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July 28, 2020

**Statement by Mr. El Qorchi and Mr. Alavi on Kingdom of Eswatini  
(Preliminary)  
Executive Board Meeting 20/84  
July 29, 2020**

We thank staff for their informative report and Mr. Mahlinza and Mr. Ismail for their helpful Buff statement. We are in broad agreement with the staff appraisal and policy recommendations and limit our comments to the following.

The outbreak of COVID-19 pandemic has negatively impacted Eswatini's economy which was already facing a difficult situation of subdued growth, widening fiscal deficit, elevated public debt, and weakening external buffers. The health shock has triggered a deep economic recession in 2020, creating an urgent balance of payments need and further accentuating macroeconomic imbalances. Against this backdrop, **we support the authorities' request for a purchase under the Rapid Financing Instrument** in the amount of SDR 78.5 million (100 percent of quota). The Fund support will contribute to close the external and budget financing gaps and catalyze additional support from donors. Staff confirms that Eswatini's capacity to repay the Fund is adequate and its public debt is sustainable.

We welcome the authorities' multi-pronged approach to controlling the spread of the infection and mitigate the economic impact of the crisis. In this regard, we note the efforts to improve crisis preparedness, scale-up health capacity, protect the most vulnerable households, and support jobs and businesses. We are also encouraged by the authorities' revamped monitoring and reporting framework, which will help ensure an efficient and transparent use of emergency-related resources in line with fiscal transparency and accountability standards.

We support the authorities' fiscal measures to prevent additional fiscal deficit, including their expenditure re-prioritization, containing operating budget, and lowering capital outlays. Given the limited fiscal space, we agree with staff that a contingency fiscal plan is of a

critical importance to support the authorities' response, if the pandemic shock deepens going forward.

Looking beyond the pandemic, we welcome the authorities' determination to implement their medium-term fiscal consolidation with a view to first stabilizing the public debt ratio at a sustainable level and later put debt on a declining trajectory. The consolidation would also be crucial to the rebuilding of the depleted external buffers. In this light, we note the authorities' recent steps to strengthen the PFM framework, improve the budget process, and adopt an arrears clearance strategy.

We recognize the Central Bank of Eswatini' recent measures to safeguard the financial sector stability. including by strengthening supervisory oversight. We also look forward to the operationalization of the Financial Stability Panel, which will boost coordination between micro and macro-prudential policies and would improve preparedness in the face of potential banking crisis. Finally, we support the authorities' accommodative monetary policy stance and note their efforts to maintain the policy rate in line with the South African Reserve Bank's rate as a positive step to preserve the exchange rate peg and financial stability.

We wish the authorities' continued success in their efforts.