

SU/21/75

June 8, 2021

**The Acting Chair's Summing Up  
Principality of Andorra—2021 Article IV Consultation  
Executive Board Meeting 21/56  
June 7, 2021**

Executive Directors agreed with the thrust of the staff appraisal. They noted that the COVID-19 pandemic has hit Andorra severely, and commended the authorities for the preparedness of the healthcare system, the targeted containment measures, and the swift emergency policy support saving lives and livelihoods. With risks to the outlook tilted to the downside, Directors emphasized the need for maintaining emergency lifelines until the pandemic recedes and the recovery is firmly underway.

Directors noted that fiscal policy should remain supportive in the near-term and allow for higher public investment in the medium-term. While fiscal adjustment will eventually be necessary to bring the deficit and debt back to the fiscal rule limits, they considered that there is room for frontloading some of the public investment projects to accelerate the recovery while preserving debt sustainability. In particular, Directors welcomed the authorities' environmental, digitalization, and diversification plans, which should support the recovery and long-term green growth.

Directors underscored the importance of building international reserves on a precautionary basis to cope with future liquidity needs of the government in the event of balance of payments stresses. They commended the authorities for their intention to promptly close existing liquidity gaps and noted that the expected general allocation of SDRs would help in this regard. In the absence of a lender of last resort, Directors called for strong supervision of banks' liquidity risks.

Directors noted that banks have performed well in the past year, albeit with slow credit growth due to low demand. They encouraged the authorities to thoroughly assess the impact of the pandemic on bank capital and to continue monitoring and managing risks stemming from large exposures and related party lending. Directors also encouraged the authorities to further improve compliance with the AML/CFT framework, in particular in the area of the monitoring of cross-border flows to further guard against money-laundering risks.

Directors recognized the authorities' commitment to transparency, commending them for producing balance of payments statistics in record time and for intending to participate in the Enhanced General Data Dissemination System. Directors encouraged further efforts to improve governance, including by ratifying the United Nations convention against corruption.

It is expected that the next Article IV consultation with Principality of Andorra will be held on the standard 12-month cycle.