INTERNATIONAL MONETARY FUND

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DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

April 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

In the context of the Request for Disbursement Under the Rapid Credit Facility , the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 21, 2020, following discussions that ended on April 20, 2020 with the officials of the Democratic Republic of São Tomé And Príncipe on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on April 14, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for the Democratic Republic of São Tomé And Príncipe.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of the Democratic Republic of São Tomé And Príncipe *
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Approves a US$12 Million Disbursement to São Tomé and Príncipe to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- *The COVID-19 pandemic is taking a heavy toll on São Tomé and Príncipe's economy.*
- *To address the urgent balance-of-payments needs, the IMF approved about US$12 million emergency assistance for São Tomé and Príncipe under the Rapid Credit Facility. The country will also benefit from IMF debt service relief under the Catastrophe Containment and Relief Trust.*
- *The authorities have acted swiftly by developing a contingency plan and declaring a state of emergency to help contain and mitigate the spread of the COVID-19.*

Washington, DC – April 21, 2020. The Executive Board of the International Monetary Fund (IMF) today approved a disbursement of SDR 9.028 million (about US$12.29 million or 61 percent of its SDR quota) for São Tomé and Príncipe under the Rapid Credit Facility (RCF). The financing provided under the RCF will help address Sao Tome and Principe's urgent external and fiscal financing needs as a result of the outbreak of the COVID-19 pandemic. The COVID-19 pandemic is taking a heavy toll on Sao Tome and Principe, with tourism and externally financed projects halted and international supply chains disrupted. The challenging circumstances are further affected by the fragility of the economy and a weak health care system.

São Tomé and Príncipe has also benefited from the IMF Executive Board decision of April 13, 2020 to provide debt service relief to all countries eligible for support from the International Development Association (IDA) in the form of grant assistance under the Catastrophe Containment (CC) window of the Catastrophe Containment and Relief Trust (CCRT). As a result, the country will receive relief from the CCRT on debt service falling due to the IMF in the next 6 months (about US$0.15 million). This relief could be extended for up-to 2 years, subject to the availability of resources under the CCRT.

The IMF continues to monitor São Tomé and Príncipe's situation closely and stands ready to provide policy advice and further support as needed. In particular, the IMF will work with the authorities to complete the first review of the program supported by the IMF's Extended Credit Facility once the current crisis stabilizes.

Following the Executive Board discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

"The authorities of São Tomé and Príncipe have moved swiftly to develop a plan to address the major challenges posed by the COVID-19 pandemic. In addition to posing a major health risk, the pandemic exerts strong fiscal and balance of payments pressures. Emergency support under the Rapid Credit Facility will help prevent a much more severe and prolonged economic contraction and provide space for critical health and social spending. It is also expected to help catalyze donor support, which is vital for closing the remaining financing gap.

“The authorities plan to increase well-targeted health and social spending to assist the most vulnerable, support the unemployed, incentivize private businesses to retain workers, and enhance fiscal transparency and good governance. These steps would help cushion the economic impact while ensuring that public funds are spent appropriately. Prudent loan restructuring while maintaining prudential standards will help alleviate liquidity pressures and safeguard financial stability.

“The authorities’ commitment to the reform program supported by the Extended Credit Facility is welcome. Over the medium term, continued fiscal reforms and redoubled efforts to expedite energy sector reforms will be essential to reduce debt vulnerability, unleash the country’s growth potential, and enhance macroeconomic stability. “

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar
https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

April 14, 2020

EXECUTIVE SUMMARY

Context. The COVID-19 pandemic is taking a heavy toll on São Tomé and Príncipe. Tourist arrivals came to an abrupt halt in mid-March, externally financed projects are being delayed, and international supply-chains are disrupted. The challenging circumstances are further affected by the fragility of the economy and a weak health care system.

Request for Fund support. In the attached Letter of Intent (LOI), the authorities request financial assistance of SDR 9.028 million (US$12.263 million, which is 61 percent of quota, or 3 percent of GDP) under the exogenous shocks window of the Rapid Credit Facility (RCF) to meet the urgent balance of payments and fiscal needs caused by the COVID-19 pandemic.

Policies. The authorities' policies focus on immediate measures to protect against the virus, assistance to the most vulnerable, and countercyclical measures during this crisis. Public financial management will be reinforced to ensure the disbursement is used appropriately and steps will be taken to speed up the recovery next year. The authorities are committed to the ECF-supported program approved in October 2019, for which the first review will be conducted as soon as the current crisis situation stabilizes.

Staff assesses that the eligibility requirements for the RCF are met and supports the authorities' request. While the country is in debt distress due to long-standing external arrears, the debt level is deemed sustainable, and there is adequate capacity to repay the Fund. The financing would help prevent a much more severe and prolonged contraction, with a substantial social impact.

Approved By
David Owen (AFR) and Kevin Fletcher (SPR)

An IMF team consisting of X. Li (head), C. Amo-Yartey, T. Iyer, L. Kolovich, and G. Srour (all AFR) held discussions with the authorities by video conferences led by Minister of Planning, Finance, and the Blue Economy Osvaldo Vaz, Governor of the Central Bank Américo Soares De Barros, and other senior government officials during April 9-10, 2020 via video conferences. Nadia Margevich, Vicky Pilouzoue (AFR) provided administrative support, and Weronika Synak (AFR) provided research support. Kelvio Carvalho da Silveira (OED) participated in the meetings. João Paulo Galvão, Alexandra Da Souza Costa, and André Marques Fernandes provided interpretation and translation during the mission.

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CONTEXT

1. São Tomé and Príncipe is a fragile, small, remote island state, with 67 percent of the population living in poverty. The economy relies heavily on external assistance and imports, including for staple foods. The main exports are cocoa and tourism. The capacity of the health care system is very weak. Social assistance institutions and credit facilities are limited, hindering well-targeted aid, especially for the large informal sector.

2. The new ECF-supported program launched in October 2019, with access of 90 percent of quota, was off to a good start. Preliminary data suggest that all end-December 2019 performance criteria (PC) targets were met, though progress on structural reforms was more mixed due to limited capacity. The benchmarks on adopting the VAT law, the campaign to explain the VAT to the public, and adjusting the fuel price in line with costs are met. The benchmark on reform of the public utility company, EMAE, is delayed due to extra time needed to complete relevant studies and hire consultants.

3. Prior to the pandemic, GDP growth was projected to recover in 2020 after a slowdown in 2019. GDP growth slowed to 1.3 percent in 2019 but was expected to pick up to 3.5 percent in 2020 (Table 1). The slowdown in 2019 reflected delays in externally financed projects during the transition to a new government. Strong fiscal consolidation measures reduced the domestic primary deficit (DPD) by 2.4 percent of GDP in 2019, which, together with higher budget support grants, helped raise gross international reserves (GIR) from 4 to 4.3 months of imports, compared with the IMF reserve adequacy metric for low-income countries of 3.8 months of imports. Credit to the economy by banks remained low, as they are saddled with a large number of legacy non-performing loans (25 percent of total loans) and the dysfunctional court system impedes loan collection. Provisions and capital adequacy for the system as a whole are adequate, but some small banks may need to be recapitalized by their private owners once recommendations from a recently completed Asset Quality Review are implemented.

4. São Tomé and Príncipe remains in debt distress due to long-standing external arrears, but public debt is deemed sustainable. The authorities have been discussing with Angola, Brazil, and Equatorial Guinea to regularize outstanding external arrears (2.6 percent of GDP) and are waiting for creditor countries' responses. While the present value of total public and publicly guaranteed debt is currently above the high-risk benchmark, it can be deemed sustainable as it falls below the benchmark once the concessional terms of domestic debt to the oil-supplier, ENCO, are incorporated. Over the medium term, failing to continue fiscal consolidation or reform the large loss-making utility company, EMAE, could threaten debt sustainability (Annex I).

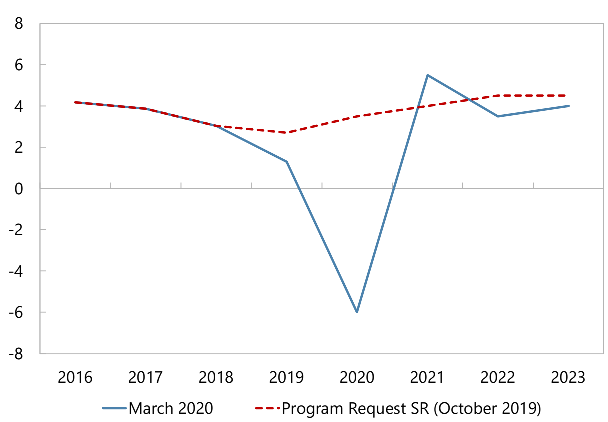
IMPACT OF THE PANDEMIC AND OUTLOOK

5. The COVID-19 pandemic is causing a sharp economic contraction, raising urgent and present balance of payments and fiscal financing needs (Text Figure 1 and Table 1). The fledgling tourism sector (with direct contribution to GDP of about 6-8 percent) has ground to a halt, externally-financed projects are delayed, and international supply is disrupted. A large fiscal need has emerged from an expected drop in fiscal revenue (1.5 percent of GDP) across all categories except oil imports and from increased health and social expenditures to mitigate the impact of the pandemic (1.2 percent of GDP; see paragraph 9). Higher market demand for liquidity also constrains domestic budget financing. Assuming the pandemic winds down in the third quarter, with tourists gradually returning and the implementation of some externally funded projects starting in the fourth quarter, the tourism sector is expected to decline by over 70 percent and GDP by 6 percent in 2020 (Table 1).

6. Urgent external support is essential to contain the impact. Absent any additional external financing, gross international reserves (GIR) are projected to drop to below 2½ months of 2019 imports, or ⅔ of the IMF reserve adequacy metric for low-income countries. Essential imports, including for food and medicine, could be constrained. The balance of payments and fiscal gaps are estimated at US$24 million (close to 6 percent of GDP), and US$17 million (4.2 percent of GDP), respectively (Tables 2 and 3).

7. Real GDP is expected to recover partially to the pre-crisis level, growing by 5.5 percent next year. This, together with an unwinding of crisis-mitigation spending and a return to fiscal consolidation under the ECF-supported program, will bring the fiscal position broadly back on track, although small fiscal and balance of payments gaps would remain.

Text Figure 1. Real Gross Domestic Product
(Annual percentage change)



Sources: IMF Staff Calculations.

Text Table 1. Impact of COVID-19
(Percent of GDP)

	2020		2021
	Pre-virus	Proj.	Proj.
GDP growth	3.5	-6.0	5.5
Domestic revenue	16.4	14.9	16.1
Import taxes	5.6	6.1	6.1
Other	10.8	8.8	10.0
Domestic spending	19.7	21.0	18.4
Personnel costs	10.0	9.8	9.2
Goods and services	2.8	3.5	2.8
Transfers	3.2	4.1	3.2
Other	3.6	3.6	3.2
Domestic balance	-3.3	-6.1	-2.2
Domestic primary balance	-2.8	-5.6	-2.0
Fiscal gaps	0.0	-4.2	-0.3
BoP gaps	0.0	-5.9	-1.2

Sources: IMF staff estimates.

AUTHORITIES’ RESPONSE AND POLICY DISCUSSIONS

The immediate priority is to contain the impact of the pandemic. The government remains committed to its medium-term strategy supported by the Extended Credit Facility (ECF), which aims to reduce internal and external imbalances and reduce debt vulnerabilities.

8. The authorities responded swiftly to the outbreak, and the country confirmed four initial cases on April 6. Those four infected persons had recently returned to the country and were asked to quarantine. A contingency plan prepared with the assistance of the World Health Organization (WHO) is being implemented. The government declared a state of emergency on March 17. All schools were closed, public gatherings prohibited, and international passenger flights suspended. The World Bank (WB) approved a program of US$2.5 million under its COVID-19 Strategic Preparedness and Response Program (SPRP) in early April. The authorities have requested support through the Catastrophe Containment window of the Catastrophe Containment and Relief Trust (CCRT) and are seeking additional support, particularly grants, from other partners. So far, the crisis has not triggered withdrawal of existing external support.

9. Policy discussions with the authorities focused on costing COVID-19 related health spending and countercyclical measures to cushion the shock in the short run, improving transparency of public spending, and promoting recovery:

a. **Implement the COVID-19 contingency plan, costed at about US$3 million, to protect the population from the virus.**

b. **Assist the most vulnerable.** The authorities plan to expand a current WB-supported cash-transfer program to provide additional support and cover additional vulnerable families.

c. **Implement countercyclical measures to mitigate the impact on the economy** (LOI ¶5-7). This includes allowing automatic stabilizers to work, allowing deferment for a limited period of some tax payments, offering incentives for businesses to retain workers, supporting the unemployed, and facilitating access to credit. Meanwhile, retail fuel prices will be kept unchanged to generate revenue from lower international oil prices, and a small solidarity contribution will be introduced on public servants' salaries who are otherwise relatively insulated from the shock. The authorities have reaffirmed the formal agreement with the oil importer ENCO for the latter to fully transfer the oil price differential to the State and for the State to implement the agreement to pay off past fuel subsidy debt over time.

d. **Safeguard the peg to the euro while helping to alleviate liquidity pressures.** The central bank cut the reserve requirements for both foreign and national currencies by four percentage points to 17 and 14 percent, respectively. While the pre-crisis foreign reserve coverage met the IMF reserve adequacy metric, given the fragility of the economy from the lack of a diversified export base and heavy reliance on volatile external support, the reserve buffer should be further strengthened after the crisis, including through fiscal consolidation. The authorities will encourage banks to prudently restructure loans or grant a moratorium of six months to temporarily distressed but financially sound borrowers. To ensure financial stability, the BCSTP will also maintain prudential standards and reporting requirements (LOI ¶9) and request an eight-month moratorium on bank dividends.

e. **Reinforce fiscal transparency to ensure the additional financing is spent appropriately**. The government will issue a decision to publish large public procurement contracts once signed and the ex-post validation of delivery of these contracts, as well as publish monthly COVID-19 related expenditure. In addition, the COVID-19 related spending will be audited after the crisis (LOI ¶8). Crisis-mitigation measures have been authorized by parliament, and a revised budget will be sent to parliament when conditions allow. The authorities will also submit to parliament a government decree on the revised budget consistent with the above-listed policies. Budgetary execution and expenditure plans, with COVID-19 related spending included, will be shared with the IMF monthly.

f. **Prepare to speed up the recovery.** In particular, the authorities, in coordination with the National Institute for Civil Aviation, will prepare an action plan to address the issues related to the European Union's Air Safety blacklist, which has significantly hindered tourism (LOI ¶10).

MODALITIES OF SUPPORT

10. Staff support the authorities' request for SDR 9.028 million (61 percent of quota, or US$12.263 million) under the RCF exogenous shock window to be made available as budget support.

a. **São Tomé and Príncipe meets the eligibility requirements for support under the RCF:** (i) it faces an urgent BOP need which, if not addressed, would result in immediate and severe economic disruption; (ii) timely augmentation of access to the existing ECF arrangement is not feasible due to the uncertainty regarding the duration and scale of the pandemic and the practical constraints on conducting comprehensive discussions with the authorities amid the pandemic; (iii) the country is in debt distress, but its debt is deemed sustainable after incorporating the impact of the pandemic, and capacity to repay the Fund remains adequate (Table 4); and (iv) the authorities have committed to pursuing appropriate economic policies for addressing the impact of the pandemic.

b. **The proposed access of 61 percent of quota, in addition to the existing ECF arrangement, is within the applicable revised limits under the PRGT and would not trigger high access procedures**.[1] The proposed access is close to half of the estimated external financing gap. Given the country's debt vulnerabilities, remaining needs are expected to be filled by grants from other multilateral and bilateral partners and policy adjustments. The RCF disbursements will be disbursed to the central bank and on-lent to the government to provide financing for virus-related spending. The authorities will prioritize measures to match spending with available resources. A safeguards assessment was completed in mid-2019. A memorandum of understanding between the central bank and government will be signed to outline the responsibilities for servicing financial obligations to the IMF.

RISKS

11. The outlook is subject to important downside risks. A local outbreak of the virus that is not contained would substantially exacerbate the social and economic impacts, as would a

[1] The proposed access of 61 percent of quota is the maximum amount under annual limits on disbursements from the PRGT, given São Tomé and Príncipe's existing disbursement schedule under the ECF.

persistence of the pandemic globally. The tourism industry may take longer to recover, shortages of essential imported supplies could become more acute, and the overall impact on the economy and public revenue could be larger. In such a case, the financing gaps could increase. The authorities are taking steps to mitigate such risks, including implementing COVID-19 contingency plans and measures to speed up recovery. They also plan to prioritize and match spending with available resources. However, external aid will be crucial to mitigate these shocks.

STAFF APPRAISAL

12. The COVID-19 pandemic is having a severe impact on São Tomé and Príncipe's fragile economy. A drastic reduction in tourist arrivals, delays in externally financed projects, and disruptions in the supply of essential goods are expected to cause GDP to decline by 6 percent, a contraction of 9.5 percentage points relative to the pre-COVID-19 estimate. As a result, the country is facing urgent external and fiscal financing needs.

13. Staff supports the authorities' immediate priorities to mitigate the impact of the pandemic and preserve macroeconomic stability. Appropriate measures are being taken to increase health spending, help the most vulnerable, and support the private sector while safeguarding the peg to euro.

14. Against this background, staff supports the authorities' request for a disbursement under the exogenous shocks window of the Rapid Credit Facility in the amount of SDR 9.028 million (61 percent of quota). Staff's support is based on the urgent balance of payments needs arising from a sudden exogenous shock and the authorities' existing and prospective policies to address this external shock, including their commitment to seek additional external budget financing from other development partners. While risks to the outlook are substantial, including that the adverse impact of COVID-19 could be larger and more protracted than currently envisaged and the country is in debt distress due to long-standing external arrears, the country's debt is deemed sustainable and its capacity to repay the Fund remains adequate.

15. Discussions for the first review under the program supported by the ECF are expected to continue at a later stage. The authorities have reaffirmed their commitment under the program and wish to continue to benefit from IMF technical assistance.

Table 1. São Tomé and Príncipe: Selected Economic Indicators, 2016–24

(Annual change in percent, unless otherwise indicated)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				ECF Req.	Est.	ECF Req.	Proj.	Proj.	Proj.	Proj.	Proj.
National income and prices											
GDP at constant prices	4.2	3.9	3.0	2.7	1.3	3.5	-6.0	5.5	3.5	4.0	4.5
GDP deflator	5.1	2.0	2.6	3.7	5.7	3.5	3.5	3.0	3.0	2.9	2.8
Consumer prices											
End of period	5.1	7.7	9.0	7.8	7.7	10.0	8.0	6.0	4.0	3.0	3.0
Period average	5.4	5.7	8.3	8.4	8.4	8.9	7.9	7.0	5.0	3.5	3.0
External trade											
Exports of goods and nonfactor services	8.9	-10.8	13.9	10.5	-1.8	11.0	-44.0	62.7	8.6	12.4	10.7
Imports of goods and nonfactor services	-0.4	5.5	-3.6	1.8	2.5	6.7	-23.6	17.9	5.2	6.4	6.8
Exchange rate (new dobras per US$; end of period) [1]	23.4	20.7	21.5	21.7	22.0	…	…	…	…	…	…
Real effective exchange rate (period average, depreciation = -)	5.7	4.9	8.7	…	5.7	…	…	…	…	…	…
Money and credit											
Base money	5.0	-9.6	0.8	-0.5	-7.4	2.6	-3.9	8.7	6.6	…	…
Broad money (M3)	-4.8	-0.4	14.3	0.0	-2.2	7.1	0.1	8.7	6.6	…	…
Credit to the economy	6.6	2.5	-1.6	-6.7	3.2	0.6	2.0	3.2	4.6	…	…
Velocity (GDP to broad money; end of period)	2.8	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	…	…
Central bank reference interest rate (percent)	10.0	9.0	9.0	…	9.0	…	…	…	…	…	…
Average bank lending rate (percent)	19.6	19.6	19.9	…	19.1	…	…	…	…	…	…
Government finance (in percent of GDP)											
Total revenue, grants, and oil signature bonuses	28.2	24.9	24.1	21.0	22.5	23.6	22.4	22.8	23.3	23.6	23.4
Of which : tax revenue	12.3	12.7	12.8	12.5	12.6	13.0	12.8	13.8	14.8	15.1	15.2
Nontax revenue	2.3	1.7	3.1	1.8	3.3	1.8	2.2	2.4	2.4	2.4	2.5
Grants	13.5	10.5	8.3	6.7	6.6	8.9	7.5	6.7	6.1	6.1	5.6
Total expenditure and net lending	32.4	27.6	26.0	21.9	22.5	23.9	26.9	24.7	24.3	24.6	24.5
Personnel costs	8.9	8.3	9.3	9.2	9.2	8.8	9.8	9.2	9.2	9.2	9.2
Interest due	0.4	0.5	0.4	0.6	0.7	0.6	0.7	0.5	0.4	0.4	0.4
Nonwage noninterest current expenditure	8.0	6.9	7.0	6.3	7.6	6.3	10.0	8.3	8.3	8.4	8.4
Treasury funded capital expenditures	0.7	0.7	1.4	0.1	0.1	0.2	0.2	0.3	0.3	0.5	0.8
Donor funded capital expenditures	14.2	11.0	7.8	5.5	4.8	7.8	5.9	6.3	5.9	5.9	5.5
HIPC Initiative-related capital expenditure	0.2	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.3
Domestic primary balance [2]	-4.1	-2.4	-4.2	-2.1	-1.8	-1.7	-5.6	-2.0	-1.0	-1.0	-1.0
Net domestic borrowing	2.8	1.8	3.4	0.7	-1.5	1.2	-0.1	1.0	0.5	0.7	1.4
Overall balance (commitment basis)	-4.2	-2.7	-1.9	-0.9	-0.1	-0.3	-4.5	-1.9	-1.0	-1.0	-1.0
Public Debt [3]	80.9	84.3	96.2	94.2	94.8	93.8	104.9	100.2	96.4	91.6	86.9
Of which: EMAE's arrears to ENCO	16.1	19.3	23.3	23.2	26.4	…	31.8	31.8	32.6	32.8	31.8
External sector											
Current account balance (percent of GDP)											
Including official transfers	-6.1	-13.2	-8.6	-11.6	-12.5	-9.0	-11.8	-9.1	-8.7	-7.5	-6.9
Excluding official transfers	-20.0	-24.3	-17.3	-18.3	-19.0	-17.9	-19.3	-15.7	-14.8	-13.6	-12.5
PV of external debt (percent of GDP)	31.5	26.6	27.1	25.6	27.9	24.0	32.7	31.8	31.6	30.7	29.1
External debt service (percent of exports) [4]	3.3	3.8	2.6	5.1	4.5	5.3	11.8	7.4	7.2	7.1	9.4
Export of goods and non-factor services (US$ millions)	96.6	86.1	98.0	108.6	96.3	120.5	53.9	87.7	95.3	107.2	118.6
Gross international reserves [5]											
Millions of U.S. dollars	55.9	51.4	35.1	36.0	40.4	40.0	40.4	45.8	51.4	53.7	57.2
Months of imports of goods and nonfactor services [6]	4.9	4.7	3.0	3.3	4.7	3.6	4.1	4.3	4.6	4.5	4.5
Gross international reserves (incl. commercial bank reserves)											
Millions of U.S. dollars	62.3	58.5	42.4	43.4	46.4	…	46.4	52.4	58.4	61.4	65.4
Months of imports of goods and nonfactor services [6]	5.5	5.3	3.6	4.0	5.4	…	4.7	4.9	5.2	5.2	5.2
National Oil Account (US$ millions)	11.5	11.3	19.5	18.5	18.8	17.8	15.2	12.4	10.1	8.2	6.7
Memorandum Item											
Gross Domestic Product											
Millions of new dobra	7,698	8,154	8,619	9,333	9,230	9,997	8,980	9,758	10,403	11,134	11,955
Millions of U.S. dollars	347.5	375.8	415.6	429.8	421.8	462.6	408.5	448.5	480.4	515.5	554.6
Per capita (in U.S. dollars)	1,738	1,842	1,989	1,933	1,980	2,036	1,874	2,011	2,116	2,222	2,340
Unemployment rate (percent)	13.4	13.5	…	…	…	…	…	…	…	…	…

Sources: São Tomé and Príncipe authorities' data and IMF staff estimates and projections.

[1] Central Bank (BCSTP) mid-point rate.

[2] Excludes oil related revenues, grants, interest earned, scheduled interest payments, and foreign-financed capital outlay.

[3] Total public and publicly guaranteed debt as defined in DSA, which includes EMAE's debt to ENCO (and excludes the government's arrears to EMAE due to consolidation).

[4] Percent of exports of goods and nonfactor services.

[5] Gross international reserves exclude the National Oil Account and commercial banks' foreign currency deposits at the BCSTP in order to meet reserve requirements, for new licensing, and for meeting capital requirements.

[6] Imports of goods and nonfactor services, excluding imports of investment goods and technical assistance.

Table 2a. São Tomé and Príncipe: Financial Operations of the Central Government, 2016–24
(Millions of new dobra)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				ECF		ECF					
				Req.	Est.	Req.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants [1]	2168	2034	2081	1956	2073	2362	2016	2224	2420	2629	2801
Total revenue	1130	1174	1365	1335	1468	1472	1342	1574	1788	1954	2127
Tax revenue	949	1036	1099	1166	1160	1297	1147	1342	1540	1687	1823
Import taxes	371	388	486	502	472	547	550	598	637	682	739
Of which: payment to ENCO	...	...	...	0.0	0	32	22	22	22	22	22
Other taxes	578	647	613	664	689	750	597	744	903	1005	1084
Nontax revenue [2]	181	138	266	170	308	176	195	232	249	267	305
of which: oil revenue	74	51	212	61	70	61	2	2	2	2	2
Grants	1038	860	715	621	605	889	674	650	631	675	673
Project grants	891	594	557	366	333	635	368	420	403	431	416
Nonproject grants	81	198	125	182	186	182	223	158	157	168	181
HIPC Initiative-related grants	65	67	33	73	86	72	83	72	72	76	76
Total expenditure	2494	2253	2243	2042	2079	2390	2417	2408	2526	2743	2925
Of which: domestic primary expenditure	1370	1316	1536	1472	1568	1550	1822	1746	1870	2046	2228
Current expenditure	1334	1287	1436	1503	1616	1569	1846	1752	1862	2000	2142
Personnel costs	684	681	798	856	848	875	880	898	957	1024	1100
Interest due	34	43	34	60	66	61	66	47	45	44	42
Goods and services	249	253	260	236	235	243	314	270	288	308	331
Transfers	282	234	273	290	268	325	369	316	337	372	399
Other current expenditure [2]	84	76	71	61	199	65	216	221	235	252	270
Capital expenditure	1141	952	795	522	454	799	549	641	644	713	753
Financed by the Treasury	50	58	122	13	9	20	20	27	33	60	98
of which : Capitalization of BIRD	...	...	21	...	...	...	...	...	...	...	...
Financed by external sources	1090	894	673	509	445	779	529	615	611	654	655
HIPC Initiative-related capital expenditure	19	15	12	17	9	22	22	15	20	30	30
Domestic primary balance [3]	-314	-193	-362	-198	-170	-170	-504	-195	-106	-116	-124
Overall fiscal balance (commitment basis)	-326	-219	-162	-85	-6	-28	-401	-184	-106	-114	-125
Net change in domestic arrears	0	6	76	0	-100	-66	-27	-23	-23	-23	-23
Float and statistical discrepancies	0	-53	-24	0	251	0	0	0	0	1	2
Overall fiscal balance (cash basis)	-30	-215	-111	-85	145	-94	-428	-207	-130	-137	-146
Financing	30	215	111	85	-145	94	55	174	130	138	148
Net external	62	103	67	0	-20	-11	5	38	44	39	-34
Disbursements [4]	143	160	116	143	96	143	162	195	208	223	239
Program financing (loans) [5]	32	37	16	...	...	...	...	...	...	...	...
Net domestic	-32	112	44	85	-125	104	50	136	86	99	183
Net bank credit to the government	-32	112	44	85	-125	137	72	157	107	121	204
Banking credit (net, excluding National Oil Account) [5]	-5	103	210	61	-142	117	-9	93	56	79	171
Of which: central bank on-lending of Fund resources	...	...	...	58	59	114	116	115	115	0	0
National Oil Account	-27	9	-167	24	17	20	81	64	52	42	33
Nonbank financing	0	0	0	0	0	-32	-22	-22	-22	-22	-22
Financing gap	0	0	0	0	0	0	-373	-33	0	1	2
RCF	...	...	...	...	...	...	270	...	...	...	...
Memorandum items											
EMAE loss	438	285	349	...	388	...	...	...	...	...	...

Sources: São Tomé and Príncipe authorities' data and IMF staff estimates and projec

[1] Revenue is measured on a cash basis.

[2] 'Non-tax revenue' and 'other current expenditure' exhibit a hike in 2019 as some autonomous entities were brought into the Treasury's accounts.

[3] Excludes oil related revenues and a fraction of the oil surcharge for ENCO debt repayment, grants, interest earned, scheduled interest payments, foreign-financed capital outlays, and capitalization of regional organizations per definition in TMU.

[4] Includes loan from Angola in 2016 and 2017.

[5] Includes use of IMF program support.

Table 2b. São Tomé and Príncipe: Financial Operations of the Central Government, 2016–24

(In percent of GDP)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				ECF Req.	Est.	ECF Req.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants [1]	**28.2**	**24.9**	**24.1**	**21.0**	**22.5**	**26.3**	**22.4**	**22.8**	**23.3**	**23.6**	**23.4**
Total revenue	14.7	14.4	15.8	14.3	15.9	16.4	14.9	16.1	17.2	17.5	17.8
Tax revenue	12.3	12.7	12.8	12.5	12.6	14.4	12.8	13.8	14.8	15.1	15.2
Import taxes	4.8	4.8	5.6	5.4	5.1	6.1	6.1	6.1	6.1	6.1	6.2
Of which: payment to ENCO	…	…	…	0.0	0.0	0.4	0.2	0.2	0.2	0.2	0.2
Other taxes	7.5	7.9	7.1	7.1	7.5	8.3	6.6	7.6	8.7	9.0	9.1
Nontax revenue [2]	2.3	1.7	3.1	1.8	3.3	2.0	2.2	2.4	2.4	2.4	2.5
of which: oil revenue	1.0	0.6	2.5	0.6	0.8	0.7	0.0	0.0	0.0	0.0	0.0
Grants	13.5	10.5	8.3	6.7	6.6	9.9	7.5	6.7	6.1	6.1	5.6
Project grants	11.6	7.3	6.5	3.9	3.6	7.1	4.1	4.3	3.9	3.9	3.5
Nonproject grants [2]	1.1	2.4	1.5	2.0	2.0	2.0	2.5	1.6	1.5	1.5	1.5
HIPC Initiative-related grants	0.8	0.8	0.4	0.8	0.9	0.8	0.9	0.7	0.7	0.7	0.6
Total expenditure	**32.4**	**27.6**	**26.0**	**21.9**	**22.5**	**26.6**	**26.9**	**24.7**	**24.3**	**24.6**	**24.5**
Of which: Domestic primary expenditure	17.8	16.1	17.8	15.8	17.0	17.3	20.3	17.9	18.0	18.4	18.6
Current expenditure	17.3	15.8	16.7	16.1	17.5	17.5	20.6	17.9	17.9	18.0	17.9
Personnel costs	8.9	8.3	9.3	9.2	9.2	9.7	9.8	9.2	9.2	9.2	9.2
Interest due	0.4	0.5	0.4	0.6	0.7	0.7	0.7	0.5	0.4	0.4	0.4
Goods and services	3.2	3.1	3.0	2.5	2.5	2.7	3.5	2.8	2.8	2.8	2.8
Transfers	3.7	2.9	3.2	3.1	2.9	3.6	4.1	3.2	3.2	3.3	3.3
Other current expenditure [2]	1.1	0.9	0.8	0.6	2.2	0.7	2.4	2.3	2.3	2.3	2.3
Capital expenditure	14.8	11.7	9.2	5.6	4.9	8.9	6.1	6.6	6.2	6.4	6.3
Financed by the Treasury	0.7	0.7	1.4	0.1	0.1	0.2	0.2	0.3	0.3	0.5	0.8
of which : Capitalization of BIRD	…	…	0.2	…	…	…	…	…	…	…	…
Financed by external sources	14.2	11.0	7.8	5.5	4.8	8.7	5.9	6.3	5.9	5.9	5.5
HIPC Initiative-related capital expenditure	0.2	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.3
Domestic primary balance [3]	-4.1	-2.4	-4.2	-2.1	-1.8	-1.9	-5.6	-2.0	-1.0	-1.0	-1.0
Overall fiscal balance (commitment basis)	-4.2	-2.7	-1.9	-0.9	-0.1	-0.3	-4.5	-1.9	-1.0	-1.0	-1.0
Net change in domestic arrears	0.0	0.1	0.9	0.0	-1.1	-0.7	-0.3	-0.2	-0.2	-0.2	-0.2
Float and statistical discrepancies	0.0	-0.7	-0.3	0.0	2.7	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (cash basis)	**-0.4**	**-2.6**	**-1.3**	**-0.9**	**1.6**	**-1.0**	**-4.8**	**-2.1**	**-1.2**	**-1.2**	**-1.2**
Financing	**0.4**	**2.6**	**1.3**	**0.9**	**-1.6**	**1.0**	**0.6**	**1.8**	**1.2**	**1.2**	**1.2**
Net external	0.8	1.3	0.8	0.0	-0.2	-0.1	0.1	0.4	0.4	0.3	-0.3
Disbursements [4]	1.9	2.0	1.3	1.5	1.0	1.6	1.8	2.0	2.0	2.0	2.0
Program financing (loans) [5]	0.4	0.5	0.2	…	…	…	…	…	…	…	…
Scheduled amortization	-1.5	-1.2	-0.8	-1.5	-1.3	-1.7	-1.7	-1.6	-1.6	-1.7	-2.3
Net domestic	-0.4	1.4	0.5	0.9	-1.4	1.2	0.6	1.4	0.8	0.9	1.5
Net bank credit to the government	-0.4	1.4	0.5	0.9	-1.4	1.5	0.8	1.6	1.0	1.1	1.7
Banking credit (net, excluding National Oil Account) [5]	-0.1	1.3	2.4	0.7	-1.5	1.3	-0.1	1.0	0.5	0.7	1.4
Of which: central bank on-lending of Fund resources	…	…	…	0.6	0.6	1.3	1.3	1.2	1.1	0.0	0.0
National Oil Account	-0.3	0.1	-1.9	0.3	0.2	0.2	0.9	0.7	0.5	0.4	0.3
Nonbank financing	0.0	0.0	0.0	0.0	0.0	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	-4.2	-0.3	0.0	0.0	0.0
RCF	…	…	…	…	…	…	3.0	…	…	…	…
Memorandum items											
EMAE loss	5.8	3.7	3.8	…	4.2	…	…	…	…	…	…
Nominal GDP (Millions of new dobra)	7,698	8,154	8,619	9,333	9,230	8,980	8,980	9,758	10,403	11,134	11,955

Sources: São Tomé and Príncipe authorities' data and IMF staff estimates and projections.

[1] Revenue is measured on a cash basis.

[2] 'Non-tax revenue' and 'other current expenditure' exhibit a hike in 2019 as some autonomous entities were brought into the Treasury's accounts.

[3] Excludes oil related revenues and a fraction of the oil surcharge for ENCO debt repayment, grants, interest earned, scheduled interest payments, foreign-financed capital outlays, and capitalization of regional organizations per definition in TMU.

[4] Includes loan from Angola in 2016 and 2017.

[5] Includes use of IMF program support.

Table 3a. São Tomé and Príncipe: Balance of Payments, 2016–24

(Millions of U.S. dollars)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				ECF Req.	Est.	ECF Req.	Proj.	Proj.	Proj.	Proj.	Proj.
Trade balance	**-105.5**	**-112.1**	**-116.8**	**-119.0**	**-112.3**	**-125.1**	**-76.1**	**-95.2**	**-100.3**	**-106.9**	**-113.1**
Exports, f.o.b.	13.6	15.6	16.0	16.2	14.1	19.7	14.3	18.6	19.3	21.6	24.4
Cocoa	8.6	8.6	8.2	8.0	6.9	11.0	7.0	11.2	11.0	11.5	11.9
Re-export	3.2	4.7	6.8	5.5	3.4	5.3	3.4	4.2	3.8	4.1	4.5
Imports, f.o.b.	-119.1	-127.7	-132.9	-135.2	-126.4	-144.7	-90.5	-113.8	-119.6	-128.4	-137.4
Food	-36.1	-31.6	-31.1	-32.6	-31.3	-34.3	-27.5	-29.0	-30.1	-31.4	-32.9
Petroleum products	-21.7	-27.6	-33.6	-30.6	-34.2	-29.1	-16.6	-18.7	-20.9	-22.9	-24.9
Non-oil investment goods	-31.2	-33.5	-31.3	-33.5	-23.5	-41.0	-24.6	-27.4	-27.3	-29.8	-31.8
Oil sector related investment goods	-12.7	-21.2	-19.6	-36.6	-22.9	-40.4	-16.0	-23.5	-24.7	-26.6	-28.6
Other	-17.4	-13.8	-17.2	-1.9	-14.6	-0.1	-5.8	-15.1	-16.6	-17.7	-19.2
Services and income (net)	**19.9**	**3.9**	**28.7**	**25.0**	**16.1**	**26.2**	**-17.4**	**8.6**	**12.0**	**18.6**	**23.9**
Exports of nonfactor services	82.9	70.5	82.0	92.4	82.2	100.9	39.6	69.2	76.0	85.6	94.2
Of which : travel and tourism	68.8	59.9	68.0	81.6	66.6	89.5	23.3	50.0	55.8	64.2	71.5
Imports of nonfactor services	-63.9	-65.5	-53.4	-66.1	-64.4	-70.1	-55.4	-58.1	-61.3	-64.0	-68.0
Factor services (net)	1.0	-1.1	0.1	-1.2	-1.7	-4.6	-1.6	-2.4	-2.7	-3.0	-2.4
Of which: oil related	0.0	-1.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Private transfers (net)	**15.9**	**16.7**	**16.3**	**15.8**	**15.9**	**16.3**	**14.8**	**16.1**	**17.2**	**18.4**	**19.7**
Official transfers (net)	**48.5**	**41.7**	**36.0**	**28.6**	**27.6**	**41.2**	**30.7**	**29.9**	**29.2**	**31.3**	**31.2**
Of which : project grants (excluding HIPC grants)	40.2	27.4	26.9	16.8	15.2	29.4	16.7	19.3	18.6	19.9	19.3
HIPC Initiative-related grants	2.9	3.1	1.6	3.4	3.9	3.4	3.8	3.3	3.3	3.5	3.5
Current account balance											
Including official transfers	-21.1	-49.7	-35.9	-49.5	-52.7	-41.5	-48.0	-40.6	-41.9	-38.6	-38.2
Excluding official transfers	-69.6	-91.5	-71.9	-78.1	-80.3	-82.6	-78.7	-70.5	-71.1	-69.9	-69.5
Capital and financial account balance	**-9.5**	**74.9**	**-3.4**	**47.1**	**42.7**	**41.1**	**15.1**	**33.1**	**38.9**	**38.5**	**40.2**
Capital transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-9.5	74.9	-3.4	47.1	42.7	41.1	15.1	33.1	38.9	38.5	40.2
Foreign Direct Investment	22.3	33.0	21.1	38.5	27.2	43.2	18.9	28.0	29.6	31.8	35.2
Petroleum related investment	19.3	32.1	20.6	0.0	24.1	42.5	16.8	24.8	26.0	28.0	30.1
Portfolio Investment (net)	0.2	0.6	-21.7	2.8	-7.6	0.0	0.0	0.0	0.0	0.0	0.0
Oil signature bonuses	3.3	2.3	10.2	5.1	3.2	2.8	0.1	0.1	0.1	0.1	0.1
Other investment (net)	-35.4	39.0	-13.1	0.7	20.0	-4.9	-3.9	4.9	9.3	6.6	4.9
Assets	-19.5	2.2	-9.5	0.4	-8.5	-9.9	-8.6	-8.7	-8.8	-9.0	-9.2
Public sector (net)	2.7	3.1	2.9	-12.4	2.0	-0.5	-0.2	1.8	2.0	1.8	-1.6
Project loans	6.4	7.4	5.6	0.0	4.4	6.6	7.4	9.0	9.6	10.3	11.1
Program loans	0.0	0.0	0.0	-6.2	2.7	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-3.7	-4.3	-2.7	-6.2	-5.1	-7.1	-7.5	-7.2	-7.6	-8.5	-12.7
Of which : HIPC Initiative-related grants	-2.5	-2.6	-1.4	-2.9	-3.4	-2.9	-3.3	-2.9	-2.9	-3.2	-3.2
Private sector (net)	-18.6	33.7	-6.5	12.7	26.5	5.5	4.8	11.9	16.0	13.8	15.6
Commercial banks	13.8	8.8	-5.0	2.5	-1.5	-0.2	-0.2	-0.2	-0.1	0.0	0.0
Short-term private capital	-32.3	24.8	-1.5	10.2	28.0	5.7	5.0	12.1	16.2	13.8	15.6
Errors and omissions	26.0	-35.6	31.1	0.0	9.7	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	**-4.6**	**-10.4**	**-8.2**	**-2.4**	**-0.2**	**-0.4**	**-33.0**	**-7.5**	**-3.0**	**-0.1**	**1.9**
Financing	4.6	10.4	8.2	2.4	0.2	0.4	8.8	1.8	0.6	-2.1	-3.3
Change in official reserves, excl. NOA (increase= -)	5.0	6.6	15.9	-0.8	-2.8	-5.3	0.3	-5.9	-6.4	-3.5	-4.7
Use of Fund resources (net)	0.9	2.6	0.5	2.3	2.3	5.0	5.0	4.8	4.6	-0.5	0.0
Purchases	1.8	2.8	0.9	2.7	2.7	5.2	5.2	5.2	5.2	0.0	0.0
Repurchases (incl. MDRI repayment)	-0.9	-0.2	-0.4	-0.4	-0.4	-0.3	-0.3	-0.4	-0.6	-0.5	0.0
National Oil Account (increase = -)	-1.3	0.2	-8.2	0.9	0.7	0.7	3.5	2.9	2.3	1.9	1.5
Exceptional financing (IMF CCRT)	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-24.2**	**-5.8**	**-2.4**	**-2.2**	**-1.3**
IMF RCF	...	...	...	...	...	...	12.3	0.0	0.0	0.0	0.0
Prospective CCRT[1]							0.1	0.6	0.1	0.6	0.1
WB	...	...	...	...	...	...	2.5	0.0	0.0	0.0	0.0
Unidentified	...	...	...	...	...	...	9.3	5.2	2.3	1.7	1.2
Memorandum items:											
Current account balance (percent of GDP)											
Including official transfers	-6.1	-13.2	-8.6	-11.5	-12.5	-9.0	-11.8	-9.1	-8.7	-7.5	-6.9
Excluding official transfers	-20.0	-24.3	-17.3	-18.2	-19.0	-17.9	-19.3	-15.7	-14.8	-13.6	-12.5
Debt service ratio (percent of exports) [2]	3.3	3.8	2.6	5.1	4.5	5.3	11.8	7.4	7.2	7.1	9.4
Gross international reserves [3]											
Millions of U.S. dollars	55.9	51.4	35.1	36.0	40.4	40.0	40.4	45.8	51.4	53.7	57.2
Months of imports of goods and nonfactor services [4]	4.9	4.7	3.0	3.3	4.7	3.6	4.1	4.3	4.6	4.5	4.5

Sources: São Tomé and Príncipe authorities' data and IMF staff estimates and projections.

[1] The grant for the debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

[2] Percent of exports of goods and nonfactor services.

[3] Gross international reserves exclude the National Oil Account and commercial banks' foreign currency deposits at the BCSTP in order to meet reserve requirements, for new licensing, and for meeting capital requirements.

[4] Imports of goods and nonfactor services excluding imports of investment goods and technical assistance.

Table 3b. São Tomé and Príncipe: Balance of Payments, 2016–24

(In percent of GDP)

	2016	2017	2018	2019		2020		2021	2022	2023	2024
				ECF Req.	Est.	ECF Req.	Proj.	Proj.	Proj.	Proj.	Proj.
Trade balance	**-30.3**	**-29.8**	**-28.1**	**-27.7**	**-26.6**	**-27.0**	**-18.6**	**-21.2**	**-20.9**	**-20.7**	**-20.4**
Exports, f.o.b.	3.9	4.1	3.9	3.8	3.3	4.3	3.5	4.1	4.0	4.2	4.4
Cocoa	2.5	2.3	2.0	1.9	1.6	2.4	1.7	2.5	2.3	2.2	2.2
Re-export	0.9	1.3	1.6	1.3	0.8	1.2	0.8	0.9	0.8	0.8	0.8
Imports, f.o.b.	-34.3	-34.0	-32.0	-31.4	-30.0	-31.3	-22.1	-25.4	-24.9	-24.9	-24.8
Food	-10.4	-8.4	-7.5	-7.6	-7.4	-7.4	-6.7	-6.5	-6.3	-6.1	-5.9
Petroleum products	-6.2	-7.3	-8.1	-7.1	-8.1	-6.3	-4.1	-4.2	-4.3	-4.4	-4.5
Non-oil investment goods	-9.0	-8.9	-7.5	-7.8	-5.6	-8.9	-6.0	-6.1	-5.7	-5.8	-5.7
Oil sector related investment goods	-3.7	-5.6	-4.7	-8.5	-5.4	-8.7	-3.9	-5.2	-5.1	-5.2	-5.2
Other	-5.0	-3.7	-4.1	-0.4	-3.5	0.0	-1.4	-3.4	-3.4	-3.4	-3.5
Services and income (net)	**5.7**	**1.0**	**6.9**	**5.8**	**3.8**	**5.7**	**-4.3**	**1.9**	**2.5**	**3.6**	**4.3**
Exports of nonfactor services	23.9	18.8	19.7	21.5	19.5	21.8	9.7	15.4	15.8	16.6	17.0
Of which : travel and tourism	19.8	15.9	16.4	19.0	15.8	19.3	5.7	11.1	11.6	12.4	12.9
Imports of nonfactor services	-18.4	-17.4	-12.8	-15.4	-15.3	-15.2	-13.6	-13.0	-12.8	-12.4	-12.3
Factor services (net)	0.3	-0.3	0.0	-0.3	-0.4	-1.0	-0.4	-0.5	-0.6	-0.6	-0.4
Of which: oil related	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private transfers (net)	**4.6**	**4.4**	**3.9**	**3.7**	**3.8**	**3.5**	**3.6**	**3.6**	**3.6**	**3.6**	**3.6**
Official transfers (net)	**14.0**	**11.1**	**8.7**	**6.7**	**6.6**	**8.9**	**7.5**	**6.7**	**6.1**	**6.1**	**5.6**
Of which : project grants (excluding HIPC grants)	11.6	7.3	6.5	3.9	3.6	6.4	4.1	4.3	3.9	3.9	3.5
HIPC Initiative-related grants	0.8	0.8	0.4	0.8	0.9	0.7	0.9	0.7	0.7	0.7	0.6
Current account balance											
Including official transfers	-6.1	-13.2	-8.6	-11.5	-12.5	-9.0	-11.8	-9.1	-8.7	-7.5	-6.9
Excluding official transfers	-20.0	-24.3	-17.3	-18.2	-19.0	-17.9	-19.3	-15.7	-14.8	-13.6	-12.5
Capital and financial account balance	**-2.7**	**19.9**	**-0.8**	**10.9**	**10.1**	**8.9**	**3.7**	**7.4**	**8.1**	**7.5**	**7.2**
Capital transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-2.7	19.9	-0.8	10.9	10.1	8.9	3.7	7.4	8.1	7.5	7.2
Foreign Direct Investment	6.4	8.8	5.1	9.1	6.4	9.3	4.6	6.3	6.2	6.2	6.3
Recovery of oil capital expense	-5.6	-8.5	-5.0		-5.7		-4.1	-5.5	-5.4	-5.4	-5.4
Portfolio Investment (net)	0.1	0.2	-5.2	0.0	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Oil signature bonuses	1.0	0.6	2.5	0.6	0.8	0.6	0.0	0.0	0.0	0.0	0.0
Other investment (net)	-10.2	10.4	-3.1	1.2	4.7	-1.1	-1.0	1.1	1.9	1.3	0.9
Assets	-5.6	0.6	-2.3	-2.3	-2.0	-2.1	-2.1	-1.9	-1.8	-1.7	-1.7
Public sector (net)	0.8	0.8	0.7	0.1	0.5	-0.1	0.0	0.4	0.4	0.3	-0.3
Project loans	1.9	2.0	1.3	1.5	1.0	1.4	1.8	2.0	2.0	2.0	2.0
Program loans	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-1.1	-1.1	-0.6	-1.5	-1.2	-1.5	-1.8	-1.6	-1.6	-1.7	-2.3
Of which : transfers to JDA	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector (net)	-5.3	9.0	-1.6	3.3	6.3	1.1	1.2	2.6	3.3	2.7	2.8
Commercial banks	4.0	2.3	-1.2	0.6	-0.4	-0.1	0.0	-0.1	0.0	0.0	0.0
Short-term private capital	-9.3	6.6	-0.4	2.8	6.6	1.2	1.2	2.7	3.4	2.7	2.8
Errors and omissions	**7.5**	**-9.5**	**7.5**	**0.0**	**2.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-1.3**	**-2.8**	**-2.0**	**-0.6**	**0.0**	**-0.1**	**-8.1**	**-1.7**	**-0.6**	**0.0**	**0.3**
Financing	1.3	2.8	2.0	0.6	0.0	0.1	2.2	0.4	0.1	-0.4	-0.6
Change in official reserves, excl. NOA (increase= -)	1.4	1.8	3.8	-0.2	-0.7	-1.1	0.1	-1.3	-1.3	-0.7	-0.9
Use of Fund resources (net)	0.3	0.7	0.1	0.5	0.6	1.1	1.2	1.1	1.0	-0.1	0.0
Purchases	0.5	0.7	0.2	0.6	0.6	1.1	1.3	1.2	1.1	0.0	0.0
National Oil Account (increase = -)	-0.4	0.1	-2.0	0.2	0.2	0.2	0.9	0.6	0.5	0.4	0.3
Exceptional financing (IMF CCRT)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-5.9**	**-1.3**	**-0.5**	**-0.4**	**-0.2**
IMF RCF	…	…	…	…	…	…	3.0	0.0	0.0	0.0	0.0
Prospective CCRT[1]	…	…	…	…	…	…	0.0	0.1	0.0	0.1	0.0
WB	…	…	…	…	…	…	0.6	0.0	0.0	0.0	0.0
Unidentified	…	…	…	…	…	…	2.3	1.2	0.5	0.3	0.2
Memorandum items:											
Debt service ratio (percent of exports)[2]	3.3	3.8	2.6	5.1	4.5	5.3	11.8	7.4	7.2	7.1	9.4
Gross international reserves[3]											
Millions of U.S. dollars	55.9	51.4	35.1	36.0	40.4	40.0	40.4	45.8	51.4	53.7	57.2
Months of imports of goods and nonfactor services[4]	4.9	4.7	3.0	3.3	4.7	3.6	4.1	4.3	4.6	4.5	4.5

Sources: São Tomé and Príncipe authorities' data and IMF staff estimates and projections.

[1] The grant for the debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT

[2] Percent of exports of goods and nonfactor services.

[3] Gross international reserves exclude the National Oil Account and commercial banks' foreign currency deposits at the BCSTP in order to meet reserve requirements, for new licensing, and for meeting capital requirements.

[4] Imports of goods and nonfactor services excluding imports of investment goods and technical assistance.

Table 4. São Tomé and Príncipe: Indicators of Capacity to Repay the Fund, 2020–34

(as of April 2, 2020; In millions of SDRs, unless specified otherwise)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fund obligations based on existing credit [1]															
Principal	0.00	0.41	0.60	0.75	0.76	1.14	0.95	0.76	0.51	0.38	0.00	0.00	0.00	0.00	0.00
Charges and interest	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fund obligations based on existing and prospective credit [1]															
Principal	0.00	0.41	0.60	0.75	0.76	2.23	3.71	4.28	4.59	4.47	2.99	1.33	0.57	0.00	0.00
Charges and interest	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total obligations based on existing and prospective credit															
Millions of SDRs [1]	0.01	0.41	0.60	0.75	0.76	2.23	3.71	4.28	4.59	4.47	2.99	1.33	0.57	0.00	0.00
Millions of U.S. dollars	0.01	0.57	0.84	1.05	1.07	3.14	5.22	6.02	6.46	6.29	4.21	1.87	0.80	0.00	0.00
Percent of exports of goods and services	0.03	0.65	0.88	0.98	0.90	2.48	3.84	4.12	4.09	3.67	2.31	0.96	0.39	0.00	0.00
Percent of debt service [2]	0.22	8.80	12.13	13.75	9.52	29.15	49.95	58.82	64.72	63.68	40.85	18.35	7.97	0.00	0.00
Percent of quota	0.07	2.77	4.05	5.07	5.14	15.07	25.07	28.92	31.01	30.20	20.20	8.99	3.85	0.00	0.00
Percent of gross international reserves [2]	0.03	1.24	1.63	1.95	1.86	5.16	8.63	10.05	10.89	10.72	7.27	3.28	1.43	0.00	0.00
Percent of GDP	0.00	0.13	0.17	0.20	0.19	0.53	0.81	0.87	0.87	0.79	0.49	0.20	0.08	0.00	0.00
Outstanding Fund credit [1]															
Millions of SDRs	19.1	22.5	25.7	24.9	24.2	21.9	18.2	14.0	9.4	4.9	1.9	0.6	0.0	0.0	0.0
Millions of U.S. dollars	26.4	31.2	35.8	34.8	33.9	30.9	25.7	19.6	13.2	6.9	2.7	0.8	0.0	0.0	0.0
Percent of exports of goods and services	49.0	35.6	37.6	32.5	28.6	24.4	18.9	13.4	8.3	4.0	1.5	0.4	0.0	0.0	0.0
Percent of debt service [2]	414.4	482.4	519.3	457.1	302.9	286.8	245.5	191.7	132.0	69.7	26.0	7.9	0.0	0.0	0.0
Percent of quota	129.0	151.9	173.5	168.4	163.3	148.2	123.2	94.3	63.2	33.0	12.8	3.9	0.0	0.0	0.0
Percent of gross international reserves [3]	65.4	68.2	69.7	64.9	59.3	50.7	42.4	32.8	22.2	11.7	4.6	1.4	0.0	0.0	0.0
Percent of GDP	6.5	7.0	7.5	6.8	6.1	5.2	4.0	2.8	1.8	0.9	0.3	0.1	0.0	0.0	0.0
Net Use of Fund Credit [1]	12.8	3.4	3.2	-0.8	-0.8	-2.2	-3.7	-4.3	-4.6	-4.5	-3.0	-1.3	-0.6	0.0	0.0
Disbursements	12.8	3.8	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	0.4	0.6	0.8	0.8	2.2	3.7	4.3	4.6	4.5	3.0	1.3	0.6	0.0	0.0
Memorandum items:															
Exports of goods and services (millions of U.S. dollars)	53.9	87.7	95.3	107.2	118.6	126.6	135.8	146.1	157.9	171.5	181.8	195.9	207.9	220.7	234.3
Debt service (millions of U.S. dollars)	6.4	6.5	6.9	7.6	11.2	10.8	10.5	10.2	10.0	9.9	10.3	10.2	10.1	10.0	9.9
Quota (millions of SDRs)	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
Gross international reserves [3]	40.4	45.8	51.4	53.7	57.2	60.8	60.5	59.9	59.3	58.7	57.9	57.0	56.2	55.3	54.4
GDP (millions of U.S. dollars)	409	448	480	516	555	597	642	690	742	798	858	923	983	1048	1117

Sources: São Tomé and Príncipe authorities' data and IMF staff estimates and projections.

1 Includes prospective RCF and CCRT debt service relief from April 14 to October 13, 2020.

2 After HIPC and MDRI debt relief. Including IMF repurchases and repayments in total debt service.

3 Gross international reserves excludes the National Oil Account and commercial banks' foreign currency deposits at the BCSTP in order to meet reserve requirements, for new licensing, and for meeting capital requirements.

Appendix I. Letter of Intent

April 14, 2020

Madame Kristalina Georgieva

Managing Director

International Monetary Fund

Washington, D.C.

Dear Managing Director Georgieva:

1. This letter requests additional financial support from the IMF in an amount of SDR 9.028 million (61 percent of quota) under the exogenous shocks window of the Rapid Credit Facility (RCF) to help the Government of Democratic Republic of São Tomé and Principe mitigate the continued adverse impact of the COVID-19 pandemic on the country's fiscal and external positions. We have also requested debt relief under the Catastrophic Containment and Relief Trust (CCRT).

2. The pandemic severely affects our economy, the budget, and the balance of payments, and first four cases were confirmed on April 6. The collapse of the tourism industry, delays in the implementation of externally financed infrastructure projects, and international supply-chain disruptions weigh heavily on the economy. The fiscal balance has been put under severe stress with the urgent need to scale up health spending and social assistance while revenues decline. Our preliminary analysis indicates that the economy will contract by 6 percent in 2020 with immediate and large fiscal needs. For 2021, under an optimistic scenario, global demand, as well as tourism, will recover partially to its pre-crisis level. This, along with the implementation of long delayed construction projects, could raise GDP to close to the 2019 level, implying a growth rate of 5.5 percent year-on-year. However, if the negative impact of the pandemic lasts longer globally, the economy in Sao Tome and Principe may only grow at 2.2 percent, with tourism slow to recover and construction projects further delayed.

3. The requested disbursement under the RCF will contribute towards filling the external financing gap and supporting the timely execution of our budget. RCF resources will be fully on-lent to the government to help mitigate revenue shortfalls and expenditure pressures. A Memorandum of Understanding will be signed by the central bank and the Ministry of Finance to specify the responsibilities for servicing financial obligations to the IMF. We believe IMF financing will play a catalytic role in attracting grants and other concessional financing from our development partners. We are seeking support from other partners, mainly in the form of grants given our high debt level. We have requested a grant of US$2.5 million from the World Bank under its COVID-19 Strategic Preparedness and Response Program (SPRP).

4. Our plan is spelled out in more detail below. In particular, we plan to implement countercyclical fiscal policy in the short-term, taking into consideration available financing. Our immediate priority will be implementing our COVID-19 contingency plan to protect the population from the virus, assist the most vulnerable, and apply countercyclical measures including offering incentives for businesses to retain workers, supporting the unemployed, and facilitating access to credit. While revenue is expected to be negatively impacted by the economic contraction, we intend to mitigate this by keeping retail fuel prices unchanged to generate revenue from the drop in international oil prices. We have reaffirmed the agreement with the oil importer ENCO for it to fully transfer the oil price differential to the State. We will also levy a small solidarity contribution on public servants' salaries who are otherwise relatively insulated from the shock. In light of the uncertainty, we will continuously prioritize to match spending with available resources and avoid arrears.

Crisis Mitigation Plan Details

5. Key elements of the plan include the following:

- *Implementation of the health contingency plan* prepared in coordination with the WHO, including associated health spending (for example, medicine, equipment, staffing, and treatment centers), to protect against COVID-19. The estimated cost, around US$3 million, is expected to be largely financed by the WB and WHO.

- *Expand the WB-supported cash-transfer program* from 2600 to at least 5200 vulnerable households, and switch to monthly instead of bi-monthly cash payments to cover immediate cash needs, over a period of six months. Provide support to the disadvantaged and nursing homes (the elderly, disabled and abandoned children).

- *Support businesses*, particularly those in tourism, that are expecting over a 50 percent drop in revenue in 2020 by:

    - Suspending for 3 months administrative penalties (interest on arrears, legal fees, foreclosure) on late payment of 2019 profit taxes, 2020 advance payments of profit taxes, and late payment of liabilities owed to the state.

    - Contributing over a period of 6 months two-thirds of workers' salaries (based on the average base salary during January-February) with a cap of four times the minimum wage for civil servants (STD 1100, or US$50 per month), provided the employers also contribute a small, uniform share of the salary (the exact share to be determined).

  Where applicable, consumption tax and personal income tax will continue to be withheld at the source and transferred to the state.

- *To further encourage employment*, the scheme described in the last bullet above will also apply to newly hired workers by any registered, already established business, for instance in agriculture, fishing, or sanitation, provided the employer can demonstrate the new employment is a net addition to his/her past employment.

- For *formally registered workers affected by the shock*, including those who lost their jobs and members employed in the artistic and cultural sector, the state will contribute one-half of the worker's average base salary during January-February, with a cap of four times the minimum wage (STD 1100), over a three-month period.

Estimated Costs of Key Crisis-Mitigation Measures

	millions of dobras	percent of GDP
Implementation of the health plan	63	0.7
Expanded social programs	11	0.1
Contribution to workers' salaries	44	0.5
Unemployment benefits in the formal sector	12	0.1
Support to unemployed in the informal sector	16	0.2
Total	**146**	**1.6**

- *For unregistered workers* (i.e. those in the informal sector) who can demonstrate that they lost their jobs, payment of STD 600 over a period of 3 months will be made, provided they register with the labor force and social security.

- *Where supply chains are disrupted*, the state will procure seeds, feedstock, and other essential inputs to be sold to farmers at market price.

- *To generate savings*:

    - Retail fuel prices will be kept unchanged at their present level.

    - Total wage bill at SOEs and autonomous public entities will be reduced by 20 percent over a period of 6 months to avoid the dismissal of staff and cover losses.

    - Civil servants outside the education and health sectors, who are relatively unaffected by the shock, will contribute between 5 and 10 percent of their wages as a solidarity tax for a period of 6 months. Given school closures, savings will also be automatically generated from the absence of overtime normally paid to teachers.

6. The budget will be revised to incorporate the above policies and in line with the following breakdown.

Central Government Expenses, 2020
(millions dobras)

Total domestic primary expenditure	1822
Current expenditure	1846
Personnel costs	880
Goods and services	314
Transfers	369
Other current expenditure	216
Capital spending fin. by Treasury	20
HIPC Initiative-related social expenditure	22

7. Negotiations are ongoing with some commercial banks to establish a state-guaranteed credit line (around US$6 million with equal risk assumed by the state and banks) for SMEs affected by the slowdown. The government will consider extending the state-guaranteed credit line to finance viable businesses provided resources are available.

Transparency

8. We will ensure proper monitoring of all expenditure relating to the pandemic and improve transparency in public procurement. The government will ensure adequate control of total pandemic-related expenses and adopt measures by end-April 2020 to ensure better transparency and publicity regarding public procurement, particularly by publishing on the website of Ministry of Finance (MOF) or through announcements on other media (i) public procurement contracts, once signed, that require prior authorization from the Court of Accounts as per the Organic Law (no. 11/2019) and the ex-post validation of delivery of the contracts and (ii) monthly COVID-19 related expenditure. The crisis mitigation measures described in paragraphs 5-7 have been authorized by the parliament, and a revised budget consistent with the above policies will be submitted to parliament when conditions allow, at the latest by end-July. The government will also conduct an independent audit of spending after the crisis abates and publish the results to confirm that funds were used for their intended purpose. An IMF safeguards assessment was recently completed in August 2019 and we are committed to addressing the remaining issues.

Monetary and financial sector policies

9. Monetary and financial sector policies will seek to strike an appropriate balance between maintaining price and financial stability and sustaining economic activity. The BCSTP has prepared a contingency plan to minimize the impact of the COVID-19 crisis. Moreover, the BCSTP will continue to actively manage liquidity in the banking system, taking into account liquidity generated by RCF financed public spending, by reducing the minimum cash reserve requirement for both foreign and national currencies by 4 percentage points to 17 and 14 percent, respectively, to enable banks to continue to provide credit to the economy. The authorities will request a moratorium of 8 months on bank dividend payouts to ensure adequate capital to support lending. It will also advise banks to be flexible in renegotiating debt payments or to offer a moratorium on repayment for temporarily distressed but fundamentally sound borrowers. Nevertheless, loan reporting, classification, and provisioning standards will be maintained to safeguard financial stability; restructured loans will be classified accordingly to avoid compromising the information on loan quality; and any loan forbearance measures will be limited to the crisis period.

Medium-term policies

10. Our medium-term macroeconomic policies will be guided by our program supported by the Extended Credit Facility. Once the crisis has passed, we will continue to improve domestic revenue mobilization and contain public spending to help improve the fiscal position, safeguard the peg, and reduce the debt burden to ensure sustainability and alleviate the pressure on foreign exchange reserves. The government will also follow through with plans to introduce a VAT, reform our utility company (EMAE), and improve the business environment. In particular, we will develop a plan, in coordination with the National Institute for Civil Aviation, to remove the country from the European Union's Air Safety blacklist to facilitate the recovery of the tourism sector.

11. We believe that the economic and financial policies set forth in this letter provide an adequate basis at this moment for achieving our macroeconomic and poverty reduction and growth objectives and address the balance of payments and fiscal difficulties caused by the pandemic. We do not intend to introduce exchange measures, multiple currency practices, trade restrictions that would worsen the current balance-of-payments difficulties.

12. In line with its commitment to transparency and accountability, we authorize the IMF to publish this letter and the staff report for the request for disbursement under the RCF, including placement of these on the IMF website in accordance with IMF procedures, following the IMF Executive Board's approval of the request.

Sincerely yours

/s/
Mr. Osvaldo Vaz,
Minister of Finance, Commerce and the Blue Economy

/s/
Mr. Américo Soares De Barros,Governor of the Central Bank of São Tomé and Príncipe

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY— DEBT SUSTAINABILITY ANALYSIS[1]

April 14, 2020

Approved By
David Owen and Kevin Fletcher (IMF) and Marcello Estevão (IDA)

Prepared by the staffs of the International Monetary Fund and International Development Association.

São Tomé and Príncipe: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*In debt distress*
Overall risk of debt distress	*In debt distress*
Granularity in the risk rating	*Sustainable*
Application of judgement	*No*
Macroeconomic projections	Reflecting recent data and the COVID-19 shock, the projections have been updated. (see below)
Financing strategy	Other than the RCF, the financing gap will be filled with grants by other donors, including the World Bank. The authorities have committed to prioritize spending to match available resources.
Realism tools flagged	n.a.
Mechanical risk rating under the external DSA	*In debt distress*
Mechanical risk rating under the public DSA	*In debt distress*

[1] The DSA update was prepared by IMF and World Bank staffs in collaboration with the authorities of São Tomé and Príncipe. The analysis updates the previous Joint DSA dated September 18, 2019 (IMF Country Report No. 19/315).

The country remains in debt distress due to prolonged unsettled external arrears. *In addition, the significant domestic arrears of the large loss-making state-owned utility company (EMAE) reflect the severe liquidity constraints of the public sector. Staff assesses that the country has the capacity to repay the external arrears over time, as indicated by the external debt ratios. While the present value (PV) of external PPG debt-to-exports ratio breaches its threshold in 2020 due to the COVID-19 shock, all other external PPG debt burden indicators remain well below their thresholds throughout the projection horizon in the baseline scenario.[2] While the PV of total public and publicly guaranteed (PPG) debt is currently above the high-risk benchmark, it can be deemed sustainable since the PV of PPG debt falls below the benchmark when accounting for the terms of formalized concessional debt of EMAE and the government to the country's fuel supplier, ENCO. Furthermore, the country is committed to implement EMAE's planned reforms and borrow externally only on concessional terms at a measured pace. The likelihood of contingent liabilities materializing, particularly ENCO's arrears to its parent company Sonangol (a state-owned company of Angola), remains relatively low, given the close diplomatic ties between the two countries.*

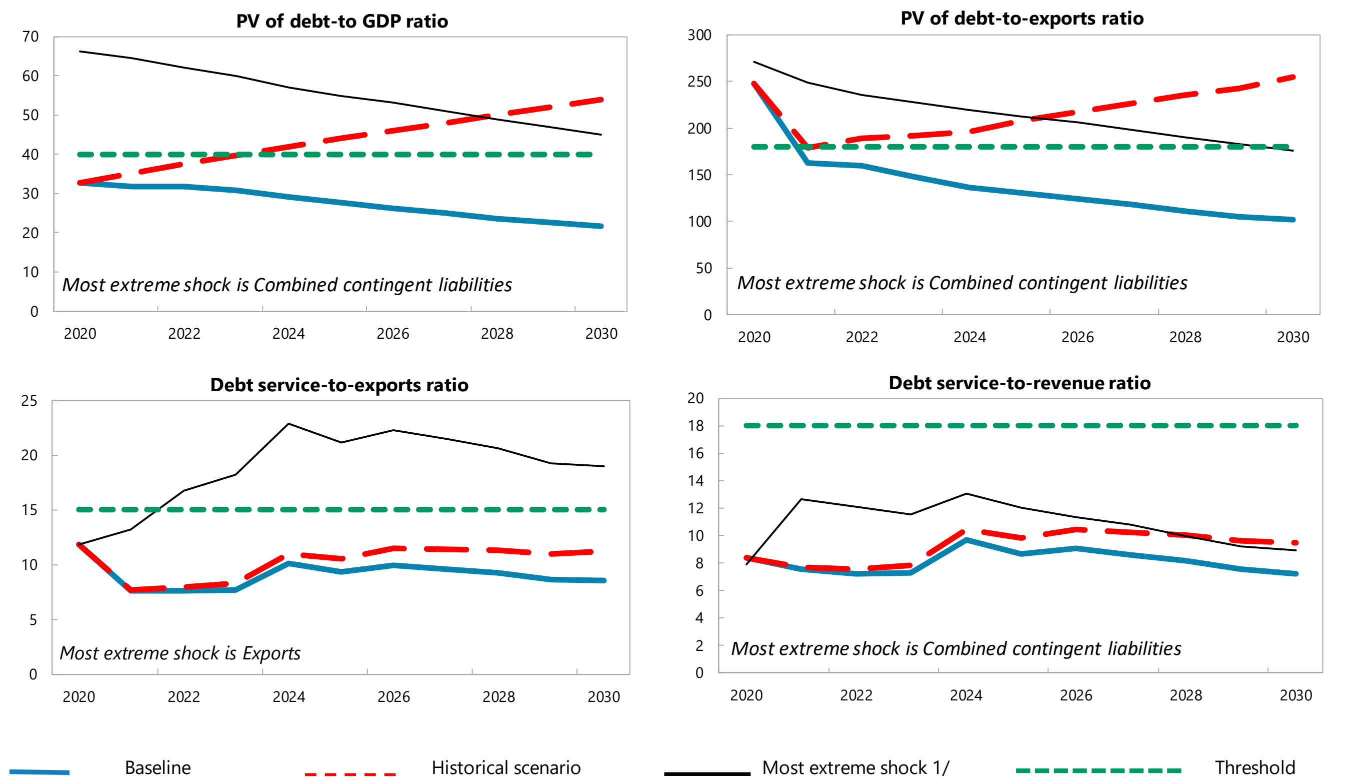
Macroeconomic projections: The COVID-19 shock is expected to lead to a contraction of the economy in 2020 with immediate and large BOP and fiscal financing needs. Real GDP growth in 2020 is projected to decline to -6.0 percent, compared with pre-crisis projections of 3.5 percent. Average real growth and inflation are both revised down to 4 percent and 3 percent, respectively (compared to 4.3 percent and 4 percent in the previous DSA), throughout the 2020-40 projection horizon. Export and import growth have also been revised slightly downward throughout the projection horizon. The domestic primary budget deficit is expected to reach 5.6 percent of GDP in 2020 compared with pre-COVID-19 projections of 1.7 percent of GDP, and now averages 1.1 percent of GDP through the projection horizon compared to 0.9 percent in the previous DSA. The larger financing needs in 2020 are projected to be covered by the RCF disbursement and other international support in the form of grants.[3] The economy is expected to recover in 2021 to close to 2019 levels with the implementation of long-delayed construction projects and a recovery in tourism and global demand.

The DSA follows the IMF and World Bank Staff Guidance Note on the Application of the Joint Fund-Bank Debt Sustainability Framework (DSF) for Low-Income Countries (LICs) (February 2018). The country's Composite Indicator score is 2.68 and its debt carrying capacity is assessed to be medium.

[2] World Bank staff simulated a scenario assuming full disbursement of annual IDA allocations under credit terms, which did not affect the risk of external debt distress rating.

[3] Compared with the previous DSA, the reduction of arrears to domestic suppliers in 2019 of US$15 million dollars (3½ percent of GDP) by incorporating these into the 2019 budget largely offset the proposed borrowing from the IMF's Rapid Credit Facility in 2020 to combat the COVID-19 pandemic.

Figure 1. São Tomé and Príncipe: Indicators of External Debt Under Alternative Scenarios, 2020–2030



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	No	No
Commodity Prices 2/	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	9	9

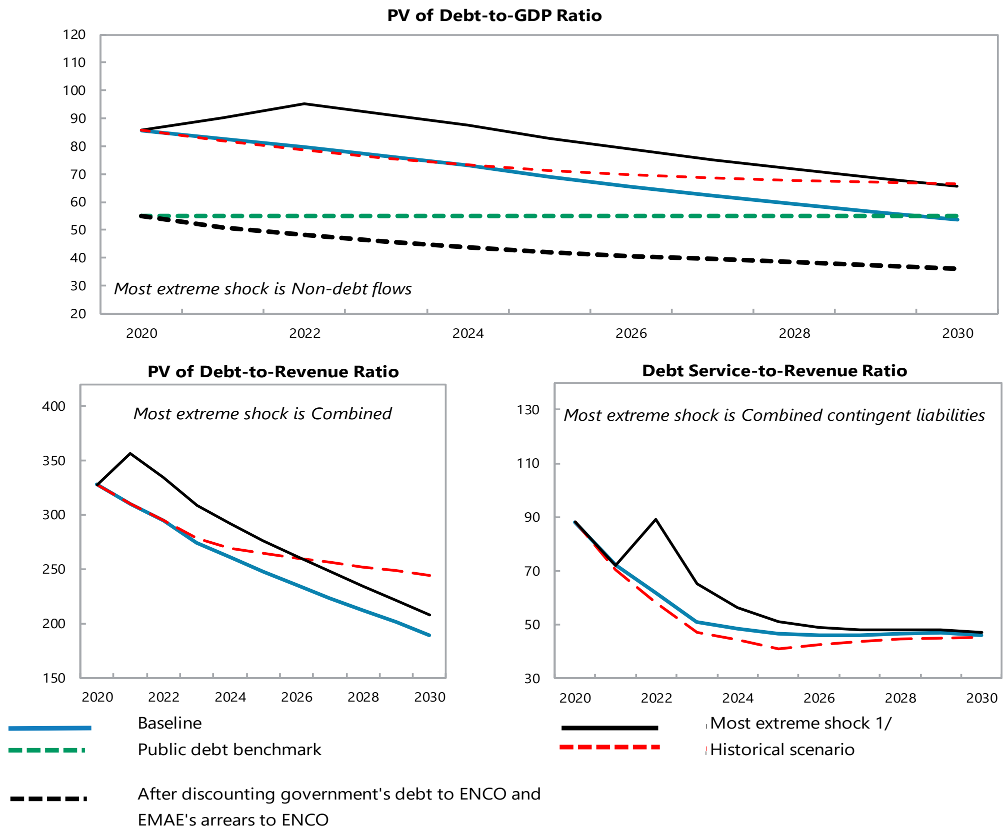
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. São Tomé and Príncipe: Indicators of Public Debt Under Alternative Scenarios, 2020–2030



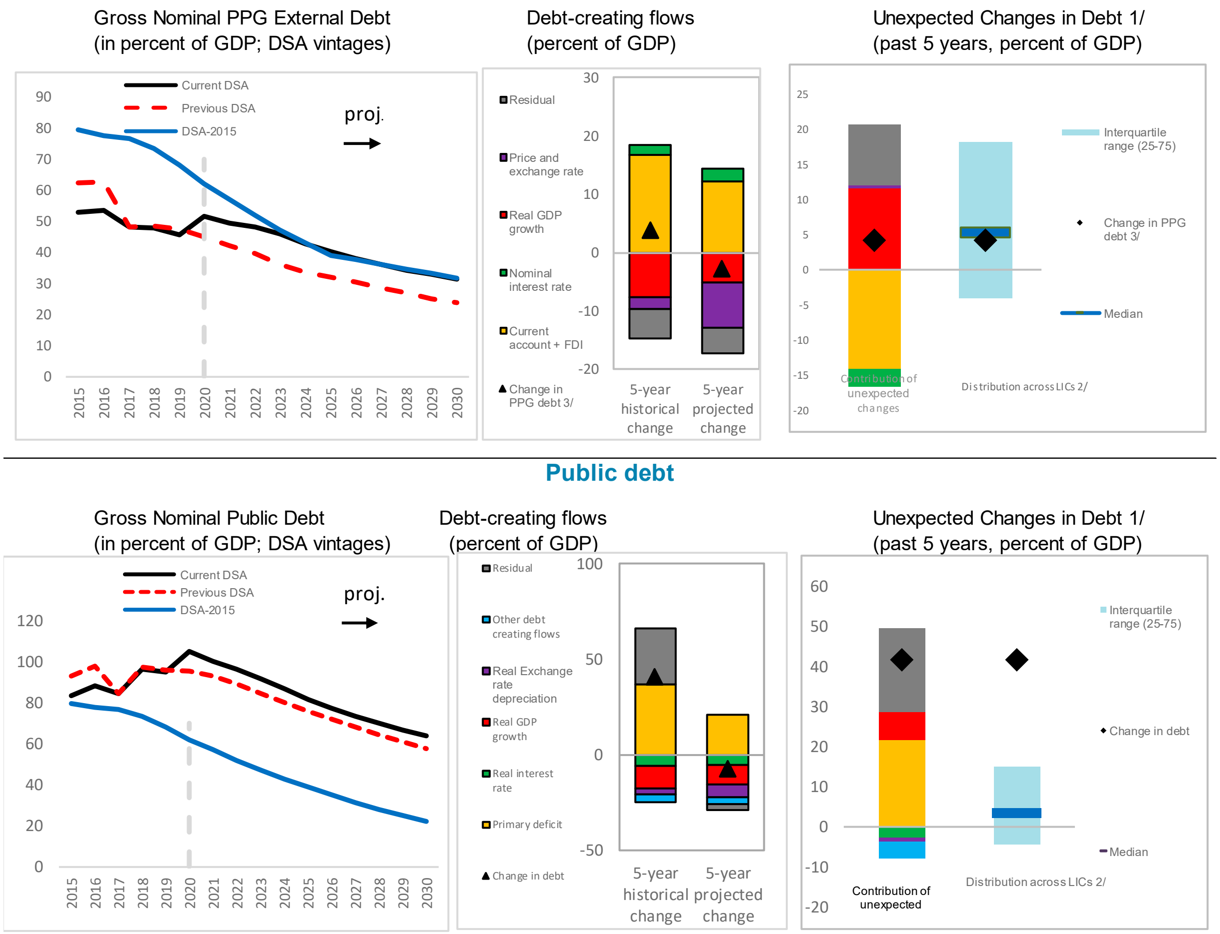
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	33%	33%
Domestic medium and long-term	12%	12%
Domestic short-term	179%	55%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	9	9
Domestic MLT debt		
Avg. real interest rate on new borrowing	-2.9%	-2.9%
Avg. maturity (incl. grace period)	100	100
Avg. grace period	99	99
Domestic short-term debt		
Avg. real interest rate	-2.0%	-2.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. São Tomé and Príncipe: Drivers of Debt Dynamics – Baseline Scenario



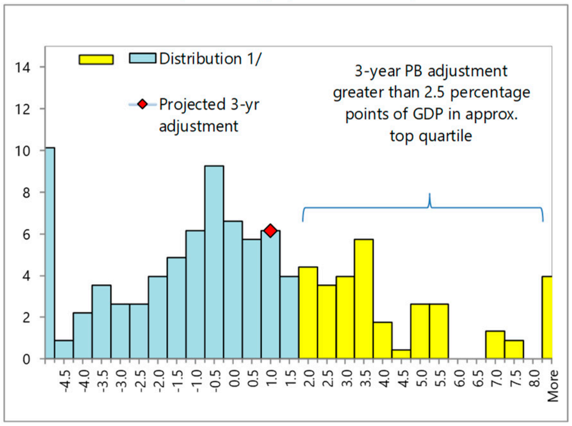
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

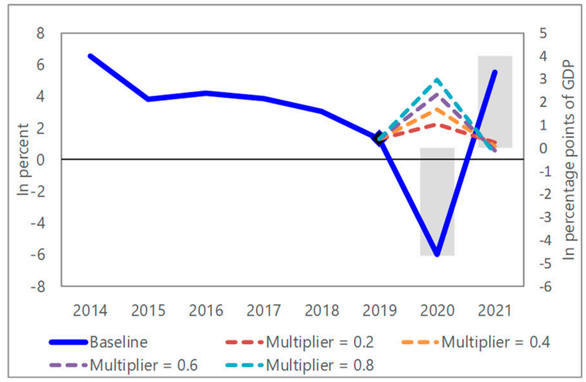
Figure 4. São Tomé and Príncipe: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



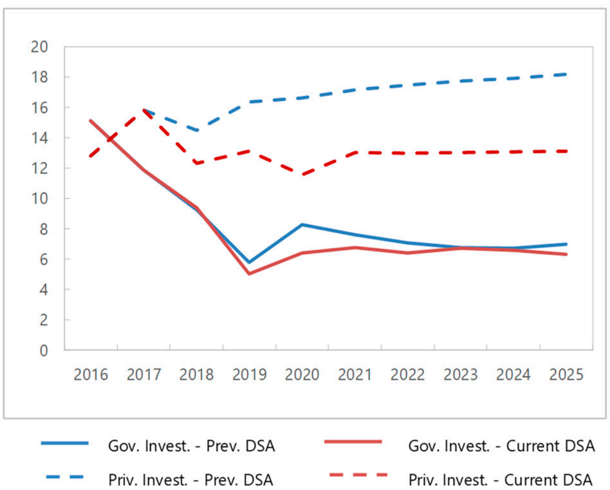
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



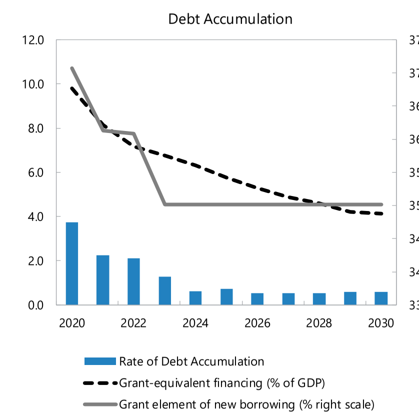
Contribution to Real GDP growth
(percent, 5-year average)

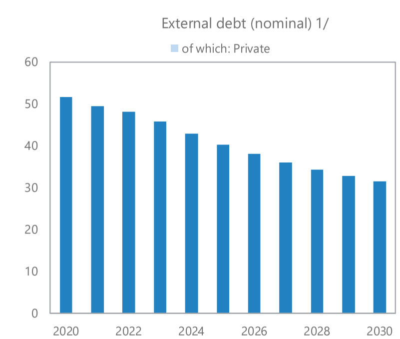
Table 1. São Tomé and Príncipe: External Debt Sustainability Framework, Baseline Scenario, 2018–2040

(In percent of GDP, unless otherwise indicated)

	Actual		Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	47.7	45.7	51.7	49.4	48.2	45.8	42.8	40.2	31.4	27.0	41.8	41.0
of which: public and publicly guaranteed (PPG)	47.7	45.7	51.7	49.4	48.2	45.8	42.8	40.2	31.4	27.0	41.8	41.0
Change in external debt	-0.5	-2.0	6.0	-2.3	-1.2	-2.4	-3.0	-2.6	-1.4	0.2		
Identified net debt-creating flows	-1.1	5.3	10.0	0.2	1.0	-0.5	-1.4	-1.1	-0.8	-1.2	4.5	0.3
Non-interest current account deficit	8.4	11.9	11.3	8.6	8.3	7.1	6.5	6.8	7.0	5.0	15.7	7.6
Deficit in balance of goods and services	21.2	22.4	22.5	18.8	17.8	16.5	15.7	15.3	13.9	11.7	34.9	16.2
Exports	23.6	22.8	13.2	19.6	19.8	20.8	21.4	21.2	21.2	20.6		
Imports	44.8	45.2	35.7	38.3	37.6	37.3	37.0	36.5	35.1	32.3		
Net current transfers (negative = inflow)	-12.6	-10.3	-11.1	-10.2	-9.6	-9.6	-9.2	-8.6	-7.0	-6.7	-18.8	-8.7
of which: official	-8.7	-6.6	-7.5	-6.7	-6.1	-6.1	-5.6	-5.1	-3.4	-3.1		
Other current account flows (negative = net inflow)	-0.2	-0.2	-0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.0	-0.4	0.1
Net FDI (negative = inflow)	-5.1	-6.4	-4.6	-6.3	-6.2	-6.2	-6.3	-6.6	-6.8	-5.5	-8.7	-6.4
Endogenous debt dynamics 2/	-4.4	-0.1	3.3	-2.1	-1.2	-1.4	-1.5	-1.4	-1.0	-0.7		
Contribution from nominal interest rate	0.2	0.6	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4		
Contribution from real GDP growth	-1.3	-0.6	2.8	-2.6	-1.6	-1.8	-1.9	-1.8	-1.4	-1.1		
Contribution from price and exchange rate changes	-3.3	-0.1	...	...	...	...	...	...	...	...		
Residual 3/	0.5	-7.3	-4.0	-2.5	-2.2	-1.9	-1.6	-1.5	-0.6	1.4	-3.1	-1.6
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators												
PV of PPG external debt-to-GDP ratio	...	27.9	32.7	31.8	31.6	30.7	29.1	27.7	21.6	16.7		
PV of PPG external debt-to-exports ratio	...	122.1	247.3	162.5	159.5	147.6	136.1	130.6	101.7	81.3		
PPG debt service-to-exports ratio	2.6	4.5	11.8	7.6	7.7	7.7	10.1	9.3	8.5	4.9		
PPG debt service-to-revenue ratio	3.7	5.6	8.4	7.6	7.2	7.3	9.7	8.7	7.2	3.3		
Gross external financing need (Million of U.S. dollars)	16.5	27.4	33.7	17.3	17.5	12.7	12.6	13.2	17.1	8.2		
Key macroeconomic assumptions												
Real GDP growth (in percent)	3.0	1.3	-6.0	5.5	3.5	4.0	4.5	4.5	4.5	4.5	4.2	3.5
GDP deflator in US dollar terms (change in percent)	7.3	0.2	3.0	4.1	3.5	3.2	3.0	3.0	2.9	2.0	4.4	3.1
Effective interest rate (percent) 4/	0.4	1.2	1.0	0.9	1.0	1.0	1.0	1.1	1.3	1.6	0.9	1.1
Growth of exports of G&S (US dollar terms, in percent)	13.9	-1.8	-44.0	62.7	8.6	12.4	10.7	6.8	6.0	6.3	19.5	8.6
Growth of imports of G&S (US dollar terms, in percent)	-3.6	2.5	-23.6	17.9	5.2	6.4	6.8	6.2	6.8	4.9	7.5	4.7
Grant element of new public sector borrowing (in percent)	...	...	36.6	35.6	35.6	34.5	34.5	34.5	34.5	34.5	...	34.9
Government revenues (excluding grants, in percent of GDP)	16.8	18.5	18.7	19.6	21.1	21.9	22.4	22.8	25.0	30.5	17.7	22.4
Aid flows (in Million of US dollars) 5/	40.5	31.1	48.2	36.7	34.5	31.3	31.2	30.3	29.6	51.5		
Grant-equivalent financing (in percent of GDP) 6/	...	...	9.8	8.1	7.2	6.8	6.3	5.8	4.1	3.8	...	6.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	71.0	79.9	78.2	83.8	82.8	81.5	75.9	74.5	...	78.8
Nominal GDP (Million of US dollars)	416	422	409	448	480	516	555	597	858	1,639		
Nominal dollar GDP growth	10.6	1.5	-3.2	9.8	7.1	7.3	7.6	7.6	7.5	6.6	8.7	6.7
Memorandum items:												
PV of external debt 7/	...	27.9	32.7	31.8	31.6	30.7	29.1	27.7	21.6	16.7		
In percent of exports	...	122.1	247.3	162.5	159.5	147.6	136.1	130.6	101.7	81.3		
Total external debt service-to-exports ratio	2.6	4.5	11.8	7.6	7.7	7.7	10.1	9.3	8.5	4.9		
PV of PPG external debt (in Million of US dollars)		117.6	133.4	142.6	152.0	158.2	161.3	165.4	185.0	274.4		
(PVt-PVt-1)/GDPt-1 (in percent)			3.8	2.2	2.1	1.3	0.6	0.7	0.6	1.2		
Non-interest current account deficit that stabilizes debt ratio	9.0	13.9	5.3	10.9	9.5	9.5	9.4	9.4	8.4	4.8		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 2. São Tomé and Príncipe: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–2040

(In percent of GDP, unless otherwise indicated)

	Actual		Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**96.2**	**94.8**	**104.9**	**100.2**	**96.4**	**91.6**	**86.9**	**81.6**	**63.7**	**59.9**	**64.7**	**83.0**
of which: external debt	**47.7**	**45.7**	**51.7**	**49.4**	**48.2**	**45.8**	**42.8**	**40.2**	**31.4**	**27.0**	**41.8**	**41.0**
Change in public sector debt	11.9	-1.3	10.1	-4.7	-3.8	-4.8	-4.7	-5.4	-3.0	9.6		
Identified debt-creating flows	**6.0**	**-0.5**	**10.9**	**-3.9**	**-3.2**	**-4.3**	**-4.3**	**-5.0**	**-3.1**	**9.2**	**3.1**	**-2.6**
Primary deficit	**8.0**	**4.2**	**8.9**	**4.9**	**3.2**	**2.1**	**2.0**	**0.9**	**1.2**	**11.9**	**7.6**	**2.5**
Revenue and grants	25.2	25.0	26.2	26.6	27.1	28.0	28.0	27.9	28.4	33.6	**30.8**	**27.6**
of which: grants	8.3	6.6	7.5	7.0	6.1	6.1	5.6	5.1	3.4	3.1		
Primary (noninterest) expenditure	33.2	29.3	35.0	31.5	30.3	30.0	30.0	28.8	29.6	45.5	**38.4**	**30.2**
Automatic debt dynamics	**-1.7**	**-3.9**	**2.8**	**-8.1**	**-5.7**	**-5.8**	**-5.7**	**-5.4**	**-4.0**	**-2.6**		
Contribution from interest rate/growth differential	-4.2	-2.9	5.5	-6.7	-4.8	-4.9	-5.0	-4.7	-3.6	-2.6		
of which: contribution from average real interest rate	-1.7	-1.7	-0.5	-1.3	-1.4	-1.2	-1.0	-1.0	-0.7	-0.4		
of which: contribution from real GDP growth	-2.5	-1.2	6.1	-5.5	-3.4	-3.7	-3.9	-3.7	-2.9	-2.2		
Contribution from real exchange rate depreciation	2.5	-1.0	...	...	...	...	...	...	...	...		
Denominator = 1+g	1.0	1.0	0.9	1.1	1.0	1.0	1.0	1.0	1.0	1.0		
Other identified debt-creating flows	**-0.3**	**-0.8**	**-0.8**	**-0.7**	**-0.6**	**-0.6**	**-0.6**	**-0.5**	**-0.3**	**-0.1**	**-0.8**	**-0.5**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.3	-0.8	-0.8	-0.7	-0.6	-0.6	-0.6	-0.5	-0.3	-0.1		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**5.9**	**-0.8**	**-3.5**	**-2.1**	**-1.6**	**-1.4**	**-1.1**	**-1.1**	**-0.3**	**0.4**	**3.2**	**-1.2**
Sustainability indicators												
PV of public debt-to-GDP ratio 2/	**...**	**77.2**	**85.7**	**82.6**	**79.8**	**76.5**	**73.2**	**69.0**	**53.8**	**49.7**		
PV of public debt-to-revenue and grants ratio	**...**	**308.4**	**327.5**	**309.9**	**294.3**	**273.7**	**261.0**	**247.6**	**189.3**	**147.7**		
Debt service-to-revenue and grants ratio 3/	**...**	**...**	**88.2**	**72.1**	**61.7**	**51.0**	**48.6**	**46.7**	**46.2**	**39.3**		
Gross financing need 4/	8.5	5.2	31.1	23.4	19.3	15.7	15.1	13.4	14.0	25.0		
Key macroeconomic and fiscal assumptions												
Real GDP growth (in percent)	3.0	1.3	-6.0	5.5	3.5	4.0	4.5	4.5	4.5	4.5	**4.2**	**3.5**
Average nominal interest rate on external debt (in percent)	0.4	1.3	1.0	0.9	1.0	1.0	1.0	1.1	1.3	1.6	**0.9**	**1.1**
Average real interest rate on domestic debt (in percent)	-2.5	-5.4	-2.8	-2.9	-2.9	-2.8	-2.7	-2.7	-2.8	-2.0	**-6.4**	**-2.8**
Real exchange rate depreciation (in percent, + indicates depreciation)	3.8	-1.4	...	...	...	...	...	...	...	...	**-2.3**	**...**
Inflation rate (GDP deflator, in percent)	2.6	5.7	3.5	3.0	3.0	2.9	2.8	2.8	2.9	2.0	**7.3**	**2.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.2	-10.7	12.6	-5.1	-0.6	3.2	4.5	0.3	6.1	37.7	**-0.2**	**3.7**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-3.9	5.5	-1.2	9.5	7.0	6.9	6.7	6.3	4.2	2.3	**4.0**	**5.4**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0 #	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Memorandum Item												
Primary deficit with HIPC grants and without EMAE loss	4.4	-0.4 #	3.9	-0.5	-1.0	-0.9	0.1	-0.8	0.9	11.8	**5.6**	**0.4**
EMAE loss	3.3	3.8	4.2	4.7	3.6	2.4	1.3	1.2	0.0	0.0	**1.2**	**1.6**

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. São Tomé and Príncipe: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–2030

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	33	32	32	31	29	28	26	25	24	23	22
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	33	35	37	40	**42**	**44**	**46**	**48**	**50**	**52**	**54**
B. Bound Tests											
B1. Real GDP growth	33	33	34	33	31	29	28	26	25	24	23
B2. Primary balance	33	36	**42**	**40**	38	37	35	33	32	31	29
B3. Exports	33	37	**44**	**42**	**40**	39	37	35	34	32	31
B4. Other flows 3/	33	40	**47**	**45**	**43**	**42**	40	38	36	35	33
B5. One-time 30 percent nominal depreciation	33	40	35	34	32	30	29	27	26	25	23
B6. Combination of B1-B5	33	**44**	**46**	**45**	**43**	**41**	39	37	36	34	33
C. Tailored Tests											
C1. Combined contingent liabilities	33	**75**	**74**	**72**	**69**	**66**	**63**	**61**	**59**	**56**	**54**
C2. Natural disaster	33	39	39	38	36	35	33	32	31	30	29
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	**247**	163	160	148	136	131	124	118	111	105	102
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**247**	179	**189**	**191**	**196**	**208**	**218**	**227**	**235**	**242**	**255**
B. Bound Tests											
B1. Real GDP growth	**247**	163	160	148	136	131	124	118	111	105	102
B2. Primary balance	**247**	**185**	**210**	**194**	180	173	166	158	150	142	138
B3. Exports	**247**	**329**	**437**	**405**	**375**	**362**	**346**	**330**	**313**	**297**	**289**
B4. Other flows 3/	**247**	**202**	**236**	**219**	**203**	**196**	**188**	179	170	162	157
B5. One-time 30 percent nominal depreciation	**247**	163	141	130	120	115	109	103	97	91	88
B6. Combination of B1-B5	**247**	**316**	**215**	**309**	**287**	**276**	**264**	**252**	**239**	**227**	**221**
C. Tailored Tests											
C1. Combined contingent liabilities	**247**	**385**	**373**	**345**	**322**	**312**	**300**	**288**	**275**	**262**	**256**
C2. Natural disaster	**247**	**200**	**197**	**183**	171	165	159	152	146	139	136
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	12	8	8	8	10	9	10	10	9	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	12	8	8	8	11	11	11	11	11	11	11
B. Bound Tests											
B1. Real GDP growth	12	8	8	8	10	9	10	10	9	9	9
B2. Primary balance	12	8	8	9	11	10	11	11	10	9	9
B3. Exports	12	13	**17**	**18**	**23**	**21**	**22**	**21**	**21**	**19**	**19**
B4. Other flows 3/	12	8	9	10	12	11	11	11	11	10	10
B5. One-time 30 percent nominal depreciation	12	8	8	7	10	9	10	9	9	8	8
B6. Combination of B1-B5	12	12	14	14	**18**	**16**	**17**	**17**	**16**	15	15
C. Tailored Tests											
C1. Combined contingent liabilities	12	8	13	13	15	14	14	14	13	12	12
C2. Natural disaster	12	8	9	9	11	10	11	11	10	10	9
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	8	8	7	7	10	9	9	9	8	8	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	8	8	8	8	10	10	10	10	10	10	10
B. Bound Tests											
B1. Real GDP growth	8	8	8	8	10	9	10	9	9	8	8
B2. Primary balance	8	8	8	8	11	10	10	9	9	8	8
B3. Exports	8	8	8	9	11	10	10	10	9	9	8
B4. Other flows 3/	8	8	8	9	11	10	10	10	9	9	8
B5. One-time 30 percent nominal depreciation	8	10	9	9	12	10	11	10	10	9	9
B6. Combination of B1-B5	8	8	9	9	12	11	11	10	10	9	9
C. Tailored Tests											
C1. Combined contingent liabilities	8	8	12	12	14	13	13	12	11	11	10
C2. Natural disaster	8	8	8	8	10	9	10	9	9	8	8
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. São Tomé and Príncipe: Sensitivity Analysis for Key Indicators of Public Debt, 2020–2030

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**86**	**83**	**80**	**77**	**73**	**69**	**65**	**62**	**59**	**56**	54
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**86**	**82**	**79**	**76**	**73**	**71**	**70**	**69**	**68**	**67**	**67**
B. Bound Tests											
B1. Real GDP growth	**86**	**87**	**86**	**84**	**81**	**77**	**74**	**71**	**69**	**66**	**64**
B2. Primary balance	**86**	**89**	**93**	**88**	**83**	**78**	**74**	**70**	**67**	**63**	**60**
B3. Exports	**86**	**88**	**91**	**88**	**84**	**80**	**76**	**72**	**69**	**66**	**63**
B4. Other flows 3/	**86**	**90**	**95**	**91**	**87**	**83**	**79**	**75**	**72**	**69**	**66**
B5. One-time 30 percent nominal depreciation	**86**	**87**	**82**	**78**	**73**	**67**	**62**	**57**	53	48	44
B6. Combination of B1-B5	**86**	**86**	**85**	**76**	**72**	**67**	**63**	**60**	**57**	54	51
C. Tailored Tests											
C1. Combined contingent liabilities	**86**	**95**	**91**	**86**	**82**	**77**	**73**	**69**	**66**	**62**	**59**
C2. Natural disaster	**86**	**93**	**89**	**85**	**81**	**77**	**73**	**69**	**66**	**63**	**60**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	328	310	294	274	261	248	235	224	212	201	189
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	328	310	295	278	269	265	260	256	252	249	244
B. Bound Tests											
B1. Real GDP growth	328	323	314	295	285	273	263	253	243	234	224
B2. Primary balance	328	333	342	315	298	281	266	252	238	226	212
B3. Exports	328	330	337	314	300	286	272	259	246	234	221
B4. Other flows 3/	328	339	351	327	312	297	283	270	257	245	231
B5. One-time 30 percent nominal depreciation	328	334	309	283	264	245	226	208	191	174	158
B6. Combination of B1-B5	328	323	313	275	258	241	227	215	203	191	179
C. Tailored Tests											
C1. Combined contingent liabilities	328	357	334	308	292	276	261	248	234	221	208
C2. Natural disaster	328	347	327	303	289	274	260	247	235	223	210
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	88	72	62	51	49	47	46	46	47	47	46
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	88	71	58	47	44	41	42	44	45	45	45
B. Bound Tests											
B1. Real GDP growth	88	75	66	57	55	54	54	54	55	56	55
B2. Primary balance	88	72	75	75	62	54	51	49	49	49	48
B3. Exports	88	72	62	52	50	48	47	47	47	48	47
B4. Other flows 3/	88	72	62	52	50	48	47	47	48	48	47
B5. One-time 30 percent nominal depreciation	88	69	60	48	48	46	46	45	46	46	45
B6. Combination of B1-B5	88	71	61	57	51	46	45	45	46	46	45
C. Tailored Tests											
C1. Combined contingent liabilities	88	72	89	65	56	51	49	48	48	48	47
C2. Natural disaster	88	73	82	63	56	52	50	49	50	50	49
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Statement by Mr. Raghani, Executive Director for Sao Tome and Principe and Mr. Carvalho da Silveira, Advisor to the Executive Director
April 21, 2020

The Sao Tome and Principe authorities would like to express their appreciation to Management and staff for the swift response to their request for emergency financial support under the Rapid Credit Facility (RCF) to help mitigate the social and economic impact of COVID-19 pandemic.

The performance under the current Extended Credit Facility (ECF) program, approved in October 2019, has been broadly positive, with significant achievements in fiscal consolidation and implementation of some structural reforms, including the adoption of the VAT Law. Preliminary data attests that all end-December 2019 performance criteria (PCs) were met and most structural benchmarks (SBs) were implemented, except one related to the state-owned utility company (EMAE).

Like any small and fragile island State facing the global health crisis, the economy of Sao Tome and Principe came to a standstill amid mandatory shutdowns. As a result, economic activity is falling drastically, and significant financing gaps are emerging. Against this backdrop, the authorities are requesting an emergency financing under the RCF in the amount of SDR 9.028 million, representing 61 percent of Sao Tome and Principe's quota, to cover the exceptional balance of payments and fiscal needs. They are convinced that the Fund assistance will help support the budget, enhance international reserves and hence pave the way for a quick economic recovery in key sectors when the pandemic fades out. The IMF disbursement will also play a catalytical role in mobilizing assistance from other development partners.

Our authorities remain strongly committed to the program supported by the ECF arrangement. They will continue to work closely with the IMF to maintain broad macroeconomic stability during the pandemic.

The Economic Impact of the COVID-19 Pandemic and Outlook

The economic fallout of the COVID-19 pandemic in Sao Tome and Principe is significant. Although there are only 4 confirmed cases of coronavirus as of April 17, 2020, the authorities believe that the limited diagnostic testing capacity hinders an accurate assessment of the country's real epidemiological situation. The authorities have proactively undertaken a multi-faceted strategy aimed at protecting lives, vulnerable groups, jobs, and businesses to the extent possible, while setting the stage for a quick rebound when the pandemic subsides. The government declared a state of emergency on March 17 with various prevention and containment measures including (i) the closing of schools, restaurants and bars; (ii) cancellation of social and religious gatherings; and (iii) suspension of international flights.
Public transportation has been limited and flexibility was introduced to allow telework in some sectors. Sao Tome and Principe has prepared and is implementing a contingency plan with the assistance of the World Health Organization and the World Bank. A major structural challenge is

the high level of poverty and informality, which limits the effectiveness of the containment measures determined by the government.

As a result of these developments, real GDP is anticipated to drop from 1.3 percent in 2019 to -6.0 percent in 2020 weighed by disruptions in the tourism and service industries, global supply chains as well as delays in externally financed projects. The slowdown in economic activity will have a negative impact on fiscal revenues, which together with COVID-19 related expenditures, are putting considerable pressure on public finances and creating urgent fiscal and balance of payment needs estimated at around $17 million (4.2 percent of GDP), and $24 million (6 percent of GDP) respectively. The authorities recognize that there is high uncertainty around the length and magnitude of the pandemic and stand ready to take additional measures and seek more external support should the downside risks materialize.

Policy Response to the Pandemic

The authorities remain fully committed to macroeconomic stability and reforms envisaged under the ECF arrangement. However, their short-term priority is to mitigate the human, social and economic impact of the pandemic.

On the fiscal front, spending has been directed at the following key actions: (i) execution of the health contingency plan, including staffing, equipment, information sharing and treatment centers; (ii) assistance to vulnerable groups through the expansion of the current World Bank-cash transfer program to cover more households and nursing homes for the elderly, disabled and abandoned children; and (iii) support to businesses via temporary suspension of administrative penalties on certain taxes, worker retention and recruitment incentives programs, amongst others. Furthermore, the government is contemplating a publicly guaranteed credit line for affected small and medium-sized enterprises (SMEs). They will also grant financial assistance to those who lost their jobs in both formal and informal sectors, contingent on these informal workers registering in the labor force and social security.

Efforts are on the way to introduce a small solidarity tax surcharge on civil servants unaffected by the crisis and cut by 20% the wage bill of state-owned enterprises (SOEs) and autonomous public entities, both for a period of 6 months. Fuel price at the pump will remain unaltered, and an agreement with ENCO, the national oil importer, was signed to ensure the full transfer of the positive oil price differential to the Treasury to reduce existing fuel subsidy debt. A revised budget for 2020 will be submitted to the Parliament to reflect the new priorities as soon as conditions allow. To strengthen transparency and public financial management, the government is committed to publishing information on public procurement contracts and monthly COVID-19 related expenses, consistent with the legislative authorization granted by the Parliament. The authorities also intend to undertake a thorough ex post financial and operational audit of all COVID-19 related operations.

The authorities are aware of the 2020 Debt Sustainability Analysis (DSA) which indicates that the debt is sustainable, but with high risk of debt distress. The Government will continue to prioritize grants and concessional borrowing and make efforts to reach an agreement with bilateral external creditors to defer debt services falling due in 2020. In this respect, the authorities are grateful to the Fund for the debt service relief under the Catastrophe Containment (CC) window of the Catastrophe Containment and Relief Trust (CCRT). This debt relief will help free up budgetary resources to address public health needs. Looking ahead, the authorities believe that further financing will be needed, should the health crisis last longer than expected, and wish they could benefit from additionality of Fund resources during these exceptional times.

The authorities are cognizant of the importance of coordinating fiscal, monetary, and financial policies to limit the negative impact of the pandemic, while safeguarding financial stability. The central bank has announced several measures to prevent liquidity tension, most notably the reduction of the policy rate and minimum cash reserves requirement; and the introduction of a moratorium on loans, with suspension of interests, charges, and other bank costs. Notwithstanding, prudential standards and reporting requirements will remain unchanged to ensure the financial sector is resilient in the face of vulnerabilities caused by COVID-19. Consideration is also being given to mobile money to minimize the coronavirus risks associated with exchanging cash and promote electronic transactions.

Conclusion

The Sao Tome and Principe authorities recognize the daunting economic challenges ahead brought about by the pandemic and are confident the policies outlined in their Letter of Intent will help mitigate the impact of the pandemic as well as support a quick recovery. They reiterate their strong commitment to pursuing the reform agenda supported by the ECF arrangement approved in October 2019. They are also hopeful that the IMF disbursement will help catalyze donor support. In light of the above, the authorities would appreciate Executive Directors' support for their request for emergency financing under the Rapid Credit Facility.