

**Low levels of digital literacy such as a lack of locally available capacity in digital skills and analytics, and digital awareness pose a major barrier to the inclusive adoption of digital technologies.** This barrier is not only present in traditionally excluded groups. Digital literacy is a challenge for the digital transformation process that the GoG is executing. A lack of digital skills is present across every level of society. Gaps not only exist in terms of digital skills capacity, but also in terms of internet access and ability to provide digital services that are sufficiently tailored to local citizens. Despite these challenges, a regional study commissioned by Microsoft<sup>8</sup> showed that Guatemala stands out in Central America for the growth in demand for digital skills and remote working among small and medium enterprises, especially following the COVID-19 pandemic.

**The GAE, the governing body of Guatemala's open and digital government, has limited authority, structure, and functions due to its temporary nature.** With a short-term mandate (currently, until 2028) and the uncertainty of its renewal (every three or four years), GAE faces challenges establishing and monitoring a long-term vision and results. While it is legally empowered to coordinate actions within the Executive Branch, it lacks the authority to collaborate with other public sector stakeholders, including subnational governments and other branches. This hinders its ability to provide the necessary leadership for driving a national agenda.

**Weaknesses in the digital ecosystem governance have led to isolated initiatives that do not harness the benefits of an integrated strategy and common tools.** GoG institutions have developed digital services spread across multiple web pages without a cohesive service delivery strategy and a long-term vision, presenting significant challenges for integrated management. While the National Digital Government Plan 2021-2026 and legislation to streamline administrative services (*Ley Antitrámites*, Decree 5-2021) have been approved, the approach remains fragmented across sectors and institutions. Consequently, the GoG faces challenges in technology duplication, service disintegration, and the absence of data-driven decision-making to steer transformation efforts. This hinders establishing a continuous and sustainable development process that transcends different administrations.

**Digital government efforts often fail due to insufficient socialisation, monitoring, evaluation, and financing.** Survey data for the UNDP's Digital Readiness Assessment for Guatemala indicates that although political will for digital transformation exists, 70 percent of respondents believe that senior government officials do not fully support the projects. Moreover, 40 percent are uncertain whether the implementation progress is being effectively monitored and evaluated. Furthermore, the Digital Government Plan lacks a clear strategy for financing digital transformation, and half of the respondents noted that projects often do not receive funding beyond their initial life cycle.

Status of PFM institutions, processes, and information systems:

**Guatemala's PFM system faces significant weaknesses that undermine the quality, transparency and accountability of public spending.** The country's PFM processes and information systems are outdated and inefficient, with flaws such as weak cash management, misallocation of resources by line ministries and in-year changes to expenditure allocations. These PFM challenges are aggravated by inaccurate revenue forecasting, inadequate cash-flow planning and a lack of alignment between budgeting, service delivery and development outcomes. Moreover, non competitive procurement practices, representing over 80 percent of the past decade's procurement activities, have resulted in frequent cost overruns particularly in public works contracts, eroding confidence in the system. These systemic weaknesses disrupt public service delivery, limit the government's ability to react to economic and natural shocks, and undermine the alignment between public spending and national development priorities.

**The Government of Guatemala (GoG) just like any other, relies on sound Public Financial Management (PFM) systems to deliver targeted services and enhance the well-being of citizens.** PFM systems are essential tools to ensure that public services are delivered effectively, efficiently, and transparently. In the past four decades there has been a concerted global effort to strengthen PFM institutions, processes, and systems, with a particular emphasis on the design and implementation of integrated financial management systems (IFMIS). Practically every country in the world has undertaken at least one IFMIS reform project and many have embarked on multiple

<sup>8</sup> El impacto del COVID-19 en la cultura y operación de las PyMEs de Latinoamérica. Available here: [El impacto del COVID-19 en la cultura y operación de las PyMEs de Latinoamérica \(microsoft.com\)](https://www.microsoft.com/es-la/industry/latam/covid-19)