

SU/20/71

April 22, 2020

**The Acting Chair's Summing Up
São Tomé and Príncipe—Request for Disbursement
Under the Rapid Credit Facility
Executive Board Meeting 20/47
April 21, 2020**

Executive Directors noted that the COVID-19 pandemic is having a severe impact on São Tomé and Príncipe's fragile economy due to a drastic reduction in tourist arrivals, delays in externally financed projects, and disruptions in the supply of essential goods. Disbursement under the RCF will help meet the urgent fiscal and external financing needs to mitigate the impact of the pandemic, preserve macroeconomic stability, and catalyze donor assistance.

Directors supported the authorities' plans for addressing the immediate needs of the pandemic, including increasing health and social spending to assist the most vulnerable, supporting the unemployed, incentivizing private businesses to retain workers, and facilitating access to credit. They also underscored the need to buttress the private sector, safeguard the peg to the euro, and ensure financial stability. They welcomed the authorities' intention to publish information on public procurement contracts, emphasizing the importance of transparency and good governance in emergency spending, which should be well-targeted and cost-effective.

Directors welcomed the authorities' commitment to the medium-term reform program supported under the ECF. They noted that continued consolidation over the medium term, enhancing revenue mobilization and public finance management, and expeditiously reforming the loss-making utility company are essential to reduce the country's debt vulnerability and help rebuild buffers. Directors also recommended recourse to concessional borrowing and taking steps to regularize external arrears. The Fund's continued capacity development support will be crucial.

Directors noted that substantial risks to the outlook remain, given that the adverse impact of COVID-19 could be larger and more protracted than currently envisaged. They called for additional donor assistance, beyond that already committed before the pandemic, to close the remaining balance of payments gap and ease fiscal constraints.