



Project Proposal for

GUATEMALA

June 2025

Component: Spending

Module: SM-I: Expenditure Policy



PROJECT SUMMARY

COUNTRY: Guatemala

LEAD DEPARTMENT: FAD

REGION: WHD

PLANNED DATES: FY26-27

PROJECT MANAGERS: Carolina Bloch (Expenditure Policy, FADEP, Lead)

ESTIMATED BUDGET \$230,906

BUDGET FOR ENDORSEMENT: \$230,906

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ACRONYMS

CD	Capacity development
FAD	IMF's Fiscal Affairs Department
MoPF	Ministry of Public Finance, Guatemala
STX	Short-term expert
WHD	IMF's Western Hemisphere Department

I. PROJECT PURPOSE

Country request and relevance/importance

The authorities submitted a letter in March 2024 requesting technical support to assist the current administration in improving the quality and efficiency of public spending, with a view to identify cost-effective solutions to enhance service delivery in key sectors. This was confirmed as a priority at the 2024 Spring and Annual Meetings, as well as during an introductory meeting between the IMF's Fiscal Affairs Department (FAD) and the Guatemala Ministry of Public Finance (MoPF) in February 2025, where education, health, social protection and infrastructure were identified as priority sectors to be investigated. A scoping mission took place in April 2025 to gather inputs for an initial diagnostic of adequacy and efficiency in these sectors and to outline potential areas for future support on expenditure policy.

Description of Modules

This capacity development (CD) would aim to conduct a broad-based expenditure review and establish a programmatic engagement to support the authorities in undertaking analyses of spending pressures and priorities to bolster medium-term spending strategies. Activities would focus on equipping MoPF staff with tools and frameworks to evaluate public spending and identify funding gaps, inefficiencies, and opportunities to enhance budget priority setting and resource allocation. Subsequent engagement would concentrate on specific expenditure policy topics (such as public sector compensation and employment) to conduct an in-depth diagnostic of spending trends and composition, as well as policy and regulatory frameworks, and to develop simulation of reform scenarios. It would also provide tailored recommendations to improve policy design and implementation, generating inputs to improve the credibility of expenditure paths.

The estimated budget for this project is \$230,906 and endorsement is requested for the full amount through FY27.

II. BACKGROUND

Macro-fiscal situation

In 2024, Guatemala's public expenditure stands at 14 percent of GDP, well below regional and income group peers. Given the country's low tax collection and structural limits on spending, improving efficiency is crucial and has been identified as a priority in IMF Staff Reports. Prudent macro-fiscal policy has created buffers to prioritize investment in human and physical capital in the 2025 budget; however, a fragmented political landscape in Congress leaves little room to approve a reform agenda to address the country's long-standing vulnerabilities. In light of these challenges, the current administration seeks cost-effective solutions to improve spending prioritization, reduce inefficiencies, and ensure resources are allocated with the greatest possible impact to meet the government's objectives.

Country engagement and alignment to reform priorities

This CD will support the development and implementation of expenditure policy and provide inputs to the authorities' medium-term spending strategies. Enhancing the credibility of expenditure frameworks (such as the Medium-Term Fiscal Framework and the multiyear budget) with clear underlying policy objectives, effective spending prioritization mechanisms, and alignment with development plans will also be fundamental to strengthening the case for a higher level of revenue mobilization, and implementing a transformative development agenda.

IMF priority areas / cross-cutting themes

Not applicable to this project.

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Guatemala in the area of spending policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Spending	SM-I: Spending Policy	Strengthen expenditure policy formulation and design

A. SM-I: Spending Policy

Scope

The priority for this program is to support the authorities' efforts to improve quality and efficiency of public spending. This work would facilitate the institutionalization of expenditure analysis by providing in-depth diagnostics and delivering workshops to assist the MoPF in autonomously conducting analyses of spending pressures and priorities to support medium-term spending strategies. The program would include the development of analytical capacities, the adoption of practical methodologies for program and policy evaluation, and the generation of tools to link analytical results with budgetary decisions.

Program Objectives

The primary objective of this CD program is to develop the authorities' capacity to use expenditure analysis as input in policy design and implementation. The immediate priority is to equip MoPF staff with analytical tools to assess public spending, identify gaps and inefficiencies, and support more effective budget prioritization and adequate resource allocation. CD activities would be delivered in collaboration with public financial management experts and would focus on:

- A CD mission to conduct a broad-based expenditure review and explore the possibility of establishing a dedicated unit or strengthening a technical team responsible for conducting periodic spending reviews (FY2026).
- Workshops to assist in designing and systematizing the spending review process within the MoPF (FY2026).
- A CD mission on wage bill management to provide advice on assessing the policy and analytical frameworks of public sector compensation and employment and developing recommendations for measures to improve policy design and implementation (FY2027).
- Workshops to train MoPF staff in refining the elaboration of projections and scenarios to identify reform options and their potential savings/costs (FY2027).
- Further CD on other specific expenditure policy topics, such as health spending and social protection systems could be delivered as part of a programmatic engagement, pending funding availability.

Expected Results (outcomes)

CD support under this program should deliver:

- A broad-based review of public expenditure in Guatemala with analytical inputs to inform medium-term expenditure strategies.
- Workshop material on (i) designing and institutionalizing spending reviews; and (ii) wage bill projections and reform simulations.
- Tailored advice on specific expenditure policy topics such as government compensation and employment.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this Global Public Finance Partnership (GPFP) project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

This CD will build on the April 2025 scoping mission on expenditure analysis, delivered in collaboration with FAD public financial management experts and the IMF's Western Hemisphere Department (WHD) country team to produce an initial diagnostic of public spending adequacy and efficiency. While the scoping mission identified several key challenges in the planning, implementation, and evaluation of public expenditure, it also revealed a strong commitment to improving spending quality and efficiency, as well as favorable conditions for developing capacity in expenditure policy analysis. This includes incipient sectoral efforts that can be systematized and replicated, along with an abundance of information that can inform policy evaluations and medium-term expenditure strategies.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure short-term expert (STX) work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
WHD and Resident Representative	Sharing of information, insights, and recommendations	Expenditure policy – priorities, recommendations, and status of reforms	Regular, bi-yearly
Inter-American Development Bank and World Bank	Coordination meetings and exchange of information to align work plans.	Public expenditure analysis and review, in particular on social sectors.	Before and after CD delivery (Annual)

V. RISK ASSESSMENT AND MITIGATION

Category/Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
SM-I: Expenditure Policy	N/A	N/A	N/A
POLITICAL SUPPORT			
SM-I: Expenditure Policy	N/A	N/A	N/A
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
SM-I: Expenditure Policy	Management and technical staff support and commitment	Low	Early engagement with authorities and close communication with the WHD country team
RESOURCE ADEQUACY			
SM-I: Expenditure Policy	Competing resource priorities	High	Communication with FAD budget office to ensure sufficient funding
OTHER RISKS			
SM-I: Expenditure Policy	N/A	N/A	N/A

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY26	FY27	FY28	FY29	Grand Total
SM-I: Expenditure Policy					
HQ led CD mission	1	1	-	-	2
STX visits	-	-	-	-	-
Staff visits	-	-	-	-	-
Workshops (inc. during HQ and remote CD)	1	1	-	-	2
Total	2	2	-	-	4

Note:

- In-person delivery was chosen in most instances because of country preferences and effectiveness of exchanges to inform a diagnostic and policy recommendations.
- Remote delivery was chosen in some instances to have kick-off or follow-up meetings outside of the FB mission timeline.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
SM-I: Expenditure Policy		
Q3/FY26	Field-Based work	Spending Review CD Mission
Q4/FY26	Field-Based work	Spending Review Workshop
Q1/FY27	Field-Based work	Wage bill Management CD Mission
Q2/FY27	Field-Based work	Wage bill Management Workshop

VII. PROGRAM FINANCIALS

Module	FY26	FY27	TOTAL (USD)
Direct Delivery			
SM I - Expenditure Policy	\$123,006	\$92,794	\$215,800
Trust Fund Management Fee (7%)	\$8,610	\$6,496	\$15,106
TOTAL	\$131,616	\$99,290	\$230,906

Note: The estimated budget for this project is \$230,906 and endorsement is requested for the full amount through FY27. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. SM-I: Spending Policy

Objective: Strengthen Expenditure Policy Formulation and Design - EPD	
Outcome(s)	Indicator(s)
Public expenditure is fiscally sustainable and efficient	Primary spending, in percent of GDP
The adequacy, efficiency, and fiscal sustainability of social spending is enhanced	Public expenditure in health, in percent of GDP