

**ANNEX**

of the Commission Implementing Decision on the

**Action Document for Public Administration Support Facility (PASF)**

<b>1. Title/basic act/ CRIS number</b>	Public Administration Support Facility (PASF) CRIS number: DCI-ALA/2014/034-301 financed under Development Cooperation Instrument			
<b>2. Zone benefiting from the action/location</b>	Central America, Guatemala The action shall be carried out at the following location: Guatemala			
<b>3. Programming document</b>	Multiannual Indicative Programme 2014-2020			
<b>4. Sector of concentration/ thematic area</b>	Technical cooperation for institutional strengthening (Institutional capacity building)			
<b>5. Amounts concerned</b>	Total estimated cost: EUR 7 million Total amount of EU budget contribution EUR 5 million This action is co-financed in joint co-financing through a transfer agreement by: - Swedish International Development Cooperation Agency – SIDA for an amount of 20 Million Swedish Krona (approximately EUR 2 million <sup>1</sup> );			
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Direct management - procurement of services			
<b>7. DAC code(s)</b>	15110			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	X	<input type="checkbox"/>	<input type="checkbox"/>

<sup>1</sup> InforEuro August 2015: 1 SEK = 0.10558 EUR; 1 EUR = 9.4714 SEK.

	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	<When relevant, specify the title of the GPGC thematic flagship programme to which this action contributes>			

**SUMMARY**

The current project proposal aims to put into place a technical cooperation facility to support the Guatemalan's Institutions in the design and implementation of national strategies, policies and reforms in areas relevant to EU-Guatemala cooperation.

This programme is envisaged as a flexible and demand driven mechanism to respond to specific Government needs within the areas of Multiannual Indicative Programme (MIP) 2014-2020 (food security, conflict resolution, peace and security, and competitiveness) as well as to the Joint Programming with Member States Strategy for Guatemala.

It is designed to facilitate a structured, long-term capacity development process under the leadership of the country's institutions in charge of coordinating international cooperation. The facility is expected to contribute to enhance government's effectiveness and to maximise the impact of future EU (and Member States) interventions.

The areas of support are related to: 1) public policy processes and state reforms; 2) public finance management, results-based management and transparency; 3) aid management and aid effectiveness; and 4) communication and visibility of EU cooperation.

The programme equally includes a visibility and communication component to ensure that Guatemalan society is adequately informed about EU cooperation with Guatemala.

It will be implemented through two major service contracts – a Technical Assistance contract and a specific communication and visibility contract - that will be centrally managed by the EU Delegation.

Following the EU-Member States Joint Strategy for Guatemala, which aims to reach full joint programming by 2017, the PASF will benefit of SKR 20 million (EUR 2 million) contribution from the Swedish Agency for International Cooperation SIDA.

The Presidential Secretariat for Planning and Programming (SEGEPLAN) and the Ministry of Finance have been fully involved during the formulation process and their views have been incorporated in the current proposal. Additional political and technical meetings with other lead and beneficiary institutions have been taken place during the formulation stage.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

Guatemala is the largest economy in Central America with a gross domestic product (GDP) of USD 46.9 billion (2011). A moderate long-term rate of economic growth of 3.3 percent between 2001 and 2011 has translated into a GNI per capita of USD 2 741 (2010). At macro-economic level, Guatemala's economic performance has been solid since the 2008-2009 global financial crisis<sup>2</sup>. The IMF expects growth to increase slightly to 3.5% in 2013 and 2014, boosted by continuous domestic demand and strong private sector credit.

However, Guatemala is one of the most unequal countries in Latin America. While the GINI coefficient for consumption inequality declined from 0.47 in 2000 to 0.39 in 2011, the latest overall GINI index registers 0.52<sup>3</sup> (2011). Wealth is concentrated in urban centres, and there are large differences in the GDP/capita among departments<sup>4</sup>. Even though a middle class is now larger than before, economic resources are highly concentrated in few economic sectors. The rates of internal demand growth have been limited, with an average annual increase of 0.15% over the last 10 years<sup>5</sup>. Around 21% of the active population is unemployed and estimates of the economically active population in the informal sector range from 64% to 75%<sup>6</sup>.

Guatemala ranks 125 out of 187 countries on the 2013 Human Development Index. The poverty rate is estimated at 54% of which 13% is considered extreme poverty. Poverty in Guatemala is mostly indigenous and rural (72%) in a country where half of the population lives in rural areas<sup>7</sup>. Changes in poverty levels in the last decade were moderate. Between 2000 and 2006, poverty decreased by five

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<sup>2</sup> According to the IMF's latest Article IV consultation report published in August 2013.

<sup>3</sup> World Bank Statistics 2011.

<sup>4</sup> As an example, the Department of Huehuetenango had a GDP/cap of 4113 GTQ in 2010, as compared to 18,140 GTQ in Quetzaltenango or 29,869 GTQ in Guatemala Metropolitan region. Red Nacional de Grupo gestores, 2012. Estudio El Comercio Interno de Guatemala, p. 22.

<sup>5</sup> Red Nacional de Grupo gestores, 2012. Estudio El Comercio Interno de Guatemala, p. 4.

<sup>6</sup> "Estudio de opinión pública sobre trabajo decente y economía informal," ASIES, 2012; and Red Nacional de Grupo gestores, 2012. Estudio El Comercio Interno de Guatemala.

<sup>7</sup> World Bank data, 2010, indicates 51%. ECLAC food production trends (2010) mentions 44.1% as an estimate for 2009. ENCOVI mentions 47% of total households of the country.

percentage points. This positive trend reversed with poverty increasing almost 3 percentage points between 2006 and 2011. Extreme poverty declined slightly (from 15 % in 2000 and 2006 to about 13% in 2011), with gains in both rural and urban areas. However, extreme poverty is still widespread in rural areas, where 80% of the extreme poor live<sup>8</sup>.

Over the last years, important advances have been achieved in order to improve access to social services. The most considerable improvement can be noticed in education, with access to primary school being almost universal (primary enrolment rate is 98%), with a completion rate that increased up to 78%. The gender gap in pre-primary, primary and basic cycles shows a decreasing trend, but illiteracy is still very high (34%)<sup>9</sup>.

Despite improvements in the health sector during the last years, the situation remains challenging and needs an appropriate response in order to fully achieve target 4 and 5 of the Millennium Development Goals (MDG). Guatemala has the 3<sup>rd</sup> highest level of maternal mortality in Latin America (140 out of 100,000 women<sup>10</sup>). The country also has the second highest child mortality rate in Latin America (32 per thousand live births)<sup>11</sup>.

The country's levels of food and nutritional insecurity are among the worst in the world. The chronic malnutrition rate for children under 5 is 43.4%<sup>12</sup>, the highest in the region and the fourth highest globally<sup>13</sup>. The most vulnerable groups are indigenous women, girls and boys living in rural areas. In some areas of the western highlands for example, the chronic malnutrition rate reaches more than 90%<sup>14</sup>.

Guatemala has one of the lowest tax revenues in the region, and the lowest per capita spending on social sectors.<sup>15</sup> In 2012 the country's tax burden level remained at 11.1% (tax revenues/GDP ratio), far lower than the 19.2 per cent average for all of Latin America. Corruption in the public sector also remains a major issue as brought to light in 2015 with the fraud scheme in the tax administration and the National Social Security Institute unveiled by the Attorney General's Office and the International Commission against Impunity in Guatemala (CICIG). Public expenditure on the education system is estimated at 3.2 % of GDP<sup>16</sup>, while the health sector in Guatemala accounts for 2.5% of GDP, one of the lowest percentages in Latin America.

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<sup>8</sup> World Bank (2012) IBRD and IFC Country Partnership Strategy for the Republic of Guatemala for the period 2013-2016.

<sup>9</sup> ENCOVI 2011.

<sup>10</sup> Diagnostico Nacional de Salud, MSPAS, Marzo 2012.

<sup>11</sup> The state of the worlds'children 2012, UNICEF.

<sup>12</sup> Encuesta Nacional de Salud Materno Infantil (ENSMI) de 2008-2009.

<sup>13</sup> WFP- 2010.

<sup>14</sup> ENSMI 2008/2009.

<sup>15</sup> IBRD and IFC country partnership strategy for the Republic of Guatemala for the period FY 2013-2016, August 17, 2012,page 5, paragraph 14.

<sup>16</sup> UNDP Human Development Reports 2011.

### **1.1.1 Public Policy Assessment and EU Policy Framework**

In its “Strategic Priorities 2012 - 2016” document, the Government identified five priorities: 1) democratic security and justice; 2) competitive economic development; 3) productive and social infrastructure; 4) social development; and 5) sustainable rural development.

These priorities have been further detailed in three Government’s Pacts (*Pactos*):

- *The Security, Justice and Peace Pact*. This inter-institutional Pact represents a comprehensive approach to fight crime and improve security and the administration of justice both at central and local level. By adopting an integrated approach tackling different dimensions (citizen security, a more inclusive and effective justice system, social and economic development), the Pact aims at laying down the foundations of a long term state policy which transcends a single government;
- *The Zero Hunger Pact*. This Pact aims to tackle malnutrition and improve food security, focusing on the 50% of municipalities suffering from the highest malnutrition rates. The Pact is supported by a dedicated programme on family agriculture, as well as initiatives on water, sanitation and the environment. Goals include reducing the prevalence of chronic malnutrition in children under five by 10% by the end of 2015;
- *The Fiscal and Competitiveness Pact (2012-2015)*, which goes hand in hand with a national competitiveness agenda (2012-2021). Under this Pact, the Government aims to increase state revenues by fighting tax evasion, improve the management of public spending and undertake a number of reforms to strengthen competitiveness, improve the business environment, increase employment opportunities and attract foreign investment. Improving the prospects for those working in the informal economy, which currently accounts for some 75% of the workforce, will be a crucial challenge. This policy evolved into a National Competitiveness Agenda (2012-2021) which has six strategic lines of action, aiming to generate sustainable development and tackle structural problems, such as the low level of formal employment, poor household incomes, social gaps and high level of poverty.

In addition to the three Pacts, the Government finalized in 2014 its long-term National Development Plan named “Katun 2032”, is the product of a wide participatory effort based on the activities of the CONADUR (*Consejo Nacional Urbano y de Desarrollo Rural*). The plan has been officially presented in August 2014.

Guatemala has made advances under each of the Pacts. With regards to monitoring, so far comprehensive action and implementation plans are most advanced in the Zero Hunger Policy.

In its EU-Member States Joint Strategy, the EU and its Member States agreed to take the three Pacts as the basis of their support, and as such, three multi-donor areas were identified - food security; justice, security and peace, and economic development and fiscal reform - in addition to the areas of education and environment.

At an operational level the Government – under the leadership of the SEGEPLAN - introduced a series of measures to enhance planning and monitoring of the implementation of its policies and

eventually of their impact. These include a new policy on international cooperation, management by results, the establishment of indicative targets and specific plan of action to reach such targets.

### *1.1.2 Stakeholder analysis*

While there have been advances over the last years to strengthen Guatemala's public governance, the ability of state institutions to effectively conduct policy setting processes and to produce tangible outcomes at the level of service delivery remains low. This can be noted from the low country score on the latest available World Bank Government Effectiveness indicator (2011), which measures the quality of public sector government. With a percentile ranking of 28% Guatemala has one of the lowest scores in Latin America. The following factors contribute to this score:

- Public administration is characterized by limited advances in the regulatory framework for the civil service, a high turnover, a typical spoils system and weak inter-institutional coordination;
- The low levels of revenue mobilisation limit the State's overall financial capacities to fund public policies;
- Challenges for increasing transparency and accountability at national and local government level remain high and hamper efforts to fight against corruption. Guatemala ranks 115 out of 177 countries on the 2014 Corruption Perception Index of Transparency International (123 in 2013);
- Recurrent gridlocks between the executive and legislative powers and a very fluid parties system hamper consensus building, undermine the effectiveness of law-making processes and limit oversight capacities.

The Ministry of Finance has taken the leadership to gain back the institutionality of the Tax Administration (SAT) and to strengthen it in order to increase tax revenues. For this reason, it has created a roundtable for dialogue with the international community to coordinate assistance (financial and technical) to implement an urgent action plan, which will encompass in its first phase, the strengthening of the Customs Authority by implementing measures to enhance control of customs clearances and of merchandise at ports and airports. Also, by improving IT systems to facilitate management, collection, monitoring and control processes, as well as by redesigning processes to enhance transparency. This plan shall be approved and implemented within the current Government. First actions shall be implemented in the next 6-9 months.

Currently the Congress is working on 4 reforms (judicial reform, electoral reform, public procurement reform and civil service reform). They are expected to be approved by the end of 2015 and implementation to start with new government. All major parties running during electoral process have in principle agreed to the new reforms and civil society participates in drafting and is expected to assume a civil monitoring role.

### Development effectiveness

To fulfil its commitments with the aid effectiveness agenda, the Government adopted a number of agreements based on the Paris Agenda for Aid Effectiveness ("Antigua I and II"). Recently,

SEGEPLAN designed the “Non-Refundable International Cooperation Policy”, which defines guidelines for aid effectiveness for the coming years.

Equally, the main donors' group G13 (*Grupo de Dialogo*) was created in 2000 (then still named G6) as a coordination group facilitating the exchange of information between donors and the government as well as among donors. Since 2011 some of the agreed coordination mechanisms between Government and donors have not been functioning and further improvements and progress is needed to implement the principles enshrined in Antigua I, Antigua II and the Code of Conduct.

#### Compliance with the requirements of the EU-CA Association Agreement

Through the EU-CA Association Agreement, all parties commit to encourage high levels of labour and environmental protection, in line with the obligations and commitments stated under the "Trade and Sustainable Development" Title of the Agreement's trade pillar. In this regard, several challenges remain and the country will need to undertake a number of reforms to comply with the Agreement's requirements, and in particular with the sustainable development chapter. As such, Guatemala will have to:

- Ensure the effective implementation of all eight ILO Core Conventions (art. 286). In particular, Guatemala is currently under scrutiny of the ILO for non-implementation of the ILO Convention on Freedom of Association and Protection of the Right to Organize (C87);
- Formulate and approve a national competition law;
- Effectively implement the multilateral Environmental Agreements (art. 287), including the Kyoto Protocol and the Convention on biological Diversity;
- Facilitate trade and FDI in environmental technologies including renewable energy, and sustainable schemes such as fair trade schemes, organic production and corporate social responsibility practices (art. 288);
- Ensure the sustainable management and use of key natural resources, in particular forest and fishery resources (art. 289 and 290).

Linked to this last issue, Guatemala will have to carry out a number of reforms and put into place systems to fulfil the new criteria of the Extractive Industries Transparency Initiative (EITI) and to become a fully-fledged member of global initiatives such as and the Forest Law Enforcement Governance and Trade (FLEGT).

#### ***1.1.3 Priority areas for support/problem analysis***

The project is multi-sectoral in nature, as it will support initiatives that strengthen public administration and enhance government effectiveness, as well as reform processes and measures linked to the priorities for EU-Guatemala cooperation until 2020.

The proposed intervention envisaged areas of support are related to: 1) public policy processes and state reforms within the priority areas of EU-Guatemala cooperation; 2) public finance management, results-based management and transparency; 3) aid management and aid effectiveness; and 4) communication and visibility of EU cooperation.

As such, the project aims to address a number of challenges that were identified during the EU Joint Programming process and elaboration of the Multiannual Indicative Programme (MIP). These surpass the level of specific sector interventions and relate to overall concerns about government effectiveness, aid effectiveness and compliance with the EU-CA Association Agreement.

**2 RISKS AND ASSUMPTIONS**

The main assumptions are that:

- a) The current Government is committed to continue its efforts to strengthen public sector governance and undertake the necessary reforms;
- b) The Government, through MINFIN (and the Presidential Secretariat for Planning and Programming SEGEPLAN) remains committed to co-managing the Public Administration Support Facility and there continues to be a demand for specific EU support.

Risk	Risk level	Mitigation measures
Changes in strategic Government priorities after general and presidential elections scheduled for September 2015.	Low. The sectors are expected to remain relevant given the important challenges that persist	<ul style="list-style-type: none"> <li>• The EU will conduct a mid-term review once the new Government is in place to adjust for possible new priorities;</li> <li>• The PASF is designed as a flexible demand-driven facility.</li> </ul>
Insufficient political will for structural reforms.	Medium. Carrying out structural reforms has proven difficult in recent past.	<ul style="list-style-type: none"> <li>• Reinforced policy and political dialogue at bilateral level;</li> <li>• Ensure common political messages through the donor coordination group G13 and through implementation of EU-Member States joint strategy.</li> <li>• Continue to engage with stakeholders - including with support to initiatives linked with reforms</li> </ul>
Difficulties in inter-institutional cooperation and coordination among MINFIN and SEGEPLAN and other line beneficiary Institutions	Medium. Other programmes (e.g. youth strengthening) faced similar difficulties	<ul style="list-style-type: none"> <li>• Continued strong policy dialogue to ensure the lead institutions' commitment to the Facility and to their coordination role, especially in the transition to a new government;</li> <li>• Set-up of a steering committee which will ensure strong coordination among MINFIN, different stakeholders;</li> <li>• Set up of regular coordination between the technical secretariat (implemented by the Technical Assistance-TA-) and beneficiary institutions to ensure demand driven</li> </ul>

		interventions and inter-institutional coordination.
Duplication of efforts with technical assistance of individual bilateral projects and budget support operations.	Low. Tasks for ongoing programmes are and will be clearly defined	<ul style="list-style-type: none"> <li>• Formulation of Terms of Reference (ToR) for the Cooperation Facility will be coordinated with formulation of ToR of TA of new interventions, taking into account foreseen TAs under future programmes.</li> </ul>

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

Under previous Country Strategy Papers (CSP), Guatemala did not benefit from a mechanism similar to the proposed intervention. Implementation of previous CSPs has shown, however, that:

- a) While highly valuable, technical assistance (TA) in support to each of the bilateral projects fulfils specific functions. Such TA cannot always be flexibly mobilized to support strategic reform processes at a more macro level (e.g. PFM issues, specific legal reforms, etc.), which ultimately are instrumental to maximising the impact of single projects.
- b) Public administration needs are dynamic and there is a need for flexible mechanisms – beyond individual projects implemented through Programme Estimates - that enable the EU to fund specific needs of public institutions.
- c) For future budget support programmes to be an effective development tool in the Guatemalan context, there is a continued need to strengthen the development of well-defined sector reform policies, to enhance Public Finance Management and to ensure transparency and budget oversight.
- d) Communication and visibility of EU cooperation has so far been managed in relation to each individual bilateral programme. Centralizing visibility and information activities under one contract is expected to have a common communication and visibility strategy, increase coordination of activities, maximise impact and thereby contribute to reduce the transaction costs associated with the multiplicity of visibility lines under each bilateral programme.

Through the programme "*Support to Budget Management in Guatemala*" (AGEP), the Government officially adopted a results-based management (RBM) approach and improved the budget planning of three ministries (Ministry of Interior, Ministry of Education and Ministry of Health). The latest ROM exercise (April 2013) evaluated the project positively – in particular the outputs related to results-based management. The operational implementation of the Programme ended in late 2014 and a final evaluation was finalised in July 2015. The evaluation concluded that the programme was highly relevant and recommended to develop a monitoring and evaluation system that guarantees a comprehensive RBM budgetary model, to continue improving the quality of public expenditure. Furthermore, the evaluation suggested promoting capacity building in public institutions. There is equally an interest to consolidate the results obtained by this programme and extend them to other Ministries. Also, there is a potential to provide support to activities for improving Public Finance Management (PFM).

The EU bilateral programme “*Facilitation of the participation of Guatemala in the implementation of the Association Agreement and the Central American regional integration process - AdA-Integración*” is recognized by the direct beneficiaries as a key contribution to support Guatemala in start-up implementation of the Association Agreement. The mid-term evaluation, finalized at the end 2014, has confirmed the relevance of activities related institutional strengthening to the compliance of international labour standards, environmental standards, on sanitary and phyto-sanitary issues and food safety, intellectual property and rule of origin. Given the importance of the Association Agreement for the country, it is expected that there will be a continued need for capacity development in this area after closure of the project (March 2016).

*GIZ's Fund for Structural Reforms* was set up in 2013 to provide flexible funding to Government and non-state actors (civil society, private sector) (see point 3.2). Its pilot implementation in Guatemala has shown that:

- a) Even if the fund is demand-driven, there is a need for permanent support – in the form of a technical secretariat – to the Government to steer the process, to support beneficiary institutions in defining a realistic planning and budget, and to ensure smooth implementation of the fund and of the supported activities;
- b) The set-up of a steering committee composed of Government (through representation at level of SEGEPLAN) and the German cooperation and Embassy has so far proven a functional decision-making arrangement for the planning and allocation of the funds;
- c) It is necessary to define technical qualification criteria based on project results, for the allocation of technical assistance;
- d) Sufficient time must be allocated at the start of the intervention to define a realistic planning and work out detailed implementation arrangements (eligibility criteria for funding, quality criteria for the interventions, monitoring and follow-up of activities).

### **3.2 Complementarity, synergy and donor coordination**

The Public Administration Support Facility will complement and contribute to a number of other EU actions being implemented in Guatemala.

#### EU bilateral cooperation:

Four interventions of the Country Strategy Paper (CSP) 2007-2013 will still be on going at the proposed start of this project. The Facility is not expected to duplicate the work of the technical assistance teams in support of these projects as their activities have been clearly defined. On the contrary, this intervention will contribute to its successful implementation as it targets a number of issues at level of public policies reforms that cannot be fully addressed through the individual projects:

- “*Facilitation of the participation of Guatemala in the implementation of the Association Agreement and the Central American regional integration process (AdA-Integración)*” (October 2015 – EUR 8,160,000). This programme provides institutional strengthening to

Guatemalan public institutions and civil society for implementation of the regional integration process and the EU-CA Association Agreement. As the project is ending in October 2015, the Facility will give continuity to this process by supporting the Government in putting into place the necessary pending reforms.

- A sector budget support programme “*Support to the Sustainability of Smallholders’ Agriculture*” (until 2018 - 21 million EUR). The Facility is expected to contribute to enhance Guatemala’s conditions for sector budget support.
- “*Programme to Support Security and Justice* – SEJUST (until November 2016 – EUR 22 million). The proposed programme could accompany implementation of judiciary reforms currently under exam.
- *Programme on youth employment* (until August 2018 - EUR 14 million). The Facility might contribute to structure the inter-institutional coordination between the 3 main ministries involved in the programme.

Furthermore, under the MIP 2014-2020, two bilateral programmes are expected to start simultaneously with the Facility: one on the prevention of violence (EUR 12 million) and one on competitiveness (EUR 26 million).

#### EU Member States-funded actions:

The German Corporation for International Cooperation (GIZ) has put in place a two-year Fund for Structural Reforms (2013-2014, EUR 1 million), a flexible fund to support innovative measures and reform processes – initiated by government, civil society or private sector - related to the priorities of the German cooperation in Guatemala. A two-year extension of the Fund might be envisaged, according to the results of the bilateral negotiations that took place in November 2014.

The two instruments would complement each other, as the EU facility is broader in its scope (incl. results on aid effectiveness, the Association Agreement and the JP's multi-donor areas), includes a wider spectrum of possible activities related to sectors as environment, education and governance (GIZ will not fund studies) and involves different actors (e.g. GIZ focuses on civil society and private sector support in addition to support to Government). Currently no other major donors have an ongoing similar flexible funding mechanism at the disposal of the public administration.

Guatemala has made some progress towards harmonisation and alignment of aid, under the leadership of SEGEPLAN, MINFIN and MINEX with the support of the main international donors grouped in the G13.

The G13 coordinates its efforts at three levels: political, technical/political, and thematic. Along with the EU, the G13 unites the main eight donor countries (Canada, Germany, Italy, Norway, Spain, Sweden, Switzerland and United States of America) and multilateral organisations (the Inter-American Development Bank (IDB), World Bank (WB), International Monetary Fund (IMF), United Nations Development Program (UNDP) and the Organisation of American States (OAS).

However, coordination at sector level among donors has lacked response of the Government. Since 2011 some of the agreed coordination mechanisms between Government and donors have not been functioning.

By supporting activities related to the implementation of the new policy for international cooperation and supporting donor-Government coordination mechanisms, the PASF is expected to contribute to aid effectiveness.

As part of the process towards an EU-Member States Joint Strategy for Guatemala 2014-2020, enhanced coordination on cooperation matters takes place between Member States and the EU Delegation. In November 2013 the EU and Member States developed a roadmap, which sets out the steps that will be undertaken to move towards a fully coordinated EU response in Guatemala as from 2017.

The contents of this Action Document have been shared and discussed with EU Member States. In addition, SIDA wishes to complement the EU funds through a transfer agreement of 20 Million Swedish Krona, corresponding to EUR 2 million, of which EUR 250 000 are management fees. Sweden considers that such a joint facility strengthens the implementation of the EU-Member States Joint Strategy and hence improves joint programming.

### **3.3 Cross-cutting issues**

- Ensuring an adequate integration of gender and indigenous peoples' concerns is of particular importance in the Guatemalan context. The ToR for the TA will specify this requirement, and the TA will be requested to mainstream gender and indigenous peoples' concerns throughout the project and its supported initiatives. Specific activities to enhance gender equality and indigenous peoples' rights will be promoted. Wherever possible, and depending on the concrete demands of the beneficiary institutions, technical assistance and the related activities will cover the mainstreaming of gender and indigenous peoples into public policies.
- Mid-term and end evaluations will include a chapter on the project's contributions to promote gender equality as well as the rights of indigenous peoples.

Specific support will equally be envisaged for promoting Guatemala's compliance with environmental and human rights standards, as explained more in detail under Result 1.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

The overall objective is to support Guatemala in its efforts to create the necessary conditions for sustainable social, democratic and economic growth focused on poverty reduction.

The specific objective is to contribute to enhancing State Institutions effectiveness and transparency through demand-driven technical support interventions, thereby maximizing the impact of the EU cooperation with Guatemala.

The Programme is conceived as a flexible instrument whose capacity development activities will contribute to 4 main results.

- 1. *Strengthened institutional capacity to design, plan, implement and monitor public policies and state reforms in areas relevant to EU-Guatemala cooperation;***
- 2. *Strengthened mechanisms and instruments in place to foster results-based management, improve the quality of public finance management, promote transparency and enhance domestic revenue mobilisation and other PFM related aspects;***
- 3. *Strengthened Government leadership on aid management and on the implementation of the aid effectiveness agenda;***
- 4. *Guatemalan society has access to information and is adequately informed about the EU cooperation with Guatemala.***

#### **4.2 Main activities**

The programme has been designed as a flexible instrument with the main goal to support Guatemala in the design and implementation of national strategies, policies and reforms in areas relevant to EU-Guatemala cooperation.

An inception phase, through a short term TA, is foreseen for the start-up of project activities and the set-up of the functioning of the instrument. During this phase, it will be prepared and agreed an implementation manual to define eligibility criteria, responsibilities of the Steering Committee (and its members) as well as the Technical Group (and its members). Concrete TA demands and major service activities for each of the 4 result areas will be planned annually, all of which will be financed under the long term TA contract. Demands for TA from beneficiary institutions will be regularly revised and activities adapted accordingly, within the annual work plan.

In the long term TA contract, activities will include short-term specialized TA, elaboration of studies, delivery of training, organisation and/or participation to (international) events and seminars, etc. Alternative modalities of TA provision and knowledge transfer – such as twinning arrangements, South-South cooperation and exchanges of experiences among peers - will be strongly encouraged.

***Result 1: Strengthened institutional capacity to design, plan, implement and monitor public policies and state reforms in areas relevant to EU-Guatemala cooperation.***

Related activities include:

- Support to the design, implementation, monitoring and evaluation of sector policies and subsequent action plans in priority areas for EU-Guatemala cooperation;

- Technical support (TA, training to strengthen the country's governance, support to relevant institutions in the legal reforms in the area of democratisation);
- Activities to enhance the monitoring and oversight capacity of oversight institutions;
- Technical support to strengthen public administration planning capacities (at central and local levels);
- Support to the generation national statistics;
- Technical support activities to enable Guatemala to fully implement the Association Agreement, including the compliance international labour and human rights standards as well as multilateral agreements on environmental issues;
- Creation and/or strengthening of mechanisms and instruments to monitor compliance and support implementation of international agreements;
- Support dialogue mechanisms between the State and different stakeholders.
- Other related activities that would contribute to achieve the result.

***Result 2: Strengthened mechanisms and instruments in place to foster results-based management, improve the quality of public finance management (PFM), promote transparency and enhance domestic revenue mobilisation and other PFM related aspects.***

Related activities include:

- Technical support (TA, training, studies, etc.) to government measures to improve the quality of PFM, including activities to strengthen the Tax Administration and Customs, indicatively;
- Support to government measures, legislative reforms and initiatives related to transparency and anti-corruption, including public access to information;
- Capacity development of public servants on result based management and PFM, with emphasis in strategic institutions related to finances, agricultural, health, competitiveness, education, environment and justice;
- Support to the public administration in implementing a results-based management framework;
- Support to relevant institutions in their efforts to increase domestic revenues;
- Studies and analyses on above matters, including the Public Expenditure and Financial Accountability (PEFA) assessments, including tax expenditure assessments;
- Other related activities identified by the beneficiaries and the technical assistance

***Result 3: Strengthened Government leadership on aid management and on the implementation of the aid effectiveness agenda.***

Related activities include:

- Support to implement, monitor, evaluate and revise Government's Non-Refundable International Cooperation Policy;
- Support to Government-promoted donor coordination mechanisms;
- Other related technical support activities identified by the beneficiaries.

***Result 4: Guatemalan society has access to information and is adequately informed about the EU cooperation with Guatemala.***

Related activities include:

- Production of a joint EU-Guatemala public diplomacy strategy for the communication and dialogue with the different civil society stakeholders;
- Produce and contribute to publications, information campaigns, materials on EU cooperation with Guatemala and support to the implementation of public policies;
- Organisation of and support to events, seminars, and conferences;
- Conduct media monitoring and analysis of EU visibility and of matters related to EU-Guatemala cooperation;
- Other related activities that would contribute to achieve the result.

### **4.3 Intervention logic**

This Technical Cooperation Facility is envisaged as a flexible and demand driven mechanism to respond to specific State needs within the areas of EU-Guatemala cooperation.

It is designed to facilitate a structured, long-term capacity development process under the leadership of the country's institutions in charge of coordinating international cooperation (MINFIN/SEGEPLAN) and aims to enhance State effectiveness to maximise the impact of ongoing and future EU interventions, both those of the EU Delegation and those of Member States.

It is important to underline that the new initiative could also support institutions that are not currently covered by other current and future programmes that will be key for the implementation of future reforms such as the Congress and the SAT.

The PASF equally includes a visibility and communication component to ensure that Guatemalan society is adequately informed about EU cooperation with Guatemala.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the Ministry of Finance of Guatemala, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action is 48 months. During this period, the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented. A period of 12 months for closure will start after the end of the operational implementation period.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### 5.3 Implementation modalities

#### 5.3.1.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance	Services	1-2 <sup>17</sup>	2 <sup>nd</sup> Q 2016
Communication and Visibility	Services	1	3 <sup>rd</sup> Q 2016
Evaluation and audit	Services	2 <sup>18</sup>	2 <sup>nd</sup> 2018, 4 <sup>th</sup> 2020

### 5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Budget [Article 9(2) (b) of Regulation (EU) No 236/2014] on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### 5.5 Indicative budget

Module	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified <sup>19</sup>
4.3.3. – Procurement (direct management) – technical assistance	3 600 000	SKR 20 million

<sup>17</sup> This includes an initial service contract at the start of the project to prepare detailed planning.

<sup>18</sup> A midterm evaluation and a final evaluation are foreseen. Audit contracts will be planned according to needs.

<sup>19</sup> Amount of the Transfer Agreement is SKR 20 million corresponding to approximately EUR 2 000 000 (exchange rate based on InforEuro August 2015: 1 SEK = 0.10558 EUR).

4.7. – Evaluation and audit	200 000	
4.8. – Communication and visibility	1 000 000	
Contingencies	200 000	
Total	5 000 000	EUR 2 000 000

## **5.6 Organisational set-up and responsibilities**

This programme, designed as a flexible and demand driven mechanism, will provide support to the public institutions involved in the implementation of the EU Member States Joint Strategy and MIP 2014-2020. The Facility will therefore be opened to a variety of line Ministries and institutions of the State (Executive, Legislative and Judiciary), including where considered relevant their representations at departmental and local level.

The programme will count with a Steering Committee, chaired by MINFIN/SEGEPLAN, responsible to revise and approve the implementation manual, the annual work plan as well as supervise the programme implementation. The annual work plan will be prepared by a technical group composed by different stakeholders of the priority sectors, including the technical assistance and a member of the EU Delegation (as observer). During the inception phase, it will be prepared and agreed an implementation manual to define eligibility criteria, responsibilities of the Steering Committee (and its members) as well as of the Technical Group (and its members).

The selection of beneficiaries would be based on the sectors supported by the MIP (food security; conflict resolution, peace and security; and competitiveness) and the Joint Programming (education and health), according to the objectives and results of the project.

## **5.7 Performance monitoring and reporting**

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

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

The logframe and its indicators will be refined at the initial stage of project implementation, as part of the TA inception phase of identification of demands and initial planning. These indicators will be monitored periodically through the long term TA in close association with the Beneficiary. The steering committee will be informed of progress towards the indicators through the presentation of periodic progress reports.

All supported activities (short term TA, studies, training, exchanges, etc.) will equally be closely monitored through the long-term TA in close association with the Beneficiary.

## **5.8 Evaluation**

Having regard to the importance of the action, a mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission. The mid-term evaluation will be carried out for learning purposes, in particular with respect to maximise the impact of the programme.

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, 2 contracts for evaluation services shall be concluded in 2018 and 2020.

The EU Delegation may also send its own staff to monitor and supervise technical and financial activities.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The project will be audited periodically . For this purpose the EU will hold a contract with an external audit company, financed under the Monitoring and Evaluation budget line. A final audit will be conducted during the closure phase. This final audit will be launched under a separate contract to allow for an independent company to verify the previous audits.

Audit contracts will be planned according to needs.

### **5.10 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The main added value of the visibility TA area is that visibility is going to be more strategic explaining the rationale, core values and results of EU cooperation as a whole.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

This action includes a specific service contract for communication and visibility measures, which will provide visibility to EU cooperation with Guatemala. It will centralize most visibility and information activities of all upcoming EU bilateral programmes under one contract (only excluding specific visibility activities of some projects such as ad hoc events, press communiques etc.). This is expected to enhance coordination of activities, maximise impact and thereby contribute to reduce transaction costs associated with the multiplicity of visibility lines under each bilateral programme. Indicatively one contract shall be concluded in 2016.

**MEMORANDUM TO THE DCI COMMITTEE  
CONCERNING THE**

**Annual Individual Measure 2015 in favour of Guatemala to be  
financed from the general budget of the European Union**

**1. Identification**

Budget heading	21 02 01
Total cost	EUR 5 million of EU contribution  Total estimated cost: EUR 7 million  This action is co-financed in joint co-financing through a transfer agreement by:  - Swedish International Development Cooperation Agency – SIDA for an amount of Swedish Krona 20 million (approximately EUR 2 million <sup>1</sup> );
Basic act	Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation for the period 2014-2020 (OJ L 77, 15.3.2014, p.44)

**2. Country background**

Guatemala is a multicultural country that has made progress in macroeconomic stability and in the consolidation of democracy in recent years. In fact, despite the recent political crisis caused by the high level corruption cases related to customs fraud detected at the Tax Administration (SAT) earlier this year, which have resulted in the resignation and prosecution of the President and Vice-president of the country<sup>2</sup>, the fundamental pillars of the Guatemalan economy remain stable and the short-term outlook is positive. In 2015 economic growth is projected to reach close to 4% and inflation to remain low (2.7% by the end of the year)<sup>3</sup>.

The financial situation of the country remains stable, although the low level of Government revenues is a cause of concern. Tax revenues have increased 2% this year compared to 2014<sup>4</sup>; however, the tax revenues to the gross domestic product (GDP) ratio

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<sup>1</sup> Inforeuro August 2015: 1 SEK = 0.10558 EUR; 1 EUR = 9.4714 SEK

<sup>2</sup> On September 3, Vice-president Alejandro Maldonado, who earlier had been appointed as such after the resignation of the former Vice-president, was sworn in office as President of Guatemala as established in the country's Constitution. Only a few days later, on September 6, the 1<sup>st</sup> round of presidential elections took place. The run-off election will be in November. The new elected government will take office in January 2016.

<sup>3</sup> Ministry of Finance of Guatemala (MINFIN)

<sup>4</sup> MINFIN, by August of each year

is expected to fall to 10.3% of GDP<sup>5</sup> in 2015. Nevertheless, since the government is taking measures to constrain public expenditure, the fiscal deficit in 2015 is projected to be reduced to 1.8% of GDP.

Guatemala is classified as a lower middle income country and its economy is the largest in Central America (GDP: USD58.73 billion in 2014<sup>6</sup>). It has a medium level of human development; in 2013 it ranked 125 out of 187 countries in the UNDP's Human Development Index. Furthermore, it is a very unequal economy, with high levels of poverty especially in rural areas and among the indigenous population. A factor that has a negative impact on the country's development is crime and violence.

Guatemala is part of the global market and the thirteen trade agreements signed by the country prove this fact. On the 1st of December 2013, the provisional application of the trade pillar of the EU-Central America Association Agreement came into force. Guatemala, part of the Central American Integration System, is the country that has given the greatest political support to the regional integration process.

### 3. Summary of the Measure

#### 1) Background:

The Annual Individual Measure 2015 comprises an Action Document, Public Administration Support Facility (PASF), which aims to support Guatemala in its efforts to create the necessary conditions for sustainable social, democratic and economic growth focused on poverty reduction.

#### 2) Cooperation related policy of beneficiary country:

In its "Strategic Priorities 2012 - 2016" document, the Government identified five priorities: 1) democratic security and justice; 2) competitive economic development; 3) productive and social infrastructure; 4) social development; and 5) sustainable rural development.

These priorities have been further detailed in three Government's Pacts (*Pactos*):

- The Security, Justice and Peace Pact
- The Zero Hunger Pact
- The Fiscal and Competitiveness Pact (2012-2015)

In its EU-MS Joint Strategy, the EU and its Member States agreed to take the three Pacts as the basis of their support, and as such, three multi-donor areas were identified - food security; justice, security and peace, and economic development and fiscal reform - in addition to the areas of education and environment.

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<sup>5</sup> MINFIN

<sup>6</sup> World Bank, current USD

At an operational level, the Government – under the leadership of the SEGEPLAN<sup>7</sup> - introduced a series of measures to enhance planning and monitoring of the implementation of its policies and eventually of their impact. These include a new policy on international cooperation, management by results, the establishment of indicative targets and specific plan of action to reach such targets.

### 3) Coherence with the programming documents:

The project is multi-sectoral in nature, as it will support initiatives that strengthen public administration and enhance government effectiveness, as well as reform processes and measures linked to the priorities for EU-Guatemala cooperation until 2020. PASF's envisaged areas of support are related to: 1) public policy processes and state reforms within the priority areas of EU-Guatemala cooperation; 2) public finance management, results-based management and transparency; 3) aid management and aid effectiveness; and 4) communication and visibility of EU cooperation.

As such, the project aims to address a number of challenges that were identified during the EU Joint Programming process and elaboration of the Multi-Annual Indicative Programme (MIP). These surpass the level of specific sector interventions and relate to overall concerns about government effectiveness, aid effectiveness and compliance with the EU-CA Association Agreement.

### 4) Identified actions:

The overall objective of the Public Administration Support Facility is to support Guatemala in its efforts to create the necessary conditions for sustainable social, democratic and economic growth focused on poverty reduction. Its specific objective is to contribute to enhancing State Institutions' effectiveness and transparency through demand-driven technical support interventions, thereby maximizing the impact of the EU cooperation with Guatemala.

This PASF is envisaged as a flexible and demand driven mechanism to respond to specific State needs within the areas of EU-Guatemala cooperation. It is designed to facilitate a structured, long-term capacity development process under the leadership of the country's institutions in charge of coordinating international cooperation (the Ministry of Finance / SEGEPLAN) and aims to enhance State effectiveness to maximise the impact of ongoing and future EU interventions, both those of the EU Delegation and those of Member States.

It is important to underline that the new initiative could also support institutions that are not currently covered by other current and future programmes that will be key for the implementation of future reforms such as the Congress and the SAT (Tax Administration). The PASF equally includes a visibility and communication component to ensure that Guatemalan society is adequately informed about EU cooperation with Guatemala.

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<sup>7</sup> The Secretariat for Planning and Programming

It will be implemented through two major service contracts – a Technical Assistance contract and a specific communication and visibility contract - that will be centrally managed by the EU Delegation.

5) Expected results:

The Programme is conceived as a flexible instrument whose capacity development activities will contribute to 4 main results:

1. Strengthened institutional capacity to design, plan, implement and monitor public policies and state reforms in areas relevant to EU-Guatemala cooperation;
2. Strengthened mechanisms and instruments in place to foster results-based management, improve the quality of public finance management, promote transparency and enhance domestic revenue mobilisation and other PFM related aspects;
3. Strengthened Government leadership on aid management and on the implementation of the aid effectiveness agenda;
4. Guatemalan society has access to information and is adequately informed about the EU cooperation with Guatemala.

Ensuring an adequate integration of gender and indigenous peoples' concerns is of particular importance in the Guatemalan context. The Terms of Reference for the Technical Assistance will specify this requirement, and the technical assistance (TA) will be requested to mainstream gender and indigenous peoples' concerns throughout the project and its supported initiatives. Specific activities to enhance gender equality and indigenous peoples' rights will be promoted. Wherever possible and depending on the concrete demands of the beneficiary institutions, technical assistance and the related activities will cover the mainstreaming of gender and indigenous peoples into public policies. Mid-term and end evaluations will include a chapter on the project's contributions to promote gender equality as well as the rights of indigenous peoples. Furthermore, specific support will equally be envisaged for promoting Guatemala's compliance with environmental and human rights standards.

6) Past EU assistance and lessons learnt:

Under previous Country Strategy Papers (CSP), Guatemala did not benefit from a mechanism similar to the PASF. Implementation of previous CSPs has shown, however, that:

- a) While highly valuable, TA in support to each of the bilateral projects fulfils specific functions. Such TA cannot always be flexibly mobilized to support strategic reform processes at a more macro level (e.g. PFM issues, specific legal reforms, etc.), which ultimately are instrumental to maximising the impact of single projects.

b) Public administration needs are dynamic and there is a need for flexible mechanisms – beyond individual projects implemented through Programme Estimates - that enable the EU to fund specific needs of public institutions.

c) For future budget support programmes to be effective development tools in the Guatemalan context, there is a continued need to strengthen the development of well-defined sector reform policies, to enhance Public Finance Management and to ensure transparency and budget oversight.

d) Communication and visibility of EU cooperation has so far been managed in relation to each individual bilateral programme. Centralizing visibility and information activities under one contract is expected to have a common communication and visibility strategy, increase coordination of activities, maximise impact and thereby contribute to reduce the transaction costs associated with the multiplicity of visibility lines under each bilateral programme.

Through the programme "Support to Budget Management in Guatemala" (AGEP), the Government officially adopted a results-based management (RBM) approach and improved the budget planning of three ministries (Ministry of Interior, Ministry of Education and Ministry of Health). The programme's final evaluation concluded that it was highly relevant and recommended to develop a monitoring and evaluation system that guarantees a comprehensive RBM budgetary model to continue improving the quality of public expenditure. Furthermore, the evaluation suggested promoting capacity building in public institutions. There is equally an interest to consolidate the results obtained by this programme and extend them to other Ministries. Also, there is a potential to provide support to activities for improving Public Finance Management (PFM).

In addition, the EU bilateral programme “Facilitation of the participation of Guatemala in the implementation of the Association Agreement and the Central American regional integration process - AdA-Integración” is recognized by the direct beneficiaries as a key contribution to support Guatemala in start-up implementation of the Association Agreement. The programme's mid-term evaluation confirmed the relevance of activities related to institutional strengthening, compliance with international labour standards, environmental standards, sanitary and phyto-sanitary issues and food safety, intellectual property and rules of origin.

#### 7) Complementary actions / donor coordination:

Following the EU-Member States Joint Strategy for Guatemala, which aims to reach full joint programming by 2017, the PASF will benefit of SKR 20 million (EUR 2.0 million) contribution from the Swedish Agency for International Cooperation SIDA. Moreover, PASF will complement and contribute to a number of EU actions being implemented in Guatemala.

EU bilateral cooperation: four interventions of the Country Strategy Paper (CSP) 2007-2013 will still be on going at the proposed start of this project. The Facility is not expected to duplicate the work of the technical assistance teams in support of these

projects as their activities have been clearly defined. On the contrary, this intervention will contribute to its successful implementation as it targets a number of issues at level of public policies reforms that cannot be fully addressed through the individual projects:

- “Facilitation of the participation of Guatemala in the implementation of the Association Agreement and the Central American regional integration process (AdA-Integración)”.
- A sector budget support programme “Support to the Sustainability of Smallholders’ Agriculture”.
- Programme to Support Security and Justice (SEJUST).
- Programme on Youth Employment.

EU Member States-funded actions: the German Corporation for International Cooperation (GIZ) has put in place a two-year Fund for Structural Reforms (2013-2014, 1 million EUR), a flexible fund to support innovative measures and reform processes – initiated by government, civil society or private sector - related to the priorities of the German cooperation in Guatemala. A two-year extension of the Fund might be envisaged, according to the results of the bilateral negotiations that took place in November 2014.

The two instruments would complement each other, as the EU facility is broader in its scope (incl. results on aid effectiveness, the Association Agreement and the JP's multi-donor areas), includes a wider spectrum of possible activities related to sectors as environment, education and governance (GIZ will not fund studies) and involves different actors (e.g. GIZ focuses on civil society and private sector support in addition to support to Government). Currently no other major donors have an ongoing similar flexible funding mechanism at the disposal of the public administration.

**4. Communication and visibility**

A specific Communication and Visibility Plan will be prepared at the start of the Action's implementation. PASF includes a specific service contract for communication and visibility measures, which will provide visibility to EU cooperation with Guatemala. It will centralize most visibility and information activities of all upcoming EU bilateral programmes under one contract (only excluding specific visibility activities of some projects such as ad hoc events, press communiques etc.). This is expected to enhance coordination of activities, maximise impact and thereby contribute to reduce transaction costs associated with the multiplicity of visibility lines under each bilateral programme.

**5. Cost and financing**

Public Administration Support Facility (PASF)	EUR 5 million
Total EU contribution to the measure	EUR 5 million

**The Committee is invited to give its opinion on the attached Annual Individual Measure in favour of Guatemala.**