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GRAY/21/1524

June 7, 2021

**Statement by Mr. Rashkovan and Mr. Scholer on Guatemala  
(Preliminary)  
Executive Board Meeting  
June 9, 2021**

We thank staff for the comprehensive report, as well as Mr. Moreno and Mr. Cartagena for their informative Buff statement. We express our sympathy to the citizens of Guatemala for the losses due to hurricanes Eta and Ito. We broadly share staff's appraisal and offer the following comments for emphasis.

**We commend the authorities for their prolonged record of macroeconomic stability and their forceful response to the COVID-19 pandemic, which has decisively mitigated human and economic consequences.** Timely government support has allowed for early reopening of the economy, leading to a mild downturn in 2020 and strong recovery this year. We also share staff's assessment of risks, noting in particular the slow rollout of vaccines and exposure to natural disasters. Effective vaccination campaigns are essential for ensuring a stable recovery. *Could staff comment on Guatemala's access to international initiatives to make vaccination available to all countries?*

**Looking ahead, the country's key challenge will be to address significant social vulnerabilities that have been exacerbated by the COVID-19 pandemic.** Even before the crisis, this challenge loomed large with the majority of the population living close to poverty and missing basic healthcare services. The crisis, as well as the two hurricanes in November 2020, have further worsened the situation, particularly as regards malnutrition and food insecurity. According to staff's analysis, the latter has increased across regions. We thus strongly encourage the authorities to build on welcome innovations during the crisis (e.g. registry of households) to substantially expand the coverage of health, nutrition, and education provision.

**Sustainably improving social outcomes can only succeed if the authorities implement their ambitious structural and fiscal reform agenda.** To lift potential growth, we agree with staff that improvements to the business climate will be critical, notably through higher legal certainty, more efficient insolvency procedures, and measures to promote digital services. On the fiscal front, we

welcome the authorities' efforts to increase transparency, notably the recently introduced information portals on spending, and fully share staff's advice to improve tax collections, spending efficiency and debt management. In particular, we want to highlight the importance of reviewing the civil service wage structure, the public procurement framework and the development of a local currency bond market.

**In view of substantial climate risks, we fully support the authorities' plans to increase resilience.** In this context, we welcome staff's analysis of climate change risks and their management as part of this year's Article IV report. The high costs of natural disasters are evident in the case of Guatemala, in terms of lower growth, depletion of fiscal buffers and unequal social consequences. Against this backdrop, continued actions to enhance disaster resilience are necessary. *Has staff discussed the potential use of the Fund's Disaster Resilience Strategy tool?*

**Finally, we commend the authorities for their strong monetary and financial policy action during the crisis and agree with staff that an accommodative stance remains appropriate.** We take positive note of the quetzal's stability throughout the crisis period and encourage the authorities to sterilize any excess liquidity generated from the partial monetization of the 2020 deficit. We also welcome the banking sector's resilience to the crisis, with both capital and liquidity positions remaining adequate. Continued implementation of FSAP recommendations, notably through the passing of the new banking and AML/CFT bills, is welcome.

We wish the authorities all the best and success in their future endeavors.