PUBLIC SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUATEMALA

RURAL ELECTRIFICATION ACCESS PROGRAM

(GU-L1192)

LOAN PROPOSAL

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LINKS

REQUIRED:

- 1. Multiyear execution plan / Annual work plan
- 2. Monitoring and evaluation plan
- 3. Environmental and social review summary (ESRS)
- 4. Procurement plan

OPTIONAL:

- 1. <u>Economic analysis</u>
- 2. Program Operating Regulations
- 3. Technical analysis
- 4. <u>Climate change annex and Paris alignment</u>
- 5. <u>Environmental and social analysis (ESA) / environmental and social management plan (ESMP)</u>
- 6. Environmental and social management framework (ESMF)
- 7. <u>Gender and diversity annex</u>
- 8. Analysis of compliance with the Public Utilities Policy

ABBREVIATIONS

Asociación Iberoamericana de Entidades Reguladoras de Energía (Ibero- American Association of Energy Regulatory Entities)
Contraloría General de Cuentas (Office of the Comptroller General of
Accounts)
Comision Nacional de Energia Electrica (National Electric Power Commission)
División Organizacional Social de Proyectos (Organizational Social
Division of Projects)
Economic internal rate of return
Economic net present value
Environmental and social analysis
Environmental and social management framework
Environmental and social management plan
Environmental and social management system
Environmental and Social Policy Framework
Environmental and social review summary
Gerencia de Electrificación Rural y Obras (Rural Electrification and Works Department)
International competitive bidding
Instituto Nacional de Electrificación (National Electrification Institute)
Instituto Nacional de Estadística (National Statistics Institute)
International Renewable Energy Agency
Kilowatt-hour
Ministry of Environment and Natural Resources
Multilateral development bank
Ministry of Energy and Mines
Ministry of Public Finance
Organización Latinoamericana de Energía (Latin American Energy
Organization)
National competitive bidding
Project completion report
Program coordination unit
Guatemalan quetzal
Quality- and cost-based selection
Secretaria de Planificación y Programación de la Presidencia de la
República (Planning and Programming Department of the Office of the
President of the Republic)
Sistema Integrado de Administración Financiera (Integrated Financial
Administration System)
Sistema de Contabilidad Integrado (Integrated Accounting System)
Sistema Nacional de Inversión Pública (National Public Investment
System)
Sistema Nacional Interconectado (National Interconnected System)
Secured Overnight Financing Rate

SPVS Stand-alone solar photovoltaic systems

PROJECT SUMMARY

GUATEMALA RURAL ELECTRIFICATION ACCESS PROGRAM (GU-L1192)

Financial Terms and Conditions							
Borrower:			Flexible Financing Facility ^(a)				
Republic of Guatemala			Amortization period:	25 years			
Executing agency:			Disbursement period:	5 years			
National Electrification Institute	e (INDE)		Grace period:	5.5 years ^(b)			
Source	Amount (US\$)	%	Interest rate:	SOFR-based			
IDB (Ordinary Capital):	250 million	100	Credit fee:	(c)			
Total: 250 million 100			Inspection and supervision fee:	(c)			
			Weighted average life:	15.25 years			
			Currency of approval: U.S. dollar				
Project at a Glanco							

Project objective: The general objective of the program is to increase electricity coverage in rural areas in the Republic of Guatemala. The specific objectives are: (i) to increase the number of users with access to electric power service in rural areas; and (ii) to strengthen institutional capacity for the planning, design, and/or management of rural electrification projects.

Special contractual conditions precedent to the first disbursement of the financing: As conditions precedent to the first disbursement: (i) a subsidiary agreement for resource transfer and execution has been signed between the borrower, acting through the Ministry of Public Finance (MINFIN), and the National Electrification Institute (INDE), establishing the terms on which loan proceeds will be transferred to INDE and stipulating the program execution obligations of the parties; (ii) the program <u>Operating</u> <u>Regulations</u> have been approved by INDE and have entered into force on the terms previously agreed upon with the Bank; and (iii) the program coordination unit (PCU) has been created, and a general coordinator, a financial management specialist, and a procurement specialist have been appointed to the PCU from among the INDE staff according to job descriptions agreed upon with the Bank, to work exclusively for the program; and an environmental specialist, a social sector specialist, a specialist in electricity grids, and a specialist in solar photovoltaic systems have been selected (paragraph 3.5). See Annex III, Fiduciary Agreements and Requirements, for other special contractual conditions precedent to the first disbursement of a fiduciary nature, and Annex B of the environmental and social review summary (ESRS) for those of a social and environmental nature (required link 3).

Special contractual conditions of execution: (i) Upon completion of each grid extension work, INDE has signed an agreement with the distributor company in the area, granting the right of use to operate and maintain the work and to connect and enter into business relationships with users, as established in Article 47 of the Electricity Act; and (ii) before the donation certificate for the isolated systems is signed, the agreement is in place with the party that will operate and maintain the system (paragraph 3.6). See also Annex III, Fiduciary Agreements and Requirements, for other special contractual conditions of execution of a fiduciary nature, and Annex B of the ESRS for those of a social and environmental nature (required link 3).

Exceptions to Bank policies: None.

Strategic Alignment								
Objectives: ^(d)		O1 🗵		O2 🛛		O3 🗆		
Operational focus areas: ^(e)	OF1 🛛	OF2-G ⊠ OF2-D ⊠	OF3 ⊠	OF4 □	OF5 🛛	OF6 ⊠	OF7 🗆	

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

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

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

^(d) O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).

(e) OF1 (Biodiversity, natural capital, and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); and OF7 (Regional integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic context.** Guatemala has been characterized by stable macroeconomic performance with average annual growth of 3.6% between 2014 and 2023. In 2022 growth was 4.2%, and in 2023 the country reached growth of 3.5%, converging on its historical average.¹ GDP per capita has increased at an average annual rate of 1.96% during the last decade, growing 2.03% in 2023.² Yet poverty reduction gains have been limited with an average reduction of 0.36 percentage points in the last decade and a current poverty rate of 56.0%.³ The population remains vulnerable to external impacts, as occurred amid the pandemic, when national poverty rates rose 3.5 percentage points from 51.4% in 2018 to 54.9% in 2020.⁴
- 1.2 **Sector context.** The electricity sector is governed by the <u>Electricity Act</u> of 1996 and the regulations under it. Since this law was implemented, the country's electricity market has operated under a free market system, allowing for competition in power generation and commercialization. Public and private investments in electricity generation since 1996, coupled with the regulation of the electricity market, have enabled Guatemala to move towards a diversified electricity mix with a high share of renewable energy.⁵ The country now generates electricity mainly through hydroelectric, thermal, and cogeneration plants. In 2023 installed capacity reached 3,435 gigawatts, including hydroelectric (44.1%), thermal (32.1%), cogeneration (16.7%), wind (3.1%), solar photovoltaic (2.9%), and geothermal (1.1%).⁶
- 1.3 In terms of electricity coverage, between 1996 and 2023 Guatemala succeeded in increasing the national electrification rate from 52.37% to 90.39%,⁷ which is still below the 97.54% average for Latin America and the Caribbean.⁸ This increase was due initially to public investments under the 1996 reforms, and more recently to investments made by the national government and private electricity distributors (paragraph 1.5). Subnationally, the departments with the lowest electrification coverage are Alta Verapaz and Petén with rates of 52.8% and 78.7%, respectively⁹ (Figure 1):

⁶ <u>Ministry of Energy and Mines (MEM), 2024</u>.

¹ <u>IMF, 2024</u>.

² Bank of Guatemala, 2013.

³ National Statistics Institute (INE), 2024.

⁴ <u>IDB, 2020</u>.

⁵ The <u>Indicative Expansion Plan 2024-2054</u> promotes the diversification of the electricity mix and encourages the adoption of renewable technologies.

⁷ <u>MEM, 2023</u>.

⁸ Access to energy (<u>OLADE, 2022</u>).

⁹ <u>MEM, 2024</u>.



Figure 1. Electricity coverage rate in Guatemala as of 2023

- 1.4 Institutional framework of the electricity sector and the rural electrification **subsector.** The Ministry of Energy and Mines (MEM) is the sector's apex agency, responsible for setting energy policy, formulating and coordinating indicative plans and programs related to the electricity subsector, and implementing energy policy, including rural electrification. The indicative plans for rural electrification are prepared by the MEM, acting through the Planning Unit within the General Directorate of Energy. The National Electric Power Commission (CNEE) is the regulator and is responsible for setting rates (including subsidized electricity rates for low-income sectors),¹⁰ receiving and processing complaints, and ensuring service quality. The National Electrification Institute (INDE) is an autonomous and financially self-sustaining government agency with its own assets and separate legal status, which participates in the electricity market through its companies together with private actors in the generation, transmission, and commercialization activities. Distribution activities, regulated by the CNEE, are executed by private companies operating as natural monopolies in defined concession areas.
- 1.5 Current regulations allow private distributors to include in their investment plans those investments in rural electrification projects that increase electricity coverage in their concession areas. However, projects in rural areas are generally not financially feasible and/or lie outside the 200-meter mandatory electrification zone, which limits private efforts to move forward with rural electrification projects. Accordingly, Article 47 of the Electricity Act¹¹ allows the national government to build such projects. INDE executes rural electrification programs through its Rural Electrification and Works Department (GERO) with public funds and/or loans. INDE grants concessions for these works to the local private distribution company (authorized by the MEM and the CNEE), which operates and maintains the grid, in addition to providing electricity service to users within the mandatory 200-meter

¹⁰ The rate system includes the "<u>tarifa social</u>" social rate schedule.

¹¹ Government of Guatemala, 1996.

mandatory electrification zone around the grids received from INDE (Article 65 of the Regulations under the Electricity Act). Users within the mandatory electrification zone will not have to pay any reimbursable fees for the distribution companies to connect them (Article 71 of the Electricity Act). Under the social rate schedule in effect in the country, all users whose monthly energy consumption is between 1 and 60 kWh will pay 0.5 quetzales/kWh per month, and those whose monthly energy consumption is between 61 and 88 kWh will pay 0.8702 quetzales/kWh per month.^{12 13} Approximately 14.5 million people currently benefit from the subsidized rate.¹⁴

- 1.6 The regulations allow private enterprise to participate in the development of isolated systems, but the projects are hindered by the high initial investments in remote and hard to access areas. In December 2022 INDE, acting through GERO within its authority under the <u>INDE Charter</u>, issued regulations for the development of rural electrification projects using isolated systems that utilize renewable energy.¹⁵ Article 3 establishes that the projects covered by this regulation include the design, supply, installation, and donation of isolated systems that provide electric power using renewable sources in individual or collective configurations through a microgrid. These systems will be donated to the community associations¹⁶ and may be managed and operated by an operator of the beneficiary community association's choice (e.g., a cooperative) with INDE technical support.
- 1.7 Universal electricity service is a priority for the Government of Guatemala. According to the <u>Government Plan 2024-2028</u>, universal access to electricity is one of the strategic actions to be achieved in alignment with United Nations <u>Sustainable Development Goals 1 and 7</u>. In its <u>K'atun Nuestra Guatemala National</u> <u>Development Plan 2032</u>, the Government of Guatemala set the goal of achieving 100% electricity coverage in the country by 2032. In 2020 the government also defined (i) the <u>Rural Electrification Policy 2020-2050</u>, which laid out the country's long-term vision for rural electrification and set the goal of increasing the number of households with sustainable access to electricity; and (ii) the <u>Indicative Rural</u> <u>Electrification Plan 2020-2050</u>, as an execution mechanism for implementing the electrification process in the country.
- 1.8 **Problem addressed and rationale.** Guatemala has one of the lowest electrification rates in the region, above only Haiti (47.2%) and Honduras (85.7%).¹⁷ With the current electricity coverage rate of 90.39% and the projected population growth (1.4% per year), the country is not expected to reach the goal of 100% access by 2032 (paragraph 1.7). The minimum estimated investment to

¹² <u>INDE, 2023</u>.

¹³ The final distribution service rates are calculated by the CNEE as the sum of the weighted price of all the distributor's purchases and the distribution value-added. The distribution value-added includes mean cost of capital, fixed costs of administration, losses, infrastructure investment, and operation and maintenance (<u>ARIAE, 2017</u>). Rates are reviewed by the CNEE on a quarterly basis.

¹⁴ INDE, 2024.

¹⁵ <u>INE, 2022</u>.

¹⁶ A community association is defined as: "An incorporated, nonprofit entity consisting of members of a qualified community, which will receive the isolated systems through rural electrification projects, utilizing renewable resources" (INDE Regulations, Article 4).

¹⁷ <u>OLADE, 2022</u>.

achieve universal access by 2032 is approximately US\$700 million. That figure indicates a huge gap in resource needs, especially in rural municipios where electricity coverage rates are lowest.

- 1.9 Currently, around 380,000 households still have no electricity service¹⁸ and rely on candles, kerosene lamps, diesel generators, or batteries to meet their energy needs. Such an energy supply is expensive,¹⁹ poor quality, and inefficient, which limits the development of potential economic activities and makes improved health, education, water, and telecommunications services hard to access. The largest electrification gaps are found in rural areas, where electricity service coverage is 82%, versus 96.7% in urban areas.²⁰
- 1.10 The general problem that this program will contribute to solving is the inadequacy of electricity coverage in rural areas of the country. This operation focuses on the following determinants: (i) limited investment for rural electrification projects; and (ii) limited technical capacity of the institutions and actors responsible for the planning, design, and management of rural electrification projects.²¹
- 1.11 **Limited investment in electricity infrastructure.** According to the <u>Indicative</u> <u>Rural Electrification Plan 2020-2050</u>, 93.5% coverage was to have been achieved by 2023; instead, coverage reached 90.39%. The plan also called for a minimum estimated investment of US\$225.9 million between 2020 and 2023.²² Yet although INDE has a portfolio of electrification projects, it only had a budget of US\$16.1 million for the execution of rural electrification works during this period. Another important consideration in closing the energy access gap for last-mile users is that the per user connection costs are higher in more remote communities that are scattered and hard to access.²³
- 1.12 **Institutional capacity.** INDE's rural electrification planning, design, and management processes also rely on established, obsolete technology systems, as well as manual procedures for collecting and processing information in the field, which limits rapid electrification of the country's rural areas. For example, technical staff use printed maps to plot the networks, collect information through field surveys using GPS, and record the information manually, investing long working hours in the process. In addition, INDE has limited modern technology resources for project monitoring, including software and hardware, as well as the ability to use them. Lastly, although there are INDE regulations for isolated projects (paragraph 1.6), enforcing those regulations requires building human resource

¹⁸ <u>MEM, 2024</u>.

¹⁹ Monthly expenditure on traditional energies (candles, batteries, kerosene, etc.) in rural households is approximately US\$28.48 (optional link 1).

²⁰ <u>INE, 2023</u>.

²¹ Other challenges or determinants that go beyond this operation include: (i) limited access routes to reach the most remote communities; (ii) limited enabling regulatory framework for rural electrification investments; and/or (iii) geographic restrictions.

²² The cost of materials and electrical equipment, as well as the associated transportation, has been affected by the COVID-19 pandemic and by international armed conflicts.

²³ The planned investments in this operation, in conjunction with operation <u>5181/OC-GU</u>, <u>5182/KI-GU</u>, will contribute a total of US\$322 million in infrastructure, increasing rural and urban electricity coverage by approximately 6.18% and 2.78%, respectively.

capacities both within INDE and in the community associations benefiting from isolated systems. (see Annex II, indicator 2.1).

- 1.13 The proposed solution. To address the problem described above, the Government of Guatemala has prioritized universal access to electricity in the country (paragraph 1.3) and has requested IDB support for implementation of a new program that includes investments both in grid extension and in the installation of isolated solutions that integrate renewable energies and energy storage systems. Three types of technical solutions will thus be implemented as part of this program: (i) extension of electric power grids connected to the National Interconnected System (SNI); (ii) solar photovoltaic mini-grids²⁴ with energy storage; and (iii) stand-alone solar photovoltaic systems with energy storage.²⁵
- 1.14 Additionally, INDE's capacity will be strengthened in project planning, design, and management using digital tools and software that leverage satellite information and georeferencing. These tools will optimize project designs and the monitoring of rural electrification projects. More nimble planning and design are expected with process automation and with the adoption of software for collecting information from the communities and preparing plans with orthophotos, lists of materials, and project costs.
- 1.15 The beneficiary community associations of the off-grid isolated systems, both minigrids and stand-alone solar photovoltaic systems (SPVS), will receive training for local technical staff in management models and will be supported by experts during program implementation.
- 1.16 Evidence. The literature indicates that access to electricity is one of the core conditions for poverty reduction. It also highlights the importance of the quality²⁶ of infrastructure service delivery in the economic and social development of countries.²⁷ It recognizes universal energy access as a fundamental part of a just, inclusive, and people-centered energy transition, recognizing the needs of the most vulnerable.²⁸
- 1.17 Access to electricity enables energy consumption for productive uses because it: (i) enables the use of other technologies; (ii) promotes the production of more new goods and services;²⁹ and (iii) contributes to diversify productive activities, raising user incomes and making it easier for them to pay for their electricity service.³⁰
- 1.18 Mini-grids and isolated systems play a key role in providing access to remote communities, and in recent years have seen continued cost reductions

- ²⁸ IEA, 2021.
- ²⁹ IDB, 2016.
- ³⁰ CEGIE, 2022.

²⁴ An electricity mini-grid is a system for electric power generation (with energy storage) and distribution, designed to supply electricity to a certain number of relatively concentrated customers through a distribution network that can operate independently of the national grid (<u>IRENA, 2016</u>).

²⁵ This operation complements the planned investments in <u>5181/OC-GU</u>, <u>5182/KI-GU</u> (focused solely on investments in grid extension projects (sole component) with investments in mini-grids and SPVS, as well as institutional strengthening of INDE.

²⁶ <u>IDB, 2020</u>.

²⁷ IDB, 2018.

and technical improvements.³¹ Not only do these systems introduce innovative technologies tailored to customer needs, they also promote sustainable electricity demand and local socioeconomic development in remote and hard-to-reach communities. Off-grid solutions are regarded as most appropriate for addressing at least 40% of the electricity access gap in Latin America and the Caribbean. Of that 40%, 30% would consist of mini-grids, and the remaining 70% would be stand-alone systems.³²

- 1.19 Gender and diversity. The lack of access to electricity affects Indigenous households more³³ since 21.32% lack electricity connection, compared to 5.73% in the case of non-Indigenous households.³⁴ This situation is exacerbated in the project target area. In the department of Alta Verapaz (93% Indigenous population), 79% of the households without power are rural. In the department of Quiché (89% Indigenous population), 86% of households without power are rural. In Petén (30% Indigenous population), 83% of households without power are rural. In Petén (30% Indigenous population), 83% of households without power are rural. In addition, the intensity of rural Indigenous women's work in their homes makes it difficult for them to leave their homes or communities for productive activities. There is a gap in the economic participation rate between men and women (74.8% versus 28.7%); this gap is even wider for Indigenous women (22.9%). Access to electricity facilitates household activities and therefore enables women to spend more time on productive activities.³⁵ This means promoting the use of electricity in rural households creates the possibility of a greater beneficial impact on women.
- 1.20 **Climate change.** Guatemala is one of the countries most vulnerable to extreme weather events and the effects of global warming.³⁶ The National Coordinating Agency for Disaster Risks has determined that 44% of the national territory is exposed to flooding potentially exacerbated by climate change, and further concluded that 49% of the territory is exposed to landslides. Similarly, climate change scenario analyses show an increase in the intensity, frequency, and duration of extreme weather events like hurricanes and tropical storms, putting electricity infrastructure at greater risk, especially in rural areas where it is more exposed. In 2005 Hurricane Stan caused damage equivalent to 4.1% of GDP, and Tropical Depressions Eta and lota in 2020 caused damage equivalent to around 1% of GDP. In addition, the energy sector accounts for 33.8% of the country's total greenhouse gas emissions, 26.9% of which are from the electricity sector.³⁷
- 1.21 **IDB Group Country Strategy with Guatemala.** The program is aligned with the IDB Group Country Strategy with Guatemala 2021-2024 (GN-3085), contributing the priority areas of: (i) improvement of basic service delivery to the vulnerable population, by expanding electricity coverage through renewable energy sources in rural areas; and (ii) institution-strengthening, by building the capacity of

³¹ <u>IEA, 2023</u>.

³² IDB and ARE, 2021.

³³ Overall, 43.75% of the population self-identifies as Indigenous (<u>INE, 2019</u>). The departments with the largest Indigenous population are Totonicapán, Sololá, and Alta Verapaz, comprised mainly of the Kiche, Kaqchikel, and Qeqchi peoples (<u>INE, 2014</u>).

³⁴ <u>INE, 2018</u>.

³⁵ Similar experiences have shown that access to energy in rural areas has supported small businesses like the sale of refrigerated products, garment-making, and others (<u>Leduchowicz-Municio et al., 2023</u>).

³⁶ Eckstein et al., 2020.

³⁷ MARN, SGCCC, and UNDP, 2022.

institutions to plan and manage rural electrification projects. The project also contributes to: (i) the crosscutting issue of gender and diversity, by providing access to electricity for rural Indigenous communities and promoting productive use with a gender lens; and (ii) natural disaster and climate change issues, with investments that will displace the use of fossil fuels with renewable energy and incorporate climate resilience into their design.

- 1.22 The Bank's experience in the sector. The Bank supported the Multiphase Rural Electrification Program – Phase I (2033/OC-GU), which initiated the INDE technical capacity-building to implement the grid extension projects being utilized in this operation. Challenges were also identified regarding the importance of detailed studies and the need to adequately involve the beneficiary communities. These elements have been incorporated into this operation. Phase I financed both connected and off-grid energy access solutions for more than 38,000 households. The Bank also supported Phase II (3405/OC-GU, 2014), which was cancelled with no disbursements, primarily due to: (i) the political instability of 2015 and 2016 that prevented the legislature from considering the operation; and (ii) changes to trust fund management rules that made the planned execution mechanism unviable. Technical cooperation operations have also addressed rural electrification (ATN/MC-11288-GU, 2009 and 2013) and energy efficiency planning (ATN/OC-11261-GU, 2008 and 2012). Technical cooperation operation ATN/OC-18097-GU, 2020, now in execution, is conducting technical, social, and environmental studies for the Program for Rural Electrification Infrastructure (5181/OC-GU, 5182/KI-GU, 2020). The Congress of the Republic approved the Program for Rural Electrification Infrastructure on 15 November 2024, and the loan contracts were signed on 9 December 2024. This operation would thus benefit from the executing agency's experience with that program through a planned execution that merges administrative and supervisory costs and harmonizes technical and procedural criteria.
- 1.23 Lessons learned. The design of this operation is based on lessons learned from Bank-financed electricity access projects, especially in rural areas: 2033/OC-GU in Guatemala, 2608/OC-EC in Ecuador, 2460/BL-BO and 3725/BL-BO in Bolivia, 3610/OC-CO in Colombia, GRT/SX-17123-HO in Honduras, 2342/BL-NI in Nicaragua, and 3059/OC-SU in Suriname. The following lessons were addressed in the program's design, to ensure the sustainability of the projects, and have been incorporated into the program components: (i) involve the beneficiary population in all stages of the project; (ii) identify a technical entity responsible for providing service after completion of the works: (iii) consider isolated solutions, such as mini-grids or SPVS, as suitable technologies for providing electricity in vulnerable and remote communities; (iv) strengthen sector entities as a key factor for the effective implementation of electrification solutions (institutional capacity-building activities for planning, design, and/or management of rural electrification projects); and (v) promote the productive use of energy with a gender and diversity lens as part of project sustainability.
- 1.24 **Strategic alignment.** The program is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and aligned with the following objectives: (i) reduce poverty and inequality, by democratizing and increasing access to energy in rural and remote areas; and (ii) address climate change, by financing projects to help mitigate greenhouse gas emissions and diversify the matrix for climate change resilience. The program is also aligned with

the following operational focus areas: (i) biodiversity, natural capital, and climate action; (ii) gender equality and inclusion of diverse population groups; (iii) institutional capacity, rule of law, and citizen security; (iv) productive development and innovation; and (v) sustainable infrastructure. The program is consistent with the Energy Sector Framework Document (GN-2830-8) (paragraph 1.31) and the Climate Change Sector Framework Document (GN-2835-13) (paragraphs 1.26, 1.27, and 1.28).

- 1.25 **Innovation and digitalization.** The program will strengthen rural electrification management planning in the country through the development of geospatial models and the use of optimization models to design projects and model the least-cost supply option. Using georeferenced planning tools³⁸ will allow INDE to better monitor the works using satellite imagery. At the same time, the off-grid systems to be installed (mini-grids and SPVS) will integrate digital technologies including prepaid metering systems and smart equipment that efficiently and autonomously manage energy generation, storage, and distribution to users and automatically regulate demand fluctuations in the mini-grid, thus facilitating its operation.
- 1.26 **Strategy for mainstreaming climate change.** In line with the national goals and objectives established in Guatemala's Nationally Determined Contribution, the Third National Communication on Climate Change, the National Low Greenhouse Gas Emissions Development Strategy, and the National Climate Change Plan (2016), this program includes actions and measures to reduce greenhouse gas emissions and improve the climate resilience of electricity distribution networks in rural areas (paragraph 1.19). Actions are planned to avoid the use of fossil fuels for energy access through the construction of SPVS and the installation of mini-grids operating with solar energy. In terms of adaptation, climate resilience measures will be incorporated into the design and construction of the works to be financed.
- 1.27 **Green and climate finance.** According to the joint methodology of the multilateral development banks, 96.36% of the operation's resources are considered climate finance since they are invested in adaptation and mitigation activities.

³⁸ The IDB now has <u>SunScanIDB</u>, an AI-based, free tool for estimating the potential for distributed solar generation at sites where mini-grids and SPVS would be deployed.

- 1.28 **Paris alignment.** The program has been reviewed using the <u>Joint MDB</u> <u>Assessment Framework</u> for Paris Alignment and the IDB Group <u>Paris Alignment</u> <u>Implementation Approach</u> (GN-3142-1) and is deemed to be aligned with the adaptation objective of the Paris Agreement and aligned with the mitigation objective of the Paris Agreement.
- 1.29 **Public Utilities Policy (optional link 8) (GN-2716-6).** The program is consistent with the Public Utilities Policy since it meets the conditions of: (i) social sustainability, by providing basic electricity service to users in currently unserved low-income rural communities; (ii) environmental sustainability, by contributing to reduce greenhouse gas emissions through the use of renewable energy and less consumption of fossil fuels like diesel; (iii) financial sustainability, by avoiding the expense of high-cost fossil fuels for providing electricity service, and since current regulations call for the operation and maintenance costs of the projects to be repaid via rate schedule; and (iv) economic evaluation, since each project will generate positive returns based on the cost-benefit evaluation (optional link 1). For works not included in the sample, only those meeting these conditions will be eligible, pursuant to the program <u>Operating Regulations</u>.

B. Objectives, components, and cost

- 1.30 **Objective.** The general objective of the program is to increase electricity coverage in rural areas in the Republic of Guatemala. The specific objectives are: (i) to increase the number of users with access to electric power service in rural areas; and (ii) to strengthen institutional capacity for the planning, design, and/or management of rural electrification projects.
- 1.31 **Component 1. Electricity infrastructure investments in rural areas (US\$240 million).** This component seeks to expand electricity service in rural areas and will finance: (i) the extension of medium- and low-voltage distribution grids, including the repowering of existing grids;³⁹ (ii) renewable energy mini-grids and energy storage systems; (iii) installation of SPVS with energy storage (at least 50% in Indigenous populations); and (iv) technical supervision of the works.
- 1.32 **Component 2. Institution-strengthening (US\$5 million).** This component seeks to strengthen INDE's capacity for the planning, design, and/or management of rural electrification projects with: (i) the development of georeferenced planning systems and cost-efficient modeling, and systems for designing rural electrification projects involving climate resilience measures; (ii) design studies of rural electrification projects; (iii) an awareness program on the use of electricity in sustainable productive activities with a focus on gender and Indigenous populations;⁴⁰ and (iv) a program for the empowerment and technical training of communities in the use, operation, and maintenance of isolated systems, contributing to the sustainability of investment projects.
- 1.33 **Program administration, monitoring, evaluation, and auditing (US\$5 million).** This component will finance: (i) program management and administration costs,

³⁹ When technically required for the extension.

⁴⁰ The program will target women (at least 30% of participants) and the Indigenous population (implemented in the Indigenous languages of the communities), to emphasize awareness of productive energy uses. It will include mapping the productive activities performed by women in the communities and the potential use of electricity for productive purposes. It will also identify partnerships with entrepreneurship programs in the communities that will be connected to the grid.

including the contracting of supporting consultants for program execution; (ii) supervision, monitoring, verification, and evaluation of results; and (iii) financial audits of the program.

C. Key results indicators

- 1.34 Expected outcomes. The expected outcomes of the program are as follows: (i) increase the rural electricity coverage rate; (ii) increase the number of households with electricity service in rural areas; (iii) strengthen INDE's technical capacities in the planning, design, and/or management of rural electrification in the country; (iv) promote the development of productive activities with the use of electricity, with a focus on gender and diversity (Indigenous groups); and (v) promote community empowerment and awareness in the sustainable use of isolated systems.
- 1.35 **Beneficiaries.** The program's main beneficiaries will be approximately 70,000 households with new access to electricity. These households are located in the municipios with the lowest electricity coverage in the country (see Figure 1), selected on the basis of the program's eligibility criteria (paragraph 2.7).⁴¹ The program will also benefit the Indigenous population, which represents around 70.6% of the population in the departments included in the sample. At least 30% of the participants in the awareness program on productive uses are expected to be women. Women's participation will also be encouraged in the training program for the maintenance of isolated systems, which will be culturally and linguistically relevant for each community. INDE will also benefit from the institutional strengthening component, as will the community associations.
- 1.36 **Economic evaluation.** An economic evaluation was conducted for the sample projects, by type of technology (optional link 1). The selected sample of projects includes 12 municipios (324 communities) with grid extension (US\$69.1 million) and 2 municipios with isolated systems: 51 communities with SPVS (US\$7.5 million) and 1 community with a mini-grid with a battery bank (US\$0.649 million). The total sample is equivalent to 30.9% of the financing amount. The cost-benefit analysis methodology was applied, to evaluate the grid extension projects in the sample. The expected outcomes of the intervention with and without the project were compared, to identify the net benefits of the investment. The economic rate of return indicators were calculated for the projects in the 14 municipios prioritized by the program. This analysis yielded an economic net present value (ENPV) of US\$86.1 million and an economic internal rate of return (EIRR) of 29% for the sample of grid extension projects (all projects evaluated had an EIRR above 12%). The analysis of the mini-grids yields an ENPV of US\$65,250 with an EIRR of 14%. Based on a cost-efficiency analysis, the SPVS technology is 36.6% more costefficient for the user, compared to the technically feasible alternative (diesel), so the option provided is justified as the least-cost solution. A sensitivity analysis was performed on the results of the base case, yielding 25% increases in rate, mean energy cost, and investment cost, as well as a 25% reduction in growth of the number of users and consumption with connection. In all cases, the socioeconomic viability was maintained, demonstrating the program's robustness.

⁴¹ Municipios such as Santa María Cahabón and Senahú in the department of Alta Verapaz have coverage rates below 30%.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Instrument and modality.** The proposed operation is an investment loan under the global multiple-works modality, involving the financing of projects with the following characteristics: (i) they are physically similar but independent of each other; (ii) their feasibility does not depend on the execution of any particular number of the work projects; and (iii) their individual size does not warrant direct Bank lending.
- 2.2 **Financing amount.** The amount is US\$250 million, financed from the Bank's Ordinary Capital resources.

Component	Amount*	%
Component 1. Electricity infrastructure investments in rural areas	240	96
Component 2. Institution-strengthening	5	2
Program administration, monitoring, evaluation, and auditing	5	2
Total	250	100

Table 1. Financing amount (US\$ million)**

Indicative costs

** The executing agency will contribute the estimated amount of US\$18 million of its own resources, to finance the household electricity service connection and basic electrical installation under the criteria described in the program Operating Regulations.

2.3 **Disbursement schedule.** The program disbursement period will be five years, based on the following projected schedule:

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	16.62	78.90	80.44	72.16	1.88	250
IDB (Total)	6.65%	31.56%	32.18%	28.86%	0.75%	100%

Table 2. Projected disbursement schedule (US\$ million)

- 2.4 **Physical start of works.** Considering the duration of the construction of each of the rural electrification works, the deadline for the physical start of the last works included in the program will be three years after the date on which the contract enters into legal effect.
- 2.5 Prioritization of municipios. The Ministry of Energy and Mines (MEM), through the Indicative Rural Electrification Plan 2020-2050, designed a methodology for prioritizing municipios and meeting its 100% rural electrification goal by 2032, included in the <u>K'atun Nuestra Guatemala National Development Plan 2032</u>. This methodology considers seven variables, which are analyzed by MEM as an initial analysis for each municipio and community: (i) growth of regulated users; (ii) access to the electric power transmission and distribution system; (iii) number of users in the country without access to electric power; (iv) human development index; (v) multidimensional poverty index and percentage of people living in

poverty; (vi) quality of electricity service, firewood consumption, proximity to existing grids; and (vii) population density. The departments and municipios to be included in the sample were determined using this list. Rural electrification technical solutions are implemented based on this prioritization (paragraph 1.31). The projects not included in the sample are the remaining universe defined in the Indicative Rural Electrification Plan 2020-2050 with national coverage.

- 2.6 **Representative sample of projects.** A representative sample of US\$77.2 million, equivalent to 30.9% of the financing amount, reaching 35% of the program beneficiary households, located in 14 municipios and four departments, was considered during the program's preparation stage. It was verified that the projects in the sample are among the municipios prioritized in Guatemala's Indicative Rural Electrification Plan 2020-2050 and meet the current criteria (paragraph 2.7) and technical standards.⁴² These projects each also have a favorable socioeconomic report from the MEM in accordance with Article 47 of the Electricity Act. The works are for 84 projects in the department of Alta Verapaz, 28 in Izabal, 93 in Petén, and 171 in Quiché (324 grid extension projects, 1 mini-grid project, and 51 stand-alone solar photovoltaic system projects). The projects in the sample are diverse and representative in degree of difficulty, technical solution, ecological floor, and area of influence. They meet all eligibility criteria, are aligned with optimizing the use of rural electrification systems, and allowed for a determination of the program's technical, economic, environmental, and social viability.
- 2.7 Eligibility criteria for works. The works eligible to be financed under Component 1: (i) are located in rural areas of the country; (ii) are located in municipios with less than 90% electricity coverage; (iii) connect existing and inhabited dwellings; (iv) benefit communities with low socioeconomic indicators according to the favorable report of the MEM; (v) meet the requirements established in the environmental and social management framework (ESMF) (optional link 6), which excludes category "A" works as defined in the IDB policy; and (vi) are technically and economically viable (including an EIRR greater than 12% and a positive ENPV).
- 2.8 **Sustainability.** As indicated in the Electricity Act, the electricity grids will be operated and maintained by the private distribution companies operating in the program target areas, and their operation and maintenance costs will be covered by new users' consumption based on the rate approved by the regulator.⁴³ The investments (CAPEX) made by the national government provide an opportunity for the distributors to expand their customer base and therefore their revenues. Based on the monthly consumption levels stipulated in the regulations, the current social rate schedule will be applicable.⁴⁴ For isolated systems, pursuant to regulations of

⁴² Optional link 3 includes the technical description of the projects in the sample.

⁴³ Article 47 of the Electricity Act states: "The works built with these contributions will be managed and operated by the successful bidder, which agrees to maintain them in perfect working order."

⁴⁴ INDE has set <u>social target rates</u> for each consumption range: between 1 and 60 kWh the rate is 0.5 quetzales/kWh, and between 61 and 88 kWh the rate is 0.8702 quetzales/kWh. This is the rate schedule applied to users according to their consumption level. The difference in the price per kWh between the distributor's social rate and INDE's target rate is equivalent to the subsidy paid by the government. The distribution company applies this discount in the <u>billing of eligible users</u>, and INDE reimburses the company for the social contribution. Having electricity should reduce the monthly energy expenses of rural households by approximately 20%, which supports the ability to pay that these households will have, once they are connected to the grid.

the National Electrification Institute (INDE), there are plans for the communities, represented by a community association with separate legal status and advised by INDE, to sign an agreement with an operator (e.g., a cooperative) that will assume operation and maintenance obligations. INDE will ensure that the agreements signed for the transfer of isolated systems works include the obligation of the community associations to: (i) maintain the work in accordance with generally accepted technical standards; (ii) agree for their users to make payments for access to electric power; and (iii) deliver an annual maintenance plan to INDE for forwarding to the Bank.

2.9 The institutional strengthening of INDE will give it the technology tools to scale and accelerate the processes of planning, design, and/or management of the projects developed by INDE beyond those included in this operation. Investments in isolated systems will also make it possible to scale INDE's support to more isolated communities with appropriate technologies, adapted to local conditions and with community participation.

B. Environmental and social safeguard risks

- 2.10 This program has an environmental and social impact classification of category "B" under the Bank's Environmental and Social Policy Framework (ESPF). The main negative impacts will occur during construction, notably noise and emission nuisances from construction work, solid waste, health and safety risks for workers, and temporary restrictions on access to housing and businesses during the course of the work. These impacts will be localized and of medium to low intensity. Mitigation measures and good practices in construction will be applied, to ensure compliance with municipal and national regulations and the ESPF Environmental and Social Performance Standards.
- 2.11 The program will not involve physical displacement but will create economic displacement that will be mitigated through the livelihoods management plan. The environmental and social risk is rated substantial, and the disaster and climate change risk is rated moderate. As this is a multiple-works program, the executing agency's environmental and social management system (ESMS) includes an environmental and social analysis (ESA) and an environmental and social management plan (ESMP) (optional link 5) for the projects in the sample, and an ESMF (optional link 6) for the projects not included in the sample. The ESMF sets the eligibility criteria, excluding Category "A" projects. It also includes the guidelines for socioenvironmental impact classification, requirements for environmental and/or social studies, and procedures required during the project life cycle, identifying the parties responsible for each action to meet the requirements of the ESPF.
- 2.12 The sample projects include the purchase or installation of solar panels. Accordingly, the environmental and social management system (ESMS) will include a due diligence procedure for the supply chain that aligns with the IDB Group Measures to Address Risk of Forced Labor in the Supply Chain of Silicon-based Solar Modules (GN-3062-1). This procedure will include the detection and analysis of the risk of forced labor in the supply chain and the procedures for identifying, preventing, and managing such risk in the workforce of the projects, including the workforce of the main supplier. This analysis, based on risk and operational context, could involve a background investigation of the main providers of goods and services with a checklist of labor issues and review of the

labor contracts of subcontractors and suppliers to ensure that they do not engage in such practices as child labor, forced labor, or discrimination.

- 2.13 As part of the ESMS, the ESMPs (optional link 5) of the sample projects have a stakeholder engagement plan reflecting the vulnerability and presence of Indigenous populations. The stakeholder engagement plan includes the consultation plan and a mechanism for addressing protests and complaints. The ESMF (optional link 6) includes guidelines for stakeholder engagement in the projects not included in the sample. Before the analysis mission, applicable versions of the ESA, ESMP, and ESMF documents were disclosed on the Bank's website.
- 2.14 The consultation process included a general consultation, held on 20 August 2024, for the program and for the sample projects. The comments mainly concerned: (i) right-of-way management on affected lands; (ii) planning of projects near protected areas; and (iii) implementation of mitigation measures for vegetation removal. The ESMP and ESMF documents were updated in response to the comments. The final versions of the ESA, ESMP, and ESMF documents and the consultation report were posted on the Bank's website on 11 September 2024.

C. Fiduciary risks

2.15 The institutional capacity analysis of the executing agency identified the following high-level fiduciary risk: if budget allocations are insufficient and untimely, INDE may not obtain the necessary available budget in time to meet the program's financial obligations, resulting in delays in annual execution, especially in the first year. This risk will be mitigated with the following actions: (i) start with the involvement of the relevant authorities; (ii) take the appropriate actions and steps in a timely manner, to obtain the budget and amendments required for the program; (iii) assign a specific budget code for the program in the Integrated Accounting System (SICOIN) with IDB financing; (iv) report on the allocated budget with details of the necessary steps to be taken, if changes are required; and (v) process a budget extension as of the first month of the following year, if the necessary budget allocation has not been secured.

D. Other key issues and risks

2.16 A risk management analysis was performed and is presented in Table 3.

Risk description	Risk category	Risk level	Mitigation strategy
Inadequate coordination between INDE and MEM could result in disparities between the planning and execution of works, impacting the program's annual progress targets.	Execution environment	High	INDE will create a committee for coordination between MEM and INDE that meets monthly to coordinate program execution actions. The Bank will facilitate the monitoring of such agreements as part of the monitoring plan of the operation.
Inadequate stakeholder engagement could result in rejection or disinterest due to lack of knowledge of project benefits, which could impact the	Execution environment	High	The program will strengthen INDE's Organizational Social Division of Projects (DOSODEP) by hiring supporting consultants as part of the program

Table 3. Other risks

Risk description	Risk category	Risk level	Mitigation strategy
scope and schedule of project execution.			coordination unit (PCU) (paragraph 3.3).
Since there are many Indigenous communities in the target area, it will be difficult to communicate and raise awareness of the program's benefits among the beneficiary population, which could result in execution delays.	Execution environment	Medium-High	Personnel fluent in the local language and well-acquainted with local customs will be hired as part of the PCU, to familiarize the communities that are part of the program's implementation with the necessary actions and agreements, under a communication plan.
Delays in the response from the Planning and Programming Department of the Office of the President of the Republic (SEGEPLAN) could result in delays in securing funds from the National Public Investment System (SNIP), impacting the start of bidding processes.	Execution environment	High	Since SEGEPLAN is part of INDE's board of directors, an expedited procedure between INDE and SEGEPLAN will be proposed, to ensure prompt attention in requesting and securing funds from the SNIP under the country laws and regulations in force.
Due to the high execution demands of the program targets, the INDE team involved in the execution may be overloaded with work, affecting the execution schedule and achievement of the operation's targets.	Execution environment	Medium-High	(a) The program coordination unit will be created within the executing agency with the necessary full-time personnel, including fiduciary consultants and specialists; and (b) staff of the institution will be designated as focal points in the crosscutting areas that support fiduciary execution and management (paragraph 3.3).
Delays in responses from the Ministry of Environment and Natural Resources (MARN) could result in delays in obtaining environmental rulings, impacting SNIP approval for the allocation of resources for the works.	Execution environment	High	INDE will, from the project design stage, and in compliance with the requirements under country laws and regulations, coordinate with MARN for prompt attention in submitting projects to obtain environmental rulings.
Delay in the approval of this loan operation by Congress could result in postponement of the program's entry into effect, delaying the start of execution.	Execution environment	High	The Bank will continue supporting the Guatemalan government authorities in dialogue and raising awareness of the benefits and results of the operation with the Congress of the Republic. It will also support the communication strategy being pursued by the Guatemalan government to explain the strategic investments, such as rural electrification, and the benefits of their implementation for the Guatemalan population.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 Borrower and executing agency. The borrower will be the Republic of Guatemala, and the executing agency will be the National Electrification Institute (INDE), acting through a program coordination unit (PCU). The borrower, through the Ministry of Public Finance (MINFIN), and INDE will sign a subsidiary agreement for resource transfer and execution, establishing the terms on which loan proceeds will be transferred to INDE and stipulating the program execution obligations of the parties. A PCU will be established by resolution of INDE's board of directors, which will be responsible for the administrative, procurement, budgetary, and financial accounting management, environmental and social supervision, planning, scheduling, monitoring, and auditing of the program. The PCU will be responsible for selecting projects according to the criteria set in the two operations, complementing efforts to achieve the objectives of both programs. If operation 5181/OC-GU, 5182/KI-GU is eligible for disbursements before this program, the PCU to be created as a condition for the first disbursement of that operation may also execute this program because supporting consultants will be hired to strengthen it.
- 3.2 **The executing agency's experience.** INDE has been developing rural electrification projects in the country through its Rural Electrification and Works Department (GERO). In IDB-financed projects, INDE has experience in the Multiphase Rural Electrification Program Phases I and II (<u>2033/OC-GU</u> and <u>3405/OC-GU</u>) and is the executing agency of operation <u>5181/OC-GU</u>, <u>5182/KI-GU</u>.
- 3.3 The executing agency's organizational structure. An institutional capacity analysis of the legal framework, organizational structure, technical competencies, financial management. procurement management, human resources management, asset administration, internal control, external control, and other factors was used as the basis for the design of the execution arrangements. The PCU will have accounting officers, including the program general coordinator, procurement specialist, and financial specialist. The financial specialist will have financial policy experience with projects financed by multilateral agencies and, if necessary, will be supported by a financial consultant hired with the loan proceeds, according to terms of reference and a job description agreed upon with the Bank. In addition, the procurement specialist will be supported by a procurement consultant with experience in Bank policies, according to terms of reference and a job description agreed upon with the Bank. All PCU staff will work exclusively for the program. The following will also be hired with loan proceeds for the PCU: an environmental specialist, a social sector specialist, a specialist in electricity grids, and a specialist in solar photovoltaic systems, a planning and monitoring specialist, a communication specialist, and supporting consultants, as established in the program Operating Regulations and as part of the conditions precedent to the first disbursement (paragraph 3.5). If necessary, GERO will provide support for works planning, design, and supervision activities.
- 3.4 The PCU will have the following responsibilities: (i) conduct the procurement processes planned for the program as established in the IDB procurement policies and supervise their implementation; (ii) maintain the program's financial records; (iii) prepare the following documents: (a) program execution plan; (b) annual work

plan; (c) procurement plan and its updates; (d) six-monthly status reports; (e) audited financial statements; (f) hire consultants to perform a midterm evaluation in the form of a project completion report (PCR) and a final evaluation and deliver the respective reports to the Bank and MINFIN; and (g) manage the program risks. The PCU will also be responsible for planning, design, and monitoring processes, management of projects, administration, management of procurements of works and services and contracting of consultants, risk management, works supervision, program financial management, and environmental and social management. This includes ensuring compliance with the eligibility criteria and conditions of execution in paragraph 2.7 and paragraph 3.6.

- As conditions precedent to the first disbursement: (i) a subsidiary 3.5 agreement for resource transfer and execution has been signed between the borrower, acting through the Ministry of Public Finance (MINFIN), and the National Electrification Institute (INDE), establishing the terms on which loan proceeds will be transferred to INDE and stipulating the program execution obligations of the parties; (ii) the program Operating Regulations have been approved by INDE and have entered into force on the terms previously agreed upon with the Bank; and (iii) the program coordination unit (PCU) has been created, and a general coordinator, a financial management specialist, and a procurement specialist have been appointed to the PCU from among the INDE staff according to job descriptions agreed upon with the Bank, to work exclusively for the program; and an environmental specialist, a social sector specialist, a specialist in electricity grids, and a specialist in solar photovoltaic systems have been selected. The first condition is necessary to ensure that each entity fulfills its program execution responsibilities. The second condition is necessary to ensure effective program execution because the Bank's experience indicates that approval of the program Operating Regulations before the first disbursement contributes to the internal organizational structure of executing agencies for implementation of the operation. The third condition is essential to assure the Bank that executing agencies will be staffed sufficiently to start program execution.
- 3.6 **Special contractual conditions of execution.** (i) Upon completion of each grid extension work, INDE has signed an agreement with the distributor company in the area, granting the right of use to operate and maintain the work and to connect and enter into business relationships with users, as established in Article 47 of the Electricity Act; and (ii) before the donation certificate for the isolated systems is signed, the agreement is in place with the party that will operate and maintain the system. These conditions are based on the need to ensure the sustainability of investments since a qualified operator will be responsible for their operation and maintenance.
- 3.7 **Program Operating Regulations.** Program execution will be governed by the program Operating Regulations, which are necessary to ensure effective execution. The Operating Regulations will include all the procedures to be used during program execution and may be modified with the Bank's written no objection. The program Operating Regulations will include at least: (i) the detailed execution structure establishing the institutional and operational roles and responsibilities of the executing agency; (ii) details of the procedures for the selection, contracting, and procurement of works, goods, and services; (iii) rules

and procedures for administrative and financial management; and (iv) accounting record procedure for goods and works, and the timely payment and transfer of the built works to distribution companies and/or donation to community associations duly registered with the Ministry of Energy and Mines (MEM); and (v) eligibility criteria for beneficiary households of electricity service connection and basic electrical installation.

- 3.8 **Procurement of goods, works, and nonconsulting services, and contracting of consulting services.** Procurements financed in whole or part with Bank resources related to the procurement of works, goods, and consulting services will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15).
- 3.9 Procurements will be subject to ex ante review as indicated in Annex III. Project implementation will be based on the procurement plan, which will be approved by the Bank and will follow established methods and ranges. A procurement plan will be agreed upon for the first 18 months of execution and will be monitored, as well as executed and updated using the tools agreed upon by the Bank.
- 3.10 **Financial management.** Financial, budgetary, accounting, and treasury management, including payments made with loan proceeds, will be coordinated by INDE and performed as indicated in Annex III. The executing agency will have financial management and procurement specialists during program execution. If needed, the program may finance the hiring of consultants with proven experience in the Bank's financial management policies. Annex III also reflects the guidelines for disbursements and financial auditing of the program. Disbursements will be made into a specific secondary account for the program in U.S. dollars (US\$), reporting to the Treasury Single Account at the Bank of Guatemala. The executing agency will deliver audited financial reports annually and at the end of the program, according to the terms and deadlines required by the Bank.

B. Summary of arrangements for monitoring results

- 3.11 The program has a monitoring and evaluation plan (required link 2). The monitoring mechanism will include the following: (i) procurement plan; (ii) annual work plan; (iii) annual verification of compliance with targets; and (iv) six-monthly status reports containing: (a) activities during the period, progress on execution, and problems that arose and how they were solved; (b) evaluation of the Results Matrix, procurement plan, and annual work plan; and (c) analysis of the IDB's program monitoring report, involving evaluation of compliance with the Results Matrix outcome and output indicator targets. The report will evaluate execution during the period and include planning for the next six-month period. The executing agency will be responsible for preparing the six-monthly status reports and delivering them to the IDB within 60 days after the last business day of each sixmonth period during the disbursement period, or as extended. Additionally, the executing agency, MINFIN, and the IDB will hold regular monitoring meetings, and the IDB will conduct supervision visits and administration missions.
- 3.12 **Evaluation.** The monitoring and evaluation plan includes the program evaluation mechanisms, whose objective is to verify compliance with the agreed targets in the Results Matrix. The executing agency will select and contract the consulting services to perform: (i) a midterm evaluation in the form of a PCR, once 50% of

the program resources have been disbursed and justified, or 36 months after the first disbursement of the loan, whichever occurs first. This evaluation will focus on analyzing progress achieved, aspects of coordination and execution, the level of compliance with contractual obligations, and recommendations for achievement of the proposed targets and the sustainability of investments; and (ii) a final evaluation, no later than 90 days before the last disbursement date, delivering the final report no later than 30 days thereafter. This evaluation will determine the extent to which the targets established in the Results Matrix were met, the performance of the executing agency, factors affecting implementation, and recommendations for future operations; and (iii) an ex post cost-benefit analysis following the methodology used for the ex ante economic evaluation. Additionally, the deadline for delivering the PCR at the end of the program is expected to be extended by one year.

Development Effectiveness Matrix					
Summary	GU-L1192				
I. Corporate and Country Priorities					
Section 1. IDB Group Institutional Strategy Alignment					
Operational Focus Areas	-Biodiversity, natural cap -Gender equality and inc -Institutional capacity, ru -Sustainable, resilient, ar -Productive development	vital, and climate action lusion of diverse population groups le of law, citizen security d inclusive infrastructure t and innovation through the private sector			
[Space-Holder: Impact framework indicators]					
2. Country Development Objectives					
Country Strategy Results Matrix	GN-3085 (Objetivo Estratégico 2.3)	2.3 Expandir la cobertura de electricidad en áreas rurales			
Country Program Results Matrix	GN-3207-3	The intervention is included in the 2024 Operational Program.			
Relevance of this project to country development challenges (If not aligned to country strategy or country program)					
II. Development Outcomes - Evaluability		Evaluable			
3. Evidence-based Assessment & Solution		9.7			
3.1 Program Diagnosis		2.5			
3.2 Proposed Interventions or Solutions		3.2			
3.3 Results Matrix Quality		4.0			
4. Ex ante Economic Analysis 4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5			
4.2 Identified and Quantified Benefits and Costs	3.0				
4.3 Reasonable Assumptions	2.5				
4.4 Sensitivity Analysis		2.0			
4.5 Consistency with results matrix		1.0			
5. Monitoring and Evaluation	9.5				
5.2 Evaluation Plan		5.5			
III. Risks & Mitigation Monitoring Matrix	1				
Overall risks rate = magnitude of risks*likelihood		Medium Low			
Environmental & social risk classification		В			
The project relies on the use of country systems					
Fiduciary (VPC/FMP Criteria)) Yes	Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System.			
Non-Fiduciary	,				
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:					
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project					

Evaluability Assessment Note:

The general objective of the operation (ESP) is to increase electricity coverage in rural areas in the Republic of Guatemala. The specific objectives are to: (i) increase the number of users with access to electricity service in rural areas; and (ii) strengthen institutional capacity for the planning, design and/or management of rural electrification projects. The operation is financed through a US\$250 million loan.

The operation presents an adequate diagnosis of the problem of the electricity access gap in rural areas of Guatemala. Among the identified causes addressed by the project is insufficient fiscal space.

The program strategy includes the following interventions: (i) extension of distribution grids connected to the National Interconnected System (NIS); (ii) solar photovoltaic mini-grids with energy storage; and (iii) Individual Solar Photovoltaic Systems (ISPVS) with energy storage. The results matrix (RM) is consistent with the specific objectives and adequately reflects the vertical logic of the project. The output and outcome indicators present their respective baseline values, targets and means of verification.

The economic evaluation is based on a cost-benefit analysis in which the consumer surplus is calculated to monetize the effects of the intervention. The project is economically profitable in its baseline scenario and in the scenarios considered in the sensitivity study. The M&E plan proposes a retrospective evaluation based on a "before and after" analysis of the RM indicators. The M&E arrangements have a properly identified budget.

RESULTS MATRIX

Program objective:	The general objective of the program is to increase electricity coverage in rural areas in the Republic of Guatemala. The specific objectives are: (i) to increase
	the number of users with access to electric power service in rural areas; and (ii) to strengthen institutional capacity for the planning, design, and/or
	management of rural electrification projects.

GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline value	Baseline year	Target	Expected year achieved	Means of verification	Comments	
General development objective: Increase electricity coverage in rural areas of the Republic of Guatemala								
I1. Rural electricity coverage rate	%	82%	2024	2029	85.24%	Annual report on the electricity coverage rate. Energy Department, Ministry of Energy and Mines (MEM)	The target is only the project's contribution to the rural electricity coverage rate.	

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Base- line value	Base- line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Specific development objective 1: In	ncrease the r	umber of us	ers with acc	cess to elect	tric power se	ervice in rura	al areas				
R1.1 Households in rural areas connected to the grid ¹	#	0	2024	0	14,000	17,000	19,000	13,000	63,000	Official report of the National Electrification Institute (INDE)	
R1.2 Households in rural areas connected to isolated systems ¹	#	0	2024	0	0	2,500	3,000	1,500	7,000	INDE official report	6,000 households with SPVS and 1,000 households with solar mini-grids with battery storage systems.
Specific development objective 2: Strengthen institutional capacity for the planning, design, and/or management of rural electrification projects											
R2.1 Entities exercising functions of planning, design, and/or	#	0	2024	0	1	1	2	2	6	INDE official report	

¹ As a result in the program target areas.

Indicators	Unit of measure	Base- line value	Base- line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
management of rural electrification projects											

	Unit of	Baseline	Baseline						End of	Means of	
Indicators	measure	value	year	Year 1	Year 2	Year 3	Year 4	Year 5	project	verification	Comments
Component 1: Electricity infrastructure	e investments	in rural areas									
P1. Medium- and low-voltage lines built	km	0	2024	0	1,136	1,346	1,511	1,029	5,022	INDE official report	
P2. Stand-alone solar systems installed in Indigenous populations	#	0	2024	0	0	1,250	1,250	500	3,000	INDE official report	
P3. Stand-alone solar systems installed in non-Indigenous populations	#	0	2024	0	0	1,250	1,250	500	3,000	INDE official report	
P4. Mini-grids installed	#	0	2024	0	0	0	2	2	4	INDE official report	These include installation of a battery bank.
Component 2: Institution-strengthenin	g										
P5. Plan to strengthen planning and design using georeferenced systems	#	0	2024	1	1	1	1	0	1	INDE official report	
P6. Designs of electrification projects	#	0	2024	0	300	300	200	0	800	INDE official report	Climate resilience measures are incorporated into these designs.
P7. Program to promote productive uses with a gender and diversity lens implemented	#	0	2024	0	1	1	1	0	1	INDE official report	At least 30% are women.
P8. Community associations empowered and trained in the operation and maintenance of mini-grids	#	0	2024	0	0	0	2	2	4	INDE official report	
P9. Training program on the use and maintenance of stand- alone solar systems implemented	#	0	2024	0	0	1	1	1	1	INDE official report	Includes training and expert support.

OUTPUTS

Country: Guatemala	Division: ENE	Operation number: GU-L1192	Year: 2024

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency:	National Electrification Institute (INDE)
Operation name:	Rural Electrification Access Program

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation¹

⊠ Budget	⊠ Reports	☑ Information systems	 National competitive bidding (NCB)
⊠ Treasury	Internal audit	□ Shopping	□ Other
⊠ Accounting	External control	Individual consultants	

2. Fiduciary execution mechanism

Special features of fiduciary execution	The borrower will be the Republic of Guatemala. The executing agency will be the National Electrification Institute (INDE), acting through a program coordination unit (PCU). The Ministry of Public Finance (MINFIN) and INDE will sign a subsidiary agreement for resource transfer and execution. The PCU will have at least a financial management specialist and a procurement specialist. It will be necessary to designate staff of other INDE departments to provide support as focal points during program execution (paragraphs 3.1 and 3.3 of the proposal for operation development).
	The program Operating Regulations will describe team profiles, structure, PCU responsibilities, and process flows.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The fiduciary capacity assessment of the executing agency, which was conducted with INDE staff in 2024, determined that the institution has a medium level of capacity for program execution, has a policy framework, uses the country's Integrated Accounting System, and has institutional process manuals, but has no experience in the execution of investment programs with external financing in the last 5 years. The assessment identified fiduciary risks and the need for strengthening actions and actions to mitigate those rated high or medium-high (paragraph 4).
	medium-nign (paragraph 4).

¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of the Bank's validation.

4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Project	If budget allocations are insufficient and untimely, INDE may not obtain the necessary available budget in time to meet the program's financial obligations, resulting in delays in annual execution, especially in the first year.	High	(a) Start with the involvement of the relevant authorities; (b) take the appropriate actions and steps in a timely manner, to obtain the budget and amendments required for the program; (c) assign a specific budget code for the program in the Integrated Accounting System (SICOIN) with IDB financing; (d) report on the allocated budget with details of the necessary steps to be taken, if changes are required; and (e) process a budget extension as of the first month of the following year, if the necessary budget allocation has not been secured.

- Policies and guidelines applicable to the operation: The Financial Management Guidelines for IDB-financed Projects (OP-273-12 or current version) and the regulations of the Integrated Financial Administration System (SIAF) will apply to the operation. Policy documents GN-2349-15 and GN-2350-15 (or current versions) will apply to procurement management.
- 6. Exceptions to policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

a. Special conditions precedent to the first disbursement:

(i) The borrower has opened a subaccount in U.S. dollars, where the program disbursements are to be deposited, under the account referenced in Article 4.01(c) of the General Conditions of the loan contract, as a secondary account of the Treasury Single Account, at the Bank of Guatemala; and INDE has opened a specific account in local currency at a bank of the national financial system for receiving disbursements and making payments under the program. This condition was prompted by a request from the borrower and is included in loan contracts so that the Bank of Guatemala can authorize the opening of accounts in U.S. dollars by financing source, as applicable.

(ii) For the purposes of Article 4.01(d) of the General Conditions, the borrower has assigned a specific budget code in SICOIN, in accordance with the borrower's current regulations, for the identification of this loan, by financing source, as applicable, and consistent with the program name established in the loan contract. This condition is justified to ensure that the country financial management system is used, which facilitates program execution and accountability reporting.

b. Special contractual conditions for execution:

(i) The exchange rate posted by the Bank of Guatemala on the effective date on which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments or transfers will be used for accountability reporting. If the application of the exchange rate or bank interest results in an excess amount or gains, the executing agency will use such resources, subject to the Bank's no objection, to finance expenditures pertinent to the project's objectives. The provisions of document OP-273-12 or its current version will apply.

(ii) The executing agency will deliver unaudited financial reports to the Bank within the first 30 days of each fiscal year, showing the current year's budget allocation for the project, including a breakdown of the necessary arrangements to ensure that the budget covers the expected execution in the updated annual work plan and procurement plan approved by the Bank. This condition is justified as a budgetary risk mitigation measure.

(iii) The following provisions will be included, when national competitive bidding (NCB) is to be used, in relation to: (a) not restricting the participation of suppliers from Bank member countries and declaring suppliers from Bank nonmember countries ineligible; (b) not establishing percentages of origin, margins of preference, or registration requirements; (c) considerations to be included in bidding documents; and (d) ad hoc evaluation committees to be advised by the procurement specialist.

(iv) In the formation of evaluation committees, it will be ensured that members have knowledge of the program's governance framework and the Bank's procurement policies, and the program Operating Regulations will establish specific criteria for the formation of evaluation committees, as well as time frames for the evaluation processes, which INDE will be responsible for enforcing. This condition is justified to ensure that eligible companies, firms, or consultants have an equal opportunity to compete and that bids or proposals are evaluated in accordance with the procedures established in the Bank's policies.

(v) INDE staff will be designated as focal points for the crosscutting support required during program execution and closure. This is to mitigate the risk related to the need for strengthening and intra-agency coordination of the executing agency.

Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(ii). For such purposes, the agreed exchange rate will be the rate posted by the Bank of Guatemala on the effective date on which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.

Type of audit: The program's audited financial reports will be expressed in United States dollars (US\$) and audited by an independent auditing firm or by the supreme audit institution previously accepted by the Bank. Annual audited financial reports will be delivered within 120 calendar days after the close of each fiscal year of the executing agency during the current disbursement period. The final audited financial report will be delivered within 120 calendar days after the current disbursement period. Audits will be performed under procedures and terms of reference previously agreed upon with the Bank.

III. PROCUREMENT EXECUTION AGREEMENTS AND REQUIREMENTS

Bidding documents	Works, goods, and nonconsulting services procured under the Bank's procurement policies (GN-2349-15) and requiring international competitive bidding (ICB) will use the Bank's standard bidding documents or those agreed upon between the executing agency and the Bank for the specific procurement. Consulting services will be selected and contracted in accordance with the consultant selection policies (GN-2350-15) using the standard request for proposals issued by the Bank or a request for proposals agreed upon between the executing agency and the Bank for the specific selection. The project sector specialist will be responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes. This technical review may be ex ante and is independent of the procurement review method. For NCB, a procurement document will be developed and agreed upon by the executing agency and the Bank.
Use of country systems	The Bank has approved the use of the electronic reverse auction system or subsystem (GN-2538-26) up to the threshold set for application of the shopping method for goods and/or nonconsulting services, which may be used once the measures for its implementation are complete; the GUATECOMPRAS information system has also been accepted. The procurement plan for the operation will indicate the procurements to be conducted using the country system within the approved scope. If the scope of Board approval for use of the country system is expanded, it will be applicable to the operation.
Recurrent expenditures	Recurrent expenditures for the functioning of the project that are approved by the project team leader and financed will be incurred under administrative procedures of the executing agency. These procedures have been reviewed and accepted by the Bank and do not violate the principles of economy, efficiency, and competition. The planned recurrent or operating expenditures are as follows: per diems, fuel, publication of bidding notices, vehicle maintenance, the reproduction of training materials, and others for the planned supervision activities in the components. (See the guidelines for the treatment of recurrent expenditures and expenditure eligibility policy, document GN-2331-5 and updates.)

\boxtimes	Procurement supervision	The supervision method for procurements of goods/services, works, and consulting services will be ex ante. Procurement fiduciary visits will be according to the supervision plan and will include one physical inspection visit. ²
		The recommended threshold amounts for use of the ICB method and the short list comprising international consultants will be those established for Guatemala (<u>http://www.iadb.org/procurement</u>). Ex post review does not apply.
X	Records and files	The executing agency will be responsible for maintaining the program's physical and digital files and records. Project reports will be prepared and filed using the agreed formats or procedures described in the program Operating Regulations.

Main procurements

Procurement description	Selection method	Estimated date	Estimated amount (US\$)
Goods			
Computer software and hardware	NCB	26/09/2025	100,000.00
Works			
Construction of medium- and low-voltage lines – first block	ICB	06/10/2025	69,107,664.00
Construction of medium- and low-voltage lines – second block	ICB	10/08/2026	60,900,713.00
Construction of medium- and low-voltage lines – third block	ICB	14/06/2027	60,900,713.00
Nonconsulting services			
Firms			
Supervision of construction of medium- and low-voltage lines – first block	QCBS	01/07/2025	6,910,766.00
Supervision of construction of medium- and low-voltage lines – second block	QCBS	03/04/2026	6,090,071.00

² Physical inspections verify the existence of the product of the procurements, leaving verification of quality and compliance with specifications to the sector specialist.

Procurement description	Selection method	Estimated date	Estimated amount (US\$)	
Supervision of construction of medium- and low-voltage lines – third block	QCBS	05/02/2027	6,090,071.00	
Individuals				
Procurement management consultant	3CV	01/07/2025	108,000.00	
Financial management consultant	3CV	01/07/2025	108,000.00	
Environmental specialist	3CV	01/07/2025	180,000.00	

Link to procurement plan.

IV	. FINANCIAL	MANAGEMENT	AGREEMENT	S AND REQUIREMENTS	

X	Programming and budget	The Integrated Accounting System (SICOIN) will be used for operational management of the budget under the financial management and control regulations and the specific regulations contained in the loan contract. INDE is subject to budgetary, accounting, and treasury regulations applicable to these types of institutions and requires MINFIN approval for certain procedures.
		A specific budget code will be assigned in SICOIN for program identification and tracking. To monitor the timely and sufficient allocation and execution of the budget, the executing agency will deliver reports to the Bank with content and frequency previously agreed upon and described in the program Operating Regulations.
\boxtimes	Treasury and disbursement management	Disbursements and cash flow. The Treasury Single Account mechanism is acceptable for managing the Bank-financed resources. The disbursements of advances of funds will be deposited into a dollar- denominated secondary account of the Treasury Single Account. The currency for management of the operation is United States dollars (US\$). INDE will open an account at a bank of the national financial system for making program payments in local currency. The Bank will disburse resources, requested electronically using the tools agreed upon by the Bank, under the advance of funds modality or other modality established in guidelines document OP-273-12 (or current version), as requested by the borrower. Funds will be advanced based on program planning, reflecting actual payment requirements for a maximum period of up to six months. When payments have been made and duly documented, subsequent disbursements may be processed upon justification of 80% of the balance of previous advances. The use of the flexibilities established in document OP-273-12 (or current version) may be considered. Documentation will be subject to ex post review. The exchange rate for accountability reporting on the program

		resources will be the rate posted by the Bank of Guatemala on the effective date of the payment transaction. If the application of the exchange rate or bank interest results in an excess amount or gains, the borrower will use such resources, subject to the Bank's no objection, to finance expenditures pertinent to the project's objectives. The application of document OP-273-12 for the treatment of the exchange rate differential will be considered.
	Accounting, information systems, and reporting	The program's accounting will be prepared according to the International Accounting Standards and on a cash basis. The program will use SICOIN as the sole source of information on the use of program funds. The existing expenditure structure and ledger accounts will be used, and there will be no special chart of accounts. The supporting documentation for payment transactions and accounting records will be kept on file at INDE, which will be responsible for the program's records and payments.
		specific reports on program monitoring, execution, and financial progress will be based on information from SICOIN and auxiliary reports in Microsoft Excel, if necessary and specified in the program Operating Regulations.
\boxtimes	Internal control and internal audit	The executing agency will have an internal control structure and mechanisms that ensure effective, efficient, and transparent management. The executing agency has an internal audit department that reports directly to the institution's highest authority. The approved program Operating Regulations will address specific considerations to ensure effective internal control in the execution of the allocated resources. The Office of the Comptroller General of Accounts (CGR) is the national governmental control institution with the authority to conduct audits as it deems appropriate. Since the Bank has not assessed the country's internal audit subsystem, it will not be used for the Bank's financial supervision of the program.
	External control and financial reports	The program financial statements will be expressed in United States dollars (US\$) and audited annually by a Bank-eligible external audit firm in Guatemala, or by the CGC in accordance with its manual for auditing special-purpose financial statements for IDB-financed projects, which has been previously accepted by the Bank. The audit firm will be engaged under agreed procedures and terms of reference. The borrower is encouraged to engage the audit firm no more than 120 days before the end of the year to be audited, and to conduct a single contracting process for the entirety of program execution until close. During execution, the audited financial statements will be delivered annually to the Bank within 120 days after the closing date of each fiscal year and after the date of the last disbursement. For purposes of Article 7.03(a) of the General Conditions, the program's fiscal year is the period from 1 January to 31 December of each year. The IDB may also request audited or unaudited financial information from the program. Under the IDB's current information access and disclosure policy, program audited reports will be published in the Bank's systems.
\boxtimes	Financial supervision of	Financial management supervision will be through visits to the executing agency under the supervision plan, work meetings, reviews of audited

the operation	and unaudited financial information from the program, including file and					
	asset	management,	internal	control	considerations,	audit
	observations/findings, and other means.					

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/25

Guatemala. Loan ____/OC-GU to the Republic of Guatemala. Rural Electrification Access Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Guatemala, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Rural Electrification Access Program. Such financing will be for the amount of up to US\$250,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2025)

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