International Monetary Fund

São Tomé and Príncipe and the IMF

Press Release:
IMF Executive Board Concludes 2013 Article IV Consultation with the Democratic Republic of São Tomé and Príncipe
December 19, 2013

São Tomé and Príncipe: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 25, 2013

The following item is a Letter of Intent of the government of São Tomé and Príncipe, which describes the policies that São Tomé and Príncipe intends to implement in the context of its request for financial support from the IMF. The document, which is the property of São Tomé and Príncipe, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Country's Policy Intentions Documents

E-Mail Notification
Subscribe or Modify your subscription

Letter of Intent

São Tomé, November 25, 2013

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Lagarde:

On July 20, 2012, the Executive Board of the International Monetary Fund (IMF) approved a new three-year arrangement under the Extended Credit Facility (ECF) in favor of the Democratic Republic of São Tomé and Príncipe. This arrangement supports the Government's medium-term efforts to strengthen macroeconomic stability, foster sustainable and inclusive growth, and reduce poverty in the context of the National Poverty Reduction Strategy Paper II. The first review under the ECF supported arrangement was completed by the IMF Executive Board on June 13, 2013. Recently, the Government concluded discussions on the second review with an IMF staff mission, with focus on program implementation through end-June 2013, as well as on the fiscal and financial measures to be implemented during the remainder of 2013 and in 2014.

Despite a challenging international environment, overall program implementation through end-June 2013 was good. All performance criteria were observed, and structural reforms progressed, albeit at an uneven pace. Negotiations between the Government, the Water and Electricity Company, EMAE, and the National Fuel Company, ENCO, on a lasting plan to clear EMAE's arrears to ENCO and to avoid a recurrence of this problem in the future continue to be difficult and are expected to be completed by end-March 2014. A critical element of this strategy is to improve EMAE's cash flow. The Government has recently asked the World Bank and the IFC to provide options to address this issue, which may include contracting out the management of EMAE to a reputable international operator.

The Government is fully committed to continue building on recent achievements, which include a reduction of the annual inflation to 6.4 percent in August 2013 (its lowest level in two decades). Fiscal policy will be set to support macroeconomic stability and efforts to lower inflation further, by ensuring that the domestic primary deficit is in line with available non-debt-creating financing. Given the critical role of liquidity management and banking supervision in financial stability, the Government intends to ensure that the Central Bank remain independent to conduct its highly technical work.

São Tomé and Príncipe's economic outlook will depend on strengthening the economy's resilience in the wake of diminished near-term oil prospects. The French oil company Total's unexpected withdrawal last September from Block 1 of the Joint Development Zone (JDZ) with Nigeria is akin to a significant external shock. Until then, this was the most promising oil production field, with the expectation that production could start in 2015. While several medium-size oil companies are interested in taking over from Total the exploration of Block 1 of the JDZ, there is increased uncertainty surrounding both the timing and volume of oil production. In the absence of oil, fiscal and external debt sustainability indicators will improve more slowly than expected. The Government will have to continue relying on grants or highly concessional financing for many years to come, and more difficult budget financing prospects will necessitate a tighter fiscal policy stance. Commercial banks will also have to adapt to the new reality, and the ones that have entered the market lured mainly by the prospects of oil will have to change their market strategy and strengthen their balance sheet, or leave the market. In addition, the Government will have to promote even more forcefully the development of non-oil priority sectors, such as tourism and agriculture, including by further improving the business climate and upgrading the country's infrastructure.

The Government believes that the policies set forth in the attached Memorandum of Economic and Financial Policies (MEFP) are adequate to achieve the program's objectives, but it will take additional measures, if needed, to safeguard those objectives. São Tomé and Príncipe will consult with the IMF on the adoption of these measures, and in advance of any revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation. The Government will furnish the IMF with the necessary data for monitoring purposes on a timely basis. That information as well as arrangements for monitoring program implementation and the definitions of indicative targets and performance criteria are detailed in the Technical Memorandum of Understanding (TMU), which is also attached to this letter. During the program period, the Government will not introduce or intensify any exchange rate restrictions or multiple currency practice that are inconsistent with Article VIII of the IMF's Articles of Agreement, or introduce or intensify import restrictions for balance of payments purposes.

In light of the appreciable progress in implementing the program supported by the ECF arrangement, the Government is requesting the completion of the second review as well as the third disbursement of SDR 0.37 million under this arrangement.

The Government wishes to make this letter available to the public, along with the attached MEFP and TMU, as well as the IMF staff report on the first review. We therefore authorize their publication and posting on the IMF website, subject to Executive Board approval.

Yours truly,

/s/

Mr. Hélio Almeida
Minister of Planning and Finance

/s/

Ms. Maria do Carmo Silveira
Governor of the Central Bank of São Tomé and Príncipe

Attachments:
– Memorandum of Economic and Financial Policies
– Technical Memorandum of Understanding

Attachment 1. Memorandum of Economic and Financial Policies for 2013 and 2014

I. RECENT ECONOMIC DEVELOPMENTS

1. **Real GDP growth decelerated to 4 percent in 2012 and is projected to remain at 4 percent in 2013**. Many of São Tomé and Príncipe's key development and investment partners were hard hit by the global economic slowdown. As a result, São Tomé and Príncipe experienced a scaling back of project financing and foreign direct investment. No acceleration in growth is projected for 2013 in light of lingering uncertainties stemming from the challenging external environment and related weak external financing prospects for investment projects (both official and private).

2. **Annual inflation recently reached record lows**. The adoption of the peg to the euro in early 2010 combined with a prudent fiscal policy stance has helped reduce inflation, despite São Tomé and Príncipe's vulnerability to supply shocks. Although annual inflation reached 10.4 percent at end-2012, following unseasonably heavy rains, which disrupted the supply of perishables, inflationary pressures receded by early 2013 and annual inflation reached 6.4 percent in August 2013 (its lowest level in two decades).

3. **Fiscal performance through end-June 2013 was favorable but cross-arrears flared up again**. Tax collections in the first half of 2013 were lower than projected given the weakening economy and accumulation of fuel tax arrears by ENCO (in lieu of missed payments by EMAE), and the wage bill was higher due to the adoption of new career ladders in the national security sector and overtime payments for teachers that were not foreseen in the budget. These developments, however, were more than offset by higher nontax revenue (frontloading of fishing royalties and transfers from parastatals, and license fees related to the sale of the Government's stake in STP Cabo to an Angolan telecommunications operator), and by lower transfer payments and domestically-financed capital expenditure, as well as lower goods and services outlays.

4. **Improving the banking system's financial soundness remains elusive but its level of dollarization has been gradually declining**. The number of commercial banks in São Tomé and Príncipe seems high in comparison to other small island states. Soundness indicators reveal low overall profitability, a high and rising share of nonperforming loans, and a rapidly declining trend in banks' capital-to-risk-weighted-asset ratios. In addition, two commercial banks—one of them already under Central Bank intervention—need to be recapitalized, sold, or closed. On the positive side, dollarization in São Tomé and Príncipe's commercial banking system continues to decline, reflecting measures taken by the Central Bank to foster the use of the local currency, and increased confidence in the local currency as inflation converges to international levels.

5. **The external current account deficit continues to decline and international reserves to rise**. Lower external financing has led to reduced demand for imports of goods and services

and an improved external current account balance. International reserves at the Central Bank have been boosted by privatization receipts from the sale of the Government's stake in STP Cabo, and by grants from the World Bank and Timor-Leste. Central Bank's international reserves stand comfortably above the program's floor of 3 months of imports and significantly exceeded other traditional norms for reserve adequacy.

II. RECENT PERFORMANCE UNDER THE ECF-SUPPORTED PROGRAM

6. **Program performance through end-June 2013 was satisfactory** (Table 1). All continuous and quantitative performance criteria (PCs) were met. However, the indicative target (IT) on Dobra base money was narrowly missed reflecting higher international reserve accumulation, and the IT on the non-accumulation of domestic arrears was missed stemming from the resurgence of the cross-arrears problem.

7. **Structural reforms have progressed, albeit at an uneven pace** (Table 2):

- The on-site inspection of the country's largest commercial bank was completed by end-June 2013 despite significant staffing constraints at the Central Bank pertaining to the administrative takeover of Island Bank.

- For the first time in over two decades, government accounts were prepared and submitted for review: the 2010 accounts were finalized and presented to the Court of Audit in June 2013. The Government is now working on the 2011 and 2012 accounts, but preparing the latter using the accounting feature of SAFE-e will take longer than initially envisaged given delays in the provision of technical assistance and training in this area.

- The formulation of a plan to clear cross-arrears between ENCO, EMAE, and the Treasury and to avoid their reoccurrence is still pending. A critical element of this strategy is to improve EMAE's cash flow. The Government has recently asked the World Bank and the IFC to provide options to address this issue, which may include contracting out the management of EMAE to a reputable international operator.

III. ECONOMIC OUTLOOK AND RISKS

8. **São Tomé and Príncipe's economic outlook will depend on strengthening the economy's resilience in the wake of diminished near-term oil prospects**. The French oil company Total's unexpected withdrawal last September from Block 1 of the Joint Development Zone (JDZ) with Nigeria, due to concerns about high deep-sea exploration costs and the size of oil reserves, is akin to a significant external shock. Until then, this was the most promising oil production field, with the expectation that production could start in 2015. In the absence of oil, fiscal and external debt sustainability indicators will improve more slowly. The Government will have to continue relying on grants and highly concessional financing for many years to come, and more difficult budget financing prospects will necessitate a tighter fiscal policy stance. Commercial banks will also have to adapt to the new reality, and the ones that have entered the market lured mainly by the prospects of oil will have to change their market strategy and strengthen their balance sheets, including by further recapitalization. There is also a need to

restructure and strengthen the banking system through mergers and/or closure of distressed and weak banks. Finally, the Government will have to promote even more forcefully the development of non-oil priority sectors, such as tourism, agriculture, and fisheries, including by further improving the business climate and upgrading the country's infrastructure with private sector support.

9. **While the Government remains confident about the prospects for oil production in São Tomé and Príncipe, it has decided to cautiously adopt a non-oil baseline scenario**. Several medium-size oil companies are interested in taking over from Total the exploration of Block 1 of the JDZ, and the Government has recently signed a new production sharing contract for exploration rights in the Exclusive Exploration Zone (EEZ). However, there is increased uncertainty surrounding both the timing and volume of oil production, suggesting the importance of strengthening the economy's resilience. In this connection, the Government will implement during 2015-17 a cumulative adjustment in the domestic primary balance of 1 percent of GDP; and the Central Bank will require all commercial banks that operate in São Tomé and Príncipe to have a capital-to-risk-weighted-asset ratio of at least 12 percent by end-March 2014 (structural benchmark). A revised oil scenario will serve as the program's alternative scenario for debt sustainability analysis purposes.

10. **The outlook for 2014 continues to be affected by difficult global conditions**. Real GDP growth has been revised downward, from 5½ to 5 percent, reflecting lingering uncertainties in the world economy, weak external financing prospects for investment projects, and the changed oil outlook. Inflation is projected to reach 6 percent by end-2014, as inflation expectations continue to be anchored by a prudent fiscal policy stance and the peg of the dobra to the euro. The external current account deficit is expected to narrow further, with weaker than previously projected economic activity leading to lower import growth; and the Central Bank's international reserves are expected to remain comfortably above 3½ months of imports (the program's new floor).

11. **Risks to the outlook are manageable**. Downside risks include significant spending overruns in the run-up to next year's local and parliamentary elections, which in past election cycles derailed fiscal rectitude. The Government, however, is fully committed to resisting spending pressures. The outlook could also be adversely affected by the materialization of supply shocks (leading to higher inflation and lower growth), spillovers from a further deterioration in financial conditions in Europe (resulting in delays in project execution due to financing shortfalls), and protracted right-sizing of São Tomé and Príncipe's banking sector (leading to continued low profitability in the sector and stagnant credit). Upside risks include the possibility of stronger growth in Europe, lower-than-projected inflation for 2013, and oil production.

IV. MACROECONOMIC POLICIES

A. Strengthening Public Finances

The fiscal program for 2013 and 2014

12. **The Government is on track to achieving the 2013 domestic primary deficit target of 3.1 percent of GDP**. This target is expected to be met despite higher personnel outlays—an increase of about Db37 billion, or the equivalent to ⅔ percent of GDP, over the budgeted amount—due to higher costs of introduction of new career ladders in the health, education, and national security sectors, and an additional increase of 10 percent in teachers' wages (effective August 2013). Revenue collections will be higher-than-programmed because of higher nontax revenue stemming from license fees associated with the sale of the Government's stake in STP Cabo, while the tax-to-GDP ratio will be unchanged (from 2012 levels) as ongoing efforts to strengthen the tax and customs administrations, broaden the tax base, and collect fuel tax arrears are expected to offset the adverse effect on tax collections of weaker economic growth. Finally, non-interest recurrent spending is projected to remain in line with earlier projections, despite higher personnel costs, due to non-wage recurrent and domestically-financed capital expenditure reprioritization and restraint.

13. **The fiscal program for 2013 is fully funded**. Additional external inflows more than offset a delay in scholarship grants from Nigeria, which are now expected for 2014. Unanticipated inflows in 2013 included: increased budget support from the World Bank (an additional US$1.3 million); budget support from Timor-Leste (US$7 million); and proceeds from the sale of the Government's stake in STP Cabo (US$6.4 million). These inflows have funded a pickup in project execution relative to the first half of year, and will be used to clear Treasury's arrears to EMAE by end-2013 (structural benchmark).

14. **The 2014 budget will maintain fiscal rectitude during an election year**. It will target a domestic primary deficit of 3.0 percent of GDP, which is fully consistent with available non-debt creating financing from the World Bank, Nigeria, and transfers from the National Oil Account (NOA). Gains from the widening of the tax base and improved taxpayer segmentation (designed to enhance compliance among large taxpayers) are projected to result in an increase in the tax effort. On the spending side, the Government is fully committed to containing the growth of the public sector wage bill in line with projected average inflation. The elimination (in 2013) and non-accumulation (in 2014 and beyond) of Treasury's arrears to EMAE is expected to serve as a catalyst for the reduction of EMAE's arrears to ENCO and facilitate the elimination of ENCO's fuel tax arrears.

The medium-term fiscal framework

15. **Looking ahead, fiscal consolidation will be implemented gradually to limit its contractionary impact**. A cumulative adjustment in the domestic primary deficit of 1.0 percent

of GDP will be phased in over three years, starting in the year after local and parliamentary elections. This will enable the Government to weather the initial negative impact of Total's decision and undertake the fiscal adjustment once a recovery is firmly underway. Given the relatively low level of recurrent and domestically-financed capital expenditure, there is limited scope for further expenditure containment. Thus, notwithstanding ongoing efforts at strengthening expenditure prioritization, the needed fiscal adjustment will be more heavily weighted toward revenue enhancement, comprising a mix of customs and tax administrative reforms and, as needed, tax policy measures.

Structural reforms to strengthen public finances

16. **Specific achievements in 2013 in the fiscal area included**:

- Creation of a macro-fiscal unit, with representatives from the Ministry of Planning and Finance, Central Bank, and National Institute of Statistics (INE), which has begun the preliminary work toward implementing a medium-term fiscal framework (MTFF).

- Ongoing steps to make the Government's financial administration system (SAFE-e) fully operational, including the activation of the system's accounting module.

17. **Reforms that are ongoing and slated for 2014 include**:

- Adopting a comprehensive solution to the problem of cross-arrears. The plan to eliminate cross-arrears between the Treasury, EMAE and ENCO and to avoid their recurrence is now expected to be finalized by end-March 2014 (structural benchmark) and the elimination of Treasury's arrears to EMAE by end-December 2013 (structural benchmark). In addition, quarterly ITs have been introduced to monitor during 2014 the non-accumulation of Treasury's arrears to EMAE.

- Expanding the tax base by launching the "Operation Taxpayer Inclusion" project and adopting and executing quarterly metrics for the number of newly registered taxpayers. The project is designed to register on a cumulative basis 500 and 800 new taxpayers, respectively, by end-June 2014 and end-December 2014 (structural benchmarks), and ultimately targets registration of an additional 3,000 taxpayers by the project's end.

- Enhancing taxpayer management within the Tax Directorate by increasing security of the Taxpayer Registry, and by creating a dedicated large taxpayer unit and a single taxpayer computerized file system (structural benchmark, December 2013).

- Progressing toward completion of the second phase of ASYCUDA World through activation of all the functionalities and the establishment of a fully computerized procedure (structural benchmark, December 2013).

- Preparing the general government accounts for 2012 and presenting them to the National Assembly and Court of Audit by end-December 2013 (structural benchmark).

- Combating tax fraud and evasion by improving the selection of taxpayers for audit through risk analysis, expanding tax coverage throughout the country, and strengthening the National Tax Court, by allowing it to perform its duties with own resources.

- Increasing taxpayer voluntary compliance by improving the quality of services provided to taxpayers, simplifying and harmonizing tax procedures, extending tax services to the more remote areas of the country, and conducting visits to newly created firms.

- Providing the tax and customs administrations with the necessary resources, including additional staff and equipment, to implement the reforms mentioned above.

B. Enhancing Liquidity Management, Financial Stability, and Safeguards

18. **The Central Bank continues to develop its monetary liquidity management framework and bank supervision capabilities**. It has now successfully extended the liquidity forecasting horizon to one month and is adopting a systematic approach to analyze forecasting errors as a precursor to the future introduction of money market instruments. In a bid to address capacity constraints, the Central Bank has recently recruited three additional staff to the Banking Supervision Department, but staffing levels remain below optimum. A program of on-site inspections is currently in progress, and all commercial banks are now expected to be inspected by end-June 2014 following the inspection of the two remaining banks that have not yet been subject to on-site inspection (structural benchmark). In addition, the Central Bank, however, will conduct by end-2013 a second on-site inspection of one bank that was previously inspected.

19. **Other specific achievements in 2013 included**:

- Completing the on-site inspection of the largest commercial bank in the first half of the year.

- Supporting the exchange rate peg by maintaining net international reserves at the Central Bank above the equivalent of three months of imports, and investing central bank international reserves in high quality and liquid financial assets.

- Expanding the role of the Internal Audit Department to track more systematically the implementation of external auditors' recommendations and monitor the main risks to the central bank's balance sheet.

- Taking over the operations of Island Bank, following the bank's failure to comply with supervisory requirements and to submit a remedial action plan.

20. **Reforms that are ongoing and planned for 2014 to strengthen the economy's resilience to shocks, bolster the Central Bank's independence and supervisory practices, and promote financial literacy and transparency include**:

- Increasing the program's floor on net international reserves from 3 to 3½ months of imports to boost confidence in the wake of reduced oil prospects.

- Reinforcing compliance with solvency and other regulatory standards by requiring that all commercial banks that are open to the public have a capital-to-risk-weighted-asset ratio of at least 12 percent by end-March 2014 (structural benchmark), and strictly enforcing other banking regulations, such as reserve requirements and dissemination of data to the credit registry, with application of penalties to non-compliant institutions.

- Conducting on-site inspections of the two remaining commercial banks not yet subject to on-site inspection by end-June 2014 (structural benchmark), and increasing the frequency of on-site inspections thereafter, as well as improved analysis of the commercial banks' quarterly reports, made possible in part through the hiring of additional bank supervisors.

- Enhancing commercial bank transparency by ensuring that all commercial banks publish their financial results for 2012 by end-March 2014. Commercial banks should aim to publish their 2013 accounts by end-September 2014, or face penalties for non-compliance (structural benchmark).

- Further strengthening liquidity management by developing a systematic approach toward analyzing forecasting errors and examining the evolution of daily aggregate liquidity conditions, with a view to introducing in due course money market instruments and creating the foundations of an interbank market.

- Developing and beginning to implement a work program to introduce a new chart-of-accounts and reporting at the Central Bank in line with International Financial Reporting Standards (IFRS), with technical assistance from the Central Bank of Brazil.

- Drafting by end-September 2014 a revised draft of the Central Bank Law that strengthens the autonomy of the Central Bank in line with international standards, including in the resolution of problem banks (structural benchmark).

- Improving external communications policies to enhance financial literacy and boost confidence in the financial system, including regular publication of reports and economic bulletins, strengthening the capacity of the Office of Consumer Affairs, and promoting financial literacy.

- Encouraging the use of modern technology, including credit and debit cards, point-of-sale terminals, ATMs, and secure mobile-banking, with the objective of expanding the operations of the electronic payments system to the whole country.

V. BUSINESS CLIMATE

21. **Fostering private sector led economic growth and diversification will require an improved business climate**. São Tomé and Príncipe has recently made progress in improving its business environment, but more needs to be done to diversify production and put the economy on a sustainable growth path. In this regard, the Government plans to undertake additional reforms to strengthen and simplify the country's legal infrastructure, including in the areas of contract enforcement, property registration, and protection to investors. The Government remains committed to the pursuit of fiscal prudence and financial and monetary stability and the maintenance of wage and price flexibility, with a view to keeping the real effective exchange rate broadly consistent with its underlying fundamentals in the context of the fixed exchange rate regime.

22. **Progress is being made toward the establishment of a one-stop-shop to facilitate and promote foreign trade**. Preparatory arrangements are now underway for the launching of the new one-stop-shop by early-2015. Once in place, this facility will reduce transaction costs and thereby enhance São Tomé and Príncipe's external competitiveness. It will also enhance efficiency, transparency, and potentially revenue collections by permitting the single and simultaneous payment of customs duties and other fees and taxes due to all institutions involved in the clearance of imports. Key milestones include: establishing by end-June 2014 the connectivity of the Customs and Tax Directorate (structural benchmark); and the elimination of hard-copy documents and introduction of electronic signing and approval of documents by end-December 2014 (structural benchmark). This facility will complement the one-stop-shop for investors established in 2011, which has centralized and simplified the administrative requirements for establishing a business in São Tomé and Príncipe.

F. ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT)

23. **The Government remains fully committed to addressing the deficiencies of São Tomé and Príncipe's AML/CFT framework**. With technical assistance from the IMF's Legal Department, it drafted amendments to the AML/CFT law and submitted the revised draft law to the National Assembly in May 2013. The draft law was approved unanimously by the National Assembly; and President Pinto da Costa has signed it. Passage of this law facilitated the recent removal of São Tomé and Príncipe from the Financial Action Task Force's list of high risk and non-cooperative jurisdictions. Complementary efforts to strengthen the operations of the financial intelligence unit (FIU) through improved resources, including staffing, equipment and training are expected to strengthen the FIU core functions—including receipt, analysis, and submission to the General Attorney's Office of suspicious transaction report.

G. STATISTICS

24. **The Government continues to strengthen the statistical system**. In addition to the several improvements listed above, INE is taking steps to improve the outdated consumer price index (CPI). The household survey completed in 2011 is providing the basis for reweighting the CPI components and introducing new goods and services to its basket (both were updated last about twenty years ago). The introduction of the new CPI (structural benchmark, end-December 2013) is expected to greatly improve the measurement of inflation.

H. PROGRAM MONITORING

25. The PCs, ITs, and structural benchmarks for the second half of 2013 and for 2014 are presented in Tables 1-4. The definitions of quantitative PCs and ITs are provided in the attached Technical Memorandum of Understanding (TMU). The third review is expected to be completed by April 2014, the fourth review by October 2014, and the fifth review by April 2015.

Table 1. São Tomé and Príncipe: Performance Criteria and Indicative Targets for 2013

(Billions of dobra, cumulative from beginning of year, unless otherwise specified)

	2013							
	March			June			September	December
	Indicative Target	Indicative Targets w/adjustment	Actual	Performance Criteria [1]	Performance Criteria w/adjustment	Actual	Indicative Target	Performance Criteria [1]
	31-Mar-13	31-Mar-13	31-Mar-13	30-Jun-13			30-Sep-13	31-Dec-13
Performance criteria:								
1 Floor on domestic primary balance (as defined in the TMU) [2]	-47	-47	14	-105	-147	-95	-142	-178
2 Ceiling on changes in net bank financing of the central government (at program exchange rate) [3, 4, 5]	0	38	-22	0	46	-148	0	0
3 Floor on net international reserves of the central bank (US$ millions) [2, 4]	21.97	19.96	38.28	21.97	19.54	47.46	21.97	21.97
4 Ceiling on central government's outstanding external payment arrears (stock, US$ millions) [5, 6, 7, 8]	0	...	0	0	...	0	0	0
5 Ceiling on the contracting or guaranteeing of new nonconcessional external debt with original maturity of more than one year by the central government or the BCSTP (US$ millions) [5, 6, 7, 8, 9, 10]	0	...	0	0	...	0	0	0
6 Ceiling on the outstanding stock of external debt with original maturity of up to and including one year owed or guaranteed by the central government or the BCSTP (stock, US$ millions) [5, 7, 8, 9, 10]	0	...	0	0	...	0	0	0
Indicative targets:								
Ceiling on central government's outstanding domestic arrears	0	...	31	0	...	79	0	0
Ceiling on dobra base money (stock)	635	...	635	649	...	678	675	913
Floor on pro-poor expenditures	73	...	79	146	...	158	219	292
Memorandum items:								
Transfer from NOA to the budget (US$ millions)	1.8	...	0.0	1.8	...	1.8	1.8	1.8
Net external debt service payments [11]	14	...	13	35	...	53	85	110
Official external program support [11]	74	...	37	158	...	51	168	193
Treasury-funded capital expenditure	25	...	0	31	...	38	92	96

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

[1] Performance at the June and December test dates are assessed on the second and third reviews respectively.

[2] The floor will be adjusted upward or downward according to definitions in the TMU.

[3] The ceiling will be adjusted downward or upward according to definitions in the TMU.

[4] Excluding the National Oil Account (NOA) at the Central Bank.

[5] The term "government" is defined as in ¶ 3 of the TMU, which excludes the operations of state-owned enterprises.

[6] This criterion will be assessed as a continuous performance criterion.

[7] The term "external" is defined in accordance with the residency of the creditor as indicated in point 2 of the IMF Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF (as amended effective December 1, 2009).

[8] This performance criterion applies not only to debt as defined in point 9 of the IMF Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF (as amended effective December 1, 2009) but also to commitments contracted or guaranteed for which value has not been received. For further details on the definition of debt and external arrears refer to the TMU, ¶ 15-17.

[9] Only applies to debt with a grant element of less than 50 percent as defined in point 8 g (i) of the IMF Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No 6230-(79/140) of the Executive Board of the IMF (as amended effective October 11, 2013). For further details on the definition of concessionality refer to the TMU, Footnote 4.

[10] Debt is defined as in point 9 of the IMF Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF (as amended effective December 1, 2009). For further details on the definition of debt refer to the TMU, ¶ 15-17.

[11] As defined in the TMU, valued at the program exchange rate.

Table 2. São Tomé and Príncipe: Structural Benchmarks for 2013

Category		Structural Benchmarks	Economic rationale	Indicative timeframe	Status & Indicative timeframe
		Strengthening Public Finances			
External control	i.	Strengthen external control by:	Strengthen PFM	End-Jun. 2013	Not met Reset for end-Dec. 2013
		Preparing the general government accounts for 2012 and sending them to the National Assembly and the Court of Audit.			
Internal control	ii.	Strengthen internal control by:	Strengthen PFM		
		Finalizing a plan to clear over time EMAE's arrears to ENCO and to avoid a recurrence in the future of the problem of cross arrears.		End-Sep. 2013	Not met Reset for end-Mar. 2014
		Eliminating all arrears between the Treasury and EMAE.		End-Dec. 2013	New structural benchmark
Tax administration	iii.	Improve taxpayer management and compliance with tax obligations by:	Strengthen revenue administration	End-Dec. 2013	On-going
		Enhancing the security of the Taxpayer Registry, creating a dedicated large taxpayer unit, and creating a single taxpayer computerized file system.			
Customs administration	iv.	Complete the second phase of ASYCUDA WORLD implementation by:	Strengthen revenue administration	End-Dec. 2013	On-going
		Activating all the functionalities and the establishing a fully computerized procedure.			
		Enhancing Monetary Management and Financial Stability			
Bank supervision	v.	Strengthen banking supervision and regulation by:	Ensure financial stability		
		Completing the on-site supervision process for the largest commercial bank.		End-Jun. 2013	Met
		Completing the on-site supervision process for the remaining two commercial banks.		End-Dec. 2013	Reset for end-Jun. 2014

		Statistics			
CPI Statistics	vi.	Improve consumer price index statistics by: Reweighting the CPI components and introducing new goods and services to the CPI basket.	Strengthen statistical system	End-Dec. 2013	On-going

Table 3. São Tomé and Príncipe: Performance Criteria and Indicative Targets for 2014

(Billions of dobra, cumulative from beginning of year, unless otherwise specified)

	2014			
	March	June	September	December
	Indicative Target	Performance Criteria [1]	Indicative Target	Performance Criteria [1]
	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14
Performance criteria:				
1 Floor on domestic primary balance (as defined in the TMU) [2]	-50	-119	-159	-198
2 Ceiling on changes in net bank financing of the central government (at program exchange rate) [3, 4, 5]	0	0	0	0
3 Floor on net international reserves of the central bank (US$ millions) [2, 4]	27.50	27.50	27.50	27.50
4 Ceiling on central government's outstanding external payment arrears (stock, US$ millions) [5, 6, 7, 8]	0	0	0	0
5 Ceiling on the contracting or guaranteeing of new nonconcessional external debt with original maturity of more than one year by the central government or the BCSTP (US$ millions) [5, 6, 7, 8, 9, 10]	0	0	0	0
6 Ceiling on the outstanding stock of external debt with original maturity of up to and including one year owed or guaranteed by the central government or the BCSTP (stock, US$ millions) [5, 7, 8, 9, 10]	0	0	0	0
Indicative targets:				
Ceiling on central government's outstanding domestic arrears	0	0	0	0
Ceiling on central government's outstanding arrears to EMAE	0	0	0	0
Ceiling on dobra base money (stock)	954	1,030	1,071	1,145
Floor on pro-poor expenditures	n.a.	n.a.	n.a.	n.a.
Memorandum items:				
Transfer from NOA to the budget (US$ millions)	2.5	2.5	2.5	2.5
Net external debt service payments [11]	24	59	97	139
Official external program support [11]	0	36	172	246
Treasury-funded capital expenditure	28	72	102	111

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

[1] Performance at the June and December test dates are assessed on the fourth and fifth reviews respectively.

[2] The floor will be adjusted upward or downward according to definitions in the TMU.

[3] The ceiling will be adjusted downward or upward according to definitions in the TMU.

[4] Excluding the National Oil Account (NOA) at the Central Bank.

[5] The term "government" is defined as in ¶ 3 of the TMU, which excludes the operations of state-owned enterprises.

[6] This criterion will be assessed as a continuous performance criterion.

[7] The term "external" is defined in accordance with the residency of the creditor as indicated in point 2 of the IMF Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF (as amended effective December 1, 2009).

[8] This performance criterion applies not only to debt as defined in point 9 of the IMF Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF (as amended effective December 1, 2009) but also to commitments contracted or guaranteed for which value has not been received. For further details on the definition of debt and external arrears refer to the TMU, ¶ 15-17.

[9] Only applies to debt with a grant element of less than 50 percent as defined in point 8 g (i) of the IMF Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No 6230-(79/140) of the Executive Board of the IMF (as amended effective October 11, 2013). For further details on the definition of concessionality refer to the TMU,

[10] Debt is defined as in point 9 of the IMF Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF (as amended effective December 1, 2009). For further details on the definition of debt refer to the TMU, ¶ 15-17.

[11] As defined in the TMU, valued at the program exchange rate.

Table 4. São Tomé and Príncipe: Structural Benchmarks for 2014

Category		Structural Benchmarks	Economic rationale	Indicative timeframe
		Strengthening Public Finances		
Internal control	i.	Strengthen internal control by:	Strengthen PFM	
		Finalizing a plan to clear over time EMAE's arrears to ENCO and to avoid a recurrence in the future of the problem of cross-arrears.		End-Mar. 2014
Tax administration	ii.	Expand the tax base by launching the "Operation Taxpayer Inclusion" project and:	Strengthen revenue administration	
		Registering 500 new tax payers from the date of the program's launch.		End-Jun. 2014
		Registering 800 new tax payers from the date of the program's launch.		End-Dec. 2014
Customs administration	iii.	Undertake preparatory arrangements for the installation of a One-Stop-Shop for foreign trade by:	Strengthen revenue administration and trade facilitation	
		Establishing the connectivity and management of customs/Tax NIF.		End-Jun. 2014
		Eliminating hardcopy documents and introducing electronic signing and approval of documents.		End-Dec. 2014
		Enhancing Monetary Management and Financial Stability		
Bank supervision	iv.	Strengthen banking supervision and regulation by:		
		Ensuring that all commercial banks that are open to the public have a capital-to-risk-weighted-asset ratio of at least 12 percent.	Ensure financial stability	End-Mar. 2014
		Completing the on-site supervision process for the remaining two commercial banks.	Ensure financial stability	End-Jun. 2014
		Ensuring that all commercial banks publish audited financial accounts for 2013, or applying penalties for non-compliance.	Ensure financial stability and transparency	End-Sep. 2014

	Preparing a revised draft Central Banking Law that strengthens autonomy of the central bank in line with international standards, including in the resolution of problem banks.	Enhance the effectiveness of monetary and financial policies	End-Sep. 2014

Attachment 2. Technical Memorandum of Understanding

November 2013

1. This Technical Memorandum of Understanding (TMU) contains definitions and adjuster mechanisms that clarify the measurement of quantitative performance criteria and indicative targets in Tables 1 and 3, which are attached to the Memorandum of Economic and Financial Policies for 2013 and 2014. Unless otherwise specified, all quantitative performance criteria and indicative targets will be evaluated in terms of cumulative flows from the beginning of each calendar year.

I. Provision of Data to the Fund

2. Data with respect to all variables subject to performance criteria and indicative targets will be provided to Fund staff monthly with a lag of no more than four weeks for data on net international reserves of the Central Bank of São Tomé and Príncipe (BCSTP) and six weeks for other data. The authorities will transmit promptly to Fund staff any data revisions. For variables that are relevant for assessing performance against program objectives but are not specifically defined in this memorandum, the authorities will consult with Fund staff as needed on the appropriate way of measuring and reporting. Performance criteria included in the program, as defined below, refer to the domestic primary balance and net bank financing of the central government, net international reserves of the central bank, external payments arrears, and non-concessional short-term and medium- and long-term external debt owed or guaranteed by the central government and/or the central bank.

II. Definitions

3. **Government** is defined for the purposes of this TMU to comprise the central government, which includes all governmental departments, offices, establishments, and other bodies that are agencies or instruments of the central authority of São Tomé and Príncipe. The central government does not include the operations of state-owned enterprises.

4. **Government domestic revenue (excluding oil revenue)** comprises all tax and non-tax revenue of the government (in domestic and foreign currencies), excluding: (1) foreign grants, (2) the receipts from the local sale of in-kind grants (e.g., crude oil received from Nigeria, food aid, etc.), and (3) any gross inflows to the government on account of oil signature bonus receipts and accrued interest on the National Oil Account (NOA). Revenue will be measured on a cash basis as reported in the table of government financial operations prepared by the Directorate of Budget and the Directorate of Treasury in the Ministry of Planning and Finance.

5. **Domestic primary expenditure** comprises all government spending assessed on a commitment basis (*base compromisso*), excluding (1) capital expenditure financed with external concessional loans and grants and (2) scheduled interest payments. Reporting of government domestic expenditure will be based

on the state budget execution prepared every month by the Directorate of Budget and the Directorate of Treasury in the Ministry of Planning and Finance.

6. Within domestic primary expenditure, **pro-poor expenditure** refers to government outlays recorded in the budget that have a direct effect on reducing poverty, as agreed with the IMF and World Bank staffs. These expenditures, which include both current and capital outlays, are defined as follows:

a. **Pro-poor current spending**: These cover the following ministries and expenditure categories (by budget code) as described in the matrix below:

Code	Description of expenditure	Ministry of Education	Ministry of Health	Ministry of Labour
01.00.00	Personnel expenses	x	x	x
02.01.05	Other durable goods	x	x	
02.02.02	Fuel and lubricants[1]	x	x	x
02.02.04	Food[1]	x		
02.02.05	Medicine	x	x	
02.02.06	Clothing and footwear[1]	x	x	x
02.02.09	Other nondurable goods	x	x	
02.03.01.01	Water and energy	x	x	x
02.03.02	Custody of goods	x	x	
02.03.06	Communications	x	x	x
04.02.01	Private institutions	x		x
04.03.01	Individuals	x		x
04.04.02	Other inward transfers		x	
06.01.00	Education and training		x	
06.04.01	Project costs	x		
06.04.04.02	Miscellaneous	x	x	

[1] Expenditures on fuels and lubricants (*combustíveis e lubrificantes*) that are effected for administrative purposes are excluded. Likewise, food (*alimentação*) and clothing and shoes (*roupas e calçados*) supplied to administrative staff are excluded.

b. **Pro-poor treasury-funded capital spending**: This covers projects that are deemed to have a direct impact on alleviating poverty in the following sectors: education, health, social safety nets, agriculture and fisheries, rural development, youth and sports, provision of potable water, and electrification.

7. **Treasury-funded capital expenditure**: This is classified as part of domestic primary expenditure and covers projects that are not directly financed by project grants and concessional loans. Treasury funded capital spending will correspond to the 2013 and 2014 government plans for investment on roads, bridges, schools, water and power. It will include spending on new construction, rehabilitation, and maintenance. Expenditure on wages and salaries and the purchase of goods and services related to the projects will not be classified as capital expenditure. The government investment program will be carried out by the Ministries of Public Works and Natural Resources, Education, and Health.

8. **Domestic primary balance** is defined as the difference between government domestic revenue and domestic primary expenditure. For reference, this balance for end-December 2012 was 163 billion dobra, broken down as follows:

	Government domestic revenue:	771 billion
Less:	Government primary expenditure:	
	(As defined in paragraph 5)	934 billion
Equals:	Domestic primary balance:	-163 billion

9. **Domestic arrears** are defined as the difference between expenditure on a commitment basis and cash payments (amounts past due after 40 days and unpaid).

10. **Arrears to EMAE** are defined as the obligations owed by the government to EMAE but not paid within 40 days.

The program exchange rate for the purposes of this TMU[1] will be 18,585 dobra per U.S. dollar, 24,500 dobra per euro, and 28,563 dobra per SDR for both 2013 and 2014.

11. **Net bank financing of the central government (NCG)** is defined as the stock of all outstanding claims on the central government held by the BCSTP and by other depository corporations (ODCs), less all deposits held by the central government with the BCSTP and with ODCs, as they are reported monthly by the BCSTP to the IMF staff. The balance of the National Oil Account (NOA) is not included in NCG. All foreign exchange-denominated accounts will be converted to dobra at the program exchange rate. For reference, at end-December 2012, outstanding net bank financing of the central government (excluding NOA) was 44 billion dobra, broken down as follows:

	BCSTP credit, including use of IMF resources:		233 billion
Less:	Government deposits with the BCSTP (excluding NOA)		95 billion
	Of which:	Treasury dobra-denominated accounts	4 billion
		Treasury foreign currency-denominated accounts	26 billion
		Counterpart deposits	65 billion
Equals:	Net credit to government by the BCSTP		138 billion
Plus:	ODC's credit to the government		3 billion
Less:	Government deposits with ODCs (including counterpart funds)		96 billion
Equals:	Net bank financing of the government (excluding NOA)		44 billion

12. **Dobra base money** is defined as the sum of currency issued—which consists of currency outside depository corporations and cash in vaults—and banks reserves denominated in dobra. Bank reserves refer to reserves of commercial banks – in dobra – held with the central bank and include reserves in excess of the reserve requirements. For reference, at end-December 2012 dobra base money was 616 billion dobra, calculated as follows:

[1] Data refer to the mid-point exchange rates published on the BCSTP's webpage for the last day of 2012.

Currency issued:			217 billion
	Of which:	Cash in vaults	41 billion
		Currency outside depository corporations	176 billion
Plus:	Bank reserves denominated in dobra		399 billion
Equals:	Dobra base money		616 billion

13. **Net international reserves** (NIR) of the BCSTP are defined for program-monitoring purposes as short-term, tradable foreign assets of the BCSTP minus short-term external liabilities, including liabilities to the IMF. All short-term foreign assets that are not fully convertible external assets nor readily available to and controlled by the BCSTP (i.e., they are pledged or otherwise encumbered external assets, including but not limited to the HIPC umbrella SDR account and assets used as collateral or guarantees for third-party liabilities) will be excluded from the definition of NIR. Securities whose market value on the last day of the year differs by over 20 percent from their original nominal issue price will be assessed at their market value as reported by the BCSTP's Markets Department. The balance of (1) NOA at the BCSTP, (2) banks' deposits related to capital or licensing requirements, and (3) banks' reserves denominated in foreign currency are excluded from the program definition of NIR. All values are to be converted to U.S. dollars at the actual mid-point market exchange rates prevailing at the test date. For reference, at end-December 2012 NIR was 726 billion dobra, calculated as follows:

Gross international reserves:				933 billion
	Of which:	Cash		19 billion
		Demand deposits		127 billion
		Term deposits (including banks' deposits in foreign currency)		388 billion
		Securities other than shares		376 billion
		Of which:	Portuguese Treasury bonds	92 billion
			Rede Ferroviaria Nacional bonds	123 billion
			Less: discount (71.60)	35 billion
			Mortgage-backed securities of CDG	195 billion
		Accrued interest on securities		10 billion
		Reserve position in the Fund		0 billion
		SDR holdings		13 billion
Less:	Short-term liabilities (including liabilities to the IMF)			110 billion
Less:	Banks' reserves denominated in foreign currency			97 billion
Less:	Banks' guaranteed deposits denominated in foreign currency			10billion
Equals:	Net international reserves			717 billion
Plus:	Other foreign assets			249 billion
Less:	Medium and long-term liabilities (including SDR allocation)			203 billion
Equals:	Net foreign assets			763 billion
Memorandum item:	National Oil Account (NOA)			168 billion

14. **The performance criterion on short-term external debt** refers to the outstanding stock of external debt with an original maturity of one year or less (including overdraft positions but excluding normal import credits) owed or guaranteed by the government and/or the BCSTP.[2] With respect to the precautionary line of credit from Portugal to support the pegging of the dobra to the euro, unpaid balances outstanding during the first three quarters of a given year will be excluded from the short-term external debt limit. However, outstanding balances at the end of a given year will be included in the assessment of compliance with the short-term external debt performance criterion. For reference, at end-December 2012 the stock of short-term external debt was zero.

15. **The performance criterion on nonconcessional medium- and long-term external debt is a continuous performance criterion** that refers to the contracting or guaranteeing of new external debt with original maturity of more than one year by the government and/or the BCSTP.[3,4] Debt being rescheduled or restructured is excluded from the ceilings set on nonconcessional borrowing. Medium- and long-term debt will be reported by the Debt Management Department of the Ministry of Planning and Finance (as appropriate) by the BCSTP, measured in U.S. dollars at the prevailing exchange rates. The government should consult with IMF staff before contracting or guaranteeing new medium- or long-term debt obligations.

16. **The non-accumulation of external payment arrears is a continuous performance criterion**. Government external payment arrears are defined as all unpaid external public debt obligations, according to the data established by the Debt Management Department of the Ministry of Planning and Finance and (as appropriate) by the BCSTP, except for arrears pending rescheduling arrangements. The latter are considered as technical arrears. Debt would be deemed to be in arrears when it has not been paid by the time it is due, unless arrears have otherwise been contractually defined. This performance criterion does not apply to those arrears pending the signing of bilateral agreements in the context of debt-rescheduling with the Paris Club, if any, and other bilateral creditors.

17. **Net external debt service payments** are defined as debt service due less the accumulation of any new external payment arrears, including technical arrears.

---

[2] The term "debt" is defined as in point 9 of the IMF *Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF*, as amended effective December 1, 2009. Debt will be understood to mean a current, i.e., not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract.

[3] This performance criterion applies not only to debt as defined in point 9 of the IMF *Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF*, as amended effective December 1, 2009, but also to commitments contracted or guaranteed for which value has not been received.

[4] The level of concessionality of loans is assessed -using a discount rate of 5 percent. - For least developed countries, such as São Tomé and Príncipe, a loan is deemed to be on concessional terms if, on the date of initial disbursement, the ratio of the present value of the loan, calculated on the basis of the reference interest rate, to the nominal value of the loan is less than 50 percent (in other words, a grant element of at least 50 percent).. This performance criterion does not apply to IMF facilities.

18. **Official external program support** is defined as grants and loans, including in-kind aid when the products are sold by the government and the receipts are earmarked for a budgeted spending item, and other exceptional financing provided by foreign official entities and incorporated into the budget. Amounts assumed in the program consistent with the definition are shown in Tables 1 and 3 of the MEFP as a memorandum item labeled "official external program support."

III. USE OF ADJUSTERS

19. **The performance criterion on the domestic primary deficit will have one adjuster**. The limit on the domestic primary deficit will be adjusted upward if the government finds budget support and privatization receipts in 2013 and 2014 in addition to that described in the MEFP; this adjuster will be capped at 50 billion dobra (about 1 percent of 2012 GDP) for 2013 and 2014.[5]

20. **Adjusters for the performance criteria on net bank financing of the central government and net international reserves will be set**. Deviations from amounts projected in the program for budget transfers from the NOA, official external program support, net external debt service payments, and domestic arrears will trigger adjustments on the above mentioned performance criteria. These deviations will be calculated cumulatively from end-December 2012 or end-December 2013, as appropriate (MEFP, Tables 1 and 3). The following is an explanation of these adjustments:

- **Adjustors on ceilings on changes in net bank financing of the central government (NCG)**: Quarterly differences between actual and projected receipts of budget transfers from the NOA, official external program support, net external debt service payments, and domestic arrears will be converted to dobra at the program exchange rate and aggregated from end-December 2012 or end-December 2013, as appropriate, to the test date. The ceilings will be adjusted downward (upward) by cumulative deviations downward (upward) of actual from projected net external debt service payments, and by deviations upward (downward) in budget transfers from the NOA, official external program support, and domestic arrears. The combined application of all adjusters at any test date is capped at the equivalent to US$3 million at the program exchange rate.

- **Adjustors for the floor on net international reserves (NIR) of the BCSTP**: Quarterly differences between actual and projected receipts of budget transfers from the NOA, official external program support, net external debt service payments, and domestic arrears in dobra, will be converted to U.S. dollars at the program exchange rate and aggregated from end-December 2012 or end-December 2013, as appropriate, to the test date. The floor will be adjusted upward (downward) by the cumulative deviation downward (upward) of actual from projected net external debt service payments of the central government, and by deviations upward (downward) for budget transfers from the NOA, official external program support, and domestic arrears. The combined application of

[5] Grants and related expenditures to cover the cost of the elections will be excluded from the measurement of the domestic primary deficit.

all adjusters at any test date is capped in such a way that the adjusted floor does not fall short of US$18.97 million in 2013 and US$24.5 million in 2014.

IV. DATA REPORTING

21. The following information will be provided to the IMF staff for the purpose of monitoring the program.

1) **Fiscal Data**: The Directorate of Budget at the Ministry of Planning and Finance will provide the following information to IMF staff, within six weeks after the end of each month or quarter, except for the public investment program (PIP), which will be provided three months after each quarter:

- Monthly data on central government operations for revenues, expenditure, and financing, including detailed description of net earmarked resources (*recursos consignados*), on commitment (*compromisso*) and cash payments (*caixa*);
- Monthly data on net credit to the government by the BCSTP, recorded account by account in a format fully compatible with the monetary accounts of the BCSTP;
- Monthly detailed data on tax and nontax revenues;
- Monthly detailed data on domestically financed capital expenditure on commitment (*compromisso*) and cash payments (*caixa*);
- Monthly data on domestic arrears by type and on arrears to EMAE;
- Monthly data on official external program support (non-project);
- Quarterly data on the execution of the public investment program (PIP) by project and sources of financing;
- Quarterly data on the execution of Treasury-funded capital expenditure by project type, amount, timetable of execution, and progress of execution;
- Quarterly data on project grant and loan disbursement (HIPC and non-HIPC);
- Quarterly data on bilateral HIPC debt relief;
- Latest outstanding petroleum price structures and submission of new pricing structures (within a week of any changes).

2) **Monetary Data**: The BCSTP will provide the IMF staff, within three weeks from the end of each month, the monetary accounts of the BCSTP. Other monetary data will be provided within six weeks after the end of each month for monthly data, within two months after the end of each quarter for quarterly data, and within two months after the end of the year for annual data.. The BCSTP will provide the following information to IMF staff:

- Daily data on exchange rates, to be posted on the central bank's web site;
- Daily data on interest rates, to be posted on the central bank's web site;
- Daily liquidity management table, including dobra base money and currency in circulation, to be posted on the central bank's web site;
- Daily net international reserve position, to be posted on the central bank's web site;
- Monthly balance sheet data of BCSTP (in IMF report form 1SR, with requested memorandum items);

- Monthly consolidated balance sheet data of other depository corporations (in IMF report form 2SR);
- Monthly consolidated depository corporations survey (in IMF survey 3SG);
- Monthly central bank foreign exchange balance (*Orçamento cambial*);
- Quarterly table on bank prudential ratios and financial soundness indicators;
- Quarterly data on the BCSTP's financial position (profit and loss statement, deficit, budget execution, etc.).

3) **External Debt Data**: The Debt Management Unit at the Ministry of Planning and Finance will provide the IMF staff, within two months after the end of each month the following information:

- Monthly data on amortization and interest on external debt by creditor; paid, scheduled, and subject to debt relief or rescheduled;
- Quarterly data on disbursements for foreign-financed projects and program support loans.

4) **National Accounts and Trade Statistics**: The following data will be provided to the IMF staff:

- Monthly consumer price index data, provided by the National Institute of Statistics within one month after the end of each month;
- Monthly data on imports (value of imports, import taxes collected, and arrears) and commodity export values, provided by the Customs Directorate at the Ministry of Planning and Finance , within two months after the end of each month;
- Monthly data on petroleum shipments and consumption (volumes and c.i.f. prices, by product), provided by the Customs Directorate.