

SU/20/97

May 8, 2020

**The Acting Chair's Summing Up
Seychelles—Request for Purchase Under the Rapid Financing Instrument
Executive Board Meeting 20/58
May 8, 2020**

Executive Directors noted that the COVID-19 pandemic and subsequent global economic downturn have severely hit Seychelles' economy, generating an urgent balance-of-payments need. Emergency assistance under the RFI will help narrow the financing gap, mitigate the impact on the budget, improve confidence, and catalyze support by other international financial institutions (IFIs).

Directors agreed that a temporary widening of the budget deficit needs to be accommodated to create space for adequate spending on health and other social measures targeted to the most vulnerable. Given the importance of safeguarding debt sustainability, Directors emphasized that fiscal measures should be temporary, and welcomed the authorities' plan to limit the wage subsidy cost.

Directors supported the central bank's prompt response to the crisis by reducing the monetary policy rate and setting up an emergency credit facility. They urged the central bank to keep the policy stance data-driven and to remain vigilant to market stress and financial sector risks. They also recommended maintaining a flexible exchange rate to help absorb external shocks.

Directors noted that public debt remains sustainable, but risks have increased significantly. Once the pandemic dissipates, the authorities should steadfastly implement fiscal consolidation including by reducing nonpriority spending to bring the debt ratio to a declining path. Continued reforms including of state-owned enterprises and enhancing public financial and debt management will also be critical.

Directors noted the significant risks to the outlook. They called for additional support by other IFIs and bilateral partners to close the remaining financing gaps. They also highlighted the importance of a contingency plan in case external budget support does not increase as anticipated. Directors welcomed the authorities' commitment to provide monthly reports of pandemic-related expenditure to the National Assembly and undertake and publish an independent audit of such spending and procurement.