The Democratic Republic of São Tomé and Príncipe and the IMF

Press Release:
IMF Executive Board Completes Second ECF Review for The Democratic Republic of São Tomé and Príncipe
November 18, 2015

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

November 7, 2016

Letter of Intent

São Tomé, November 7, 2016

Ms. Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431
USA

Dear Ms. Lagarde:

1. The Democratic Republic of São Tomé and Príncipe has continued to advance implementation of its economic reform program, supported by an IMF arrangement under the Extended Credit Facility (ECF) since July 2015. Notwithstanding the country's fragility and dependence on foreign resources in an uncertain environment, the government's efforts to strengthen macroeconomic stability, foster sustainable and inclusive growth, and reduce poverty in the context of the second National Poverty Reduction Strategy Paper (PRSP-II) have yielded some success. In general, macroeconomic stability improved, evidenced by stable and sustainable growth and lower inflation. However, the economy continues to face significant challenges in terms of high debt, risks in the banking system, and weak competitiveness, undermining the job creation and poverty reduction efforts.
Our engagement with creditors and donors toward reaching a cooperative and meaningful solution for the country's large infrastructural needs is ongoing and we have been successful in bringing more bilateral donors onboard. Our ambitious structural reform agenda—primarily aimed at addressing bottlenecks to higher, sustained, and inclusive growth and strengthening the financial sector—is also being implemented with technical and financial assistance from our international partners.

2. The government believes that measures and policies described in the July 2015 Memorandum of Economic and Financial Policies (MEFP Attachment I) remain appropriate for attaining the objectives of our program. The attached supplement to the MEFP discusses performance under the program thus far and updates policies toward meeting these objectives. Our key focus going forward will be on measures to address the fiscal slippage in the first half of the year, manage liquidation of Banco Equador to safeguard financial stability and minimize fiscal cost, and enhance liquidity management by developing a secondary market.

3. Recently, the government concluded discussions on the second review under the ECF-supported program with an IMF staff mission, with focus on program implementation through end-June 2016, as well as on measures to be implemented during the rest of 2016 and 2017. We satisfied four of six end-June 2016 performance criteria (PCs). Policy delays and slippages ahead of the Presidential elections, combined with the delayed disbursement of external financing, led to missed PCs on the floors on domestic primary balance and on net international reserves of the central bank. We also overshot the indicative target ceiling on

dobra base money and spent slightly less than programmed in pro-poor expenditure. On the other hand, indicative targets on new domestic arrears and tax revenue were met. The government has since introduced corrective measures to address the revenue shortfall and believes these are well-entrenched to prevent future occurrence.

4. The attached MEFP describes government policies for 2016–18 that would support achieving program objectives under the ECF arrangement. We remain fully committed to achieve the objectives of the program and will take any additional measures necessary to that end. We will consult with the IMF on the adoption of such measures prior to any revision of the policies indicated in the MEFP.

5. In light of the progress in implementing the program, we request the IMF Executive Board to approve the waivers for non-observance of domestic primary deficit and net international reserves performance criteria with test date at end-June 2016, modification of performance criteria on net international reserves for end-December 2016, set end-June 2017 and end-December 2017 PCs, and request for the completion of the second review as well as the third disbursement of SDR 634,285 under this arrangement.

6. The government will continue to provide Fund staff with all relevant information mentioned in the Technical Memorandum of Understanding (TMU), concerning further progress made under the program. During the program period, the government will not introduce or strengthen any exchange controls, multiple exchange rate practices, or import restrictions for balance of payments purposes, nor will it conclude any bilateral payment agreements in violation of Article VIII of the Fund's Articles of Agreement.

7. The government agrees to make public this Letter of Intent, along with the attached MEFP and TMU, and the entire IMF staff report on the second review. We hereby authorize their publication and posting on the IMF website, once the IMF Executive Board approves the completion of the second review under the three-year arrangement under the ECF.

Sincerely yours,

/s/	/s/
Mr. Américo d'Oliveira Ramos, Minister of Finance, Commerce and Blue Economy	Ms. Maria do Carmo Trovoada Silveira, Governor of the Central Bank of São Tomé and Príncipe

Attachments:

1. Memorandum of Economic and Financial Policies.
2. Technical Memorandum of Understanding.

Memorandum of Economic and Financial Policies for 2016–18

This Memorandum of Economic and Financial Policies (MEFP) updates the one outlined for the completion of the first review approved by the IMF Executive Board on June 10, 2016. It describes recent macroeconomic developments, implementation of the ECF-supported program, the economic outlook and risks, and macroeconomic policies.

RECENT ECONOMIC DEVELOPMENTS

1. **Economic activity in the first half of the year remained somewhat below expectation.** Preliminary indicators suggest that economic activity, compared to last year, was boosted by tourism receipts and better cocoa yield supported by good rainfall patterns, as well as election-related spending. However, a stimulus expected from timely execution of externally-financed investment projects failed to materialize because of delays in the disbursement of financing; slow credit growth also continued to hamper economic activities. To compensate for the missed stimulus, the government brought forward the planned issuance of a nine-month treasury bill to financed key investment projects. The twelve-month inflation accelerated by 1.8 percentage points from December 2015 to 5.8 percent in September, driven by rising food prices and changes in the CPI basket.

2. **Fiscal performance was mixed.** Domestic primary spending was well above target (mainly on goods and services, transfers, and treasury-funded capital spending), more than offsetting slightly better-than-projected domestic revenues, resulting in a larger-than-targeted domestic primary deficit of 2 percent of GDP by 1.3 percent of GDP at the end of June 2016. The overall fiscal balance was, however, well below target, because of shortfalls in privatization and externally-financed capital spending. Part of the domestic primary spending was financed by frontloading the issuance of the planned 2 percent of GDP of treasury bills and transfers from the National Oil Account, as privatization proceeds failed to materialize. The planned off-loading of part of the government shares in the largest commercial bank and the largest telecom company[1] (amounting to about 5 percent of GDP) is no longer expected to be finalized this year due to delays in the negotiations with interested parties. Foreign-financed capital spending was also lower than projected, due to delayed disbursement of external financing, including about a 3.8 percent of GDP loan from Turkey and Kuwait which now looks unlikely to be finalized this year. This was however, partially off-set by an unbudgeted disbursement of US$4.5 million from Angola, constituting the third tranche of the loan contracted in 2014. Tax revenues were held back by lower-than-expected growth and imports and by delay in implementing corrective revenue measures agreed during the first review. That notwithstanding, tax revenue was higher than last year at 6 percent of GDP (compared to 5.6 percent of GDP in 2015, excluding 1.2 percent of GDP of ENCO tax arrears payments).

[1] The government was expecting proceeds from these privatizations to finance critical investment projects.

3. Excess liquidity in the banking system remains high despite a contraction of monetary aggregates and modest credit expansion in the first half of the year. Broad money fell by 6.2 percent during the first seven months of the year, primarily on account of lower net foreign assets that reflected weak economic activity and fall in foreign exchange inflows. In contrast, private sector credit increased slightly as interest rates fell across all classes of deposits and loans. That notwithstanding, the excess liquidity in the banking system remains high, close to a third of deposits, reflecting the lack of commercial lending opportunities (including lack of bankable projects) for commercial banks in an environment of persistently high non-performing loans.

4. Banking sector vulnerability continues to be a source of concern. Effective August 1, 2016, and in line with the new banking resolution law, the central bank (BCSTP) cancelled the license and initiated court bankruptcy proceedings against Banco Equador—the fourth-largest bank by assets—which had been under BCSTP administration since January 2015. This action was the last resort, after failure to identify a suitable investor to buy a transitional bank created from good assets and liabilities of Banco Equador. End-June 2016 financial sector indicators show a further 6.1 percentage point worsening of the non-performing loans (NPL) ratio to 35.9 percent from the beginning of the year, largely attributable to the decision to liquidate Banco Equador. Notwithstanding the level of capital adequacy, solvency ratio remained virtually unchanged, the basic and supplementary capital ratios were reduced slightly in the same period.

5. The current account improved due to a strong rebound in travel receipts and subdued imports. In the first half of 2016, imports increased moderately relative to 2015, due to slower-than-expected economic activity. The improvement of the current account balance was largely due to strong growth of tourism receipts. However, due to disappointingly low foreign grants and loans inflows, international reserves declined to US$51 million at the end of June 2016, equivalent to 3.7 months of projected 2016 imports.

PERFORMANCE UNDER THE ECF-SUPPORTED PROGRAM

6. Performance under the program through end-June 2016 was mixed. Four of the six performance criteria were met (Table 1). The floors on domestic primary balance and on net international reserves of the central bank were missed, the former by a wide margin of about 1.3 percent of GDP (the target for end-June was -0.7 percent of GDP), due to higher primary domestic spending. The floor on net international reserves was missed due to delayed disbursement of external financing. Moreover, the indicative target ceiling on dobra base money was exceeded by almost 12 percent due to higher net deposits of the central government, and pro-poor spending was below the floor by about 1 percent. On the other hand, indicative targets on new domestic arrears, and for tax revenue were met.

7. Good progress was made in implementing the structural reforms under the program (see Table 2). Two of the three end-June 2016 structural benchmarks were met. We have submitted to staff a draft comprehensive strategy to help banks deal with high NPLs. The strategy has been strengthened based on comments provided by the Fund's Monetary and Capital Market Department (MCM). We have received granted powers by the national assembly and have completed targeted amendments of twelve provisions of the tax code, including to transfer the collection of tax arrears from fiscal court judge to the tax administration. On the other hand, the end-June structural benchmark to introduce an automatic fuel price adjustment mechanism was not met, but significant progress has been made and we have committed to meeting this benchmark as a prior action for the completion of this review.

ECONOMIC OUTLOOK AND RISKS

8. The economic outlook for 2017 and the medium term is favorable despite some risks. The expected pick-up in growth in the second half of the year is uncertain due to further slowdown in economic activity in connection with lackluster imports. We expect growth to be at 4 percent this year instead of the 5 percent target, but the medium term target of 5.5 percent remains attainable. The expected modest recovery in world commodity prices would be offset by a fall in imports which may continue to hamper economic activity this year. There has been a recent uptick in inflation reflecting growing aggregate demand pressures and supply constraints. Risks to this outlook are tilted to the downside. Domestically, the main risks emanate from the high and rising NPLs, which could disrupt the recent resumption of lending and general business and trade activity, and it also presents a fiscal risk, including the ongoing liquidation of Banco Equador. Externally, disbursement of foreign financing for capital spending could be further delayed while global economic and financial uncertainties could curtail FDI inflows, demand for cocoa, and tourist arrivals.

MACROECONOMIC POLICIES

A. Address the Fiscal Slippage in the First Half of the Year

9. The end-December 2016 domestic primary deficit target of 2 percent of GDP remains feasible and appropriate, despite the slippage in the first half of the year. The government has stepped up efforts to strengthen revenue collection together with greater fiscal discipline, in particular with regard to domestic primary spending. The current fall in imports, as a result of ongoing pressures on foreign exchange, will undermine the revenue target. It is currently estimated that this will result in additional 1.4 percent of GDP fall in revenue. We are committed to cutting spending to fully offset the expected shortfall in revenue through greater coordination among line ministries and budget and treasury directorates, to ensure that the overall end-2016 fiscal target is achieved. In particular, the government has identified expenditure cuts in transfers and other current spending, amounting to 1.4 percent of GDP which will ensure that the end-2016 domestic primary deficit target of 2.0 percent of GDP is achieved. Foreign-financed capital spending will pick up by 8.1 percent of GDP in the second half of the year, [including disbursements from Taiwan, Province of China (US$15 million), African Development Bank (US$9 million), Portugal (US$3.9 million) and the World Bank (US$5 million).

10. Beyond 2016, the baseline fiscal path agreed during the first review remains broadly appropriate and guides the broad outline of 2017 budget. Consistent with the program's medium-term objective of moving from high to moderate risk of debt distress, we will cap foreign-financed capital spending to the level of disbursements of already contracted project loans and grants and limit new borrowing. The 2017 budget will target a tax revenue ratio of 15.0 percent of GDP, revised down from 15.4 percent of GDP initially projected before accounting for the full impact of sharp fall in imports including oil imports which is affecting international trade taxes significantly. The domestic primary expenditure level will be anchored on achieving a domestic primary deficit target of 1.8 percent of GDP. We will carefully review treasury-financed capital spending in light of our commitments of 2016, giving priority to already started projects over new ones.

11. We will continue to undertake ambitious structural fiscal reforms aimed at supporting the fiscal consolidation efforts, including:

- *Enhance revenue mobilization through legislative and tax administration reforms will continue in 2017*. The focus will be placed on the preparation of VAT legislation and changes to the income tax to maintain coherence in the tax system (*end-December 2016 structural benchmark*). Tax administration reforms will emphasize: (i) developing human capacity; (ii) improving working conditions; and (iii) strengthening fiscal operations, including more dynamic and secured management of a taxpayer database, management of taxpayer files based on risk analysis that reflects strong concentration of revenue from few taxpayers, reorientation of inspection activity towards broadening the tax base, imposing fines on tax evasion, improving customer services and taxpayers education, and adopting a modern computer information system with key functionalities such as automatic notification of taxpayers in default, extraction of statistical data, surveillance, and oversight support.

- *Strengthen fiscal discipline*. In light of recent expenditure slippages and uncertainty about the prospects for privatization proceeds, the government will rigorously restrain spending on goods and services and treasury-financed capital, and monitor budget execution closely to ensure expenditure commitments are issued based on available resources.

- *Strengthen Public Financial Management (PFM)*. The government is committed to achieving tangible progress in transparency, and sound and efficient management of public resources. We have already completed a diagnostic study of the electronic information management system (SAFEe) with the help of AfDB. The study includes terms of reference and cost estimate for development of customized applications that will allow the extension of SAFEe's reach to autonomous services and municipalities as well as enhancement of the system with critical added functionalities, including reconciliation of treasury accounts, management of government contracts, foreign aid, and public debt. The government has already extended oversight to the general inspection finance entity and is working on extending oversight to the Court of Public Accounts. To ensure value for money, the government will also move forward with the implementation of a centralized framework for appraising and prioritizing capital expenditure projects, public investment management assessment (PIMA) framework, and medium-term fiscal and expenditure frameworks.

- *Reduce fiscal risk and improve debt management*. The government remains committed to effectively apply the automatic fuel price adjustment mechanism and has taken all relevant actions as a prior action for the completion of the second review, to avert fiscal risks from rising oil prices under the present subsidized pricing system; it has communicated this clearly to the public. On debt management, we have submitted an updated medium term public debt management strategy to parliament together with the draft 2017 budget, have completed a new debt management performance assessment (DeMPA) with World Bank support, and the migration to a new debt database and the preparation of guidelines on debt management will be finalized in the first quarter of next year. We will finalize and submit a draft public private partnership (PPP) law for the approval to parliament (*end-June 2017 structural benchmark*).

- Consistent with the IMF's new policy on debt limits, the government has revised the borrowing plan submitted in the first ECF review (Text Table 1). All loans are expected to be on concessional terms, with the bulk to finance infrastructure projects and social spending. The government reserves the right to revise this plan during the next ECF review.

Text Table 1. Borrowing Plan, 2016–18

PPG external debt	Volume of new debt in 2016		PV of new debt in 2016 (program purposes)		PV of new debt in 2016 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**1.8**	**100**	**1.2**	**100**	**1.2**	**100**
Concessional debt, of which	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**
Multilateral debt	0.0	0	0.0	0	0.0	0
Bilateral debt	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	**1.8**	**100**	**1.2**	**100**	**1.2**	**100**
Semi-concessional	1.8	100	1.2	100	1.2	100
Commercial terms	0.0	0	0.0	0	0.0	0
By Creditor Type	**1.8**	**100**	**1.2**	**100**	**1.2**	**100**
Multilateral	1.8	100	1.2	100	1.2	100
Bilateral - Paris Club	0.0	0	0.0	0	0.0	0
Bilateral - Non-Paris Club	0.0	0	0.0	0	0.0	0
Other	0.0	0	0.0	0	0.0	0
Uses of debt financing	**1.8**	**100**	**1.2**	**100**	**1.2**	**100**
Infrastructure	0.0	0	0.0	0	0.0	0
Social Spending	0.0	0	0.0	0	0.0	0
Budget Financing	0.0	0	0.0	0	0.0	0
Other	1.8	100.0	1.2	100.0	1.2	100.0
Memo Items						
Indicative projections						
Year 2	**21.8**		**13.8**		**13.8**	
Year 3	**21.8**		**13.8**		**13.8**	

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

B. Strengthen Liquidity Management

12. Against the backdrop of excess liquidity, the BCSTP remains committed to further refine the liquidity forecasting and management tools. With regards to forecasting, the focus will be on encouraging closer cooperation between the central bank and the treasury to further minimize forecasting errors and improve the assessment accuracy for liquidity needs of the banking system with a view to inform timing and issuance of treasury bills and bonds in the nascent money market. The BCSTP will also enhance existing liquidity management tools, including developing the secondary market for government securities, creating conditions for long-term liquidity management, and reducing the stigma associated with participating in the interbank money market through mandatory transparent, timely, accurate, and public reporting of banks' audited financial statements.

C. Reducing Risks in the Banking Sector

13. The government decided to protect small depositors as part of the liquidation of Banco Equador. The central bank withdrew the license of Banco Equador on August 1, 2016 after making all efforts to attract suitable partners to take over the bank. In addition, to safeguard financial stability and prevent social unrest ahead of the 2016 presidential elections which was held on August 7, the central bank decided to protect small depositors, excluding depositors' shareholders and their related parties, managers and their related parties, non-residents, debtors, and all customers with outstanding loans with the bank. The central bank has paid up to €4,000 per qualifying depositor so far and the next step is to distribute any remaining monies after the completion of the court-mandated liquidation process. The average value of deposits covered so far amounts to € 209 and the average value of fully-covered deposits amounted to €91. The total amount set aside by the central bank to pay out eligible depositors so far is €1.7 million (0.5 percent of GDP), of which €0.85 million has already been paid out. We have requested TA from the Fund to guide the process of finalizing the liquidation of Banco Equador with the overall objective of safeguarding the stability of the financial system and reducing fiscal cost. We believe that our actions have so far removed some doubts on the status of Banco Equador following the long period over which this bank has been under administration. So far there has not been any panic reaction from customers and on other banks and all banks have welcomed the central bank's decision to decisively deal with this liquidation, including the protection of small depositors.

14. Fiscal cost of liquidation has been minimized. We have made efforts to limit the use of public funds and use proceeds from sales of the bank's assets to bolster negative effects on depositors and the economy. We are very optimistic that the guarantee given by the council of ministers to back the central bank's financing to protect small depositors will not result in additional fiscal costs to the budget. There are clearly identified assets that are being protected as part of the liquidation process and proceeds from which would be used to offset the cost incurred by the central bank. The central bank has the preferred status and will be the first to be paid from any proceeds from the liquidation process. In the event that the full cost of liquidation is not realized by the central bank, following sales of identified assets due to deterioration in assets, the central bank plans to withhold dividends to government until recovery of full cost of the liquidation. Starting from the 2017 budget, the government has committed to make room to accommodate this contingent liability, which will amount to about 5.5 billion dobras per year over 7 years.

15. The BCSTP will move decisively to implement the time-bound action plan to address the large stock of NPLs in the banking system. This will include the completion of an independent detailed asset quality review (AQR) (*end-December 2017 structural benchmark*) and a recently concluded assessment of regulation and supervision in lieu of a full assessment of compliance with Basel Core Principles (*end-December 2016 structural benchmark*) with the help of MCM technical assistance. These assessments will reduce uncertainties about asset quality and banks' financial health and set the stage for remedial action. Following the AQR, the BCSTP will direct banks to improve internal policies and procedures, increase provisioning, and promptly recapitalize if appropriate. Moreover, the government will reform debt enforcement and insolvency regimes, out-of-court workout aimed at rehabilitating viable debtors, and improve the operational capacity of banks to reduce NPLs.

D. Structural Reforms

16. The structural reforms agenda prioritizes export diversification and cost competitiveness to support growth and external stability. The government is working with the World Bank on finalizing a national export diversification strategy (*end-December 2017 structural benchmark*) centered on sustainable tourism growth. In addition, we will pursue strategies to address the unreliable supply and high cost of electricity, including substitution to alternative and cheaper energy sources), reform the state electricity company (EMAE), eliminate cross-subsidies, and move to full cost recovery of electricity tariffs (*end-December 2016 structural benchmark*).

OTHER PROGRAM ISSUES

17. Safeguards. The BCSTP is committed to implementing the recommendations from the September 2015 safeguards assessment, which included independent oversight of the audit mechanisms, internal controls, financial reporting (*end-December 2016 structural benchmark*), and amendments to the central bank Organic Law.

18. Statistics. Efforts to address data shortcomings will continue. There is scope to improve the balance of payments statistics and extend the coverage of the international investment position. The national statistics institute (INE) has completed the rebasing of the national accounts to 2008 and a new CPI, reflecting price movements in a broader basket of goods and services, using 2014 as the base year. The next steps include splicing the pre–and post–2008 GDP and pre–and post–2014 CPI series, and improving the statistics by developing data on the components of GDP on the demand side and quarterly GDP, including high frequency indicators of economic activity.

PROGRAM MONITORING

19. The performance criteria (PC), indicative targets (IT), and structural benchmarks for the remainder of 2016 and for 2017 are presented in Tables 3 and 4. The definitions of quantitative PCs and ITs are provided in the attached Technical Memorandum of

Understanding (TMU), which also defines the scope and frequency of data reporting for program monitoring purposes. The third ECF review is expected to be completed on or after April 15, 2017, the fourth review on or after October 15, 2017, and the fifth review on or after April 15, 2018.

Table 1. São Tomé and Príncipe: Performance Criteria and Indicative Targets for End-June 2016

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

	2016					
	March		June			
	Indicative Target	Actual	Performance Criteria [1]	Performance Criteria [2] w/ adjustments	Actual	Status
	31-Mar-16		30-Jun-16			
Performance criteria:						
Floor on domestic primary balance (as defined in the TMU) [2, 12]	-23	-114	-54	-54	-158	Not met.
Ceiling on changes in net bank financing of the central government (at program exchange rate) [3, 4, 5]	0	88	0	61	45	Met
Floor on net international reserves of the central bank (US$ millions) [2, 4]	62	47	62	59	53	Not met.
Ceiling on central government's outstanding external payment arrears (stock, US$ millions) [5, 6, 7, 8]	0	0	0	...	0	Met
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]	0	0	0	...	0	Met
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]	0	0	0	...	0	Met
Indicative targets:						
Ceiling on change of central government's new domestic arrears [12]	0	-6	0	...	-2	Met
Ceiling on dobra base money (stock)	1,062	1,130	1,085	...	1,211	Not met.
Floor on pro-poor expenditures [12]	168	112	289	...	285	Not met.
Floor on tax revenue [12]	181	209	422	...	464	Met
Memorandum items:						
New concessional external debt contracted or guaranteed with original maturity of more than one year by the central government or the BCSTP (US$ millions) [5, 7, 8, 10, 12]	14	0	14	...	0	...
Transfer from NOA to the budget (US$ millions)	1.6	2	1.6	...	2	...
Net external debt service payments [11]	18	62	43	...	116	...
Official external program support [11]	20	0	47	...	12	...
Treasury-funded capital expenditure	12	35	28	...	75	...

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

[1] Performance at the June 2016 test date is assessed on the second review.

[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 "central 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 or memo item 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, ¶ 4 and 14.

[9] Only applies to debt with a grant element of less than 35 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, ¶ 20.

[10] Only applies to debt with a grant element of at least 35 percent.

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

[12] Cumulative from end December 2015.

Table 2. São Tomé and Príncipe: Structural Benchmarks, End-June 2016

Policy Objectives and Measures	Timing	Macro Rationale	TA involved	Status
Strengthening Public Finances				
Adopt an automatic fuel price adjustment mechanism that allows timely pass-through of import costs with a view to its gradual introduction in 2016.	End-June 2016	To remove implicit fuel price subsidies and loss of fiscal revenues	FAD TA on design of automatic price adjustment mechanism	Not met.
Introduce legislation to transfer the execution for collection of tax arrears from fiscal court judge to the tax administration.	End-June 2016	To boost tax arrears collection	No TA involved	Met.
Enhancing Monetary Policy and Financial Stability				
Prepare and submit to staff a comprehensive strategy to help banks deal with high NPLs on their balance sheets.	End-June 2016	To support financial sector stability and growth	MCM TA	Met.

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

Table 3. São Tomé and Príncipe: Proposed Performance Criteria and Indicative Targets for 2016–17

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

	2016		2017			
	September	December	March	June	September	December
	Indicative Target	Performance Criteria [1]	Indicative Target	Performance Criteria [1]	Indicative Target	Performance Criteria [1]
	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
Performance criteria:						
Floor on domestic primary balance (as defined in the TMU) [2, 12]	-100	-155	-74	-124	-173	-152
Ceiling on changes in net bank financing of the central government (at program exchange rate) [3, 4, 5]	0	0	0	0	0	0
Floor on net international reserves of the central bank (US$ millions) [2, 4]	51	49	50	50	50	54
Ceiling on central government's outstanding external payment arrears (stock, US$ millions) [5, 6, 7, 8]	0	0	0	0	0	0
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the central government or the BCSTP (US$ millions) [5, 6, 7, 8, 9]	0	0	0	0	0	0
Indicative targets:						
Ceiling on change of central government's new domestic arrears [12]	0	0	0	0	0	0
Ceiling on dobra base money (stock)	1,102	1,465	1,206	1,254	1,290	1,540
Floor on pro-poor expenditures [12]	359	448	171	301	417	501
Floor on tax revenue [12]	783	1,170	206	520	817	1,237
Memorandum items:						
New concessional external debt contracted or guaranteed with original maturity of more than one year by the central government or the BCSTP (US$ millions) [5, 7, 8, 10, 12]	14	18	22	22	22	22
Transfer from NOA to the budget (US$ millions)	1.6	1.6	2.3	2.3	2.3	2.3
Net external debt service payments [11]	107	233	33	49	58	107
Official external program support [11]	88	205	0	8	8	205
Treasury-funded capital expenditure	50	101	25	25	25	94

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

[1] Performance at the December 2016 and June 2017 test dates are assessed on the third and fourth reviews respectively and performace at the December 2017 is assessed on the fifth review.

[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 "central 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 on the basis of the residency of the creditor per paragraph 5 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 15688 of the Executive Board (Dec. 5, 2014).

[8] This performance criterion or memorandum item applies not only to debt as defined in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 15688 of the Executive Board (Dec. 5, 2014), 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, ¶¶ 6 and 15.

[9] Only applies to debt with a grant element of less than 35 percent. For further details refer to the TMU, ¶ 20.

[10] Only applies to debt with a grant element of at least 35 percent.

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

[12] Cumulative from end December 2015 and end December 2016 respectivelly.

Table 4. São Tomé and Príncipe: Structural Benchmarks and Prior Action, 2016–17

Policy Objectives and Measures	Timing	Macro Rationale	TA involved
Strengthening Public Finances			
Adopt an automatic fuel price adjustment mechanism that allows timely pass-through of import costs *(prior action)* .	End-November 2016	To support arrears clearance plan	FAD TA on design of automatic price adjustment
Adopt a plan to reform EMAE (state-owned electricity and water utilities company) to ensure full cost-recovery.	End-December 2016	To support arrears clearance plan	With World Bank and EU support
Submit to the National Assembly a new VAT law.	End-December 2016	To support the introduction of VAT	Forthcoming FAD/LEG TA
Complete a public investment management assessment (PIMA) and submit to staff a reform plan to strengthen public investment management practices.	End-December 2016	To enhance capacity for efficient public investment decision-making	With World Bank support
Submit the draft public private partnership (PPP) law to the National Assembly *(newly proposed).*	End-June 2017	To enhance capacity for efficient public investment decision-making	No TA involved
Enhancing Monetary Policy and Financial Stability			
Establish an Audit Board for BCSTP that specifies a role similar to a conventional audit committee, with responsibilities for oversight of internal and external audit mechanisms, and financial reporting.	End-December 2016	To enhance independent oversight of the audit and control mechanisms	No TA involved
Complete assessment of regulation and supervision in lieu of a full assessment of compliance with Basel Core Principles *(proposed for revision).*	End-December 2016	To improve soundness of financial system	Forthcoming MCM TA
Complete an independent detailed asset quality review of banks *(newly proposed).*	End-December 2017	To support financial sector stability and growth	No TA involved
Facilitating Business Activities			
Develop and submit to the National Assembly a National Export Diversification Strategy document *(proposed to reset to a later date).*	End-December 2017	To promote economic diversification and employment opportunities	TA yet to be identified by authorities

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

Technical Memorandum of Understanding, June 2016

1. This Technical Memorandum of Understanding (TMU) contains definitions and adjuster mechanisms that clarify the measurement of quantitative performance criteria and indicative targets in Table 3, which are attached to the Memorandum of Economic and Financial Policies for 2016 and 2017. 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.

2. **The program exchange rate** for the purposes of this TMU[1] will be 20,299 dobra per U.S. dollar, 24,500 dobra per euro, and 29,236 dobra per SDR for both 2016 and 2017.

PROVISION OF DATA TO THE FUND

3. Data with respect to all variables subject to performance criteria and indicative targets will be provided to Fund staff on the frequency described below (paragraph 27) 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 are defined below and refer to the floor on domestic primary balance; the ceiling on changes in net bank financing of the central government; the floor on net international reserves of the central bank; the ceiling on central government's outstanding external payments arrears; the ceiling on the contracting or guaranteeing of new non-concessional external debt with original maturity of more than one year by the central government or the BCSTP; and the 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.

DEFINITIONS

4. For the purposes of this TMU, **external** and **domestic** shall be defined on a residency basis.

5. **Central 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.

[1] Data refer to the mid-point exchange rates published on the BCSTP's webpage for the last day of 2014.

6. Debt is defined as in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 15688 of the Executive Board (Dec. 5, 2014). 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.

7. 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 Finance and Public Administration.

8. 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 Finance and Public Administration.

PERFORMANCE CRITERIA

9. Performance criterion on the floor on domestic primary balance. This performance criterion refers to the difference between government domestic revenue (excluding oil revenue) and domestic primary expenditure. For reference, this balance for end-June 2016 was -158 billion dobra, broken down as follows:

	Government domestic revenue:	587 billion
Less:	Government primary expenditure:	
	(As defined in paragraph 8)	745 billion
Equals:	Domestic primary balance:	-158 billion

10. Performance criterion on the ceiling on changes in net bank financing of the central government (NCG). This performance criterion measures the increase (decrease) in 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-June 2016, outstanding net bank financing of the central government (excluding NOA) was 45 billion dobra, broken down as follows:

	BCSTP credit, including use of IMF resources:		237 billion
Less:	Government deposits with the BCSTP (excluding NOA)		233 billion
	Of which:	Treasury dobra-denominated accounts	65 billion
		Treasury foreign currency-denominated accounts	94 billion
		Counterpart deposits	74 billion
Equals:	Net credit to government by the BCSTP		4 billion
Plus:	ODC's credit to the government		151 billion
Less:	Government deposits with ODCs (including counterpart funds)		110 billion
Equals:	Net bank financing of the government (excluding NOA)		45 billion

11. Performance criterion on the floor on net international reserves (NIR) of the BCSTP. The NIR of the BCSTP are defined for program-monitoring purposes as short-term (i.e., original maturities of one year or less), 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-June 2016 NIR was 1,163 billion dobra, calculated as follows:

Gross international reserves:				1,459 billion
	Of which:	Cash		27 billion
		Demand deposits		196 billion
		Term deposits (including banks' deposits in foreign currency)		597 billion
		Securities other than shares		587 billion
		Of which:	Portuguese Treasury Bond I	220 billion
			Portuguese Treasury Bond II	243 billion
			Rede Ferroviaria Nacional bonds	123 billion
		Accrued interest on securities		35 billion
		Reserve position in the Fund		0 billion
		SDR holdings		17 billion
Less:	Short-term liabilities (including liabilities to the IMF)			92 billion
Less:	Banks' reserves denominated in foreign currency			204 billion

Less:	Banks' guaranteed deposits denominated in foreign currency	0 billion
Equals:	Net international reserves	1,163 billion
Plus:	Other foreign assets	369 billion
Less:	Medium and long-term liabilities (including SDR allocation)	219 billion
Equals:	Net foreign assets	1,313 billion
Memorandum item:	National Oil Account (NOA)	254 billion

12. Performance criterion on the ceiling on the contracting or guaranteeing of new nonconcessional external debt by the central government or the BCSTP. This is a continuous performance criterion that refers to the contracting or guaranteeing of new external debt of any maturity (including overdraft positions but excluding normal import and supplier credits) by the government and/or the BCSTP. Debt is considered nonconcessional if it includes a grant element less than 35 percent. The grant element is the difference between the nominal value of the loan and its net present value, expressed as a percentage of the nominal value. The net present value of the debt at the date on which it is contracted is calculated by discounting the debt service payments at the time of the contracting of the debt. The discount rate used for this purpose is 5 percent. 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 calendar year will be excluded from this ceiling. However, outstanding balances at the end of a given calendar year will be included in the assessment of compliance with this performance criterion. This performance criterion does not apply to IMF facilities. Debt being rescheduled or restructured is excluded from this ceiling. Medium- and long-term debt will be reported by the Debt Management Department of the Ministry of Finance and Public Administration (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.

13. Performance criterion on the ceiling on central government's outstanding external payment arrears. This is a continuous performance criterion. Central government external payment arrears consist of external debt service obligations (principal and interest) that have not been paid at the time they are due, as specified in the contractual agreement, subject to any applicable grace period. This performance criterion does not apply to arrears resulting from the nonpayment of debt service for which a clearance framework has been agreed or for which the government is actively seeking a rescheduling agreement.

INDICATIVE TARGETS

14. Ceiling on change of central government's new domestic arrears is set on the difference between expenditure on a commitment basis and cash payments (amounts past due after 40 days and unpaid).

15. Ceiling on dobra base money is set on 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-June 2016 dobra base money was 1,211 billion dobra, calculated as follows:

	Currency issued:		273 billion
	Of which:	Cash in vaults	47 billion
		Currency outside depository corporations	226 billion
Plus:	Bank reserves denominated in dobra		938 billion
Equals:	Dobra base money		1,211 billion

16. Within domestic primary expenditure, **the floor on pro-poor expenditure** refers to the floor on 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 functional classifications and expenditure categories (by budget code) as described in the matrix below:

Code	Economic classification of current expenditure	Education	Health	Social Security and Assistance	Housing and Community Services	Culture and Sport	Fuel and Energy	Agriculture and Fisheries
310000	Personnel Expenses	x	x					
331210	Specialty Durable Goods	x	x					
331290	Other Durable Goods	x	x					
331120	Fuels and Lubricants[1]	x	x					
331130	Foodstuffs, Food[1] and Accommodation	x	x					
331140	Specialized Current Consumable Materials (Specific to Each Sector)	x	x					
331190	Other Consumer Non Durable Goods	x	x					
332110	Water and Energy Services	x	x					
332120	Communication Services	x	x					
332130	Health services	x	x					
332220	Maintenance and Conservation Services	x	x					
353900	Other Miscellaneous Current Expenses	x	x	x				
352200	Transfers to non-profit institutions (private)		x	x				
352310	Retirement Pension and Veterans		x	x				
352320	Family Benefit		x	x				
352330	Scholarships	x						
352390	Other Current Transfers to Families		x	x				
353100	Unemployment Fund		x	x				
Code	**Economic classification of capital expenditure**							
411110	Feasibility Study and Technical Assistance	x	x	x	x	x	x	x
411120	Procurement and Construction of Real Estate	x	x	x	x	x	x	x
411200	Rehabilitation Works and Facilities	x	x	x	x	x	x	x
411300	Means and Equipments of Transportation	x	x	x	x	x	x	x
411400	Machinery and Equipment	x	x	x	x	x	x	x
411900	Other Fixed Capital Goods	x	x	x	x	x	x	x
412000	Stocks	x	x	x	x	x	x	x

Source: Diário da Republica de São Tome e Príncipe No. 21 - May 7, 2008, pages 12-13.

[1] Expenditures on fuels and lubricants (*combustíveis e lubrificantes*) that are affected 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.

17. **Floor on tax revenue** is set on tax revenue that includes direct and indirect taxes as well as recovery of tax arrears and additional collection efforts.

MEMORANDUM ITEMS

18. New concessional external debt contracted or guaranteed with original maturity of more than one year by the central government or the BCSTP measures such debt with a grant element of at least 35 percent.

19. Net external debt service payments by the central government are defined as debt service due less the accumulation of any new external payment arrears, as defined under the performance criterion on the ceiling on central government's outstanding external payment arrears.

20. 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.

21. Treasury-funded capital expenditure is classified as part of domestic primary expenditure and covers public investment projects that are not directly financed by project grants and concessional loans or that have to be partially co-financed with government resources. It includes 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.

USE OF ADJUSTERS

22. The performance criterion on the domestic primary balance will have one adjuster. The limit on the domestic primary balance will be adjusted upward if the government finds budget support and privatization receipts in 2016 and 2017 in addition to that described in the MEFP; this adjuster will be capped at 70.3 billion dobra (about 1 percent of 2015 GDP) for 2016 and 2017.[2]

23. The performance criteria on net bank financing of the central government and net international reserves of the central bank will be adjusted in line with 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 2015 or end-December 2016, as appropriate (MEFP Attachment I, Table 3). The following is an explanation of these adjustments:

- Adjusters 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

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

payments, and domestic arrears will be converted to dobra at the program exchange rate and aggregated from end-December 2015 or end-December 2016, 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$3million at the program exchange rate.

- Adjusters 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 2015 or end-December 2016, 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 all adjusters at any test date is capped in such a way that the adjusted floor does not fall short of US$46 million in 2016 and US$51 million in 2017.

DATA REPORTING

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

1) **Fiscal Data:** The Directorate of Treasury and Directorate of Budget at the Ministry of Finance and Public Administration 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 by creditor;

- Quarterly data on implicit arrears to ENCO on account of fuel retail prices eventually not covering import costs, distribution margins and applicable taxes.
- Quarterly data on EMAE's arrears to ENCO.
- 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 becoming available).

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 Directorate of Treasury at the Ministry of Finance and Public Administration 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.

- Annual data on future borrowing plans.

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 Finance and Public Administration, 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.