

GREEN/20/30

March 25, 2020

**Green Statement from Mr. Mouminah, Mr. Alkhareif and Mr. Rawah on the  
Republic of San Marino—Staff Report for the 2020 Article IV Consultation (SM/20/63)**

We thank staff for the informative report. We broadly concur with staff's analysis and policy recommendations and we, therefore, offer the following remarks for emphasis.

**1. Continued efforts are needed to restore the banking system's viability and safeguard financial stability.** In this context, we agree with staff on the importance of addressing capital shortfalls, informed by a new AQR, and improving liquidity through the alignment of ELA with best practices. Also, we would like to underscore the need to restore medium-term viability, including through accelerating the NPL resolution. Here, we note the authorities' plan to establish an Asset Management Company (AMC). However, careful consideration of its effectiveness in light of the associated risks is needed. Going forward, we agree with staff on the need to strengthen CBSM's institutional and financial independence. State support, including addressing recapitalization needs, has to be part of a comprehensive plan that ensures fiscal and financial sustainability. On mitigating financial integrity risks, we take positive note of the authorities' commitment to further strengthen the AML/CFT framework by developing an action plan based on the second national risk assessment.

**2. Fiscal consolidation efforts should continue with a view to ensuring debt sustainability.** Here, in light of the recent outbreak of COVID-19, the immediate priority should be on containing the spread of the virus and mitigating its economic impact. Therefore, we welcome the authorities' plans to provide temporary support to hard-hit sectors. These efforts will have fiscal implications, that differ in proportion to the severity of the outbreak, and therefore, we encourage closer engagement with the Fund in this regard to better understand the fiscal impact. Going forward, we underscore the importance of improving the fiscal position, including by containing current expenditures and enhancing revenue mobilization. We support in this regard the authorities' continued focus on improving PFM and their plan to enhance tax collection through e-invoicing. Moreover, advancing the pension system reforms is critical, and therefore, we look forward to a meaningful progress in this regard. Also, we would highlight that more needs to be done on diversifying financing options and welcome further progress regarding improving debt management.

**3. Finally, structural reforms should continue to strengthen San Marino's growth potential.** Policy priorities include further enhancing the business environment, promoting competitiveness, improving labor market flexibility, and closing infrastructure gaps. Indeed,

creating a conducive business environment would help in attracting foreign investment. Lastly, we welcome the authorities' emphasis on improving data reporting and provision and look forward to further progress in this respect.

With these remarks, we wish the authorities all the success in their future endeavors.