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GRAY/20/2373

June 9, 2020

**Statement by Mr. Mouminah, Mr. Alkhareif, and Ms. Al Saud on Guatemala
(Preliminary)
Executive Board Meeting 20/69
June 10, 2020**

We thank staff for the well-written report and Mr. Villar and Mr. Tabora Munoz for their helpful Buff statement. We are in broad agreement with the staff appraisal and would limit our remarks to a few issues.

1. **We support the authorities' request for purchase under the RFI to address the urgent balance of payment needs due to the COVID-19 outbreak.** The sharp decline in remittances and tourism activities, alongside essential measures to contain the pandemic have caused an unprecedented economic fallout. In addition, the weak healthcare system, widespread poverty, and severe malnutrition exacerbate Guatemala's challenges. In this connection, we agree that the Fund's support will be critical to help close the financing gap and support the authorities' efforts to fight the pandemic. Efforts have been rightly focused on enhancing the capacity of the healthcare system and protecting the most vulnerable. However, more needs to be done, particularly in rural areas to avoid a humanitarian crisis. *Staff's elaboration on the authorities' plans to address this issue is welcome.* Notwithstanding the COVID-19 shock, Guatemala is assessed as having sustainable debt and adequate capacity to repay the Fund. We are also reassured by the authorities' strong track record that they will pursue appropriate policies to mitigate the impact of the pandemic and foster a prompt recovery. In this regard, we underscore the importance of a transparent and accountable use of all emergency-related spending.

2. **We welcome the authorities' swift and targeted measures to mitigate the social and economic impacts of the pandemic, however there are a number of areas where close attention is warranted.** Pressing spending needs to mitigate the social and economic impacts of the pandemic have led the authorities to resort to monetization of the fiscal deficit. In this context, we urge the authorities to limit monetary financing, closely monitor developments in inflation, and to rebuild international reserves to ensure monetary policy's credibility and effectiveness. *Here, can staff elaborate on the potential alternative financing sources available to the authorities to cover additional financing needs should they arise?* Moreover, while the temporary relaxation of credit risk regulations might be appropriate at this juncture, we echo staff's views on the importance of a transparent, targeted, and prudent measures to safeguard financial stability. To this end, the authorities' commitment to maintain an adequate balance between preserving financial stability and sustaining economic activity is welcome. Lastly, the weaknesses in tax collection and administration are being amplified by the effects of the pandemic. Thus, Fund technical assistance to the authorities to formulate a business continuity plan for the tax agency during and post-COVID-19 is welcome.

With these remarks, we wish the authorities further success.