



Republic of Guatemala
Social Bond Allocation Report

2021

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1. Introduction

Background

On Tuesday, April 21st, 2020, the Republic of Guatemala priced a US\$500mm 5.375% Social Bond due 2032 aimed at financing or refinancing Eligible Social Projects, which were related to the Republic's COVID-19 prevention and response efforts in addition to other socially impactful projects such as ensuring the continuation of free education, among other.

The transaction represented the first Sovereign Social Bond globally without a development bank guarantee, the first Sovereign and Latin American issuer to price any ESG-themed bond including COVID-19 response efforts in the Use of Proceeds, and the first Social Bond in Central America and the Caribbean.

Guatemala's Social Bond was chosen as the Social Bond of the Year – Sovereign in the Environmental Finance's Bond Awards 2021.

Table 1 Financial Characteristics of the Social Bond

Issuer:	Republic of Guatemala
Ranking:	Senior Unsecured Notes
Format:	144A/REG S
Maturity:	April 24, 2032
New Issue:	US\$500,000,000
Coupon:	5.375%
Price:	100.000%
Use of Proceeds:	<i>Eligible Social Projects Including COVID-19 Response Efforts</i>

Use of Proceeds

1. COVID-19 Response

- Certain 2020 budget-approved social, education, and health-related investments of the Ministry of Education and the Ministry of Public Health and Social Welfare, which are expected to help Guatemala mitigate the spread of infections and the economic impact of COVID-19. These include programs to (i) provide medical insurance of students, (ii) promote preventative health and medical practices, and (iii) support health recovery in hospitals
- Other COVID-19 related investments approved under the Emergency Law to Protect Guatemalans from the Effects caused by the Coronavirus Pandemic COVID-19, for which funding has not previously been secured under another financing source

2. Food Security

Investments to address and mitigate food insecurity, which is expected to increase as a result of COVID-19:

- Certain 2020 budget-approved social and health-related investments of the Ministry of Education, targeting the underserved population in Guatemala. These include programs that guarantee school meals and promote health and healthy eating for children and adolescents attending public or free private educational establishments
- Certain 2020 budget-approved social and health-related investments of the Ministry of Public Health and Social Welfare, targeting the underserved population in Guatemala. These include programs that prevent child mortality and chronic malnutrition
- Certain 2020 budget-approved social and health-related investments of the Ministry of Social Development, targeting Guatemalan families living below the poverty line¹. These include money transfers conditional on health & educational needs, conditional money transfers for food, establishments providing meals rooms, each of which provide food and/or monetary support to families in poverty and extreme poverty conditions

3. Affordable Basic Infrastructure

Investments to address basic infrastructure needs, including:

- Certain 2020 budget-approved social-related investments of the Ministry of Social Development, targeting Guatemalans living below the poverty line
- These include the Fund for Social Development (Fondo de Desarrollo Social), which aims to provide equipment and infrastructure for social development to people and communities living under poverty or extreme poverty conditions

4. Access to Essential Services

Investments to facilitate access to essential services, including:

- Certain 2020 budget-approved social and health-related investments of the Ministry of Public Health and Social Welfare, targeting underserved Guatemalans. These include (i) a program to prevent maternal and infant birth mortality rate, (ii) a program to prevent and control STIs and HIV, and (iii) the provision of other specialized health services

5. Socioeconomic Advancement and Empowerment

Investments to advance these initiatives, including:

- Certain 2020 budget-approved education-related investments of the Ministry of Education, targeting the undereducated population in Guatemala. These include the free education service program, which ensures the continuation and operation of public education centers for pre-elementary, elementary, and middle schools

Process for Evaluation and Selection

The Eligible Social Investments were identified and selected in accordance to the process described in the Offering Memorandum dated April 21, 2020, through a process that involves participants from various areas of the Republic's administration, including the Ministry of Public Health and Social Assistance, the Ministry of Social Development, the Ministry of Education, the Ministry of Agriculture, Livestock and Nutrition (Ministerio de Agricultura, Ganadería y Alimentación) and the Ministry of

¹ Using the World Bank definitions of poverty and extreme poverty, which defines poverty as families receiving less than U.S.\$3.10 per day and extreme poverty as those families receiving less than U.S.\$1.90 per day.

Economy. The Ministry of Public Finance made the final determination regarding which Eligible Social Investments received an allocation from the net proceeds of the 2032 Notes.

2. Allocation Report

This allocation report considers all the disbursement performed since the settlement date of the bond until December 29, 2020. As of this date, 100% of the US\$499,762,500 net proceeds from the 5.375% notes due 2032, have been spent in eligible social projects. The sources of this report were provided by each respective ministry.

Table 2 Allocation Summary Report

Eligible Social Categories	Project	Expenditure (US\$mm)	% Allocation	Ministry
COVID-19 Response				
	Support health recovery in hospitals	\$140.3	28%	Public Health and Social Assistance
Food Security				
	Money transfers conditional on health & educational needs, conditional money transfers for food	\$7.8	2%	Social Development
Affordable Basic Infrastructure				
	2020 budget-approved social-related investments of the Ministry of Social Development	\$2.8	1%	Social Development
Socioeconomic Advancement and Empowerment				
	Free education service program	\$348.9	70%	Education
Total		\$499.8	100%	

Description of Select Projects

COVID-19 Response

- Reorganization of health service personnel, including those specialized in respiratory and cardiovascular diseases, to staff the “Hospital Temporal Parque de la Industrial” (temporary hospital) and “Hospital Fray Bartlome de las Casas” to treat patients with COVID-19
- Support to patient health recovery in public hospitals including supplies to prevent the spread of COVID-19 and medical procedures and treatments to counteract symptoms and resulting diseases, including procurement of ventilators, COVID-19 tests and PPE
- Procurement and operation of new laboratory equipment with better technology (MagNa Pure 96) to process PCR tests to detect COVID-19 in “El Hospital Especializado de Villa Nueva” (hospital), a key tool for early detection and containment of the virus

Food Security

The ministry of Social Development has implemented a TMC program which delivers periodical financial assistance to heads of families, subject to health or educational needs and compliance to certain responsibilities.

The program is designed to incentivize heads of households to assist with proper nurturing and education for children.

The program targets families in poverty or extreme poverty. States in rural areas are prioritized.

Affordable Basic Infrastructure

Economic assistance for individuals and families affected by COVID-19 through the Social Development Fund (FODES) "Bono Familiar" to financially support individuals or households that were most affected by the emergency measures used to contain and address the COVID-19 pandemic through monetary transfers of up to Q1,000.

The program targets those most economically affected by the emergency measures derived from the COVID-19 pandemic. In the current Family Bonus Manual, it is established that the target population is "people or households" that live in homes whose electricity consumption during the month of February 2020 does not exceed 200 kWh. Additionally, municipalities were identified where 65% or more of households do not have electricity. This methodology allows prioritizing the most vulnerable municipalities with a high proportion of indigenous population. People in poverty, single mothers or single-parent households, senior adults, people with disabilities, people with chronic and degenerative diseases and families with children in a state of malnutrition were prioritized.

Socioeconomic Advancement and Empowerment

- Salaries for pre-elementary, elementary and secondary public school teachers and administrative personnel
- Investments in the e-learning infrastructure, "Mineduc", for public school students, including devices, software development and other technologies; distribution of educational materials, masks and sanitizers; and orientation programs of parents and caregivers to work together with the public school students at home