

**Guatemala - IBRD - Enhanced Fiscal and Financial Management for Greater Opportunities Development Policy Loan**

June 17, 2014

U.S. Position

The United States welcomes the proposed development policy loan's (DPL) focus on institutional capacity building, which should strengthen tax administration and collection. The United States notes that Guatemala's revenue collection weakened due to poor performance in customs and is pleased to see that the Government of Guatemala has requested World Bank support for complementary analytical and advisory activities for tax and customs administration.

The United States also strongly supports the focus on social sector spending. Efforts to strengthen budget management and increase the results orientation of public spending are critical to improving the regularity of spending on poverty reduction programs, a key constraint in the past. In particular, the United States supports the adoption of the Zero Hunger Pact and notes that Guatemala has already achieved a significant improvement in the results indicators that measure child malnutrition as a result of this program.

Further, the United States is very pleased to see that citizen engagement is a critical component of the triggers associated with this DPL. The creation of the Economic and Social Council, an independent organization composed of representatives of the business community, and cooperative and trade unions will provide a platform for civil society to provide advice to the government on economic and social matters.

Given the challenge of maintaining progress in improving shared prosperity, the United States notes the DPL should provide additional fiscal space to address poverty reduction in Guatemala. In particular, the United States encourages continued World Bank engagement in assisting the communities affected by the Chixoy hydroelectric dam, including by supporting investments in infrastructure, employment generation, and poverty reduction in the Chixoy area.

With respect to Chixoy, the United States recognizes the progress that has been made in negotiations between the government and the affected communities, and strongly encourages continued discussions on the technical and financial aspects of the agreement. It is important that the government take a leadership role in these discussions to come to resolution soon, and that the commitments be implemented in a timely and effective manner. As the United States considers future multilateral development bank (MDB) engagement, resolving the legacy of past MDB engagement is very important. The United States will continue to monitor progress on this front closely.