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DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

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2025 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

In the context of the 2025 Article IV Consultation, First Review Under the Extended Credit Facility Arrangement, Request for Waivers of Nonobservance of Performance Criteria, Modification of Performance Criteria, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its July 31, 2025 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 31, 2025, following discussions that ended on May 21, 2025, with the officials of the Democratic Republic of São Tomé and Príncipe on economic developments and policies underpinning the IMF Arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on July 16, 2025.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- An **Informational Annex** prepared by a staff team of the IMF.
- A **Statement by the Executive Director** for the Democratic Republic of São Tomé and Príncipe.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes the First Review Under the Extended Credit Facility Arrangement and Concludes 2025 Article IV Consultation with São Tomé and Príncipe

FOR IMMEDIATE RELEASE

Washington, DC – **July 31, 2025:** The Executive Board of the International Monetary Fund (IMF) completed today the first review of the 40-month Extended Credit Facility (ECF) Arrangement and concluded the 2025 Article IV Consultation[1] with São Tomé and Príncipe. The completion of the first review allows for an immediate disbursement of an amount equivalent to about SDR 3.964 million (about US$ 5 million), bringing São Tomé and Príncipe's total disbursements under the ECF Arrangement to about US$ 10 million.

The authorities' commitments under the ECF Arrangement approved on December 19, 2024, with total access of the equivalent of SDR 18.5 million (125 percent of quota) (see Press Release 24/490), are expected to support economic rebalancing and bolster medium-term growth. São Tomé and Príncipe's structural impediments—including remoteness, small size, high exposure to climate risks, weak institutional capacity, narrow export base, and steady labor force losses from emigration—all pose challenges to achieving job-rich, inclusive, and blue growth.

Performance under the ECF Arrangement has been satisfactory with respect to the quantitative targets, with eight of the ten end-December 2024 quantitative performance criteria being met. The Executive Board approved the authorities' request for waivers of nonobservance of the two missed performance criteria at end-December 2024 on the basis of the minor and temporary nature of the deviation with respect to the floor on net international reserves of the central bank, which has since been remedied, and on the basis of corrective actions with respect to the ceiling on the accumulation of central government's new external payment arrears. The implementation of key structural reforms was delayed, yet progress was made, including the enactment of the central bank organic law, the finalization of the draft financial institutions law, the alignment of domestic fuel prices with international market benchmarks, and the publication of key performance indicators by the electricity company EMAE.

The Executive Board also concluded the 2025 Article IV consultation with São Tomé and Príncipe. The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

São Tomé and Príncipe's economy is gradually recovering from recent shocks. GDP growth strengthened to 1.1 percent in 2024 and is projected to accelerate to 2.9 percent in 2025 and

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the https://www.imf.org/en/Countries/STP page.

4.7 percent in 2026, remaining robust over the medium term. Inflation has been steadily declining from a peak of 25 percent in January 2023 and is expected to fall to 5 percent by end-2027. Fiscal and external current account imbalances have been narrowing since 2022, a trend that is expected to continue in the coming years. Gross international reserves are projected to increase gradually, reaching the equivalent of 3.1 months of goods imports by 2027. While the country is assessed to be in debt distress, due to prolonged unsettled external arrears, its debt remains sustainable.

Following the Executive Board discussion, Bo Li, Deputy Managing Director and Chair, made the following statement:[3]

"São Tomé and Príncipe's economy is recovering from recent shocks, supported by an economic reform agenda under the Extended Credit Facility (ECF) arrangement. GDP growth has picked up, inflation is declining steadily, and the fiscal and current account positions have improved substantially. Notwithstanding, international reserves have remained at low levels, mainly reflecting lower-than-expected official development assistance. While the outlook is favorable, it is subject to considerable downside risks. The authorities remain focused on addressing macroeconomic imbalances, re-building reserve buffers, and supporting job-rich, inclusive growth.

"Several key structural reforms have been advanced, including the enactment of the central bank organic law, the finalization of the draft financial institutions law, and the alignment of domestic fuel prices with international market benchmarks.

"The authorities' plans to formulate and implement a comprehensive domestic revenue mobilization strategy to support their ambitious fiscal consolidation targets are appropriate. They are also committed to maintaining a tight monetary policy stance until inflation falls below the target level, including by continuing to reduce excess reserves through the issuance of central bank certificates of deposit. In parallel, efforts to contain fiscal risks from the energy sector and put in place prudent borrowing and strengthened public debt management frameworks will be essential to preserve debt sustainability.

"The authorities are focused on strengthening governance frameworks, including by operationalizing the newly adopted central bank organic law, enacting the financial institutions and public procurement laws, and promoting greater transparency and accountability in public financial management.

"Accelerating the implementation of structural reforms is an imperative to enhance the export base and promote job-rich, inclusive growth. Important measures include addressing bottlenecks to private sector development and expanding air transport connectivity to stimulate tourism expansion. The authorities are also focused on enhancing resilience to climate-related shocks and accelerating initiatives that promote women's economic empowerment."

Executive Board Assessment

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the authorities' progress on addressing internal and external imbalances and the broadly

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[3] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

satisfactory performance under the program. Directors highlighted the considerable downside risks to the outlook, including from commodity price movements, climate change-related events, and reduced development assistance. They urged continued efforts to address imbalances and highlighted the importance of remaining committed to reforms to strengthen governance and support job-rich, inclusive growth.

Directors welcomed the authorities' focus on front-loaded fiscal consolidation, highlighting the need to reduce debt and support macroeconomic rebalancing. They underscored the criticality of domestic revenue mobilization and welcomed the plans to adopt a comprehensive domestic revenue mobilization strategy. Noting the need to contain fiscal risks, Directors recommended steps to reform the energy sector, expedite the restructuring of the state-owned electricity company, and improve the oversight and governance of state-owned enterprises. Measures to strengthen debt management are also important.

Directors encouraged the authorities to maintain a tight monetary policy stance to curb inflation, noting that the central bank's strategy to reduce excess reserves has proven effective. They welcomed the enactment of the central bank organic law and urged swift implementation of outstanding safeguards recommendations. Directors highlighted the importance of adopting the new Financial Institutions Law to improve financial sector oversight. Resolution of insolvent banks and efforts to expedite the National Financial Inclusion Strategy to broaden access to financial services are necessary.

Directors emphasized the importance of reforms to support medium-term growth, improve governance, and reduce corruption risks. They recommended addressing infrastructure and human capital bottlenecks to support private sector development, and expanding air transport connectivity to stimulate tourism expansion. Initiatives to promote women's economic empowerment are important. Directors urged the authorities to accelerate reforms to strengthen public financial management, including the adoption of a public procurement law and the acquisition of a new Integrated Financial Management Information System (IFMIS). Directors also called for efforts to strengthen resilience to climate-related shocks. They stressed that tailored capacity development by the Fund and close engagement with other development partners are critical to the success of the reform agenda.

It is expected that the next Article IV Consultation with São Tomé and Príncipe will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Table 1. São Tomé and Príncipe: Selected Economic Indicators, 2022–30

(Annual change in percent, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National Income and Prices									
GDP at constant prices	0.2	0.4	1.1	2.9	4.7	3.9	3.5	3.5	3.5
GDP deflator	15.8	23.7	17.7	9.5	6.4	5.7	5.7	5.7	5.7
Consumer prices (End of period)	25.2	17.1	11.6	7.8	6.1	5.0	5.0	5.0	5.0
Consumer prices (Period Average)	18.0	21.2	14.4	9.7	7.0	5.6	5.0	5.0	5.0
External Trade									
Exports of goods and nonfactor services	18.5	17.7	21.4	15.5	8.2	9.6	9.2	8.6	9.2
Imports of goods and nonfactor services	23.2	4.5	-1.0	17.3	-8.7	9.1	7.3	7.1	6.9
Money and Credit									
Base money	-1.7	-11.6	23.6	3.6	5.0	4.0	3.8	4.1	4.4
Broad money (M3)	10.8	5.3	0.6	5.1	11.4	9.9	9.4	9.4	9.4
Credit to the economy	-16.0	-24.2	6.1	5.8	5.7	5.7	6.2	6.8	7.7
Government Finance (in Percent of GDP)									
Total revenue, grants, and oil signature bonuses	25.5	21.8	25.6	27.7	22.1	22.5	22.4	22.0	22.0
Tax revenue	10.6	11.3	10.7	13.3	13.7	14.3	14.4	14.4	14.4
Nontax revenue	3.1	2.5	3.5	3.3	3.3	3.3	3.3	3.3	3.4
Grants	11.7	8.0	11.4	11.1	5.1	4.9	4.7	4.3	4.2
Total expenditure and net lending	27.7	23.9	24.7	26.4	19.7	18.8	18.8	18.6	18.3
Personnel costs	9.2	7.7	6.9	8.0	8.4	8.4	8.4	8.4	8.4
Interest due	0.5	0.7	0.7	1.1	0.6	0.6	0.6	0.5	0.5
Treasury funded capital expenditures	2.4	3.5	2.8	2.7	1.4	0.4	0.5	0.6	0.6
Donor funded capital expenditures	8.5	5.8	8.8	8.7	3.8	3.9	3.9	3.7	3.4
Domestic primary balance (commitment basis, TMU definition) [1]	-5.7	-0.9	0.0	1.0	1.5	2.0	2.0	2.0	2.0
Overall balance (commitment basis)	-2.2	-2.1	0.9	1.3	2.4	3.8	3.6	3.4	3.7
Public Debt [2]	86.8	73.2	64.8	54.0	47.7	43.2	39.3	35.9	31.9
External Sector									
Current account balance (percent of GDP)									
Including official transfers	-14.5	-12.3	-1.9	-3.4	-3.9	-4.1	-3.9	-3.9	-3.4
Excluding official transfers	-26.2	-20.3	-13.3	-14.6	-9.0	-9.0	-8.6	-8.2	-7.6
PV of external debt (percent of GDP)	26.6	27.2	26.3	24.1	21.5	19.4	17.3	15.7	13.9
External debt service (percent of exports) [3]	6.2	4.7	8.0	10.3	11.9	10.9	9.4	7.8	7.4
Export of goods and non-factor services (US$ millions)	97.0	114.1	138.5	160.0	173.0	189.6	207.0	224.8	245.4
Gross international reserves (face value) [4]									
Millions of U.S. dollars	59.2	42.9	38.9	60.0	67.9	86.9	93.1	99.8	108.6
Months of imports of goods and services	2.6	1.9	1.5	2.5	2.6	3.1	3.1	3.1	3.2
Memorandum Item									
Gross Domestic Product									
Millions of dobra	12,690	15,762	18,756	21,130	23,532	25,854	28,272	30,942	33,863
Millions of U.S. dollars	546	696	828	929	1,040	1,143	1,250	1,367	1,497
Per capita (in U.S. dollars)	2,412	3,014	3,517	3,866	4,245	4,574	4,907	5,268	5,657

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

[1] Excludes oil-related revenues, ENCO debt repayment, grants, scheduled interest payments, foreign-financed capital outlays and expenses related to fuel imports, as defined in the TMU.

[2] Total public and publicly guaranteed debt as defined in the DSA, which includes EMAE's debt to ENCO.

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

[4] Gross international reserves as defined in the TMU.

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

July 16, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. São Tomé and Príncipe (STP) remains fragile and is grappling with structural challenges typical of small island developing states. This structural fragility is further exacerbated by the country's narrow export base, heavy dependence on fuel imports, and steady labor force losses from emigration. The macroeconomic conditions are gradually improving, supported by the Extended Credit Facility (ECF) arrangement approved in December 2024. A new government was appointed in January 2025, and it has reiterated its commitment to the Fund-supported program.

Outlook and risks. Growth is expected to pick up in 2025-26, supported by foreign-financed infrastructure projects and exports of both goods and services (tourism), before stabilizing around 3-4 percent over the medium term. Inflation is projected to decline gradually to 5 percent by end-2027. Risks are tilted to the downside and include adverse commodity price movements, climate change-related events, reduced development assistance, potential policy slippages, and the realization of contingent liabilities.

Program implementation. Performance under the ECF program has been satisfactory with respect to the quantitative targets, while implementation of structural reforms has progressed at a slower pace. Eight of the ten end-December 2024 quantitative performance criteria (QPCs) were met. For both misses (NIR and external arrears), the authorities will adopt appropriate corrective actions (including a prior action), and the miss for the NIR QPC was also minor and temporary. Three of the four indicative targets

(ITs) were achieved. While none of the eight structural benchmarks (SBs) were fully implemented on time, seven SBs were either implemented with a delay, implemented partially, or converted into prior actions. In addition, the authorities have taken corrective actions related to the missed or partially implemented SBs to support implementation of the original program objectives.

Policy recommendations. Discussions centered on the strategy to address macroeconomic imbalances, as well as reforms to strengthen governance, boost export potential and create job-rich, inclusive, and blue growth:

- *Addressing macroeconomic imbalances.* This will require (i) pursuing the fiscal consolidation strategy through stronger domestic revenue mobilization efforts; (ii) maintaining a tight monetary policy stance; (iii) containing fiscal risks from the energy sector; and (iv) implementing prudent borrowing policy and strengthening debt management.

- *Strengthening governance.* Priorities include (i) implementing the newly adopted central bank organic law that strengthens the BCSTP's autonomy and governance; (ii) passing the new financial institutions and public procurement laws; and (iii) advancing reforms to foster greater transparency and accountability in public spending.

- *Accelerating reforms to boost export potential and create job-rich, inclusive, and blue growth.* Priorities include addressing infrastructure and human capital bottlenecks to private sector development, securing the removal of local airlines from the EU Air Safety List to boost tourism, and bolstering resilience to climate shocks.

Staff's views. Staff supports the authorities' request to complete the first review of the ECF arrangement. Staff also supports the authorities' requests for waivers for the nonobservance of performance criteria on net international reserves and the non-accumulation of external arrears, as well as modifications of QPCs and ITs for end-September and end-December 2025. Completion of the first ECF review allows the immediate disbursement of SDR 3.964286 million (26.79 percent of quota).

Approved By
Costas Christou (AFR) and Anna Ivanova (SPR)

Discussions took place in São Tomé and Príncipe during May 8-21, 2025. The mission team comprised Slavi Slavov (Head), Elsa Marília Delgado de Brito, Mesmin Koulet-Vickot, Abolfazl Rezghi (all AFR), Sanghamitra Mukherjee (SPR), Hector Carcel-Villanova (STA), and Gustavo Ramirez (Resident Representative). Alsis Irene Da Cruz, Wagner Soares Pires Fernandes, and Evelyne Vilhete Antonio de Carvalho (all ResRep Office) assisted the team. Xaverie Biloa and Islom Urolov provided research and editorial support. The mission met with President Carlos Vila Nova, Prime Minister Américo d'Oliveira dos Ramos, Minister of State for Economy and Finance Gareth Haddad do Espírito Santo Guadalupe, Minister of Infrastructure and Natural Resources Nelson Mário Cardoso, Acting Governor of the Central Bank Lara Simone Beirão, and other senior officials. Mr. Kelvio Carvalho da Silveira (OED) joined key policy and technical meetings.

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CONTEXT

1. **São Tomé and Príncipe (STP) remains fragile and is grappling with structural challenges typical of small island developing states (Annex I)**. Its remoteness and small size limit competitiveness and growth, while weak institutional capacity hinders policy execution. The economy's heavy dependance on the public sector undermines macroeconomic stability, while the private sector struggles with poor infrastructure and a challenging business environment. Pervasive poverty and low levels of human development deepen vulnerabilities, and climate change intensifies the frequency and severity of shocks. Finally, in recent years, STP has experienced a steady decline in its labor force due to emigration. These interlinked issues obstruct reform, development, and resilience.

2. **Structural fragility is exacerbated by the country's narrow export base and heavy reliance on fuel imports, driven by an unreformed electricity sector.** The sector is characterized by high losses, low bill collection rates, and electricity tariffs that remain below cost recovery levels. Moreover, STP's current export capacity is insufficient to sustain elevated fuel imports, heightening macroeconomic risks.

3. **Since the onset of the COVID-19 pandemic, the country's overall macroeconomic conditions have deteriorated.** Real GDP growth declined sharply from an average of 3.5 percent during 2011–20 to just 0.8 percent in 2021–23. This deceleration was driven by recurrent energy shortages, very low international reserves, and the adverse impact of the 2021–22 floods. Despite STP's pegged exchange rate regime, inflation reached levels not seen in years, peaking at 25 percent in January 2023. Delays in donor disbursements further strained the external and fiscal positions.

4. **In this context, the authorities adopted a reform agenda supported by an arrangement under the ECF approved in December 2024.** The program aims to address protracted balance of payments needs, restore macroeconomic stability, and boost medium-term growth. These objectives are to be achieved through a substantial and frontloaded fiscal adjustment, an ambitious reform of the electricity sector, an end to monetary financing of the budget alongside a tight monetary policy stance, as well as structural reforms to improve governance and the business climate.

5. **On the political front, a new government was appointed in early 2025.** In January, President Vila Nova dismissed Prime Minister Trovoada and his cabinet and appointed Central Bank Governor Ramos as the new Prime Minister. The new government has since secured broad support in Parliament and has reaffirmed its commitment to the IMF-supported program.

6. **Progress in implementing the recommendations of the 2022 Article IV Consultation has been broadly satisfactory (Annex II).** The authorities introduced a value added tax (VAT) in June 2023 and achieved a substantial fiscal adjustment in 2023-24. In the energy sector, LED lightbulbs have been widely distributed, and electricity tariffs were adjusted in January 2025 for the first time in more than a decade. Various renewable energy projects are under way with support from donors. Implementation of the existing automatic fuel price mechanism has been infrequent. The new Banco Central de São Tomé e Príncipe (BCSTP) organic law was enacted and published,

though with delays. Certificates of Deposit (CDs) were occasionally issued during 2022-24 to absorb excess liquidity, but issuances have become larger and more regular recently.

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM PERFORMANCE

A. Recent Economic Developments (MEFP ¶2-8)

7. **A recovery is gradually taking shape as electricity shortages have eased and tourism has rebounded (Table 1).** Real GDP growth picked up to 1.1 percent in 2024, driven primarily by the services sector. Inflation is abating, supported by lower global food prices and a tighter monetary stance, despite the electricity tariff increase implemented in January 2025. Headline CPI inflation averaged 14.4 percent in 2024, down from 21.2 percent in 2023, and declined further to 10.5 percent year-on-year in May 2025. Core inflation followed a similar trend, averaging 7.4 percent in 2024, down from 13.4 percent in 2023, and easing further to 4.7 percent year-on-year in May 2025.

8. **Budget execution resulted in a stronger-than-expected domestic primary balance (DPB) in 2024, reflecting spending restraint (Text Table 1, Tables 2a-2b).** Specifically, domestic revenue (TMU definition) exceeded the target by 0.2 percent of GDP, while domestic primary spending (TMU definition) was under-executed by about 0.4 percent of GDP, reflecting lower wage and capital outlays. As a result, the DPB was near balance, compared to the programmed deficit of 0.5 percent of GDP. In Q1:2025, a surplus of 122 million dobras was recorded, outperforming the programmed deficit of 20 million dobras, reflecting delays in the approval and execution of the 2025 budget following the government reshuffle. Overall, the fiscal policy stance is appropriately tight, given the prevailing macroeconomic imbalances and the need to reduce debt vulnerabilities.

9. **The current account deficit is estimated to have declined significantly to 1.9 percent of GDP in 2024, down from 12.3 percent of GDP in 2023 (Tables 3a-3b).** In US dollar terms, exports of goods and nonfactor services rose by 21 percent, reflecting stronger earnings from cocoa and tourism. Meanwhile, imports declined by 1 percent, owing to lower food and fuel bills. These trade dynamics, along with higher official transfers, led to the substantial narrowing of the current account deficit.

10. **International reserves remained at low levels throughout 2024 (Table 4).** By the end of 2024, gross international reserves (GIR) decreased to US$38.9 million (equivalent to 1.5 months of next year's imports), down from US$42.9 million the previous year, while net international reserves (NIR) fell from -US$11.8 million at the end of 2023 to -$20.4 million by end-2024, reflecting mainly lower-than-expected official development assistance. The external position in 2024 is assessed as weaker than the level implied by fundamentals and desirable policy settings, based on the results of the EBA-lite current account model, with an exchange rate overvaluation estimated at 12 percent (Annex III). Given the massive improvement in the current account in 2024, there is substantial uncertainty around these estimates. At 48 percent of the ARA metric, 2024 GIR was below the level

assessed as adequate. Structural reforms to strengthen competitiveness, diversify the economy, and boost exports will help to strengthen the external position.

11. Credit growth to the private sector turned positive for the first time since 2019. (Figure 2 and Tables 5-6). It expanded by 6.1 percent in 2024, largely reflecting increased bank financing of private investments in manufacturing and construction projects. This positive trend continued into the first quarter of 2025, with year-on-year growth reaching 7.7 percent in March. The banking sector's soundness broadly improved, with capital adequacy and liquidity ratios increasing compared to the previous year. Non-performing loans (NPLs) remained stable at about 10 percent of total loans, while profitability ratios declined. The banking system's sovereign exposure remains high, which limits its capacity to absorb further public debt and underscores the need for front-loaded fiscal consolidation.

Text Table 1. São Tomé and Príncipe: Fiscal Performance 2024

(Percent of GDP)[1]

	2024	
	Program	Est.
I. Domestic revenue	**12.4**	**12.6**
Tax revenue	10.4	10.7
Import taxes	3.1	3.4
Consumption taxes	3.5	3.4
Profit taxes	0.8	0.7
Personal income taxes	2.3	2.5
Other taxes	0.7	0.7
Nontax revenue excl. oil revenue	2.0	1.8
II. Domestic primary expenditure	**12.9**	**12.5**
Current primary expenditure	12.4	12.2
Personnel costs	7.1	6.9
Goods and services	1.9	1.8
Transfers	2.2	2.3
Other current expenditure	1.2	1.3
Treasury financed capital expenditure[2]	0.3	0.1
HIPC Initiative-related capital expenditure	0.2	0.1
Domestic primary balance (commitment basis)[3]	**-0.5**	**0.0**
Net change in stock of domestic arrears	-0.4	-0.3
Domestic primary balance (cash basis)	**-0.9**	**-0.2**

[1] The "program" and "estimate" columns both use the latest GDP number for 2024 to facilitate comparison.

[2] Excludes purchases of fuel.

[3] Excludes oil related revenues, ENCO debt repayments, grants, scheduled interest payments, foreign-financed capital outlays, and expenses related to fuel imports, as defined in the TMU.

B. Performance Under the ECF Arrangement

12. Program performance was satisfactory with respect to the quantitative targets (MEFP ¶10-11, MEFP Tables 1 and 3):

- **Eight out of the ten quantitative performance criteria (QPCs) for end-December 2024 were met.** The QPC on NIR was missed by a small margin (about $1 million), primarily due to insufficient coordination between the finance ministry and the central bank in managing budget support. However, this minor deviation was temporary, as the end-March target was comfortably achieved. The continuous performance criterion on the non-accumulation of new external payment arrears by the central government was breached in December 2024, March 2025, and June 2025, due also to technical and coordination issues. However, the authorities have cleared all the arrears (**PA3**) and will implement strong corrective measures to prevent recurrence (see ¶46).

- **Three out of the four indicative targets (ITs) for end-December 2024 were met**. The IT on domestic arrears clearance was missed. At end-March, preliminary data indicate that the IT on central bank credit to the government was missed. In both cases, tight liquidity conditions and poor cashflow management in the public sector played a role. Developing a quarterly fiscal cashflow plan should prevent recurrence going forward (see ¶46).

13. While none of the eight structural benchmarks was fully implemented on time, seven SBs were either implemented with a delay, implemented partially, or converted into prior actions:

- The monthly SB on adjusting fuel prices was missed, as the authorities decided to take advantage of low global oil prices to clear the government's fuel price differential debt to ENCO. Fuel prices were adjusted in June as a prior action (**PA2**). Going forward, the full clearance of the government's fuel price differential debt to ENCO should now make it possible for the authorities to implement monthly fuel price adjustments

- The SB on the new public procurement law was also missed, as the January change in government paused the authorities' legislative process. It is proposed to be reset to September 2025.

- The SB on the audit of the government's 2023 annual financial statements was also delayed by the change in government. However, a related prior action has been implemented (**PA4**), while the SB itself is proposed to be reset to September 2025.

- The monthly SB on containing excess reserves was only met in February and May 2025. The BCSTP has been holding regular CD auctions, typically more than one auction per month. However, demand for CDs frequently fell short of supply. In addition, the implementation of the liquidity management framework was complicated by the concentrated banking sector, signs of liquidity stress, and the large amounts of FX purchases by the central bank under the country's new export repatriation and surrender requirements. Going forward, the parameters of the liquidity management framework have been adjusted at the margins, which should make it easier for the BCSTP to continue implementing this monthly SB.

- The SB on the new central bank organic law was delayed by the change in government in January but was implemented in June as a prior action (**PA1**).
- The SB on the detailed assessment of the FX market was implemented on time, but only partially. The analysis of how banks transact with their retail and corporate clients, exchange bureaus, the BCSTP, and with each other through the day and at what exchange rates was not included, due to delays in accessing and analyzing the data. At the same time, this omission is mitigated by the recent successful implementation of export repatriation and surrender requirements (see ¶32).
- The SB on the new financial institutions law was implemented with a delay on July 9.
- The publication of the KPIs for the electricity company EMAE for Q4 of 2024 and Q1 of 2025 was delayed by the need to update EMAE's data systems and upgrade its website.

OUTLOOK AND RISKS (MEFP ¶9)

14. The outlook is broadly positive, supported by increased public investment and exports of both goods and services (tourism). For 2025, real GDP growth has been revised downward slightly from 3.1 percent in the approved program to 2.9 percent to factor in the impact of the delayed approval of the budget on its execution. Growth is projected to accelerate to 4.7 percent in 2026 and moderate to 3.9 percent in 2027, before stabilizing at around 3.5 percent over the medium term. Inflation is forecast to decline gradually, returning to 5 percent by end-2027, underpinned by continued tight fiscal and monetary policies. The current account deficit will deteriorate to 3.4 percent of GDP in 2025 after the substantial improvement in 2024, and hover around 3 to 4 percent of GDP over the medium term, supported by reduced fuel-related imports resulting from energy sector reforms and robust exports, particularly cocoa and tourism, against the backdrop of continued fiscal consolidation. Gross international reserves are projected to increase steadily, reaching 3.1 months of imports of goods and services by 2027.

15. The outlook is highly uncertain, with risks tilted to the downside (Annex IV). Delays in external financing support could undermine growth and erode FX reserves. The realization of contingent liabilities from systemic state-owned enterprises (SOEs), particularly in the energy sector, could add fiscal pressures. STP is also highly vulnerable to climate change and natural disasters. On the upside, higher cocoa prices, lower oil prices, and progress in energy sector reforms could support growth and reduce fiscal and external pressures. Finally, the impact of recent US policy actions on STP is expected to be negligible, as USAID has not been active in the country for years, and the country exports very little to the US. In addition, STP does not have market access and is, therefore, not exposed to shocks to financing conditions.

16. The materialization of key downside risks could have broad macroeconomic implications. A surge in energy prices, for example, would likely increase inflationary pressures, weaken the external position through higher import costs, and strain fiscal accounts—particularly if pressures to reintroduce energy subsidies emerge. These shocks could also undermine confidence and slow activity in non-energy sectors. In such a scenario, the policy response should be calibrated to maintain macroeconomic stability and protect the most vulnerable. Key policy measures could include a prompt further tightening of monetary policy to contain inflation, strict adherence to the fuel pricing mechanism to limit fiscal risks, and targeted cash transfers to safeguard social cohesion. Accelerating energy sector reforms and enhancing public financial management would also help mitigate vulnerabilities and build resilience.

Authorities' Views

17. The authorities broadly agreed with staff's characterization of recent macro-financial developments and the assessment of the outlook and associated risks. They emphasized, however, that the recent pickup of emigration of young people to Portugal and the country's high vulnerability to climate change and natural disasters pose significant challenges to medium and long-term growth. The authorities also concurred with the staff that the ongoing global policy uncertainty is likely to have only a minimal impact on STP's economy.

POLICY DISCUSSIONS AND KEY THEMES

Policy discussions focused on the strategy to address macroeconomic imbalances and re-build reserve buffers, as well as on reforms to strengthen governance, boost export potential, and create job-rich, inclusive, and blue growth.

A. Addressing Macroeconomic Imbalances

Fiscal Policy (MEFP ¶12-17)

18. The authorities remain committed to achieving the domestic primary balance (DPB) program targets, given financing constraints and the imperative to reduce debt levels and support the macroeconomic rebalancing. To this end, they have approved a 2025 budget that aims for a DPB surplus of 1 percent of GDP, and whose details are also consistent with program understandings.[1] Staff considers this target achievable given progress made in collecting tax arrears so far and the authorities' firm control over expenditures. However, meeting the DPB program targets of 1.5 percent of GDP in 2026 and 2 percent of GDP in 2027 requires further strong revenue mobilization, along with efforts to contain the public wage bill and better target social assistance. For 2026 alone, the authorities are committed to identifying additional fiscal measures of about 2.5 percent of GDP, with help from IMF technical assistance.

19. Against this backdrop, the authorities plan to develop a comprehensive domestic revenue strategy to support ambitious revenue mobilization efforts (SB1 in MEFP Table 4). This strategy will encompass both revenue administration and tax policy measures, including

[1] See IMF Country Report No. 25/1 for a detailed presentation of the 2025 budget, including revenue measures.

extending the VAT to fuel products (currently taxed through import duties). In the context of the 2026 budget, the authorities already plan to: (i) further expand the coverage of the VAT system; (ii) fully implement the ecological tax on imports;[2] (iii) deploy ASYCUDA to modernize customs operations; (iv) enhance risk-based inspections; and (v) invest in digital financial infrastructure, particularly fast payment systems, to improve the timeliness and compliance of tax collection.

Authorities' Views

20. The authorities acknowledged the challenges in achieving the DPB targets. For 2025, they expressed confidence that ongoing efforts to mobilize revenue and contain expenditures would be sufficient. If needed, they are also prepared to reduce non-priority spending and streamline tax exemptions, while carefully considering their distributional impact. From 2026 onward, they expect that the design and implementation of the comprehensive domestic revenue mobilization strategy will support a significant increase in domestic revenues. They asked for IMF technical assistance to help design the strategy.

Debt Management (MEFP ¶18-19, DSA Annex)

21. The outlook for public debt sustainability remains unchanged. While public debt is assessed as sustainable, the country remains in debt distress due to prolonged unresolved post-HIPC external arrears amounting to 1.3 percent of GDP. At the same time, the country remains highly vulnerable to shocks and changing macroeconomic conditions. Total public debt is projected to decline, reaching 43.2 percent of GDP by 2027, supported by fiscal consolidation and energy sector reforms. After discounting EMAE's debt and arrears to ENCO, the present value of public and publicly guaranteed debt is projected to fall below the DSA threshold in 2025. A voluntary domestic debt restructuring was concluded in September 2024. The restructuring involved exchanging almost the entire stock of T-bills for T-bonds with maturities of 3-7 years at interest rates of around 7 percent.

22. External debt also remains sustainable. Under the baseline, the external PPG debt-to-GDP ratio is below the threshold, but the export-related indicators temporarily breach the thresholds. The present value (PV) of the debt-to-exports ratio falls below the threshold in 2026, while the debt service-to-exports ratio breaches the threshold until 2028. Given the downward trajectory of external PPG debt over the medium-term, with breaches being marginal and temporary, and no further non-concessional loans anticipated, external debt is deemed sustainable. Policy slippages, especially related to the energy sector reforms, could pose risks to debt sustainability.

23. Strengthening debt management is a priority for the authorities. They aim to develop a medium-term public debt management strategy by the end of 2027 and have started preparing an annual borrowing plan. In addition, with the support from the World Bank, they are developing a debt database that will report detailed debt statistics, as well as improve their capacity to perform debt service projections and risk analyses. Finally, to improve public debt management and reduce

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[2] This is an environmental tax on packaging and fuel imports (as there is no excise tax on fuel). This new tax is intended to address waste management challenges.

refinancing risks, the authorities have introduced domestic marketable government bonds, with technical assistance from the IMF.

Authorities' Views

24. The authorities broadly agreed with staff's assessment of the debt outlook and sustainability. They pointed out that the main reason for being classified in debt distress is the existence of long-standing post-HIPC external arrears, and they are committed to continuing efforts to regularize them. They understand the significant risk to debt sustainability from EMAE and are committed to restructuring it and reforming the electricity sector. The authorities also reaffirmed their commitment to borrow only on concessional terms and at a measured pace to reduce debt vulnerabilities over time. They acknowledged the need to strengthen debt management and highlighted the ongoing initiatives.

Energy Sector and SOE Fiscal Risks (MEFP ¶20-25)

25. The authorities committed to the regular implementation of the existing rules-based fuel price mechanism to prevent fuel subsidies, contain fiscal risks, and reduce pressure on FX reserves. In April 2025, the authorities decreased retail prices for gasoline and diesel by 5 and 6 percent, respectively, to better align with international markets. Even after these reductions, domestic prices remained above cost-recovery levels. In June 2025, the authorities reduced the prices of diesel, gasoline, and kerosene by 10 percent, in order to align domestic prices with the formula (**PA2**). They also committed to conducting monthly reviews of fuel prices and communicating the outcome of these reviews to the public (**SB2** in MEFP Table 4).

26. The authorities will intensify efforts to restructure the utility company EMAE. Although electricity tariffs were recently adjusted for the first time in years, the sector continues to face high technical and commercial losses, and low bill collection rates. To address these issues, the authorities will continue to publish EMAE's key performance indicators (KPIs) quarterly (**SB7** in MEFP Table 4) and will prepare a time-bound restructuring plan for EMAE, aiming to restore its financial viability (**SB8** in MEFP Table 4).

27. Diversifying the energy mix is essential to ensuring the long-term sustainability of the electricity sector. To reduce dependence on imported fuel, the authorities are gradually transitioning electricity generation from thermal plants to renewable sources (solar and hydro). A 1.2 MW solar power plant was recently commissioned and connected to the grid, with support from the AfDB. Multiple additional renewable energy projects are in the pipeline, with support from development partners, the earliest of which—an 11 MW solar project—is expected to come online by mid-2026.

28. The government's extra-budgetary financial support for fuel imports has been incorporated into the fiscal tables and in the program's fiscal targets. After a key supplier stopped providing fuel on credit in early 2023, the government started to directly finance two-thirds of the country's fuel imports. Most of this fuel goes to EMAE. These advances will be gradually repaid using EMAE's proceeds from the payments of water and electricity bills by public entities. The fuel purchases are now recorded as domestically financed capital expenditures in Tables 2a-2b, while the gradual repayments by EMAE are recorded as capital revenues (under non-tax revenues). Consequently, the overall fiscal balance deteriorated by an estimated 3.2 and 1.8 percent of GDP in 2023 and 2024, respectively. The authorities have agreed to incorporate fuel financing into the program's fiscal targets, initially as an IT, without changing the program definition of the DPB, for now. The new IT reflects the program strategy to phase out government support for fuel imports over the medium term. Finally, the authorities committed to enhancing the timeliness of data provision for fuel purchases and to systematically recording advances and repayments in the central government's financial operations table.

29. Steps have been taken to strengthen financial oversight and governance of state-owned enterprises (SOEs) with the aim of preventing recurrent losses. A dedicated and independent ownership unit, reporting directly to the Minister, has been established within the Ministry of Economy and Finance (MEF) and tasked with monitoring fiscal risks and SOE performance, in line with international best practices. An external audit of SOEs has been completed. A new decree-law reforming the legal framework for SOEs has been approved by the Council of Ministers and will be submitted to the President for enactment. To further enhance oversight, the authorities plan to adopt an SOE ownership strategy in 2026.

Authorities' Views

30. The authorities acknowledged the urgent need for reforms in the energy sector. To this end, they reaffirmed their commitment to fully implementing the rules-based fuel pricing mechanism, including monthly price adjustments in line with international prices, coupled with timely public communication. Regarding the electricity sector, the authorities underscored ongoing efforts to restructure EMAE and reduce operational inefficiencies. They also highlighted progress in diversifying the energy mix to reduce reliance on imported fuels, with several renewable energy projects underway. Regarding government financing of fuel imports, the authorities will continue to record the transactions in their fiscal tables and share detailed information with Fund staff. They also welcome technical assistance from the IMF regarding whether these transactions should be recorded above or below the line in the fiscal tables.

Monetary Policy (MEFP ¶26-27)

31. The peg to the euro continues to serve STP well in anchoring monetary policy and curbing inflation, given the country's small size, capacity constraints, strong ties with Europe, and high exchange rate pass-through. However, the surge in inflation since the start of 2022 led to a wider inflation differential with the Euro Area, putting pressure on the peg and international reserves. Both supply and demand factors have contributed to inflation in recent years, and a comprehensive policy mix must address both to effectively reduce inflationary pressures (Selected Issues Papers).

32. The BCSTP has implemented temporary capital flow management measures (CFMs), in line with the IMF's Institutional View, to strengthen reserve buffers, including export repatriation and surrender requirements. The implementing regulation for these also requires commercial banks to surrender to BCSTP 25 percent of all FX proceeds. The regulation has had a positive impact on BCSTP's FX cashflow, while complicating domestic liquidity management.

33. The BCSTP should continue to maintain a tight monetary policy stance to curb inflation and address external imbalances (Selected Issues Papers). The BCTSP's reference policy rate has proven ineffective in influencing market behavior or guiding lending and borrowing rates. Instead, the BCSTP now focuses on reducing excess reserves through the issuance of central bank certificates of deposit (CDs). This strategy has already contributed to lowering the six-month moving average of core inflation to 3.9 percent in May 2025, down from 13.5 percent a year earlier. Going forward, it is essential for the BCSTP to continue maintaining excess reserves in local currency below the established threshold through the regular issuances of CDs until the six-month moving average of core inflation falls below 3.1 percent (the average for core inflation before the pandemic, **SB5** in Table 4). Given the concentrated banking sector and the signs of liquidity stress, a slightly higher excess reserve threshold of STN 275 million (versus STN 200 million previously) was deemed appropriate to achieve the monetary policy objective while minimizing disruptions to banks' operations. To mop up the structural excess liquidity in the system, the BCSTP also plans to introduce 12-month CDs alongside the existing 1-month, 3-month, and 6-month instruments. Sustained implementation of this liquidity management framework requires better coordination between the BCSTP and the MEF, as well as the recapitalization of the BCSTP to safeguard its financial autonomy.

Authorities' Views

34. The authorities concurred with staff on the need to maintain a tight monetary stance and proposed small changes to the parameters of the liquidity management framework. In months when estimated excess reserves are below the STN 275 million threshold, the BCSTP's Monetary Policy Committee may consider issuing small amounts of CDs to test the market and extract the underlying price signal. The authorities agreed that improved coordination between BCSTP and MEF and timely recapitalization of the central bank would both help the BCSTP fulfil its mandate.

B. Strengthening Governance and Reducing Vulnerabilities to Corruption

Public Financial Management (MEFP ¶28-29)

35. To enhance public spending efficiency, the authorities plan to strengthen public financial management. Key measures include fully staffing the PFM reform unit (GARFIP) by end-September 2025, adhering to a clear budget calendar starting with the 2026 budget cycle, procuring a modern IFMIS by end-2025 with a pilot for the 2027 budget formulation followed by full deployment during budget execution, and continuing to register commitments in SAFE-e in the interim. The authorities plan to conduct a public investment management assessment (PIMA), including its climate module, with IMF support by end-June 2026, to inform future reforms. They committed to preserving the autonomy of the Court of Auditors, with an independent review of the

2023 legal amendments. They will accelerate the audit of the government's 2023 financial statements (**PA4** and **SB4** in MEFP Table 4). They pledged to repeal the Temporary Law on Investment Incentives to restore normal procurement procedures. They agreed to publish power purchase and concession agreements and reorganize the Ministry of Finance following a comprehensive diagnostic.

36. The authorities will intensify efforts to reduce corruption risks. The key next step here is passing the new public procurement law, requiring online disclosure of beneficial ownership for awarded contracts (**SB3** in MEFP Table 4). Advancing on key anti-corruption reforms (such as asset declarations, public access to information, whistleblower protections, and asset recovery) will be critical for tackling institutional fragility and boosting civil service capacity.

Authorities' Views

37. The authorities highlighted ongoing initiatives to strengthen PFM and reduce vulnerabilities to corruption. They acknowledged the need for more forceful actions in these areas.

Central Bank Governance and Financial Sector Oversight (MEFP ¶30-31)

38. Reforms to strengthen central bank governance and operations reached a milestone with the enactment and publication of the new central bank organic law in June, a long-outstanding safeguards assessment recommendation (PA1). This sets the stage for the appointment of a new central bank governor and executive board and creates a new impetus for further reforms. Priorities related to the implementation of the 2023 update safeguards assessment can now be accelerated and include: (i) signing a Memorandum of Understanding with the government outlining obligations related to the FX swap derivative instrument contracted in May 2023 and other legacy debts; (ii) completing and publishing the external audits for 2024, and ensuring a resumption of timely audit cycles; (iii) strengthening the internal audit function; and (iv) transitioning to International Financial Reporting Standards (IFRS).

39. **The authorities plan to accelerate reforms to bolster the stability and resilience of the banking sector.** The draft Financial Institutions Law was submitted to the Council of Ministers in July and is expected to be submitted to Parliament by end-March 2026 (**SB6** in MEFP Table 4). This law will strengthen the legal framework for bank regulation and supervision, as well as prudential requirements for banks, including on matters such as bank licensing, change in ownership, corporate governance, and related-party transactions, in line with international standards. The authorities should accelerate the resolution of insolvent banks and continue implementing the National Financial Inclusion Strategy to expand access to financial services (Annex V).

Authorities' Views

40. The authorities acknowledged limited progress in strengthening central bank governance, operations, and financial sector oversight. They attributed this to the crowded legislative calendar and the recent government reshuffle, which delayed the passage of the central bank organic law. Nonetheless, they emphasized progress made despite these challenges, including the implementation of a new bank rating system, regular stress testing, and the issuance of a regulation establishing both a capital conservation buffer and a systemic risk buffer, important steps toward strengthening the macroprudential framework.

C. Accelerating Structural Reforms to Boost Export Potential and Create Job-Rich, Inclusive, and Blue Growth (MEFP ¶32-35)

41. There is a pressing need to promote private sector development and advance structural transformation. STP's economy remains narrowly based, with low agricultural productivity, limited value addition, and high vulnerability to external shocks, all of which have impeded sustainable growth and contributed to persistent poverty and inequality. To address these issues, the authorities are formulating a National Development Plan to foster private sector development, with a focus on alleviating key bottlenecks such as inadequate infrastructure, energy shortages, a weak business environment, and limited human capital.

42. Several initiatives are underway to support the recovery of the tourism sector and expand export capacity. The current focus is on improving air transport connectivity—particularly by addressing safety concerns and working toward the removal of locally certified airlines from the EU's Air Safety List (**SB9** in MEFP Table 4). Additional priorities include upgrading airport infrastructure and operationalizing tourism training institutions to enhance workforce skills. These initiatives are aimed at unlocking growth in high-potential sectors and improving the country's external position.

43. The authorities are committed to reducing the country's high vulnerability to climate change and natural disasters. Floods are the most frequent hazard, occurring annually and causing significant damage due to the country's concentrated coastal population and fragile infrastructure. Investing in resilient infrastructure and improving public investment management are both macro-critical (Selected Issues Papers). The authorities are working closely with development partners to invest in adaptation measures and improve disaster preparedness. The World Bank is also preparing a Country Climate and Development Report (CCDR), expected to be finalized by early 2026, which will provide a comprehensive diagnostic to guide future policy actions.

***44.* Promoting women's economic empowerment is also part of the authorities' broader agenda for fostering inclusive growth.** Data are being collected to assess gaps between men and women in access to education, healthcare, financial services, and labor market outcomes—including labor force participation, unemployment, wages, and access to managerial roles. These findings are expected to be published by end-2025. At the same time, the implementation of the Financial Inclusion Strategy continues with a focus on improving women's access to finance, advancing digital financial services, and enhancing financial literacy, all aimed at fostering greater economic inclusion for women.

Authorities' Views

45. The authorities acknowledged the need for greater efforts to address structural challenges hindering private sector development and to foster inclusive, job-rich, and blue growth. They highlighted ongoing initiatives aimed at alleviating key constraints such as energy shortages and infrastructure gaps, reviving the tourism sector, broadening the export base and promoting women's economic empowerment. They welcomed the support received under the World Bank's Institutional Capacity Building Project and called for further engagement with development partners to sustain the reform momentum. The authorities underscored the urgency of building resilience to climate change and natural disasters, and expressed strong interest in a potential arrangement under the Resilience and Sustainability Facility (RSF).

PROGRAM DESIGN, CAPACITY DEVELOPMENT, AND DATA ISSUES (MEFP ¶36-40)

46. The authorities are requesting waivers for the non-observance of the performance criteria related to the floor on NIR and the non-accumulation of external payments arrears. These breaches are attributed primarily to technical and coordination issues. As corrective measures, the authorities have committed to: (i) clear all external arrears accumulated since December 2024 (**PA3**); (ii) establish a joint technical committee between the Ministry of Economy and Finance (MEF) and the BCSTP to monitor program implementation; (iii) transition to a new debt management software, with support from the World Bank; and (iv) develop a quarterly fiscal cashflow plan, beginning with Q4 of 2025. Given the minor and temporary nature of the breach of the NIR QPC, and the strength of the proposed corrective measures for the breach of the QPC on external arrears, staff supports these waivers.

47. The authorities are requesting minor modifications of QPCs and ITs for the September 2025 and December 2025 test dates to reflect the updated macro framework (MEFP Table 1). Specifically, these modifications aim for somewhat more ambitious targets for the DPB and NIR for end-2025. Revisions to indicative targets are also being proposed for the same period, along with the introduction of a new indicative target on the government's net financing for fuel imports, starting from September 2025. These changes do not compromise the program's objectives. In addition, new QPCs and ITs targets are being proposed for end-March and end-June 2026. Finally, the authorities are proposing several changes to the structural benchmarks for the next 12 months, with one new SB and five SBs proposed to be reset, given implementation delays and capacity constraints (MEFP Table 4).

Text Table 2. São Tomé and Príncipe: IMF Disbursements and Official Inflows

(In Millions of US Dollars)

	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Total 1/	**115.0**	**62.4**	**59.1**	**45.9**	**42.3**	**41.2**
Grants 2/	**99.8**	**49.8**	**44.3**	**36.1**	**30.7**	**32.7**
World Bank	66.8	29.0	31.2	25.6	20.3	22.2
Project grants	49.8	22.0	24.2	18.6	13.3	15.2
Program grants	17.0	7.0	7.0	7.0	7.0	7.0
African Development Bank	18.1	8.0	5.3	5.3	5.3	5.3
Project grants	2.7	2.7				
Program grants, including Nigeria Trust Fund	15.5	5.3	5.3	5.3	5.3	5.3
European Union (EU)	4.8	4.8	4.8	2.1	2.1	2.1
Project grants	2.7	2.7	2.7			
Program grants	2.1	2.1	2.1	2.1	2.1	2.1
Other project grants	5.0	5.0	0.0	0.0	0.0	0.0
China	4.0	4.0				
Japan	1.0	1.0				
Other budget support grants	5.2	3.0	3.0	3.0	3.0	3.0
France/AFD	2.2	0.0	0.0	0.0	0.0	0.0
United States of America	0.0	0.0	0.0	0.0	0.0	0.0
Democratic Republic of Congo	0.0	0.0	0.0	0.0	0.0	0.0
Timor	0.0					
Other	3.0	3.0	3.0	3.0	3.0	3.0
Loans	**15.1**	**12.5**	**14.8**	**9.8**	**11.6**	**8.5**
IMF	8.1	5.6	5.7			
Project loans 3/	7.1	6.9	9.1	9.8	11.6	8.5
Budget support loans	0.0	0.0	0.0			
African Development Bank	0.0					
Portugal	0.0					

Sources: São Tomé and Príncipe authorities; AfDB, World Bank, and Fund staff estimates.

[1] Some of the financing is pending approval.

[2] Grants amount excludes HIPC interim assistance.

[3] The project loan amounts presented here and incorporated into the fiscal and balance of payments projections apply a historical execution rate to the forecasts used in the DSA.

48. The financing assurances review indicates that adequate safeguards remain in place for further use of Fund resources. External financing will continue to play a crucial role in closing the financing gaps and ensuring the success of the program (Table 7 and Text Table 2). There are firm commitments in place to ensure the program is fully financed over the next 12 months, and good prospects of adequate financing for the remaining program period. STP's outstanding official external arrears total US$10.8 million (1.3 percent of GDP), owed to Angola, Brazil, and Equatorial Guinea, all of which are expected to consent to Fund financing notwithstanding these arrears. For sovereign external arrears to private creditors, the Lending into Arrears Policy applies. The authorities are making good faith efforts to reach a collaborative agreement with private creditors, as well as facilitating discussions between debtors and creditors on non-sovereign external arrears, such as ENCO's debt to Sonangol.

49. Capacity to repay the Fund remains adequate but is subject to significant downside risks (Table 8). Fund credit outstanding would peak at 4.5 percent of GDP, 26.4 percent of exports, and 70.3 percent of GIR in 2025. Payments to the Fund would peak at 8.2 percent of GIR in 2026 and 3.4 percent of exports in 2027. STP's weak debt-carrying capacity and inconsistent track record on structural reforms increase risks. Risks are, however, mitigated by the ongoing economic recovery, energy sector reforms and fiscal adjustment, as well as reliance on grants and concessional lending. Boosting the country's export potential and building up its SDR holdings over the medium term will also help reduce these risks.

50. The program remains subject to significant downside risks, including due to STP's fragility and low capacity. In addition to the risks to the outlook (¶15 above), the primary risk revolves around policy slippages. Limited administrative capacity or wavering commitment to reform implementation could hinder program execution, potentially delaying donor disbursements. Failure to address external imbalances could constrain financing options and adversely affect growth. Delayed EMAE reforms and renewed power outages could also dent growth and put additional strain on fiscal revenues and international reserves. Delays in revenue mobilization efforts could narrow fiscal space for social and development spending. Natural disasters and external risks could delay fiscal consolidation. Transparent communication about the objectives and benefits of reforms, such as stabilizing electricity supply and protecting vulnerable households, will be critical to securing public buy-in.

51. More efforts are needed to strengthen macroeconomic statistics, as the data provided to the Fund have some shortcomings that hamper surveillance to some degree (Annex VI). Key gaps persist in real sector data, including the lack of quarterly GDP series. External sector statistics should improve alignment with BPM7 and the recording of transactions related to oil exploration. Further technical assistance is needed to enhance the quality and timeliness of fiscal data, particularly concerning government financing of fuel imports. More data sharing would be desirable in areas such as exposure and vulnerability to natural disasters, income and gender inequality, financial access and financial inclusion.

52. Further efforts are also needed to strengthen capacity (Annex VII). Capacity development (CD) remains instrumental for effective reform implementation. CD priority areas are well aligned with the program and include tax policy and revenue administration, public financial management, expenditure policy, debt management, central bank operations, and statistics.

STAFF APPRAISAL

53. STP's economy is recovering from recent shocks and the outlook is favorable, yet important challenges remain. GDP growth picked up in 2024 and is expected to gain further momentum through 2025 and over the medium term, while inflation is declining steadily. The current account deficit narrowed markedly in 2024 and is forecast to hover around 3–4 percent of GDP over the medium term. The outlook is vulnerable to downside risks, including adverse commodity price movements, reduced development assistance, potential policy slippages, and the materialization of contingent liabilities. Additional challenges include the ongoing reduction in the labor force due to emigration and the country's heightened vulnerability to climate change.

54. Program performance was satisfactory with respect to the quantitative targets, while implementation of structural reforms progressed at a slower pace. Eight of the ten end-December 2024 QPCs were met. For both misses (NIR and external arrears), the authorities will adopt appropriate corrective actions (including a prior action), and the miss for the NIR QPC was also minor and temporary. Three of the four indicative targets (ITs) were achieved. While none of the eight structural benchmarks were fully implemented on time, seven SBs were either implemented with a delay, implemented partially, or converted into prior actions. In addition, the authorities have taken corrective actions related to the missed or partially implemented SBs to support implementation of the original program objectives.

55. Over the near and medium term, the authorities' key policy priority should be addressing macroeconomic imbalances. Staff welcomes the authorities' commitment to achieve a domestic primary surplus of 1 percent of GDP in 2025 but notes that meeting the DPB targets for 2026 and 2027 will require further strong revenue mobilization efforts. A well-articulated, credible, and comprehensive domestic revenue mobilization strategy is therefore needed to anchor the consolidation strategy. Staff welcomes the authorities' commitment to identify and incorporate into the 2026 budget additional revenue measures, consistent with this strategy. A tight monetary policy must also be maintained until core inflation falls to the 3 percent target. Prudent borrowing and enhanced debt management capacity are essential to preserve debt sustainability. The external position in 2024 is assessed as weaker than the level implied by medium-term fundamentals and desirable policies, with an overvalued exchange rate and insufficient reserves. Structural reforms to strengthen competitiveness, diversify the economy, and boost exports will help to strengthen the external position.

56. Advancing energy sector reforms is essential to limit fiscal risks and relieve pressure on FX reserves. Priorities include regularly implementing the rules-based fuel pricing mechanism, restructuring the electricity utility EMAE to curb losses, and fast-tracking the transition to renewable energy sources to secure the sector's long-term sustainability. At the same time, the government's financial support for fuel imports should be fully and transparently recorded in the fiscal accounts, while fuel products should be included in the VAT net.

57. The authorities should intensify efforts to strengthen BCSTP governance and the financial sector oversight. Staff welcomes the enactment and publication of the new central bank organic law, a key milestone, and urges swift implementation of the 2023 update safeguards assessment. Continued progress in financial sector oversight will require the adoption of the new Financial Institutions Law. Finally, the authorities should expedite the resolution of insolvent banks and press ahead with the National Financial Inclusion Strategy to broaden access to financial services.

58. Strengthening governance and anti-corruption frameworks is critical to support macroeconomic rebalancing and sustainable economic growth. To this end, reforms to improve public financial management need to be accelerated to enhance public spending efficiency.

Specifically, the authorities should procure a new IFMIS and complete the PIMA and C-PIMA to inform future reforms. They should also safeguard the Court of Auditors' autonomy, repeal the Temporary Law on Investment Incentives, publish all power purchase and concession agreements, reorganize the Ministry of Finance, and pass the new public procurement law.

59. Structural reforms that expand export capacity and foster job-rich, inclusive, and blue growth are key. Priorities include addressing bottlenecks to private sector development and expanding air transport connectivity by removing local airlines from the EU Air Safety List to boost tourism. Bolstering resilience to climate shocks and accelerating initiatives that promote women's economic empowerment are equally essential.

60. Staff supports the authorities' requests for completion of the first review of the ECF arrangement, waivers for nonobservance of performance criteria, setting of end-June 2026 QPCs, and modifications of QPCs, ITs, and SBs. Staff believes that the policies outlined in the attached Letter of Intent are adequate to achieve the program's objectives. Staff also supports the request for temporary approval for the retention of measures resulting in exchange restrictions, because these measures are temporary and are needed for BOP reasons.[3]

61. Staff recommends that the next Article IV Consultation for São Tomé and Príncipe be held on the 24-month cycle.

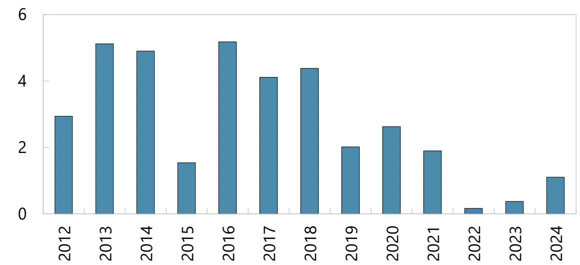
[3] These exchange measures are: (i) a restriction arising under Articles 3(g) and 18 of the Investment Code of 2016 due to limitations on the transferability of net income from investments; and (ii) a restriction arising from limitations on the availability of foreign exchange for payments of current international transactions, due to the rationing of foreign exchange by BCSTP.

Figure 1. São Tomé and Príncipe: Macroeconomic Developments, 2010–25

Growth was anemic in 2022-24, due to FX and energy shortages.

Real GDP

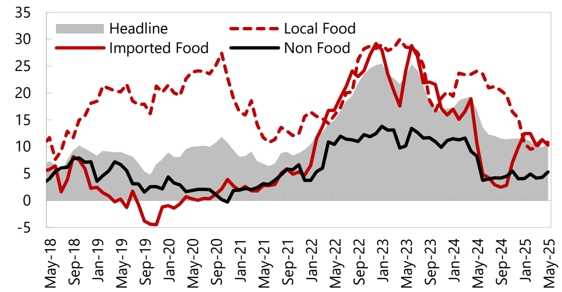
(Annual Percentage Change)



Overall inflation has gradually declined, in tandem with the deceleration of food prices.

Consumer Price Index

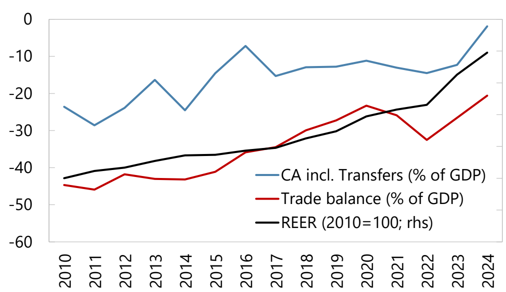
(Y/Y Percentage Change)



The CA deficit narrowed significantly in 2024, reflecting a better trade balance and an uptick in official transfers.

Current Account Balance and REER

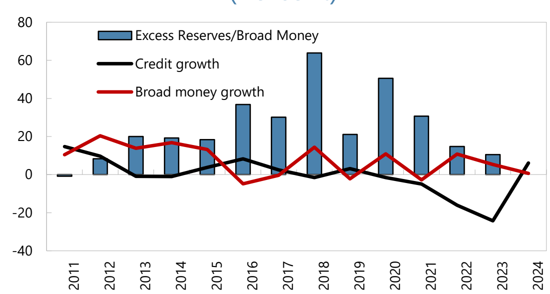
(As Indicated)



Credit growth to the private sector turned positive in 2024, for the first time in years.

Liquidity, Credit and Broad Money

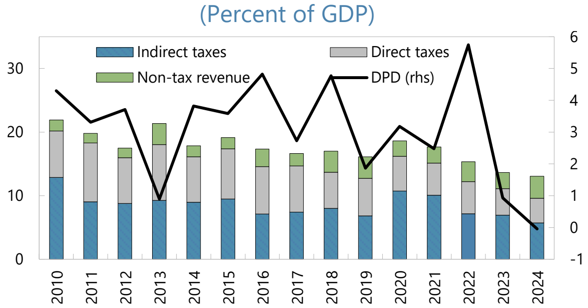
(Percent)



The domestic primary deficit continued to narrow in 2024, mainly due to spending restraint.

Government Revenue and Primary Balance

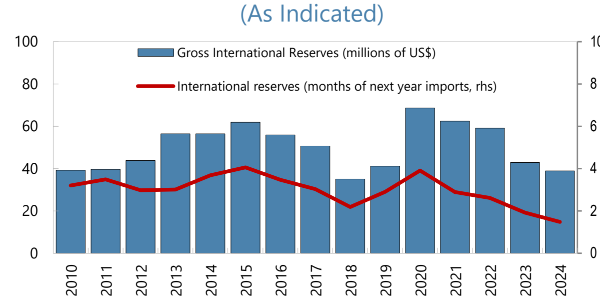
(Percent of GDP)



FX reserves declined further in 2024, reflecting delays in donor support.

International Reserves

(As Indicated)



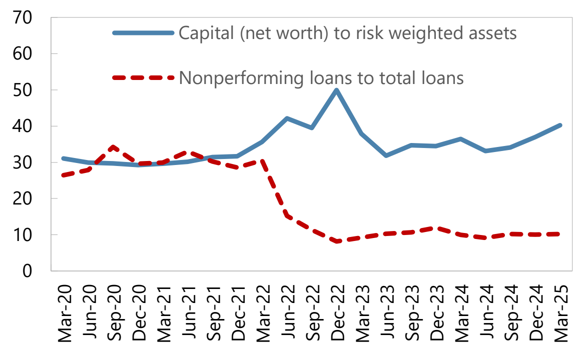
Sources: São Tomé and Príncipe authorities, and Fund staff estimates.

Figure 2. São Tomé and Príncipe: Banking Sector, 2015-25

Bank capital jumped due to new regulations in 2022, but has stabilized at lower levels since then.

Capital Adequacy and NPLs

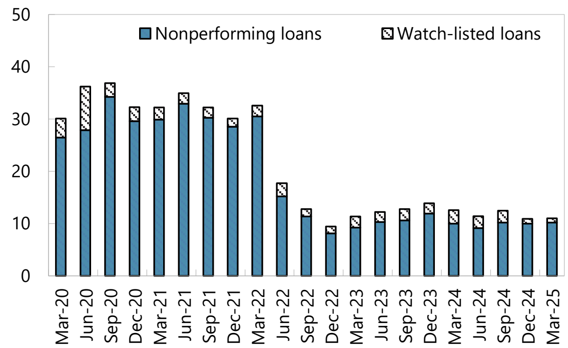
(Percent)



Similarly, NPLs dropped in 2022, but have stabilized at somewhat higher levels

Past Due Loans to Gross Loans

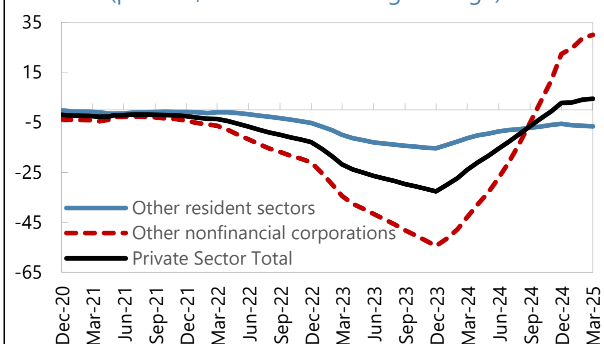
(Percent)



Private sector credit recently increased due to financing for new manufacturing and construction projects.

Private Sector Credit Growth

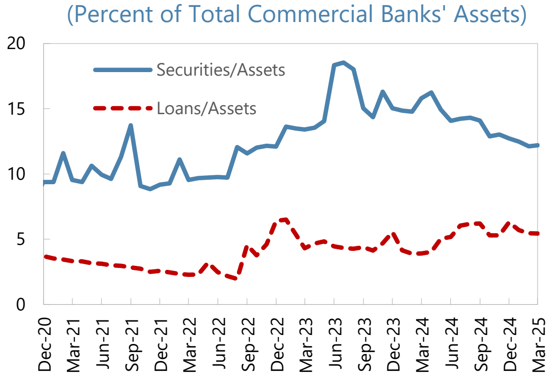
(percent, 12-Month Moving Average)



At the same time, banks' exposure to the government has stabilized at high levels.

Government Securities and Claims

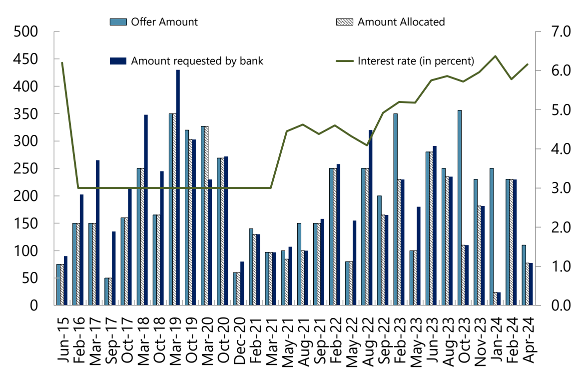
(Percent of Total Commercial Banks' Assets)



The BCSTP continued to rely on the placement of T-bills by the MoF to absorb excess liquidity…

T-Bill Auctions

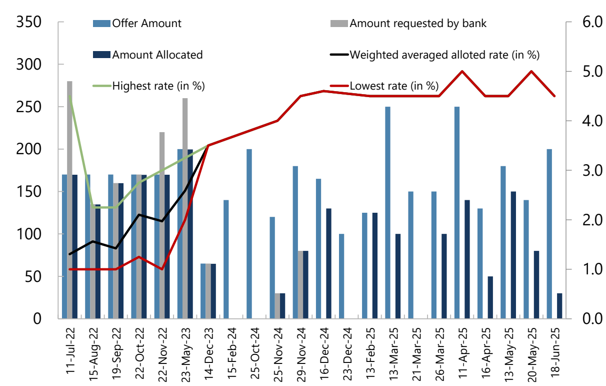
(In STN million, unless otherwise indicated)



…but has also started actively issuing Certificates of Deposits since late 2024.

CD Auctions

(In STN million, unless otherwise indicated)



Sources: São Tomé and Príncipe authorities, and Fund staff estimates.

Table 1. São Tomé and Príncipe: Selected Economic Indicators, 2022–30

(Annual Change in Percent, unless otherwise indicated)

	2022	2023	2024		2025		2026		2027	2028	2029	2030
		Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
National Income and Prices												
GDP at constant prices	0.2	0.4	0.9	1.1	3.1	2.9	4.8	4.7	3.9	3.5	3.5	3.5
GDP deflator	15.8	23.7	14.9	17.7	9.8	9.5	6.2	6.4	5.7	5.7	5.7	5.7
Consumer prices (End of period)	25.2	17.1	10.9	11.6	6.9	7.8	5.0	6.1	5.0	5.0	5.0	5.0
Consumer prices (Period Average)	18.0	21.2	14.0	14.4	8.9	9.7	5.9	7.0	5.6	5.0	5.0	5.0
External Trade												
Exports of goods and nonfactor services	18.5	17.7	33.0	21.4	6.0	15.5	9.6	8.2	9.6	9.2	8.6	9.2
Imports of goods and nonfactor services	23.2	4.5	14.1	-1.0	-3.6	17.3	-2.0	-8.7	9.1	7.3	7.1	6.9
Exchange rate (dobras per US$; end of period) [1]	23.1	22.5	…	23.4	…	…	…	…	…	…	…	…
Real effective exchange rate (period average, depreciation = -)	3.5	22.1	…	13.2	…	…	…	…	…	…	…	…
Money and Credit												
Base money	-1.7	-11.6	-4.6	23.6	10.4	3.6	3.2	5.0	4.0	3.8	4.1	4.4
Broad money (M3)	10.8	5.3	0.1	0.6	15.7	5.1	7.9	11.4	9.9	9.4	9.4	9.4
Credit to the economy	-16.0	-24.2	-1.8	6.1	15.4	5.8	12.3	5.7	5.7	6.2	6.8	7.7
Velocity (GDP to broad money; end of period)	3.5	4.2	4.8	4.9	4.7	5.3	4.8	5.3	5.3	5.3	5.3	5.3
Central bank reference interest rate (percent)	9.5	10.0	…	10.0	…	…	…	…	…	…	…	…
Average bank lending rate (percent)	17.9	17.8	…	17.8	…	…	…	…	…	…	…	…
Government Finance (in Percent of GDP)												
Total revenue, grants, and oil signature bonuses	25.5	21.8	24.2	25.6	25.0	27.7	22.3	22.1	22.5	22.4	22.0	22.0
Of which : tax revenue	10.6	11.3	10.9	10.7	13.8	13.3	14.4	13.7	14.3	14.4	14.4	14.4
Nontax revenue	3.1	2.5	2.8	3.5	2.6	3.3	2.6	3.3	3.3	3.3	3.3	3.4
Grants	11.7	8.0	10.5	11.4	8.5	11.1	5.3	5.1	4.9	4.7	4.3	4.2
Total expenditure and net lending	27.7	23.9	21.4	24.7	21.4	26.4	20.4	19.7	18.8	18.8	18.6	18.3
Personnel costs	9.2	7.7	7.4	6.9	8.3	8.0	8.4	8.4	8.4	8.4	8.4	8.4
Interest due	0.5	0.7	1.1	0.7	0.6	1.1	0.7	0.6	0.6	0.6	0.5	0.5
Nonwage noninterest current expenditure	7.0	6.1	5.6	5.4	6.1	5.8	6.0	5.3	5.3	5.3	5.3	5.3
Treasury funded capital expenditures	2.4	3.5	0.3	2.8	0.3	2.7	0.3	1.4	0.4	0.5	0.6	0.6
Donor funded capital expenditures	8.5	5.8	6.8	8.8	5.9	8.7	4.8	3.8	3.9	3.9	3.7	3.4
HIPC Initiative-related capital expenditure	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Domestic primary balance (commitment basis, TMU definition) [2]	-5.7	-0.9	-0.5	0.0	1.0	1.0	1.5	1.5	2.0	2.0	2.0	2.0
Net domestic borrowing	4.6	3.6	-2.7	0.0	-1.1	-2.2	-1.5	-1.9	-3.7	-3.5	-3.5	-3.6
Overall balance (commitment basis)	-2.2	-2.1	2.8	0.9	3.5	1.3	1.9	2.4	3.8	3.6	3.4	3.7
Public Debt [3]	86.8	73.2	68.6	64.8	61.3	54.0	57.0	47.7	43.2	39.3	35.9	31.9
Of which: EMAE's debt to ENCO	33.3	28.3	27.0	23.1	25.6	20.5	24.3	18.2	16.4	14.9	13.6	12.3
External Sector												
Current account balance (percent of GDP)												
Including official transfers	-14.5	-12.3	-7.9	-1.9	-5.5	-3.4	-5.2	-3.9	-4.1	-3.9	-3.9	-3.4
Excluding official transfers	-26.2	-20.3	-18.4	-13.3	-14.0	-14.6	-10.4	-9.0	-9.0	-8.6	-8.2	-7.6
PV of external debt (percent of GDP)	26.6	27.2	29.0	26.3	26.2	24.1	24.2	21.5	19.4	17.3	15.7	13.9
External debt service (percent of exports) [4]	6.2	4.7	6.4	8.0	10.8	10.3	12.3	11.9	10.9	9.4	7.8	7.4
Export of goods and non-factor services (US$ millions)	97.0	114.1	144.4	138.5	153.1	160.0	167.7	173.0	189.6	207.0	224.8	245.4
Gross international reserves (face value) [5]												
Millions of U.S. dollars	59.2	42.9	48.1	38.9	68.7	60.0	71.7	67.9	86.9	93.1	99.8	108.6
Months of imports of goods and services	2.6	1.9	2.0	1.5	2.9	2.5	2.9	2.6	3.1	3.1	3.1	3.2
Months of imports of goods and nonfactor services [6]	3.4	2.7	2.8	2.3	4.1	3.7	4.1	3.8	4.4	4.5	4.5	4.6
National Oil Account (stock, US$ millions)	15.7	16.6	19.2	19.6	20.8	21.0	22.7	22.8	24.8	27.0	29.4	32.0
Prospective financing (US$ millions)	…	…	**55.8**	…	**38.5**	**47.8**	**23.1**	**23.1**	**23.1**	**17.5**	**17.5**	**17.5**
Prospective nonproject grants and concessional loans	…	…	50.5	…	30.3	39.7	17.4	17.5	17.5	17.5	17.5	17.5
ECF disbursements	…	…	5.3	…	8.2	8.1	5.7	5.6	5.7	0.0	0.0	0.0
Memorandum Item												
Gross Domestic Product												
Millions of dobra	12,690	15,762	17,970	18,756	20,348	21,130	22,654	23,532	25,854	28,272	30,942	33,863
Millions of U.S. dollars	546	696	799	828	911	929	1,018	1,040	1,143	1,250	1,367	1,497
Per capita (in U.S. dollars)	2,412	3,014	3,372	3,517	3,767	3,866	3,961	4,245	4,574	4,907	5,268	5,657

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

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

[2] Excludes oil related revenues, ENCO debt repayment, grants, scheduled interest payments, foreign-financed capital outlays and expenses related to fuel imports, as defined in the TMU.

[3] Total public and publicly guaranteed debt as defined in the DSA, which includes EMAE's debt to ENCO.

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

[5] Gross international reserves as defined in the TMU.

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

Table 2a. São Tomé and Príncipe: Financial Operations of the Central Government, 2022–30

(Millions of Dobra)

	2022	2023	2024		2025		2026		2027	2028	2029	2030
		Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants[1]	**3,232**	**3,434**	**4,354**	**4,804**	**5,077**	**5,860**	**5,061**	**5,204**	**5,822**	**6,338**	**6,798**	**7,445**
Total revenue	1,747	2,177	2,462	2,666	3,350	3,512	3,866	4,000	4,557	4,998	5,472	6,038
Tax revenue	1,348	1,780	1,955	2,015	2,815	2,815	3,270	3,224	3,705	4,066	4,452	4,872
Consumption taxes	248	516	659	644	913	1,031	971	959	1,066	1,180	1,292	1,414
Import taxes	461	604	586	640	949	949	658	693	761	832	911	997
Other taxes	639	659	710	731	953	835	997	954	1,074	1,174	1,287	1,408
Unidentified additional tax measures	0	0	0	0	0	0	643	619	804	879	962	1,053
Nontax revenue	399	397	507	650	536	697	596	776	852	932	1,020	1,165
Of which: oil revenue	114	92	130	143	120	120	134	134	147	161	176	192
Of which: capital revenue from fuel imports	0	0	...	168	...	161	...	179	197	215	236	307
Grants	1,484	1,258	1,891	2,138	1,727	2,348	1,195	1,204	1,265	1,340	1,326	1,407
Project grants	1,006	813	1,047	1,531	1,041	1,367	734	733	805	880	867	949
Nonproject grants[2]	418	360	760	569	610	904	386	395	395	395	395	395
HIPC Initiative-related grants	61	85	85	38	76	77	75	76	65	64	64	64
Total expenditure	**3,516**	**3,770**	**3,849**	**4,631**	**4,362**	**5,585**	**4,628**	**4,633**	**4,849**	**5,325**	**5,750**	**6,182**
Of which: domestic primary expenditure (TMU definition)	2,362	2,231	2,422	2,347	3,036	3,029	3,382	3,340	3,688	4,057	4,451	4,864
Current expenditure	2,121	2,281	2,537	2,430	3,048	3,148	3,412	3,374	3,690	4,036	4,405	4,813
Personnel costs	1,169	1,214	1,330	1,287	1,688	1,698	1,902	1,985	2,181	2,385	2,610	2,857
Interest due	70	113	206	133	118	222	152	152	150	165	169	176
Goods and services	262	297	364	337	412	455	459	507	557	609	666	729
Transfers	370	431	411	430	572	527	613	527	579	633	693	758
Other current expenditure	251	225	227	244	257	246	286	203	223	244	267	293
Capital expenditure	1,384	1,468	1,282	2,174	1,277	2,399	1,171	1,214	1,117	1,246	1,303	1,331
Financed by the Treasury	300	547	61	528	69	570	77	325	105	144	173	189
of which : purchases of fuel	0	506	...	505	...	505	...	253	0	0	0	0
Financed by external sources	1,084	920	1,221	1,646	1,208	1,828	1,094	888	1,012	1,103	1,130	1,142
HIPC Initiative-related capital expenditure	11	21	30	27	38	38	45	46	42	42	42	38
Domestic primary balance (commitment basis, TMU definition)[3]	**-728**	**-147**	**-90**	**8**	**194**	**202**	**350**	**347**	**526**	**566**	**610**	**675**
Change in the stock of domestic expenditure arrears	-17	-109	-82	-54	-47	-22	-47	-22	-22	-22	-22	-22
Domestic primary balance (cash basis, TMU definition)[3]	-746	-256	-172	-45	147	180	304	325	504	543	587	652
Overall fiscal balance (commitment basis)	**-284**	**-336**	**504**	**173**	**715**	**275**	**433**	**570**	**973**	**1,013**	**1,048**	**1,263**
Net change in external arrears	0	0	0	0	0	0	0	0	0	0	0	0
Net change in domestic arrears	-17	-109	-82	-54	-47	-22	-47	-22	-22	-22	-22	-22
Float and statistical discrepancies	-330	0	0	0	0	0	0	0	0	0	0	0
Overall fiscal balance (cash basis)	-632	-445	422	119	668	253	386	548	951	991	1,026	1,241
Financing	**632**	**445**	**-422**	**-119**	**-668**	**-253**	**-386**	**-548**	**-951**	**-991**	**-1,026**	**-1,241**
Net external	-55	-77	239	238	-71	156	13	-192	-86	-104	-66	-157
Disbursements (project loans)	79	103	174	80	167	461	360	156	207	223	263	193
Program financing (loans)[2]	0	0	375	368	67	0	0	0	0	0	0	0
Scheduled amortization	-134	-180	-311	-210	-305	-305	-348	-348	-293	-327	-329	-350
Net domestic	687	521	-660	-357	-597	-409	-399	-356	-865	-886	-960	-1,084
Net bank credit to the government	645	631	-401	70	-258	-385	-374	-356	-865	-886	-960	-1,084
Banking credit (net, excluding National Oil Account)[4]	585	561	-477	-6	-224	-473	-333	-452	-968	-998	-1,082	-1,217
National Oil Account	59	70	76	76	-35	89	-41	95	103	112	122	133
Nonbank financing	42	-109	-259	-426	-339	-25	-25	0	0	0	0	0
Of which: Amortization payments of CG to ENCO	42	-113	-259	-426	-339	-25	-25	0	0	0	0	0
Prospective financing[2]	...	...	**1,135**	...	**677**	**904**	**386**	**395**	**395**	**395**	**395**	**395**
World Bank	...	...	292	...	380	387	156	158	158	158	158	158
African Development Bank	...	...	239	...	187	352	120	121	121	121	121	121
EU	...	...	44	...	44	48	44	48	48	48	48	48
Other	...	...	559	...	67	117	67	68	68	68	68	68
Memorandum Items												
Domestic primary balance (commitment basis)	-728	-653	...	-330	...	-142	...	274	723	781	846	982
Gross Domestic Product	12,690	15,762	17,970	18,756	20,348	21,130	22,654	23,532	25,854	28,272	30,942	33,863
Public Debt (in percent of GDP)	87	73	69	65	61	54	57	48	43	39	36	32

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

[1] Revenue is measured on a cash basis.

[2] Of the prospective financing amounts, some are pending approval.

[3] Excludes oil related revenues, ENCO debt repayment, grants, scheduled interest payments, foreign-financed capital outlays and expenses related to fuel imports, as defined in the TMU.

[4] Includes use of past IMF budget support.

Table 2b. São Tomé and Príncipe: Financial Operations of the Central Government, 2022–30

(In Percent of GDP)

	2022	2023	2024		2025		2026		2027	2028	2029	2030
		Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants[1]	**25.5**	**21.8**	**24.2**	**25.6**	**25.0**	**27.7**	**22.3**	**22.1**	**22.5**	**22.4**	**22.0**	**22.0**
Total revenue	13.8	13.8	13.7	14.2	16.5	16.6	17.1	17.0	17.6	17.7	17.7	17.8
Tax revenue	10.6	11.3	10.9	10.7	13.8	13.3	14.4	13.7	14.3	14.4	14.4	14.4
Consumption taxes	2.0	3.3	3.7	3.4	4.5	4.9	4.3	4.1	4.1	4.2	4.2	4.2
Import taxes	3.6	3.8	3.3	3.4	4.7	4.5	2.9	2.9	2.9	2.9	2.9	2.9
Other taxes	5.0	4.2	4.0	3.9	4.7	4.0	4.4	4.1	4.2	4.2	4.2	4.2
Unidentified additional tax measures	0.0	0.0	0.0	0.0	0.0	0.0	2.8	2.6	3.1	3.1	3.1	3.1
Nontax revenue	3.1	2.5	2.8	3.5	2.6	3.3	2.6	3.3	3.3	3.3	3.3	3.4
Of which: oil revenue	0.9	0.6	0.7	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Of which: capital revenue from fuel imports	0.0	0.0	...	0.9	...	0.8	...	0.8	0.8	0.8	0.8	0.9
Grants	11.7	8.0	10.5	11.4	8.5	11.1	5.3	5.1	4.9	4.7	4.3	4.2
Project grants	7.9	5.2	5.8	8.2	5.1	6.5	3.2	3.1	3.1	3.1	2.8	2.8
Nonproject grants[2]	3.3	2.3	4.2	3.0	3.0	4.3	1.7	1.7	1.5	1.4	1.3	1.2
HIPC Initiative-related grants	0.5	0.5	0.5	0.2	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Total expenditure	**27.7**	**23.9**	**21.4**	**24.7**	**21.4**	**26.4**	**20.4**	**19.7**	**18.8**	**18.8**	**18.6**	**18.3**
Of which: Domestic primary expenditure (TMU definition)	18.6	14.2	13.5	12.5	14.9	14.3	14.9	14.2	14.3	14.3	14.4	14.4
Current expenditure	16.7	14.5	14.1	13.0	15.0	14.9	15.1	14.3	14.3	14.3	14.2	14.2
Personnel costs	9.2	7.7	7.4	6.9	8.3	8.0	8.4	8.4	8.4	8.4	8.4	8.4
Interest due	0.5	0.7	1.1	0.7	0.6	1.1	0.7	0.6	0.6	0.6	0.5	0.5
Goods and services	2.1	1.9	2.0	1.8	2.0	2.2	2.0	2.2	2.2	2.2	2.2	2.2
Transfers	2.9	2.7	2.3	2.3	2.8	2.5	2.7	2.2	2.2	2.2	2.2	2.2
Other current expenditure	2.0	1.4	1.3	1.3	1.3	1.2	1.3	0.9	0.9	0.9	0.9	0.9
Capital expenditure	10.9	9.3	7.1	11.6	6.3	11.4	5.2	5.2	4.3	4.4	4.2	3.9
Financed by the Treasury	2.4	3.5	0.3	2.8	0.3	2.7	0.3	1.4	0.4	0.5	0.6	0.6
of which : purchases of fuel	0.0	3.2	...	2.7	...	2.4	...	1.1	0.0	0.0	0.0	0.0
Financed by external sources	8.5	5.8	6.8	8.8	5.9	8.7	4.8	3.8	3.9	3.9	3.7	3.4
HIPC Initiative-related capital expenditure	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Domestic primary balance (commitment basis, TMU definition	**-5.7**	**-0.9**	**-0.5**	**0.0**	**1.0**	**1.0**	**1.5**	**1.5**	**2.0**	**2.0**	**2.0**	**2.0**
Change in the stock of domestic expenditure arrears	-0.1	-0.7	-0.5	-0.3	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Domestic primary balance (cash basis, TMU definition)[3]	-5.9	-1.6	-1.0	-0.2	0.7	0.9	1.3	1.4	1.9	1.9	1.9	1.9
Overall fiscal balance (commitment basis)	**-2.2**	**-2.1**	**2.8**	**0.9**	**3.5**	**1.3**	**1.9**	**2.4**	**3.8**	**3.6**	**3.4**	**3.7**
Net change in external arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change in domestic arrears	-0.1	-0.7	-0.5	-0.3	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Float and statistical discrepancies	-2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (cash basis)	**-5.0**	**-2.8**	**2.3**	**0.6**	**3.3**	**1.2**	**1.7**	**2.3**	**3.7**	**3.5**	**3.3**	**3.7**
Financing	**5.0**	**2.8**	**-2.3**	**-0.6**	**-3.3**	**-1.2**	**-1.7**	**-2.3**	**-3.7**	**-3.5**	**-3.3**	**-3.7**
Net external	-0.4	-0.5	1.3	1.3	-0.3	0.7	0.1	-0.8	-0.3	-0.4	-0.2	-0.5
Disbursements (project loans)	0.6	0.7	1.0	0.4	0.8	2.2	1.6	0.7	0.8	0.8	0.9	0.6
Program financing (loans)[2]	0.0	0.0	2.1	2.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scheduled amortization	-1.1	-1.1	-1.7	-1.1	-1.5	-1.4	-1.5	-1.5	-1.1	-1.2	-1.1	-1.0
Net domestic	5.4	3.3	-3.7	-1.9	-2.9	-1.9	-1.8	-1.5	-3.3	-3.1	-3.1	-3.2
Net bank credit to the government	5.1	4.0	-2.2	0.4	-1.3	-1.8	-1.7	-1.5	-3.3	-3.1	-3.1	-3.2
Banking credit (net, excluding National Oil Account)[4]	4.6	3.6	-2.7	0.0	-1.1	-2.2	-1.5	-1.9	-3.7	-3.5	-3.5	-3.6
National Oil Account	0.5	0.4	0.4	0.4	-0.2	0.4	-0.2	0.4	0.4	0.4	0.4	0.4
Nonbank financing	0.3	-0.7	-1.4	-2.3	-1.7	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Of which: Amortization payments of CG to ENCO	0.3	-0.7	-1.4	-2.3	-1.7	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Prospective financing[2]	...	...	**6.3**	...	**3.3**	**4.3**	**1.7**	**1.7**	**1.5**	**1.4**	**1.3**	**1.2**
World Bank	...	...	1.6	...	1.9	1.8	0.7	0.7	0.6	0.6	0.5	0.5
African Development Bank	...	...	1.3	...	0.9	1.7	0.5	0.5	0.5	0.4	0.4	0.4
EU	...	...	0.2	...	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Other	...	...	3.1	...	0.3	0.6	0.3	0.3	0.3	0.2	0.2	0.2
Memorandum Items												
Domestic primary balance (commitment basis)	-5.7	-4.1	...	-1.8	...	-0.7	...	1.2	2.8	2.8	2.7	2.9
Nominal GDP (Millions of dobra)	12,690	15,762	17,970	18,756	20,348	21,130	22,654	23,532	25,854	28,272	30,942	33,863
Public Debt	87	73	69	65	61	54	57	48	43	39	36	32

Sources: São Tomé and Príncipe authorities' data and IMF staff estimates and projections.
[1] Revenue is measured on a cash basis.
[2] Of the prospective financing amounts, some are pending approval.
[3] Excludes oil related revenues, ENCO debt repayment, grants, scheduled interest payments, foreign-financed capital outlays and expenses related to fuel imports, as defined in the TMU.
[4] Includes use of past IMF budget support.

Table 3a. São Tomé and Príncipe: Balance of Payments, 2022–30

(Millions of U.S. Dollars)

	2022	2023	2024		2025		2026		2027	2028	2029	2030
		Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Trade Balance	**-177.6**	**-184.8**	**-198.1**	**-170.7**	**-188.8**	**-204.5**	**-177.1**	**-168.5**	**-182.7**	**-194.9**	**-208.1**	**-220.2**
Exports, f.o.b.	21.9	23.6	46.9	29.3	44.7	36.9	47.0	42.0	46.7	51.7	54.8	59.4
Cocoa	7.8	10.1	27.1	18.2	22.2	26.6	21.6	30.4	33.5	36.8	40.5	44.6
Palm oil	7.9	5.8	6.5	6.1	7.1	6.5	7.7	6.7	7.3	8.0	8.3	8.6
Re-export	5.1	6.7	12.0	4.2	13.9	3.0	16.1	3.9	4.8	5.6	4.6	4.7
Imports, f.o.b.	-199.4	-208.5	-245.0	-200.0	-233.5	-241.4	-224.1	-210.6	-229.4	-246.6	-263.0	-279.6
Food	-35.1	-43.4	-50.3	-37.2	-51.9	-38.2	-54.4	-40.0	-41.6	-43.1	-45.4	-47.9
Petroleum products	-51.4	-64.7	-61.4	-42.3	-46.2	-38.3	-42.7	-37.4	-34.4	-31.8	-29.4	-28.4
Non-oil investment goods	-36.1	-33.0	-41.5	-31.3	-43.6	-55.2	-35.3	-32.1	-34.9	-35.0	-40.5	-41.9
Oil sector related investment goods	-54.5	-27.6	-42.2	-42.0	-40.4	-46.7	-43.9	-51.3	-56.2	-60.2	-65.9	-70.8
Other	-22.3	-39.8	-49.6	-47.4	-51.4	-63.0	-47.9	-49.6	-62.3	-76.6	-81.8	-90.5
Services and Income (Net)	**25.7**	**34.8**	**40.3**	**48.1**	**49.9**	**55.5**	**57.8**	**59.5**	**63.4**	**68.8**	**76.1**	**84.3**
Exports of nonfactor services	75.1	90.5	97.5	109.2	108.4	123.0	120.7	131.0	142.9	155.3	170.0	186.0
Of which : travel and tourism	47.5	64.0	69.0	93.3	76.1	105.1	84.7	111.0	121.0	131.3	143.7	157.2
Imports of nonfactor services	-59.9	-62.5	-57.5	-68.2	-58.0	-73.2	-61.6	-76.6	-83.9	-89.8	-97.3	-105.4
Factor services (net)	10.5	6.8	0.3	7.1	-0.5	5.7	-1.3	5.0	4.4	3.3	3.5	3.7
Of which: oil related	0.2	0.7	0.1	0.8	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Private Transfers (Net)	**8.8**	**9.0**	**10.4**	**12.3**	**11.8**	**13.8**	**13.1**	**15.4**	**16.9**	**18.5**	**20.2**	**22.1**
Official Transfers (Net)	**63.8**	**55.5**	**84.1**	**94.4**	**77.3**	**103.2**	**53.7**	**53.2**	**55.9**	**59.2**	**58.6**	**62.2**
Of which : Project grants (excluding HIPC grants)	43.3	35.9	46.6	67.6	46.6	60.1	33.0	32.4	35.6	38.9	38.3	41.9
Nonproject grants	18.0	15.9	33.8	25.1	27.3	39.7	17.4	17.5	17.5	17.5	17.5	17.5
HIPC Initiative-related grants	2.61	3.74	3.8	1.7	3.4	3.4	3.4	3.4	2.9	2.8	2.8	2.8
Current Account Balance												
Including official transfers	-79.2	-85.5	-63.2	-15.9	-49.8	-32.0	-52.4	-40.5	-46.5	-48.4	-53.2	-51.5
Excluding official transfers	-143.1	-141.1	-147.4	-110.3	-127.2	-135.2	-106.2	-93.7	-102.4	-107.6	-111.8	-113.7
Capital and Financial Account Balance	**85.8**	**63.7**	**63.1**	**53.5**	**57.6**	**48.6**	**59.1**	**49.4**	**62.1**	**67.9**	**73.2**	**72.3**
Capital transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	85.8	63.7	63.1	53.5	57.6	48.6	59.1	49.4	62.1	67.9	73.2	72.3
Foreign Direct Investment	106.7	67.8	59.2	59.0	51.9	65.4	52.9	71.6	78.0	83.0	91.9	99.5
Portfolio Investment (net)	0.0	-0.5	-2.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil signature bonuses	4.9	4.1	5.8	6.3	5.4	5.3	6.0	5.9	6.5	7.1	7.8	8.5
Other investment (net)	-25.8	-7.7	0.1	-11.9	0.4	-22.1	0.2	-28.2	-22.4	-22.2	-26.5	-35.8
Assets	-25.1	2.1	0.3	11.6	0.1	11.9	0.1	12.1	12.3	12.5	12.8	13.0
Public sector liabilities (net)	-0.6	20.8	19.5	13.4	-1.6	-4.8	-0.2	-9.3	-7.7	-6.6	-2.9	-7.0
Project loans	3.4	12.9	7.7	2.0	7.5	7.1	16.2	6.9	9.1	9.8	11.6	8.5
Program loans	0.0	0.0	16.7	15.9	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other loans	0.0	11.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-4.0	-3.9	-4.9	-4.5	-12.1	-11.9	-16.4	-16.2	-16.9	-16.4	-14.6	-15.5
Of which : HIPC Initiative-related grants	-2.3	-3.3	-3.4	-1.5	-3.1	-3.1	-3.1	-3.1	-2.6	-2.6	-2.6	-2.6
Private sector liabilities (net)	0.0	-30.5	-19.7	-36.9	1.9	-29.1	0.3	-30.9	-26.9	-28.1	-36.3	-41.8
Commercial banks	0.3	-35.9	-7.0	1.8	-6.5	-1.4	-6.2	-2.0	-2.2	-2.3	0.0	-2.5
Private capital	-0.3	5.4	-12.7	-38.7	8.3	-27.8	6.6	-29.0	-24.8	-25.9	-36.3	-39.3
Errors and Omissions	-25.0	-2.7	0.0	-41.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	**-18.4**	**-24.6**	**-0.1**	**-4.2**	**7.8**	**16.6**	**6.6**	**8.9**	**15.6**	**19.5**	**20.0**	**20.8**
Financing	18.4	24.6	-5.2	4.2	-16.0	-24.7	-12.3	-14.5	-21.3	-19.5	-20.0	-20.8
Change in official reserves, excl. IMF and NOA (increase= -)	16.0	26.5	-1.1	8.6	-11.6	-20.5	-5.5	-7.9	-13.9	-12.3	-12.7	-14.6
Use of Fund resources (net)	4.5	-1.1	-1.5	-1.5	-2.7	-2.7	-4.9	-4.9	-5.4	-5.0	-4.9	-3.5
Disbursements	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments (incl. MDRI repayment)	-0.6	-1.1	-1.5	-1.5	-2.7	-2.7	-4.9	-4.9	-5.4	-5.0	-4.9	-3.5
National Oil Account (increase = -)	-2.1	-0.9	-2.5	-3.0	-1.6	-1.4	-1.9	-1.8	-2.0	-2.2	-2.4	-2.7
Exceptional financing (IMF CCRT)	...	...	...	...	...	...	...	...	...	...	...	...
Prospective Financing	...	...	**55.8**	...	**38.5**	**47.8**	**23.1**	**23.1**	**23.1**	**17.5**	**17.5**	**17.5**
Prospective nonproject grants and concessional loans	...	...	50.5	...	30.3	39.7	17.4	17.5	17.5	17.5	17.5	17.5
ECF disbursements	...	...	5.3	...	8.2	8.1	5.7	5.6	5.7	0.0	0.0	0.0
Memorandum Items:												
Current account balance (percent of GDP)												
Including official transfers	-14.5	-12.3	-7.9	-1.9	-5.5	-3.4	-5.2	-3.9	-4.1	-3.9	-3.9	-3.4
Excluding official transfers	-26.2	-20.3	-18.4	-13.3	-14.0	-14.6	-10.4	-9.0	-9.0	-8.6	-8.2	-7.6
Debt service ratio (percent of exports) [1]	6.2	4.7	6.4	8.0	10.8	10.3	12.3	11.9	10.9	9.4	7.8	7.4
Gross international reserves (face value) [2]												
Millions of U.S. dollars	59.2	42.9	48.1	38.9	68.7	60.0	71.7	67.9	86.9	93.1	99.8	108.6
Months of imports of goods and services	2.6	1.9	2.0	1.5	2.9	2.5	2.9	2.6	3.1	3.1	3.1	3.2
Months of imports of goods and nonfactor services[3]	3.4	2.7	2.8	2.3	4.1	3.7	4.1	3.8	4.4	4.5	4.5	4.6

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

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

[2] Gross international reserves as defined in the TMU.

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

Table 3b. São Tomé and Príncipe: Balance of Payments, 2022–30

(In Percent of GDP)

	2022	2023	2024		2025		2026		2027	2028	2029	2030
		Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Trade Balance	**-32.5**	**-26.6**	**-24.8**	**-20.6**	**-20.7**	**-22.0**	**-17.4**	**-16.2**	**-16.0**	**-15.6**	**-15.2**	**-14.7**
Exports, f.o.b.	4.0	3.4	5.9	3.5	4.9	4.0	4.6	4.0	4.1	4.1	4.0	4.0
Cocoa	1.4	1.4	3.4	2.2	2.4	2.9	2.1	2.9	2.9	2.9	3.0	3.0
Palm oil	1.4	0.8	0.8	0.7	0.8	0.7	0.8	0.6	0.6	0.6	0.6	0.6
Re-export	0.9	1.0	1.5	0.5	1.5	0.3	1.6	0.4	0.4	0.4	0.3	0.3
Imports, f.o.b.	-36.5	-30.0	-30.7	-24.1	-25.6	-26.0	-22.0	-20.2	-20.1	-19.7	-19.2	-18.7
Food	-6.4	-6.2	-6.3	-4.5	-5.7	-4.1	-5.3	-3.8	-3.6	-3.4	-3.3	-3.2
Petroleum products	-9.4	-9.3	-7.7	-5.1	-5.1	-4.1	-4.2	-3.6	-3.0	-2.5	-2.1	-1.9
Non-oil investment goods	-6.6	-4.7	-5.2	-3.8	-4.8	-5.9	-3.5	-3.1	-3.1	-2.8	-3.0	-2.8
Oil sector related investment goods	-10.0	-4.0	-5.3	-5.1	-4.4	-5.0	-4.3	-4.9	-4.9	-4.8	-4.8	-4.7
Other	-4.1	-5.7	-6.2	-5.7	-5.6	-6.8	-4.7	-4.8	-5.5	-6.1	-6.0	-6.0
Services and Income (Net)	**4.7**	**5.0**	**5.0**	**5.8**	**5.5**	**6.0**	**5.7**	**5.7**	**5.5**	**5.5**	**5.6**	**5.6**
Exports of nonfactor services	13.8	13.0	12.2	13.2	11.9	13.2	11.9	12.6	12.5	12.4	12.4	12.4
Of which : travel and tourism	8.7	9.2	8.6	11.3	8.4	11.3	8.3	10.7	10.6	10.5	10.5	10.5
Imports of nonfactor services	-11.0	-9.0	-7.2	-8.2	-6.4	-7.9	-6.1	-7.4	-7.3	-7.2	-7.1	-7.0
Factor services (net)	1.9	1.0	0.0	0.9	-0.1	0.6	-0.1	0.5	0.4	0.3	0.3	0.3
Of which: oil related	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private Transfers (Net)	**1.6**	**1.3**	**1.3**	**1.5**	**1.3**	**1.5**	**1.3**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**
Official Transfers (Net)	**11.7**	**8.0**	**10.5**	**11.4**	**8.5**	**11.1**	**5.3**	**5.1**	**4.9**	**4.7**	**4.3**	**4.2**
Of which : Project grants (excluding HIPC grants)	7.9	5.2	5.8	8.2	5.1	6.5	3.2	3.1	3.1	3.1	2.8	2.8
Nonproject grants	3.3	2.3	4.2	3.0	3.0	4.3	1.7	1.7	1.5	1.4	1.3	1.2
HIPC Initiative-related grants	0.5	0.5	0.5	0.2	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Current Account Balance												
Including official transfers	-14.5	-12.3	-7.9	-1.9	-5.5	-3.4	-5.2	-3.9	-4.1	-3.9	-3.9	-3.4
Excluding official transfers	-26.2	-20.3	-18.4	-13.3	-14.0	-14.6	-10.4	-9.0	-9.0	-8.6	-8.2	-7.6
Capital and Financial Account Balance	**15.7**	**9.2**	**7.9**	**6.5**	**6.3**	**5.2**	**5.8**	**4.7**	**5.4**	**5.4**	**5.4**	**4.8**
Capital transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	15.7	9.2	7.9	6.5	6.3	5.2	5.8	4.7	5.4	5.4	5.4	4.8
Foreign Direct Investment	19.5	9.7	7.4	7.1	5.7	7.0	5.2	6.9	6.8	6.6	6.7	6.7
Portfolio Investment (net)	0.0	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil signature bonuses	0.9	0.6	0.7	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Other investment (net)	-4.7	-1.1	0.0	-1.4	0.0	-2.4	0.0	-2.7	-2.0	-1.8	-1.9	-2.4
Assets	-4.6	0.3	0.0	1.4	0.0	1.3	0.0	1.2	1.1	1.0	0.9	0.9
Public sector liabilities (net)	-0.1	3.0	2.4	1.6	-0.2	-0.5	0.0	-0.9	-0.7	-0.5	-0.2	-0.5
Project loans	0.6	1.9	1.0	0.2	0.8	0.8	1.6	0.7	0.8	0.8	0.9	0.6
Program loans	0.0	0.0	2.1	1.9	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other loans	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.7	-0.6	-0.6	-0.5	-1.3	-1.3	-1.6	-1.6	-1.5	-1.3	-1.1	-1.0
Of which : HIPC Initiative-related grants	-0.4	-0.5	-0.4	-0.2	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2
Private sector liabilities (net)	0.0	-4.4	-2.5	-4.5	0.2	-3.1	0.0	-3.0	-2.4	-2.3	-2.7	-2.8
Commercial banks	0.1	-5.2	-0.9	0.2	-0.7	-0.1	-0.6	-0.2	-0.2	-0.2	0.0	-0.2
Private capital	-0.1	0.8	-1.6	-4.7	0.9	-3.0	0.6	-2.8	-2.2	-2.1	-2.7	-2.6
Errors and Omissions	**-4.6**	**-0.4**	**0.0**	**-5.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-3.4**	**-3.5**	**0.0**	**-0.5**	**0.9**	**1.8**	**0.7**	**0.9**	**1.4**	**1.6**	**1.5**	**1.4**
Financing	3.4	3.5	-0.6	0.5	-1.8	-2.7	-1.2	-1.4	-1.9	-1.6	-1.5	-1.4
Change in official reserves, excl. IMF and NOA (increase= -)	2.9	3.8	-0.1	1.0	-1.3	-2.2	-0.5	-0.8	-1.2	-1.0	-0.9	-1.0
Use of Fund resources (net)	0.8	-0.2	-0.2	-0.2	-0.3	-0.3	-0.5	-0.5	-0.5	-0.4	-0.4	-0.2
Disbursements	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Oil Account (increase = -)	-0.4	-0.1	-0.3	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Exceptional financing (IMF CCRT)	...	...	...	...	...	...	...	...	...	...	...	...
Prospective Financing	...	...	**7.0**	...	**4.2**	**5.1**	**2.3**	**2.2**	**2.0**	**1.4**	**1.3**	**1.2**
Prospective nonproject grants and concessional loans	...	...	6.3	...	3.3	4.3	1.7	1.7	1.5	1.4	1.3	1.2
ECF disbursements	...	...	0.7	...	0.9	0.9	0.6	0.5	0.5	0.0	0.0	0.0
Memorandum Items:												
Debt service ratio (percent of exports) [1]	6.2	4.7	6.4	8.0	10.8	10.3	12.3	11.9	10.9	9.4	7.8	7.4
Gross international reserves (face value) [2]												
Millions of U.S. dollars	59.2	42.9	48.1	38.9	68.7	60.0	71.7	67.9	86.9	93.1	99.8	108.6
Months of imports of goods and services	2.6	1.9	2.0	1.5	2.9	2.5	2.9	2.6	3.1	3.1	3.1	3.2
Months of imports of goods and nonfactor services [3]	3.4	2.7	2.8	2.3	4.1	3.7	4.1	3.8	4.4	4.5	4.5	4.6

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

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

[2] Gross international reserves as defined in the TMU.

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

Table 4. São Tomé and Príncipe: Summary Accounts of the Central Bank, 2022–30

(Millions of Dobra)

	2022	2023	2024		2025		2026		2027	2028	2029	2030
		Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Net Foreign Assets	**772**	**629**	**450**	**976**	**1,226**	**1,308**	**1,392**	**1,654**	**2,406**	**2,707**	**3,020**	**3,412**
Claims on nonresidents	2,220	2,006	2,304	2,498	3,079	2,831	3,245	3,177	3,929	4,230	4,543	4,935
Official foreign reserves	1,845	1,386	1,591	1,838	2,127	2,171	2,242	2,436	3,013	3,244	3,484	3,784
Other foreign assets	376	620	712	660	952	660	1,004	741	916	986	1,059	1,151
Liabilities to nonresidents	-1,448	-1,377	-1,853	-1,523	-1,853	-1,523	-1,853	-1,523	-1,523	-1,523	-1,523	-1,523
Short-term liabilities to nonresidents[1]	-797	-748	-1,328	-872	-1,452	-1,354	-1,471	-1,357	-1,472	-1,333	-1,198	-1,067
Other foreign liabilities	-652	-629	-525	-651	-401	-169	-383	-166	-51	-190	-324	-456
Net Domestic Assets	**1,348**	**1,245**	**1,337**	**1,341**	**748**	**1,093**	**644**	**868**	**216**	**14**	**-186**	**-455**
Net domestic credit	958	1,275	1,275	1,239	999	1,239	612	874	368	-147	-712	-1,247
Claims on other depository corporations	198	467	467	467	467	467	467	477	487	497	507	517
Net claims on central government	608	656	656	610	358	610	-29	223	-294	-822	-1,399	-1,979
Claims on central government	1,547	1,486	1,486	1,500	1,189	1,500	892	1,203	906	608	311	311
Liabilities to central government	-939	-831	-831	-890	-831	-890	-921	-980	-1,200	-1,430	-1,710	-2,290
Claims on other sectors	152	153	153	162	173	162	173	173	175	177	179	214
Other items (net)	390	-31	61	102	-251	-146	33	-5	-152	161	526	793
Base Money (M0)	**2,120**	**1,874**	**1,787**	**2,317**	**1,974**	**2,401**	**2,037**	**2,522**	**2,622**	**2,721**	**2,833**	**2,957**
Currency issued	541	546	521	715	575	741	593	779	809	840	875	913
Bank reserves	1,579	1,328	1,267	1,602	1,399	1,660	1,443	1,744	1,813	1,881	1,959	2,045
Of which : domestic currency	1,457	1,254	1,170	1,336	1,261	1,337	1,300	1,378	1,345	1,380	1,421	1,459
Of which: foreign currency	122	74	96	265	138	323	144	366	468	501	538	585
Memorandum Items:												
Gross International Reserves (face value, US$ millions) [2]	59.2	42.9	48.1	38.9	68.7	60.0	71.7	67.9	86.9	93.1	99.8	108.6
Months of imports of goods and services	2.6	1.9	2.0	1.5	2.9	2.5	2.9	2.6	3.1	3.1	3.1	3.2
Months of imports of goods and nonfactor services[3]	3.4	2.7	2.8	2.3	4.1	3.7	4.1	3.8	4.4	4.5	4.5	4.6
Percent of ARA metric	85	62	64	48	93	81	93	84	100	100	100	102
Gross international reserves (face value, US$ millions) incl. commercial banks reserves	64.5	46.3	52.4	50.2	74.9	74.3	78.1	84.1	107.6	115.2	123.6	134.5
Months of imports of goods and services	2.9	2.1	2.2	1.9	3.1	3.1	3.2	3.2	3.8	3.8	3.9	3.9
Months of imports of goods and nonfactor services[3]	3.7	2.9	3.1	2.9	4.5	4.5	4.5	4.7	5.5	5.6	5.6	5.7
Percent of ARA metric	92	67	70	62	101	100	102	104	124	124	124	126
Gross international reserves (market value, US$ millions) incl. commercial banks reserves	52.2	35.9	…	40.6	…	64.6	…	74.5	98.0	105.6	114.0	124.8
Months of imports of goods and services	2.3	1.6	…	1.5	…	2.7	…	2.9	3.5	3.5	3.6	3.6
Months of imports of goods and nonfactor services[3]	3.0	2.3	…	2.4	…	3.9	…	4.2	5.0	5.1	5.2	5.2
Percent of ARA metric	75	52	…	50	…	87	…	92	113	113	115	117
Net international reserves (face value, US$ millions) [4]	14.8	-11.8	-11.5	-20.4	0.1	0.1	5.6	8.0	21.9	34.2	46.9	61.5
Months of imports of goods and services	0.7	-0.5	-0.5	-0.8	0.0	0.0	0.2	0.3	0.8	1.1	1.5	1.8
Months of imports of goods and nonfactor services[3]	0.9	-0.7	-0.7	-1.2	0.0	0.0	0.3	0.4	1.1	1.7	2.1	2.6
Net foreign assets in months of imports of goods and services of the current year	1.5	1.2	0.8	1.9	2.3	2.2	2.6	3.1	4.1	4.3	4.4	4.7
National Oil Account (stock, US$ millions)	15.7	16.6	19.2	19.6	20.8	21.0	22.7	22.8	24.8	27.0	29.4	32.0
Commercial banks reserves in foreign currency (US$ millions)	5.3	3.3	4.3	11.3	6.2	14.3	6.4	16.2	20.7	22.1	23.8	25.8
Base money (annual percent change)	-1.7	-11.6	-4.6	23.6	10.4	3.6	3.2	5.0	4.0	3.8	4.1	4.4

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

[1] The Central Bank's short-term liabilities to nonresidents includes the country's liability to the IMF.

[2] Gross international reserves as defined in the TMU.

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

[4] Net international reserves as defined in the TMU.

Table 5. São Tomé and Príncipe: Monetary Survey, 2022–30

(Millions of Dobra)

	2022	2023	2024		2025		2026		2027	2028	2029	2030
		Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Net Foreign Assets	**903**	**1,564**	**1,357**	**1,906**	**2,178**	**2,238**	**2,392**	**2,631**	**3,432**	**3,784**	**4,151**	**4,600**
Net foreign assets of the BCSTP	772	629	450	976	1,226	1,308	1,392	1,654	2,406	2,707	3,020	3,412
Net foreign assets of other depository corporations	131	935	907	931	952	931	1,000	977	1,026	1,077	1,131	1,188
Net Domestic Assets	**2,678**	**2,207**	**2,418**	**1,887**	**2,189**	**1,748**	**2,318**	**1,809**	**1,446**	**1,550**	**1,687**	**1,789**
Net domestic credit	2,930	2,664	2,164	2,709	2,139	2,614	1,987	2,246	1,366	470	-494	-1,568
Net claims on central government	1,201	1,354	877	1,319	653	1,143	320	691	-277	-1,275	-2,357	-3,574
Claims on central government	2,678	2,668	2,668	2,636	2,370	2,636	2,128	2,394	2,097	1,800	1,502	1,502
Liabilities to central government	-1,477	-1,313	-1,791	-1,318	-1,717	-1,494	-1,808	-1,703	-2,373	-3,075	-3,859	-5,076
Claims on other sectors	1,729	1,310	1,287	1,390	1,485	1,471	1,667	1,555	1,643	1,745	1,863	2,006
Other items (net)	-252	-457	254	-822	51	-866	331	-437	80	1,081	2,181	3,357
Broad Money (M3)	**3,581**	**3,771**	**3,775**	**3,793**	**4,367**	**3,987**	**4,710**	**4,440**	**4,878**	**5,334**	**5,838**	**6,389**
Local currency liabilities included in broad money (M2)	2,911	2,492	2,834	2,948	3,278	3,152	3,536	3,511	3,857	4,218	4,616	5,052
Money (M1)	2,586	2,202	2,524	2,576	2,919	3,042	3,148	3,325	3,600	3,886	4,200	4,544
Currency outside depository corporations	444	476	435	605	499	715	535	730	745	760	775	790
Transferable deposits in dobra	2,143	1,726	2,089	1,971	2,419	2,327	2,613	2,595	2,854	3,126	3,425	3,754
Other deposits in dobra	325	290	311	372	359	111	388	186	258	332	416	508
Foreign currency deposits	670	940	941	794	1,088	834	1,174	929	1,021	1,116	1,222	1,337
Memorandum Items:												
Velocity (ratio of GDP to M3; end of period)	3.5	4.2	4.8	4.9	4.7	5.3	4.8	5.3	5.3	5.3	5.3	5.3
Money multiplier (M2/M0)	1.7	2.0	2.1	1.6	2.2	1.7	2.3	1.8	1.9	2.0	2.1	2.2
Base money (12-month growth rate)	-1.7	-11.6	-4.6	23.6	10.4	3.6	3.2	5.0	4.0	3.8	4.1	4.4
Claims on other resident sectors (12-month growth rate)	-16.0	-24.2	-1.8	6.1	15.4	5.8	12.3	5.7	5.7	6.2	6.8	7.7
Claims on other resident sectors (percent of GDP)	13.6	8.3	7.2	7.4	7.3	7.0	7.4	6.6	6.4	6.2	6.0	5.9
Broad money (12-month growth rate)	10.8	5.3	0.1	0.6	15.7	5.1	7.9	11.4	9.9	9.4	9.4	9.4
Eurorization ratio	21.3	31.8	…	25.3	…	…	…	…	…	…	…	…

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

Table 6. São Tomé and Príncipe: Financial Soundness Indicators, 2020-25

	2020 Dec.	2021 Dec.	2022 Mar.	2023 Mar.	2023 Jun.	2023 Sep.	2023 Dec.	2024 Mar.	2024 Jun.	2024 Sep.	2024 Dec.	2025 Mar.
Capital Adequacy												
Regulatory capital to risk-weighted assets, ratio	29.2	31.7	35.6	37.9	31.8	34.7	34.5	36.4	33.1	34.1	37.0	40.2
Total Capital to Total Assets, ratio		14.9	18.9	18.2	16.9	19.2	17.7	19.1	17.7	18.5	19.0	18.5
Asset Quality												
Non-performing Loans to Total Gross Loans, ratio	29.6	28.6	30.5	9.3	10.3	10.6	11.9	10.0	9.1	10.2	10.0	10.2
Provision of Non-performing Loans, percent	77.7	96.0	84.0	86.0	82.0	82.0	86.0	60.6	76.9	68.1	67.8	55.0
Earnings and Profitability												
Return on assets, ratio	0.8	1.6	0.6	0.7	1.0	1.8	2.2	1.2	0.6	2.5	3.8	0.7
Return on equity, ratio	4.8	9.8	3.4	3.1	5.0	9.0	11.4	4.9	1.6	9.8	14.5	2.8
Interest margin to gross income, percent	101.2	45.4	77.8	43.7	45.4	42.7	39.3	36.0	43.4	37.1	37.8	40.3
Liquidity												
Liquid assets to total assets, ratio	47.7	52.2	53.5	53.5	49.3	48.6	53.0	52.7	53.7	51.8	54.0	58.1
Liquid assetsto short term liabilities, ratio	59.6	68.1	70.3	70.4	63.6	71.2	68.9	70.2	66.5	70.6	75.6	78.2
Sensitivity to Market Risk												
Foreign-currency-denominated loans to total loans, ratio	7.8	7.9	8.4	4.3	3.8	3.1	3.3	3.4	3.0	2.6	2.6	2.2
Foreign-currency-denominated liabilities to total liabilities, ratio		24.3		27.5	22.4	31.4	28.5	31.5	27.5	26.2	23.5	26.3

Sources: São Tomé and Príncipe authorities, and Fund staff estimates.

Table 7. São Tomé and Príncipe: External Financing Requirements and Sources, 2025-30
(Millions of U.S. Dollars)

	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Gross Financing Requirements	**-170.3**	**-122.6**	**-138.5**	**-141.3**	**-143.9**	**-147.3**
Current account, excluding official transfers	-135.2	-93.7	-102.4	-107.6	-111.8	-113.7
Exports, f.o.b.	36.9	42.0	46.7	51.7	54.8	59.4
Imports, f.o.b.	-241.4	-210.6	-229.4	-246.6	-263.0	-279.6
Services and income (net)	55.5	59.5	63.4	68.8	76.1	84.3
Private transfers	13.8	15.4	16.9	18.5	20.2	22.1
Financial account	-14.6	-21.1	-22.2	-21.5	-19.4	-19.0
Scheduled amortization	-11.9	-16.2	-16.9	-16.4	-14.6	-15.5
IMF repayments	-2.7	-4.9	-5.4	-5.0	-4.9	-3.5
Change in net external reserves (- = increase)	-20.5	-7.9	-13.9	-12.3	-12.7	-14.6
Available Funding	**122.5**	**99.5**	**115.4**	**123.9**	**126.5**	**129.8**
National Oil Fund (net)	3.8	4.1	4.5	4.9	5.4	5.8
Oil signature bonuses	5.3	5.9	6.5	7.1	7.8	8.5
Saving (- = accumulation of oil reserve fund)	-1.4	-1.8	-2.0	-2.2	-2.4	-2.7
Expected disbursements	70.6	42.6	47.6	51.6	52.8	53.3
Project grants	60.1	32.4	35.6	38.9	38.3	41.9
Multilateral HIPC interim assistance	3.4	3.4	2.9	2.8	2.8	2.8
Concessional loans	7.1	6.9	9.1	9.8	11.6	8.5
Project loans	7.1	6.9	9.1	9.8	11.6	8.5
Program loans	0.0	0.0	0.0	0.0	0.0	0.0
Private sector (net)	48.1	52.8	63.3	67.4	68.3	70.7
Total Financing Gap (+)	**47.8**	**23.1**	**23.1**	**17.5**	**17.5**	**17.5**
Prospective Financing 1/	**47.8**	**23.1**	**23.1**	**17.5**	**17.5**	**17.5**
ECF disbursements	8.1	5.6	5.7	0.0	0.0	0.0
World Bank	17.0	7.0	7.0	7.0	7.0	7.0
African Development Bank	15.5	5.3	5.3	5.3	5.3	5.3
Other multilateral and bilateral grants	7.3	5.1	5.1	5.1	5.1	5.1
Other multilateral and bilateral concessional loans	0.0	0.0	0.0	0.0	0.0	0.0

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

[1] Of the prospective financing amounts, some are pending approval.

Table 8: São Tomé and Príncipe: Indicators of Capacity to Repay the Fund, 2025–39

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Fund Obligations Based on Existing Credit (millions of SDRs)															
Principal	2.0	3.6	4.2	4.5	4.4	3.9	2.1	1.4	0.8	0.8	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)															
Principal	2.0	3.6	4.2	4.5	4.4	3.9	3.6	3.6	3.7	3.7	2.9	1.5	0.6	0.0	0.0
Charges and interest	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Obligations Based on Existing and Prospective Credit															
Millions of SDRs	2.6	4.2	4.8	5.1	5.0	4.5	4.1	4.2	4.3	4.3	3.5	2.0	1.2	0.6	0.6
Millions of U.S. dollars	3.5	5.6	6.4	6.8	6.7	6.0	5.6	5.7	5.8	5.8	4.7	2.8	1.6	0.8	0.8
Percent of exports of goods and services	2.2	3.2	3.4	3.3	3.0	2.5	2.1	2.0	1.9	1.8	1.4	0.8	0.4	0.2	0.2
Percent of debt service [1]	21.3	27.3	31.0	34.9	38.2	32.9	34.5	35.5	38.7	38.6	33.6	20.1	13.9	7.3	7.3
Percent of quota	17.8	28.3	32.2	34.3	33.5	30.2	27.8	28.4	28.8	28.8	23.5	13.8	8.1	3.8	3.8
Percent of gross international reserves [2]	5.8	8.2	7.3	7.3	6.7	5.5	5.1	5.1	5.1	5.1	4.1	2.4	1.4	0.7	0.6
Percent of GDP	0.4	0.5	0.6	0.5	0.5	0.4	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.0	0.0
Outstanding Fund Credit															
Millions of SDRs	31.8	32.4	32.4	27.9	23.5	19.6	16.1	12.4	8.7	5.0	2.1	0.6	0.0	0.0	0.0
Millions of U.S. dollars	42.2	43.2	43.4	37.4	31.6	26.4	21.6	16.7	11.7	6.8	2.8	0.9	0.0	0.0	0.0
Percent of exports of goods and services	26.4	25.0	22.9	18.1	14.1	10.8	8.1	5.8	3.9	2.1	0.8	0.2	0.0	0.0	0.0
Percent of debt service [1]	256.8	210.5	210.7	191.4	181.2	144.7	134.3	104.9	79.1	45.4	20.4	6.2	0.0	0.0	0.0
Percent of quota	214.6	218.7	218.9	188.4	158.8	132.5	108.5	83.9	58.9	33.9	14.3	4.3	0.0	0.0	0.0
Percent of gross international reserves [2]	70.3	63.7	49.9	40.2	31.6	24.3	19.7	15.3	10.5	6.0	2.5	0.7	0.0	0.0	0.0
Percent of GDP	4.5	4.2	3.8	3.0	2.3	1.8	1.3	1.0	0.6	0.3	0.1	0.0	0.0	0.0	0.0
Net Use of Fund Credit (millions of SDRs)	4.0	0.6	0.0	-4.5	-4.4	-3.9	-3.6	-3.6	-3.7	-3.7	-2.9	-1.5	-0.6	0.0	0.0
Disbursements	6.1	4.2	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	2.0	3.6	4.2	4.5	4.4	3.9	3.6	3.6	3.7	3.7	2.9	1.5	0.6	0.0	0.0
Memorandum Items:															
Exports of goods and services (millions of U.S. dollars)	160.0	173.0	189.6	207.0	224.8	245.4	266.0	287.0	305.0	323.0	340.1	358.2	377.2	397.3	418.5
Debt service (millions of U.S. dollars)	16.4	20.5	20.6	19.6	17.4	18.3	16.1	16.0	14.9	14.9	13.9	13.8	11.6	10.6	10.5
Quota (millions of SDRs)	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
Gross international reserves [2]	60.0	67.9	86.9	93.1	99.8	108.6	109.7	110.8	111.9	113.0	114.2	115.3	116.5	117.6	118.8
GDP (millions of U.S. dollars)	929	1,040	1,143	1,250	1,367	1,497	1,609	1,721	1,833	1,943	2,060	2,173	2,293	2,419	2,552

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

[1] After HIPC and MDRI debt relief. Including IMF repurchases and repayments in total debt service.

[2] Gross international reserves as defined in the TMU.

Table 9. Sao Tomé and Príncipe: Schedule of Disbursements Under ECF Arrangement, 2024–27

Availability Date	Disbursement Conditions	SDR Amount	Percent of Quota[1]
12/19/24	Board approval of arrangement.	3,964,286	26.79
04/01/25	Observance of continuous and end-December 2024 PCs and completion of the first review.	3,964,286	26.79
10/01/25	Observance of continuous and end-June 2025 PCs and completion of the second review.	2,114,286	14.29
04/01/26	Observance of continuous and end-December 2025 PCs and completion of the third review.	2,114,286	14.29
10/01/26	Observance of continuous and end-June 2026 PCs and completion of the fourth review.	2,114,286	14.29
04/01/27	Observance of continuous and end-December 2026 PCs and completion of the fifth review.	2,114,286	14.29
10/01/27	Observance of continuous and end-June 2027 PCs and completion of the sixth review.	2,114,284	14.29
	Total	18,500,000	125.00

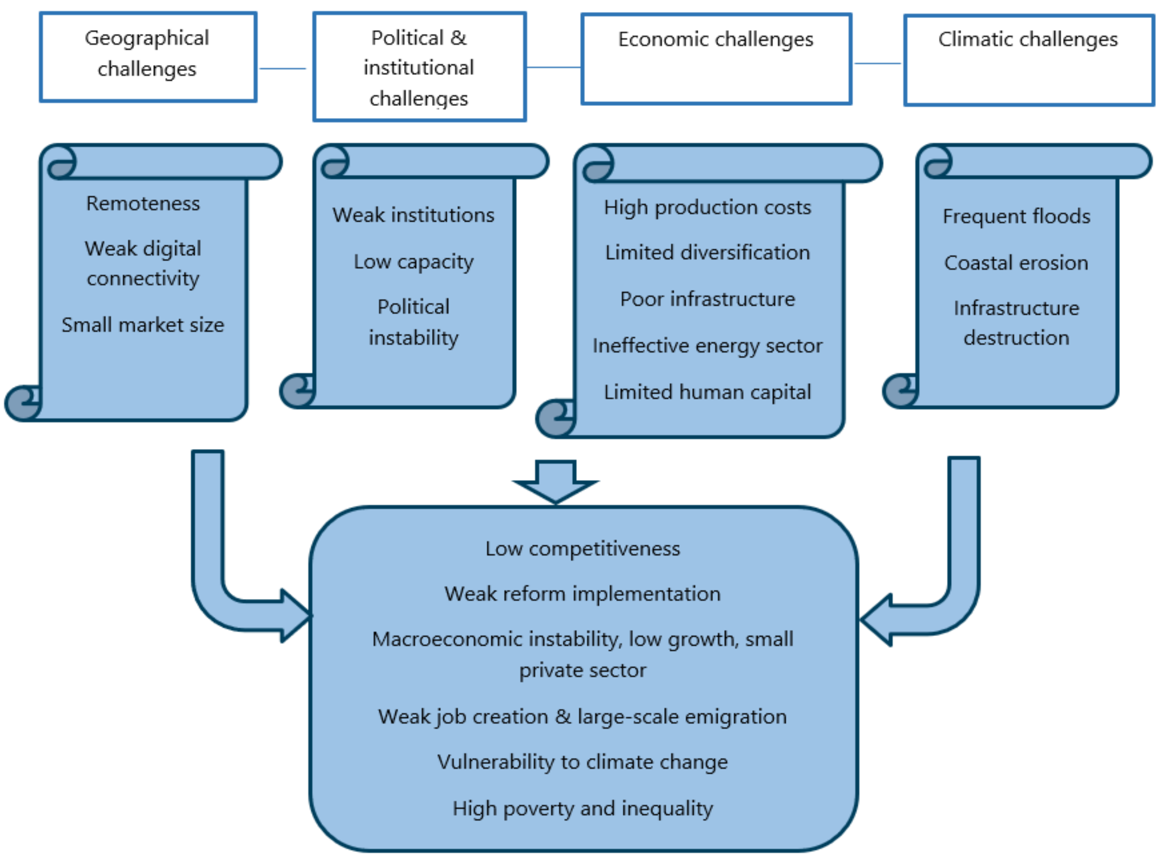
Source: International Monetary Fund.

[1] The total percent of quota adds up to 125.03 as a result of rounding.

Annex I. Country Engagement Strategy

1. **São Tomé and Príncipe (STP) is trapped in fragility due to interconnected geographical, political, institutional, economic, and climatic challenges, which are typical for small island developing states.** The country is classified as fragile due to its Country Policy and Institutional Assessment (CPIA) score of 2.9—below the fragility threshold of 3.0 (on a scale of 0 to 6). STP performs particularly poorly in the area of economic management, with debt management standing out as a key weakness. STP's small size and remoteness increase transportation costs, which limit competitiveness and hinder economic growth. Political and institutional constraints lead to weak reform implementation. Economic challenges limit growth and constrain the private sector. Additionally, climate change exacerbates food insecurity, damages infrastructure, and thwarts efforts to reduce poverty and inequality. Overall, these interconnected challenges hinder sustainable development and weaken resilience to shocks.

Fragility Trap in São Tomé and Príncipe



2. **São Tomé and Príncipe has a history of Fund-supported programs. Economic vulnerabilities, governance issues, and low capacity have posed challenges for the successful completion of programs.** Based on the experience with the last three Extended Credit Facility (ECF) arrangements, covering 2012 through early 2023, progress towards restoring macroeconomic stability has been limited, fiscal targets were frequently breached during election years, and

structural reforms were frequently delayed. Future programs should more explicitly account for the country's low capacity and fragile context while emphasizing sustainable and inclusive growth.

3. **To improve macroeconomic outcomes and resilience, policies and reforms should be well-targeted.** Addressing institutional fragility requires efforts to strengthen institutions and governance (including the judicial system), reduce vulnerabilities to corruption, and boost civil service capacity. São Tomé and Príncipe has large and pressing investment needs, and tackling economic fragility will require investing in physical and human capital,[1] sustainably raising fiscal revenue, enhancing debt sustainability, and containing fiscal risks. Furthermore, addressing economic fragility requires supportive policies to foster private sector development, economic diversification, job creation, and increased resilience. Diversification and resilience could also be supported by strengthening trade integration and access to regional markets. In addition, strengthening São Tomé and Príncipe's resilience to the impact of climate change is critical to overcome economic fragility.

4. **The Fund continues to engage with São Tomé and Príncipe through a new ECF arrangement, supported by continued capacity development and surveillance**. The IMF-supported program strives towards achieving macroeconomic stability, strengthening the institutional framework, and reforming the energy sector. Its design explicitly accounts for the country's low capacity, political context, and fragility, aiming for targeted and parsimonious conditionality supported by adequate capacity development. The IMF-supported program is aligned with the authorities' medium-term policy priorities to tackle São Tomé and Príncipe's institutional and economic fragility. Surveillance activities will focus heavily on institutional factors and take a longer-term perspective on policies to address key drivers of fragility. Capacity development (CD) should be aligned with those priorities and accompany critical reform efforts. The Resident Representative office will continue to play a critical role for the Fund's engagement with São Tomé and Príncipe.

5. **Recent capacity development activities have been well integrated with Fund-supported program priorities.** São Tomé and Príncipe is an active user of TA and benefits from training resources. CD has helped São Tomé and Príncipe to progress in several macro-critical areas. At the same time, TA implementation has been slow, due to limited absorption capacity and also because support was frequently not sufficiently tailored to the authorities' needs. To enhance effectiveness and support the ECF's program objectives, TA in São Tomé and Príncipe should align more closely with the authorities' needs while providing continuous follow-up and hands-on support and capacity building. Going forward, CD activities will continue to focus on macro-critical reform areas, in support of the ECF reform agenda, including tax policy and revenue administration, public financial management (particularly budgetary controls and treasury operations), expenditure policy, debt management, central bank operations, and statistics. A phased approach to TA delivery would enable the authorities to build up their capacity in order to receive assistance when they can fully benefit from it.

[1] Human capital accumulation, in particular, is complicated by high turnover and large-scale emigration.

6. **Strategic partnerships with development partners remain important**. The Fund closely collaborates with development partners to promote sustainable development and governance reforms. The main development partners include the African Development Bank (AfDB), European Union (EU), Portugal, United Nations (UN) agencies, and the World Bank. These partners provide budget support and project financing, with UN agencies focusing solely on project financing. The Fund actively collaborates with development partners to leverage their sectoral expertise and enhance its impact. In particular, TA is an area where synergy with development partners, particularly the World Bank and the AfDB, can be leveraged. There is scope for further strategic partnerships with Civil Society Organizations (CSOs) to enhance the effectiveness of Fund-supported programs.

7. **The Fund's engagement with São Tomé and Príncipe is subject to risks, which should be appropriately mitigated.** The main risks include political risks, the availability of external grants or highly concessional financing (especially in the current environment of shrinking ODA), and political economy challenges from difficult trade-offs between development needs and debt sustainability. To mitigate these risks, it will be important to ensure parsimonious and realistic program conditionality, enhance outreach and communication, as well as tailor and appropriately sequence capacity building.

Annex II. Status of the Main Recommendations from the 2022 Article IV Consultation

Past Article IV recommendations helped guide the design of the IMF-supported program approved in December 2024, including as prior actions. More details are provided in the table below:

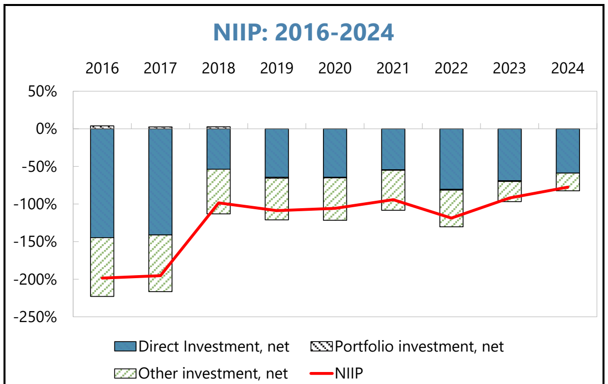
Policy Area	Fund Policy Recommendations	Implementation/Status
Fiscal Sector	Strengthen fiscal revenues and gradually consolidate the domestic primary balance (DPB). Implement the VAT. Continue efforts to mobilize grants and concessional financing.	**Largely achieved.** The authorities introduced the VAT in June 2023 and achieved a significant fiscal consolidation in 2023-24. Domestic revenue mobilization and fiscal consolidation both need to continue. The authorities mobilized additional grants and concessional financing in 2024, and efforts should continue.
	Implement a medium-term fiscal framework and strengthen expenditure controls, including by piloting a commitment ceiling mechanism. Improve public investment efficiency.	**Limited progress.** While three-year fiscal projections were incorporated for the first time in the 2022 budget, further efforts are needed to improve macro-fiscal forecasting. The authorities have published their first fiscal risk report and plan to have a regular annual report. No PIMA has been conducted yet.
Energy Sector	Implement short-term measures to contain EMAE's losses such as installing new meters, improving payment discipline, rolling out the LED lightbulbs program, and fostering a transition to renewable energy sources. Rely on the automatic fuel price adjustment mechanism and maintain retail fuel prices aligned with international markets to prevent implicit fuel subsidies and contain fiscal risks. Strengthen targeted social transfer programs for the most vulnerable, supported by development partners.	**Limited progress**, partly due to delays outside the control of the authorities in procuring new meters. Progress on automatic fuel price adjustments has been limited, with price changes infrequent and discretionary. Various renewable energy projects are underway, with donors' support.
Monetary and Financial Sectors	Amend the BCSTP organic law and the financial institutions law. Implement IFRS. Tighten monetary policy by issuing CDs. Implement recommendations from the Asset Quality Review (AQR) including on asset classification and provisioning. To support effective on-site and off-site supervision, implement a bank rating model, upgrade banking regulation, and train staff on its effective enforcement. Establish a collateral registry.	**Partially achieved.** The draft BCSTP organic law was enacted and published in June 2025. The financial institutions law was submitted to the Council of Ministers before the 2022 elections, but, by law, the process must restart with the appointment of a new government. CDs were occasionally issued during 2022-24, but issuances have become more regular recently. AQR recommendations were implemented in 2022. Regarding the collateral registry, the law and the implementing regulations are now in place, and technical work is ongoing, with help from the WB.

Annex III. External Sector Assessment

Overall Assessment: *The external position of São Tomé and Príncipe in 2024 was weaker than the level implied by fundamentals and desirable policy settings, based on the results of the IMF's EBA-lite current account.*[1] *The current account (CA) deficit improved substantially to 1.9 percent of GDP in 2024 from 12.3 percent of GDP in 2023 due to temporary factors, and the level of international reserves continues to pose significant risks. Over the medium-term, the CA deficit is projected to hover around 3-4 percent of GDP, supported by lower fuel imports and higher revenues from the tourism sector, which (combined with steady growth in nominal GDP) would lead to a stabilization of the net international investment position (NIIP) over the medium term.*

Potential Policy Responses: *The IMF-supported program centers around policies that will rebalance the external position over the medium-term, while maintaining the peg. Short-term measures and planned reforms in the energy sector will reduce the demand for fuel imports. Structural reforms to strengthen competitiveness (especially of the tourism sector), diversify the economy, and improve project management to avoid delays in disbursements of externally funded projects will also help strengthen the external position. The front-loaded fiscal consolidation will increase fiscal space and support the build-up of international reserve buffers over the medium term. Maintaining financial stability will support external rebalancing by strengthening the CA and NIIP. Envisaged financial reforms will reduce financial sector vulnerabilities.*

Foreign Assets and Liabilities: Position and Trajectory



Sources: IMF Staff calculations

Background. São Tomé and Príncipe's net international investment position (NIIP) improved to -78 percent of GDP in 2024, from -92 percent of GDP in 2023. The main driver of the improvement was the decline in gross liabilities to 102 percent of GDP, reflecting lower direct investment and lower debt liabilities. Gross external assets also declined from 27 to 24 percent of GDP, mainly due to lower debt assets. The persistently large negative external position is a significant source of external vulnerability.

Assessment. External vulnerabilities have declined somewhat with the strengthening in the NIIP. The NIIP-to-GDP ratio improved in 2024 compared to 2023, reflecting lower direct investment liabilities and lower debt liabilities. The NIIP remains broadly sustainable, but vulnerabilities remain given its large size (somewhat mitigated by the high share of FDI in gross liabilities). The projected moderate CA deficits combined with steady growth in nominal GDP suggest that the NIIP-to-GDP ratio will stabilize over the medium term.

2023 (% GDP)	NIIP: -92	Gross Assets: 27	Debt Assets: 20	Gross Liab.: 117	Debt Liab.: 52
2024 (% GDP)	NIIP: -78	Gross Assets: 24	Debt Assets 17	Gross Liab.: 102	Debt Liab.: 45

Current Account

Background. The overall CA deficit declined significantly to 1.9 percent of GDP in 2024, from 12.3 percent of GDP in 2023. This improvement was driven by an increase in exports of cocoa and tourism services, as well as a reduction in fuel imports and a sharp increase in official transfers. From a saving-investment perspective, the lower CA deficit in 2024 results from an improvement in both public and especially private saving-investment balances. Higher exports of tourism services and decreasing fuel imports are expected to maintain the current account deficit at low levels and increase gross international reserves over the medium term.

[1] The external sector assessment is based on staff's estimates.

Assessment. The EBA-lite CA model estimates the CA norm at -5.1 percent of GDP and the adjusted CA at -7.5 percent of GDP in 2024, after adjusting for cyclical contributions and additional temporary factors, resulting in a CA gap of -2.5 percent of GDP. Considering the exceptional improvement of the CA deficit in 2024 compared to 2023, an adjustor of 5 percent of GDP was introduced for the CA to account for the temporary increase in official transfers in 2024 and 2025 and the temporary increase in cocoa exports due to the price effect. Other factors that contributed to the smaller CA deficit in 2024, such as oil imports and tourism services, are expected to have a permanent impact on the CA balance over the medium term. Using the EBA-lite REER model implies a CA gap of -12.3 percent of GDP, but the model is not a great fit. Based mainly on the CA model, IMF staff assess the CA gap to be around -2.5 percent of GDP, consistent with an assessment that the external position is weaker than the level warranted by fundamentals and desirable policy settings in 2024. The policy gap is estimated to be +2.1 percent of GDP, with the largest contribution from the cyclically adjusted fiscal balance.

São Tomé and Príncipe: EBA-lite Model Results, 2024

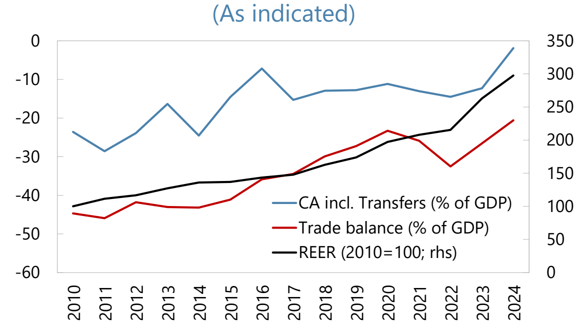
	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-1.9**	
Cyclical contributions (from model) (-)	0.6	
Additional temporary/statistical factors (-) 2/	5.0	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**-7.5**	
CA Norm (from model)	**-5.1**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-5.1**	
CA Gap	**-2.5**	**-12.3**
o/w Relative policy gap	2.1	
Elasticity	-0.2	
REER Gap (in percent)	**11.8**	**58.9**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. In 2024, the CPI-based real effective exchange rate (REER) appreciated by 13.2 percent relative to 2023. Since the introduction of the exchange rate peg to the euro in January 2010, the REER has appreciated by 198 percent, as the gradual disinflation process did not close the inflation differential with trading partners. The peg helped to reduce average inflation to 10.4 percent during 2010-2024, around two-thirds of its rate during the previous decade. However, inflation increased significantly in 2023, with average annual inflation at 21.2 percent, driven mostly by supply-side factors (both global and local). Inflation has remained higher than in the Euro Area, contributing to the REER appreciation. Average Euro Area inflation was 2.3 percent in 2010-24, compared to 10.5 percent in STP.

Current Account Balance and REER
(As indicated)



Sources: IMF staff calculations

Assessment. The REER gap derived from CA gap assessment combined with an estimated elasticity of -0.2 implies that the real exchange rate was overvalued by 11.8 percent. The EBA-lite REER model estimates an overvaluation of 58.9 percent in 2024. Based on results of the EBA-lite CA model and the REER model, the REER gap is estimated to range between 11.8 percent and 58.9 percent in 2024. Given the massive improvement in the current account in 2024, there is substantial uncertainty around these estimates. The REER overevaluation can lead to vulnerabilities such as trade imbalances, loss of export competitiveness, foreign exchange pressure, and inflationary risks. To restore balance and maintain stability, policy measures should prioritize supporting the currency anchor through credible monetary policy, diversifying the economy, coordinating fiscal and monetary policies, and enacting structural reforms to boost productivity and competitiveness.

Capital and Financial Accounts: Flows and Policy Measures

Background. Estimated net capital and financial inflows declined to 6.5 percent of GDP in 2024, compared to inflows of 9.2 percent of GDP in 2023, mainly reflecting reduced net FDI inflows after the completion of another round of oil exploration activities. Net capital and financial inflows are expected to slightly decrease in 2025 to 5.2 percent of GDP. The authorities have recently introduced capital flow management measures such as export repatriation and surrender requirements.

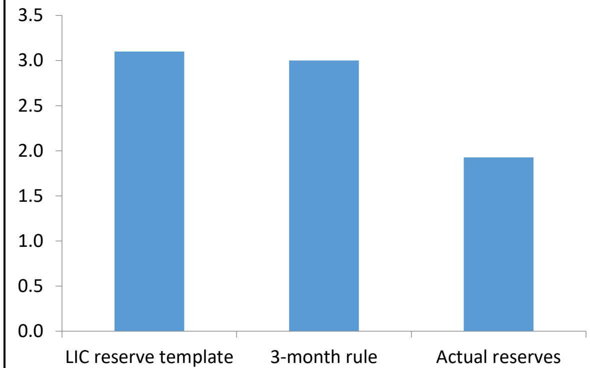
Assessment. With the sizable external debt of the public sector, STP remains exposed to financial market risks. Sustained financial market volatility could increase vulnerability. Implementing reforms would be important to ensure financial stability.

FX Intervention and Reserves Level

Background. Gross international reserves (GIR) declined to US$38.9 million (around 1.5 months of projected imports) in 2024, mainly reflecting the challenges for foreign exchange reserve accumulation due to still high fuel imports and the shift of part of official transfers from 2024 to 2025. Financial support from development partners catalyzed by the proposed ECF would help finance part of the country's external financing needs.

Assessment. STP needs to build stronger international reserve buffers given the persistence and magnitude of shocks it faces as a small and fragile low-income country (LIC) with a pegged exchange rate regime. The country's 2024 level of GIR was inadequate compared to the benchmarks. GIR corresponded to 1.5 months of current imports in 2024, lower than the standard metric of 3 months of imports. The IMF LIC reserve metric, also known as the ARA metric for credit-constrained countries, which balances the benefits and opportunity costs of holding reserves, suggests that the optimal reserves metric for STP is 3.1 months of imports. This result takes into consideration country specificities, such as being a small state, having an exchange rate peg, and having an IMF-supported arrangement. Furthermore, STP has access to extra reserve buffers in the form of exceptional access to deposits at the National Oil Account (NOA) and a contingent credit line from Portugal which can be activated if reserves fall below 3 months of imports (which the authorities have taken advantage of). There are significant risks to international reserves, given pressures coming from high demand for fuel imports. Significant short-term FX liabilities including FX reimbursement commitments to commercial banks and other potential short-term drains could add more stress to the reserve situation. The IMF-supported program centers around policies that will rebalance the external position over the medium-term, while maintaining the peg.

Reserve Adequacy Assessment
(Month of Current Imports)



Sources: IMF staff calculations

Annex IV. Risk Assessment Matrix[1]

Sources of Risks	Likelihood of Risk	Expected Impact of Risk	Policy Responses
External Risks			
Delays in Donor Disbursements	High Frequent delays in donor disbursements related to delays in project implementation and/or donor coordination issues.	High The country heavily depends on external support. Delayed disbursements would undermine growth and the provision of public services, and will exacerbate loss of international reserves.	• Improve coordination on externally financed projects to avoid delays. • Prepare for contingencies by building up fiscal and FX reserve buffers.
Climate Change	Medium Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	High Natural hazards and climate change could cause severe economic damage. They could cause loss of human life and livelihoods, negatively impact agriculture and infrastructure, make transport even more difficult, and accelerate emigration.	• Step up climate adaptation efforts and provide targeted relief to affected households recognizing limited fiscal space and capacity constraints.
Commodity Price Volatility	Medium Supply and demand fluctuations (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increase commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	High Sharp rise in energy prices could feed into domestic inflation and higher energy imports, which could further widen current account deficits, adding pressure on FX reserves. Higher energy prices would have negative spillovers on the non-energy sector, slowing growth. They could also impact fiscal revenues, explicit subsidies, and budget implementation. Conversely, higher cocoa prices could boost exports and growth.	• Remain vigilant about inflationary second-round effects and be prepared to adjust policy swiftly. • Continue implementing the fuel pricing formula to avoid explicit fuel subsidies, and provide targeted social assistance to the most vulnerable. • Accelerate implementation of energy sector reforms to improve the cost efficiency of electricity generation and distribution, and reduce fuel imports. • Diversify the energy mix. • Build fiscal and FX reserve buffers.
Trade Policy and Investment Shocks	High Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	Low Higher trade barriers and disruption in FDI and supply chains could delay the implementation of investment projects.	• Continue economic diversification and enhance supply chain resilience. • Accelerate structural reforms to support investor confidence and overcome growth constraints.
Deepening Geoeconomic Fragmentation	High Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	Low Deeper geoeconomic fragmentation would have a negative impact on tourism, FDI, and export demand, thereby slowing growth and deteriorating the external position.	• Accelerate structural reforms to support investor confidence and overcome growth constraints. • Continue economic diversification and boost export potential.

[1]The Risk Assessment Matrix shows events that could materially alter the baseline path. The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline. ("Low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability of 30 percent or more.) The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

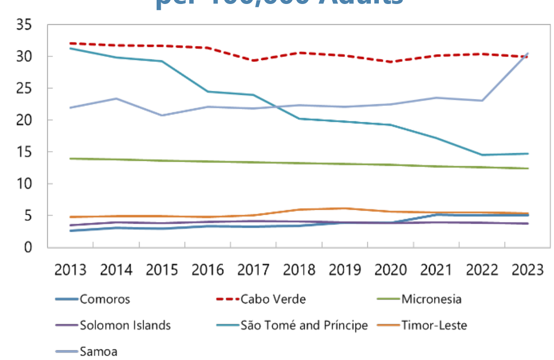
Sources of Risks	Likelihood of Risk	Expected Impact of Risk	Policy Responses
Systemic Financial Instability	Medium High interest rates and risk premia and asset repricing amid economic slowdowns and elevated policy uncertainty (including from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	Low High NPLs could dent credit growth. Banking regulation could overlook financial stability risks. Reduced profitability and capital adequacy could negatively affect financial intermediation.	• Increase provisions and capital to absorb losses. • Maintain prudential standards. • Discuss loan reprofiling for clients with strong business models. • Strengthen financial safety nets.
		Domestic Risks	
Fiscal Policy Slippages	Medium Pressures on fiscal revenues and spending due to delays in reforms.	High Delays in fiscal consolidation and pressures on debt sustainability.	• Continue revenue mobilization reforms and focus on pro-poor priority spending. • Implement PFM, cash management, and budget execution reforms. • Identify fiscal measures to create additional fiscal space. • Ensure transparency of fiscal spending through governance reforms.
Risks in the Public Sector	High Materialization of contingent liabilities from SOEs could further exacerbate fiscal deficit, public debt, and FX reserve positions.	High Systemic SOEs, such as the electricity company, are sources of contingent liabilities that could weigh on the budget.	• Enhance monitoring and governance of SOEs. • Accelerate the restructuring of the utility company EMAE. • Ensure cost-recovery tariffs for public utilities.
Limited Implementation Capacity	High Weak capacity and weak absorption of technical assistance in a context of fragility and an ambitious reform agenda.	Medium Slower pace of reform implementation.	• Continued delivery of well-tailored hands-on CD with in-person missions. • Strengthen absorption of TA through improved coordination mechanisms at ministerial levels. • Continued governance and transparency reforms.
Social Discontent	Medium Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	Medium Dissatisfaction could ignite social tensions and accelerate emigration. Social tensions could cause economic disruptions and political instability.	• Accelerate measures to enhance governance, growth and inclusion. • Proactively reach out to stakeholders to explain policy tradeoffs. • Strengthen measures to protect the vulnerable by ensuring adequate access to health care and social assistance, including cash transfer and food support programs. • Strengthen communication of policy plans and support measures.
Stronger-than-Expected Impact of Fiscal Consolidation	Medium Negative impact from large and frontloaded fiscal consolidation on aggregate demand and growth.	Low Fiscal consolidation could reduce growth more than expected and delay the recovery further.	• Mitigate the negative effect, focusing on pro-poor spending. • Continue economic diversification and boost export potential. • Accelerate structural reforms to overcome growth constraints. • Proactively reach out to stakeholders to explain policy tradeoffs.

Annex V. Recent Trends in Financial Inclusion in São Tomé and Príncipe

1. This note reviews São Tomé and Príncipe's key financial inclusion indicators and benchmarks its performance against peer countries.[1] Financial inclusion plays a crucial role in fostering economic development, particularly in small island economies like São Tomé and Príncipe (STP). The most recent comprehensive national financial inclusion survey, conducted in 2017, revealed that 76 percent of adults were excluded from the formal financial system. The situation was even more acute among women, whose inclusion index stood at 18 percent, and only 15 percent reported owning a bank account. This note focuses on financial inclusion indicators for which data are currently available and shows that inclusion has declined across several dimensions, with São Tomé and Príncipe (STP) continuing to lag behind its peers.[2]

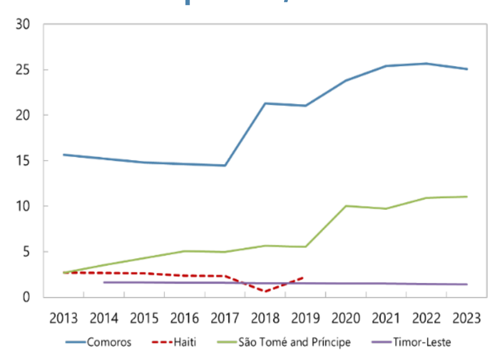
2. Access to banking infrastructure. STP has experienced a shrinking banking infrastructure over the past decade. The number of commercial bank branches per 100,000 adults has declined from 31 in 2013 to around 15 in 2023. This reduction reflects a contraction in traditional banking outreach. At the start of the century, the banking sector grew rapidly in anticipation of intermediating financial flows from the oil sector. As prospects of finding oil in STP's territorial waters diminished, many banks ceased their operations in the country. Comparatively, Cabo Verde has maintained a more stable banking presence, with figures consistently above 30 branches per 100,000 adults.

Number of Commercial Bank Branches per 100,000 Adults



Sources: IMF's FAS

Number of All Microfinance Institution Branches per 100,000 Adults



Sources: IMF's FAS

3. Access to microfinance infrastructure. In contrast, the number of microfinance institutions (MFIs) has significantly increased. The number of MFI branches per 100,000 adults more than tripled, increasing from just 3 in 2013 to 11 in 2023, reflecting efforts to expand credit access to under-

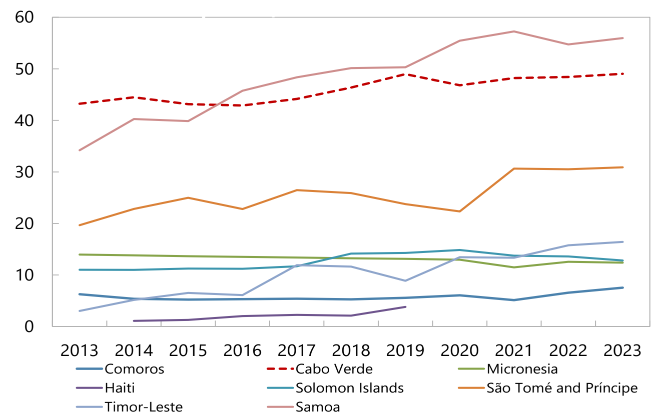
[1] The set of countries selected to compare STP's levels of financial inclusion comprises those Small Island Developing States (SIDSs) that are island states and also low or lower middle-income countries (LLMICs), and for which data are available. The STP data showcased in this section were submitted by the BCSTP to the IMF's Financial Access Survey (FAS).

[2] Data on digital adoption are not available.

served populations. For the same period, Comoros had a similar increase, almost doubling from 14 to 28 branches per 100,000 adults, signaling STP's potential to continue promoting this sector.

4. Physical access points. The availability of ATMs per 100,000 adults in STP has improved significantly, increasing from 20 in 2013 to 31 in 2023. This trend suggests better access to cash withdrawal and banking services. Nevertheless, STP still lags behind Cabo Verde, which has maintained a higher ATM penetration rate (increasing from 43 to 49 per 100,000 adults), highlighting room for further expansion in STP.

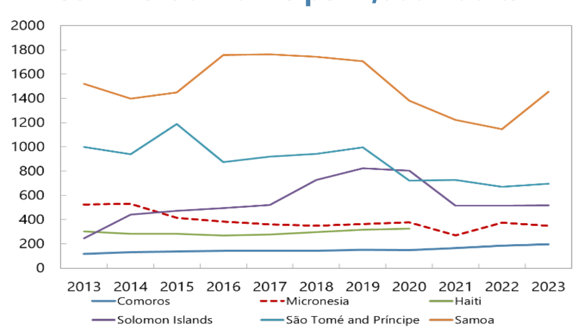
Number of ATMs per 100,000 Adults



Sources: IMF's FAS

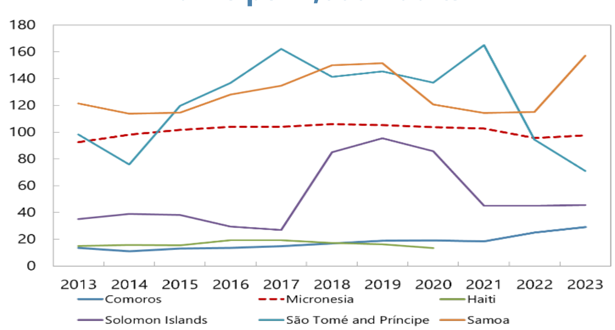
5. Account ownership and credit usage. The number of deposit and loan accounts per 1,000 adults in STP has declined. Specifically, the number of deposit accounts fell from 1,000 in 2013 to around 695 in 2023, indicating reduced banking presence. Similarly, loan accounts peaked at 162 per 1,000 adults in 2017 but declined to approximately 71 in 2023. These trends raise concerns about a weakening savings and credit culture in the country. In contrast, Samoa and Micronesia have maintained relatively stable or increasing deposit and loan account figures respectively, with Samoa surpassing 1,500 deposit accounts per 1,000 adults in 2023, and Micronesia having 98 loan accounts per 1,000 adults in 2023. These divergences highlight the need for targeted policies in STP to reverse declining banking engagement.

Number of Deposit Accounts with Commercial Banks per 1,000 Adults



Sources: IMF's FAS

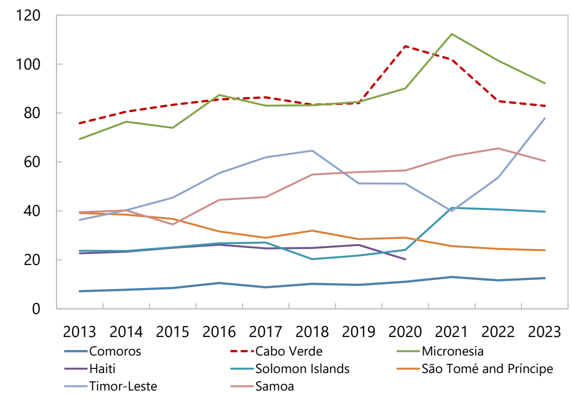
Number of Loan Accounts with Commercial Banks per 1,000 Adults



Sources: IMF's FAS

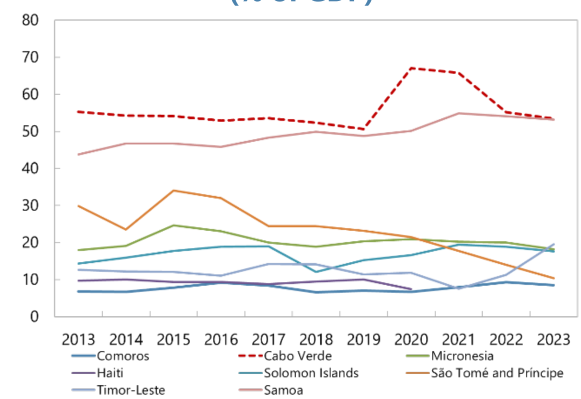
6. **Financial sector depth.** STP has experienced a decline in outstanding deposits with commercial banks, falling from 39 percent of GDP in 2013 to 24 percent in 2023. Similarly, outstanding loans dropped from 30 percent of GDP in 2013 to around 10 percent in 2023. This decline suggests reduced financial intermediation and potential constraints on credit availability for businesses and households. By comparison, Cabo Verde consistently outperforms STP, with deposits exceeding 80 percent of GDP and loans ranging between 50 and 60 percent. The gap between STP and better-performing island economies indicates the need for policies that strengthen confidence in the banking sector and expand credit facilities.

Outstanding Deposits with Commercial Banks (% of GDP)



Sources: IMF's FAS

Outstanding Loans from Commercial Banks (% of GDP)



Sources: IMF's FAS

7. **Against this backdrop, the government has launched its National Financial Inclusion Strategy (2021–25).** Key priorities include expanding digital infrastructure, promoting financial literacy, fostering inclusive product development, and strengthening regulatory oversight.

Annex VI. Data Issues

Table 1. São Tomé and Príncipe: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	D	C	B	C	B	B	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	C	D	B		
Granularity 3/	D		B	C	B		
			B		B		
Consistency			B	C		B	
Frequency and Timeliness	D	B	C	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. There are multiple issues that need to be addressed in the real sector historical series, especially in national accounts; for example, there is currently no compilation of quarterly GDP. Regarding external sector statistics (ESS), further efforts are necessary to ensure that data compilation aligns with BPM7, as well as to address outstanding issues like inaccurate recording of transactions associated with oil exploration activities. Additional TA on government finance statistics would help strengthen the consistency and reliability of fiscal data for policymaking, especially given concerns about the quality and timeliness of data on government financing of fuel imports.

Table 1. São Tomé and Príncipe: Data Adequacy Assessment for Surveillance (concluded)
Changes since the last Article IV consultation. *National Accounts:* The National Statistics Office (INE) disseminates annual GDP series with base year 2008. While GDP data based on the System of National Accounts 2008 (2008 SNA) for 2021–2023 is expected by June 2026, GDP estimates for 2024 using the 1993 SNA methodology have already been released and represent the latest available GDP data. The CPI is currently based on a 2010 household survey, and a new survey planned for 2025 will support both CPI and future GDP rebasing. Quarterly GDP estimates are currently not compiled. *External Sector Statistics:* The main recommendations from the September 2021 TA mission have been implemented. A TA mission in the spring of 2025 focused on improving the timeliness of ESS, enhancing the source data for FDI, recording reserve assets, and ensuring consistency between MFS and ESS.
Corrective actions and capacity development priorities. Staff regularly discusses data issues with the authorities during missions and coordinates with them to identify data-related CD priorities. A better implementation of existing recommendations is necessary. The rebasing of GDP data is supported with ongoing STA CD.
Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. *External Sector Statistics*: Estimates are used for some imports as well as some items in the capital and financial accounts.
Other data gaps. The following areas would benefit from more data sharing: exposure and vulnerability to natural disasters, income and gender inequality, financial access and financial inclusion.

Data Standard Initiatives

São Tomé and Príncipe participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since May 2019.

Table 2. São Tomé and Príncipe: Table of Common Indicators Required for Surveillance

(As of June 4, 2025)

	Date of Last Actual Observation	Date Received	Frequency of Data[6]	Frequency of Reporting	Frequency of Publication
Exchange rates	Jun 2025	Jun 2025	D	D	D
International reserve assets and reserve liabilities of the monetary authorities[1]	May 2025	May 2025	D	W	W
International investment position	Dec 2024	Jun 2025	Q	Q	Q
Reserve/base money	Mar 2025	May 2025	M	M	M
Broad money	Mar 2025	May 2025	M	M	M
Central bank balance sheet	Mar 2025	May 2025	M	M	M
Consolidated balance sheet of the banking system	Mar 2025	May 2025	M	M	M
Interest rates[2]	Mar 2025	May 2025	M	M	M
Consumer Price Index	Apr 2025	May 2025	M	M	M
Revenue, expenditure, balance and composition of financing[3] – general government[4]	Mar 2025	May 2025	M	M	M
Revenue, expenditure, balance and composition of financing[3] – central government	Mar 2025	May 2025	M	M	M
Stocks of central government and central government-guaranteed debt[5]	Dec 2024	May 2025	Q	Q	Q
External current account balance	Q4 2024	May 2025	Q	Q	Q
Exports and imports of goods	Q4 2024	May 2025	Q	Q	Q
GDP/GNP[6]	2024	Apr 2025	A	A	A
Gross external debt	Dec 2024	May 2025	Q	Q	Q

[1] Includes reserve asset pledged or otherwise encumbered as well as net derivative positions.
[2] Central bank's reference rate.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); not available (NA).

Annex VII. Capacity Development

Capacity development (CD) activities continue to be closely aligned with program priorities under the new 40-month ECF arrangement. The program supports the authorities' medium-term policy agenda aimed at addressing São Tomé and Príncipe's institutional and economic fragility. In this context, CD plays a key role in supporting critical reform efforts. The program's design accounts for the country's low implementation capacity and institutional fragility, emphasizing the need for targeted conditionality supported by tailored and sustained CD. The Resident Representative Office will continue to play a central role in guiding policy implementation and facilitating CD efforts.

1. Recent capacity development activities have been well integrated with Fund-supported program priorities. São Tomé and Príncipe is an active user of TA and benefits from training resources. Recent CD activities have focused on: (i) implementing tax policy reforms and strengthening revenue administration; (ii) enhancing Public Financial Management (PFM) systems; (iii) strengthening oversight of SOEs and identification and analysis of fiscal risks stemming from SOEs; (iv) improving banking regulation, supervision, and resolution, including by reforming the financial institutions law; (v) reforming central bank governance and operations; and (vi) strengthening macroeconomic statistics.

2. Capacity development has helped São Tomé and Príncipe progress in several macro-critical areas. Key achievements include: adopting the VAT law and preparing for VAT implementation; implementing the fuel pricing mechanism to eliminate fuel subsidies and managing fiscal risks; enhancing macro-fiscal forecasting; designing an SOE performance report to identify fiscal risks stemming from SOEs; drafting the central bank organic law (recently enacted) and the financial institutions law; adopting risk-based supervision; strengthening macroeconomic statistics; and improving public procurement processes.

3. Technical assistance delivery has faced several challenges. TA implementation has been slow, due to limited absorption capacity. Support has not always been sufficiently tailored to the authorities' needs, which has weakened ownership and strained further limited capacity. Language barriers have further complicated delivery, highlighting the need for more CD to be provided in Portuguese. These challenges underscore the importance of better alignment, clear prioritization, sustained engagement, and hands-on support, ideally through long-term advisors and continuous follow-up. A phased approach to TA delivery would enable the authorities to build up their capacity in order to receive assistance when they can fully benefit from it.

4. Capacity development activities will continue to focus on macro-critical reform areas in support of the ECF reform agenda:

- **Tax Policy and Revenue Administration.** Support in the preparation of a domestic revenue mobilization strategy, as well as continued assistance to consolidate the VAT and modernize revenue collection practices.
- **Public Financial Management.** Help improve PFM, particularly budget preparation and execution, expenditure controls, and SOE oversight. Furthermore, support to improve cash

management and to assess and strengthen current public investment management practices, including through a PIMA and its climate module (C-PIMA).

- **Expenditure Policy.** Assist efforts to rationalize expenditures, accelerate energy sector reforms, and strengthen the social safety net.
- **Debt Management.** Promote debt sustainability by improving debt recording, monitoring, and risk management practices.
- **Central Bank Operations.** Support the strengthening of central bank governance and independence, and improvements in monetary policy operations and reserve management.
- **Statistics.** Improve the quality of statistics, in particular real, external sector, and government finance statistics.

5. **Effective coordination and field presence are essential to support reform implementation.** The Resident Representative Office will continue to play a critical role in the Fund's engagement with São Tomé and Príncipe, including support for operationalizing CD, reinforcing ownership, and coordinating with development partners to maximize synergies and avoid duplication.

Technical Assistance 2022–25:

Table 1. Sao Tome and Principe: TA Delivered 2022-2025

Date	
May-25	STA mission on external sector statistics
Apr-25	AFC mission on customs reforms
Apr-25	AFC mission on national accounts statistics
Feb-25	FAD mission on risk management
Nov-24	AFC mission on improving the predictability of public expenditure
Nov-24	AFC mission on commitment planning support
Nov-24	AFC mission on multi-year budget framework tools
Sep-24	AFC mission to expand GFS coverage
Jul-24	AFC mission on national accounts statistics
Apr-24	STA mission to improve public sector debt statistics
Apr-24	STA mission on external sector statistics
Mar-24	AFC mission on national accounts statistics
Jan-24	MCM mission on developing a medium-term debt management strategy
Dec-23	STA mission on assessment of available data sources
Sep-23	FAD mission on government wage bill management
Sep-23	AFC mission on quality review of Budget 2024 commitment plan (programming controls in SAFE-e)
Sep-23	AFC mission to support the implementation of a risk management action plan
Sep-23	AFC mission on general government data compilation
Aug-23	MCM mission on strengthening the regulatory framework for the issuance of government securities
Aug-23	AFC mission on national accounts statistics
Jul-23	AFC mission on operationalizing the macro-fiscal unit
Apr-23	FAD workshop on tax policy best practices (PIT, CIT, VAT)
Apr-23	AFC mission on national accounts statistics
Apr-23	STA mission to expand the coverage of public sector debt statistics
Mar-23	AFC mission on customs administration
Jan-23	AFC mission on national accounts statistics
Jan-23	MCM mission on strengthening domestic issuance practices
Jan-23	MCM mission on the transition to IFRS
Nov-22	FAD mission on tax audit training in civil construction
Oct-22	FAD mission on third-party data
Oct-22	FAD mission on tax audit training in banking and insurance
Oct-22	FAD mission on tax audit training in key sectors
Sep-22	AFC mission on fiscal forecasting
Aug-22	STA mission on data compilation for social security and local governments
Aug-22	FAD mission on fiscal risks (with a focus on SOEs)

Table 1. Sao Tome and Principe: TA Delivered 2022-2025 (concluded)

Jul-22	FAD mission on invoicing management strategy
Jul-22	FAD mission on the roll-out of the VAT software solution
May-22	MCM mission on strengthening domestic issuance practices
Apr-22	AFC mission on implementing commitment plans
Apr-22	FAD mission on commitment controls, including digitalization
Apr-22	FAD mission on operationalizing the macro-fiscal unit
Apr-22	MCM mission on the transition to IFRS
Mar-22	FAD workshop on fiscal forecasting (with a focus on fiscal risks)
Jan-22	STA mission on public sector debt statistics
Jan-22	FAD study visit to Angola on VAT refunds

Appendix I. Letter of Intent

São Tomé, July 16, 2025

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

Dear Managing Director Georgieva:

The government of the Democratic Republic of São Tomé and Príncipe requests the IMF Executive Board to complete the First Review of the program supported by the Extended Credit Facility (ECF) arrangement and approve the second disbursement based on performance on the end-December 2024 quantitative performance criteria (QPCs) and the completion of prior actions (PAs).

The attached documents provide updates to the Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU). The updated MEFP reports on recent economic developments, reviews progress in implementing São Tomé and Príncipe's program under the Extended Credit Facility (ECF) arrangement and sets out macroeconomic and structural policies that we plan to implement going forward.

Economic conditions remain challenging, as noted in the attached MEFP. Long-standing socio-economic vulnerabilities were further compounded by geopolitical uncertainty, high transportation costs, and the fragile nature of a small low-income island country. As a result, in 2024 growth stood at 1.1 percent, well below pre-pandemic levels. Inflation has gradually decelerated but remained elevated at 10.5 percent in May 2025 (with core inflation at 4.7 percent).

Program implementation has been satisfactory with respect to the quantitative targets. Most of the QPCs and indicative targets (ITs) for the end-December 2024 were met. The PC on net international reserves (NIR) was narrowly missed due to insufficient coordination between the finance ministry and the central bank. The continuous ceiling on the accumulation of new external payment arrears by the central government was breached by a small margin, primarily due to administrative issues. However, all late payments will be made. We have taken measures to address coordination issues and to improve debt and cash management, in order to prevent recurrence. We would like to request that the IMF Executive Board approve waivers for the nonobservance of the PC on NIR and of the continuous PC on the accumulation of central government's new external payment arrears, given the minor and temporary nature of the breaches and the adopted remedial measures. We also request the modification of QPCs and establishment of end-June 2026 PCs as set forth in the attached. The implementation of the structural benchmarks (SBs) for the review was delayed, due to the impact of the government reshuffle in January, the legislative scheduling constraints, and limited capacity. To complete this review, we have implemented four related prior actions. Finally, the government also requests that the IMF Executive Board extend by one year its approval of the measures giving rise to exchange restrictions.

We remain committed to addressing the current macroeconomic imbalances, by staying the course on fiscal consolidation. To this end, we are stepping up efforts to mobilize domestic revenue, particularly by consolidating the value added tax (VAT) introduced in June 2023 and investing in digital technologies to strengthen the efficiency of revenue administrations and improve tax compliance. This will ensure adequate resources for boosting growth and for providing public services, including social protection, health, education, and the maintenance of public infrastructure. We are also determined to rationalize non-priority public expenditure and contain fiscal risks from SOEs, particularly in the energy sector. We believe that these efforts will create the fiscal space for the implementation of growth-enhancing development programs, thus helping to put public debt on a downward trajectory. In addition to fiscal consolidation, we will continue to maintain a tight monetary policy stance to reduce balance of payments pressures. We will also continue to strengthen governance and reduce vulnerabilities to corruption, including in public financial management, central bank governance and operations, and financial sector oversight. Finally, we will accelerate structural reforms to boost export potential and create job-rich, inclusive, and blue growth.

As a sign of our commitment to the program, we have implemented four prior actions before the Board consideration of the First Review. To improve central bank autonomy, governance, and accountability, we have enacted and published the Organic Law for the Banco Central de São Tomé e Príncipe (BCSTP). To align fuel prices with the cost of fuel, we have adjusted the pump prices of diesel, gasoline, and kerosene to align them with the formula in the GAMAP Decree Law. To maintain credibility with the country's creditors, we have cleared all external payment arrears of the central government accumulated since December 1, 2024. Finally, to increase fiscal transparency and accountability, we have submitted to the Court of Auditors the government's annual financial statements for 2023.

The government believes that the policies contained in the attached MEFP are adequate to achieve the objectives of the program, but it is prepared to take further measures that may become appropriate for this purpose. We will consult the IMF in advance on the adoption of these measures and regarding revisions to the policies contained in the MEFP, in accordance with IMF policies on such consultations. We will also consult in advance with IMF staff on the terms of possible external borrowing to ensure that such borrowing does not jeopardize debt sustainability and is in line with the IMF's debt limits policy. We shall provide timely information necessary for monitoring economic developments and the implementation of policies defined in the program as agreed in the TMU, or upon request. Furthermore, we are committed to (i) not introducing or intensifying any exchange restrictions; (ii) not introducing or imposing import restrictions; (iii) not introducing or modifying multiple currency practices; and (iv) not concluding bilateral payment agreements in violation of Article VIII of the Articles of Agreements. All of these will continue to be continuous performance criteria under the ECF arrangement.

In line with its commitment to transparency and accountability, the government authorizes the IMF to publish this letter, its attachments, and the related staff report, including placement of these on the IMF website in accordance with IMF procedures, following the IMF Executive Board's approval of the First Review of the program.

Sincerely yours,

/s/

Mr. Américo d'Oliveira dos Ramos
Prime Minister and Head of the Government of São Tomé and Príncipe

/s/
Mr. Gareth Haddad do Espírito Santo Guadalupe
Minister of State for Economy and Finance

/s/
Ms. Lara Simone Beirão
Acting Governor
Central Bank of São Tomé and Príncipe

Attachments:
1. Memorandum of Economic and Financial Policies (MEFP)
2. Technical Memorandum of Understanding (TMU)

Attachment I. Supplementary Memorandum of Economic and Financial Policies for 2025-28

INTRODUCTION

1. This Memorandum of Economic and Financial Policies (MEFP) updates the MEFP approved by the IMF Executive Board on December 19, 2024. In this MEFP, we review recent developments and performance under the ECF-supported program, assess the economic outlook and risks, and set out our macroeconomic policies for 2025 and beyond. The program aims to lay the foundation for stronger, more inclusive growth, and to catalyze financial support from bilateral and multilateral partners. The ECF arrangement will help to address the pressure on the balance of payments through energy sector reforms and fiscal consolidation, while bolstering social protection and supporting women's empowerment and participation in the formal labor market.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

2. Macroeconomic conditions have remained weak since the pandemic, though a recovery is taking shape. GDP growth slowed to 0.2 percent in 2022 and 0.4 percent in 2023, weighed down by energy shortages, low international reserves, and the floods of 2021–22, before picking up to 1.1 percent in 2024, driven mainly by services, exports, and the energy sector. Inflation has eased to 10.5 percent year-on-year in May 2025, supported by lower domestic fuel prices, declining global food prices, efforts to reduce price speculation associated with VAT implementation, and a tighter monetary stance, despite the electricity tariff increase in January 2025.

3. The decline in Gross International Reserves (GIR) over recent years highlights the pressing financial challenges facing the economy. GIR at face value declined from around US$43 million (equivalent to 1.9 months of next year's imports) at the end of 2023 to around US$39 million (1.5 months of imports) by the end of 2024. This trend reflected mainly lower-than expected official development assistance.

4. Budget execution in 2024 resulted in a better-than-anticipated domestic primary balance. On the one hand, domestic revenue (as defined in the TMU) exceeded the program target by 0.2 percent of GDP. On the other hand, domestic primary spending was contained further than expected, by about 0.4 percent of GDP. This was mainly due to the government's decision to execute the wage bill below the budgeted level and reduce domestically financed capital investment. As a result, the domestic primary balance (DPB, commitment basis, TMU definition) was broadly in equilibrium, compared to the programmed -0.5 percent of GDP.

5. Preliminary data indicate that budget execution through end-March yielded a better-than-expected DPB, driven by strong expenditure controls. Domestic revenue mobilization fell short of the program target by 67 million dobras, largely due to the underperformance of nontax revenue. Additionally, no external grants were mobilized during the first quarter of the year. On the expenditure side, domestic primary spending was under-executed by 209 million dobras. As a result, the DPB recorded a surplus of 122 million dobras, outperforming the program target, which had projected a deficit of 20 million dobras.

6. **The current account deficit declined significantly to 1.9 percent of GDP in 2024, from 12.3 percent of GDP in 2023.** This improvement was driven by an increase in exports of cocoa and tourism services, as well as a sharp reduction in fuel imports, resulting in a smaller CA deficit relative to the approved program. Higher exports of cocoa and tourism services and decreasing fuel imports are expected to maintain the current account deficit at low levels and increase gross international reserves over the medium term.

7. **São Tomé and Príncipe (STP) remains in debt distress, due to unsettled post-HIPC external arrears of around 1.3 percent of GDP at end-2024.** This includes the unresolved regularization of STP's post-HIPC arrears to Angola, Brazil and Equatorial Guinea. Additionally, significant arrears from EMAE to its suppliers reflect the severe liquidity constraints of the public sector. The high level of external debt and debt service obligations also adds to those burdens. However, we believe that STP still possesses the capacity to repay these arrears over time and that debt remains sustainable. STP continues to actively seek rescheduling agreements with its creditors and to explore more concessional loans or grants from other countries or institutions. Furthermore, we successfully concluded a domestic debt restructuring in September 2024, restructuring 96 percent of the central government's domestic public debt, helping to reduce domestic debt service levels and improve the overall liquidity position. The restructuring involved exchanging T-bills for T-bonds with maturities of 3-7 years at interest rates of around 7 percent.

8. **Credit to the economy has increased for the first time since 2019.** By December 2024, it had grown by 6.1 percent y-o-y, a notable recovery from the 24.2 percent decline recorded in December 2023. This upward trend was mostly due to bank financing of private investment in manufacturing and construction projects.

9. **With the government committed to far-reaching reforms, the medium-term outlook is positive.** Growth will be supported by public investment, a stronger tourism sector, increased electricity supply, and rising exports of palm oil and cocoa. GDP is projected to grow by 2.9 percent in 2025 and 4.7 percent in 2026, before stabilizing at 3.5 percent over the medium term. These gains will be underpinned by EMAE reforms and renewable energy projects, which are expected to reduce sectoral imbalances and oil imports while boosting economic activity through more reliable and lower-cost electricity. Inflation is projected to stand at 7.8 percent by end-2025 and to gradually decline further to 5 percent by end-2027, as structural reforms take hold and supply bottlenecks ease.

PROGRAM PERFORMANCE

10. **We met most of the QPCs and ITs for the end-December 2024 test date (Table 1).** We missed the PC on net international reserves. However, the deviation was minor (about $1 million) and was due to insufficient coordination between the finance ministry and the central bank in handling budget support. The deviation was also temporary as the end-March target was

comfortably met. The continuous PC on the accumulation of new external payment arrears by the central government was breached in December 2024, March 2025, and June 2025, due to technical and coordination issues. However, all late payments have been made (**PA3**, Table 2). In addition, we will take measures to improve coordination together with debt and cash management in order to prevent recurrence, including: (i) establishing a join technical committee between the Ministry of Economy and Finance (MEF) and the BCSTP to monitor program implementation (see para. 40 below); (ii) transitioning to a new debt management software with support from the World Bank; and (iii) working to develop a quarterly fiscal cashflow plan, starting with Q4 of 2025. The ceiling on the change in the stock of central government's domestic expenditure arrears (IT) was also breached, due to the liquidity constraints in the public sector and poor cashflow management. At end-March 2025, preliminary data indicate that the IT on central bank credit to the government was also missed due to the budget's severe liquidity constraints against the background of the government's social priorities and the need to service external debt and pay public sector salaries. Going forward, developing a quarterly fiscal cashflow plan should prevent recurrence.

11. We have encountered difficulties in meeting structural benchmarks (SBs) for the first review (Table 3):

- The SB on monthly fuel price adjustments was met in June and was partially implemented in April, but otherwise it was not met, since we decided to take advantage of the misalignment between fuel prices and fuel costs in order to clear the government's fuel price differential debt to ENCO. As a prior action for this review, we have adjusted the pump prices of diesel, gasoline, and kerosene to align them with the formula in the GAMAP Decree Law (**PA2**).
- The SB on the new Public Procurement Law was delayed by the formation of the 19th constitutional government and our legislative process, and we propose to reset it to September 2025.
- The SB on auditing the government's 2023 financial statements has been delayed, as the government delayed its submission to the Court of Auditors. Submission to the Court has been completed as a prior action (**PA4**), while publication of the audits is proposed to be reset to September 2025.
- The SB on reducing excess reserves was only met in February and May 2025. In other months, the BCSTP held regular CD auctions, sometimes more than one auction per month. However, demand for CDs frequently fell short of supply. In addition, the implementation of the liquidity management framework was complicated by the concentrated banking sector, signs of liquidity stress, and the large amounts of FX purchases by the central bank under the country's new export repatriation and surrender requirements.
- The SB on the new central bank organic law was also delayed by our legislative process and the change of government in January. However, we recently enacted and published the law as a prior action to complete the review (**PA1**).
- The SB on the detailed assessment of the FX market was implemented partially. The report was shared with IMF staff on time. The analysis of how banks transact with their retail and corporate clients, exchange bureaus, the BCSTP, and with each other through the day and at what exchange rates was not included, due to delays in accessing and analyzing the data.
- The SB on the new Financial Institutions Law was implemented with a delay on July 9.

- Finally, the publication of 2024Q4 and 2025Q1 key performance indicators for EMAE was delayed by the need to update EMAE's data systems and upgrade its website.

POLICY OBJECTIVES FOR 2025-28

Our policy objectives are centered on: i) addressing macroeconomic imbalances, including by restoring fiscal sustainability, tackling fiscal risks from the energy sector, reducing debt vulnerabilities, and maintaining a tight monetary stance; (ii) strengthening governance and reducing vulnerabilities to corruption, including in public financial management, central bank governance and operations, and financial sector oversight; and (iii) accelerating structural reforms to boost export potential and create job-rich, inclusive, and blue growth.

A. Addressing Macroeconomic Imbalances

Fiscal Policy

12. We remain committed to achieving our fiscal consolidation goals. For 2025, we have enacted a budget that targets a DBP surplus of 1 percent of GDP. Domestic revenues are expected to reach 16.6 percent of GDP, while domestic primary spending will be contained at 14.3 percent of GDP. By 2027, we aim to reach a DBP surplus of 2 percent by significantly strengthening domestic revenue mobilization.

13. We are confident that the 2025 fiscal target remains within reach. While revenue performance through end-March fell short of expectations due in part to the late adoption of the budget and associated tax measures following the government reshuffle, expenditures were contained, resulting in a deficit below the program DPB target. To ensure that the 2025 fiscal target is achieved, we have intensified efforts to mobilize revenues and further contain expenditures, as follows:

- On the revenue side, new taxes have been introduced on packaging materials for imports and on fuel products. We have improved VAT compliance by enhancing enforcement of invoicing obligations, leveraging the increased availability and use of electronic information from the SIT-IVA and e-Factura systems, conducting more stringent controls of VAT exemptions, and undertaking more frequent audits and reviews of taxpayers. We have also stepped up efforts to recover tax arrears from ENCO and other taxpayers. The ASYCUDA system has been upgraded and is being deployed, supporting a more modernized customs process. Additionally, we are adopting a more risk-based approach to managing tax compliance.
- On the expenditure side, we are implementing measures to contain and rationalize spending. A recent ministerial order has instructed public administrations to cap fuel consumption at 2024 levels. We are also curbing current expenditures by limiting business travel to essential missions and restricting the purchase of non-priority goods and services. Furthermore, we are promoting the use of digital platforms, such as SYDOC (the Integrated Document Management System), to gradually eliminate reliance on paper and ink cartridges.

14. To meet our medium-term fiscal consolidation target, we will step up revenue mobilization efforts. Key actions include accelerating the implementation of the ecological tax on imports, modernizing customs through automation, use of AI, advanced inspection technologies, and simplifying tariffs while enhancing risk-based inspections. We will strengthen customs and tax administrations through continuous training and capacity building, and leverage digital financial infrastructure, particularly fast payment systems, to improve the timeliness and reliability of revenue collection. Legal reforms will include revisiting the General Tax Code, updating the Property Tax Law, and tightening the tax infraction regime. Additional measures include enhanced data sharing, stricter enforcement, especially for tour operators, and nationwide tax education campaigns. To anchor these efforts, we will adopt a comprehensive domestic revenue mobilization strategy by end-October 2025 (**SB1** in Table 4), with IMF technical assistance already requested to support its design.

15. We will continue to develop our social assistance programs and strengthen targeting mechanisms. We will carefully analyze and consider the distributional impact of reforms under the program and potential risks to social stability. With World Bank support, we are strengthening and expanding the coverage of the existing cash transfer program for vulnerable households (the Vulnerable Families Program). We have already increased the number of beneficiaries to 5,000 families since June 2024. The government's National School Feeding and Health Program (PNASE) covers 50,000 schoolchildren (close to 25 percent of the country's total population) and aims to provide hot meals to children in proper sanitary conditions. With World Bank support, we also continue to develop our Unique Social Registry, which now includes socio-demographic data on over 8,000 households, representing more than 39,000 individuals.

16. As part of our ongoing efforts to enhance public service delivery while ensuring the sustainability of the public wage bill, we continue to implement the Public Administration Reform Strategy 2023–2030. This comprehensive strategy is being advanced through five core projects:

- *Project 1: Public Sector Census and Payroll Audit.* We have successfully completed a nationwide census of public sector employees and an audit of the payroll system. This process identified a total of 14,913 civil servants, of whom 10,911 are funded through the national budget, with the remainder (4,002) financed by autonomous institutions with legal personality. These efforts form the foundation for improved HR management and fiscal control
- *Project 2: Establishment of ministerial reform units.* These units were established to lead the restructuring of institutions. Their mandate includes reviewing organizational structures, digitization processes, legal frameworks, and service delivery mechanisms, while promoting greater citizen participation. This project is currently underway.
- *Project 3: Establishment of the School of Justice and Public Administration.* In partnership with the Government of Brazil, we have launched the School of Justice and Public Administration, a cornerstone institution for strengthening capacity, professionalism, and performance within the civil service.
- *Project 4: Digitization of Public Services.* We have made significant progress in the digitization of public services through the operationalization of the GUE-NON platform. This platform is

designed to enhance administrative efficiency, streamline public employee management processes, and ensure transparent, accessible information across government institutions.

- *Project 5: Citizen Access and Integrated Service Delivery.* In collaboration with the Government of Portugal, we are improving citizen access to services through the Integrated Public Service (SPI) initiative. This pilot project, already active in the Mé-Zóchi and Lobata districts, consolidates key services to enhance accessibility and user experience.

17. In parallel with these structural reforms, we are modernizing the public compensation framework. One key measure is the consolidation of overtime payments into base salaries for civil servants under the general regime. This change is expected to improve transparency and strengthen budget predictability. We estimate the additional fiscal cost associated with the new salary grid to increase the wage-bill-to-GDP ratio in 2025 from 8.0 percent to 8.3 percent, a level still under the medium-term ceiling agreed under the program (8.4 percent of GDP). We are prepared to fully offset this potential increase with reductions in goods and services and other current expenditures to keep the DPB (TMU definition, commitment basis) at the agreed level of 1 percent of GDP in 2025. Furthermore, we commit to recording the pre-financing of wage payments by commercial banks transparently in the fiscal accounts.

Debt Management

18. Cautious borrowing and fiscal adjustment in our program would help place public debt on a downward path. We will rely on grant financing and borrow only on concessional terms. We will strive to keep external debt disbursements below 2 percent of GDP and limit contracting of new loans to 3 percent of GDP per year. These parameters will be adjusted as debt vulnerability evolves. Under our program, public debt would be on a firm downward trajectory, supported by our commitment to fiscal consolidation and energy sector reforms. To preserve public debt sustainability, our objectives are to: (i) reduce the present value of total PPG debt, after discounting EMAE's and the central government's debt and arrears to ENCO, to below the DSA benchmark associated with the country's weak debt-carrying capacity (35 percent of GDP) by 2025; and (ii) keep or reduce the external PPG debt stock and debt service ratios below the DSA threshold values throughout the projection horizon. That said, we recognize that public debt sustainability remains subject to large risks that are beyond our control. We will continue to engage actively with bilateral creditors to regularize post-HIPC arrears. At least for the duration of the program, we will maintain the status of ENCO's debt to Sonangol as external commercial debt.

19. The government is implementing measures to strengthen debt management. We will develop a medium-term public debt management strategy and start preparing an annual borrowing plan, with support from a debt advisor, by the end of 2027. In addition, with the support from the World Bank, we are developing a debt database that will report detailed debt statistics, as well as improve our capacity to perform debt service projections and risk analyses. Moreover, to improve public debt management and lower refinancing risks, we have introduced domestic marketable government bonds, with IMF TA.

Energy Sector and SOE Fiscal Risks

20. We will resume the application of the fuel price adjustment mechanism with price smoothing to prevent implicit fuel subsidies, contain fiscal risks, and reduce pressure on reserves. In April 2025, the government decreased retail prices for gasoline and diesel by 5 and 6 percent, respectively, to bring them closer in line with international markets. In June, we adjusted the pump prices of diesel, gasoline, and kerosene to align them with the formula in Decree Law No. 07/2018 (**PA2**). Going forward, the government will apply the fuel price adjustment mechanism and publicize the outcome every month (**SB2** in Table 4).

21. The electricity sector is still characterized by high losses, low bill collection rates, electricity tariffs falling short of cost recovery, and overstaffing. Between March 2021 and end-2023, the country experienced daily shortages of electricity, caused by depreciation and lack of maintenance of our diesel-based electricity generators. This situation reversed in early 2024, after a foreign private investor installed five new electricity generators. Electricity tariffs were increased recently for the first time in years, but EMAE continues to have low bill collection rates and high losses, both technical and non-technical. While reform progress has been slow, several initiatives are underway. Fuel designated for EMAE is now colored at the point of loading and cameras have been installed to prevent misuse. Prepaid meters are also being rolled out for consumers.

22. The government is committed to the comprehensive reform strategy for the energy sector, which aims to address the current crisis. The strategy is centered on implementing the Plan for the Decarbonization of the Energy Sector and the Management Improvement Plan, in order for EMAE to achieve full cost recovery. The strategy includes four interlocking objectives: increase electricity generation capacity (with a shift towards more sustainable sources), contain consumption, enhance the efficiency of EMAE's operations by reducing losses and increasing bill collection rates, and improve the design of the electricity tariff structure in the country.

23. Our near-term actions will continue to focus on addressing the crisis in the electricity sector:

- We will raise again electricity tariffs by end-2025.
- To limit non-technical losses, we are enforcing the law according to which stealing electricity is a crime.
- We will continue publishing EMAE's key performance indicators (KPIs) every quarter (**SB7** in Table 4).
- By end-March 2026 we will prepare a time-bound restructuring plan for EMAE with the objective of achieving financial viability (**SB8** in Table 4). The plan will cover financial, operational, and organizational/workforce restructuring, including overhaul of management and governance.
- We will also implement other measures listed in Text Table 1.

Text Table 1. São Tomé and Príncipe: Key Actions and Timeline for EMAE/Energy Sector, 2023-26

Measure	Status or Target Date
1. Establish a high-level crisis committee, chaired by the Prime Minister, to oversee reform progress.	Completed
2. Rescind Decree Law No. 18/2020 which prevents EMAE from cutting service to non-paying institutional clients.	Completed
3. To limit non-technical losses, start enforcing existing law according to which stealing electricity is a crime.	Ongoing
4. EMAE to continue to develop arrears clearance plans with non-public sector customers.	Ongoing
5. Start publishing key performance indicators for EMAE.	Quarterly, starting with Q4 of 2024
6. Implement further fuel control measures, such as installing fuel meters.	December 2025
7. Select a concessionaire for the operation and maintenance of the electricity distribution system.	December 2025
8. Raise electricity tariffs, while preserving or enhancing the progressivity of the tariff structure.	December 2025
9. Prepare a time-bound restructuring plan for EMAE. The plan will cover financial, operational, and organizational/workforce restructuring, including overhaul of management and governance.	March 2026
10. Roll out the gradual installation of electricity meters in stages, as follows: • Lot 1: Supply and installation of energy data collection unit, data processing unit, and interface module for the telemetering unit. • Lot 2: 923 MV/LV meters for generation, substations, switching stations, distribution stations, and large consumers. • Lot 3: 20,000 smart meters for small clients.	June 2026

24. To ensure fiscal transparency and support electricity sector reforms, we believe the government's financial support to secure fuel imports should be reflected in the program's fiscal targets. This support arises from the financial difficulties faced by EMAE in procuring fuel for electricity generation. Under the current arrangement, the government directly imports approximately two-thirds of the country's fuel requirements and advances most of that fuel to EMAE, which in turn gradually repays the government using proceeds from payments of water and electricity bills made by public entities. We will enhance the timeliness of data provision for fuel purchases and continue to record advances and repayments in the TOFE. In addition, we will provide detailed information to IMF staff within a month following the completion of the transactions. We also propose that these transactions should be incorporated into the program targets starting with the Second Review, initially as an IT. We also welcome technical assistance from the IMF regarding whether these transactions should be recorded below the line.

25. We are committed to improving the financial oversight of SOEs. To improve SOE governance, we have established and staffed a dedicated and independent ownership unit within the MEF. This unit reports directly to the minister and is tasked with monitoring fiscal risks and overseeing the performance of SOEs and other state-owned entities, in line with established international best practices. An external audit of SOEs has been completed. The Council of Ministers has approved a new decree-law reforming the legal regime for SOEs and will submit it to the President for enactment. To further strengthen governance, we will adopt an SOE ownership strategy in 2026.

Monetary Policy

26. Fiscal consolidation will continue to be complemented by a tight monetary stance to reduce inflation, accumulate reserves, and rebalance the economy. Since November 2024, we have issued CDs worth STN 1.045 billion, versus only STN 65 million during the preceding 12 months, with interest rates on CDs increasing by 100-150 basis points in the past year. The six-month moving average of core inflation declined to 3.9 percent in May 2025, down from 14.7 percent in December 2023. The BCSTP will maintain banks' estimated excess reserves in local currency below STN 275 million through the issuances of CDs until the 6-month moving average of y-o-y core inflation declines below 3.1 percent (**SB5** in Table 4). The BCSTP will also start offering 12-month CDs, in addition to the current 1-month, 3-month, and 6-month ones, to help remove the structural excess liquidity in the system. In months in which estimated excess reserves are below the STN 275 million threshold, the central bank's Monetary Policy Committee could consider offering small amounts of CDs in order to test the market and extract the underlying price signal.

27. We will improve liquidity monitoring and forecasting through stronger coordination with MEF. To ensure effective monetary policy implementation and to protect BCSTP's financial autonomy, the government and the BCSTP will form a joint working group to develop a BCSTP recapitalization strategy, following the transition to the International Financial Reporting Standards (IFRS). The BCSTP has requested Fund TA in this area. Finally, we are committed to rebuilding our SDR balances as part of our foreign exchange reserves, including by receiving program disbursements in SDRs, which would generate significant interest savings for the country.

B. Strengthening Governance and Reducing Vulnerabilities to Corruption

Public Financial Management

28. We are committed to strengthening public financial management (PFM). To this end, we will:

- Staff the newly revived PFM reform unit in MEF (GARFIP) by end-September 2025 (a director was recently appointed).
- Fully adhere to a clear budget calendar to ensure timely preparation and approval of the annual budget, starting with the 2026 budget preparation.
- Procure a modern and interoperable IFMIS system before the end of 2025. A pilot implementation will begin with the preparation of the 2027 budget, with the goal of achieving full deployment with 2027 budget execution. In the meantime, we will continue to ensure that all central government spending units register all commitments in the SAFE-e.

- Strengthen public investment management. In this regard, we will conduct a PIMA assessment, including the new climate change module, to improve the planning and efficiency of public investment programs, with help from IMF TA by end-June 2026.
- Protect the autonomy and independence of the Court of Auditors. The Court of Auditors will support an independent assessment of the 2023 amendments to the CoA Organic Law by the INTOSAI Development Initiative. The 2022 audit of fiscal accounts (*Conta Geral do Estado*) has been completed. The government has submitted to the Court of Auditors the government's annual financial statements for 2023 (**PA4**), and the Court will publish the 2023 audit by end-September 2025 (**SB4** in Table 4). We will address key recommendations from the audits in a timely manner.
- Revoke the Temporary Law on Investment Incentives by end-2025, in order to reinstate normal public procurement processes.
- Publish power purchase and concession agreements together with the underlying contracts.
- Reorganize the MoF, following a comprehensive diagnostic, including a review of staffing levels.

29. We are stepping up efforts to increase fiscal transparency to reduce vulnerabilities to corruption. We expect the final adoption by the National Assembly of the new Public Procurement Law—which mandates the collection and online publication of beneficial ownership information for companies awarded public procurement contracts—by end-June 2025. This will pave the way for enactment by the President by end-September 2025 **(SB3** in Table 4**)**.

Central Bank Governance and Financial Sector Oversight

30. The BCSTP will step up efforts to implement the recommendations from the update safeguards assessment:

- By end-September 2025, the BCSTP will sign a memorandum of understanding with the government that will specify the parties' roles and responsibilities in servicing obligations associated with the FX swap derivative instrument contracted in May 2023, including costs to be borne by the government. We will also address other legacy government debt and will finalize an MoU between MEF and BCSTP to this end by end-September 2025.
- We have finalized the FY2023 external audit, and the FY2024 audit will be finalized and published soon. We will work on resolving the issues identified in the audits and ensure a resumption of timely audit cycles. In addition, we will implement other safeguards recommendations, such as strengthening the internal audit function by end-December 2025. The BCSTP will implement Fund TA recommendations on the transition to IFRS and will report and publish by April 2026 the FY2025 financial statements under IFRS. In this context, the BCSTP will strengthen the accounting function, provide IFRS technical training, and adopt a medium-term capacity building strategy for the recruitment and professional certification of staff.

31. We will continue to strengthen banking supervision and remain committed to implementing measures to safeguard the soundness of the banking sector. To support effective on-site and off-site supervision, the BCSTP will implement a bank rating model, upgrade banking regulation, and train staff on its effective enforcement. The BCSTP will also continue implementing regular stress-testing exercises. In line with the strengthening of its macroprudential functions, in May 2025, the BCSTP issued a regulation setting the capital conservation buffer for all commercial banks in the country and the systemic risk capital buffer for the systemically important ones. Our new Financial Institutions Law is expected to strengthen the legal framework for bank regulation and supervision, including on matters such as bank authorization, change in ownership, corporate governance of banks, major acquisitions, related party transactions, exposure risks, and respective powers, responsibilities, and functions of the BCSTP. The draft law was submitted to the Council of Ministers in July and will be submitted to Parliament by end-March 2026 (**SB6** in Table 4). While the decree law and the implementing regulations for the Credit Risk Center are already in place, we are continuing our work to operationalize the platform, with help from the WB. Next, we will prepare a blueprint that will inform the operational and administrative functions of the system, and we will develop the software. Moreover, the national authorities will continue their efforts to expedite the judicial liquidation of Energy Bank and Banco Equador, and the extra-judicial liquidation of Banco Privado. The BCSTP will also continue to implement its National Financial Inclusion Strategy, having conducted the second financial inclusion survey in March 2025.

C. Accelerating Structural Reforms to Boost Export Potential and Create Job-Rich, Inclusive, and Blue Growth

32. The government will prepare a National Development Plan to boost private sector-led growth. This comprehensive reform strategy will focus on developing human capital, building infrastructure, reforming the energy sector (as discussed above), expanding transportation links and domestic food production, and improving the business environment. We are working towards strengthening the legal and judicial systems which are fundamental to fostering growth. The government is also working to ensure greater trade integration, through the ratification of the AfCFTA Agreement, to help exporters compete in international markets. We have already updated the tourism sector strategy, with World Bank support.

33. We recognize the criticality of removing the country from the European Union's Air Safety blacklist to facilitate the recovery of the tourism sector and exports. We will develop a strategic plan to remove airlines certified in the country from the EU's Air Safety blacklist by end-March 2026 (**SB9** in Table 4). Specific measures will include enhancing air safety regulations and procedures, providing training to INAC and ENASA staff, and improving airport infrastructure (construction of a cargo terminal, runway expansion, fencing the airport area, and enhancing firefighting facilities). We are also undertaking a program with the international civil aviation organization (ICAO) to support regulatory reforms and training with milestones defined for the next 12 months. In addition, we are updating laws and regulations to bring them in line with EU guidelines and providing training to staff.

34. We will strengthen the country's resilience to climate change and protect our natural resources. Climate change primarily affects our country through rising temperatures and sea levels, coastal erosion, and changing precipitation patterns—all of which damage agriculture, fisheries, and tourism. We are working on the Fourth National Communication Report on Climate Change to comply with the UNFCCC obligations.

35. The government will also promote women's economic empowerment. We are collecting data about gender disparities in access to education, healthcare, and financial services, as well as in labor market outcomes (including labor force participation rates, unemployment rates, wages, access to managerial positions) and we will publish it by end-2025. We will also continue implementing our Financial Inclusion Strategy, focusing on improving women's financial access, fostering financial digitalization, and improving financial literacy.

D. Capacity Development and Data Issues

36. We are continuing to improve economic data, which is currently constrained by insufficient capacity. We will strengthen macroeconomic statistics, particularly leading indicators of economic activity. We are working on improving our balance of payments statistics, including recording imports related to oil exploration FDI, with the help of IMF TA. We are also working on improving our fiscal data and reporting, expanding the coverage of fiscal and debt data to include more SOEs, and producing fiscal financing data consistent with above-the-line data. We will also endeavor to improve data reporting on exposure and vulnerability to natural disasters, income and gender inequality, and financial access and inclusion.

37. Continued hands-on technical assistance is essential to build capacity. In the current context of reforms and needed capacity building, we appreciate the Fund's continued intensive CD efforts, as on-the-job training is especially important and valuable. Our medium-term capacity development strategy includes enhancing domestic revenue mobilization; improving public financial management, public investment management, public wage bill management, and public debt recording; and strengthening the financial sector's legal and regulatory framework.

E. Program Monitoring and Other Issues

38. Our program is fully funded over the medium term. We have obtained financing commitments from our external partners, including firm assurances for the next 12 months and good prospects for the duration of the program. Over the medium term, we will continue to work with our partners to ensure we receive financing that will fully cover the financing gap for the remainder of the program.

39. The program will be monitored through semi-annual reviews of the quantitative performance criteria, indicative targets, and structural benchmarks in the attached Tables 1 and 4. These are defined in the attached Technical Memorandum of Understanding (TMU), which also sets out the reporting requirements under the ECF arrangement. The second semi-annual review will be based on data and performance criteria at end-June 2025 and is expected to take place on or after October 1, 2025. The third semi-annual review will be based on data and performance criteria at end-December 2025 and is expected to take place on or after April 1, 2026.

40. We will strengthen internal monitoring mechanisms to ensure strong program implementation. MEF and BCSTP will establish a join technical committee that will monitor program implementation and will be submitting monthly program reports to the Minister and the Governor.

Table 1. São Tomé and Príncipe: Quantitative Performance Criteria and Indicative Targets for 2024-26
(Millions of Dobra, Cumulative from Beginning of Year, Unless Otherwise Specified)

	2024				2025									2026	
	Dec.				March				June	Sep.		Dec.		March	June
	PC	Adjusted	Outturn	Status	IT	Adjusted	Outtur	Status	PC	IT		PC		IT	PC
									Prog.	Prog.	Prop.	Prog.	Prop.	Prop.	Prop.
Performance Criteria:															
1. Floor on the domestic primary balance (cash basis)	-172		-45	Met	-20		122	Met	64	93	147	147	180	24	139
2. Ceiling on the change in the stock of gross central bank claims on the central government	0		0	Met	0		121	Not met	0	0	0	0	0	0	0
3. Floor on net international reserves of the central bank (face value, US$ millions) [1, 2]	1.2	-7.2	-8.6	Not met	1.3	-1.7	10.6	Met	-4.3	-8.6	-14.5	11.5	20.5	-0.1	-4.5
4. Ceiling on the accumulation of central government's new external payment arrears (US$ millions) [3, 4]	0		0.01	Not met	0		0.1	Not met	0	0	0	0	0	0	0
5. Ceiling on the contracting or guaranteeing of new non-concessional external debt by the central government or the BCSTP (in nominal value, US$ millions) [4, 5]	0		0	Met	0		0	Met	0	0	0	0	0	0	0
6. Ceiling on the disbursement of non-concessional external debt to the central government or the BCSTP (in nominal value, US$ millions) [4, 5]	0		0	Met	0		0	Met	0	0	0	0	0	0	0
7. Not to impose or intensify exchange restrictions.	Continuous			Met	Continuous			Met				Continuous			
8. Not to introduce or modify multiple currency practices.	Continuous			Met	Continuous			Met				Continuous			
9. Not to conclude bilateral payments agreements that are inconsistent with Article VIII.	Continuous			Met	Continuous			Met				Continuous			
10. Not to impose or intensify import restrictions for balance of payments reasons.	Continuous			Met	Continuous			Met				Continuous			
Indicative Targets:															
11. Ceiling on the change in the stock of central government's domestic expenditure arrears	-82		-42.5	Not met	0		-36	Met	0	-23	-11	-47	-22	0	0
12. Floor on pro-poor expenditures	680		1064	Met	192				385	577	618	770	1030	230	459
13. Floor on tax revenue (cash basis)	1,955		2,015	Met	574		585	Met	1,248	1,998	1,999	2,815	2,815	658	1,419
14. Ceiling on the present value of new external borrowing contracted or guaranteed by the central government or the BCSTP with original maturity of more than one year (US$ millions)	23.1		10.6	Met	3.9		0.0	Met	7.9	11.8	13.3	15.7	13.3	11.5	11.5
15. Ceiling on the government's net financing for fuel imports											293		344	29	51
Memorandum Items:															
16. Budget support grants (US$ millions)	33.8		25.6		0.0		0.0		0.0	0.0	0.0	27.3	39.7	0.0	0.0
17. Concessional program loans (US$ millions)	16.7		16.5		3.0		0.0		3.0	3.0	0.0	3.0	0.0	0.0	0.0
18. Budget transfers from the NOA (US$ millions)	3.3		3.3		3.8		N.A.		3.8	3.8	3.9	3.8	3.9	4.2	4.2

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

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

[2] Excluding the National Oil Account (NOA) at the Central Bank and FX reimursement commitments to commercial banks. The floor applies to cumulative flows from the beginning of the year.

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

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

[5] Only applies to debt with a grant element of less than 35 percent.

Table 2. São Tomé and Príncipe: Prior Actions for the First ECF Review

Measure	**Macroeconomic Rationale**	**Status**
1. Enact and publish the Organic Law for the BCSTP.	To improve central bank autonomy, governance, and accountability.	Implemented.
2. Adjust the pump prices of diesel, gasoline, and kerosene to align them with the formula in Decree Law No. 07/2018.	To align fuel prices with the cost of fuel.	Implemented.
3. Clear all external payment arrears of the central government accumulated since December 1, 2024.	To maintain credibility with the country's creditors.	Implemented.
4. Submit to the Court of Auditors the government's annual financial statements (*Conta Geral do Estado*) for 2023.	To increase fiscal transparency and accountability.	Implemented.

Table 3. São Tomé and Príncipe: Structural Benchmarks for the First ECF Review

Measure	Timing	Implementation Status
A. Fiscal Measures and Public Financial Management		
1. Implement monthly reviews (and adjustments, if necessary) of domestic fuel prices, consistent with the automatic fuel price adjustment mechanism in the amended Decree Law No. 07/2018.	Monthly	Not met, met in June, partially implemented in April.
2. President to enact the new Public Procurement law that enables the collection and online publication of beneficial ownership information for companies awarded public procurement contracts.	March 2025	Not met. Proposed to be reset to September 2025.
3. The Court of Auditors to publish online the audits of the government's annual financial statements (*Conta Geral do Estado*) for 2023.	June 2025	Not met. Proposed to be reset to September 2025. A related prior action implemented.
B. Monetary Policy and Financial Stability		
4. The BCSTP to maintain estimated excess reserves in local currency below STN 200 million through the issuance of Certificates of Deposits until the 6-month moving average of y/y core inflation declines below 3.1 percent.	Monthly	Not met, met in February and May 2025, implemented partially in other months.
5. Enact and publish the Organic Law for the BCSTP, in line with IMF advice incorporating safeguards assessment recommendations.	January 2025	Not met, implemented with a delay as a prior action.
6. The BCSTP to prepare and submit to Fund staff a detailed assessment of the FX market in STP, including an analysis of FX flows and exchange rates in formal and informal markets.	June 2025	Not met, implemented partially.
7. Submit to the Council of Ministers the draft Financial Institutions Law, strengthening the legal framework for bank regulation and supervision, as well as prudential requirements for banks, including on matters such as bank authorization, change in ownership, corporate governance of banks, major acquisitions, related party transactions, exposure risks, and respective powers, responsibilities, and functions of the BCSTP, in line with IMF staff advice.	June 2025	Not met, implemented with a delay.
C. Energy Efficiency and Structural Bottlenecks		
8. Publish online key performance indicators for EMAE.	Quarterly, starting with Q4 of 2024	Not met, implemented with a delay.

Table 4. São Tomé and Príncipe: Proposed Structural Benchmarks

Measure	Timing	Macroeconomic Rationale	TA Involved
A. Fiscal Measures and Public Financial Management			
1. Council of Ministers to adopt a domestic revenue mobilization strategy for 2026-30.	October 2025	To support domestic revenue mobilization efforts.	TA needed.
2. Implement monthly reviews (and adjustments, if necessary) of domestic fuel prices, consistent with the automatic fuel price adjustment mechanism in the amended Decree Law No. 07/2018.	Monthly	To prevent a build-up of fuel subsidies going forward.	No TA involved.
3. President to enact the new Public Procurement law that enables the collection and online publication of beneficial ownership information for companies awarded public procurement contracts.	September 2025	To increase the efficiency and transparency of public procurement.	No TA involved.
4. The Court of Auditors to publish online its report and opinion on the government's annual financial statements (*Conta Geral do Estado*) for 2023.	September 2025	To increase fiscal transparency and accountability.	No TA involved.
B. Monetary Policy and Financial Stability			
5. The BCSTP to maintain estimated excess reserves in local currency below STN 275 million through the issuance of Certificates of Deposits until the 6-month moving average of y/y core inflation declines below 3.1 percent.	Monthly	To reduce excess liquidity, maintain a tight monetary policy stance, and support the peg to the euro.	No TA involved.
6. Submit to Parliament the draft Financial Institutions Law.	March 2026	To modernize the legal framework for the banking sector.	IMF TA ongoing.
C. Energy Efficiency and Structural Bottlenecks			
7. Publish online key performance indicators for EMAE.	Quarterly	To strengthen transparency in the electricity sector.	With World Bank support.

Table 4. São Tomé and Príncipe: Proposed Structural Benchmarks (concluded)			
8. Prepare a revised time-bound restructuring plan for EMAE.	March 2026	To achieve financial viability for EMAE.	With World Bank support.
9. Develop a plan to remove airlines certified in the country from the EU's Air Safety blacklist.	March 2026	To facilitate growth in the tourism sector.	With World Bank support.

Attachment II. Technical Memorandum of Understanding

1. **This Technical Memorandum of Understanding (TMU) contains definitions of the quantitative performance criteria, indicative targets, memorandum items, and structural benchmarks in Tables 1 and 4**, which are attached to the Memorandum of Economic and Financial Policies for 2025-28. 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 rates will be the rates at end-2023,** specifically 22.22630 dobras per U.S. dollar, 24.5 dobras per euro, 29.829485 dobras per SDR, and 29.829485 dobras per UA. The source of information is the IMF's International Financial Statistics (IFS) database. For exchange rates not covered by the IFS, mutually agreed sources for exchange rate data will be used.

DEFINITIONS

3. **The terms "external debt" and "domestic debt" shall be defined on a residency basis.**

4. **Central government is defined to comprise all governmental departments, offices, establishments, and other bodies that are agencies or entities of the central authority of São Tomé and Príncipe.** The central government does not include the operations of state-owned enterprises and all other sectors that have administrative and financial autonomy.

5. **Debt is defined as in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 16919-(20/103) of the Executive Board (October 28, 2020).** 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.

6. **Government domestic revenue** (excluding oil revenue) comprises all tax and non-tax revenue of the government (in domestic and foreign currencies), with VAT revenue in net terms (excluding VAT refund and reimbursement payments), and exclude: (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 as well as accrued interest on the National Oil Account (NOA), and (4) any inflows related to the government's financing of fuel imports. Revenue will be measured on a cash basis as reported in the table of government financial operations prepared by the Directorate of Budget, the Directorate of Treasury, and the Directorate of Public Accounting in the Ministry of Economy and Finance (MEF).

7. **Domestic primary expenditure (cash basis)** comprises all government spending assessed on a commitment basis (*compromisso*), adjusted for the net variation in domestic spending arrears (excluding commitments/payments to ENCO related to the fuel price differential), excluding: (1) expenditure financed with external concessional project loans and project grants; (2) the cost

assumed by the budget to pay off small depositors following the liquidation of *Banco Equador*; (3) interest payments; and (4) any expenditures related to the government's financing of fuel imports. Reporting of government domestic expenditure will be based on the table of government financial operations prepared by the Directorate of Budget and the Directorate of Treasury in the MEF. All expenditures financed by budget support grants and budget support loans are treated as part of domestic primary spending, with no exceptions. See Text Table 1.

Text Table 1. São Tomé and Príncipe: Official External Program Support

	2025 *H1*	2025	2026 *H1*	2026	2027 *H1*	2027	Currency
Projected budgetary support grants							
World Bank	0.0	17.0	0.0	7.0	0.0	7.0	million US dollars
European Union	0.0	1.95	0.0	1.95	0.0	1.95	million euros
African Development Bank	0.0	6.0	0.0	4.0	0.0	4.0	million UA
Nigeria Trust Fund	0.0	7.5	0.0	0.0	0.0	0.0	million US dollars
France/AFD	0.0	2.0	0.0	0.0	0.0	0.0	million euros
Other	0.0	3.0	0.0	3.0	0.0	3.0	million US dollars
Projected concessional program loans	0.0	0.0	0.0	0.0	0.0	0.0	million US dollars
IMF ECF program	0.0	6.1	2.1	4.2	2.1	4.2	million SDR

Sources: STP authorities, AFDB, WB, EU and Fund staff estimates.

PERFORMANCE CRITERIA

8. **Floor on the domestic primary balance (DPB, cash basis).** This performance criterion refers to the difference between government domestic revenue (excluding oil revenue, namely inflows to the NOA, and VAT refund and reimbursement payments) and domestic primary expenditure (cash basis). To control spending, the MEF will not approve borrowing by any public entity in the central government other than the Treasury. Accordingly, for the purpose of program monitoring, borrowing by any public entity other than the Treasury recorded in the monetary survey as loans to the central government will be added as additional expenditure in calculating the DPB (excluding all sectors that have administrative and financial autonomy). For reference, the domestic primary balance based on **hypothetical outturns** would be -256 million dobras, broken down as shown in Text Table 2.

9. **Ceiling on the change in the stock of gross central bank claims on the central government.** This performance criterion refers to the stock of all outstanding claims on the central

government held by the BCSTP. The relevant data will be reported monthly by the BCSTP to IMF staff. This ceiling is cumulative from the beginning of each calendar year.

Text Table 2. São Tomé and Príncipe: Domestic Primary Balance
(Millions of Dobra)

I	Total Revenue (=1+2)	2,177
I.A	***of Which: Government Domestic Revenue (=I−2.1)***	**2,085**
1	Tax revenue	1,780
2	Nontax revenue	397
2.1	*of which: oil revenue*	92
II	Total Domestic Expenditure (=4+5+6)	2,344
II.A	***Of which: Domestic Primary Expenditure (=II−4.2)***	***2,231***
4	Current expenditure	2,281
4.1	Personnel costs	1,214
4.2	Interest due	113
4.3	Goods and services	297
4.4	Transfers	431
4.5	Other current expenditure	225
5	Domestic capital expenditure	42
5.1	Financed by the Treasury	42
5.2	Financed by privatization proceeds (sale of state assets)	0
6	HIPC Initiative-related capital expenditure	21
III	**Domestic Primary Balance, commitment basis (= I.A–II.A)**	**-147**
IV	**Change in the stock of domestic expenditure arrears**	**-109**
V	**Domestic Primary Balance, cash basis (= III+IV)**	**-256**

Sources: STP authorities; and Fund staff estimates.

10. Floor on net international reserves (NIR) of the BCSTP. The floor applies to cumulative flows from the beginning of the year. The NIR of the BCSTP are defined as **reserve assets** of the BCSTP minus **reserve liabilities** of the BCSTP. All assets that are not fully convertible nor readily available to nor controlled by the BCSTP (i.e., designated accounts for project financing by the World Bank and other donors, NOA's balances at the BCSTP, and assets that are pledged or otherwise encumbered, including but not limited to the HIPC umbrella SDR account, assets used as collateral or guarantees for third-party liabilities, and assets which are the counterpart to FX reserve requirement liabilities to commercial banks) will be excluded from the definition of **reserve assets**. Securities other than shares (i.e., Portuguese bonds) will be valued at their original nominal issue price. **Reserve liabilities** are defined as all FX-denominated liabilities of the BCSTP to residents and nonresidents. Those include short-term liabilities of the central bank with a remaining maturity of one year or less (including formal short-term FX reimbursement commitments to commercial banks) and all liabilities to the IMF. All values are to be converted to U.S. dollars at the "buy" market exchange rates prevailing at the test date. For illustrative purposes, Text Table 3 presents a **hypothetical calculation** for NIR.

Text Table 3. São Tomé and Príncipe: International Reserves
(Millions of Dobra)

Reserve Assets		**945**
	Cash	25
	Demand deposits	179
	Term deposits (excl. National Oil Account)	0
	Securities other than shares	855
	Valuation adjustments on securities	-42
	Reserve position in the Fund	0
	SDR holdings	3
	minus Banks' reserves denominated in foreign currency	0
	minus Banks' guaranteed deposits denominated in foreign currency	74
Reserve Liabilities		**1224**
	Short-term bilateral liabilities	22
	Liabilities to the IMF	726
	Formal short-term FX reimbursement commitments to commercial banks	476
Net International Reserves (NIR) (=I - II)		**-279**
Net Other Foreign Assets		**-9**
	Other foreign assets	620
	Medium and long-term liabilities (including SDR allocation)	629
Net Foreign Assets (III+IV)		**-288**
Memorandum Items:		
	National Oil Account (NOA)	**366**
	"Buy" market exchange rate (Dobras/US$)	22.04
	NIR in million US$ (at the "buy" market exchange rate)	**-12.6**

Sources: STP authorities and Fund staff calculations.

11. Ceiling on the contracting or guaranteeing of new non-concessional external debt by the central government or the BCSTP. This continuous performance criterion covers the contracting or guaranteeing of new external debt of any maturity (including overdraft positions but excluding short-term import-related and supplier credits) by the central government or the BCSTP. Debt is considered non-concessional if it includes a grant element less than 35 percent. The grant element is the difference between the nominal value of the debt and its net present value, expressed as a percentage of the nominal value. The ceiling applies to the nominal value of all new non-concessional external debt. The net present value of debt is calculated by discounting the stream of debt service payments at the time of contracting. The discount rate used for this purpose is 5 percent. A debt is considered contracted on the signature date of the contract, unless it is specified in the contract that it becomes effective upon ratification by parliament. In this case, debt is considered contracted upon ratification by parliament. This performance criterion does not apply to IMF resources. Debt in the process of being rescheduled or restructured is excluded from this ceiling to the extent that such non-concessional debt is used for debt management operations that improve the overall public debt profile. The government should consult with IMF staff before contracting or guaranteeing any new debt obligations. This ceiling is cumulative from the beginning of each calendar year.

12. Ceiling on the disbursement of non-concessional external debt to the central government or the BCSTP. This continuous performance criterion applies for the same definition of debt as in paragraph 11 above. This ceiling is cumulative from the beginning of each calendar.

13. Ceiling on the accumulation of new external payment arrears by the central government. This is a continuous performance criterion. New external payment arrears by the central government 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 signed by the debtor and creditor before the relevant payment becomes due, or for which the government has sought rescheduling or restructuring as of end-June 2025. This ceiling is cumulative from the beginning of each calendar year.

INDICATIVE TARGETS

14. Ceiling on the change in the stock of central government's domestic expenditure arrears. Domestic expenditure arrears are expenditure commitments to domestic suppliers (of goods, services, labor, etc.) recognized by the government as being past due. This excludes commitments/payments to ENCO related to the fuel price differential.

15. Floor on pro-poor expenditure refers to government outlays within domestic primary expenditure, both current and capital, that have a direct effect on reducing poverty in the following sectors: education, health, social security and assistance, housing and community services, culture and sport, fuel and energy, and agriculture and fisheries. See Text Table 4.

16. Floor on tax revenue (cash basis). Tax revenue includes direct and indirect taxes, as well as the recovery of tax arrears and additional collection efforts, excluding VAT refund and reimbursement payments (at the moment of payment).

17. Ceiling on the present value of new external borrowing contracted or guaranteed by the central government or the BCSTP with original maturity of more than one year. This indicative target applies to the present value of all new external debt contracted or guaranteed by the central government or the BCSTP, including commitments contracted or guaranteed for which no value has been received. Debt is defined as in paragraph 5 above. The present value (PV) of new external debt is calculated by discounting the future stream of payments of debt service (principal and interest) due on this debt on the basis of a discount rate of 5 percent and taking account of all aspects of the debt agreement including the maturity, grace period, payment schedule, upfront commissions, and management fees. The guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or kind). The ceiling excludes: (i) loans stemming from the restructuring or rescheduling of external debt; (ii) central government securities issued in domestic currency, placed in the domestic primary or secondary markets, and held by nonresidents; (iii) debt contracted from the IMF, World Bank and AfDB; (iv) short-term trade credits for imports; and (v) central bank debt issuance and foreign exchange swaps for the purposes of monetary policy or reserves management.

18. Ceiling on the government's net financing for fuel imports. This indicative target refers to government-financed fuel imports minus repayments by EMAE and any other revenues derived from government-financed fuel imports.

Text Table 4. São Tomé and Príncipe: Economic Classification of Pro-Poor Expenditures

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.

USE OF ADJUSTERS

19. The floor on net international reserves (NIR) of the BCSTP will be adjusted upward (downward) by the deviations upward (downward) of budget support grants and program loans from projected levels. Differences between actual and projected budget support grants and program loans in dobra, will be converted to U.S. dollars and aggregated from the beginning of the current calendar year to the test date.

20. The floor on net international reserves (NIR) of the BCSTP will be adjusted upward (downward) by the deviations upward (downward) of budget transfers from the NOA from projected levels. Differences between actual and projected budget transfers from the NOA in dobra, will be converted to U.S. dollars and aggregated from the beginning of the current calendar year to the test date.

STRUCTURAL BENCHMARKS

21. Council of Ministers to adopt a domestic revenue mobilization strategy for 2026-30. This structural benchmark will be met when the action plan is adopted by the Council of Ministers and shared with Fund staff. The action plan should be aligned with Fund recommendations, include specific measures, their revenue impact, and an implementation timeline which is in line with program objectives for domestic revenue mobilization.

22. Implement monthly reviews (and adjustments, if necessary) of domestic fuel prices, consistent with the automatic fuel price adjustment mechanism in the amended Decree Law No. 07/2018. The monthly reviews will eliminate subsidies for gasoline, diesel, and kerosene. The outcome of the review will be communicated to the public via a press release to be issued by the last day of each month. The press release will explain how the review's outcome follows from the automatic fuel price adjustment mechanism in the amended decree law.

23. President to enact the new Public Procurement law. The new law should enable the collection and online publication of beneficial ownership information for companies awarded public procurement contracts, in line with IMF staff advice. The law will be published in the Official Gazette.

24. The Court of Auditors to publish online its report and opinion on the government's annual financial statements (*Conta Geral do Estado*) for 2023. These should be published on the Court of Auditor's webpage, and contain a report on the reliability of the statements.

25. The BCSTP to maintain banks' estimated excess reserves in local currency below STN 275 million through the issuance of Certificates of Deposits until the 6-month moving average of y/y core inflation declines below 3.1 percent. This monthly structural benchmark will be met in month *t* when at least one of the following three conditions is met: (i) the 6-month moving average of y/y core inflation in month *t-1* is below 3.1 percent; (ii) estimated excess reserves in local currency in month *t* are below 275 million; or (iii) actual excess reserves in local currency in month *t* are below 275 million. For example, if month *t* is March, then month *t-1* would be February. For the purposes of this TMU, the best available forecast for excess reserves in local currency in month *t* is given by excess reserves in month *t-1* plus the stock of Certificates of Deposits maturing in month *t*.

26. Council of Ministers to submit to Parliament the draft Financial Institutions Law. The new law should strengthen the legal framework for bank regulation and supervision, as well as prudential requirements for banks, including on matters such as bank authorization, change in ownership, corporate governance of banks, major acquisitions, related party transactions, exposure risks, and respective powers, responsibilities, and functions of the BCSTP, in line with IMF staff advice.

27. Publish key performance indicators for EMAE. The KPIs to be published online include: quantities of diesel consumed by EMAE plants, quantities of diesel consumed by other plants, energy generated by EMAE by source, energy generation by other suppliers by source, number of electricity clients, number of installed electricity meters, quantity of electricity billed (MWh), quantity of electricity paid (MWh). Those will be published within 3 months from the end of each quarter.

28. Prepare a revised time-bound restructuring plan for EMAE. The plan will cover financial, operational, and organizational/workforce restructuring, including overhaul of management and governance. This structural benchmark will be met when the authorities share with IMF staff the draft plan.

29. Develop a plan to remove airlines certified in the country from the EU's Air Safety blacklist. The plan should include measures enhancing air safety regulations and procedures, providing training to INAC and ENASA staff, and improving airport infrastructure (runway expansion, fencing the airport area, enhancing firefighting facilities). This structural benchmark will be met when the authorities share with IMF staff the draft plan.

DATA REPORTING

30. The following information will be provided to IMF staff (through the resident representative's office) for the purpose of monitoring the program:

1) **Fiscal Data.** The Directorate of Treasury and Directorate of Budget at the MEF will provide the following data to IMF staff within two months after the end of each month for the monthly data and within two months after the end of quarter for the quarterly data, except for data on the public investment program (PIP) which will be provided three months after the end of 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 basis (*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;
- detailed monthly data on tax and nontax revenues;
- detailed monthly data on domestically financed capital expenditure on commitment (*compromisso*) and cash basis (*caixa*);
- monthly data on domestic arrears by type and by creditor;
- monthly data on official external program support (non-project);
- quarterly data on the execution of the PIP by source of financing;
- quarterly data on the Treasury-funded capital expenditures by ministry compared to budgeted amounts; and
- quarterly pro-poor expenditure.

2) **Monetary Data.** The BCSTP will provide IMF staff the monetary data within 30 days after the end of each month, unless specified otherwise below:

- daily data on exchange rates by the end of each week;
- daily monetary data of the BCSTP by the end of each week, with the following details:
  - daily liquidity management table, including base money (in dobras) and currency in circulation (*Folha1* of daily monetary data file);
  - daily net international reserve position (*Folha1* of daily monetary data file, or *Base Monetária* of monthly file *Sao Tome and Principe Financial Corporations*);
- weekly data on parallel exchange rates by the end of each week (monthly data available from June 2023 onwards);
- weekly data on foreign exchange inflows to the BCSTP stemming from the implementation of the export repatriation and surrender requirements;
- monthly monetary survey (file *Sao Tome and Principe Financial Corporations*), with the following details:
  - balance sheet data of the BCSTP (in IMF report form 1SR, with requested memorandum items);
  - central bank survey (1SG worksheet);
  - data on reserve position in the Fund, SDR holdings, Fund credit and loans outstanding, allocations of SDR (in worksheet *Fund Accounts* of the monthly file *Sao Tome and Principe Financial Corporations*);
  - consolidated balance sheet data of other depository corporations (in IMF report form 2SR);
  - market value of securities of central bank (worksheets *Valoracoes/Controlo reservas*);
  - consolidated depository corporations survey (in IMF report form 3SG);
  - monetary aggregates (in IMF report form 5SR);
  - BCSTP and market interest rates (in IMF report form 6SR) and monthly central bank reference rate and average bank lending rate (in *6SR NOVO* worksheet);
  - NOA flows data (in *1SR NOVO* worksheet);
  - central bank foreign exchange balance (*ER-01R* worksheet);
- monthly actual foreign exchange cashflow data (detailed inflows and outflows);
- weekly data with program GIR and NIR calculations;
- quarterly NIR Projections table *Projecao RIL* updated for the next 12 months with *entradas programadas* and *despesas*;
- monthly data on stocks of BCSTP's FX reimbursement commitments to commercial banks and the associated repayment schedules;
- detailed data on auctions of Certificates of Deposits, T-bills, and T-bonds on the 3rd day after each auction;

- monthly data on excess reserves and required reserves on the 11th day after the end of each month (file *Reservas_EXC_DEE*);
- quarterly "bridge table" with detailed reserves data;
- quarterly data on financial soundness indicators (new standardized FSI Excel file), together with quarterly data on individual bank assets, with bank name and share of total assets in banking system, within 30 days after the end of each quarter; and
- additional set of financial soundness indicators agreed with BCSTP.

3) **Debt Data.** The Directorate of Treasury at the MEF will provide IMF staff the following information within three months after the end of each quarter:

- monthly data on amortization and interest on external debt: by creditor and classified into paid, scheduled (file *PROJEÇÃO 2024-2035*), in arrears, or subject to debt relief/rescheduled;
- monthly data on the status of all past debt payments due since December 1, 2024, and the schedule of all future debt payments due over the following three months;
- quarterly data on disbursements for foreign-financed projects and program support loans;
- quarterly data on public debt stock; and
- annual data on future borrowing plans (file *Future Borrowing Plan*).

4) **Real sector statistics.** The following data will be provided to IMF staff:

- monthly data on consumer price index, within 20 days after the end of each month;
- annual actual gross domestic product (GDP) and annual actual GDP deflator data (provided by INE), within 3 months after the end of each year; and
- updated medium-term GDP projections by sector and medium-term GDP deflator projections (provided by the Macro Fiscal Unit in file *PIB_Taxa in Quadro Macro Economico_cenário programa*), within six weeks after the end of each semester.

5) **External sector data.** The BCSTP will provide the following data to IMF staff:

- monthly data on imports and exports of goods, within 30 days after the end of each month;
- quarterly data on tourist arrivals and total travel expenditure for BOP, within 45 days after the end of each quarter; and
- quarterly data on balance of payments and international investment position, within 2 months after the end of each quarter.

6) **Fuel data.** GAMAP will provide the following data to IMF staff:

- data on the latest petroleum price structures and submission of new pricing structures (within a week of fuel shipment arrival) (files *Analise da estrutura de preço_and DADOS ENCO*);

- quarterly data on implicit arrears to ENCO due to retail fuel prices eventually not covering import costs, distribution margins, and applicable taxes (file *DADOS ENCO*), within 20 days after the end of each quarter;
- quarterly data from ENCO on flows and stocks of debt and payments to and from the government and EMAE, as well as on EMAE's arrears to ENCO (file *DADOS FMI*), within 20 days after the end of each quarter; and
- Data and documentation on the financing of fuel imports by the government, within a month of the transactions.

7) **Electricity and water data**. EMAE will provide the following data to IMF staff:

- monthly data on volumes and values of electricity and water consumption by type of entities (file *Dados de consumo.Energia.1ºT*), within 30 days after the end of each quarter.

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

July 16, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

Approved By
Costas Christou and Anna Ivanova (IMF), and Manuela Francisco and Hassan Zaman (IDA)

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

São Tomé and Príncipe: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*In debt distress*
Overall risk of debt distress	*In debt distress*
Granularity in the risk rating	*Sustainable*
Application of judgement	*No*

São Tomé and Príncipe (STP) remains in debt distress, due to prolonged unsettled external arrears of around 1.3 percent of GDP at end-2024. Nevertheless, staff assesses that the country has the capacity to repay the external arrears over time. Export recovery and fiscal consolidation will help lower debt risks. At the same time, the country remains highly vulnerable to shocks and changing macroeconomic conditions. Two external debt indicators temporarily breach their respective thresholds under the baseline. The present value (PV) of debt-to-exports ratio marginally breaches its threshold in 2025, and the debt service-to-exports ratio breaches the threshold from 2025 to 2028. The PV of total public and publicly guaranteed (PPG) debt breaches the benchmark (35 percent of GDP) from 2025 to 2027 but after accounting for the concessional terms of utility company EMAE's and central government's debt and arrears to the country's fuel supplier ENCO, it remains within the benchmark through the projection horizon.[1]

[1] The thresholds are determined by the Composite Indicator (CI). São Tomé and Príncipe's CI score based on the April 2025 World Economic Outlook (WEO) and the 2023 World Bank Country Policy Institutional Assessment (CPIA) data is 2.433, corresponding to a *weak* debt-carrying capacity.

Public debt sustainability is preserved, as public debt remains on a downward trajectory, supported by the authorities' commitment to reform EMAE, borrow externally at a measured pace and on concessional terms, and implement fiscal consolidation and energy sector reforms. However, it is subject to large risks, particularly due to the elevated likelihood of contingent liabilities materializing, as already highlighted in the most recent DSA.

PUBLIC DEBT COVERAGE

1. **For the purposes of the DSA for São Tomé and Príncipe (STP), PPG debt includes the central government, the central bank, and EMAE's debts.[2,3]** Public sector debt coverage is comprehensive albeit not yet complete (Text Table 1).[4] EMAE (*Empresa de Agua e Electricidade*, the state-owned utility company) has been accumulating arrears over the years to its fuel supplier ENCO (*Empresa Nacional de Combustíveis e Óleos*), totaling 23.1 percent of GDP at end-2024, which are included in PPG debt for DSA purposes.[5] Contingent liabilities associated with the other three state-owned enterprises (SOEs)—ENAPORT, ENASA, and *Correios*—are estimated at 2 percent as of end-2023, based on the findings of a recent TA mission. The DSA applies the residency-based definition of external debt. Using the currency criterion would yield significantly different results, as EMAE's debt and arrears to ENCO, though denominated in USD, are classified as domestic debt.

Text Table 1. São Tomé and Príncipe: Public Debt Coverage Under the Baseline Scenario[1,2]

	Subsectors of the Public Sector	Subsectors Covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

Sources: IMF and World Bank staff.

[1] Includes EMAE.

[2] The recent IMF STA technical assistance mission confirmed that the social security fund and extra budgetary funds are not covered in the debt stock reporting. The authorities are working to improve the coverage.

2. **Contingent liabilities are captured in the contingent liabilities stress test (Text Table 2)**. Contingent liabilities from financial markets are set at their default value of 5 percent of GDP. In addition, the contingent liabilities stress test includes disputed debt of US$30 million (3.6 percent of GDP at end-2024) owed to Nigeria. The authorities maintain that its repayment was conditional on

[2] The DSA includes the concessional terms of the restructuring of EMAE's debt to the country's fuel supplier ENCO. EMAE and ENCO restructured debt worth US$104.4 million in 2019, with fixed annual payments, no interest, and a grant element of over 80 percent. ENCO is a private company owned by Sonangol, an Angolan state-owned oil company, which holds 77.6 percent of its capital, and by the STP government, which holds about 16 percent of its capital. ENCO, although majority-owned by an Angolan SOE, is registered domestically.

[3] Consistent with the previous DSA, pre-HIPC initiative arrears to Italy (US$24.3 million) are excluded.

[4] State and local governments cannot borrow.

[5] These arrears have created serious liquidity constraints for ENCO, which in turn has been accumulating significant arrears to Sonangol, until recently the main provider of fuel imports for ENCO. Sonangol stopped supplying fuel on credit in early 2023. ENCO's debt and arrears to Sonangol are private external debt, treated as a contingent liability in the DSA (see Text Table 2). See "Assessing Fiscal Risks and its Implications for the Energy Sector and Climate Considerations" (a 2022 Selected Issues Paper) for a more detailed analysis.

oil revenues, which have no near-term prospect of materializing. Estimated fines of US$12.4 million (1.5 percent of GDP) imposed by the Permanent Court of Arbitration after its ruling on STP's seizure of a Maltese ship in 2013 are also included in the shock. The PV of EMAE's estimated annual availability payments under phase one of the power purchase agreement with a Turkish company (13.6 percent of GDP) has been incorporated into the stock of contingent liabilities. Planned solar projects supported by IFC and IDA are also likely to involve annual availability payments, and the estimated PV of those payments was included in the contingent liabilities as well. Pre-HIPC arrears are excluded. Finally, the two versions of the contingent liabilities shock also include different assumptions on a potential government takeover of ENCO's external debt and arrears to Sonangol, which were estimated at US$256.7 million (31.0 percent of GDP) in 2024.

Text Table 2. São Tomé and Príncipe: Coverage of the Contingent Liabilities' Stress Test

1	**The country's coverage of public debt**	Central government, central bank, and government-guaranteed debt.			
		Default		**Used for the Analysis**	**Reasons for Deviations from the Default Settings**
2	**Other elements of the general government not captured in 1.**	0	percent of GDP	54 for the external and public DSA; 28 for a customized shock for public DSA	To be prudent, the combined contingent liabilities shock for the public and external DSA includes the loan under dispute from Nigeria (3.6 percent of 2024 GDP), the Permanent Court of Arbitration fine (1.5 percent of GDP), ENCO's complete debt and arrears to Sonangol (31.0 percent of GDP),[2/] the estimated PV of EMAE's annual availability payments to Tesla STP (13.6 percent of 2024 GDP) and for the solar projects supported by IFC and IDA (4.5 percent of 2024 GDP). The customized contingent liabilities shock for the public DSA differs in assuming that the government will take over only its share (16 percent) of ENCO's debt and arrears (5.0 percent of GDP).[3/]
3	**SOE's debt (guaranteed and not guaranteed by the government)** [1/]	2	percent of GDP	2	
4	**PPP**	35	percent of PPP stock	0	The PPP project is pre-HIPC and is excluded from the DSA analysis.
5	**Financial market (the default value of 5 percent of GDP is the minimum value)**	5	percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)	61 percent of GDP for the external DSA and public DSA; alternative shock of 35 percent of GDP for the public DSA.			

[1/] The default shock of 2 percent of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1).
[2/] By including the full size of ENCO's debt and arrears to its parent company Sonangol, the extreme shock of a public takeover of ENCO's total debt to Sonangol is captured.
[3/] The customized contingent liabilities shock illustrates the estimated potential burden on the government finances from taking over 16 percent of ENCO's debt to Sonangol. This scenario is shown as pink dotted lines in Figure 2.
Sources: IMF and World Bank staff.

BACKGROUND

A. Debt

3. **Total PPG debt was 64.8 percent of GDP in 2024, including external debt of 34.4 percent of GDP (Text Table 3).** Total PPG debt is projected to decline to around 54 percent of GDP in 2025, with a decrease in external debt to 30.5 percent of GDP (Table 2). The external debt level in 2024 reflects the consolidated historical debt amount with Angola (US$67.9 million) based on the technical agreement between the two countries which is pending finalization. PPG debt includes the debt and arrears of the state-owned utility company EMAE to its fuel supplier ENCO, which rose from US$43 million in 2015 to US$191 million in 2024 (23.1 percent of GDP or 36 percent of total PPG debt). The key drivers behind the rise in EMAE's debt to ENCO are EMAE's large losses (technical and non-technical), low bill collection rates, and electricity tariffs that remain below cost recovery levels despite the recent adjustment. Staff assesses that STP has the capacity to repay these arrears over time, if the authorities reform EMAE and continue to borrow externally on concessional terms.

Text Table 3. São Tomé and Príncipe: Decomposition of Public Debt and Debt Service by Creditor, 2023-25[1,2,3]

	Debt Stock (end of period)						Debt Service					
	2023			2024			2023	2024	2025	2023	2024	2025
	(In US$ mil)	(Percent total debt)	(Percent GDP)	(In US$ mil)	(Percent total debt)	(Percent GDP)	(In US$ mil)			(Percent GDP)		
Total	**509.5**	**100.0**	**73.2**	**536.8**	**100.0**	**64.8**	**7.5**	**17.7**	**25.1**	**1.1**	**2.1**	**2.7**
External	**244.5**	**48.0**	**35.1**	**284.6**	**53.0**	**34.4**	**5.4**	**13.8**	**16.7**	**0.8**	**1.7**	**1.8**
Multilateral creditors[2]	**97.2**	**19.1**	**14.0**	**102.6**	**19.1**	**12.4**	4.4	5.4	6.7	0.6	0.6	0.7
IMF	32.6	6.4	4.7	36.4	6.8	4.4	1.9	2.6	3.9	0.3	0.3	0.4
World Bank	11.0	2.2	1.6	10.8	2.0	1.3	0.3	0.4	0.5	0.0	0.0	0.0
AFDB	18.7	3.7	2.7	17.3	3.2	2.1	1.1	1.2	1.2	0.2	0.1	0.1
Other Multilaterals	34.9	6.9	5.0	37.8	7.0	4.6	1.0	1.2	1.2	0.1	0.1	0.1
o/w: BADEA	14.6	2.9	2.1	15.6	2.9	1.9	0.2	0.2	0.2	0.0	0.0	0.0
o/w: IFAD	4.6	0.9	0.7	4.2	0.8	0.5	0.4	0.4	0.4	0.1	0.1	0.0
o/w: OPEC	2.4	0.5	0.4	2.4	0.5	0.3	0.4	0.4	0.4	0.1	0.0	0.0
o/w: EIB	13.3	2.6	1.9	15.6	2.9	1.9	0.0	0.2	0.2	0.0	0.0	0.0
Bilateral Creditors	**147.3**	**28.9**	**21.2**	**182.0**	**33.9**	**22.0**	1.0	7.4	6.5	0.1	0.9	0.7
Paris Club	5.1	1.0	0.7	5.1	0.9	0.6	0.1	0.1	0.0	0.0	0.0	0.0
o/w: Belgium	0.8	0.2	0.1	0.8	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
o/w: Brazil	4.3	0.8	0.6	4.3	0.8	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	120.4	23.6	17.3	155.1	28.9	18.7	1.0	7.3	6.4	0.1	0.9	0.7
o/w: Angola	52.7	10.3	7.6	52.7	9.8	6.4	0.0	2.0	3.4	0.0	0.2	0.4
o/w: Portugal	54.3	10.7	7.8	70.1	13.0	8.5	0.0	3.1	3.1	0.0	0.4	0.3
o/w: Other	13.4	2.6	1.9	32.3	6.0	3.9						
Commercial creditors	21.8	4.3	3.1	21.8	4.1	2.6	0.0	1.0	3.5	0.0	0.1	0.4
o/w: China	10.0	2.0	1.4	10.0	1.9	1.2	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Afreximbank	11.8	2.3	1.7	11.8	2.2	1.4	0.0	1.0	3.5	0.0	0.1	0.4
Domestic	**265.1**	**52.0**	**38.1**	**252.2**	**47.0**	**30.5**	**2.1**	**3.9**	**8.4**	**0.3**	**0.5**	**0.9**
T-Bills	38.6	7.6	5.5	0.0	0.0	0.0						
Bonds	2.0	0.4	0.3	42.6	7.9	5.1						
Other debt and arrears	226.5	44.5	32.6	209.7	39.1	25.3						
o/w: EMAE to ENCO	196.7	38.6	28.3	191.1	35.6	23.1						
o/w: others	29.8	5.8	4.3	18.6	3.5	2.2						
Memo Items:												
Collateralized debt[4]	0.0		0.0	0.0		0.0						
o/w: Related	0.0		0.0	0.0		0.0						
o/w: Unrelated	0.0		0.0	0.0		0.0						
Contingent liabilities	106.5		15.3	106.5		12.9						
o/w: Public guarantees	0.0		0.0	0.0		0.0						
o/w: Other explicit contingent liabilities	0.0		0.0	0.0		0.0						
Nominal GDP	695.8			828.4			695.8	828.4	928.8			

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.
2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)
3/ The debt with Nigeria is disputed so it is not included in the DSA.
4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4. STP continues to engage actively with bilateral creditors to regularize post-HIPC arrears, with the amounts remaining unchanged. In total, such arrears stood at 1.3 percent of 2024 GDP (US$10.8 million), including to Angola (US$4.8 million), Brazil (US$4.3 million), and Equatorial Guinea (US$1.7 million). An agreement with the Brazilian government has been reached and is pending ratification by the Brazilian Senate. The government has also actively sought debt rescheduling agreements with Equatorial Guinea through correspondence and high-level meetings and has made some progress with technical steps completed. Further negotiations are expected to resume soon. The negotiations with Angola are also ongoing, with most of the technical details regarding consolidation of historical debt and arrears agreed, pending final agreement between the two governments. These post-HIPC arrears are reflected in the debt stock. The government has continued its efforts to clear the stock of arrears to private suppliers as of end-2024, which is included in the debt stock and declined to US$36.6 million in 2024 (4.4 percent of GDP). Text Table 4 provides details on the situation with arrears.

Text Table 4. São Tomé and Príncipe: Arrears and Disputed Debt
(As of End-2024)

Type	Description	DSA Treatment
Pre-HIPC legacy arrears (7.3 percent of GDP)	STP has pre-HIPC legacy arrears to Italy (US$24.3 million). The consolidated debt and arrears to Angola are included based on technical agreement which is pending finalization. STP is making its best effort to reach an agreement consistent with the representative Paris Club agreement. In 2017, STP was able to secure debt relief for pre-HIPC legacy arrears to China of US$18.4 million.	Not included in the DSA on the assumption of expected forgiveness.
Post-HIPC bilateral arrears (1.3 percent of GDP)	STP has post-HIPC arrears to Angola (US$4.8 million), Brazil (US$4.3 million), and Equatorial Guinea (US$1.7 million). The negotiations with Equatorial Guinea and Angola are progressing well, with technical steps completed, pending the final signed agreements. An agreement with the Brazilian government was reached and is pending ratification by the Brazilian Senate. These arrears are the result of weak debt management, and staff assesses that STP has the capacity to repay them over time.	Included in the baseline scenario at end-2021.
Arrears to private suppliers (4.4 percent of GDP)[1/]	STP has arrears to private suppliers including the telecom company CST (US$5.2 million), fuel price differentials (US$0.8 million), and other private suppliers (mostly construction companies). In total, arrears to suppliers' amount to US$36.6 million (including US$8.7 million to external private suppliers). The authorities are making good faith efforts to reach a collaborative agreement with private suppliers.	Included in the baseline scenario.
Disputed debt (3.6 percent of GDP)	A loan from Nigeria in the amount of US$30 million was excluded from the debt stock, as there is no signed contract with repayment conditions between the two countries. Nonetheless, the authorities acknowledged receipt of the funds which were spent, as evidenced by budget documents. This loan was extended as an advance on oil revenues in the context of the joint development zone between these two countries, but this project has stalled. According to STP's authorities, this loan is under dispute since it should only be repaid in case oil revenues materialize.	Included in the contingent liability stress tests for both the public DSA and external DSA.

[1/] This reflects the latest actual data compilations by the authorities for 2024, updating previous staff projections. Based on the latest compilations from the authorities, the stock of domestic arrears was US$48.0 million in 2022, US$37.5 million in 2023, and US$36.6 million in 2024.

5. The external borrowing plan is summarized in Text Table 5 below and assumes concessional loans to cover financing needs. Total disbursements of external borrowing are estimated at US$20.5 million in 2025 and US$17.7 million in 2026, including US$8.1 million each in 2025 and 2026 in concessional loans from EIB, US$0.9 million in 2025 and US$0.6 million 2026 in concessional loans from AfDB, and the new ECF arrangement (US$8.1 million in 2025 and US$5.6

million in 2026). The new borrowing is expected to close the external financing gap and finance development projects. Remaining financing needs are expected to be covered by domestic debt financing, mainly T-bills, with a projected interest rate of 4 percent.

Text Table 5. São Tomé and Príncipe: Summary Table on Borrowing Program for Central Government

	Volume of new debt in 2025		Present value of new debt in 2025	
	USD million 1/	**Percent**	**USD million 1/**	**Percent**
Total Debt	**56.1**	**100.0**	**36.5**	**100.0**
External Debt	**20.5**	**36.5**	**13.3**	**36.5**
Concessional debt, of which	**20.5**	**36.5**	**13.3**	**36.5**
Multilateral debt	17.1	30.4	11.1	30.4
Bilateral debt	3.4	6.1	2.2	6.1
Other	0.0	0.0	0.0	0.0
Non-concessional debt, of which 2/	**0.0**	**0.0**	**0.0**	**0.0**
Commercial terms	0.0	0.0	0.0	0.0
Domestic Debt	**35.7**	**63.5**	**23.2**	**63.5**
T-bill	29.7	52.8	19.3	52.8
Bonds	6.0	10.7	3.9	10.7
Uses of external debt financing				
Infrastructure	9.2	45.0	6.0	45.0
Budget Financing	11.3	55.0	7.3	55.0
Memorandum items				
Indicative projections				
Year 2026	17.7		11.5	
Year 2027	19.7		12.8	

1/ Projection of disbursements for debts that have been effectively contracted. The current value of the debt is estimated with a grant element of 35 percent and applying a discount rate of 5 percent.
2/ This also reflects the fact that STP is subject to a zero non-concessional borrowing ceiling under the Sustainable Development Finance Policy of the World Bank.

B. Macroeconomic Forecast

6. The macroeconomic assumptions have been updated (Text Table 6):

- **Growth and inflation over the medium term** (**Text Table 6):** After expanding on average by only 0.8 percent over 2021-23, weighed down by FX shortages and other shocks, real GDP is gradually recovering, growing at 1.1 percent in 2024. This rebound is expected to continue over the medium term, with real GDP growth projected to accelerate to 2.9 percent and 4.7 percent in 2025 and 2026, respectively, before converging to 3.5 percent over the medium term. The recovery will be supported by increased infrastructure investment, a strong rebound in the tourism sector, and a boost in the exports of palm oil and cocoa, particularly as access to fertilizers normalizes. Inflation, as measured by the GDP deflator, is anticipated to continue its downward trend, declining to 9.5 percent in 2025 from 17.7 in 2024, despite the increase in electricity tariffs in January 2025. Over the medium term, inflation is expected to decline thanks to continued tight fiscal and monetary policies, as well as a stabilization of global prices, and the projected average is 3.3 percent over the long term.

- **External sector over the medium term:** Exports are expected to accelerate over the medium term, as a tourism strategy is implemented with World Bank support, and the sector is boosted gradually by improvements in infrastructure, a new international payment system (currently expected to be completed in about three years), and a new tourism school. Cocoa and palm oil exports are also expected to contribute to export growth given the high quality of STP-made cocoa, together with the recovery in direct exports to Europe. Annual exports growth is projected at 7.0 percent in the long term. The projected current account deficit over the long term is lower than in the last DSA, at 2.8 percent of GDP compared to 4.2 percent before. FDI inflows are expected to be higher over the long run (6.1 percent in the long term compared to 5.1 percent before), reflecting more positive projections for oil-related FDI. Since most FDI is concentrated in oil exploration, the FDI trajectory is not expected to have a significant impact on other sectors.

Text Table 6. São Tomé and Príncipe: Macroeconomic Assumptions

	Historical		Forecast	
	Dec 2024 DSA 1/	This DSA	Dec 2024 DSA 1/	This DSA
	2020-23	2021-24	2024-44	2025-45
Real GDP growth (percent)	1.3	0.9	3.4	3.5
Inflation (percent average)	13.0	15.6	3.8	3.3
Domestic primary balance (percent of GDP) 2/	-1.8	-3.6	0.7	0.2
Grants (percent of GDP)	9.9	10.1	4.3	3.0
FDI (percent of GDP)	12.5	12.4	5.1	6.1
USD export growth (percent)	10.6	28.7	7.5	7.0
USD import growth (percent)	9.4	12.7	5.0	4.6
Current account balance, including grants (percent of GDP)	-12.7	-10.4	-4.2	-2.8
Current account balance, excluding grants (percent of GDP)	-22.7	-20.6	-8.5	-5.9

[1] IMF Country Report No. 25/1

[2] The domestic primary balance has an expanded coverage compared to the staff report, as it includes the fiscal balance of EMAE.

- **Fiscal sector over the medium term:** The domestic primary balance with expanded coverage to include EMAE) is expected to average 0.2 percent of GDP over the medium term, a deterioration compared to the average surplus of 0.7 percent in the last DSA, to accommodate the country's development needs without endangering the objective of lowering public debt over the long term. The projected improvement in EMAE's finances drives the large fiscal adjustment over the next few years. Further, medium-term fiscal consolidation will be supported by the recently introduced VAT, a broadening tax base, and improvements in revenue administration. The fiscal consolidation is deemed feasible given progress made in mobilizing revenues so far and the authorities' firm control over expenditures. Energy sector reforms (see Box 1), including the application of the fuel price adjustment mechanism to prevent explicit fuel subsidies, will also help contain fiscal risks. It is assumed that fiscal deficits will be financed domestically or with concessional external loans.

Box 1. São Tomé and Príncipe: EMAE Reforms and Implications for Fiscal Risks

The state-owned electricity utility EMAE remains a significant fiscal risk due to high technical and commercial losses, weak bill collections, and heavy reliance on imported fuel. To address these challenges, the authorities have launched a comprehensive reform program, supported by development partners. These reforms underpin the DSA baseline assumption that EMAE's fiscal footprint will decline over time as its operational and financial performance improves.

Several key measures are already underway:

- A high-level crisis committee, chaired by the Prime Minister, is overseeing reform progress.
- Decree Law No. 18/2020, which barred service cuts to institutional non-payers, has been rescinded.
- Legal enforcement against electricity theft has begun.
- EMAE is developing arrears clearance plans for non-public clients.
- Efforts to improve efficiency and reduce losses are progressing.
- Fuel control measures already in place include diesel coloring and surveillance, while fuel meters are expected to be installed by end-2025.
- A concessionaire will be selected to operate the distribution network.
- Following the tariff increase in early 2025, another one is planned for end-2025.
- A smart metering rollout is advancing, with 20,000 meters under an EIB-supported project (following network rehabilitation) and 10,000 meters under a WB-supported project, with installation expected to begin within three months.
- A nationwide LED distribution campaign—now completed—has helped reduce peak electricity demand by 4 MW.

The energy mix is also shifting toward renewables to reduce STP's reliance on fuel imports: a 1.2 MW AfDB-supported solar plant is already online, and five additional projects—including an 11 MW IFC-supported solar plant expected by mid-2026—are in the pipeline.

7. The realism tool outputs compare the projections to cross-country experiences and to STP's own history (Figures 3 and 4). Drivers of debt dynamics suggest some changes in the decomposition of debt-creating flows, compared to recent history. The decomposition of debt-creating flows indicates that the projected contribution of the current account deficit to external debt accumulation will switch signs, as a result of projected improvements in current account balances over the medium term, primarily driven by energy sector reforms that reduce demand for fuel imports. For total public debt, lower primary deficits than in the past will be key drivers of public debt dynamics. The targeted fiscal adjustment is ambitious in comparison to other countries.[6] The targeted fiscal adjustment has a relatively small impact on growth projections because the main drivers of growth in STP are the availability of FX, confidence, and foreign-financed infrastructure spending, rather than fiscal policy. In addition, fiscal multipliers tend to be small in very small and very open economies like STP, due notably to the high import propensity (combined with lack of market access and debt vulnerabilities).

[6] The DSA uses a broader perimeter for the government's fiscal balance than our fiscal tables. The fiscal tables only focus on central government, while the DSA includes EMAE as well.

Text Table 7. São Tomé and Príncipe: Classification of Debt Carrying Capacity

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Weak	Weak	Weak	Weak
	2.433	2.407	2.438

Applicable thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

C. Country Classification and Determination of Scenario Stress Tests

8. **The country's debt carrying capacity is assessed to remain weak under the Composite Index.** Based on the latest (April 2025) WEO macroeconomic indicators and the World Bank's 2023 Country Policy and Institutional Assessment (CPIA), the country's Composite Indicator (CI) score is 2.433 (Text Table 7), below the lower cut-off value of 2.69, indicating a weak debt-carrying capacity rating. The new CI score reflects macroeconomic variables, such as real GDP growth, remittances, reserves, and world growth, in addition to the CPIA. The applicable thresholds for the ratios of PV of PPG external debt relative to GDP and exports are 30 percent and 140 percent, respectively. The benchmark for the PV of total PPG debt is 35 percent of GDP. The thresholds for PPG external debt service are 10 percent of exports and 14 percent of revenue.

DEBT SUSTAINABILITY

A. External Debt Sustainability

9. **STP's external debt is assessed to be in distress, with high vulnerability to shocks and changing macroeconomic assumptions, but remains sustainable under the program's baseline scenario (Figure 1 and Table 1).** Risks to external debt are considerable. Under the baseline, the PV of the external debt-to-GDP ratio remains under the threshold. The two export-related debt burden indicators breach the thresholds. The PV of external PPG debt-to-exports ratio is projected to marginally exceed the 140 percent threshold in 2025. Risks to debt service are more protracted, as the debt-service-to-exports ratio is forecasted to breach the 10 percent threshold from 2025 to 2028. The breach is driven mainly by the projected debt service on the US$11.8 million non-concessional loan from Afreximbank, disbursed in 2023. The debt service-to-revenue ratio remains below the threshold value of 14 percent throughout the projection horizon. The improvement of the solvency and liquidity indicators over the medium term reflects fiscal consolidation, cautious external borrowing, economic growth, energy sector reforms, and sustained export growth.

10. While external PPG debt is sustainable under the baseline scenario, stress tests indicate that the space to absorb shocks is constrained (Figure 1 and Table 3). The solvency indicators breach their threshold values under the most extreme shocks. For the PV of the debt-to-GDP the most extreme scenario is the combined contingent liabilities shock (see Text Table 2). As the likelihood of contingent liabilities materializing is elevated, with ENCO's external arrears to Sonangol representing the main risk, it is important that the authorities develop plans to deal with contingent liabilities and arrears. Commodity prices, especially fuel prices, are a significant risk factor driving contingent liabilities—energy sector reforms remain a critical mitigating policy. The most extreme shock for the PV of debt-to-exports and debt service-to-exports ratios is an export shock, which leads to breaches of the respective thresholds through the entire projection horizon (though declining over time). This underscores the importance of promoting exports.

B. Public Debt Sustainability

11. Under the baseline scenario, total PPG debt is deemed sustainable after discounting EMAE's and the central government's debt and arrears to ENCO and accounting for essential fiscal and energy sector reforms (Figure 2 and Table 2). Under the baseline scenario, the PV of PPG debt is projected to be on a downward trajectory but will remain above the 35 percent sustainability threshold through 2027. Taking into account the concessional terms of EMAE's and the central government's debt to ENCO based on the 2019 repayment agreement (shown as black dashed line in Figure 2), the PV of PPG debt is projected to fall below the DSA sustainability threshold of 35 percent in 2025, before gradually declining to around 13 percent of GDP by 2035. Like the solvency indicators, liquidity ratios also improve over time, reflecting higher exports and revenues. Public debt is sustainable but subject to large risks, as public debt remains on a downward trajectory, predicated on the authorities' commitment to continue fiscal consolidation, implement energy sector reforms, and borrow externally only on concessional terms and at a measured pace. It is also key to develop an ambitious plan to gradually strengthen STP's debt-carrying capacity.

12. All three ratios for total PPG debt are most vulnerable to a combined contingent liabilities shock (Figure 2 and Table 4). Under such a shock, the three ratios would rise in the near term before declining gradually in the medium to long term. The high public debt service-to-revenue ratio under the combined contingent liabilities shock indicates substantial liquidity risks. The customized combined contingent liabilities shock (see Text Table 2, shown as dotted pink lines in Figure 2) is a smaller shock than the combined contingent liabilities shock by design, though it is also a more likely event. It also implies that the debt level would rise above its benchmark. Given that EMAE's arrears to ENCO are denominated in foreign currency, STP's public debt is also subject to currency risk (these arrears are treated as domestic debt given the residency-based definition). The stress tests on public debt highlight the importance of managing contingent liabilities and implementing energy sector reforms to mitigate risks.[7]

[7] The risk of additional contingent liabilities accumulating and/or materializing in the future is relatively contained. Most contingent liabilities are related to the energy sector, and the current DSA has already included substantial provisions for those. If anything, the risks here are on the downside—that is, the stock of contingent liabilities could be lower—given the energy sector reforms planned under the program.

13. Reflecting EMAE's debt and arrears owed to ENCO, domestic debt risks are projected to remain elevated in the medium term (Text Figure 1). Both the solvency and liquidity indicators for domestic debt are above their median values across peers, driven by the substantial amount of EMAE's debt to ENCO. The authorities' 2025 Fiscal Risks Report assessed the credit risk of EMAE as "in distress" (Box 2) indicating ongoing difficulties in honoring financial obligations. EMAE should continue implementing the 2019 repayment agreement for legacy claims with ENCO and clearing arrears to mitigate risks associated with domestic debt. The projected decline in domestic debt is driven by economic recovery and fiscal consolidation, both of which are expected to reduce financing needs over the medium term. As inflation is expected to decline gradually from current elevated levels, while the government continues to be able to borrow at contained nominal rates, the implied real interest rate is negative, which also helps ease the burden of domestic debt in the near term. The sharp decrease in domestic debt service in 2025 is due to the government's decision to start issuing medium-term bonds in 2024, while they had previously relied only on short-term T-bills. Furthermore, a domestic debt restructuring was concluded in September 2024, involving 96 percent (STN 781 million) of the central government's domestic public debt, helping to reduce domestic debt service levels and improve the overall liquidity position. The restructuring involved exchanging T-bills for T-bonds with maturities of 3, 5, and 7 years at interest rates of 6.7, 7.1, and 7.4 percent, respectively. This shift toward domestic debt with longer maturities will help reduce liquidity risks and allow for more stable and manageable repayment schedules.

14. The DSA incorporates the costs and risks of natural disasters in the tailored natural disaster stress test. STP is vulnerable to natural disasters driven by climatic factors. Floods frequently affect the island nation with heavy rainfalls, which could cause soil erosion and landslides, increase the risk of waterborne diseases, and decrease crop production. The tailored stress test assumes a one-off natural disaster shock of 10 percent of GDP to the external PPG debt-to-GDP ratio in the second year of the projection period, with an associated real GDP growth shock of 1.5 percent of GDP and an associated export growth shock of 3.5 percent of GDP. The results of the analysis (Tables 3-4) indicate that by the end of 2027 a natural disaster shock may increase the PV of public debt to GDP from 37 percent of GDP under the baseline scenario to 44 percent of GDP under the stress test scenario. The PV of external debt to GDP will increase from 19 percent of GDP under the baseline scenario to 24 percent of GDP under the stress test scenario.

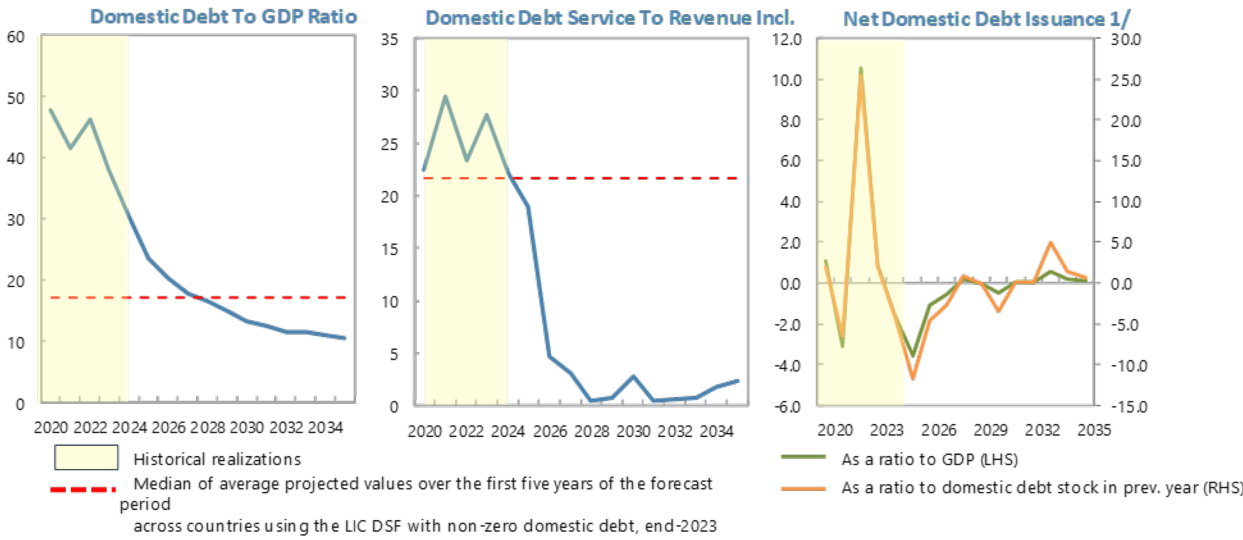
DEBT DISTRESS QUALIFICATION AND CONCLUSIONS

15. São Tomé and Príncipe remains in debt distress, as in the previous DSA. This is due to the unresolved regularization of STP's post-HIPC arrears to Angola, Brazil and Equatorial Guinea, which total approximately 1.3 percent of GDP. Additionally, EMAE's significant arrears to its suppliers reflect large losses, low bill collection rates, and electricity tariffs that remain below cost recovery levels despite the recent adjustment. The high level of external debt and debt service obligations also adds to those burdens. STP continues to actively seek rescheduling agreements with its creditors and to explore more concessional loans or grants from other countries or institutions.

Text Figure 1. São Tomé and Príncipe: Indicators of Domestic Public Debt, 2020-2035

(Percent)

(Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	60%
Short-term	40%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	0.8%
Avg. maturity (incl. grace period)	3
Avg. grace period	2
Domestic short-term debt	
Avg. real interest rate	0.0%

Sources: Country authorities; and staff estimates and projections.
1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

16. While São Tomé and Príncipe is assessed to be in debt distress for both external and overall public debt, its debt remains sustainable. However, risks to debt sustainability have increased. The weak debt-carrying capacity implies low thresholds for debt burden indicators, with two export-related debt indicators breaching the threshold. This increases debt vulnerability and makes it very sensitive to macroeconomic assumptions. Weaker-than-expected export growth and higher fuel import needs could exacerbate the already severe burden on external balances and put debt sustainability at risk. Furthermore, the projected reduction in external debt driven by the improving current account and FDI is fragile given the current large policy uncertainty in the global economy. However, the breaches are relatively small, the PV of the external debt-to-GDP ratio and the debt service-to-revenue ratio both remain below their thresholds, and the PV of public debt-to-GDP ratio (after discounting the government's debt to ENCO and EMAE's debt and arrears to ENCO) declines below its threshold in 2025. Therefore, STP's debt is still assessed as sustainable.

Box 2. São Tomé and Príncipe: Credit Risk Analysis of EMAE and ENAPORT

An assessment of the credit risk of EMAE and ENAPORT was presented in the authorities' 2025 Fiscal Risk Report. The Analytical Tool used for the assessment, developed by the World Bank, consists of examining three factors: (i) the company profile and associated risks, through qualitative analysis of indicators related to the regulatory environment, sectoral risk and competitive position, and governance and management; (ii) the financial profile and associated risks, through quantitative and objective analysis of the company's financial statements; and (iii) the expected loss, which is the estimate of the government's average potential losses arising from the financial obligations of state-owned enterprises.

According to the assessment, EMAE has a credit risk rating of "In distress", indicating ongoing difficulties in honoring financial obligations, while ENAPORT has a credit risk rating of "Elevated risk" (Table 1). The credit risk ratings of both entities reflect their vulnerable financial profiles, regulatory and market environments that have not been conducive to sustainably improving their finances, challenges related to the governance of state-owned enterprises in the country, sectoral risks, and vulnerability to external shocks.

Both companies have accumulated significant accounts payable to third parties, especially EMAE. The main liability of EMAE arises from overdue payments to ENCO, resulting from the supply of fuels, and to the government of STP, which in 2023 started financing new fuel supplies on behalf of EMAE. Accounts payable to third parties amounted to 28.8 percent of GDP and 1.8 percent of GDP at end-2023. In both cases, there is no agreed resolution mechanism between the company and the creditors. ENAPORT has accumulated arrears to the State (mainly related to social security, taxes, and installment agreements), which reached 0.5 percent of GDP by 2023. In 2024, ENAPORT reached an agreement with the government to pay these obligations based on a defined schedule.

Table 1. Results of the credit risk analysis of EMAE and ENAPORT

	EMAE	ENAPORT
Company Profile and Risks		
Regulatory environment	Elevated	Elevated
Sectoral Risk and Competitive Position	Moderate	Elevated
Governance and Management	High	High
Financial Profile and Risks		
Rentability	High	High
Liquidity	High	High
Solvency	High	High
Debt Structure	Elevated	Low
Financial Obligations with the Government	In distress	Elevated
Overall Risk	**In distress**	**Elevated**

Source: Fiscal Risks Report, 2025.

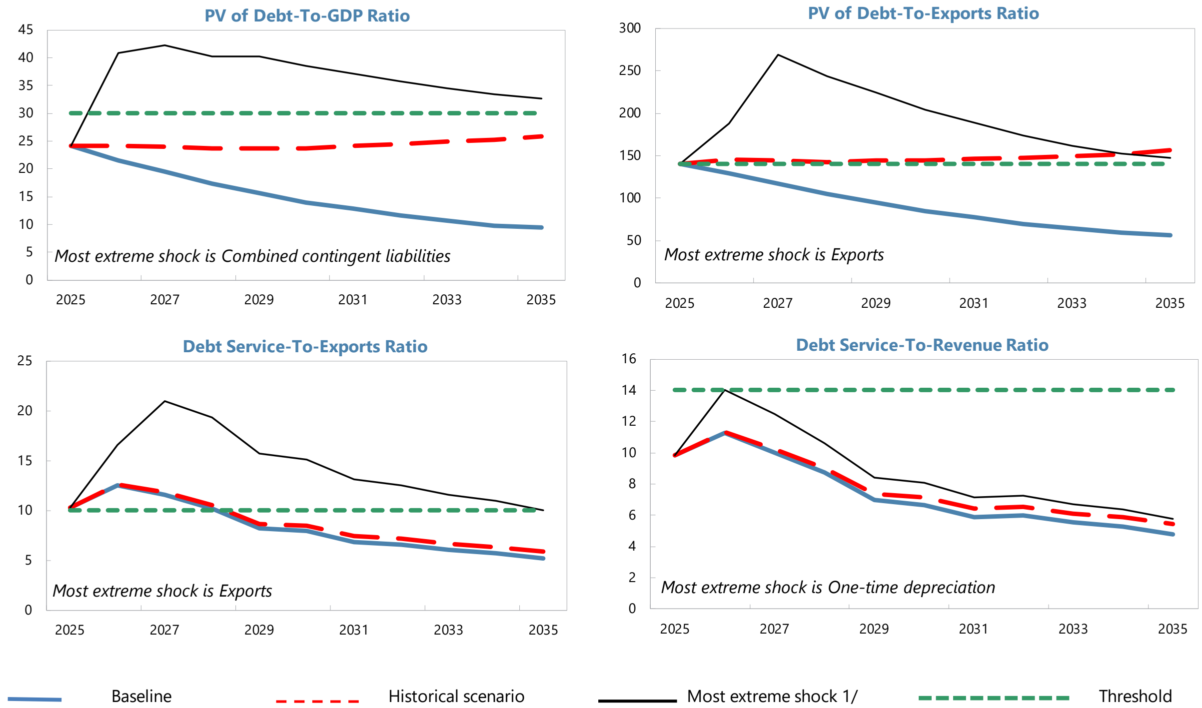
17. Risks around the baseline are substantial. Stress tests indicate that STP's debt is especially vulnerable to shocks to exports and combined contingent liabilities. A less severe but more likely customized contingent liabilities stress test also indicates significant risks as the impact on public debt indicators would be high. The economic outlook is also subject to significant downside risks, including delayed energy sector reforms, lower donor support, renewed energy shortages and commodity price volatility, as well as a global growth slowdown and deepening geopolitical fragmentation. Furthermore, the implementation of highly ambitious fiscal revenue measures over the medium term, including some that have not yet been identified, poses risks to the outlook.

18. Overall, the DSA highlights the importance of continuing fiscal reforms and maintaining strong policies to reduce debt-related risks and ensure debt sustainability. To enhance debt sustainability, STP should continue its fiscal consolidation efforts and implement energy sector reforms. Considering long-term climate risks, quantifying additional fiscal expenditure needs for climate-related investments and their potential consequences would be advisable. Promoting economic growth to support debt sustainability is crucial, including efforts to diversify the economy, enhance export potential, improve the business climate to attract FDI, and promote tourism and private sector-led growth. It is also important to continue strengthening public financial management and avoid the accumulation of new domestic arrears, including measures to improve macro-fiscal forecasting, strengthen cash management and expenditure controls, and update the arrears clearance plan to cover all domestic arrears. In addition, STP should rebuild foreign reserve buffers, clear existing arrears, and find new financing sources. External borrowing needs to be carefully planned to balance debt sustainability concerns against STP's large development needs, which should be financed mostly with non-debt generating sources, such as grants.

AUTHORITIES' VIEWS

19. The authorities broadly agreed with the assessment. They are committed to continuing the efforts to regularize the long-standing external arrears. They also recognized the significant risk to debt sustainability from the large and persistent losses by EMAE, which have translated into large arrears to ENCO, and are committed to restructuring and reforming EMAE to achieve debt sustainability. They also pledged to borrow only on concessional terms and at a measured pace to reduce debt vulnerabilities over time.

Figure 1. São Tomé and Príncipe: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2025–2035



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

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

Borrowing Assumptions for Stress Tests[1/]	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1%	1%
USD Discount rate	5%	5%
Avg. maturity (incl. grace period)	32	32
Avg. grace period	9	9

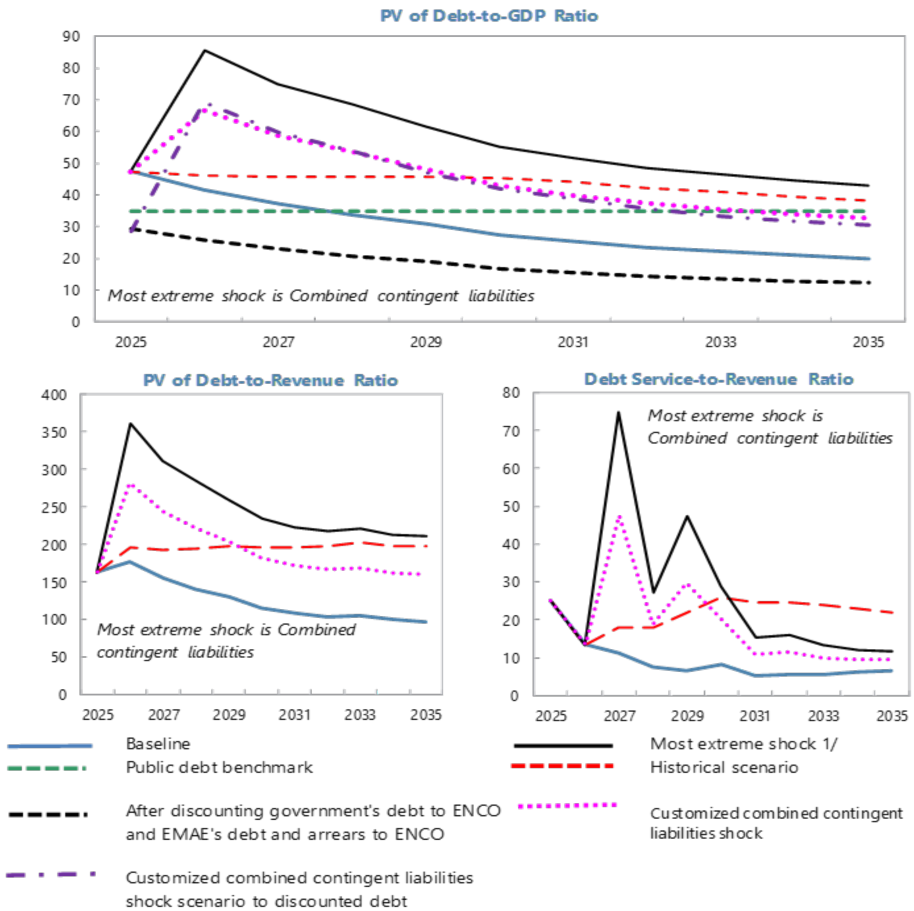
All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. São Tomé and Príncipe: Indicators of Public Debt Under Alternative Scenarios, 2025–2035



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	74%	60%
Domestic medium and long-term	16%	16%
Domestic short-term	11%	24%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	32	32
Avg. grace period	9	9
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.8%	0.8%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	0.0%	0.0%

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

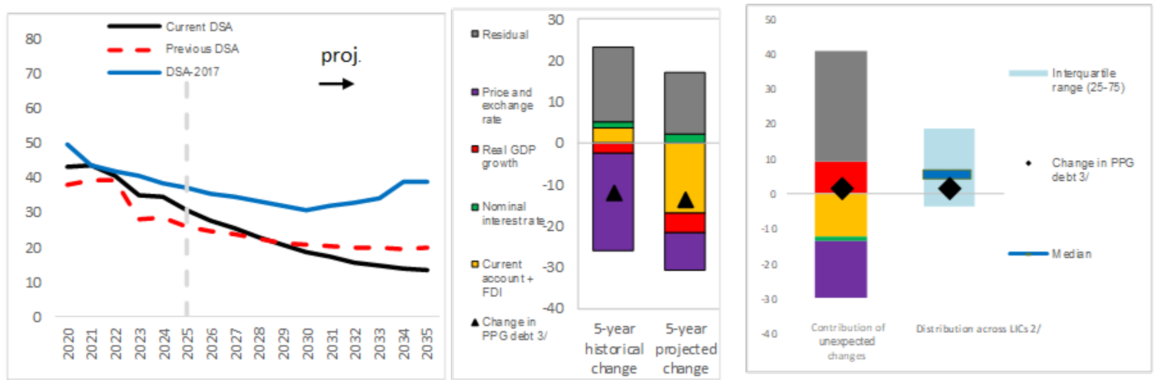
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

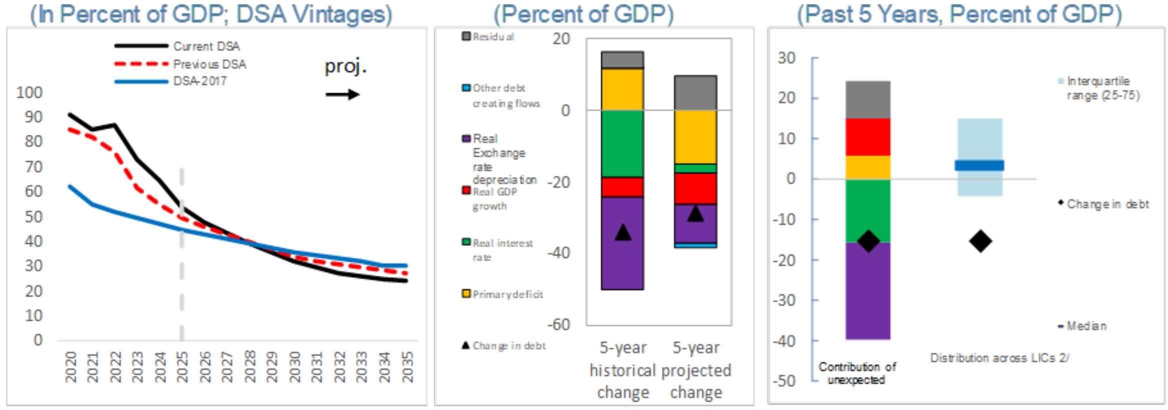
External Debt

Gross Nominal PPG External Deb (In Percent of GDP; DSA Vintages) | Debt-Creating Flows (Percent of GDP) | Unexpected Changes in Debt 1/ (Past 5 Years, Percent of GDP)



Public Debt

Gross Nominal Public Debt (In Percent of GDP; DSA Vintages) | Debt-Creating Flows (Percent of GDP) | Unexpected Changes in Debt 1/ (Past 5 Years, Percent of GDP)



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

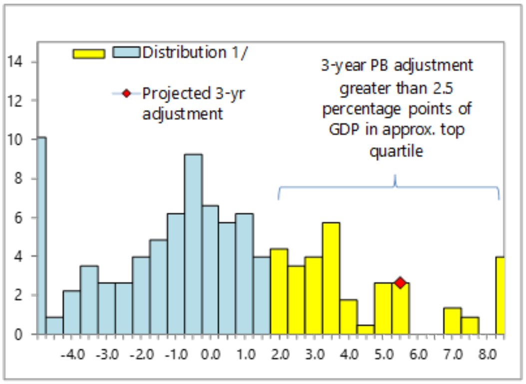
2/ Distribution across LICs for which LIC DSAs were produced.

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

Sources: Country authorities; and staff estimates and projections.

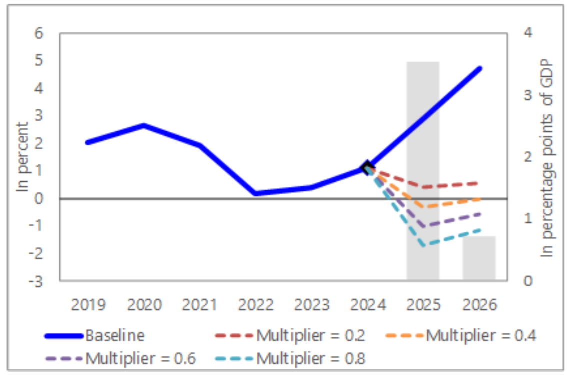
Figure 4. São Tomé and Príncipe: Realism Tools

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



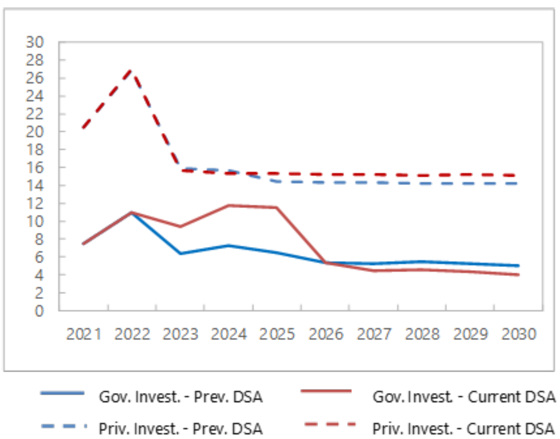
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

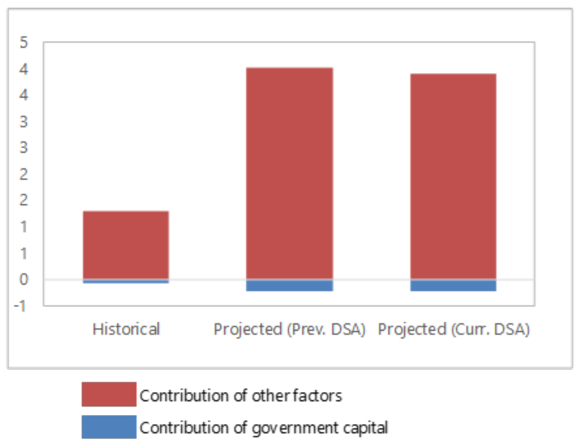


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP Growth
(Percent, 5-Year Average)



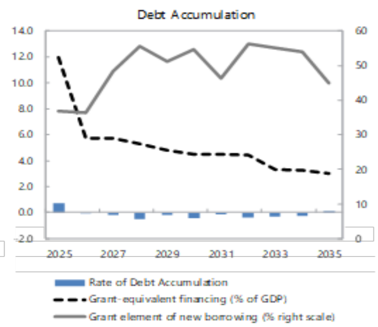
Sources: Country authorities; and staff estimates and projections.

Table 1. São Tomé and Príncipe: External Debt Sustainability Framework, Baseline Scenario, 2023–45

(In percent of GDP, unless otherwise indicated)

	Actual		Projections								Average 8/	
	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	35.1	34.4	30.5	27.6	25.3	22.7	20.7	18.5	13.4	16.8	47.7	20.0
of which: public and publicly guaranteed (PPG)	35.1	34.4	30.5	27.6	25.3	22.7	20.7	18.5	13.4	16.8	47.7	20.0
Change in external debt	-5.4	-0.8	-3.9	-2.9	-2.2	-2.6	-2.0	-2.2	-0.4	1.2		
Identified net debt-creating flows	-6.2	-10.8	-7.3	-6.3	-5.2	-4.9	-4.8	-5.0	-3.8	-5.3	-2.7	-4.8
Non-interest current account deficit	12.1	1.1	3.0	3.4	3.6	3.5	3.6	3.2	2.8	0.3	11.2	3.1
Deficit in balance of goods and services	22.5	15.7	16.7	11.0	10.8	10.3	9.9	9.3	7.2	3.2	26.6	9.8
Exports	16.4	16.7	17.2	16.6	16.6	16.6	16.4	16.4	16.5	17.0		
Imports	38.9	32.4	33.9	27.6	27.4	26.9	26.3	25.7	23.7	20.2		
Net current transfers (negative = inflow)	-9.3	-12.9	-12.6	-6.6	-6.4	-6.2	-5.8	-5.6	-4.0	-2.7	-14.5	-6.1
of which: official	-8.0	-11.4	-11.1	-5.1	-4.9	-4.7	-4.3	-4.2	-2.6	-1.2		
Other current account flows (negative = net inflow)	-1.2	-1.7	-1.1	-1.0	-0.8	-0.6	-0.5	-0.5	-0.3	-0.2	-0.8	-0.6
Net FDI (negative = inflow)		-7.1	-7.0	-6.9	-6.8	-6.6	-6.7	-6.7	-6.0	-5.0	-9.9	-6.6
Endogenous debt dynamics 2/	-8.5	-4.8	-3.2	-2.7	-2.0	-1.8	-1.7	-1.5	-0.6	-0.6		
Contribution from nominal interest rate	0.2	0.8	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2		
Contribution from real GDP growth	-0.1	-0.3	-0.9	-1.3	-1.0	-0.8	-0.7	-0.7	-0.5	-0.5		
Contribution from price and exchange rate changes	-8.6	-5.3	-2.8	-2.0	-1.5	-1.4	-1.2	-1.1	-0.3	-0.2		
Residual 3/	0.8	10.0	3.4	3.3	3.0	2.3	2.8	2.8	3.4	6.5	0.0	2.9
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators												
PV of PPG external debt-to-GDP ratio	...	26.3	24.1	21.5	19.4	17.3	15.7	13.9	9.4	9.6		
PV of PPG external debt-to-exports ratio	...	157.3	140.1	129.3	117.0	104.5	95.3	84.9	56.7	56.2		
PPG debt service-to-exports ratio	4.7	8.0	10.3	12.5	11.6	10.2	8.2	7.9	5.2	2.3		
PPG debt service-to-revenue ratio	5.1	8.8	9.8	11.3	10.0	8.7	7.0	6.7	4.8	2.2		
Gross external financing need (Million of U.S. dollars)	21.6	-38.6	-21.5	-14.9	-14.6	-18.2	-24.1	-32.6	-47.8	-146.2		
Key macroeconomic assumptions												
Real GDP growth (in percent)	0.4	1.1	2.9	4.7	3.9	3.5	3.5	3.5	3.5	3.5	2.3	3.6
GDP deflator in US dollar terms (change in percent)	27.0	17.7	9.0	7.0	5.7	5.7	5.7	5.7	2.4	1.4	8.8	4.9
Effective interest rate (percent) 4/	0.7	2.7	1.6	1.9	1.8	1.6	1.4	1.4	1.4	1.1	0.9	1.5
Growth of exports of G&S (US dollar terms, in percent)	17.7	21.4	15.5	8.2	9.6	9.2	8.6	9.2	5.3	5.3	8.1	8.5
Growth of imports of G&S (US dollar terms, in percent)	4.5	-1.0	17.3	-8.7	9.1	7.3	7.1	6.9	4.6	4.3	2.5	5.8
Grant element of new public sector borrowing (in percent)	...	...	36.8	36.3	48.5	55.6	51.2	54.6	44.8	35.0	...	49.0
Government revenues (excluding grants, in percent of GDP)	15.2	15.2	18.0	18.5	19.2	19.3	19.3	19.5	17.9	17.3	18.3	18.7
Aid flows (in Million of US dollars) 5/	80.3	119.1	114.7	62.2	75.0	71.7	72.3	71.2	73.2	107.5		
Grant-equivalent financing (in percent of GDP) 6/	...	...	11.9	5.7	5.7	5.3	4.8	4.5	3.0	1.9	...	5.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	89.5	84.1	86.6	91.9	90.8	94.3	84.5	59.2	...	90.3
Nominal GDP (Million of US dollars)	696	828	929	1,040	1,143	1,250	1,367	1,497	2,060	3,370		
Nominal dollar GDP growth	27.5	19.0	12.1	12.0	9.9	9.4	9.4	9.4	6.0	5.0	11.3	8.7
Memorandum items:												
PV of external debt 7/	...	26.3	24.1	21.5	19.4	17.3	15.7	13.9	9.4	9.6		
In percent of exports	...	157.3	140.1	129.3	117.0	104.5	95.3	84.9	56.7	56.2		
Total external debt service-to-exports ratio	4.7	8.0	10.3	12.5	11.6	10.2	8.2	7.9	5.2	2.3		
PV of PPG external debt (in Million of US dollars)		217.9	224.1	223.7	221.8	216.4	214.2	208.4	192.7	322.4		
(PVt-PVt-1)/GDPt-1 (in percent)			0.7	0.0	-0.2	-0.5	-0.2	-0.4	0.1	1.4		
Non-interest current account deficit that stabilizes debt ratio	17.5	1.9	6.8	6.3	5.8	6.1	5.6	5.4	3.2	-0.9		

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



Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments.

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

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

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

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

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

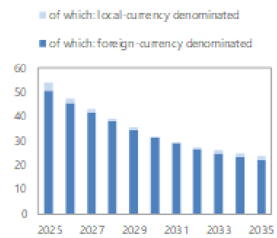
Table 2. São Tomé and Príncipe: Public Sector Debt Sustainability Framework, Baseline Scenario, 2023–45

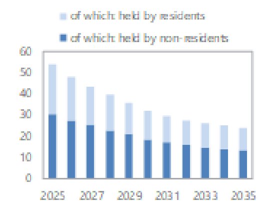
(In percent of GDP, unless otherwise indicated)

	Actual		Projections								Average 7/	
	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	73.2	64.8	54.0	47.7	43.2	39.3	35.9	31.9	24.0	29.1	89.3	34.9
of which: external debt	35.1	34.4	30.5	27.6	25.3	22.7	20.7	18.5	13.4	16.8	47.7	20.0
Change in public sector debt	-13.5	-8.4	-10.8	-6.2	-4.5	-3.9	-3.4	-4.0	-0.9	1.3		
Identified debt-creating flows	-12.7	-6.5	-10.3	-7.3	-7.5	-6.9	-6.5	-6.5	-0.4	1.3	-4.2	-4.9
Primary deficit	4.3	1.7	-1.8	-2.5	-3.8	-3.6	-3.4	-3.7	0.8	1.8	5.2	-1.8
Revenue and grants	23.2	26.6	29.1	23.7	24.1	24.1	23.6	23.6	20.4	18.5	29.1	23.3
of which: grants	8.0	11.4	11.1	5.1	4.9	4.7	4.3	4.2	2.6	1.2		
Primary (noninterest) expenditure	27.6	28.3	27.4	21.2	20.3	20.5	20.3	19.9	21.2	20.3	34.3	21.5
Automatic debt dynamics	-18.2	-8.1	-8.2	-4.5	-3.5	-3.1	-2.9	-2.6	-1.1	-0.9		
Contribution from interest rate/growth differential	-4.9	-2.1	-2.9	-2.7	-2.1	-1.7	-1.7	-1.5	-1.0	-1.1		
of which: contribution from average real interest rate	-4.6	-1.3	-1.1	-0.3	-0.3	-0.3	-0.4	-0.3	-0.2	-0.1		
of which: contribution from real GDP growth	-0.3	-0.8	-1.8	-2.4	-1.8	-1.5	-1.3	-1.2	-0.8	-0.9		
Contribution from real exchange rate depreciation	-13.3	-5.9	-5.2	-1.8	-1.5	-1.3	-1.2	-1.1	-0.1	0.1		
Other identified debt-creating flows	1.2	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1	0.5	-0.5	-0.2
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.5	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1	0.5		
Other debt creating or reducing flow	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual 2/	-0.8	-1.9	-0.5	1.1	3.0	2.9	3.0	2.5	-0.4	0.0	1.4	1.0
Sustainability indicators												
PV of public debt-to-GDP ratio 3/	...	57.6	47.5	41.7	37.3	33.9	30.8	27.3	19.9	21.8		
PV of public debt-to-revenue and grants ratio	...	216.6	163.0	176.3	154.9	140.9	130.5	115.5	97.6	118.0		
Debt service-to-revenue and grants ratio 4/	...	...	25.0	13.5	11.0	7.5	6.5	8.3	6.5	15.8		
Gross financing need 5/	11.4	9.0	5.2	0.4	-1.3	-2.0	-2.0	-1.9	2.0	5.2		
Key macroeconomic and fiscal assumptions												
Real GDP growth (in percent)	0.4	1.1	2.9	4.7	3.9	3.5	3.5	3.5	3.5	3.5	2.3	3.6
Average nominal interest rate on external debt (in percent)	0.7	2.7	1.7	1.9	1.8	1.6	1.4	1.4	1.4	1.1	0.9	1.5
Average real interest rate on domestic debt (in percent)	-19.2	-15.0	-8.5	-5.4	-5.0	-5.1	-5.1	-5.1	-1.9	1.1	-9.4	-4.3
Real exchange rate depreciation (in percent, + indicates depreciation)	-18.7	-9.5	...	...	...	...	...	...	...	...	-5.4	...
Inflation rate (GDP deflator, in percent)	23.7	17.7	9.5	6.4	5.7	5.7	5.7	5.7	2.4	1.4	10.7	4.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-13.8	4.0	-0.7	-19.0	-0.1	4.1	2.5	1.9	3.1	3.4	1.2	1.2
Primary deficit that stabilizes the debt-to-GDP ratio 6/	17.9	10.2	9.0	3.7	0.7	0.3	0.1	0.3	1.6	0.5	10.4	1.9
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Memorandum Item												
Primary deficit with HIPC grants and without EMAE loss	2.1	-0.4	-4.4	-2.8	-4.0	-3.8	-3.6	-3.9	0.6	2.3	0.9	-2.2
EMAE loss	1.8	2.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7	0.2

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.
2/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments.
3/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
6/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
7/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. São Tomé and Príncipe: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–35

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	24	22	19	17	16	14	13	12	11	10	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	24	24	24	24	24	24	24	25	25	25	26
B. Bound Tests											
B1. Real GDP growth	24	23	22	19	18	16	14	13	12	11	10
B2. Primary balance	24	25	28	27	25	24	23	22	21	20	19
B3. Exports	24	24	26	24	22	20	18	17	16	15	14
B4. Other flows 3/	24	26	28	26	24	21	20	19	18	17	16
B5. One-time 30 percent nominal depreciation	24	27	22	19	17	15	14	12	11	10	10
B6. Combination of B1-B5	24	28	28	25	23	21	20	18	17	16	15
C. Tailored Tests											
C1. Combined contingent liabilities	24	**41**	**42**	**40**	**40**	**39**	**37**	**36**	**35**	**34**	**33**
C2. Natural disaster	24	25	24	22	20	19	18	17	16	15	14
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	**140**	129	117	105	95	85	78	70	64	59	57
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	**140**	**145**	**145**	**143**	**144**	**145**	**146**	**147**	**149**	**152**	**156**
B. Bound Tests											
B1. Real GDP growth	**140**	129	117	105	95	85	78	70	64	59	57
B2. Primary balance	**140**	**151**	**168**	**161**	**154**	**147**	139	130	124	119	116
B3. Exports	**140**	**188**	**269**	**244**	**225**	**204**	**189**	**173**	**162**	**152**	**147**
B4. Other flows 3/	**140**	**157**	**170**	**155**	**144**	131	122	113	106	100	97
B5. One-time 30 percent nominal depreciation	**140**	129	104	93	84	74	67	60	54	49	47
B6. Combination of B1-B5	**140**	**173**	**148**	**176**	**163**	**147**	136	125	117	109	106
C. Tailored Tests											
C1. Combined contingent liabilities	**140**	**246**	**256**	**244**	**246**	**236**	**226**	**216**	**209**	**202**	**199**
C2. Natural disaster	**140**	**153**	**145**	133	126	116	109	101	96	91	89
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**10**	**13**	**12**	**10**	8	8	7	7	6	6	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	**10**	**13**	**12**	**11**	9	8	7	7	7	6	6
B. Bound Tests											
B1. Real GDP growth	**10**	**13**	**12**	**10**	8	8	7	7	6	6	5
B2. Primary balance	**10**	**13**	**12**	**11**	9	9	8	8	7	7	6
B3. Exports	**10**	**17**	**21**	**19**	**16**	**15**	**13**	**13**	**12**	**11**	**10**
B4. Other flows 3/	**10**	**13**	**12**	**11**	9	9	8	7	7	6	6
B5. One-time 30 percent nominal depreciation	**10**	**13**	**12**	10	8	8	7	6	6	6	5
B6. Combination of B1-B5	**10**	**14**	**16**	**14**	**12**	**11**	10	9	9	8	7
C. Tailored Tests											
C1. Combined contingent liabilities	**10**	**13**	**14**	**13**	**11**	**11**	10	9	9	8	8
C2. Natural disaster	**10**	**13**	**12**	**11**	9	9	8	7	7	6	6
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	10	11	10	9	7	7	6	6	6	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	10	11	10	9	7	7	6	7	6	6	5
B. Bound Tests											
B1. Real GDP growth	10	12	11	10	8	7	7	7	6	6	5
B2. Primary balance	10	11	10	10	8	8	7	7	7	6	6
B3. Exports	10	12	11	10	8	8	7	7	6	6	5
B4. Other flows 3/	10	11	10	10	8	7	7	7	6	6	5
B5. One-time 30 percent nominal depreciation	10	**14**	12	11	8	8	7	7	7	6	6
B6. Combination of B1-B5	10	12	12	11	9	8	7	7	7	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	10	11	12	11	9	9	8	9	8	8	7
C2. Natural disaster	10	11	10	9	7	7	6	6	6	6	5
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

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

Table 4. São Tomé and Príncipe: Sensitivity Analysis for Key Indicators of Public Debt, 2025–45

	Projections 1/																				
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
PV of Debt-to-GDP Ratio																					
Baseline	**47**	**42**	**37**	34	31	27	25	23	22	21	20	19	19	18	18	17	17	18	19	21	22
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	**47**	**46**	**46**	**46**	**46**	**45**	**44**	**42**	**41**	**40**	**38**	**37**	**36**	**36**	**35**	35	34	34	34	34	34
B. Bound Tests																					
B1. Real GDP growth	**47**	**45**	**44**	**41**	**39**	**36**	35	33	33	32	32	33	33	33	33	34	35	**36**	**39**	**42**	**44**
B2. Primary balance	**47**	**50**	**53**	**48**	**44**	**39**	**36**	33	32		29	28	27	26	25	25	25	25	26	28	29
B3. Exports	**47**	**44**	**43**	**39**	**36**	32	30	28	27	25	24	24	23	22	21	21	20	21	22	23	24
B4. Other flows 3/	**47**	**46**	**46**	**42**	**39**	35	33	30	29	28	27	26	25	24	23	22	22	22	23	24	25
B5. One-time 30 percent nominal depreciation	**47**	**46**	**40**	**35**	31	27	24	21	19	17	15	14	12	11	9	9	8	8	8	10	10
B6. Combination of B1-B5	**47**	**51**	**51**	**40**	35	30	27	24	22	21	20	19	18	17	17	17	17	18	19	21	22
C. Tailored Tests																					
C1. Combined contingent liabilities	**47**	**86**	**75**	**69**	**61**	**55**	**52**	**49**	**46**	**45**	**43**	**42**	**41**	**40**	**39**	**39**	**39**	**39**	**41**	**42**	**43**
C2. Natural disaster	**47**	**49**	**44**	**40**	**36**	32	30	28	27	25	24	24	23	22	22	22	22	23	25	26	28
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio																					
Baseline	163	176	155	141	131	116	108	104	105	100	98	100	99	95	93	93	93	96	104	113	118
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	163	196	192	194	198	196	196	199	202	198	197	200	198	196	194	193	192	192	192	193	192
B. Bound Tests																					
B1. Real GDP growth	163	188	177	167	161	149	145	146	154	152	156	167	172	172	175	181	186	194	209	224	234
B2. Primary balance	163	210	221	200	185	164	154	150	151	144	142	145	144	139	135	135	133	135	143	150	155
B3. Exports	163	185	179	164	153	137	129	125	127	121	119	122	120	114	111	111	109	111	118	125	130
B4. Other flows 3/	163	195	192	176	164	148	140	136	139	132	131	133	130	125	121	119	117	119	125	132	136
B5. One-time 30 percent nominal depreciation	163	199	169	150	135	116	104	96	92	83	76	71	65	57	51	46	43	42	46	52	54
B6. Combination of B1-B5	163	215	211	165	147	127	114	107	106	99	96	98	96	92	91	91	91	94	102	111	117
C. Tailored Tests																					
C1. Combined contingent liabilities	163	362	311	285	260	234	222	217	221	213	211	217	216	211	209	208	207	209	219	228	234
C2. Natural disaster	163	208	182	166	153	136	129	125	127	121	119	123	122	119	118	119	119	123	132	142	149
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio																					
Baseline	25	13	11	7	7	8	5	5	5	6	7	7	6	7	7	7	7	8	10	13	16
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	25	13	18	18	22	26	24	25	24	23	22	21	21	21	21	22	22	23	22	23	25
B. Bound Tests																					
B1. Real GDP growth	25	14	13	11	11	14	12	12	13	14	15	15	16	16	17	18	18	19	22	26	30
B2. Primary balance	25	13	24	26	19	21	12	10	9	9	9	9	10	11	11	12	12	12	15	18	20
B3. Exports	25	13	11	8	7	9	6	6	6	7	7	7	8	8	8	8	8	9	11	14	17
B4. Other flows 3/	25	13	11	8	7	9	6	6	6	7	7	8	9	9	9	9	9	10	12	15	18
B5. One-time 30 percent nominal depreciation	25	14	13	9	8	9	7	7	7	7	7	7	6	7	6	6	6	6	8	10	13
B6. Combination of B1-B5	25	13	18	21	14	18	10	8	8	8	8	8	7	8	8	8	8	9	11	14	17
C. Tailored Tests																					
C1. Combined contingent liabilities	25	13	75	27	47	29	15	16	13	12	12	11	10	10	10	10	10	11	13	16	18
C2. Natural disaster	25	14	22	11	14	12	8	8	8	8	8	8	8	8	8	9	9	9	12	15	18
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

July 16, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—INFORMATIONAL ANNEX

Prepared By | The African Department (in consultation with other Departments)

CONTENTS

RELATIONS WITH THE FUND

(As of May 31, 2025)

Membership Status

Joined: September 30, 1977; Article XIV

General Resources Account:	**SDR Million**	**% Quota**
Quota	14.80	100.00
Fund holdings of currency	14.80	100.02
Reserve tranche position	0.00	0.00
SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	21.28	100.00
Holdings	2.20	10.32
Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
RCF Loans	9.03	61.00
ECF Arrangements	18.38	124.21

Latest Financial Commitments:

Arrangements:

Type	**Date of Arrangement**	**Expiration Date**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
ECF	12/19/2024	04/18/2028	18.50	3.96
ECF	10/02/2019	02/01/2023	14.80	12.90
ECF	07/13/2015	12/31/2018	4.44	3.81

Outright Loans:

Type	**Date of Commitment**	**Date Drawn/Expired**	**Amount approved (SDR Million)**	**Amount Drawn (SDR Million)**
RCF	04/21/2020	04/23/2020	9.03	9.03

1/ Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

Overdue Obligations and Projected Payments to Fund[1]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal	1.73	3.62	4.19	4.51	4.39
Charges/Interest	0.29	0.57	0.57	0.57	0.57
Total	2.01	4.19	4.76	5.08	4.95

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

	Enhanced Framework
Commitment of HIPC assistance	
Decision point date	December 2000
Assistance committed	
by all creditors (US$ million)[1]	124.30
Of which: IMF assistance (US$ million)	1.24
(SDR equivalent in millions)	0.82
Completion point date	March 2007
Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	0.82
Interim assistance	…
Completion point balance	0.82
Additional disbursement of interest income[2]	0.04
Total disbursements	0.87

1/ Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

2/ Under the enhanced framework, an additional disbursement is made corresponding to interest income earned on the amount of HIPC assistance committed but not disbursed.

Implementation of Multilateral Debt Relief Initiative (MDRI):

MDRI-eligible debt (SDR Million)[1]	1.43
Financed by: MDRI Trust	1.05
Remaining HIPC resources	0.38

Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	GRA	PRGT	Total
December 2007	N/A	0.38	0.38
March 2007	N/A	1.05	1.05

1/ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Implementation of Catastrophe Containment and Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR Million)
N/A	04/13/2020	0.11	0.11
N/A	10/02/2020	0.17	0.17
N/A	04/01/2021	0.17	0.17
N/A	10/06/2021	0.14	0.14
N/A	12/15/2021	0.10	0.10

Safeguards Assessments:

The last safeguards assessments of the BCSTP was conducted in 2023 and noted severe capacity constraints and slow progress in improving the safeguards framework of the BCSTP. However, the new leadership of the BCSTP has renewed its commitment to address safeguards recommendations, including pushing through the long outstanding amendments to the BCSTP Organic Law, which improve autonomy, governance, and oversight. The bill—mostly in line with IMF advice—was approved by the Parliament and enacted by the President in June 2025. Following this development, the BCSTP will need to work on the implementation of the new law, including the new governance structure. Separately, the external audit of the BCSTP's FY2024 financial statements is delayed but expected to be finalized by end-summer of 2025. Going forward, the authorities should prioritize timely audits and resolve recurring audit modifications. Implementation of the International Financial Reporting Standards (IFRS) also remains delayed despite iterations of IMF TA. Moreover, the BCSTP's financial position is weakened by significant monetary financing and the doubtful recoverability of legacy debts, raising the likelihood of negative equity. It is therefore imperative for the BCSTP to develop a recapitalization strategy that incorporates all outstanding government legacy debts, including the obligations related to the FX swap derivative instrument contracted in May 2023. Ideally, this should be formalized through a memorandum of understanding with the government and agreed upon before the planned IFRS transition in April 2026. Finally, further efforts are needed to implement other safeguards recommendations, such as strengthening the internal audit function.

Exchange Rate Arrangements:

The exchange rate arrangement is a conventional peg against the euro. São Tomé and Príncipe has pegged the dobra to the euro since January 2010. The organic law of the BCSTP authorizes it to make decisions regarding exchange rate policy. The commission on foreign exchange sales by banks cannot be higher than 2 percent for the euro, while the spread for other currencies cannot exceed 4 percent. Purchases of euro by banks must be done at the rate published by the BCSTP and no commissions are allowed. The BCSTP finances current international transactions at the official exchange rate and only after verification of the documentation establishing the *bona fide* nature of the bank's request. Access to foreign exchange is limited to banks having a net open position in the transaction currency of less than 12 percent of qualified capital, having a net open position in total foreign currency less than 25 percent of qualified capital, and being in compliance with the solvency and liquidity ratios set by the central bank. The central bank charges 1.5 percent commission on sales of euro and a 0.5 percent commission on purchases of euro.

São Tomé and Príncipe continues to avail itself of the transitional arrangements under Article XIV, but it does not maintain restrictions under Article XIV. However, it maintains restrictions subject to Fund approval under Article VIII. One exchange restriction regarding limitations on the transferability of net income from investment arises from Article 3(g) and Article 18 of the Investment Code (Law No. 19/2016). This restriction results from the requirement that taxes and other obligations to the government have to be paid/fulfilled as a condition for transfer, to the extent the requirement includes the payment of taxes and the fulfillment of obligations unrelated to the net income to be transferred. The second exchange restriction arises from limitations on the availability of foreign exchange through rationing of foreign exchange by BCSTP.

Article IV Consultation:

São Tomé and Príncipe is currently under a 24-month consultation cycle. The Executive Board concluded the last Article IV consultation on March 30, 2022.

Financial Sector Assessment Program (FSAP), Reports on Observance of Standards and Codes (ROSCs), and Offshore Financial Center (OFC) Assessments:

None.

Resident Representative:

Mr. Gustavo Ramirez is the current Resident Representative who started the assignment in March 2025, succeeding the previous Resident Representative (Mr. Bahrom Shukurov) who had served since March 2022.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

A. World Bank:

https://www.worldbank.org/en/country/saotome

World Bank Group Projects:

Projects

B. African Development Bank

Republic of Sao Tome and Principe | African Development Bank Group

Statement by Mr. Regis N'Sonde, Executive Director for the Democratic Republic of São Tomé and Príncipe and Mr. Kelvio Carvalho da Silveira, Advisor to Executive Director
July 31, 2025

Introduction

1. On behalf of our São Toméan authorities, we thank the Executive Board, Management, and staff for their continued support and for the constructive policy dialogue held during the recent mission in May 2025. The authorities are particularly appreciative of the set of insightful staff reports, including the high-quality Selected Issues Paper on (i) policy options to strengthen Sao Tome and Principe's resilience to natural disasters; (ii) strengthening inflation forecasting, and (iii) monetary policy and liquidity management.

2. Since the approval of the Extended Credit Facility (ECF) arrangement in December 2024, a government reshuffle has taken place and a new Prime Minister from the ruling party assumed office. The new leadership has reaffirmed its strong commitment to the program and the underlying reform agenda.

3. Program implementation for the period under review has been broadly satisfactory, despite a difficult domestic and external environment, and capacity constraints. The authorities have taken corrective actions and implemented four prior actions to support the first ECF review. In this context, they request the Executive Board's favorable consideration for the completion of the review as well as the associated decisions to help advance macroeconomic stability, strengthen resilience, and promote inclusive growth and development.

Performance under the ECF

4. Against the backdrop of a challenging domestic and global context, the authorities have met eight (8) out of the ten (10) quantitative performance criteria (QPCs) and three (3) out of the four (4) indicative targets (ITs) at end-December 2024. The QPC on net

international reserves was narrowly missed—due to temporary coordination issues between the Ministry of Finance and the central bank (BCSTP)—but the end-March 2025 target was met comfortably. The continuous QPC on new external arrears was breached by a small amount due to technical and coordination issues, but all payments due are already regularized. The IT on domestic arrears clearance was missed following a downward reassessment of obligations to EMAE, with payments aligned to the revised stock. To strengthen coordination and avoid future slippages, the authorities are establishing a joint technical committee between the Ministry of Finance and the central bank and transitioning to new debt management software with World Bank support.

5. Structural benchmark (SB) implementation faced delays, mainly due to the January government reshuffle and related legislative and capacity constraints. Of the eight (8) SBs under review, seven (7) were either implemented with delay, partially met, or converted into prior actions, reflecting continued reform momentum despite setbacks. The SB on adjusting fuel prices was missed as the authorities prioritized clearing the government's fuel price differential debt to ENCO, but with this completed, monthly adjustments under the rules-based mechanism will resume. The SB on reducing excess reserves was only partially met due to weak demand for central bank securities and liquidity pressures from large FX purchases. The new public procurement law and the audit of 2023 financial statements were also delayed by the legislative calendar but are now being advanced as reset benchmarks. The authorities are focused on completing these pending reforms, alongside adjustments to the liquidity framework, to step up implementation momentum.

Recent Economic Developments and Outlook

6. The macroeconomic situation remains difficult, though early signs of recovery are emerging. Real GDP growth reached 1.1 percent in 2024, supported by services, energy, and exports. Inflation eased from 17.1 percent at end-2023 to 10.5 percent in May 2025, reflecting falling food prices, a tighter monetary policy stance, and improved price discipline following VAT implementation. The current account deficit narrowed significantly from 12.3 percent in 2023 to 1.9 percent of GDP in 2024, driven by stronger cocoa exports and tourism and a sharp drop in fuel imports. However, gross international reserves fell to about 1.5 months of import cover in 2024, down from 1.9 months in the previous year, mainly due to lower-than-expected official development assistance. Credit to the private sector resumed growth after years of contraction, supported by improved bank liquidity and capital buffers, although sovereign exposure remains high. Fiscal performance exceeded expectations, as strong expenditure control more than offset revenue shortfalls, resulting in a near-zero domestic primary balance. Preliminary 2025 data suggest continued fiscal prudence.

7. The authorities broadly align with staff's medium-term outlook. Growth is projected to reach 2.9 percent in 2025 and 4.7 percent in 2026, supported by public investment, energy sector reforms, and rising exports. Inflation is expected to ease steadily, converging to 5.0 percent by 2027, while the current account deficit remains contained and reserves gradually

increase. The authorities acknowledge downside risks to the outlook, including delays in external financing, energy price shocks, SOE-related fiscal pressures, and high vulnerability to climate change. They also flag rising youth emigration as a constraint to long-term growth. At the same time, they agree that global policy uncertainty poses limited risk, given STP's minimal exposure to U.S. markets and the absence of USAID programs.

Policy Priorities for 2025 and Beyond

Fiscal Policy

8. The authorities remain firmly committed to fiscal consolidation, with a 2025 domestic primary balance (DPB) target of 1 percent of GDP. Despite early revenue shortfalls due to the delayed budget approval following the government reshuffle, strong expenditure restraint kept the deficit below the program target. To meet the 2025 objective, the authorities are implementing new revenue measures—including taxes on fuel and packaging materials—alongside improved VAT compliance and enforcement, enhanced use of electronic invoicing systems, and upgrades to customs through the ASYCUDA platform. On the expenditure side, steps have been taken to rationalize spending, including fuel caps for public institutions, restrictions on non-essential purchases and travel, and the implementation of cost-saving digital tools like SYDOC. The authorities are also managing the fiscal impact of wage reform and minimum wage adjustments by reprioritizing expenditures and ensuring that the wage bill remains within the agreed ceiling.

9. Looking to the medium term, the government aims to raise the DPB surplus to 1.5 percent of GDP by 2026 and 2 percent of GDP by 2027, supported by an ambitious domestic revenue mobilization agenda. This includes legal reforms to modernize the tax framework, automation and AI-based tools for customs and tax administration, and improved compliance through risk-based inspections and taxpayer education. A comprehensive domestic revenue mobilization strategy, to be adopted by September 2025 with IMF technical assistance, will guide these efforts. Importantly, these reforms are being implemented alongside efforts to expand the social safety net, including scaled-up cash transfers, school feeding programs, and the development of a comprehensive social registry. In parallel, broader structural reforms—such as public administration modernization and enhanced fiscal transparency—will help strengthen budget credibility, support inclusive development, and maintain debt sustainability.

10. The authorities are advancing a comprehensive public financial management (PFM) reform agenda to strengthen fiscal governance, enhance transparency, and reduce corruption risks. Key priorities include staffing the new PFM reform unit (GARFIP), adopting a clear budget calendar, procuring a modern Integrated Financial Management Information System (IFMIS) system for full deployment by 2027, and improving public investment planning through a public investment management assessment (PIMA) with a climate module (C-PIMA). Oversight is being reinforced through greater autonomy for the Court of Auditors,

timely submission and publication of audited financial statements, and follow-up on audit recommendations. Fiscal transparency will be further enhanced by revoking the Temporary Law on Investment Incentives, publishing power purchase agreements, and adopting a new Public Procurement Law requiring disclosure of beneficial ownership. These efforts are complemented by broader anti-corruption measures, including strengthening asset declaration systems.

11. The authorities are advancing a comprehensive energy sector reform agenda to address inefficiencies, reduce contingent liabilities, and alleviate pressure on reserves. Fuel prices have been adjusted in line with the rules-based mechanism. In the electricity sector, recent investments have eased supply constraints, while reforms to contain fiscal risks—such as tariff increases, prepaid meter rollout, and fuel controls—are underway. The strategy also prioritizes a shift toward renewables to reduce reliance on imported fuel: a 1.2 MW solar plant is now operational, and another 11 MW project is expected by mid-2026, supported by development partners. Near-term priorities include enforcing anti-theft laws, publishing EMAE's performance data, and preparing a time-bound restructuring plan. The government's interim financing of fuel imports, now included in fiscal targets, will be phased out. SOE governance is also being strengthened through a new oversight unit, updated legal framework, and a forthcoming ownership strategy. These steps reflect strong reform ownership, though sustained implementation will be critical to ensuring energy and fiscal sustainability.

Debt Management Policy

12. São Tomé and Príncipe remains in external and overall debt distress even though public debt remain sustainable looking forward, and the authorities broadly agree with staff's assessment. They are committed to regularizing post-HIPC arrears and recognize the fiscal risks posed by EMAE's persistent losses and arrears to ENCO. Efforts to strengthen debt sustainability include restructuring EMAE, maintaining concessional and measured borrowing, and pursuing fiscal consolidation steadfastly. Debt management is being reinforced through a medium-term strategy, annual borrowing plans, and a debt database, with support from development partners.

Monetary and Financial Sector Policies

13. Monetary policy remains anchored by the euro peg, which continues to serve São Tomé and Príncipe well. To support the peg and strengthen reserve buffers, BCSTP introduced temporary capital flow management measures—including export proceed repatriation and surrender requirements—in line with the IMF's Institutional View. It also adopted a tighter monetary stance to reduce inflation and absorb excess liquidity, primarily through increased issuance of CDs and the planned rollout of 12-month instruments. Core

inflation has declined sharply, and BCSTP will continue calibrating its operations to keep excess reserves under the updated STN 275-million threshold. A joint working group with the Ministry of Finance will prepare a recapitalization strategy to safeguard central bank autonomy. Progress on governance reforms continues, with the long-awaited enactment of the new central bank organic law setting the stage for accelerated implementation of safeguards, including external audits, IFRS transition, and improved internal oversight.

14. Banking sector regulation and oversight are being reinforced through updated capital buffer rules, a new bank rating model, and enhanced supervisory capacity. The draft Financial Institutions Law—expected to be submitted to Parliament by end-September 2025—will modernize regulation and address gaps in licensing, governance, and risk exposures. Operationalization of the Credit Risk Center is progressing with World Bank support. Bank resolution efforts are advancing, with the liquidation of insolvent institutions underway. BCSTP is also deepening financial inclusion through ongoing implementation of the National Financial Inclusion Strategy and the completion of a second household survey on financial inclusion and literacy in March 2025.

Structural Reforms

15. The authorities are formulating a new long-term National Development Plan (2026-2040) to promote private sector–led, inclusive, and job-rich growth. The plan includes reforms to improve human capital, enhance infrastructure, promote agriculture, strengthen the business environment, and reinforce judicial institutions. It also integrates the ratification of the African Continental Free Trade Area (AfCFTA). Tourism and trade recovery efforts are advancing, with a strategic plan to remove São Tomé and Príncipe from the EU Air Safety blacklist by March 2026, supported by regulatory reforms, ICAO-led training, and airport upgrades.

16. Regarding gender inclusion, the National Strategy for Gender will be updated by end-2025 to guide broader efforts on women's economic empowerment, supported by data collection and ongoing financial inclusion initiatives focused on digital access and financial literacy.

17. To strengthen the country's climate resilience, the authorities are preparing their Fourth National Communication to the UNFCCC and working with the IMF on a Climate Policy Diagnostic (CPD) scheduled for September 2025, alongside the World Bank's Country Climate and Development Report (CCDR) expected by early 2026. These diagnostics will inform adaptation planning and lay the foundation for potential future access to the Resilience and Sustainability Facility (RSF), which would help build much-needed resilience to climate change and natural disasters.

Conclusion

18. Based on their satisfactory program implementation in the period under review, the decisive prior actions taken, and their strong commitment to the ECF-supported program, the authorities of São Tomé and Príncipe request the Executive Board's approval for the completion of the first review under the arrangement. They also seek a waiver for the nonobservance of the performance criteria on net international reserves and the non-accumulation of external arrears, as well as modifications to the quantitative performance criteria and indicative targets for end-September and end-December 2025. We would greatly appreciate Executive Directors' support for their requests.