

SU/20/119

June 10, 2020

**The Acting Chair's Summing Up
Guatemala—Request for Purchase Under the Rapid Financing Instrument
Executive Board Meeting 20/69
June 10, 2020**

Directors noted that the Covid-19 pandemic has severely affected Guatemala's economic outlook. Faltering external demand, declining remittances, and the necessary lockdown and social distancing to contain the virus, are weighing on growth and the external and fiscal positions. Fund support under the Rapid Financing Instrument will help address the urgent balance of payments and fiscal needs, improve confidence, and catalyze support from other external partners.

Directors concurred that sizable fiscal support to counter COVID-19 is warranted to shore up healthcare facilities, protect the most vulnerable, and mitigate the impact on firms and employees. They supported the government's measures to counter the economic impact of containment efforts, including targeted cash transfers, salary subsidies, and loans at favorable terms for firms. Directors acknowledged that Guatemala's low debt levels allow for this temporary fiscal support while preserving debt sustainability. At the same time, they stressed the need to reinforce tax administration and compliance and to rationalize non-essential spending to contain the fiscal deficit. Directors cautioned against any further monetization of the deficit, and welcomed the authorities' commitment to ensure that this extraordinary measure is temporary and limited.

Directors supported the authorities' intent to maintain an accommodative monetary policy stance and exchange rate flexibility to support the recovery and counter future shocks. They welcomed the authorities' efforts to temporarily ease credit risk regulations to facilitate loan restructuring. Directors supported the authorities' commitment to closely monitor banks' exposures and the levels of provisioning to ensure adequate liquidity while preserving the stability of the financial system.

Directors underscored the authorities' commitments to ensure the appropriate use of emergency funding transparently and through reinforced governance mechanisms and a safeguards assessment. The publication of quarterly reports of COVID-19 related expenditures, and the audit report by an independent external auditor of RFI-financed spending, are steps in the right direction.