



Executive Board Minutes 21/56-5

June 7, 2021–4:00 p.m.

Principality of Andorra—2021 Article IV Consultation

Documents: SM/21/76, and Cor. 1, and Sup. 1; SM/21/79

Staff: Mitra, EUR; Gray, SPR

Length: 47 minutes

ISSUED: November 21, 2022

APPROVAL: November 30, 2022

CEDA OGADA
Secretary

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¹ Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary “gray” or “buff” statements by Executive Directors and staff’s responses to Directors’ technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair’s “sense of the meeting” or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF’s Transparency Policy and Open Archives Policy.

THE ACTING CHAIR'S SUMMING UP

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.

EXECUTIVE BOARD ATTENDANCE²

T. Zhang, Acting Chair

Executive Directors

P. Moreno (CE)

D. Palotai (EC)

A. Buisse (FF)

R. von Kleist (GR)

P. Hilbers (NE)

M. Mouminah (SA)

P. Trabinski (SZ)

Alternate Executive Directors

W. Nakunyada (AE)

F. Sylla (AF)

I. Bustillo (AG), Temporary

C. White (AP)

F. Rivadeneira (BR), Temporary

Z. Zhang (CC)

F. O'Brolchain (CO)

R. Goyal (IN), Temporary

M. Massourakis (IT)

K. Kuretani (JA), Temporary

C. Sassanpour (MD), Temporary

F. Al-Kohlany (MI), Temporary

J. Sigurgeirsson (NO)

D. Shestakov (RU), Temporary

F. Mochtar (ST)

D. Andreicut (UK), Temporary

C. Westphal (US), Temporary

C. Ogada, Acting Secretary
 K. Hviding, Summing Up Officer
 D. Jiang, Board Operations Officer
 M. McKenzie, Verbatim Reporting Officer

Also Present

Communications Department: W. Amr. European Central Bank: D. Rakitzis, R. Rueffer.
 European Department: A. Lariau Bolentini, J. Lee, S. Mitra, M. Pradhan, M. Tejada Grullon.
 Legal Department: A. El Murr, G. Mathias Alves Pinto. Strategy, Policy, and Review

² For countries in each constituency, please see the Constituency Codes in the annex.

Department: G. Gray. Statistics Department: J. Ishikawa. Executive Directors: A. Andrianarivelo (AF), S. Bhalla (IN), L. Levonian (CO), R. Lim (ST), I. Mannathoko (AE), M. Mahmoud (MI), M. Mouminah (SA). Alternate Executive Directors: A. Alhosani (MI), H. Azal (EC), M. El Qorchi (MD), A. Guerra (CE), C. Just (EC), M. Kashima (JA), R. N'Sonde (AF), L. Palei (RU), J. Romero (CE), P. Rozan (FF). Senior Advisors to Executive Directors: W. Abdelati (MI), H. Andrianometiana (AF), M. Choueiri (MI), J. Damgaard (NO), J. Garang (AE), M. Gilliot (FF), O. Hendrick (AG), M. Ismail (AE), L. Johnson (AP), C. Quaglierini (IT), S. Senich (US), F. Spadafora (IT), R. Velloso (BR), M. Zhunusbekova (SZ). Advisors to Executive Directors: P. Al-Riffai (MI), M. Bangrim Kibassim (AF), Gonaya Basutli (AE), E. Boukpepsi (AF), S. Chea (ST), D. Cools (NE), F. Dogan (EC), D. Fadhel (MI), H. Koh (GR), M. Merhi (MI), P. Mooney (CO), R. Moral Betere (CE), B. Piasecki (SZ), A. Tola (SZ), Y. Zhao (CC), F. Lopez (CE). Office of Executive Directors: A. Alaqla (SA)

DISCUSSION RECORD³

The Acting Chair (Mr. Zhang):

The subject of this session is on the Principality of Andorra - 2021 Article IV Consultation. I want to acknowledge that the European Central Bank representative is also attending this meeting. Eleven gray statements have been issued by 16 Directors.

As we know, this is the first Article IV review. So, in that sense, let me extend a warm welcome to Andorra on its maiden Article IV discussion at the Board today. This is, indeed, a special occasion. Not only did Andorra join the Fund in record time last year but also, the first Article IV taking place within six months of joining. That is a great achievement. We should congratulate ourselves for that. And it was all done virtually, which is another special achievement.

Congratulations to the authorities for achieving such milestones, with smooth, constructive collaborations with the IMF, both in terms of the staff and particularly the office of Mr. Hilbers.

Despite the pandemic, the staff were able to virtually meet a wide cross-section of ministers and stakeholders, including the owners of ski resorts and hotels, who were all prepared with useful slide shows, despite having no experience with Article IV missions. For the first time, the staff issued a concluding statement in four languages, including in Catalan, for which there was no template.

Although severely hit by the pandemic, the country's authorities managed to save lives and livelihoods with universal testing and targeted containment measures and emergency fiscal and financial measures.

The authorities also worked closely with the IMF's Statistics Department (STA) to produce and publish the balance of payments statistics while the Article IV consultation was going on. So that is all I wanted to say up front, and congratulations again.

³ Edited for clarity.

Mr. Hilbers:

Andorra is the 190th and the youngest Fund member country. It joined the Fund only in October last year, and this is the country's very first Article IV consultation cycle and staff report.

Let me start by thanking the staff for, indeed, a very good first Article IV report which, incidentally, is the first and only regular surveillance report by an international institution on Andorra. Andorra has, however, not waited until today to implement the staff's advice. Let me offer two concrete examples.

In the last few months, with the help of the staff, the authorities have published their first balance of payments statistics, and they are now working to implement the enhanced General Data Dissemination System (e-GDDS). On the supervisory side, Andorra has improved supervision of related party lending, after consulting with the staff during the Article IV mission. And a lot more has happened in just one year.

First, several IMF departments have provided advice to the authorities as soon as the membership application started. I want to thank all those involved from the Monetary and Capital Markets Department (MCM), Statistics Department, Fiscal Affairs Department, Finance Department, Legal Department, Secretary's Department, and of course, the European Department.

Second, a very constructive relationship of trust has quickly emerged between the staff and the authorities, and that is no small feat in this small state, where the IMF can be seen as somewhat intimidating. As a result, the authorities and staff are fully aligned on the reform needs ahead. And let me warmly thank Directors for their gray statements. I will convey the points made to the authorities. I can assure the Board of the authorities' firm commitment to transparency, while recognizing that the technical capacity of a small state like Andorra needs further strengthening in several areas.

On debt, while Andorra is, in fact, a very old jurisdiction, with a rich history dating back to at least 1278, it only exists in its current form since 1993. Since then, Andorra has modernized its institutions and has become more integrated in the broader world. The Fund's policy advice and technical assistance (TA), as well as their negotiations on an association agreement with the EU are, in a sense, turbo-charging this process.

In conclusion, Andorra's first months in the Fund have generated a lot of traction for transparency and reform, and its membership is a good story for both Andorra and the Fund. I am, therefore, looking forward to our discussion.

The staff representative from the European Department (Ms. Mitra):

Let me take this opportunity to thank the Andorran authorities profusely for their warm reception to the staff during their first Article IV virtual mission. I also wanted to particularly thank Mr. Cools, from Mr. Hilbers' office, who facilitated excellent cooperation and participated in all our discussions with the authorities.

Thanks a lot for raising the relevant questions in the gray statements. We have already provided answers to most of the technical ones. Let me answer a couple more related to the pandemic policies.

There was a question on employment support provided under the so-called Expedients de Regulació Temporal d'Ocupació (ERTO), or job retention system, and the question was whether there were plans to scale it up. The job retention scheme, as we note, was introduced in 2020 in response to the pandemic and became one of the key programs in the package of COVID-related measures. The program seems to have limited the increase in unemployment and the closure of firms. In fact, there was a net creation of firms in 2020. To give an example of the benefits of this program to a severely affected sector--that is, hotels--this program prevented the firing of workers and kept hotels open.

At the end of May, the authorities announced a new package of extraordinary but targeted measures, starting in July and, in case, until December or 90 days after the declaration of the end of the health crisis, whichever came first.

The new package extends existing measures, particularly those related to the job retention scheme, or ERTO, and benefits to the self-employed but made the conditions more restrictive, applying to cases in which businesses continue to be severely affected by the pandemic. Moreover, discounts to renters of commercial property and to businesses managing tourist accommodations remain in place if they apply by July 2021.

Then there was a question on potential spillovers of vaccination in the EU on Andorra. A successful deployment of vaccines, covering a significant adult population in the EU, would facilitate a more rapid economic recovery

in the region and would support Andorra's GDP growth through a stronger rebound in tourism. As a larger share of the population in the immediate neighborhood of Spain and France gets vaccinated, reduced long-term stringencies at the border would directly benefit Andorra's tourism industry.

In addition, agreements with Spain and France for the provision of vaccine doses have been key for the success of Andorra's vaccination campaign. As of today, 40 percent of the adult population have received at least one dose. More doses are expected to arrive from Spain and Portugal in the coming days and will be sufficient to get 60 percent of the population vaccinated with at least one dose.

Mr. Westphal:

We, once again, welcome Andorra to the Fund. And, as Mr. Zhang mentioned, we are pleased that Andorra has undergone its first Article IV within six months of joining the institution.

We generally agree with many of the conclusions and recommendations in the Article IV. The authorities have maintained a strong fiscal stance for many years and have appropriately used some of the fiscal space to respond to the pandemic. Looking forward, we agree that the emergency fiscal support should remain in place until the recovery is on sure footing.

We particularly agree with the recommendations to improve the government's provision of statistics, in line with international standards, as well as to improve the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. We were previously unaware that the authorities' statistical capacity needed significant improvement, and we welcome the updates from Mr. Hilbers this morning on this topic. We would welcome any sense of the potential timeline for filling other statistical gaps.

We also noted that the current account surplus was about 18 percent of GDP in 2019 and that the staff expect it to go even higher over the medium term. We would appreciate any insights that the staff could offer about the structural drivers on this front, as well as any tangible policies the staff would recommend mitigating this external imbalance.

Mr. Palotai:

Let me also welcome the Principality of Andorra as the newest member of the Fund and congratulate the staff and the authorities for completing the first Article IV consultation so early. We also thank Mr. Hilbers and Mr. Cools for the informative buff statement. We broadly agree with the staff appraisal and have the following points to share.

We commend the authorities for their response to the pandemic and, in particular, for scaling up hospital and healthcare facilities so promptly. The universal testing policies we find are particularly noteworthy.

On the fiscal front, we agree that a supportive approach is warranted, as public investment, especially the tourism sector, is one of the most critical drivers of the recovery. Going forward, however, investments should also be more conducive to diversify the structure of the economy.

Given Andorra's high dependence on tourism, which is subject to weather conditions, policies which adapt to mitigate and mitigate the impact of climate change are also crucial. The staff note that the authorities will need to adapt to climate change as ski slopes become warmer and that additional investments in artificial snowmaking machines, either directly or through incentivizing private investment, could help Andorra's competitiveness.

We have a question here, whether the staff could comment on the trade-offs between climate mitigation and adaptation policies and the carbon footprint from artificial snowmaking machine investments and incentivizing private investments in this regard.

On the financial front, given banks' high reliance on external depositors, reserve accumulation strategies should ensure stability in the financial sector. The inadequate credit demand calls for stronger financial sector policies, striking a balance between enhanced credit channels and avoiding heightened risk. The high ratio of non-performing loans (NPLs) and of related party lending should be addressed to strengthen bank balance sheets before phasing out regulatory flexibilities. Data gaps should be swiftly closed. We positively note the authorities' commitment to transparency. To that avail, the Fund's technical assistance could further accelerate the progress.

Last, we join other Directors in encouraging the authorities to ratify the United Nations Convention against Corruption and further strengthen the AML/CFT framework.

The Acting Chair (Mr. Zhang):

I want to echo Mr. Palotai's call for joining the United Nations Convention against Corruption and strengthening the AML/CFT framework. I am sure the staff can elaborate on his questions regarding the climate adaptation measures vis-à-vis the climate footprint in terms of the investment later on. Thank you.

Mr. Sassanpour:

It is, indeed, a privilege to be at the table for the discussion of the first Article IV report of the Fund's newest member. That does not happen very often.

We welcome Andorra and commend both the staff and the authorities for bringing the Article IV report for a discussion in a few short months.

We broadly agree with the thrust of the staff appraisal, but since we have not issued a gray statement, I would like to make a few brief comments and ask a couple of questions.

First and foremost, we commend the authorities for their successful handling of the pandemic through universal testing and targeted containment measures. The fiscal and liquidity support measures were also timely, targeted, and proportional.

We agree with the staff that support measures should be rolled back only gradually and in parallel with the recovery of output and employment, especially ERTO, the job retention scheme that Ms. Mitra referred to.

The fiscal rule also allows for a more measured pace of fiscal consolidation over the medium term, without jeopardizing debt sustainability.

Like the staff and most other Directors, we encourage the authorities to scale up and front-load public investment, particularly in the job creation area and increase it steadily over the medium term. That would also crowd-in private investment. Andorra seems to have the capacity to raise its potential growth rate above the EU norm.

The supervisory authority, the Andorra Financial Authority (AFA) is carrying a heavy load. We invite the staff's comments on the adequacy of its

human and budgetary resources to carry out the task. We further urge close monitoring of areas of vulnerability in the banking system, particularly NPLs and related party lending.

Data issues have been covered by the report, and Mr. Hilbers also elaborated on it. But one major shortcoming, in our view, is the absence of a breakdown of financial account of the balance of payments, which is essential for a country like Andorra, with strong external financial links. For 2020, the only year that it is estimated, there are some major flows in both directions; if the staff would comment on that, please.

We also noticed that Andorra has a poverty rate of 13 percent. I am not sure how that stacks against the EU norms, but we would welcome the staff's comments on the nature of poverty in Andorra and whether there are any formal social protection schemes.

Finally, a sentence in the staff report caught my eye, and I would appreciate it if the staff would comment. It says that "the authorities have been weighing the costs and benefits of train connections with Barcelona and French cities as a form of green investment."

Mr. Sigurgeirsson:

We have issued a comprehensive gray statement, so I can be brief. Like others, and the DMD, I would like to take this opportunity to warmly welcome Andorra to the Fund family.

Andorra is already a very open economy and welcomes large numbers of tourists, while importing substantial volumes of goods from abroad. This economic integration allows the principality to play to its strengths, resulting in quite large current account surpluses and healthy public financing. I am pleased to note that this commitment to openness is now formalized through Fund membership.

I would also like to commend the authorities for the progress that has been made since joining the Fund. It is impressive that they have already compiled a full set of balance of payments data, with technical assistance from the Fund. I was pleased to read about the authorities' commitment to more transparency about economic fundamentals in the buff statement and look forward to seeing continued progress in this area.

Finally, coming from a small open and financially integrated country, I would encourage the authorities to gradually build foreign exchange reserves, and I would also encourage the authorities to closely monitor NPLs and related party lending in the banking sector. Hard-earned experience teaches us that it is better to preemptively address financial sector concerns before they grow too big to control.

Mr. Buissé:

Let me really, like all the other colleagues, warmly welcome Andorra's membership to the Fund and this first Article IV consultation. It is already clear that this collaboration will be fruitful and excellent. We really appreciated this report in this regard. This engagement will also help the authorities build on their agenda of implementing the agreed international standards, including transparency, as well as best practices in every area of the economy.

We encourage the authorities to maintain this high level of dialogue with the staff. It is really an impressive start. In particular, let me stress the importance of the Fund's TA in these circumstances, as progress will be needed in the production and publication of exhaustive and reliable statistics to ensure that surveillance can really be thoroughly conducted, but, actually, it will help the whole economic policy, in general.

Finally, while we broadly agree with the thrust of the report and its recommendations, we would like to underline the importance for the authorities' plan to intensify their economic and monetary relationship with the European Union and, in particular, to adapt all EU banking and financial sector directives and regulations within a 10-year horizon.

Mr. von Kleist:

Building upon the gray statements of colleagues, the comments made so far by colleagues and by the staff and Mr. Hilbers, I would just like to join others in warmly welcoming Andorra to the Fund as its 190th member.

We agree with the staff report. As in so many other countries, the authorities will have to balance debt sustainability looking forward with avoiding too early fiscal policy withdrawal. So that is a balancing act in all countries.

We agree with others on the need to closely monitor financial risks stemming from related party lending, bank liquidity risks, and nonperforming loans, and, of course, also on strengthening the AML/CFT frameworks. I would like to support Mr. Buissé's comments regarding the close cooperation with the European Union on many of its important projects.

The Acting Chair (Mr. Zhang):

In particular, I echo Mr. von Kleist's point on balancing the measures of the debt, on the debt sustainability, and the handling of the fiscal support measures.

Mr. Sylla:

We have issued a gray statement. I am taking the floor just to mark the solemnity of this historic moment, as it is the first review of the first Article IV of the newest IMF member.

As the Chair rightly mentioned, we should congratulate the staff for the reports in a short period and in a challenging time.

We commend the Andorran authorities for their strong policy framework and their appropriate response to the crisis.

Mr. Rivadeneira:

Let me first congratulate the staff and the authorities for bringing to the Board's consideration the Principality of Andorra's first-ever Article IV consultation. This is a momentous event for Andorra and for the Fund. Well done.

We take positive note and congratulate the authorities for having a strong track record of fiscal discipline and issuing successfully its first sovereign international bond this year.

We also take positive note of the pandemic's relatively good management through increased healthcare spending and financial support to affected sectors and households. This has been particularly important as the country was hit hard by the pandemic, with a high level of COVID-19 cases per capita. We, therefore, support the staff's recommendation for maintaining emergency support until the pandemic is firmly under control.

Regarding the financial sector, we take positive note that the banks are in good shape, considering the pandemic crisis. However, as the staff recommends, there is a need to monitor carefully and steadfastly address rising nonperforming loans. In this regard, the MCM technical assistance scheduled for late this year to assess structural risks and strengthen bank supervision is welcome.

Finally, anti-money laundering efforts and, more generally, actions to strengthen transparency should continue. In this connection, we encourage the authorities to ratify the UN Convention against Corruption and to continue improving the quality and the reliability of its macroeconomic statistics, taking full advantage of STA technical assistance, as needed.

Mr. Moreno:

I would also like to warmly welcome Andorra to the Board. This is the first Article IV consultation. We think that these analyses by the IMF are going to be particularly useful in reinforcing the economic policy analyses and the policy dialogue in Andorra, given the lack of other international analyses on the country.

Let me just highlight a few issues that we have also conveyed in our gray statement.

First, we commend the authorities for their response to the crisis and agree with the staff on the recommendation to maintain the support in the short-term; and, in the medium-term, to recover fiscal prudence and a downward trajectory of the public debt; and also an effort on infrastructure spending to facilitate a digital and green transition. We also support the staff's recommendation to build a sufficient volume of precautionary reserves as the government's liquidity buffer.

On the financial front, I would like to echo Mr. Buissé's comments on the importance of compliance with the European Union's regulations and their commitment to do it in the next decade. We would highlight that risks remain, NPL ratios are high and are expected to worsen, and the asset quality remains very sensitive to the sector's concentration on related party lending. We would encourage the authorities to remain very vigilant and to focus on adequate classification and prudent provisioning of banks. We also support, like many other Directors, that technical assistance will be provided by the Fund on the structural needs of the banking system.

On governance and transparency, we would also like to encourage the authorities to ratify the United Nations Convention against Corruption.

On AML/CFT, we welcome the progress to comply with FATF's recommendations and would encourage the authorities to address the remaining gaps.

Again, welcome to our neighbor country, from Spain. We wish them all the best on their new journey as the 190th IMF member.

The staff representative from the European Department (Ms. Mitra):

Let me first touch on the external sector. As we mentioned, and as we know, they just started producing the current account balance and the financial account data, so we have a full set of accounts from 2019. The current account balance is large; but at this point, we do not have a sense of whether it is out of line with fundamentals. It is very difficult to have a norm for the current account at this moment. But we can say that the large current account balance reflects the fact that this country needs to save a lot, just because there is no lender of last resort. It also has a low level of investment, which we tried to tackle in our policy recommendations.

In the medium-term, as investments increased, the current account balance would slowly fall. But by that time, hopefully we will have a little bit more data to calculate some kind of a current account norm to say whether this current account balance is excessive or not.

On the financial account side, again, they have a full set of accounts for 2019. What we see is that, and what we note in the selected issues paper is that the financial account shows that the Andorran households and enterprises repaid loans received from banks abroad, and the Andorran banks purchased debt securities issued by nonresidents. The balance of payments data for 2019 implies that the current account surplus resulted in the strengthening of Andorra's external position even further, and these transactions increased Andorra's net asset in its international investment position in 2019.

On the adequacy of resources of the Andorran Financial Authority, we will wait for the MCM TA that is going to take place end-June, for their recommendations. They are going to look at whether their resources are enough, so we will wait for the recommendations.

On the trade-offs between climate mitigation and adaptation, given that it is a small country, most of the work on climate change would have to be focused on adaptation. However, the authorities are very committed on mitigation as well.

On adaptation, this would have to include investments to improve the ski slopes and ensure an adequate amount of snow during the ski season, even if they have to use the snowmaking machines. However, the climate change strategy is strong on both climate adaptation and mitigation, as the authorities believe that they should do their part to mitigate the impact of climate change, and that is a key component in the tourism strategy. Hopefully some of the carbon tax that has been announced could be used for adaptation and transition as well.

On the poverty rate in Andorra, we did not look at it for the Article IV this time. There are 78,000 people. We did not go into the income inequality. But if we look at some of the data and some of the narratives around the poverty rate, it seems that the people at risk of poverty and social exclusion in 2019 was 13 percent in Andorra, and it was among the lowest in Europe. The average for the EU was 21 percent. And those exposed to a higher risk of poverty are single adult households, especially those with dependents who live in rented property. And the group facing a higher risk of poverty are those younger than 16, older than 65, the pensioners and the unemployed.

We do not have data for 2020, which will only be published end-of-2021, to say whether the poverty rate increased or inequality increased even further. We will not have it until 2021-end. But the government has started putting in place measures to address the increase in inequality already. It has increased the minimum wage. It has increased by up to 3.5 percent those pensions that were below the minimum wage and the solidarity pensions. And then they have also extended housing support to individuals and families in vulnerable conditions.

Mr. Hilbers:

On the content of the discussion, let me make just two brief points, one on fiscal policy and one on the financial sector.

On fiscal policy, some Directors argued that there is room for more public investment. I must caution here that, in a country the size of Andorra, investment levels tend to fluctuate more than in other larger countries.

Nevertheless, my authorities broadly agree with the staff's fiscal recommendations and agree that public investment plans can be fast-tracked.

The buildup of reserves and the planned reform of the pension system will give the authorities more room to engage in countercyclical fiscal policy, when needed. In this context, the authorities are pleased to note the staff's assessment that investments can be brought forward, while staying true to Andorra's well-tested fiscal rules.

Second, on the financial sector and on AML issues, in particular, I hear the concerns of several Directors. At the same time, the answers to the technical questions I think provide a good overview of the achievements in recent years, which include an automatic exchange of information, removal from the FATF gray list, the registry of beneficial interests, and so forth. Again, here, there are outstanding areas to be addressed, and the association agreement on the negotiations with the EU is a key avenue to further strengthen supervision.

To round off, my authorities, to be honest, were at first a little bit apprehensive of the whole Article IV process, but they are certainly pleased with the outcome. I would like to thank the staff. And, by the way, this was not only Andorra's first Article IV but it was also the first Article IV mission headed by Ms. Mitra, on which she did very well, I think. I would like to thank the staff for the excellent papers and my colleagues for their very valuable interventions. I will share the points made with the Andorran authorities. And I am happy that, as a byproduct, Directors have had the opportunity to get to know the Principality of Andorra and its economy and financial system a bit better. My authorities are looking forward to the publication of the papers and to next year's Article IV.

The Acting Chair (Mr. Zhang) noted that The Principality of Andorra is an Article VIII member, and no decision is proposed.

The Acting Chair (Mr. Zhang) adjourned the discussion.

ANNEX

- Gray Statements
- Staff Responses to Executive Directors' Technical Questions
- Constituency Codes

BUFF/ED/21/66

June 2, 2021

**Statement by Mr. Hilbers and Mr. Cools on Andorra
Executive Board Meeting
June 7, 2021**

On January 3, 2020, the Principality of Andorra applied for Fund membership. Ten and a half months later, on October 16, 2020 Andorra became the 190th member of the Fund. Five months after that, Andorra had its first Article IV mission. The Andorran authorities want to express their gratitude to Mission Chief Ms. Srobona Mitra and her team, as well as all involved departments, for having steered the authorities through this momentous period with highly valuable policy advice. They agree with the trust of the staff report and its Selected Issues Paper. They want to thank staff for having taken the time to meet with a wide range of public and private stakeholders to gain an in-depth understanding of the Principality. Finally, after many virtual meetings, the authorities are eager to meet the IMF team in person.

Membership to the Fund is a step in a deeper process of engagement with the world, which gained speed since Andorra's constitutional referendum in 1993, the year in which Andorra also joined the United Nations and the Council of Europe. This year was followed by a process of regional integration with the European Union, through a Monetary Agreement involving Andorra's two neighbors, Spain and France, with whose economies the Andorran economy is deeply integrated. Under this agreement, Andorra is committed to transpose and implement EU financial law. An important next step in Andorra's regional integration is the ongoing negotiation of an Association Agreement with the EU, which will make Andorra effectively a part of the EU internal market and help diversify the Andorran economy. This integration into the broader world also extends to tax issues. Ten years ago, Andorra introduced corporate income tax, followed by personal income tax in 2015. Since then, Andorra has among others ratified OECD standards on exchange of information and is negotiating double tax treaties.

A Commitment to Transparency

The accession to the Fund is the logical next step. As staff writes, it is inspired by the authorities' desire to increase transparency about the Andorran economy. Transparency will help Andorra secure favorable market access. In April this year, Andorra had an oversubscribed 10-year bond issuance of EUR 500 million. This issuance was historic in many ways. It was not only Andorra's first international issuance, it was also its first green and sustainable bond. While this issuance has led to a temporary increase in Andorra's public debt, it will also considerably lengthen the maturity profile.

Thanks to the Fund's technical assistance, Andorra has been able to publish balance of payment statistics on May 7, 2021, for the first time in its history. These BoP statistics reveal a sizeable current account surplus. Together with a prudent rules-based fiscal policy and the absence of exchange rate risk, Andorra's solid competitiveness position is one of the key strengths of the Andorran economy. More transparency about the economic fundamentals can only be beneficial, for Andorra and the outside world. The authorities are therefore developing IIP statistics and look forward to receiving Fund TA to help close the remaining statistical gaps.

Outlook – COVID-19

IMF accession and the first Article IV mission took place against the background of the COVID-19 crisis. Universal testing strategy and expanded hospital capacity have kept the number of fatalities low and allowed the authorities to target containment strategies as much as possible. Nonetheless, the 12% fall in GDP in 2020 has been momentous, given the inevitable travel restrictions and the fall in tourism revenues.

Andorra's solid fiscal starting position has facilitated the support of households and businesses through the crisis. This support included measures of temporary unemployment, loan guarantees and rent subsidies. Firms' strong levels of capitalization going into the crisis have also helped them to weather the crisis. The authorities agree with staff's advice to withdraw these measures gradually. Much will depend on how the summer tourism season will turn out. In light of the improving Covid situation in Europe, the authorities are hopeful about the coming summer. The authorities expect to have 60% of the population vaccinated by the beginning of the summer.

Harnessing Stability

To cement economic and financial stability, the authorities are committed to 1) further improve financial sector oversight, 2) reform the pension system, and 3) build international reserves.

First, Andorra is committed to continue strengthening its financial sector oversight. MCM's Technical Assistance in that respect is much appreciated. Since the conclusion of the Article IV mission, the Andorra Financial Authority (AFA) has undertaken four relevant initiatives:

1. **Lending related to Covid:** AFA is currently conducting a banking-sector wide inspection in order to validate that (i) processes to extend Covid soft loans have been correctly implemented, and (ii) that Covid related lending, as well as moratoria are correctly reflected in banks' balance sheets. AFA teams are carrying out onsite inspections to that effect.
2. **Related party financing:** AFA has undertaken two measures to mitigate risks linked to related party financing:
 - a. Pilar II, issued in April, a few weeks after the Article IV Mission, includes a specific mention to related party financing for banking entities with a related party lending level above market standards.
 - b. AFA has indicated to these banks that it expects them to comply with a 15% related-party-financing-to-own-funds limit.

3. **Cross-border funds:** AFA and Andorra's Financial Intelligence Unit, UIFAND, have developed a Technical Communique requiring all banking entities to report detailed cross-border transfer information on a regular basis.
4. **Liquidity:** AFA has set up a specific Liquidity Coverage Ratio (LCR) dashboard that will be reported to the Banking Supervision Team and will be reviewed each month by AFA's General Management.

Andorra is firmly resolved to meet the highest international standards to fight money laundering and terrorism financing. The authorities are determined to further improve their anti-money laundering framework and its implementation. Since the 2016 Moneyval Assessment, the authorities have updated their national Risk Assessment and have scaled up on-site inspections. Additionally, they have further enhanced and developed cooperation networks at international level to improve the prevention of criminal use of the banking system for money laundering. Transposition of the 5th EU Anti-money laundering Directive is entering its final phase. The authorities are also committed to further strengthen their national anticorruption framework and are currently considering the ratification of the UN Convention against Corruption.

Second, the authorities remain committed to prudent fiscal policies. To control medium-term fiscal risks, the authorities plan to reform the pension system. Short- and medium-term risk arising from high roll-over needs have been substantially addressed with the recent 10-year bond issuance. The authorities take good note of staff's assessment that public debt remains sustainable even under a higher public investment scenario, and that under that scenario the public debt limit of 40% of GDP will be reached in 2025, only one year later than in the baseline scenario. In this vein the authorities are currently working together with international financial institutions on a number of targeted initiatives to develop key projects, including digitalization and sustainable infrastructure, that would further enhance Andorra's connectivity with the countries within its immediate vicinity. The authorities take good note of staff's assessment that it is possible to both frontload investment as well as to build the required level of international reserves by 2026, while remaining committed to fiscal prudence.

The authorities strongly agree that front-loaded investments should focus on the transition towards a green, digital and sustainable economy. The authorities do caution nonetheless that in a small country like Andorra, multiplier effects might be more subdued than expected. They take note of staff's concern about the 0.4% reduction in public investment in 2020, but also argue that the public investment level in 2019 was unusually high. In addition, while unemployment has increased in 2020, it still remains low at 3.0%. Finally, Andorra's two SOEs have an investment capability as high as the central government.

Third, the authorities agree with staff's recommendation to build international reserves of 12% of GDP by 2026. They concur with staff's methodology, taking into account euroization and the absence of a lender of last resort. The authorities also consider the timing to be feasible, and will reflect on the various options to reach the reserves target. The expected SDR allocation will be a helpful first step.

Structural Challenges

As the recovery is taking roots, the authorities are committed to address Andorra's structural challenges. Diversifying the economy is high on the government's agenda. A key step will be the finalization of the Association Agreement with the EU which will provide greater market access (in and out). Andorra's strategy to diversify the tourism industry as well as the roll-out of its Horizon 2023 digitalization Strategy are key priorities for the Government. Finally, on climate, the authorities are very much aware of the impact climate change can have on Andorra's mountain ecosystems. They are a strong supporter of the Paris Climate Accord and are committed to becoming carbon neutral by 2050. The authorities are currently preparing a carbon tax proposal, the proceeds of which will serve to upgrade public transport and retrofit buildings, among others.

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GRAY/21/1462

June 3, 2021

**Statement by Mr. Nakunyada and Mr. Garang on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank staff for the comprehensive reports as well as Mr. Hilbers and Mr. Cools for their helpful Buff statement. We share staff's appraisal and provide the following remarks for emphasis.

We support completion of the first Article IV consultation for the Principality of Andorra, which will help enhance transparency and support ongoing efforts to integrate the country into the international financial community. We note that the authorities' sound macroeconomic management enhanced international competitiveness and helped build ample buffers prior to the pandemic. Measures adopted to curb the spread of the virus, however, constrained economic activity. Consequently, real GDP growth declined significantly in 2020 underpinned by depressed tourism and export revenues. That said, growth is projected to rebound in 2021, but the outlook remains subject to risks from the potential resurgence of the virus, pressure on banks' capital buffers, and fiscal risks from government's contingent liabilities. We are, therefore, encouraged by the authorities' commitment to support a durable recovery by scaling up vaccinations, strengthening financial sector resilience, and addressing attendant structural impediments.

We commend the authorities for well-targeted pandemic response measures that minimized fatalities. In this context, we commend the authorities for impressive efforts to contain the virus and mitigate the economic fallout from the pandemic. We note that the universal program of testing, revamped hospital capacity, and effective management of the health crisis helped preserve lives. We also applaud the support provided to vulnerable households and firms, while maintaining fiscal prudence, including by sustaining the fiscal consolidation path, and adhering to fiscal rules. Furthermore, we commend the authorities for continuing to prioritize transition to a green, digitalized, and diversified economy. *That said, could staff comment on the adequacy of employment support provided under the ERTO, and any plans to scale it up?*

The authorities should balance the near-term fiscal support with medium-term public investment priorities. In this regard, we call for the maintenance of supportive fiscal

measures in the event of renewed lockdowns, and uncertainty from the emergence of several virus strains. In this vein, we caution the authorities against the premature withdrawal of fiscal support until the recovery is on a firm footing. Going forward, greater focus should be placed on enhancing public investment and reforming the pension system. Specifically, we view the maintenance of ongoing projects and further investment in the tourism sector, digital technologies, and climate risk mitigation, as important to support growth objectives. In addition, we support the authorities' efforts to reform the pension fund to ensure its long-term sustainability. We, therefore, view the ongoing public consultations as important to inform the planned enactment of a new pension fund law. That said, we urge the authorities to explore available options to build reserve buffers and meet the liquidity needs of government. Once the crisis subsides, fiscal consolidation efforts should be intensified to keep public debt within the fiscal debt limits.

The role of the Andorran Financial Authority (AFA) should be enhanced in the context of emerging vulnerabilities and the need to ensure the soundness of the banking sector.

In this regard, supervisory efforts should focus on assessing the repercussions of the pandemic on capital adequacy. At the same time, rules on related party lending should be reviewed, and the costs and benefits of extending the moratorium on loans, should be carefully assessed. Further efforts are required to closely monitor cross-border flows and associated AML/CFT risks, to preserve financial integrity. To this end, we are encouraged by the Technical Communique jointly developed by AFA, the Financial Intelligence Unit, and UIFAND, that requires banks to regularly report detailed cross-border transactions. At the same time, we concur that negotiating an Association Agreement to gain full access to the EU's single market would generate gains from trade and secure more affordable labor services during the peak tourism seasons.

Finally, structural reforms remain essential to improve the business environment and support a durable and inclusive growth. To this end, we stress the need for sustained efforts to enhance competitiveness and improve economic diversification. That said, we are encouraged by the authorities' efforts to improve governance and accountability. Nonetheless, we encourage them to ratify the United Nations Convention against Corruption (UNCAC) and adopt the bills on asset declaration and public access to information. Priority should also be accorded to improving official statistics by participating in the e-GDDS system. *We wonder what complementary role the IMF could play in the World Bank-led technical support aimed to anchor competitiveness-related reforms. Staff comments are welcome.*

With these remarks, we wish the Andorran authorities success in their reform endeavors.

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GRAY/21/1463

June 3, 2021

**Statement by Mr. Sigurgeirsson and Mr. Damgaard on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank staff for the interesting set of reports produced for the first Article IV consultation for the Principality of Andorra and Mr. Hilbers and Mr. Cools for their informative Buff statement. The Covid-19 pandemic has taken a heavy toll on the Andorran economy due to its reliance on tourism, but the strong policy response and the universal testing strategy have helped mitigate the impact. While the recovery is now underway, GDP is projected to remain well below its pre-pandemic level in 2021, with risks tilted to the downside. **We broadly agree with staff's appraisal and offer the following points for emphasis.**

We welcome the authorities' forceful fiscal response to the pandemic, while taking note of the unavoidable impact on public debt. Given the severity of the crisis, we agree with the decision to activate the escape clause embedded in the fiscal rule. We also see merit in frontloading public investment, as proposed by staff, to support the recovery and boost potential growth. At the same time, the debt-to-GDP ratio should be brought on a downward path in the medium term, which will be supported by the phasing out of fiscal support and higher revenues once the crisis abates. On debt management, we welcome the authorities' efforts to broaden the funding sources and extend maturity profiles and encourage them to take further steps in this direction. Moreover, we see a strong case for gradually building international reserves for precautionary reasons. Experiences from other countries have clearly shown that it is advantageous to build reserves on a preemptive basis.

Financial sector developments should be carefully monitored to detect early signs of stress. Temporary policy measures have contributed to mitigate the pandemic's short-term impact on financial stability, but NPLs could increase once the measures are phased out. While the authorities argue that most firms are facing liquidity issues, they could potentially turn into solvency issues if the recovery is protracted. In addition, we take note of the high

level of related party loans and encourage the authorities to consider imposing additional capital requirements for such exposures to manage risks.

We encourage the authorities to continue their efforts to enhance governance and transparency. In this context, we see merit in collecting and publishing information on beneficial ownership of entities that have been awarded public procurement contracts. We also urge the authorities to ratify the United Nations Convention Against Corruption. On AML/CFT, we see a need for increased monitoring of cross-border flows and encourage the authorities to request technical assistance in this area if needed. Finally, we commend the authorities for the progress on closing data gaps, including the compilation and dissemination of balance of payments data with technical assistance from the Fund.

With these remarks, we once again welcome Andorra as the newest member of the IMF.

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GRAY/21/1466

June 3, 2021

**Statement by Ms. Riach and Ms. Andreicut on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank staff for the informative report and Mr. Hilbers and Mr. Cools for their helpful buff statement, including the authorities' strong commitment to transparency.

We would like to welcome Andorra to the IMF and are pleased to discuss its first Article IV report. We also welcome the comprehensive measures taken by the authorities in response to the pandemic, in particular the universal testing and expanded hospital capacity, which resulted in one of the lowest fatality rates in the world.

The authorities have made effective use of their main policy lever, namely fiscal support. We welcome the authorities' clear commitment for debt sustainability over the medium-term but agree with staff that fiscal policy should remain supportive until the recovery is entrenched. We share staff's views that a significant scaling back in public investment could undermine the recovery and agree that some of the 2020 cuts should be reversed. We particularly encourage the authorities to pursue climate-mitigating green investments, as these would serve the dual purpose of combating climate change and creating jobs. We welcome the authorities' strong support of the Paris Agreement and their 2050 carbon neutrality target. We agree with staff that, over time, the authorities will have to build international reserves to cover their liquidity needs on a precautionary basis. This is particularly important given the open and euroized nature of Andorra's economy. We note the SDR allocation expected later this year will increase available reserves and welcome the additional suggestions by staff in the Selected Issues Paper.

We welcome the overall resilience of the Andorran banking sector throughout the COVID-19 crisis. However, we share staff's concerns about rising NPLs and potential pressures on bank capital due to large exposures and related party lending. We are

pleased to hear about the upcoming MCM Technical Assistance on structural risks and banking supervision. We also thank Mr. Hilbers for outlining recent initiatives on related party financing taken by Andorra's Financial Authority.

Finally, we note the good progress made in improving Andorra's AML/ CFT framework. We agree with staff that more can be done, including deepening the authorities' understanding of money laundering risks through the monitoring of cross-border flows and focusing the allocation of supervisory resources on higher risk areas.

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GRAY/21/1468

June 3, 2021

**Statement by Mr. Moreno and Mr. Lopez on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We welcome the first Principality of Andorra Article IV consultation, which could help reinforce economic policy management and address structural challenges. Given the lack of a systematic analysis from other international and private organizations, the Article IV will play a critical role to enhance economic policy analysis and facilitate policy dialogue. We thank staff for the insightful reports and Mr. Hilbers and Mr. Cools for their useful Buff statement. We mainly share staff's analysis and recommendations and would like to add some remarks.

We commend the authorities for their health and economic responses to the crisis. As many other countries with a high economic reliance on tourism, Andorra's GDP dropped drastically in 2020. During the crisis, the authorities deployed multiple measures to protect livelihoods and support households and firms, including a significant loan-guarantee program. In line with the pandemic and vaccination developments, a gradual recovery is expected both domestically and within the main tourism-exporting markets. Despite significant downside risks in the short term, the proximity to service-trade partners could trigger a fast recovery of tourist arrivals if vaccination progresses better than expected. The strong rebound of economic activity in mid-2020 would be a clear signal in that direction.

We share staff's recommendation to maintain fiscal support in the short term, although revising its coverage in line with the recovery. During the pandemic, the reallocation from capital to current spending limited the relative size of fiscal assistance. In the medium term, the return to—the long record of—fiscal prudence would ensure a downward trajectory of public debt. Meanwhile, public investment must recover a more prominent role with a focus on infrastructure spending, to boost economic development, digitization and the green transition. As projected by staff, this fiscal strategy could be pursued without jeopardizing

debt sustainability. Additionally, we welcome the authorities' approach to broaden the diversification of funding sources and to reduce financing costs, including the collaboration with international development banks to finance strategic projects and reinforce exports competitiveness. Given Andorra's high openness and dependence on foreign inflows, we support the recommendation to build a sufficient volume of precautionary reserves as government's liquidity buffer.

On the financial front, authorities should closely monitor the health of banks' balance sheet, given the sizeable downside risks. Banks' capital buffers are over regulatory thresholds, while a stable customer deposit base and well-managed liquidity positions mitigate risks on financial stability. Nevertheless, the non-performing loan ratio remains relatively high, and it is expected to worsen in line with the anticipated increase in impaired loans as public support is unwound. Furthermore, asset quality remains very sensitive to the high sector's concentration and related party lending. Therefore, authorities should remain vigilant and focus on adequate classification and prudent provisioning of banks' portfolios. We support a careful analysis of the capital structural needs of the banking system and strongly welcome the planned Fund's technical assistance in this area.

We welcome the authorities' efforts to enhance governance and transparency, although further progress is needed to consolidate the improvements. We welcome the revision of the public procurement framework, but this reform must ensure that information on beneficial ownership parties is collected and published. We also encourage the authorities to ratify the United Nations Convention against Corruption (UNCAC) and create specific public administration transparency portals to facilitate public access to relevant information. On the AML/CFT framework, we commend the progress made so far to comply with FATF recommendations, although some gaps remain. Additionally, more focus should be put on monitoring cross-border flows and improving the effectiveness of the framework.

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GRAY/21/1472

June 3, 2021

**Statement by Mr. Hendrick and Ms. Bustillo on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank staff for the insightful report and the informative selected issues paper and Mr. Hilbers and Mr. Cools for their comprehensive Buff statement.

1. **We welcome Andorra to the IMF and the authorities' commitment to enhance transparency about the economy and economic policies.** The successful first 10-year international bond issuance, which was widely oversubscribed, is a good indicator that sound macroeconomic policies and a strong institutional framework will pave the way for a sustained economic recovery. We welcome the opportunity to discuss this first Article IV consultation and congratulate the authorities for their ability and readiness to provide the necessary information to undertake this surveillance exercise.

2. **The swift and timely policy response cushioned the impact of the pandemic while maintaining debt sustainability.** We commend the authorities for their management of the COVID-19 health crisis. Andorra kept fatality rates very low through universal testing and scaling up hospital capacity and deployed emergency fiscal measures that mitigated the impact on households and business. However, the significant drop in GDP in 2020 reflects the impact of the pandemic on tourism and domestic services. While the economy is projected to grow by 5.8 percent in 2021, the strength of the recovery remains dependent on the vaccination rollout in Andorra and in neighboring countries, and on the revival of tourism. As staff emphasizes, support should be kept in place until the recovery is well underway. We agree that fast tracking public investment could boost growth while maintaining debt at manageable levels. However, we note the authorities' caution on the size of the public investment multiplier. *We would welcome staff's elaboration on the relative size of the short and long-run multiplier in Andorra.* Going forward, the build-up of international reserves and the pension reform would help alleviate financial risks.

3. **Banks have weathered the pandemic well.** However, the authorities should remain vigilant and closely monitor financial risks, notably from loans to related parties, and we would like to note that an increase in capital requirements might be necessary. Moreover, we agree with staff on the need to reassess bank capital buffers in the medium term to strengthen financial stability. In this respect, we welcome the four initiatives undertaken by the authorities to improve financial sector oversight, as indicated in the Buff statement.

4. **Good governance and transparency.** We welcome the alignment with international standards of financial regulation and tax transparency. Going forward, we encourage further progress on transparency and accountability of public spending and on addressing gaps in the availability of economic data. In this respect, IMF technical assistance on data transparency is welcome.

With these remarks, we wish the authorities and the people of Andorra success in their future endeavors.

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GRAY/21/1473

June 3, 2021

**Joint Statement by Mr. Mohieldin, Mr. Mouminah, Ms. Alaqla, and Mr. Al-Kohlany on
Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank staff for an informative set of reports and Mr. Hilbers and Mr. Cools for their helpful Buff statement. We welcome Andorra's recent membership to the Fund and extend our congratulations to the Andorran government for completing their first Article IV consultation. The Andorra's tourism and services dependent economy is recovering following the initial shock, aided by the fiscal support measures and the ongoing vaccinations of the Andorran population and for the neighboring countries. We broadly share staff's analysis and policy recommendations, and would like to emphasize the following points.

1. **Fiscal policy should remain supportive in the near term, and we see merit in front-loading the planned public investment in support of the recovery.** We welcome staff discussion of the fiscal rule, which has served Andorra well and offers fiscal space for a slower consolidation than the authorities' plans. *We would appreciate staff's comments on the authorities' views expressed that fiscal multipliers in Andorra are likely to be smaller than staff projected given the structure of the economy.*

2. **We commend Andorra for its track record of fiscal discipline, supported by a relatively small government size and a well-operating public sector.** Here, we note staff assessment that the two largest state-owned enterprises - the electricity company and Andorra Telecom- are profitable, with self-financed investment strategies. However, reform of the pension system is needed to support the sustainability of the social safety net, as the latest actuarial study projects a depletion of the reserves fund by 2038. *Here, we invite staff to elaborate on measures needed to improve the long-term sustainability of the pension system.* Going forward, we encourage the authorities to continue their effort to close the remaining

data gaps and meet surveillance needs. We also encourage staff to provide support to the authorities in this area.

3. **Ensuring the continued soundness of the banking system should be a priority** given the large size of its consolidated assets and the banking sector's significant contribution to the economy and employment, with 20 percent of jobs are in finance and real estate. We note staff assessment that bank capital appears adequate to absorb the pandemic shock; however, the risks identified in staff report require immediate actions. Accordingly, we encourage the Andorran Financial Authority (AFA) to unwind excessive related-party exposures and to re-assess bank capitalization as loan and insolvency moratoria are lifted so that banks are in a position to support the recovery.

4. **Finally, we noticed that credit growth rates to the nonfinancial private sector were negative prior to the pandemic**, as set in Table 3, despite Andorra's economic growth rates that are higher than regional trend and its well-developed financial system. *We would appreciate staff further elaboration on the factors that contributed to the negative credit growth and staff policy recommendation to reverse the pre-crisis path, particularly as bank lending is expected to play an important role in supporting post-pandemic rebound?* Furthermore, we take positive note of the Andorran government's commitment to strengthen AML/CFT frameworks and encourage them to continue with this effort.

With these remarks, we wish the authorities further success.

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GRAY/21/1488

June 3, 2021

**Statement by Mr. Zhang and Ms. Zhao on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank staff for the well-written paper and Mr. Hilbers and Mr. Cools for their helpful Buff statement. We welcome the authorities' first participation in an Article IV consultation with a commitment to further enhancing transparency. While the pandemic has taken a considerable economic toll on the country, the authorities have managed the health crisis well with universal testing and expanded hospital capacity. In the context of elevated uncertainties, we encourage the authorities to avoid reversing fiscal policy too quickly, to monitor the banks' liquidity closely and to further improve governance and transparency. We concur with the thrust of the staff appraisal and would like to limit ourselves to the following comments for emphasis.

On the fiscal policy front, we take positive note of the prudent and anchored fiscal policy with positive government balances in the past seven years. Given the overall low and sustainable debt, we agree with staff that the authorities should avoid prematurely withdraw stimulus and fiscal supports should be rolled back only gradually. We encourage the authorities to increase public investment to catalyze recovery and improve growth prospect. This will also help to lessen the pressure of the country's inadequate credit demand. We take note of the authorities' concern of low public investment multiplier and encourage staff to conduct further research in this area. We welcome the authorities' efforts in diversifying funding sources and lengthening debt maturities, and see merit in the recent successful issuance of Andorra's first international bond.

On the financial policy front, we see with delight that banks have weathered the pandemic well so far with high levels of profitability and capital buffers. To mitigate domestic credit risks, banks should be discouraged from large loan exposures to only a few clients. While

Andorran banks have a high liquidity coverage ratio under the baseline scenario, we take note that there is a large liquidity gap in an extremely adverse scenario, given the banks' high dependence on foreign funding. *We would like to hear from staff on how to strike the right balance between attracting foreign capital and mitigating financial risks from liquidity outflow for a small open economy like Andorra.*

On the structural policy front, we encourage the authorities to collect and publish information on the beneficial ownership of entities to increase transparency and accountability of public spending. To further enhance the AML/CFT framework, it is important to improve monitoring of cross-border flows through cooperation with foreign counterparts. The authorities also need to close various data gaps to enhance transparency and surveillance. We encourage more of the Fund's technical assistance in this area.

With these remarks, we wish the authorities every success in their policy efforts.

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GRAY/21/1490

June 3, 2021

**Statement by Mr. Sylla and Mr. Bangrim Kibassim on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank the staff for their reports and Mr. Hilbers and Mr. Cools for their helpful Buff Statement.

The COVID-19 pandemic has severely impacted the Andorran's economy mainly due to stringent containment and lockdown measures. In response the authorities implemented commendable fiscal and financial mitigation measures which allowed to save lives and support the economy. Given its positive outcomes, the authorities' systematic testing and sector-focused analysis of contamination strategy is an experience to be shared. While GDP growth is expected to rebound and converge to regional levels, ensuring a timely immunization coverage is of paramount importance. *In this context could staff update on potential spillovers of vaccination in EU on Andorra?* Going forward, we agree with staff's analysis and policy recommendations that would be key to continue supporting the recovery and make it sustainable.

Continued commitment to fiscal discipline and debt sustainability is warranted while supportive fiscal policy should be gradually withdrawn. The limits set by the fiscal rule have helped preserving fiscal discipline in Andorra since 2014. However, risks to the outlook including higher gross financing needs threaten fiscal sustainability and the recovery. We encourage the authorities to maintain their supportive measures in line with the development of the pandemic until uncertainties dissipate. As underscored in the selected issues paper (SIP), increased investment in digital technology and climate change mitigation are important and would support the recovery. Furthermore, we support the pension reform aiming at ensuring sustainability and positively note that the two largest SOEs are well operating. While the authorities' efforts to lengthen debt maturities and the issuance of a Eurobond are positive steps for building reserves and strengthening debt sustainability, we note that staff's

baseline scenario is dependent on an effective recovery. This calls for prudent policies and a balanced approach between fiscal consolidation and reversing public investments trend.

Addressing pre-pandemic vulnerabilities and monitoring the effects of COVID-19 measures is critical and will help preserving financial stability. First, we welcome the commitment expressed by the authorities in the Buff statement to harness stability. Given that vulnerabilities in the financial system will negatively impact credit growth, recovery and the replenishment of reserves, the authorities should consider necessary measures without delay. We also share the view that an adequate assessment of risks related to the withdrawal of COVID-19 policies and lending to related parties is important. In this context, we agree that the Andorran Financial Authority should be vigilant and closely monitor the liquidity situation.

Andorra will further benefit from progress in strengthening its governance framework. To capitalize on the effectiveness of the rule of law and political stability, transparency and accountability in public spending should be increased and efforts towards adopting the United Nations Convention Against Corruption made. In the same way, the supervision of the AML/CFT framework should be enhanced to address risks including from cross-borders flows and to preserve Andorra's reputation as a privileged investment destination. In this sense we welcome from Mr. Hilbers and Mr. Cools' Buff statement indications of the importance for the authorities to meet the highest international standards. Finally, the authorities should take advantage of IMF TA to ensure statistics dissemination according to standards and make progress towards implementing the enhanced-general data dissemination system (e-GDDS).

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GRAY/21/1493

June 3, 2021

**Joint Statement by Ms. Levonian, Mr. Trabinski, Ms. Kashima, Mr. Mochtar, and Mr. White on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank staff for the report and Mr. Hilbers and Mr. Cools for their helpful Buff statement.

We welcome the first Article IV consultation with Andorra, the Fund's newest member. We also commend management and staff for their ongoing engagement with small states. By joining the Fund, the Andorran authorities will benefit from constructive policy discussions with the Fund as a trusted advisor on how best to strengthen their country's economic resilience and growth potential. We welcome the report's focus on macro-critical issues and are encouraged by the general convergence of views between staff and the authorities. We broadly agree with the staff assessment and would like to make the following comments.

The fiscal rule provides a solid medium-term anchor and will help to guide the authorities as they unwind fiscal stimulus. The authorities have managed the pandemic well, providing emergency fiscal measures to support households and firms. However, we note the divergence of views between the authorities and staff on the pace of fiscal consolidation. Given the downside risks due to the pandemic and significant uncertainty in the near-term, we agree with staff that a gradual pace of withdrawal of fiscal stimulus may be more appropriate.

Building macroeconomic buffers is critical to protect the country against exogenous shocks. We therefore agree with staff's suggestion that in the medium-to-longer term, priority should be given to building international reserves to cover future liquidity needs. We also support staff's suggestion that the authorities should increase public investment in the medium-term, including on maintenance projects, while at the same time diversifying funding sources and lengthening debt maturities. In this regard, we are pleased to see the positive market response to the authorities' diversification of their funding sources and bond issuance throughout the pandemic.

Maintaining banking resilience is warranted to support economic sustainability. We encourage the authorities to carefully monitor bank capital buffers and NPLs in light of the structural risks as well as the impact of pandemic-related measures. While we take note of the authorities' position that they did not expect NPLs to rise again, and that NPL resolution is geared towards restructuring to support the companies' deleveraging process, close monitoring of NPL developments is warranted as pandemic-related measures are withdrawn. Considering the exposure of the Andorran banks to domestic credit risks from related party lending and the heavy reliance on foreign funding, we support staff's suggestion to strengthen capital rules on related party lending and to continue to closely monitor banks' liquidity risk and ensure that banks hold sufficient liquid assets to meet fluctuations in demand from foreign depositors.

Continued efforts are needed to strengthen the anti-corruption legal framework in line with the UNCAC. In this context, we welcome the authorities' commitment to further enhance transparency as stated in the Buff. In addition, we encourage the authorities to continue strengthening the AML/CFT framework, in particular with regard to cross-border flows.

Fund CD and TA will be important in helping the Andorran authorities close remaining data gaps. It is critical that Andorra request such assistance and take steps to prepare its own balance of payments and international investment position statistics, and we welcome progress made to date.

Finally, we commend the authorities' track record of a gender balanced workforce.

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GRAY/21/1502

June 3, 2021

**Statement by Mr. Buissé, Mr. Rozan, and Ms. Gilliot on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We welcome Andorra as the 190th member of the IMF and thank staff for this first and interesting set of documents. We believe this first consultation provides a very useful strong basis for a structured and informed policy dialogue between the Andorran authorities and the Fund. We also thank Mr. Hilbers and Mr. Cools for their helpful Buff statement. As a small and highly concentrated economy with a large dependence on a limited number of sectors Andorra has experienced a deep recession in 2020 whose impact on affected sectors and households has nevertheless been cushioned through valuable specific support. We broadly share the thrust of the report and its recommendations.

In the absence of a Central Bank and given the euroization of the country, fiscal policy remains the main available instrument to manage the Covid-19 crisis and steer the economy on a path of durable and sustainable recovery. The good management of the health and economic crisis through enhanced healthcare spending, universal testing and increased hospital capacity has been instrumental to contain the consequences of the outbreak. We also commend the authorities for the financial support implemented to help pandemic-affected sectors and households weather the impact of income loss and job losses, and we agree that fiscal support should be maintained in the near-term and rolled back gradually as activity recovers. Over the medium-term, enhanced public and private investment in key growth-enhancing sectors like tourism, electricity and climate-friendly projects alongside a comprehensive pension reform would help support long term growth while supporting fiscal sustainability. Going ahead, Andorra's investment strategy should be forward-looking by putting greater focus on green investments and climate mitigation action, and we welcome the precisions in the report on this front, given the impact of climate change on ski-related tourism. We finally encourage the authorities' efforts to diversify further the funding sources to help lengthen debt maturities.

We strongly welcome the authorities' commitment to increase transparency, as confirmed in Mr. Hilbers' Buff. As various data gaps need to be closed, including on the banking sector, international investment position, and real expenditure components of GDP, participation in the Enhanced General Data Dissemination System (e-GDDS) would certainly

accelerate the development of the country's statistical system while achieving compliance with international standards. The publication of the newly produced current account statistics by the Andorra authorities is an encouraging step forward and technical assistance from the IMF should be helpful in this regard. *We would be interested in more details about the authorities' plan to improve their data transparency further ahead and their request for Fund TA.*

Banking supervision should continue to be reinforced to reduce related party risks and liquidity risks. We note that reliance on foreign deposit funding, loan to banks' own shareholders, and other related parties, as well as large exposures to the domestic economy, do carry substantial risks which need to be monitored, as staff underlines. In addition, given the potential impact of the pandemic on banks with the unwinding of financial support and in order to avoid legacy issues, we endorse the recommendations to closely monitor banks' capital and liquidity and incentivize sound provisioning practices in the absence of an NPL resolution market. *Could staff delineate in this regard what kind of macroprudential policy tools are currently at the disposal of the supervisory authority?* More broadly, we see room for a stronger role of the Andorran Financial Authority (AFA) to strengthen its oversight of the banking sector on these issues as well as the cross-border flows. Following the announcement by El Sabadell of the sale of its subsidiary BancSabadelle d'Andorra to its partner Mora Banc, *we would be interested in staff's opinion on the potential benefits for the Andorran's banking sector to move towards concentration.*

Building on the efforts already made, further progress should be made to enhance governance and improve the effectiveness of the AML-CFT supervision and enforcement in line with international standards. In that respect, we welcome the authorities' determination to further improve their AML-CFT framework and its implementation as underlined in the Buff. More emphasis should be put in future Article IV consultations on the effectiveness of the justice system and its ability to swiftly investigate and prosecute money-laundering and other suspected abuses. We finally firmly encourage the Andorran authorities to ratify the United Nations Convention against Corruption.

Finally, we underline that work on AML issues, and more broadly on financial sector supervision, will be key in the context of the ongoing negotiation of an Association agreement with the EU.

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GRAY/21/1508

June 3, 2021

**Statement by Mr. Bhalla and Mr. Goyal on Andorra
(Preliminary)
Executive Board Meeting
June 7, 2021**

We thank Staff for the informative report and Mr. Hilbers and Mr. Cools for the helpful Buff statement.

1. Like other economies in the region, Andorra was also hit by the pandemic. The impact on Andorra's economy has been relatively severe owing to its significant dependence on tourism and related activities. Authorities took definite steps to contain the pandemic and support their households and businesses through fiscal and financial measures. Nevertheless, during 2020, Andorra's GDP declined by 11.8 percent compared to a 6.6 percent fall in the euro area.
2. We broadly agree with the assessment made by the Staff. However, the projections that Andorra may record relatively higher growth than in the region in the coming years appear to be somewhat optimistic. First, data available in the report show that Andorra's GDP growth has been lower than EU during each of the years from 2017 to 2020, barring the year 2019. Secondly, Andorra has larger dependence on tourism and related economic activity, and as a result, the decline in GDP growth in 2020 has been twice as large as in the EU. Staff may like to elaborate on the underlying considerations for projecting higher GDP growth than the EU.
3. We note that fiscal plans are governed by the fiscal rules, and economy has been generating a primary surplus in recent years, leading to a sustained fall in the debt ratio. However, authorities activated the escape clause to meet the increased requirement for fiscal spending in the wake of the pandemic, and the debt ratio exceeded the fiscal rule target of 40 percent in 2020. We, nonetheless, support

authorities' policy stance and encourage them to maintain fiscal support until recovery gains traction.

4. Anti-money laundering (AML)/ Countering financing of terrorism (CFT) risks are macro critical and need to be mitigated at the earliest by addressing gaps related to transparency and beneficial ownership of the economic entities. We note that Andorra is making efforts to align itself with the Financial Action Task Force (FATF) standards to improve its AML/ CFT legal framework. Similarly, authorities are engaged with the OECD initiative to enhance transparency on taxation issues. Notably, the last Mutual Evaluation Report by FATF had observed compliance deficiencies with regard to the vulnerability of non-profit organisations to terror financing. We welcome the Staff's update on the current status of Andorra on each of these aspects.
5. We wish the authorities every success in future endeavors.

Principality of Andorra

Staff's Responses to Technical Questions Posed by Executive Directors in Advance of

EBM/21/56, June 7, 2021

Staff's responses to technical and factual questions are below. Broader policy questions in the areas of COVID-related measures and vaccination efforts will be addressed in staff's oral intervention at the Board meeting.¹

Outlook/Risks

1. Staff may like to elaborate on the underlying considerations for projecting higher GDP growth than the EU.

- In 2019-20, Andorra's real GDP growth followed very closely Spain's, reflecting the strong linkages between the two economies. In 2020, the recession was almost as deep as Spain's.
- The assumption underlying the projections is that Andorra's real GDP growth will continue to move closely with Spain's.
- Since Andorra had a deeper recession than the euro area, and despite the strong rebound projected in 2021, the level of real GDP would remain 7 percent below 2019 levels in 2021. Therefore, Andorra's growth would be slightly higher than the euro area's during the projection years, temporarily, for growth to catch up to euro area's rate at the end of the projection horizon.
- Andorra's growth is projected to be lower than Spain's in 2021-22 due to the lasting effects of the reduction in public investment in 2020, together with the planned rollback of some COVID-19 measures after June 2021.

COVID Measures

2. Could staff comment on the adequacy of employment support provided under the ERTO, and any plans to scale it up?

[Staff will address orally]

¹ EDs have requested that staff indicate those areas for which responses will be provided during staff's oral intervention in the Board. This avoids the need for EDs to repeat their questions during the discussion.

3. Could staff update on potential spillovers of vaccination in EU on Andorra?

[Staff will address orally]

Fiscal Policy

4. Could staff elaborate on the relative size of the short and long-run multiplier in Andorra? We would appreciate staff's comments on the authorities' views expressed that fiscal multipliers in Andorra are likely to be smaller than staff projected given the structure of the economy.

- Available data does not allow for estimation of Andorra-specific multipliers. IMF staff based their analyses on the one-year fiscal policy multipliers by instrument estimated in the April 2020 World Economic Outlook (WEO, Chapter 2). In the baseline scenario, the fiscal multipliers are assumed to be 0.22 for revenue, 1 for consumption, 0.33 for current transfers and 2 for investment. There is no distinction between short- and long-run multipliers.
- Some of the multipliers, particularly the ones for consumption and investment, are assumed to be in the upper bound of the range estimated by the WEO. The reason for this is that multipliers tend to be larger during recessions, under uncertainty and in situations where the interest rate is in the effective-lower-bound region, and for countries with fixed exchange rates. For a country like Andorra, the short-term investment multiplier is usually larger than one and, on average, around 2. Moreover, it is expected to have positive persistent effects over the medium-term.
- The authorities argue that the size and the openness matter for the fiscal multiplier. In particular, they indicated that in a small and open economy such as Andorra, fiscal multipliers tend to be smaller as investment projects may require a large share of temporary foreign workers and imported goods.
- However, IMF staff's view is that the multiplier remains large and that the planned investment projects would increase private investment and potential output in the medium-term.

5. We invite staff to elaborate on measures needed to improve the long-term sustainability of the pension system.

- Given the focused nature of the first Article IV, the mission did not assess the long-term sustainability of the pensions system. Rather, discussions were held based on the 2019 actuarial report, which is currently being updated.
- The Andorran social security administration proposed a series of reforms to the pension system in 2018 to ensure the system's long-term sustainability, including: (i) progressive increase of contributions to the pay-as-you-go (PAYG) system (from 12 percent to 18 percent); (ii) progressive increase of the retirement age (from 65 to 67

years); (iii) creation of a voluntary supplementary pension scheme; and (iv) a specific tax in order to complement and fund the PAYG system.

- The government has announced a public consultation to update and build consensus on the reform package and aims to enact a new law within one year to restore the pension fund's long-term sustainability. It aims to incorporate some suggestions from some of the earlier proposals.

Financial Sector

6. We would appreciate staff further elaboration on the factors that contributed to the negative credit growth and staff policy recommendation to reverse the pre-crisis path, particularly as bank lending is expected to play an important role in supporting post-pandemic rebound?

- The main reason for the low credit growth is firms' lack of demand for credit, rather than banks' reluctance to lend. The authorities and the banks confirmed that, since the Global Financial Crisis, the private sector in Andorra, especially the corporate sector, has been going through a deleveraging process. Unfortunately, there are large data gaps in this area.
- During 2020, the contribution of household credit to domestic credit growth was negative, while the corporate sector displayed increasingly positive contributions to fulfill liquidity needs, supported by the loan guarantee program provided by the government. Credit to the public sector also declined in 2020 as the government shifted toward other financing sources.
- The private sector—particularly businesses in the tourism sector, which were among the most affected during the crisis—expressed their reluctance to invest, especially if financed with credit, while economic conditions remained uncertain.
- Staff recommendations to boost public investment would also help to increase private investment and could lift demand for credit.

7. We would like to hear from staff on how to strike the right balance between attracting foreign capital and mitigating financial risks from liquidity outflow for a small open economy like Andorra.

- Foreign capital, and particularly non-resident deposits, constitute an important source of funding for Andorran banks. Given that nonresident deposits tend to be more volatile than other types of foreign capital, they entail risks that need to be properly managed to prevent a liquidity gap in a banking system that does not have a lender of last resort. In this context, staff recommended the Andorran Financial Authority to strengthen the supervision of liquidity risks. Technical assistance from IMF's Monetary and Capital Markets Department taking place in late-June will help in these efforts.

- Given the private banking model, most non-resident deposits do not necessarily support the country's growth through higher credit. Instead, some of these deposits are invested in capital markets outside of Andorra.
- Attracting other types of foreign capital, especially those that are more stable such as Foreign Direct Investment (FDI), would be beneficial for growth. Increasing public investment, especially in strategic areas such as climate mitigation and digitalization, could be a catalyst to attract FDI and to boost private investment more broadly.

8. *Could staff delineate in this regard what kind of macroprudential policy tools are currently at the disposal of the supervisory authority?*

- Since Andorra has transposed the EU's Capital Requirements Directive (CRD IV) and Regulation (CRR) as part of the Monetary Agreement, AFA has access to all the capital-based macroprudential tools in the CRD/CRR.
- There are no borrower-based tools—such as loan-to-value and debt-service-to-income limits—legislated in Andorra.
- However, as the supervisory authority in a microstate with only five banks, AFA should be able to address any macroprudential concerns by doing proper prudential supervision and monitoring the growth of risky exposures in the five banking groups.

9. *We would be interested in staff's opinion on the potential benefits for the Andorran's banking sector to move towards concentration.*

- The Article IV mission did not discuss the issue of bank concentration in Andorra. However, staff has called for improvements in cost efficiencies, including through bank consolidations, in Article IVs of other European countries and in the euro area.
- Staff has noted the concentrated nature of the banking market, with Credit Andorra and Andbank as the leaders with a combined market share of almost 70 percent in total assets.
- With Mora Banc, even before its acquisition announcement, the market share of the three banks was 90 percent. Given the small market share of Banc Sabadell D'Andorra, the integration with Mora Banc does not significantly change the degree of concentration in Andorra's banking sector.
- Mora Banc has stated that this integration would enable the combined entity to significantly increase its investment in technology to best adapt to future challenges as well as to continue improving its value proposition to clients.

Structural Reforms

10. What complementary role the IMF could play in the World Bank-led technical support aimed to anchor competitiveness-related reforms?

- Andorra is not a member of the World Bank and thus it does not receive World Bank-led technical support.
- The Fund stands ready to provide technical assistance to Andorra in areas within the Fund's mandate that would support the authorities' efforts to undertake structural reforms, and complement advice provided by other partners.
- Upon the authorities' request, the Fund will provide technical assistance to further develop Andorra's statistical system and improve data transparency.

Data Transparency

11. We would be interested in more details about the authorities' plan to improve their data transparency further ahead and their request for Fund TA.

- Following the successful compilation of balance of payments statistics, the Andorran authorities are currently arranging a TA mission with STA to implement e-GDDS to strengthen its statistical framework for macroeconomic statistics that are essential for policy making and surveillance.
- The Andorran authorities are also committed to improve various macroeconomic statistics and requesting TA missions from STA. Those statistics include national accounts, international investment position, government finance statistics, monetary and financial statistics, and financial soundness indicators. The authorities and STA plan to prioritize the requests and field TA missions in various stages, taking into account resource availabilities and prioritizing surveillance needs.

AML/CFT

12. We note that Andorra is making efforts to align itself with the Financial Action Task Force (FATF) standards to improve its AML/ CFT legal framework. Similarly, authorities are engaged with the OECD initiative to enhance transparency on taxation issues. Notably, the last Mutual Evaluation Report by FATF had observed compliance deficiencies with regard to the vulnerability of non-profit organizations to terror financing. We welcome the Staff's update on the current status of Andorra on each of these aspects.

- Overall, good progress is being made in strengthening the AML/CFT framework since the adoption of the 2017 Mutual Evaluation Report (MER) of Andorra.
- The understanding of ML/TF risks at the national level is improving with the recent update of the national risk assessment and its adoption. The authorities plan to disseminate its findings to all stakeholders including the relevant private sector

entities to strengthen a common understanding of risks. Supervisors are increasing AML/CFT thematic inspections while developing the understanding of risks.

- Andorra started automatic exchange of information with the EU on taxes on interest income in 2016 and exited the EU “gray” list of noncooperative tax jurisdictions in 2019.
- The ML risks related to tax evasion have also been assessed. In 2017, tax evasion became a predicate offence to money laundering. UIFAND reports start to mention cases related to tax evasion as of 2020, and certain typologies were developed regarding legal or natural persons not meeting their tax obligations.
- On beneficial ownership, the concept is defined under the AML/CFT law. Regulations require that information on the beneficial owners of all Andorran companies be kept and maintained in a Register of Beneficial Interests with the obligation on companies to make formal notifications to the Registrar of all changes to their ownership. Finally, the UIFAND, which is the AML/CFT authority, published an informative note concerning beneficial ownership.
- Andorra has also made progress in addressing the technical compliance deficiencies identified in the 2017 MER. As a result of this progress, Andorran ratings were upgraded for 15 of the FATF Recommendations. Concerning Non-profit organizations (NPOs), Andorra has taken several measures to increase the level of compliance. However, deficiencies still remain under some criteria of related FATF recommendations 8. [See (<http://www.fatf-gafi.org/media/fatf/documents/reports/fur/Moneyval-Follow-Up%20Report%20Andorra-2019.pdf>) para. 9-15]

13. More emphasis should be put in future Article IV consultations on the effectiveness of the justice system and its ability to swiftly investigate and prosecute money-laundering and other suspected abuses.

- We plan to continue covering AML/CFT and governance issues in future Article IVs.

CONSTITUENCY CODES

OEDAE

Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

OEDAF

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

OEDAG

Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

OEDAP

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

OEDBR

Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

OEDCC

China

OEDCE

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

OEDCO

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

OEDEC

Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

OEDFF

France

OEDGR

Germany

OEDIN

Bangladesh, Bhutan, India, and Sri Lanka

OEDIT

Albania, Greece, Italy, Malta, Portugal, and San Marino

OEDJA

Japan

OEDMD

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

OEDMI

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

OEDNE

Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

OEDNO

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

OEDRU

Russian Federation and Syrian Arab Republic

OEDSA

Saudi Arabia

OEDST

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

OEDSZ

Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

OEDUK

United Kingdom

OEDUS

United States