



EXPLAINING BUDGET DEVIATION

A BUDGET CREDIBILITY SNAPSHOT

April 2019

The study of budget credibility examines the extent, nature, causes and consequences of deviations from approved budgets. In this series, part of the International Budget Partnership’s Assessing Budget Credibility Project, 24 civil society partners in 23 countries probed a specific area in which execution of the national budget repeatedly diverged from the approved plan to learn whether adequate reasons were provided for the deviation. The broader synthesis report on these findings can be found [here](#).

GUATEMALA: ROAD INFRASTRUCTURE

Road infrastructure is essential for economic development. In recent years, however, due to a variety of factors – including the impact of natural phenomena, a lack of new investment and wear and tear – extensive sections of Guatemala’s road network have deteriorated to the point that they are unsafe, paralyzing passenger and cargo transportation. In fact, 59 percent of the roads in Guatemala are in mediocre or poor condition, and require maintenance or reconstruction, according to a 2015 report by the Ministry of Communications, Infrastructure and Housing (CIV).

BUDGET CREDIBILITY CHALLENGE

In response to the road crisis, and in part to improve the long-standing difficulties of budget execution for road projects, the government declared a state of emergency in 2017. Although Guatemala’s Congress rejected this effort, the action highlighted the level of urgency of this issue.

The program “Development of Road Infrastructure,” or PDIV in Spanish, is primarily responsible for the construction and maintenance of roads in Guatemala. PDIV’s activities are spread out across three national agencies within CIV: (1) the Directorate General of Roads (DGC), (2) the Road Maintenance Execution Unit (COVIAL), and (3) the Social Solidarity Fund (FSS). Between 2015 and 2017, the PDIV program has been allotted a quarter of the country’s total capital budget, on average. During this period, while total capital expenditure was executed at an average rate of 79 percent, only 62 percent of PDIV’s budget was executed. The three agencies receiving program funds have each underspent their budgets, but to varying degrees. Although it is not possible to link PDIV’s budget underspending precisely with nonfinancial performance, the targets for road network maintenance were not met during this period.

DEVELOPMENT OF ROAD INFRASTRUCTURE PROGRAM (PDIV): DEVIATION FROM APPROVED BUDGET, 2015-2017 (IN MILLIONS OF QUETZALS) Source: ICEFI, with data from the Integrated Accounting System

Executing Agency	2015			2016			2017		
	Budget	Spent	Execution	Budget	Spent	Execution	Budget	Spent	Execution
DGC	2,695	1,429	53%	1,713	932	54%	1,771	1,264	71%
COVIAL	1,059	652	62%	786	530	67%	933	524	56%
FSS	791	655	83%	473	224	47%	446	406	91%
Total PDIV	4,545	2,736	60%	2,972	1,686	57%	3,151	2,194	70%
Total Capital Expenditure	14,710	10,634	72%	13,314	11,006	83%	14,542	12,133	83%

WERE EXPLANATIONS FOR THE DEVIATIONS FOUND IN GOVERNMENT REPORTS?

To a limited extent. The following reports were reviewed for justifications:

- Enacted budget reports, mid-year budget reports, year-end budget reports, execution of physical targets reports, and public procurement reports by the Ministry of Public Finance: Reasons were identified in the mid-year and year-end documents.
- Annual operational plans, institutional strategic plans, and other budget documents by CIV: No reasons were found in these documents. Unpublished annual work reports by CIV (that were requested) were received, but only the 2017 version provided any reasons for deviations.
- Annual evaluation and analysis reports on the execution and results of the budget by the Presidency's Planning and Programming Secretariat: No reasons identified.
- Annual audit report by the General Accounts Comptroller's Office: No reasons identified.

Three possible factors were identified from these documents to explain underspending between 2015-2018: (1) difficulty with executing foreign loans, (2) the judicial prosecution of a corruption scandal, which slowed further investment, and (3) general barriers caused by legal proceedings and transparency controls.

DID THE GOVERNMENT AGREE TO BE INTERVIEWED TO EXPLAIN FURTHER?

Yes. Interviews were conducted with:

- Technical staff in the Directorate of Analysis and Fiscal Policy at the Ministry of Public Finance
- A congressional representative

The interviewees reinforced the three reasons identified in government reports and noted that the political crisis of 2015 also affected the execution of PDIV.

WERE THE REASONS PROVIDED BY GOVERNMENT ADEQUATE?

Although government reports present budget and performance execution, they do not provide clear or comprehensive explanations. The three published explanations vary in quality. The first lacks specifics: what exactly is the challenge with utilizing foreign loans? The third explanation is only applicable to 2017, as it involves reforms that were implemented that year, and the Ministry of Finance has contested the extent to which these reforms affected the budget. The chilling effect of an ongoing corruption scandal is the most viable reason for poor execution but does not explain the variation in execution rates among the three agencies in PDIV or over time. Additional information from interviews does not shed any further light on these issues.