

SU/20/135

July 29, 2020

**The Acting Chair's Summing Up
Kingdom of Lesotho—Requests for Disbursement Under the Rapid Credit Facility and
Purchase Under the Rapid Financing Instrument
Executive Board Meeting 20/84
July 29, 2020**

Executive Directors noted with concern that the COVID-19 pandemic is having a severe social and economic impact on Lesotho, resulting in urgent external financing needs. Directors supported the authorities' request for emergency financing under the Rapid Credit Facility and Rapid Financing Instrument to help contain further economic and social disruptions and catalyze additional financing.

Directors noted that this year's spike in SACU revenues provided important fiscal resources for measures to address the crisis but cautioned that careful prioritization was required to ensure that the available resources were used most effectively. They welcomed the authorities' measures to protect the most vulnerable. Directors concurred that the monetary policy should remain focused on safeguarding the peg.

Directors stressed that a significant fiscal adjustment will be required over the medium term once the pandemic abates, given the expected decline in SACU revenues. They noted that the medium-term measures set out in their Letter of Intent (LOI) are a good foundation for ensuring a growth-friendly consolidation that would mitigate the impact on the poorest and welcomed the authorities' intention to engage closely with the IMF to support the adjustment. In particular, Directors emphasized the need to contain the wage bill and improve spending efficiency to maintain fiscal sustainability.

Directors emphasized that the COVID -19 crisis heightens the urgency of reforms to promote job creation and inclusive growth, and to reduce poverty. Directors welcomed the authorities' commitment to implement reforms to support the private sector, through improving the business environment and tackling key bottlenecks to growth and job creation. They also urged the authorities to continue reforming social assistance programs to tackle poverty.

Directors emphasized the importance of ensuring the effective use of public funds in the current environment. They welcomed the authorities' commitment to ensuring transparency and good governance in COVID-19-related spending, including by having quarterly internal and ex-post audits of expenditures by the Auditor General.