 2.1.3. Integration of the gender perspective in EU cooperation in a quantitative and qualitative way. Gender-sensitive budgets", of the Gender Action Plan of the European Union Delegation to Guatemala 2021-2025.

The World Bank Systematic Country Diagnostic (SCD) Update 2022 for Guatemala brings attention to various gender-related issues and challenges within the country. It emphasizes persistent gender disparities and underscores the necessity for targeted interventions to tackle these issues effectively. Social policies and societal norms discourage women's engagement in the labour force, thus limiting their full potential in Guatemala, where young women are disproportionately out of employment, not in education, or in training compared to young men. The notably low female labour force participation rate compared to peer nations positions Guatemala as the lowest in the Latin America and the Caribbean (LAC) region. Additionally, there are gender disparities in economic opportunity, with women having less access to financial accounts and being more likely to hold vulnerable jobs compared to men. Evidence-based solutions are proposed to tackle gender disparities, such as providing certification in non-traditional sectors coupled with on-the-job training, ensuring parental leave and equal pay for equal work, and implementing workplace strategies to promote female recruitment.

In this context, this action aims to foster greater budget transparency and participation, thereby facilitating a gender-sensitive approach to ensure equitable access to financial information, with the goal of amplifying women's voices and inclusion in governmental financial planning processes. Through the categorization and identification of gender-informed budget allocations, policies and programs can be customized to promote inclusivity. A comprehensive assessment of Public Financial Management (PFM) procedures will be conducted to ascertain their responsiveness to gender needs throughout the budget cycle, thereby promoting gender-inclusive PFM practices. Notably, under SO5 Improved public spending allocative and operational efficiency, Output 5.1 Improved budgeting practices and expenditure analysis, includes activity (v) designing and piloting a methodology of gender-informed budgeting.

Human Rights

The action will be implemented following the human rights-based approach, encompassing all human rights, with due regard to the working principles of applying all rights, participation and access to the decision making process, non-discrimination and equal access, accountability and access to the rule of law, transparency, access to information and freedom of expression. It will develop the capacities of 'rights-holders' to claim their rights and 'duty-bearers' to meet their obligations. In line with the human rights-based approach methodology, the proposed action will abide by the 'do no harm principle' to avoid unintended negative impact in terms of human rights.

The action will promote human rights by ensuring everyone can access public digital services.

In fact, safeguarding the human rights of all, especially those living in vulnerable situations (such as indigenous people, women, and the young) who, for example, currently do not receive social spending support, is a core focus on the action. By strengthening public financial management capacity, this action will contribute to improving public spending allocative and operational efficiency, focusing on the most vulnerable.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that although disability is not targeted as a significant objective, the rights of persons with disabilities will be upheld and protected. In addition, the respect for their inherent dignity in line with Art. 1 of the Convention on the Rights of Persons with Disabilities will be guaranteed. Furthermore, throughout implementation of the action, due attention will be given to involving persons with disabilities in all activities.

Reduction of inequalities

The action is labelled as I-I as inequality reduction is a significant objective. Guatemala faces persistently high levels of inequality, with one of the most unequal distributions of income and highest poverty rates in Latin America with the richest 1 percent controlling 13 percent of total income. The Gini coefficient increased marginally from 0.483 in 2014 to 0.485 in 2019, though it remains high compared to other countries in the region. According to the 2022 Systematic Country Diagnostic (SCD) Update, there are deep disparities across income levels and regions, with the poorest and least developed departments having the largest share of indigenous peoples. Human capital indicators in certain departments, such as Totonicapán and Huehuetenango, are more closely comparable to Sub-Saharan African countries such as Mozambique and Nigeria than to Latin America and the Caribbean (LAC) peers.

The drivers of inequality in Guatemala are deeply rooted in the country's colonial history and the marginalization of the indigenous population. Disparities in access to education, with indigenous and rural populations having significantly lower educational attainment, are a key factor perpetuating inequality. The unequal distribution of productive assets, such as land, and the concentration of high-productivity economic activities in urban areas also contribute to the urban-rural divide. Weak fiscal policies and a regressive tax system that fails to effectively redistribute income are additional determinants of inequality.

Digitalisation and digital transformation is considered a strong driver of sustainable development and inclusive growth. Digital technologies are crucial for reducing poverty by increasing the competitiveness of the economy and creating employment opportunities. Through the implementation of this action, the digitalisation of public services will ensure access to information and services and participating in decision-making processes. It will also ensure support to indigenous people by respecting their rights, cultures, and languages.

The action will also strengthen PFM capacity, supporting the Government of Guatemala to enhance the efficiency, transparency and accountability of public spending, focusing on the most vulnerable. Furthermore, the action will help make public expenditure gender-informed and climate-sensitive, contributing to mitigate the impact of climate change on the most vulnerable populations.

Democracy

Democracy is associated with higher human capital accumulation, lower political instability, higher economic freedom and enhanced government responsiveness and accountability. It is also closely tied with economic sources of sustainable growth. The action will have an impact on sustainable development and growth and on transparency of public institutions operations through the digitalisation of the services provided by the public sector. Access to information is a major element in a democratic system.

The action will promote democracy by providing transparent and accountable digital government. The intervention will include civil society organisations and independent media outlets in the analysis. Furthermore, taxation and spending are inexorably linked to a representative, accountable, and well-functioning democracy. The action has specific activities that directly contribute to strengthening this social contract between citizens and the State. Namely, contributing to SO6 Strengthened control and oversight of public spending: reinforcing Congress's capacity of oversight and decision making; and strengthening the Auditor General Office's analytical capacity for

control and oversight. The action will also contribute to improving public spending allocative and operational efficiency.

Conflict sensitivity, peace and resilience
The action aims to minimise unintended negative social or environmental impacts ("do-no-harm") and has been designed to be inclusive of marginalised and vulnerable groups. By promoting e-governance and enhancing the efficiency, transparency and accountability of public spending, the action will contribute to improving Guatemala's economic resilience. It also includes activities, at the operational level, to strengthen the resilience of public investment and public assets against extreme climate events and to adapt to climate change. Furthermore, the action will not create or worsen conflicts. Nevertheless, civil society and the private sector will be consulted during implementation, as part of the steering committee, regarding transparency, accountability and quality of public spending, in order to maximise impact.

Disaster Risk Reduction
Guatemala is one of the most exposed countries to natural hazards and ranks ninth globally in climate change risk. The action has been designed to reduce disaster risk by improving the country's capacity to respond to natural disasters through the digitalization of PFM processes and establishing resilient digital interfaces for disaster scenarios. In fact, under SO5, activities include mainstreaming climate considerations in the budgeting process and incorporating climate mitigation and adaptation considerations in public investment and asset management.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Decision-making process	Key decisions relevant for the implementation of the project are delayed, which may postpone the implementation of the project activities.	Low	Medium	Establishing clear timelines (including deadlines for key decisions) and coordinating the deadlines with the beneficiaries and the EU Delegation to Guatemala. Close cooperation and regular meetings with the beneficiaries and the EU Delegation to Guatemala.
Sustainability	Lack of interest and commitment from project beneficiary authorities and stakeholders to further implement the project results (including sustaining further investments) after the end	Low	Medium	Close cooperation with the beneficiary authorities and stakeholder engagement throughout project implementation.

	of the project, which may prevent the achievement of project overall objective.			Capacity building of beneficiary authorities during project implementation.
Regulatory environment	Legal and regulatory framework or legal requirements in the beneficiary country does not support implementation of the project objectives, resulting in delays in the implementation of the Action or failure to implement the activities to the planned extent.	Medium	High	Close cooperation with project beneficiaries and legal experts at the beginning of the project, identification of potential regulatory constraints. Immediate communication of identified issues to the project beneficiaries and developing Action Plan to address these issues. Close monitoring of the implementation of the Action Plan.
Change management	Resistance or skepticism of the project beneficiaries and/or stakeholders to adopt new solutions/ ways of working, which may prevent the achievement of project objectives and timely implementation of outcomes.	Low	Medium	Close cooperation with the project beneficiaries and stakeholder engagement throughout project implementation. Providing the project beneficiaries and stakeholders with balanced and objective information, including informing of the project's progress and enabling them to understand the project's benefits and opportunities. Developing a clear and comprehensive change management strategy.
	Limited engagement in favour of gender equality and the empowerment of women, a human rights-based approach, and persons with disabilities by the targeted institutions and non-state actors			The project will provide adequate resources to work with institutions and non-state actors on the importance of integrating gender equality, a human rights-based approach, and

				the rights of persons with disabilities
Risks related to the external environment	Institutional risk: weak governance and institutional capacities hinder timely decision-making and staff continuity in public administration	Medium	Medium	- Continued political, policy and technical dialogue with GoG authorities. - Capacity building of beneficiary institutions. - Supporting data collection and analysis for evidence-based policy making.
	Stakeholders: Lack of coordination between the various stakeholders	Medium	Medium	- Regular coordination with stakeholders for efficient implementation and resource optimization.
Risks related to planning, processes and systems	Technical Design of action: there is a technical risk in the creation of the budget technical office	Medium	High	-Consult experienced experts to anticipate and solve potential issues in setting up similar offices. -Ensure staff receives comprehensive training in technical aspects, legislative processes, and Congress operations.

Lessons Learnt:

Country's e-governance structure must be well-defined and regulatory framework in place.

An e-government project should be initiated based on someone's explicit need for the e-service – there should be a problem that the e-service would solve or a situation to facilitate.

The e-service in itself cannot be the only scope of the project; the complexity of internal and process changes and its context must also be understood.

Analysis of legal preconditions for the e-service should be done in the very beginning of the e-government development project.

Citizens centered: E-service development projects should be based on a thorough understanding of citizens' needs and requirements.

Citizen identification and security: The security and identification solutions chosen should be carefully examined, not only in general terms but also in relation to the e-service's specific target groups.

Once-only principle, information is supplied to information consumers only once from the source responsible for handling the information and there is no other information source for the same information. According to the "once-only" principle, public bodies should take action to share data with each other, respecting privacy and data protection rules. This calls for a generic and scalable solution to interconnect different systems. Data is kept only in a database, where it serves as master data. Availability requirements may lead to the copying of data, but in this case, it has to be taken into account that data may be outdated.

Society as a service-centred organisation. All the activities of officials, entrepreneurs, citizens and software/information system are viewed as services. End users see services from a joint service room. They are not interested in the organisation that provides the service, but in the service itself. Although the private and public sectors act according to fairly different business rules, the users of their services are the same. Hence, it is practical that the private and public sectors develop and manage the services jointly.

Separation of front-end and back-end systems. In public sector information systems, front-end and back-end systems should be architecturally clearly separated. All public sector registers and databases are considered to be "back-end systems". The task of back-end systems is data management and provision of network services; they do not deal with authentication and authorisation. Hence, there is no need to build components of end-user's authentication and authorisation into back-end systems. Web services of back-end systems are made available for the end-user only through service intermediaries (front-end systems).

Reuse of components. A full component-based service model for public administrations allows the establishment of public services by reusing, as much as possible, existing service components. Public administrations should agree on a common scheme to interconnect loosely coupled components and put the necessary infrastructure in place.

Service oriented architecture. In the elaboration of the state IT architecture, principles of Service Oriented Architecture (SOA) shall be followed. In case of service-oriented architecture, different systems provide diverse information services through the so-called "service interfaces", which can be used by other information systems. Descriptions of these interfaces have to contain sufficient information for the identification and use of a service without the need for the service-using system to "know" anything about the internal architecture, platform etc. of the service-providing system. In case of SOA, the service publisher and the actual service provider do not necessarily have to be the same, while from the point of view of the service user, this does not make any difference. There are no restrictions as to technologies to be used for the application of SOA.

Linking business processes via aggregated services. Information systems communicate with each other via aggregated services. If, for the performance of a business process in one agency, data is needed from one agency or workflow has to be carried out in another agency, aggregated services are made use of. Agencies should ensure that the data and services they offer can be used as aggregated services. Aggregate service or complex service is combined from reliable basic services (for example, results of one basic service are used as input for another). The user perceives a complex service as one service. In the case of aggregate services, special attention must be paid to security-related risks that are linked with service use rights as well as to the danger of combining data.

Avoiding a "single point of failure". It is recommended to use solutions where the breakdown of one part of the system may disrupt the functioning of the whole system.

Enhancing project visibility and disseminating results should be mainstreamed. In the Guatemalan context, it is key to disseminate the project's ongoing work and its outcomes beyond the standard stakeholders. Engaging citizens directly has proven to be an effective strategy for highlighting ownership and dedication to the reforms. In a setting where citizens often lack awareness of government-led reforms, improving action visibility is a significant stride forward, paving the way for deeper engagement and fostering greater trust in the institutions concerned.

PFM projects benefit from a robust assessment of reform sequencing and realistic implementation timelines. The action implementation timeline should be realistic for such a complex and ambitious initiative given the characteristics of the activities. It should also consider the capacity of country counterparts and their familiarity with the technical and management requirements of the activities. Implementation schedules should factor in the time needed to design, build commitment, pilot, and rollout PFM reforms.

When promoting complex PFM and digital reforms in low-capacity settings, sustainability must be considered long-term. Implementing complex reforms in low-capacity contexts typically entails a series of interconnected interventions spanning 10-15 years before a stable ecosystem is established. Project outcomes should serve as foundational elements for a more extensive intervention, which need to endure change management strategies to solidify these capacities. Therefore, the action must incorporate sustainability measures to ensure the autonomous operation of systems independent of continued assistance from development partners.

3.5 The Intervention Logic

The underlying intervention logic for this action is that it will work through 2 interrelated areas: creating an enabling environment for digital transformation through e-governance and supporting digitalisation and e-government in the area of public financial management. The synergy between these two areas will pave the way for an improved business environment and investment climate:

(i) Developing Guatemala's e-governance strategy will facilitate supporting investment projects that promote the digitalisation of public administration and public services for citizens and the private sector; and promoting the needed enabling environment, including regulatory frameworks, norms and standards.

(ii) Supporting digitalisation and e-government initiatives to update and expand the country's public financial management (PFM) systems, which will improve the quality, transparency and accountability of public spending and budgeting (in particular gender- and climate-informed budgeting). Stronger and digitalised PFM systems will pave the way for further improvements in tax administration systems to increase domestic revenue mobilisation and expand fiscal space for much-needed social spending and an enabling environment for investment in infrastructure, which the country needs to boost competitiveness, economic growth and the creation of decent and green jobs. This is needed to effectively roll out the GGIA in Guatemala.

In particular:

Specific Objective (Outcome) 1: if the activities in support of the digital government transformation namely reviewing and updating key strategic documents such as the Digital Government Plan (2021-26); along with activities related to the reviewing and drafting of customized legal and policy frameworks aligned with national interests, industry-specific regulations and international good practices are carried out, then GoG will have a strengthened digital governance with improved e-governance practices and enhanced digital services for citizens. As the action will support the change management processes within government and will prepare key stakeholders for the changes brought about by digital transformation and for selected champions to lead implementation within government and public institutions, leading to Guatemala's digital government transformation and improved decision-making through access to accurate and timely information.

Specific Objective (Outcome) 2: if the activities related to the design and implementation of an interoperability framework for the Government of Guatemala including an interoperability pilot project for testing are undertaken then Guatemala will count with a state of the art interoperability framework for e-government. The Government of Guatemala will have increased efficiency in public service delivery; enhanced data exchange and integration among government systems; and will have established data sharing protocols among government agencies.

Specific Objective (Outcome) 3: by providing trainings and technical assistances; conducting awareness-raising actions; creating inclusive digital skills development plans for the public sector as well as to citizens; strengthening institutional capacity and cultivating a deeper comprehension of e-governance and digital transformation. Enhanced capacities in the e-government best practices among public servants, and increased public awareness among citizen groups will be achieved. The enhanced capacity of government officials to effectively utilize digital tools and technologies will increase citizen satisfaction with government services and improve overall governance effectiveness and public service delivery.

Specific Objective (Outcome) 4: By supporting the Ministry of Finance introducing a PFM system diagnostic and reform strategy, increasing PFM governance and sustainability; enhancing capacity for use of PFM intelligence tools; and improving MINFIN's capabilities to protect digital information resources, modernized PFM institutions, processes, digital and information systems, will be in place. These activities collectively contribute to identifying inefficiencies such as, outdated and inefficient PFM processes, fragmented data governance, insufficient fiscal transparency, limited data-driven decision making and cybersecurity vulnerabilities; and at the same time streamlining processes, strengthening governance structures, empowering stakeholders with analytical skills and fortifying cybersecurity measures. Consequently, the PFM ecosystem stands to benefit from optimized resource allocation, enhanced transparency, evidence-based decision-making and heightened data security, thereby fostering

greater efficiency and trust among stakeholders. Activities under this outcome have been designed to strengthen analytical, technical and institutional capacities.

Specific Objective (Outcome) 5: The action will aid selected line ministries in enhancing quality of spending at a sectoral level and improving the public expenditure management ecosystem regarding investment, asset management, procurement, and human resource management. These activities aim to enhance the allocative and operational efficiency of public spending. This can lead to better alignment with policy objectives, and ultimately, improved outcomes for citizens and to address the following challenges: deficient performance indicator design, poor information quality, restricted use of performance data in decision-making processes, limited capacity of expenditure reviews and lack of an effective guiding instrument for resource allocation towards climate mitigation and adaptation. As well as a lack of climate considerations in public investment and asset management, inadequate use of gender information in budgetary decisions, limited use of competitive procurement practices; and inefficiencies and resource allocation inadequacies related to the wage bill and the need for analyzing the impact of the wage bill on Guatemala's fiscal sustainability.

Specific Objective (Outcome) 6:. The action will assist the Congress' finance and budget commission (CFPM) and the Auditor General's Office in strengthening control and oversight of public spending. It will do so by creating a dedicated office to advise the CFPM; and by supporting the implementation of methodologies of economic and financial analysis of public expenditure and corruption risk detection models powered by Artificial intelligence (AI). The creation of a specialized office provides a structured mechanism for overseeing public financial management matters, advising on budget allocations and ensuring legislative scrutiny of expenditure decisions. The implementation of robust analysis methodologies and AI-powered corruption risk detection models enhances the Auditor General's Office's oversight capacity. Together, these activities reinforce accountability mechanisms, promote informed decision-making and foster public trust by ensuring that public funds are allocated and managed responsibly and effectively. Activities under this outcome have been designed to strengthen technical and result-oriented capacities that will lead to a strengthened control and oversight of public spending and will address main challenges encountered such as: the Congress' lack of processes, procedures and capacity that prevents it from effective fiscal and monetary policy making and oversight. As well as the Auditor General's Office challenges, namely fragmented audit processes, lack of clear and actionable recommendations and follow-up actions. Also, cumbersome and bureaucratic practices for audits, lack of risk-based economic and financial analysis methodologies supported by data analytics or artificial intelligence tools.

The implementation of these activities will contribute towards a sustainable digital transformation of government services and governance structure, as well as enhanced efficiency, effectiveness, transparency, accountability, innovation and responsiveness for an improved public service delivery.

The action will implement specific activities in the above mentioned prioritised areas that will allow the creation of joint synergies by complementing each other. All the multiple activities foreseen (inputs) aim at obtaining the specific short-term results (outputs), which will make it possible to achieve the aforementioned outcomes. All of the above will lead to achieving the overall impact of the action: to promote e-governance, public administration modernization and enhance efficiency, transparency and accountability of public spending by supporting digital transformation and e-government solutions for an improved digital ecosystem and boosting investments.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	Promoted e-governance, public administration modernization and enhanced efficiency, transparency and accountability of public spending by supporting digital transformation and e-government solutions for an improved digital ecosystem and boosting investments.	Guatemala's percentile ranking of: Government Effectiveness Regulatory Quality Control of Corruption according to the Worldwide Governance Indicators.[9]	Government Effectiveness- 16.51 Regulatory Quality- 41.51 Control of Corruption- 11.32 according to the 2022 Worldwide Governance Indicators for Guatemala percentile ranking.	Improvement of Guatemala's percentile ranking.	World Bank Worldwide Governance Indicators. Percentile rank 0-100; 0 corresponds to lowest rank and 100 corresponds to highest rank.	*Not applicable*
		Score increased in UN Electronic Government Development Index	0.5111 (2022)	0.6133 (2028)	UNDESA	

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[1] Worldwide Governance Indicators Home | Worldwide Governance Indicators (worldbank.org)

Outcome 1	Digital government transformation process supported and updated regulatory frameworks	1.1 Number of government institutions having improved accessibility, transparency and delivery of e-government services 1.2 Number of processes supported by the EU related to partner country practices on digital government services 1.3 Number of people (disaggregated by sex, rural/urban, age, disability) supported by the EU with enhanced access to digital government services (GERF 2.12)	1.1 2024 Baseline 1.2 2024 Baseline 1.3 0 (2024)	1.1 70% (2027) 1.2 Number of government services digitalised 1.3 TBD at project start	1.1 GAE and line ministries reports 1.2 GAE and line ministries reports 1.3 GAE data and national statistic	Digital Agenda continues implementation as Government's priority
Outcome 2	Interoperability framework developed and implemented, public service digitized and pilot project prepared	2.1 Number of data transactions exchanged within public institutions with EU support 2.2 Quality of the data exchanged, its utility and the impact of the data exchange	2.1 0 (2024) 2.2 2024 baseline	2.1 TBD at project start 2.2 TBD at project start	2.1 GAE reports and statistics 2.2 GAE and project reports and qualitative assessments	Digital Agenda continues implementation as Government's priority
Outcome 3	Strengthened institutional capacity building, stakeholder emgagement, skills developed and awareness raised on e-government among GoG and citizens	3.1 Number of civil servants (disaggregated at least by sex) trained on e-governance and interoperability issues with EU support, disaggregated by sex 3.2 Number of public-private multistakeholders meetings held on e-governance with EU support	3.1 0 (2024) 3.2. 0 (2024)	3.1 TBD at project start 3.2 TBD at project start	3.1. Project and trainings reports 3.2 Project and meetings reports	Digital Agenda continues implementation as Government's priority
Outcome 4	Modernized PFM institutions, processes and information systems.	4.1 Comprehensiveness, accuracy and timeliness of budget execution reports (PEFA ID-28)	4.1 TBD	4.1 TBD	4.1 PEFA Assessment	Continued political will and commitment by key stakeholders
Outcome 5	Improved public spending allocative and operational efficiency.		5.1TBD	5.1 TBD	5.1 PEFA Assessment	Continued political will and commitment by key

		5.1 The ability of government to manage and monitor its assets and its disposal (PEFA ID-12) 5.2. Payroll Management (ID-23) 5.3 Gender Responsive Reporting (PEFA GRPFM–7) 5.4 Climate-responsive Public Investment Management (PEFA CRPFM-5)	5.2 TBD 5.3 TBD 5.4 TBD	5.2 TBDD 5.3 TBD 5.4 TBD	5.2 PEFA Assessment 5.3 PEFA Assessment 5.4 PEFA Assessment	stakeholders, particularly the Ministry of Finance
Outcome 6	Strengthened control and oversight of public spending.	6.1. Legislative scrutiny of external audit reports (PEFA ID-31)	6.1. TBD	6.1. TBD	6.1 PEFA Assessment	Continued political will and commitment by key stakeholders, particularly the National Congress and the Auditor General's Office

| Output 1 relating to Outcome 1 | 1.1 Strengthened and updated e-governments strategic documents and regulatory frameworks for enabling Guatemala´s digital governance | 1.1.1 Number of e-government strategic documents and regulatory frameworks updated.

1.1.2 New e-Governance Plan adopted | 1.1.1 Digital Government Plan 2021-2026 (PGD) (Plan de Gobierno Digital Actualization Participativa 2021-2024)[10]

1.1.1 Diagnóstico de Nivel de la Preparación Digital (DRA) 2023; [11]

1.1.1 Guatemala Digital ecosystem Country Assessment (DECA)[12]

1.1.2 Previous Plan exists (2023) | 1.1.1 Relevant number (TBD during project inception phase) and relevant updates to the strategic documents and regulatory frameworks have been made.

1.1.2 New e-governance plan adopted (2025) | 1.1.1 Government Gazette.

1.1.2 GAE | Project direct beneficiaries commit, provide relevant background materials and input for the project being able to provide relevant updates to the strategic documents and to the regulatory frameworks. |
| Output 1 relating to Outcome 2 | 2.1 Developed interoperability framework (including digital architecture description); interoperability conceptual model, forming blocks, and interoperability pilot with selected interoperability solution and a set of digital public services pilot. | 2.1.1 Interoperability framework developed

2.1.2 Number of interoperability and digital public services pilots conducted. | 2.1.1 Not available (2024)

2.1.2 Not available (2024) | 2.1.1 Available (2027)

2.1.2 Available (2027) | 2.1.1 GAE

2.1.2 GAE and line ministries | Project direct beneficiaries commit, provide relevant background materials and input for the project being able to provide relevant support for the development of interoperability framework, conceptual |

						model, interoperability building blocks development, interoperability and digital public services pilot.
Output 1 **relating to Outcome 3**	3.1 Enhanced capacities in the e-government field among government institutions, and increased public awareness among public servants and citizen groups	3.1.1 Number of capacity building plans in place for relevant GoG institutions. 3.1.2 Number of public awareness rising campaigns held among public servants and relevant citizen groups (CSOs, grass-root communities, etc).	3.1.1 0 (2024) 3.1.2 0 (2024)	3.1.1 TBD 3.1.2 TBD	3.1.1 TBD 3.1.2 TBD	Project direct beneficiaries commit, provide relevant background materials and input for the project being able to provide relevant support for the capacity building plans and awareness-rising activities development.

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Output 1 **relating to Outcome 4**	4.1 PFM system diagnostic and reform strategy	4.1.1 PFM reform strategy and road map defined	4.1.1 No (2025)	4.1.1 Yes (2030)	4.1.1 MINFIN reports	
Output 2 **relating to Outcome 4**	4.2 Increased PFM governance and sustainability	4.2.1 Design of an improved PFM governance model	4.2.1 No (2025)	4.2.1 Yes (2030)	4.2.1 MINFIN reports	
Output 3 **relating to Outcome 4**	4.3. Tools for fiscal transparency and data-informed decision making	4.3.1. Design of tools to support evidence-based decision making for fiscal and financial management.	4.3.1 No (2025)	4.3.1 Yes (2030)	4.3.1 MINFIN reports	
Output 4 **relating to Outcome 4**	4.4. Enhanced MINFIN's capabilities to protect digital information resources	4.4.1. MINFIN cybersecurity policy defined 4.4.2. Critical security processes certified based on international standards (number).	4.4.1 No (2025) 4.4.2 0 (2025)	4.4.1 Yes (2030) 4.4.2 TBD	4.4.1 MINFIN reports 4.4.2 MINFIN reports	
Output 1 **relating to Outcome 5**	5.1 Improved budgeting practices and expenditure analysis	5.1.1 In-depth expenditure analysis in selected sectors 5.1.2. Design of performance indicators including inequality-reduction indicators	5.1.1 No (2025) 5.1.2 No (2025)	5.1.1 Yes (2030) 5.1.2 Yes (2030)	5.1.1 MINFIN reports 5.1.2 MINFIN reports	
Output 2 **relating to Outcome 5**	5.2 Strengthened public investment and asset management	5.2.1 Recommendations on improving the PPP framework 5.2.2. Proposal for incorporating climate mitigation and adaptation considerations in public investment and asset management	5.2.1 No (2025) 5.2.2 No (2025)	5.2.1 Yes (2030) 5.2.2 Yes (2030)	5.2.1 MINFIN reports 5.2.2 MINFIN reports	
Output 3 **relating to Outcome 5**	5.3. Reinforced public procurement and contract management	5.3.1. Contingency and business continuity procedures and systems for procurement 5.3.2. Proposal for a procurement complaints management process	5.3.1 No (2025) 5.3.2 No (2025)	5.3.1 Yes (2030) 5.3.2 Yes (2030)	5.3.1 MINFIN reports 5.3.2 MINFIN reports	

Output 4 **relating to Outcome 5**	5.4 Strengthened human resources and compensation management	5.4.1 Review of key HRM processes and practices (recruitment, training, evaluating and promoting) 5.4.2 Payroll validation and control mechanisms designed	5.4.1 No (2025) 5.4.2 No (2025)	5.4.1 Yes (2030) 5.4.2 Yes (2030)	5.4.1 MINFIN reports 5.4.2 MINFIN reports	
Output 1 **relating to Outcome 6**	6.1. Reinforced Congress's capacity of oversight and decision making	6.1.1. Proposal for the creation of a dedicated office to advise the Congress' finance and budget commission work.	6.1.1 No (2025)	6.1.1 Yes (2030)	6.1.1 Congress' reports	
Output 2 **relating to Outcome 6**	6.2 Strengthened Auditor General's Office analytical capacity for control and oversight	6.2.1. Methodologies of economic and financial analysis of public expenditure to be implemented by the Auditor General's Office 6.2.2. Corruption risk detection model using artificial intelligence	6.2.1 No (2025) 6.2.2. No (2025)	6.2.1 Yes (2030) 6.2.2 Yes (2030)	6.2.1 Auditor General's Office's reports 6.2.2. Auditor General's Office's reports	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[13].

4.3.1 Indirect Management with an entrusted entity

A part of this action may be implemented in indirect management with the **Estonian Governance Academy (eGA) for SO1, SO2 and SO3**. This implementation entails the design, execution, coordination, control, monitoring and communication of all activities foreseen to achieve the specific objectives and expected outputs for these specific objectives (outcomes) described in section 3. The envisaged entity has been selected using the following criteria:

(i)   financial and operational capacity;

(ii)   demonstrated technical capacity and experience in the relevant fields concerned (Digital transformation and technologies). eGA has expertise in the creation and transfer of knowledge about **digital transformation** and the implementation of related **technologies,** e-democracy, and national cybersecurity;

(iii)   demonstrated operational capacity to deliver projects in alignment with national and EU priorities (Digital). eGA has implemented programmes in the Latin American and Caribbean region such as the EU-LAC Digital Alliance High Level Policy Dialogue

(iv)   demonstrated ability to lead policy dialogue with national counterparts in the relevant fields concerned such as e-governance and interoperability. eGA is a neutral and inclusive organisation, policy and implementation oriented.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

A part of this action may be implemented in indirect management with **the World Bank for SO4, SO5 and SO6**.

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[13]   www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

This implementation entails the design, execution, coordination, control, monitoring and communication of all activities foreseen to achieve the specific objectives and expected outputs for these specific objectives (outcomes) described in section 3.

The envisaged entity has been selected using the following criteria:

(i) specialized technical expertise in public financial management (PFM);

(ii) financial and operational capacity;

(iii) experience in knowledge sharing through cooperation (eg., by providing technical assistance and/or training);

(iv) demonstrated operational capacity to deliver projects in alignment with national and EU priorities; and

(v) proven ability to lead policy dialogue with national counterparts in relevant fields.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.4. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.3	
SO1, SO2 and SO3	2,000,000
Indirect management with the Estonian Government Agency- cf. section 4.3.1	2,000,000
SO4, SO5 and SO6	7,000,000
Indirect management with the World Bank- cf. section 4.3.1	7,000,000
Evaluation-cf. section 5.2 **Audit**-cf.section 5.3	may be covered by another Decision
Totals	**9,000,000**

4.5 Organisational Set-up and Responsibilities

Each of the contracts signed will have its own internal governance structure. All standalone projects will have a regular steering committee, where the projects' implementation, work plan and achieved results will be discussed. Such steering committees will involve representatives of the EU Delegation in Guatemala, implementing partners and other stakeholders as appropriate.

The implementing partner will provide secretariat services to the Steering Committee (SC) and convene meetings at least once per year, with the possibility to organise additional ad-hoc SC meetings whenever there is a need or a request. Periodic reports on implementation and joint supervision missions will be the key mechanisms of the monitoring process. In the context of strengthening sector dialogue, regular technical meetings will provide for monitoring arrangements.

For SO1, SO2 and SO3, the steering committee will be established with representatives of key stakeholders in order to provide general guidance and oversee its implementation. It will be made up indicatively by representatives of the following organisations: eGa; the Presidential Commission on Open and Electronic Government (GAE); the Digital Agenda Technical Working Group composed of Ministry of External Relations (MINEX), the Secretariat of Planning and Programming of the Presidency (SEGEPLAN), Ministry of Finance (MINFIN), Ministry of Interior (MINGOB), and the National Secretariat of Science, Technology and Innovatio (SENACYT), under GAE's leadership; the EU Delegation to Guatemala, representatives of the private sector and civil society organisations. The steering committee will be co-chaired by GAE, the EU Delegation to Guatemala and eGA that will take the role of secretariat as implementing partner.

In case of SO4, SO5 and SO6, the steering committee will be established with representatives of key stakeholders in order to provide general guidance and oversee its implementation. It will be made up indicatively by representatives of the following organisations: the World Bank (who will preside over the committee), the Ministry of Finance, Congress, Auditor General's Office, the EU Delegation to Guatemala (as an observer), the private sector and civil society. Regarding the latter, in particular think tanks specialised on economic and (or) fiscal issues. Due to the highly specialized technical nature planned activities, a World Bank's permanent resident advisor to coordinate its implementation is foreseen.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The baseline and target data will be refined at the beginning of the implementation of this action. The Steering Committees will establish the appropriate monitoring and reporting arrangements among implementers regarding responsibilities, timing, and source of funding.

Progress monitoring will follow EU guidelines and standards and will be based on the logical framework and the established indicators. Several indicators require a baseline survey and a final data collection survey. The implementing partner will be responsible for making sure that these surveys are carried out in a timely manner (at the beginning of activities in the case of baseline surveys and at the end of them for final data collection surveys).

All monitoring and reporting shall assess how the action is taking into account the human rights based approach and gender equality based on the logical framework matrix indicators. Indicators shall be disaggregated at least by sex and age, and disability if possible. Reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action's implementation.

The action will be overseen by the EU Delegation to Guatemala through day to day programme monitoring activities, visits, and its participation in the Steering Committee and in the events related to planned activities.

5.2 Evaluation

Having regard to the importance of the action, a mid-term, final evaluation(s) may be carried out for this action or its components contracted by the Commission.
In case of a mid-term evaluation: It will be carried out for problem solving and learning purposes, in particular with respect to the complementarity between planned activities.
While in case of a final evaluation: It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that knowledge shall be gained on best practices and lessons learnt, especially considering that the action will involve designing and piloting a methodology of gender-informed budgeting and mainstreaming climate considerations in the budgeting process.

The Commission shall inform the implementing partner at least one month in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the

evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

Evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

5.3   Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.
The financing of the audit and verifications may be covered by another measure constituting a Financing Decision.

6   STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 "Communicating and Raising EU Visibility: Guidance for External Actions", it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as (tick one of the 4 following options);

Action level (i.e. Budget Support, blending)		
☐	Single action	Present action: all contracts in the present action
Group of actions level (i.e. top-up cases, different phases of a single programme)		
☐	Group of actions	Actions reference (CRIS#/OPSYS#):
Contract level		
☒	Single Contract 1	Indirect management with EGA
☒	Single Contract 2	Indirect management with the World Bank
Group of contracts level (i.e. series of programme estimates, cases in which an Action includes for example four contracts and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other)		
☐	Group of contracts 1	