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GRAY/21/1527

June 7, 2021

**Statement by Mr. Massourakis and Ms. Korinthios on Guatemala
(Preliminary)
Executive Board Meeting
June 9, 2021**

We thank staff for the excellent reports and Mr. Moreno and Mr. Cartagena Guardado for an insightful Buff statement. Before the pandemic, the country was enjoying a strong economic momentum. As a result, in 2020 the country experienced one of the smallest contractions in Latin America. We broadly concur with the thrust of staff's appraisal and would like to add the following comments for emphasis:

- **We commend the authorities for the deployment of effective measures to counter the impact of the pandemic, drawing on available fiscal space to enhance healthcare capacity, protect lifelines, and sustain demand.** Fiscal policy should remain supportive until the recovery takes hold. Over the medium term, however, the authorities should create fiscal space to durably enhance social and infrastructure spending. With regards to monetary policy, we concur with staff that the accommodative monetary stance should be maintained, with inflation expectations remaining well-anchored. Moreover, the Central Bank should stand ready to sterilize any excess liquidity from last year's partial monetization of the fiscal deficit.
- **We regret that vaccination proceeds slowly, mainly because of the scarcity of vaccines.** We therefore associate ourselves with the authorities in calling for greater efforts to ensure a more equitable global vaccine distribution. *We would appreciate an update from staff about the vaccination strategy.*
- **We urge the authorities to address the country's main challenges and vulnerabilities, including corruption, organized crime, inequality, inadequate health coverage, child malnutrition.** Prior to the pandemic, the poverty rate was close to 60 percent of the population and one out of five Guatemalans lived in extreme poverty. As

these challenges have been exacerbated by the pandemic and recent natural disasters, we call on the authorities to make further efforts to improve livelihoods.

- **Being highly exposed to earthquakes, volcanic activity, hurricanes, and other extreme weather events, climate risk is macro-critical for Guatemala, disproportionately affecting the most vulnerable.** We share staff's view that disaster mitigation policies should focus on building fiscal and infrastructure resilience. We understand that the Ministry of Finance works to enhance its disaster management strategy and *would appreciate staff's further elaboration in this regard.*