

June 2000

IMF Staff Country Report No. 00/69

São Tomé and Príncipe: Recent Economic Developments and Selected Issues

This Recent Economic Developments and Selected Issues report on São Tomé and Príncipe was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of São Tomé and Príncipe or the Executive Board of the IMF.

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International Monetary Fund
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SÃO TOMÉ AND PRÍNCIPE

Recent Economic Developments and Selected Issues

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Approved by the African Department

April 21, 2000

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São Tomé and Príncipe: Basic Data

Area, population, and GDP per capita

Area (square kilometers)	1,001
Population (1998)	
Total	137,707
Annual growth rate (in percent)	2.5
GDP per capita (in U.S. dollars; 1998)	295

	1993	1994	1995	1996	1997	1998 Est.
(In units indicated)						
Production and prices						
GDP at market prices (in millions of dobras)	20,469	36,295	64,613	98,900	200,000	281,000
Cocoa production (in metric tons)	4,305	3,392	3,845	3,500	3,138	3,928
Cocoa exports (in metric tons)	3,725	3,716	3,400	3,170	2,840	3,800
Consumer price index (annual average; 1996=100)	41.8	53.0	72.7	100.0	168.2	253.1
(In millions of dobras)						
Government fiscal operations						
Revenue and grants	7,102	11,186	25,777	36,547	86,773	81,747
Current expenditure	6,673	11,285	15,480	26,796	55,675	80,709
Of which: interest obligations	2,347	3,982	7,782	9,867	22,524	34,810
Capital expenditure	7,309	15,302	34,563	41,591	84,499	87,328
Net lending	0	0	-72	0	0	-519
Overall fiscal balance (commitment basis)	-6,881	-15,601	-24,195	-31,839	-53,401	-85,771
Net change in arrears (decrease -)	2,062	3,955	5,433	4,899	20,979	21,110
Overall fiscal balance (cash basis)	-4,819	-11,646	-18,763	-26,941	-32,423	-64,661
Financing						
Net foreign financing	4,267	8,016	18,616	15,972	53,358	14,873
Net domestic financing	552	3,630	146	10,968	-20,935	49,788
Monetary survey (end of period) 1/						
Net foreign assets	-8,898	5,575	12,867	23,453	108,185	113,062
Net domestic assets	14,840	9,164	10,094	15,763	-36,134	-23,348
Net domestic credit	11,808	12,274	11,418	17,699	-25,725	-3,089
Claims on the government (net)	5,633	6,755	7,829	18,562	-12,523	4,272
Counterpart funds (nonbudgetary)	-5,527	-9,067	-10,942	-9,666	-20,600	-24,271
Credit to the economy	11,702	14,587	14,531	8,803	7,398	18,109
Of which: public enterprises	8,307	...	...	...	...	-1,200
Other items (net)	3,032	-3,110	-1,324	-1,936	-10,409	-20,259
Money and quasi money	5,942	14,739	22,961	39,216	72,051	89,714
(In millions of U.S. dollars)						
Balance of payments						
Exports, f.o.b.	5.2	5.9	5.1	4.9	5.3	4.7
Of which: cocoa	4.2	5.0	4.7	4.8	4.6	4.6
Imports, f.o.b.	-25.6	-24.3	-23.4	-19.8	-19.2	-16.8
Trade balance	-20.4	-18.5	-18.3	-14.9	-13.9	-12.1
Services and income (net)	-16.9	-16.3	-23.3	-21.2	-19.8	-10.3
Transfers (net)	13.0	18.1	23.2	22.1	32.1	13.8
Current account deficit, excluding official transfers	-35.9	-31.3	-41.1	-35.6	-32.9	-21.8
Current account deficit, including official transfers	-24.4	-16.6	-18.4	-14.0	-1.6	-8.5
Medium- and long-term capital (net)	8.8	7.0	10.8	11.8	2.7	5.5
Short-term capital and errors and omissions	0.2	1.9	0.2	-2.6	0.0	-3.2
Overall balance	-15.3	-7.7	-7.4	-4.8	1.1	-6.3
Financing						
Change in net foreign assets (increase -)	4.7	-2.1	-0.4	0.1	-7.4	2.7
Change in arrears (reduction -)	9.2	-2.0	-21.9	5.0	6.5	3.7
Structural Adjustment Facility (net)	0.0	-0.1	-0.2	-0.2	-0.2	-0.2
Debt relief	1.4	11.9	29.9	0.0	0.0	0.0

São Tomé and Príncipe: Basic Data (concluded)

	1993	1994	1995	1996	1997	1998 Est.
(In millions of U.S. dollars, unless otherwise specified)						
Gross foreign reserves						
End of period	6.0	4.8	5.1	5.0	12.4	9.7
In months of following year's imports, c.i.f.	1.8	1.3	1.5	1.5	5.1	2.9
External public debt						
Medium- and long-term debt (disbursed and outstanding)	197.4	214.1	226.8	234.0	235.5	244.9
Debt-service ratio before debt relief (as percent of exports of goods and services)	124.7	101.0	110.3	73.5	71.8	83.1
Effective exchange rate indices (trade weighted; end of period; 1992=100)						
Nominal	87.3	40.2	24.3	16.4	6.9	6.7
Real	96.9	56.2	39.9	42.4	31.8	35.9
Social indicators						
Life expectancy at birth (in years; 1995)	64.0					
Population (1998)	137,707					
Rural	59,981					
Urban	77,727					
Women	69,680					
Men	68,028					
Crude birth rate (per thousand, 1997)	33.8					
Crude death rate (per thousand, 1997)	8.5					
Infant mortality rate (under 1, per thousand; 1998)	64.0					
Infant mortality rate (under 5, per thousand; 1998)	123.0					
Population per physician (1995)	3,272					
Gross primary school enrollement ratio (in percent of school-age-population; 1998)	71.8					
Literacy rate for ages 15 and above (in percent; 1998)	78.0					

Sources: World Bank; and São Tomé and Príncipe authorities.

1/ Owing to corrections and improvements to the accounts of the central bank, there is a break in the series starting in 1995.

I. RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS¹

A. Structure of the Economy

1. São Tomé and Príncipe is a small, island country with some 138,000 inhabitants; its resources are limited, and its GDP per capita is estimated at about US\$295 (1998). The economy is heavily dependent on cocoa, which accounts for 96 percent of export goods. During 1987-89, São Tomé and Príncipe implemented an adjustment program, supported by a structural adjustment credit and a cocoa rehabilitation credit from the World Bank and an arrangement from the Fund under the Structural Adjustment Facility (SAF). During the 1990s, it liberalized the economy and reduced the role of government in productive activities. Significant structural reforms were implemented, including (1) the contracting out of the agricultural public estates management to private operators under long-term leases; (2) the restructuring of the banking system, with the separation of commercial bank functions from those of the central bank and the establishment of two private banks in 1993 and 1995, respectively; (3) price liberalization; and (4) the introduction of a floating exchange rate at the end of 1994. However, the supply response was disappointing through 1997, and major macroeconomic imbalances developed as a lack of political commitment hindered reforms in the fiscal area. Following a decade of very large macroeconomic imbalances and declining real per capita income, the government successfully implemented a staff-monitored program in 1998-99 that turned around the primary budget balance from a deficit to a surplus, lowered inflation, and helped improve real GDP growth.

2. On the political front, there has been significant liberalization, and São Tomé and Príncipe has enjoyed a democratic political system since 1991 (Box 1), with presidential elections in 1991 and 1996, and parliamentary elections in 1994 and 1998. However, São Tomé and Príncipe faced political tensions in the 1990s, including an aborted military coup in mid-1995, the dissolution of a coalition government in September 1996, and the President's unilateral decision to establish diplomatic relations with Taiwan Province of China. In January 1999, the new government resulting from the November 1998 legislative elections pledged to seek consensus with the President on the major economic, social, and political issues facing São Tomé and Príncipe.

3. Most of the population earns a living through agriculture-related activities. The agriculture sector contributed 17 percent of GDP in 1999, a share that fell from 23½ percent in 1995 (Tables 17 and 18), reflecting the decline in cocoa production. The country is still heavily dependent on cocoa, although production in recent years has only been at one third of the levels recorded in the mid-1970s (Figure 1). Secondary sector activities depend largely on foreign-financed construction projects. The rudimentary industrial base consists mostly of a few public manufacturing and energy enterprises, which account for about 5 percent of GDP. Commerce and transportation (which include a few newly established private

¹ Prepared by Vincent Moissinac, Carlos Leite, and Ramdane Abdoun

companies), the financial system (composed of two commercial banks), and tourism together contributed another 39 percent, a share that increased from 35 percent in 1995-96, reflecting private sector development, particularly in tourism. Public administration remains important, contributing 23 percent of GDP.

Box 1. Democracy in São Tomé and Príncipe

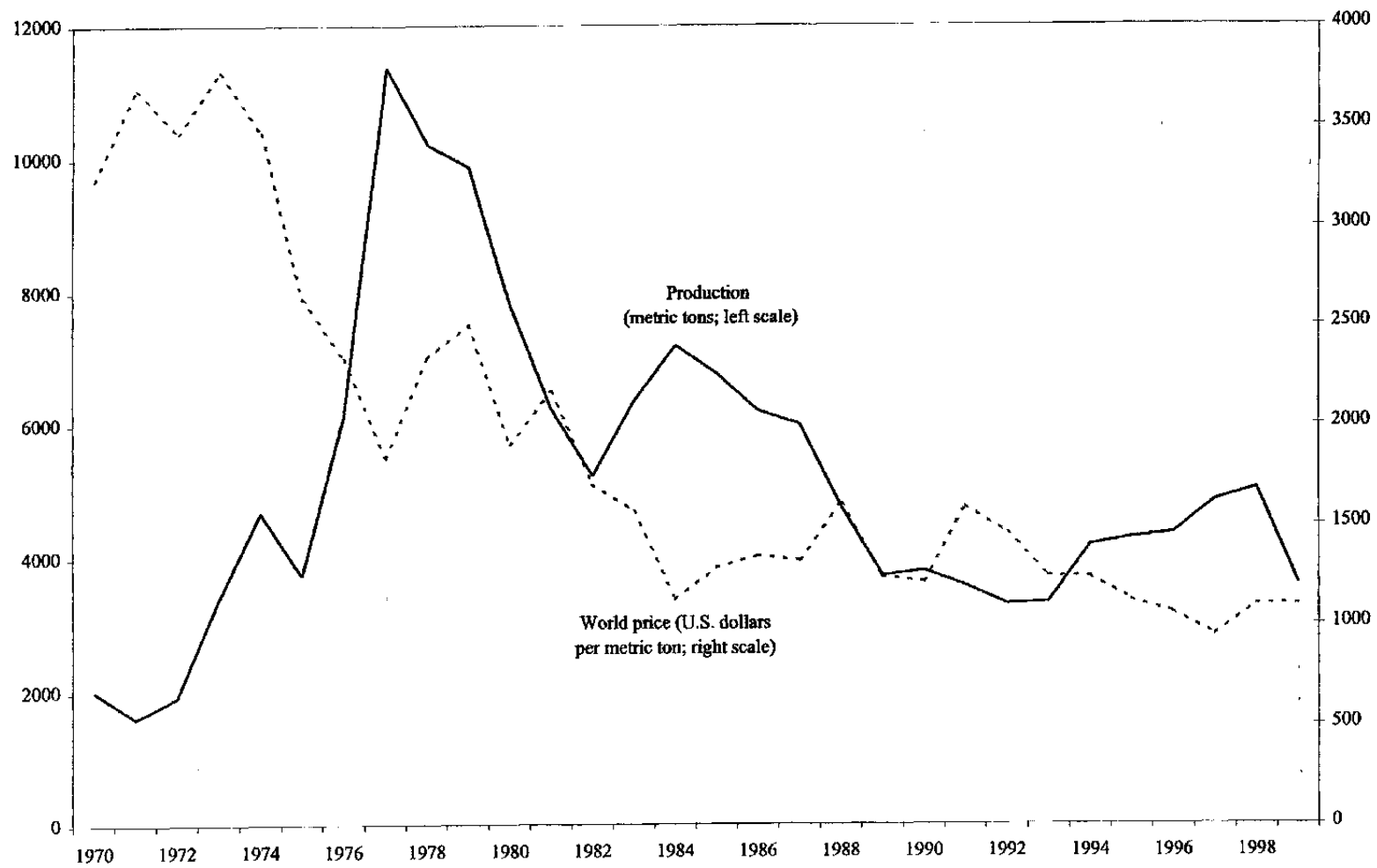
Since the constitutional reforms of 1990 and the first multiparty elections of 1991, São Tomé and Príncipe has made great strides toward developing its democratic institutions and guaranteeing the civil and human rights of its citizens. The people of São Tomé and Príncipe have freely changed their government through peaceful and transparent elections, with the current President of the Republic receiving the support of a party other than the governing party. While there have been disagreements and political conflicts among the Head of State, the government, and the National Assembly, the debates have been carried out and resolved in open and democratic consultations, in accordance with the provisions of the law. Three major political parties and several minor ones actively participate in the political life and openly express their views.

The constitution provides for a variety of rights and freedoms, including freedom of expression and of the press, the right to assemble and meet, the right to a fair trial, and the prohibition of arbitrary arrest, detention, or exile. These rights are observed in practice. The judiciary is now independent, and has brought decisions against both the President and the government. In practice, the judicial infrastructure suffers from severe budgetary constraints, inadequate facilities, and a shortage of trained judges and lawyers, causing long delays in bringing cases to court and hindering investigations in criminal cases.

Administratively, the country is divided into seven municipal districts, six on the island of São Tomé and one comprising the island of Príncipe. Governing councils in each district maintain a limited number of autonomous decision-making powers and are elected every five years.

Independent assessments point out that São Tomé and Príncipe enjoys a substantial degree of freedom. The State Department's *Human Rights Report* for 1998 rates the country's respect for human rights as exemplary. The 1998-99 *Annual Survey of Freedom* by *Freedom House* rates São Tomé and Príncipe as *free*, with a combined score of 1.5 (on a scale of 1 to 7, with 1 representing the most free and 7 the least free) for political rights and civil liberties; only 3 of 48 sub-Saharan African countries have a similarly low score—Cape Verde, Mauritius, and South Africa. The 1999 *Press Freedom Survey*, also by *Freedom House*, lists São Tomé and Príncipe as having a free press, a designation achieved by only 4 other sub-Saharan African countries.

Figure 1. São Tomé and Príncipe: Prices and Production of Cocoa, 1970-99



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

4. Annual real economic growth rates averaged less than 1.5 percent during 1994-97 (Table 19), despite substantial investment, mostly financed by foreign lenders and donors; the rate increased to 2.5 percent during 1998-99. As a result, income per capita has deteriorated steadily, and São Tomé and Príncipe's debt burden has become one of the heaviest in the world (at end-1999, the present value of the debt was estimated to be more than 4 times GDP and 14 times exports of goods and services).
5. The quality of statistical data remains very weak, despite recent improvements in the compilation of monetary statistics, government finance data, and the consumer price index.

B. Developments in 1996-98

Production, demand and prices

6. The moderate recovery in real GDP growth in 1998 and 1999 reflected the rapid development of the tourism sector and the strengthening and diversification of food crop production while cocoa production continued to decline and other export crops stagnated. In 1999, the construction sector also contributed to reinvigorate the economy after it had experienced a marked decline in 1997 and stagnated in 1998.
7. The export-oriented agricultural sector continued to decline in 1996-99. Weather conditions were unfavorable, and most cocoa plantations were damaged by a crop disease. The deteriorating trend in export price of cocoa accelerated in the second half of 1999, which coincided with the harvest season. The potential supply effects of the fall in prices could be significant, particularly for small producers who have no access to storage facilities. The shock also caused financial difficulties for bigger cocoa producers who raised stocks. Cocoa production in 1999 is estimated to have remained at its 1998 level, a significant part of which was stored because of the low export prices. Production of other export crops stagnated during 1996-99. Incentives for agricultural diversification have markedly stimulated food crop production, which increased annually by 18 percent on average during 1996-98. However, deteriorating rural infrastructure limited the access of small producers to the market, and farmers repeatedly abandoned substantial shares of their production.
8. Tourism has driven real growth since 1998. The industry was stimulated by the construction of two new hotel facilities, and both old and new hotels often achieve full capacity utilization. The high content of construction work, induced both by foreign-financed development projects² and new infrastructure for tourism, also started boosting the construction sector in 1999.

² The projects executed under the cooperation program with Taiwan Province of China are almost exclusively in public infrastructure construction or renovation.

9. Gross domestic expenditure has been unstable since 1996. It contracted by 3 percent in real terms in 1996 and by 8.5 percent in 1998, and increased by 2 percent in 1997 and 6 percent in 1999. These fluctuations reflect changes in the availability of foreign assistance, which continues to determine public sector activity to a very large extent. Public investment and social programs financed from abroad slowed down in 1996 and fell by about 30 percent in real terms in 1998. Public expenditure increased sharply in 1999, following a more than 50 percent growth in disbursement of foreign assistance. Excluding expenditures on projects financed by foreign donors, current public expenditures increased at a rapid pace in 1996-1997 (more than 20 percent per annum in real terms). Fiscal tightening successfully reversed this trend in 1998, but domestically financed public consumption is estimated to have increased by 10 percent in 1999. Although the statistical coverage of private consumption and investment is very limited, private absorption is estimated to have declined from 1996 to 1998, before recovering in 1999 by 3.2 percent.

10. The resource balance improved in 1996-98 because of a strong recovery of exports of goods and services coupled with a contraction in imports (Figure 2 and Table 19). The balance slightly deteriorated in 1999, as the rapid expansion of capital expenditures stimulated imports and the real growth of exports decelerated.

11. Expansionary fiscal and monetary policies caused the rate of consumer price inflation to reach 52 percent in 1996 and to accelerate further to 80 percent in 1997 on an end-of-year basis (Table 26).³ This upsurge in inflation was coupled with a rapid depreciation of the nominal exchange rate vis-à-vis the U.S. dollar, amounting to 61 percent in 1996 and 146 percent in 1997. The adoption of a tight fiscal and monetary policy mix reduced inflation to 21 percent in 1998 and 13 percent in 1999. In the circumstances, the exchange rate of the dobra vis-à-vis the U.S. dollar stabilized in 1998 and only depreciated by 6 percent in 1999 on an end-of-year basis.

12. The terms of trade improved during 1996-98 by an average annual rate of 12 percent as the world cocoa price increased and the world oil price declined. Both trends dramatically reversed in 1999, and indications are that the export price of cocoa for São Tomé and Príncipe fell even more than world prices (Figure 3 and Table 43). As a result, the drop in the terms of trade in 1999 is estimated at 52 percent.

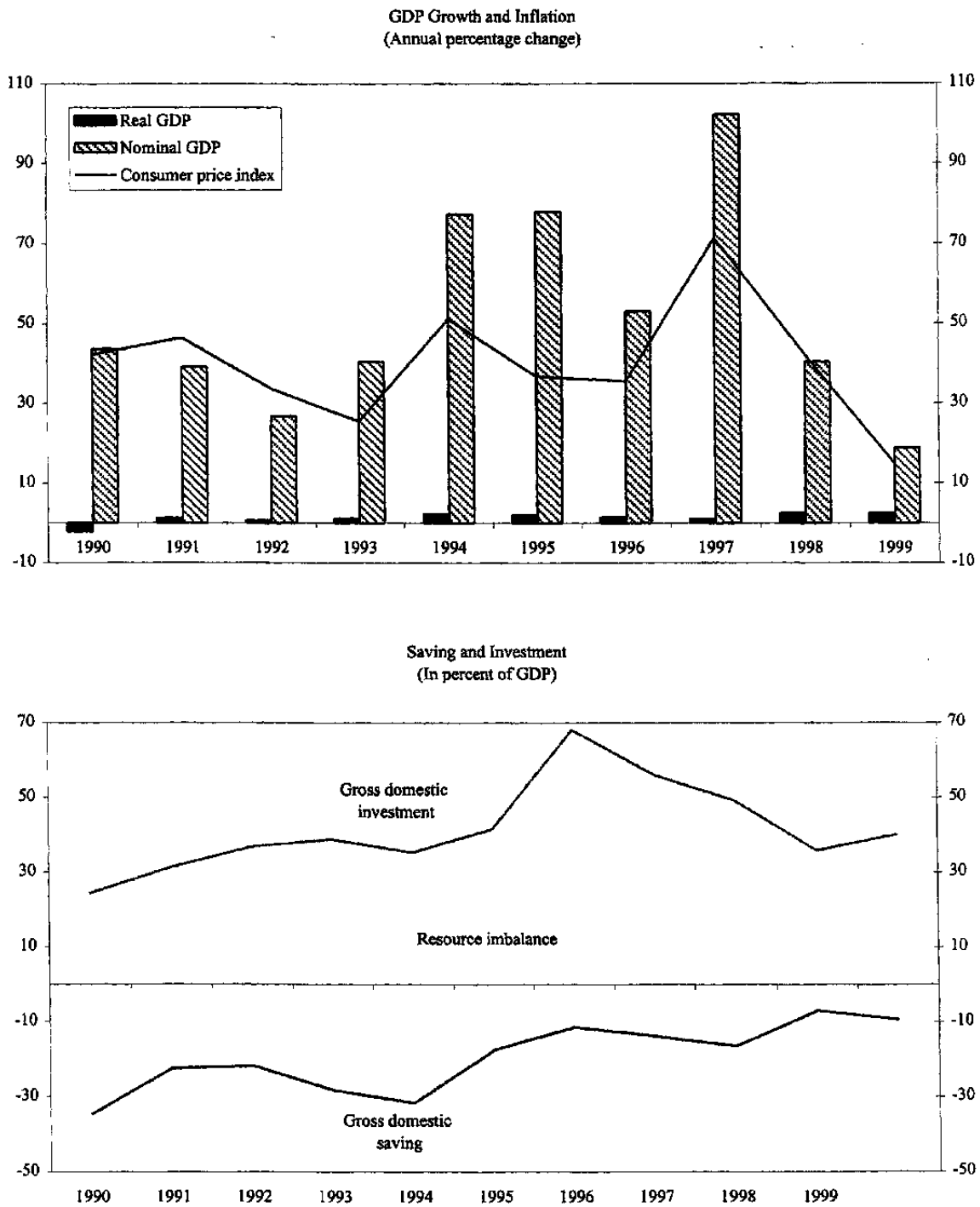
Public finance developments

Recent fiscal performance

13. The weaknesses in the implementation of macroeconomic policies were critical in 1994 when the primary fiscal deficit (excluding grants and foreign-financed capital

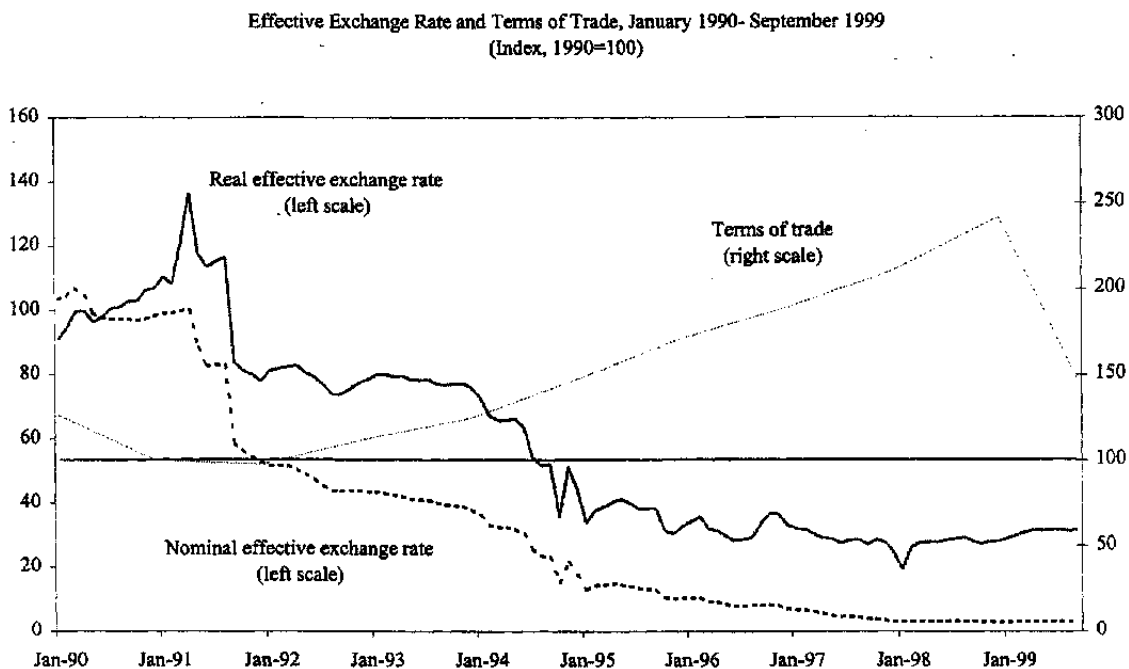
³ During 1996-98, the rise in prices was strongest for health services (317 percent), housing and electrical equipment (296 percent), energy (288 percent), and education services (256 percent).

Figure 2. São Tomé and Príncipe: Output, Prices, Savings, and Investment, 1990-99

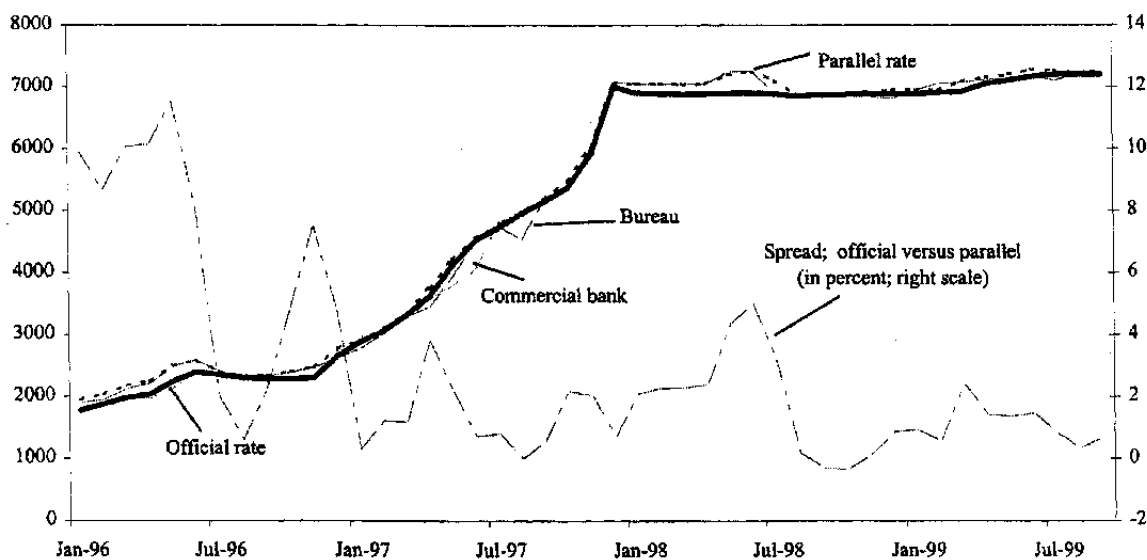


Sources: São Tomé and Príncipe authorities; and staff estimates.

Figure 3. São Tomé and Príncipe: Exchange Rates and Terms of Trade, 1990-99



Average Exchange Rates, January 1996-September 1999
(Dobras per U.S. dollar, unless otherwise indicated)



Sources: São Tomé and Príncipe authorities; IMF, World Economic Outlook database; and staff estimates.

expenditure) reached 10 percent of GDP (Table 31). To correct these weaknesses, the authorities succeeded in reducing domestically financed expenditure and increasing nontax revenue in 1995, significantly improving the fiscal position, and in particular, eliminating the primary budget deficit. However, fiscal performance was disappointing in 1996-97, as political uncertainties hindered the effective implementation of the government's intended adjustment policies.

14. In 1996, in the context of a depressed economic environment and a decline in foreign assistance, the authorities expanded current primary expenditures in real terms, while government revenue declined in real terms. On the revenue side, the principal problems remained: (1) a weak customs administration and lax control of exemptions (some 37 percent of imports were exempted); and (2) the absence of price adjustments for petroleum products despite a sharp depreciation of the dobra. On the expenditure side, personnel costs increased by 1 percentage point of GDP, while transfers to the electricity company (EMAE) amounted to 3 percent of GDP. In the circumstances, the primary balance turned negative again, with a deficit close to 5 percent of GDP.

15. In 1997, the primary fiscal deficit exceeded 2 percent of GDP. Despite successful efforts to improve operations in the tax audit unit (resulting in the collection of significant amounts of tax arrears), proposed measures to improve the efficiency of operations at customs were not implemented. In particular, customs management was not strengthened, and the use of ad hoc customs exemptions was not curtailed. Excluding the (nonrecurrent) collection of arrears, 90 percent of which came from a single taxpayer, tax revenue remained at the low level recorded in 1996 (9 percent of GDP); on the strength of improvements in tax auditing, and attendant larger transfers from public enterprises, nontax revenue increased slightly to 4 percent of GDP.

16. On the expenditure side, noninterest current outlays exceeded budgetary allocations by over 50 percent in 1997, with every budgetary line showing a substantial excess and the treasury accumulating large domestic arrears (2 percent of GDP). The sharp increase in personnel costs, of some 2 percent of GDP, reflected the decision to grant a general wage increase in mid-1997 with retroactive effects for the first half of the year. Moreover, unbudgeted subsidies to public enterprises were sizable because (1) prices of petroleum products were not adjusted sufficiently by the state-owned oil distribution company (ENCO) to fully reflect changes in import costs, and (2) the financial position of EMAE, which built up arrears on the payment of its oil bills, continued to be weak. Overall, extrabudgetary expenditures accounted for about half of the overruns, owing mostly to spending decisions taken by the Council of Ministers, including the financing of the liquidation of the insolvent National Savings and Credit Institution (CNPC) through central bank credit, and ad hoc current outlays financed through the special grant received from Taiwan Province of China in 1997.

17. In 1998, the authorities adopted a policy framework under which they aimed at eliminating the primary fiscal deficit and at limiting the growth of broad money to 20 percent, thereby allowing inflation to slow to 25 percent (from over 80 percent in 1997). The principal policies underlying the program involved improvements at customs, including

commitments to cease granting new exemptions, to implement tighter expenditure controls (including avoiding extrabudgetary expenditures), not to grant a general wage increase, and to settle the cross arrears involving EMAE and ENCO.

18. Fiscal performance turned around for the better in 1998 under the government policy framework. The primary fiscal balance moved to a surplus of close to 1 percent of GDP, as revenue mobilization was better than forecast, exceeding 19 percent of GDP, and expenditure was contained within budget limits, with noninterest current expenditures remaining at the level of 1997—slightly above 16 percent of GDP—and domestically financed capital expenditures rising slightly to over 2 percent of GDP. Continued improvements in the tax audit units led to better performance in both direct and indirect domestic taxes. Meanwhile, the partial privatization of ENCO resulted in a significant improvement in the collection of customs duties and excise taxes on petroleum products, and allowed the treasury to recover arrears previously accumulated by ENCO. Nevertheless, difficulties at customs continued, as a weak oversight of exemptions and pervasive fraud and evasion led to significant shortfalls in both import duties (excluding petroleum products) and export taxes. Moreover, attempts by customs to impose penalties were effectively frustrated by a 1944 law requiring prior court approval.

19. Regarding primary expenditure, a budget overrun of Db 7.6 billion was recorded in 1998 despite the implementation of stronger spending controls. This overrun resulted from increases in domestically financed investments, the wage bill (owing to a general wage increase and the implementation of the special system for the remuneration of military personnel in 1998), and current spending on goods and services (as the treasury continued to encounter difficulties in monitoring water and electricity bills). However, the primary budget surplus allowed the elimination of the domestic payments arrears, while the partial privatization of ENCO allowed both the elimination of cross arrears (between ENCO, EMAE, and the treasury) and the stricter implementation of the automatic price adjustment mechanism for petroleum products.

Fiscal policy: regional comparison

20. Since 1994, eight West African nations—Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo, and Guinea-Bissau—have attempted to translate their joint participation in the CFA franc zone into full economic integration by establishing the West African Economic and Monetary Union (WAEMU).⁴ Some of these countries face the same challenges and issues that São Tomé and Príncipe has been addressing, namely the need to improve financial intermediation, liberalize trade policy, improve the climate for private and foreign investment, both domestic and foreign, and streamline a cumbersome regulatory

⁴ Guinea-Bissau joined WAEMU only in 1997; for information on current conditions in the WAEMU region, see Ernesto Hernández-Catá and others, *The West African Economic and Monetary Union: Recent Developments and Policy Issues*, Occasional Paper No. 170 (Washington: International Monetary Fund, 1998).

framework. In the circumstances, it is useful to compare economic policy across WAEMU countries with that in São Tomé and Príncipe.⁵

21. Overall, fiscal policy in São Tomé and Príncipe compares well with results across WAEMU (see table below). Regarding the primary fiscal balance and total government

São Tomé and Príncipe: Fiscal Policy in a Regional Context, 1995-98

(In percent of GDP)

	1995	1996	1997	1998	1995-98 Average
Primary balance 1/					
São Tomé and Príncipe	0.0	-4.6	-2.2	0.7	-1.5
WAEMU	-1.7	-0.8	-1.3	-1.6	-1.3
Total revenue (excluding grants)					
São Tomé and Príncipe	16.5	13.4	15.6	19.4	16.2
WAEMU	17.2	17.7	17.8	17.5	17.6
Functional distribution of total expenditure					
São Tomé and Príncipe					
Education and culture	11.5	8.5	7.2	4.5	7.9
Health	6.4	7.8	10.2	7.3	7.9
WAEMU					
Education	4.1	4.4	4.5	4.4	4.3
Health	1.3	1.5	1.5	1.5	1.5
Wages and salaries					
São Tomé and Príncipe	3.3	4.2	5.9	6.7	5.0
WAEMU	5.2	5.1	5.1	4.9	5.1

Sources São Tomé and Príncipe authorities; and World Economic Outlook (WEO) database.

1/ Excluding foreign-financed capital expenditures.

revenue, the averages for 1995-98 are very close, although annual figures for São Tomé and Príncipe are less stable. With respect to the functional distribution of total expenditure, São

⁵ As noted in the chapter on the evaluation of trade reform, recent efforts at liberalizing customs tariffs in São Tomé and Príncipe have been closely paralleled by similar measures undertaken by WAEMU.

Tomé and Príncipe compares very favorably, with a higher percentage of GDP allocated to the key social sectors of education and health. In addition, the same percentage of GDP is allocated to public sector wages on average during 1995-98 in São Tomé and Príncipe as in WAEMU.

22. The treaty governing WAEMU establishes the principle of gradual convergence of economic performance and a set of convergence criteria in the area of public finance:

- a level of civil service wage bill not to exceed 50 percent of tax revenue;
- a level of public investment financed by domestic resources equal to at least 20 percent of tax revenue;
- a primary basic fiscal surplus equivalent to at least 15 percent of tax revenue;
- declining or unchanged levels of domestic arrears; and
- declining or unchanged levels of external arrears.

23. The table below shows that São Tomé and Príncipe was broadly in line with the WAEMU criteria in 1998. The first two criteria, on the civil service wage bill and the level of public investment, were met by São Tomé and Príncipe; the primary balance was lower than required but still positive; domestic arrears declined as required; and, while São Tomé and Príncipe did accumulate external arrears, this was limited to reschedulable debt.

São Tomé and Príncipe: Simulation of WAEMU Convergence Criteria, 1998

(In percentage of tax revenue, unless otherwise indicated)

Civil service wage bill (less than 50 percent)	35.2
Public investment financed by domestic revenue (at least 20 percent)	19.6
Primary fiscal balance (at least 15 percent)	5.3
Domestic arrears (declining or unchanged) 1/	-3,453
External arrears (declining or unchanged) 1/	29,479

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

1/ Change in the level of arrears (in millions of dobras).

Monetary developments

Background

24. As a result of an expansionary credit policy and a lack of supervision exacerbated by severe weaknesses in accounting and administrative procedures, São Tomé and Príncipe's banking system came close to collapse in early 1993. At that time, it consisted of two banks, the National Bank of São Tomé and Príncipe (BNSTP), which operated as the central bank and as a commercial bank, and the People's Credit Institution (Caixa Popular de Créditos, or CPC). To avoid a major financial crisis, the monetary authorities embarked in March 1993 on a comprehensive rehabilitation program, involving the liquidation of the BNSTP and CPC, the establishment of the Central Bank of São Tomé and Príncipe (BCSTP), and the liberalization of banking activity. Simultaneously, two new commercial banks, the International Bank of São Tomé and Príncipe (BISTP) and the National Savings and Credit Institution (*Caixa Nacional de Poupença e Crédito*, or CNPC), commenced operations, assuming the major part of the assets and liabilities of the commercial branch of the BNSTP and the CPC, respectively. The BISTP is a joint venture of the government and private Portuguese banks which, as majority shareholders, are in charge of the management of the bank; it specializes in short-term trade financing. The CNPC, a state-owned bank that was involved in the financing of the agricultural sector, was liquidated in 1997, following an aggressive and imprudent credit policy that generated large amounts of nonperforming loans. A new private commercial bank owned by local shareholders, the Banco Comercial do Equador (BCE), started operations in late 1995, specializing in the financing of the small and medium-sized cocoa producers.

Developments in 1994-97

25. Developments in 1994-97 reflected the limited effects of the 1993 monetary reform and the expansionary fiscal and monetary policies. Monetary policy, which centered on three instruments—the reserve requirement ratio, credit ceilings, and the central bank discount rate—proved ineffective because the central bank engaged in a continuous financing of large fiscal deficits through unremunerated facilities. As a result inflation soared, exceeding 80 percent in 1997, the exchange rate of the dobra vis-à-vis the U.S. dollar depreciated more than twelve-fold between 1994 and 1997, the dollarization of the economy increased, and foreign exchange transactions became the banks' main activity. Commercial banks became very liquid, but bank credit to the private sector was limited, leading the authorities to abandon the use of credit ceilings in 1996. The discount rate was changed several times over the period, but its trend did not follow that of inflation, resulting in negative discount rates during long periods. As a result, commercial banks stopped using it as their reference rate.

26. Reflecting these above developments, monetary trends were characterized by a steep increase money supply, with broad money surging by an annual average of some 60 percent in 1995-96 and by 90 percent in 1997 (Table 34). Net credit to the government rose substantially by 52 percent of end-1995 money stock in 1996, and fell by 113 percent of end-1996 money stock in 1997, following a surge in government deposits resulting from the mobilization of the special grant from Taiwan Province of China. Confronted with

deteriorating financial conditions dominated by soaring inflation and a steep depreciation of the dobra, the commercial banks reduced drastically their lending operations, causing credit to the private sector to decline steadily in nominal terms; the banks focused instead on the lucrative foreign exchange intermediation business, which allowed them to reinforce their net foreign assets position. By contrast, the net international reserves position of the central bank, although creditor, was continuously weak, except in 1997 when it was boosted by a substantial inflow of government counterpart funds. Overall, the composition of the money stock was somewhat stable, with the share of currency outside banks fluctuating around 21 percent, and demand deposits averaging 38 percent. Time deposits, which are essentially in foreign exchange, accounted for an average of 41 percent of the total.

Monetary and credit policy in 1998

27. Beginning in 1998, monetary conditions began to improve, reflecting the authorities' efforts to improve macroeconomic policies and reduce inflation, and their desire to revitalize the banking system. The reserve requirement ratios on foreign and local currency were unified at 22 percent, up from 15 percent for the local currency deposits and down from 30 percent for the foreign currency deposits. The rediscount rate of the central bank was lowered to 29.5 percent from 55 percent in November 1998, as inflation abated but remained positive in real terms. The direct advances to the treasury by the central bank were contained, and, to mop up the excess liquidity of commercial banks, all the government accounts were transferred to the central bank in March 1998. Finally, sustained efforts were undertaken to strengthen bank supervision.

28. These efforts on the monetary front, coupled with a tightening of the fiscal stance, resulted in a substantial improvement in the economic and financial conditions, including the reduction in inflation; the stabilization of the exchange rate, which remained practically constant against the U.S. dollar; and a progressive recovery of public confidence, which boosted bank lending operations and more than doubled credit to the private sector. However, banking activity remained constrained by persistent weaknesses in the judiciary system with respect to contract enforcement, which limited access to bank credit. In addition, despite the stabilization of the exchange rate of the dobra, the narrowing to less than 1.5 percent of the spread between the parallel and the official exchange rates, and the steep decline in inflation, banks continued to charge a large risk premium (up to 27 percentage points) in domestic currency lending.

29. In 1998, broad money increased by some 25 percent, or less than nominal GDP growth. With the drawdown on government deposits, net bank credit to the government rose by 18 percent of beginning-of-period money stock. The net foreign assets of the banking system increased also by some 7 percent of beginning-of-period money stock, as the net accumulation of international reserves by the central bank more than offset the deterioration in the net foreign assets position of commercial banks.

Banking supervision

30. São Tomé and Príncipe adopted a set of prudential ratios in 1992, summarized in Box 2. These prudential ratios are in line with international standards and the Core Principles of the Basel Committee on Banking Supervision.

Box 2. Prudential Ratios (In percent, unless otherwise indicated)	
Minimum capital requirement ¹	US\$1.8 million
Minimum capital adequacy ratio ²	8
Division of risk	
Individual norm limitation (percent of capital base)	10
Economic group limitation (percent of capital base)	25
Global limit for loans representing more than 25 percent of the capital base	8 times
Minimum coverage of medium- and long-term liabilities by medium- and long-term assets	75
Related lending (as percentage of total lending)	20
Portfolio risk structure (percent of low risk loans)	60
Ratio of maximum fixed assets and equity investment to capital ratio	100
Ratio of maximum off-balance-sheet fixed assets to capital ratio	15
Sources Lei das instituições financeiras (9/92) ; and nota introdutória aos primeiros regulamentos e instruções do Banco Central de São Tomé e Príncipe (Diário da República 25, 1992).	
¹ In line with Basel Committee recommendations, total capital is divided into core capital and supplementary capital (also called tier 1 and tier 2 capital).	
² The balance sheet and of-balance-sheet risks for the calculation of the capital adequacy ratio comprise four risk weights of 0, 20, 50, and 100 percent.	

31. One of the two commercial banks operating in São Tomé and Príncipe, accounting for close to 60 percent of deposits, extends very little credit to the economy and invests mainly in foreign assets. Its reserves at the central bank are well above the official requirements and

its solvency ratio was 69 percent in November 1999. The other bank, which had made large medium-and long-term lending in 1996-98, now faces a decrease in deposits. As a result, the liquidity difficulties of this bank have grown since 1998. Regarding solvency, based on the preliminary data for December 1999, the bank appeared to have satisfied the minimum capital requirement with a capital adequacy ratio of 27 percent. However, the composition of loans was excessively concentrated, and related lending reached 36 percent of total credit (or 64 percent of owner equity), far above the 20 percent ceiling. In addition, the coverage of fixed assets and equity investment by capital was close to the legal ceiling.

32. The comparative analysis of the balance sheets of the two banks sheds some light on the limited role of monetary policy and the structural impediments to the allocation of credit. Liquidity is unevenly distributed in the banking sector, and no assets are traded among banks. One of the banks is not directly affected by the prevailing tight monetary conditions because its lending operations are not constrained by the availability of liquidity; for the other, beyond the tightening of monetary conditions, the steady reduction of deposits and the liquidity shortage limits bank lending.

External sector developments

Balance of payments developments

33. The trade deficit gradually narrowed during 1996-98, reflecting a reduction in foreign-financed public investment projects and depressed real income, stemming in part from the steep real depreciation of the dobra. In 1998, the sharper decline of official financial assistance was compensated for by foreign direct investment that financed increased imports of investment goods generated by the construction of new hotel facilities. Agricultural exports stagnated during the three years; cocoa production was stalled by unfavorable weather conditions in 1996 and a crop disease in 1998, and land distribution reforms left many farmers without the appropriate equipment and infrastructure to produce efficiently and at a high quality.⁶ The service and income balance notably improved in 1998 over 1996 and 1997 because of a marked slowdown of technical assistance and freight costs. Official transfers significantly increased in 1997 not only because of a rise in the share of grants in project and technical assistance financing, but also because of food aid, and most important, exceptional large nonproject grants. Official transfers contracted by 57 percent in 1998, as grants associated with bilateral technical assistance became negligible. Overall, the current account deficit (including official transfers) narrowed from 31 percent of GDP in 1996 to 4 percent of GDP in 1997, before widening to 21 percent of GDP in 1998 (Table 38).

⁶ In 1999, the decline in exports accelerated in the midst of a sharp fall in world cocoa prices, the main export product, and foreign-financed imports soared, owing to continued expansion in construction and tourism development. As a result, the estimated trade balance deteriorated by 49 percent in dollar terms.

34. The capital balance sharply deteriorated in 1997 as project loan disbursements continued to decline and nonproject loans were totally suspended, following the accumulation of sizable arrears to both multilateral and bilateral donors in 1995-96. However, the improvement in the current account balance that resulted from the large official transfers led to an overall balance of payments surplus in 1997, and, while the authorities continued to accumulate arrears to bilateral creditors, the central bank international reserves position strengthened by more than US\$7 million. In 1998, project loans bottomed out, with only US\$5.4 million disbursed, and amortization obligations increased to US\$4.1 million. The long- and medium-term capital account improved, however, because of higher foreign direct investments; however, there was a substantial short-term capital outflow, and, given the widening in the current account balance, the overall balance of payments turned back into a deficit, that was financed through a further accumulation of arrears and the use of central bank international reserves.

External debt

35. The emerging public consensus on the need to deal effectively with the excessive external debt burden served to raise the domestic profile of external debt policy, leading the government to establish an interagency committee charged with external debt management. At a technical level, the committee has made use of the consultancy services of Debt Relief International to considerably strengthen its technical capacity, including by moving from a manual system in 1997 to a fully computerized system using the debt-management software Debt-Pro. An early round of reconciliation of loan details and outstanding balances with creditors is largely complete, resulting in a significant improvement in the quality of data on both debt stock and future payments. A rescheduling agreement with the Arab Bank for Economic Development in Africa (BADEA) was recently completed, eliminating arrears and releasing new external funds. At a recent seminar held in Mozambique on the Initiative for Heavily Indebted Poor countries (HIPC Initiative), a debt sustainability analysis was prepared, and its results were made widely available in written format in São Tomé.

36. The total outstanding stock of debt, including short-term debt, reached some US\$293 million at end-1998,⁷ or 721 percent of GDP (Table 44). The proportion of debt owed to multilateral creditors was 56 percent. The stock of arrears continuously increased during 1996-98 because São Tomé and Príncipe stopped servicing its debt to all official bilateral creditors in 1996, except Cape Verde and France, and it also accumulated arrears on maturities due to the African Development Fund and BADEA. New arrears on scheduled debt-service obligations amounted to US\$6.5 million in 1997 and US\$4.4 million in 1998.⁸ The present value of total external debt amounted to US\$191 million at end-1998, or more than 16 times the value of exports of goods and services, implying an average grant element of 34 percent (the average grant element in total external debt excluding arrears was

⁷ This includes arrears to Italy worth US\$19 million, a loan that remains in dispute.

⁸ The stock of arrears fell in 1999 as the BADEA rescheduled in February some US\$7.8 million of debt with a grant element of 34 percent.

estimated at 45 percent). The present value of multilateral debt alone amounted to 605 percent of exports of goods and services.

37. Scheduled debt-service obligations (before debt relief and including late interest charges) amounted to US\$10 million in 1998, or 83 percent of exports of goods and services (Figure 4), with about 42 percent of the debt-service obligations owed to multilateral creditors. The low ratio of debt-service due to debt stock (2.7 percent) reflects both the high degree of concessionality of the debt and the large stock of arrears. Total debt-service obligations increased during 1996-98 as grace periods for many multilateral loans expired.

Exchange and payments system

38. The exchange and payments system has been considerably liberalized with (1) the elimination in September 1998 of the obligation to surrender export earnings to the central bank, (2) the elimination in February 1999 of restrictions on allocations of foreign exchange for imports of essential goods, and of limits on payments for invisibles; (3) the issuance in August 1999 of a new law on foreign exchange transactions,⁹ completely liberalizing current account transactions, (4) the removal at end-1997 of limits on exchange rate movements at the commercial banks, and (5) the adoption of a daily calculation for the official exchange rate as an average of exchange rates in the *bureaus de change*, parallel market, and commercial banks.¹⁰ The strict implementation of the latter measure, together with improved estimates on parallel market activity, has resulted in the elimination of previously large spreads between the official and the parallel market rates. During 1996-99, these spreads narrowed from 6.5 percent to less than 1.5 percent, eliminating the multiple currency practices. These substantial changes should enable São Tomé and Príncipe to accept the obligations under Article VIII of the Fund's Articles of Agreement in the near future.

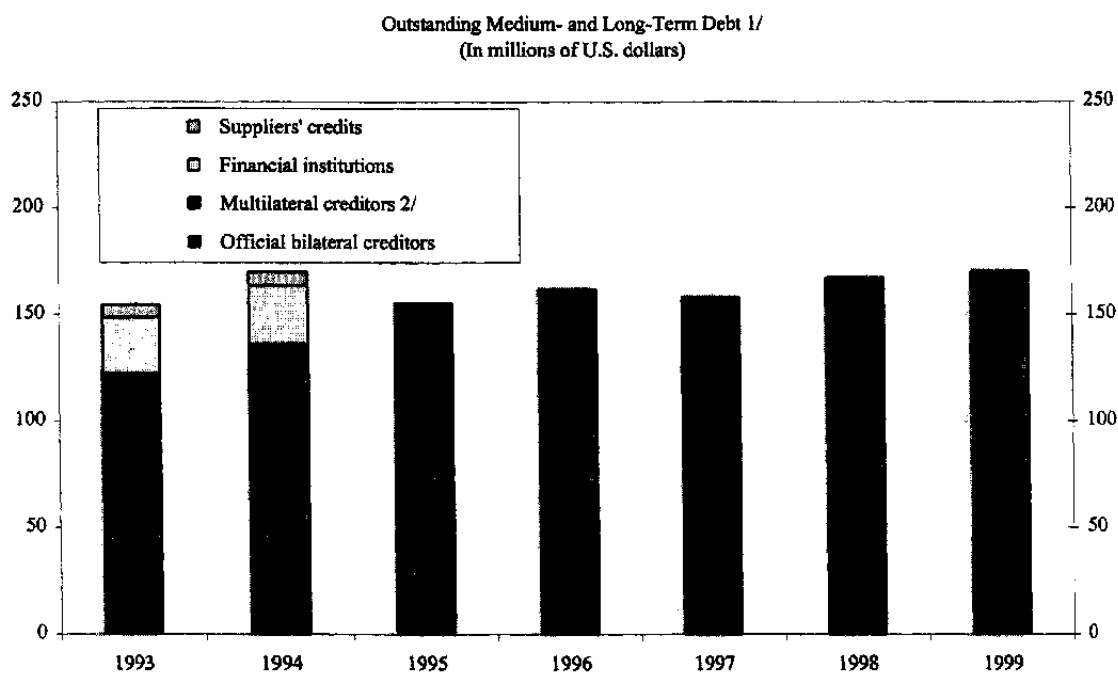
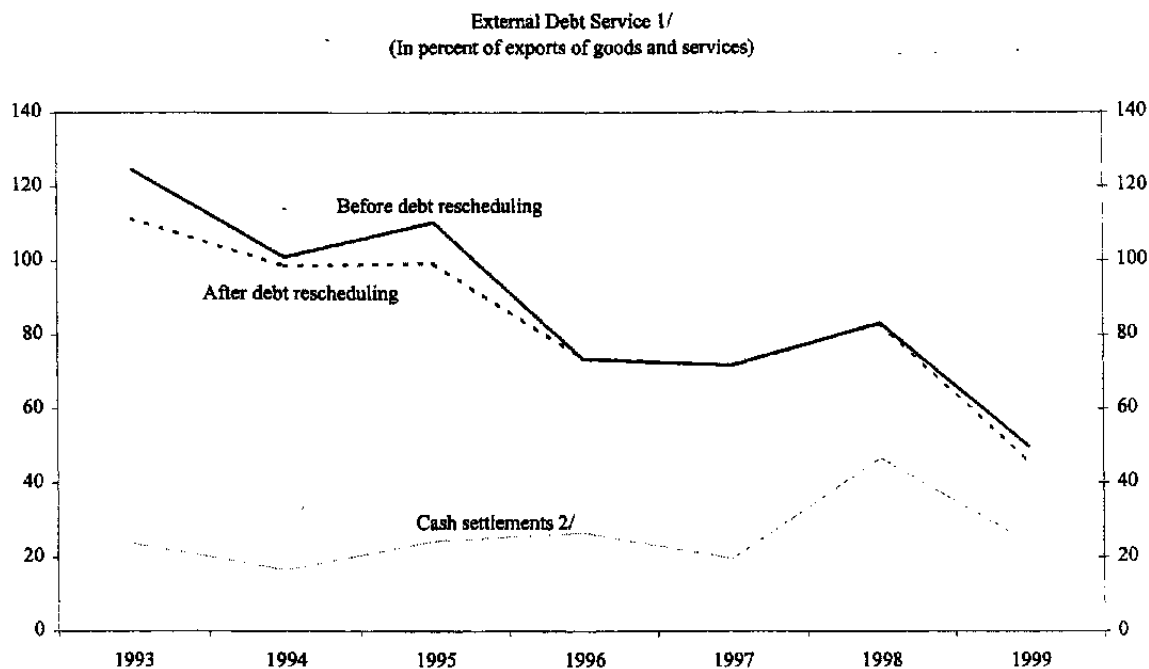
Structural reforms

39. During 1996-99, São Tomé and Príncipe pursued an active structural reform agenda, under which the government took the following actions:

⁹ Consequently, import and export registration is currently done solely for statistical purposes; the applicable licenses are granted automatically by the Directorate of External Commerce.

¹⁰ The weights are based on the recorded dollar value of the previous day's transactions in the commercial and *bureaus de change* markets, and an estimate of the dollar value of transactions in the parallel market. According to the central bank data, the vast majority of foreign exchange transactions are effected through commercial banks, while the market share of the *bureaus de change* is virtually nil.

Figure 4. São Tomé and Príncipe: Public Sector External Debt, 1993-99



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

1/ Includes IMF.

2/ Includes arrears.

- strengthening budgetary procedures;
- strengthening the implementation of the current tax code;
- strengthening internal control at the central bank;
- enacting legislation on insurance regulation;
- pursuing economic diversification;
- deregulating prices;
- redistributing agricultural land;
- implementing a privatization program;
- drafting sectoral strategies for key ministries; and
- embarking on a program of civil service reform.

40. On budgetary procedures, the treasury has strengthened its capacity to control expenditures by increasing the level of computerization; strictly implementing order and payment procedures; enhancing cash management by means of monthly reconciliations of fiscal and monetary data; more strictly adhering to budgetary appropriations and to end-period cutoff dates for expenditure allocations; curtailing the use of general budgetary allocations to ministries and other levels of government; centralizing the authority to negotiate with donors and creditors in the Ministry of Finance; and producing a unified Budget Law that includes the budgets of the central bank and semiautonomous public enterprises, such as EMAE, and both domestically and externally financed public investment.

41. On the tax code, the auditing capabilities of the tax inspection unit have been enhanced following efforts to scrutinize and apply more strictly the existing provisions, the hiring of more tax auditors, and the awarding of incentive-laden subcontracts for tax audits of both public and private sector firms. The combination of these efforts resulted in the collection of a substantial amount of overdue taxes in 1997 and 1998 and continues to contribute to the recent sharp increases in the revenue collection. The changes in customs management implemented in September 1999, including the appointment of a new director and the adoption of more modern administrative procedures, should serve to consolidate recent improvements in revenue collection.

42. The central bank has now been the beneficiary of technical assistance on internal control procedures, and the ensuing recommendations are being fully implemented. To ensure that internal control is strengthened, and to provide increased assurance as to the reliability of its accounting records, the central bank has also initiated a program of annual external audits by an internationally recognized public accounting firm. The results of these audits will be made public when available.

43. On insurance, following recent requests by private sector firms for insurance licenses and franchises, the authorities have enacted a law (Decree 47/98) regulating the industry. The law sets out both entry and operating conditions for the insurance industry, including limits to areas of operation and regulations of a prudential nature, and entrusts the central bank with

supervisory responsibilities, a task for which the central bank is now seeking technical assistance.

44. Regarding economic diversification efforts, foodcrop exports to neighboring countries, and the emerging tourism sector have been expanding with the improvement in incentives for private initiative. In addition, the government has pursued the possibility of establishing duty-free zones in São Tomé and Príncipe. Decrees 61/95, 62/95 and 70/95 establish the legal framework for duty-free zones and offshore activities, including the authority of the central bank to supervise offshore banking activities; Dispatch 30/97 formally establishes the Authority of Free Trade Zones (AFTZ); and Decree 33/98 adopts a code of conduct for such enterprises and approves the AFTZ as the central supervisory body. The Executive Director and the Administrative Council (composed of seven members from various public sector entities) of the AFTZ were appointed in May 1999, and a program of activities and draft budget were quickly drafted. By October 1999, however, political wrangling forced the Executive Director to resign, and the activities of the AFTZ have been severely curtailed. In the circumstances, and notwithstanding the reception of three proposals for free trade zones (Box 3), tangible developments remain scanty.

45. As the importance of internet marketing becomes apparent, and as São Tomé and Príncipe begins to implement efforts to diversify its economy, a negative development has recently come to light: the selling of the country's top-level internet domain name (.st domain) to foreign parties. The government is unaware of the modalities of this transaction, which has nonetheless been properly registered by the international supervisory body, while the treasury has not received any compensation; in fact, no definitive evidence as to the parties involved in this transaction has yet surfaced.

46. Prices were fully deregulated, including the prices of agricultural produce and inputs, with the notable exception of services provided by EMAE, the public telephone company, and oil prices. Following recommendations in a World Bank study, the oil-importing company (ENCO) adopted an automatic petroleum product retail price adjustment mechanism; several price adjustments took place in 1997–99 in response to changes in both world oil prices and local distribution costs.

Box 3. Free Trade Zone Initiatives

São Tomé and Príncipe signed a memorandum of understanding (MOU) in April 1996 and a concession convention in May 1997 with the West African Development Corporation (WADCO), with the intent of awarding the concession of an area in Príncipe (the Agulhas Bay concession), for a period of 50 years, to be developed as a free trade zone (FTZ). The concessionaire, a wholly foreign-owned company, declared its intention to develop a variety of activities to service the region bordering the Gulf of Guinea, with a particular emphasis on the needs of the oil sector and the expatriate community in the area. Primary business activities under consideration include (1) trading base, for goods and services to foreigners based on duty-free prices; (2) marine and aviation services, including the provision of maintenance and engineering facilities; (3) general services, including financial services and offshore banking, modern telecommunications capabilities, health care facilities, and recreation and leisure services; and (4) stocking and warehousing services, including bulk storage of high-cost spare parts for shipping and aviation. As the area of the concession includes the Sundi agricultural estate, otherwise scheduled to participate in the land redistribution project, WADCO agreed to immediately assume full financial responsibility for the operations, including meeting the payroll of the plantation. WADCO has thus far failed to deliver on this obligation, and living conditions on Sundi continue to deteriorate.

An initial cost-benefit analysis, undertaken by external consultants in 1997, raised some questions as to the reliability of the financial projections by WADCO, which involve a total investment of some US\$280 million over three years and achievement of break-even status after ten years; it also suggested that the economic linkages to the rest of the economy would be minimal, while the financial benefits to the treasury would be severely hampered by the initial ten-year tax holiday. A comprehensive study on the environmental implications—significant given the small size of the island of Príncipe and the several unique species of flora and fauna—is yet to be completed.

In the meantime, two competing bids for free trade zones, including the development of a deep-sea port to be located on the island of São Tomé, was advanced in 1998 by parties initially involved in the promotion of oil exploration activities in São Tomé and Príncipe. A MOU was signed in April 1998 with Environmental Remediation Holding Company (an American-owned promotion company), and there is an agreement in principle with Island Oil Exploration Ltd. (a locally owned company); in both cases, the expressed intent was to pursue an offshore logistics center in São Tomé. At end-1999, these two proposals had not advanced beyond the planning phase, and there were reports of negotiations to merge the two plans. The activities envisioned in these competing plans are similar to the WADCO proposal.

47. A land reform and distribution project was initiated in 1993, with the objective of distributing 20,000 hectares from government agricultural estates to small and medium-sized farms. At end-1992, government estates covered approximately 65,367 hectares (some 67 percent of the country's surface), of which 33,821 hectares were cultivated. At end-1999, a total of 36,000 hectares had been redimensioned and redistributed to smallholders (39 percent) and medium-sized farms (19 percent), or legally classified as forest.¹¹

¹¹ In response to the redistribution of land to smaller farms, the government's new emphasis on agricultural diversification, and the recent price deregulation measures, production of food for local consumption has increased significantly (Table 21).

48. Under the project, as soon as land is distributed, farmers receive some support from several foreign-financed projects, including food aid, inputs at a subsidized price, and assistance in organizing local associations. Privately managed agricultural marketing companies (SACs) are responsible for distributing foreign-financed input supplies, and they have started to charge market prices for scarce goods.

49. At present, landholders have the right of use under long-term leases, but the issue of land tenure, in particular land ownership with the usual rights and obligations, has not been resolved. Additionally, extension services remain underdeveloped and the heavy reliance on donors (including for the supply of inputs and the provision of training, research, and extension services) has not been relaxed.

50. Regarding public enterprise reform and privatization, the authorities liquidated the national savings and loans institution (CNPC) in 1997, and, in 1998, they partially privatized ENCO and placed two hotels (Miramar and Pousada Boa Vista) under private management. In October 1999, the government adopted a new public enterprise reform and privatization program aimed at liquidating two companies, a meat processing concern (ENCAR) and a medicine distribution company (ENAMED); fully privatizing the main coffee plantation (Monte Café) and an hotel (Pousada Boa Vista); and conducting studies on the best strategy to restructure and possibly privatize three companies – the palm oil development company (EMOLVE), a construction material distribution company (Cunha Gomes), and the national airlines (Air São Tomé).

51. Sectoral strategies for agriculture, education, and health have recently been drafted, although the documents are still not completely operational. The rural development strategy laid out in the agriculture policy paper (Carta de Políticas Agrícolas e Desenvolvimento Rural) lists four main goals: to improve the living conditions of the rural population, increase and diversify agricultural production, develop food production for internal consumption, and promote the preservation and rational management of natural resources. The binding constraints are currently the lack of (1) an effective transportation network, (2) a coherent strategy on input supply and extension services, and (3) a rational system of land ownership.

52. The education sector strategy is guided by the recent National Forum on Education and emphasizes that system-wide reforms are necessary because of the profound degradation over the last decade. The main objectives of the proposed strategy are to enhance equality of access; improve the quality of teaching; and rehabilitate the institutional apparatus. Two key issues for the sector are the need to eliminate the current practice of double and triple shifts, which exists principally in the districts of Água Grande, Mé-Zochi, and Lobata, and the need to operationalize a policy to increase the number of qualified teachers.

53. The strategy for the health sector outlines the necessary reforms and complies with the guidelines of the United Nations' Special Initiative for Africa (March 1996) in stressing: the promotion of geographical equity in the delivery of health services; improvement in the efficiency of resource management, reinforcing in particular decentralization and enhancement of administrative capacity at the regional level; improvement in the quality of health care services; and improvement in the communication with, and involvement of,

patients in the health care system. At the moment, an excessive amount of the health budget is spent on the central hospital, at the expense of regional health centers.

54. In the area of civil service reform, progress has been modest. The strategy formulated in 1997 established a comprehensive salary scale for the civil service, increased the base salary (to the equivalent of US\$10 per month), and provided for the retrenchment of 1,000 positions through a combination of compulsory retirements and voluntary departures. In the event, a UN-sponsored project determined that the decree establishing the retirement ages from 1998 at 56 for men and 51 for women turned out to affect only 300 employees, and the government has thus far been unable to secure funding for the voluntary departure program. In 1999, the government did establish a Ministry of Civil Service and Employment, and work proceeded on the preparation of organizational and staffing plans for the ten ministries that compose the executive branch of government. However, the downsizing resulting from the implementation of these plans is being assessed, and the authorities would need external financial and technical assistance to proceed.

II. EVALUATION OF CUSTOMS TARIFF REFORM¹²

A. Introduction

55. São Tomé and Príncipe has engaged recently in a wide-ranging trade liberalization program, including the following:

- the elimination of remaining restrictions on current account transactions, with the adoption of a new law liberalizing current transactions in August 3, 1999.
- the effective elimination of nontariff barriers (NTBs),¹³ including the reduction to zero of the export surrender requirement in 1998, the abolition of the practice of preferential allocation of foreign exchange to a basket of basic necessities, the elimination of the requirement for a letter of credit for import transactions, and the removal of import licensing requirements for airplanes, ships, and jewelry; and
- the elimination of multiple currency practices and the reduction of the spread between the official and the black market exchange rate to less than 1.5 percent on a daily basis.

56. In 1999, São Tomé and Príncipe also embarked on a process of reforming management procedures at customs by hiring better-qualified technicians, replacing the longtime director, advancing a proposal to strengthen the regulations dealing with contentious items,¹⁴ and renewing the commitment to full implementation of the computerized customs system (SYDONIA).¹⁵

¹² Prepared by Carlos Leite.

¹³ São Tomé and Príncipe has never relied extensively on quantitative restrictions and there is none in existence. São Tomé and Príncipe does retain some monopoly practices, namely in water and power utility, the importing and distribution of oil products, telecommunications, and air transportation, although the companies involved in these sectors have been partially privatized, with the exception of the water and power utility.

¹⁴ The proposal, which empowers customs to impose penalties and sanctions without first obtaining a court order (although retaining the right of appeal on the part of the customer) and updates the size and nature of penalties (some of which were originally set in absolute terms in the 1940s) was originally presented to parliament with the 1999 budget; however, it was rejected on a technicality. A similar proposal will again be presented to parliament as part of the bill presenting the reform of customs duty rates.

¹⁵ With technical assistance from France and the European Union, São Tomé and Príncipe also intends, in 2000, to improve its training program, draft and implement a plan of action to
(continued...)

57. With regards to trade policy, the government has also prepared a customs tariff reform in order to simplify the tariff structure and increase transparency and the rate of compliance; and to lower the effective protection rate. Attainment of these objectives would help reduce the incentive for rent-seeking activities and safeguard regional competitiveness, particularly in light of current proposals from the Central African Economic and Monetary Community (CEMAC) and WAEMU members to follow up on their 1994 efforts with a second round of trade reforms.

58. This chapter attempts to evaluate the proposal for tariff reform and, specifically, to quantify its likely revenue impacts. The next section discusses the tariff regime in the neighboring CEMAC and WAEMU zones; the third section describes the current trade tax regime; the fourth section describes the data set gathered for this exercise; and the fifth section evaluates the quantitative impact on revenue of the new tariff regime and concludes.

B. Regional Comparison

59. Significant efforts have been made to liberalize trade in the West Africa region since the devaluation of the CFA franc in January 1994. Table 1 provides some indicators of the trade regime for São Tomé and Príncipe and a sample of countries in the region. The trade restrictiveness ranking refers to the classification scheme for overall trade restrictiveness described in Sharer and others (1998). Given the geographical proximity, it is also useful to briefly discuss the current tariff regime for both the CEMAC and the WAEMU regions.

60. In the CEMAC region (comprising Cameroon, Chad, Central African Republic, Equatorial Guinea, Gabon, and the Republic of the Congo), the trade regime was significantly liberalized in August 1994 with the reduction of the number, levels, and dispersion of customs tariffs; the revised structure had only four rates, with the maximum set at 30 percent (see table below). At the same time, all quantitative restrictions were eliminated, and multiple rates of indirect domestic taxation were replaced by a simplified turnover tax (in anticipation of the introduction of a value-added tax system).¹⁶ As a result, the index of trade policy restrictiveness for these countries in 1999 is estimated at 4 (on a scale of 1 to 10, with 10 being the most restrictive), compared with an average of 5.4 for Africa.

61. After the ratification of the CEMAC treaty at the Malabo Summit in June 1999, an effort to deepen the reforms of 1994 was initiated. The current proposal would reduce the number of tariff bands to three in 2000 by grouping the two lowest-taxed categories, as indicated in the following table, and reduce distortions by systematically reclassifying goods

assess recent measures and improve management practices, strengthen the information and planning systems, and modernize customs regulations.

¹⁶ At present, CEMAC legislation allows the collection of a turnover tax (*TCA*) ranging from 0 to 18 percent, an excise tax (*droit d'accise*), and a temporary surtax (*surtaxe temporaire*) with a maximum of 30 percent.

as a function of their economic nature. Overall, the proposal would reduce the average tariff¹⁷ from 18 percent to approximately 11 percent (reducing the standard deviation from 9.6 percent to 3.2 percent).

CEMAC: Customs Tariff Structure, 1994 and 2000

(In percent)

1994 (Current)		2000 (Proposal)	
Category	Import duty rate	Category	Import duty rate
Basic necessities	5	Basic inputs ^{1/}	5
Raw materials and equipment goods	10	Intermediate goods	10
Intermediate goods and various inputs	20	Consumption goods	20
Current consumption goods	30		

Source: IMF (1999).

^{1/} Including raw materials and investment goods.

62. On account of social concerns, exemptions would be maintained for essential goods, such as pharmaceutical drugs and medical instruments, but eliminated for other goods (including consumption, intermediate, and investment goods) that were exempt under the 1994 scheme. It is assumed that possible shortfalls in fiscal revenue can be offset by an increase in the effective recovery rate: first, from a decrease in the rate of fraud, given the reduced incentives for evasion; and, second from a stricter application of the regulations by customs management.¹⁸ All quantitative restrictions are to be eliminated by the year 2000.

63. In the WAEMU region (comprising Bénin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo), a new tariff regime was introduced on January 1, 2000. The following table presents the classification scheme for both the old (1999) and the revised system (2000).

¹⁷ On the basis of the articles contained in the harmonized classification system published in 1996 by the World Customs Organization.

¹⁸ Current recovery rates are estimated to vary from a low of 2–3 percent for Equatorial Guinea to a high of 11–13 percent for Gabon.

WAEMU: Customs Tariff Structure, 1999-2000
(In percent)

Category	Import Duty Rate	
	1999	2000
Socially essential goods	0	0
Basic necessities, raw materials and equipment goods	5	5
Intermediate goods and materials	20	10
Final consumption goods	25	20

Source: WAEMU.

64. The old system was in effect solely for the year 1999 as a transition to the revised scheme. Two other permanent taxes are collected at customs, the statistical tax (*redevance statistique*) and the community solidarity levy (*prélèvement communautaire de solidarité*), both at a rate of 1 percent. In addition, two other transitory taxes are imposed: the sliding-scale protection tax (*taxes dégressive de protection*), which will range from 7.5 percent to 15 percent in 2000 and will be eliminated, progressively, by end-2002; and the import surtax (*taxe conjoncturelle à l'importation*), set at 10 percent.

C. Current Trade Tax Regime in São Tomé and Príncipe

65. At present, the customs administration in São Tomé and Príncipe collects four types of taxes levied on imported goods:

- transaction tax (*Contribuição Industrial Variável*), uniformly set at 8 percent;
- import duty (*Direitos De Importação*), a mix of ad valorem and specific rates ranging from 0 percent (basic foodstuffs and pharmaceuticals) to 6–50 percent (alcoholic beverages) and 10–66 percent (petroleum products);
- customs duty (*Emolumentos Gerais Aduaneiros*), uniformly set at 3.5 percent; and
- consumption excise tax (*Imposto Sobre o Consumo*), ranging from 0 percent (books, basic foodstuffs, construction materials, and pharmaceuticals), to 40–130 percent (alcoholic beverages), 4–53 percent (petroleum products), and 100–250 percent (tobacco). this tax is cascading in nature as it is levied on the after-tax value (taking into account the first three trade taxes) of imports.

66. As a result of the 1998–99 round of liberalization, São Tomé and Príncipe is now characterized as open (compared with its original ranking of restrictive) with respect to NTBs, but the existing duty structure is still characterized as restrictive, owing to the high

average tariff rate (in excess of 27 percent).¹⁹ Additionally, two other characteristics of the current regime tend to be considered as restrictive: a large number of duty rates (over 100), and a high degree of dispersion (from 0 to 75 percent).²⁰ Overall, the trade tariff regime in São Tomé and Príncipe is ranked as moderate, with an overall score of 5 on the trade policy restrictiveness scale, down from a score of 10 (out of 10) at end-1997. This compares with rankings in the range of 3–4 for the CEMAC countries, which have recently greatly simplified the duty structure and reduced the import duty rates.

D. Data

67. The data used to analyze the proposed tariff reform include fiscal data on the level of import and consumption taxes, balance of payments data on the level of imports, customs data on exemptions granted in 1998 and the first semester of 1999, and a customs data set of detailed transactions for 1997. The latter set excludes (on criteria chosen by the local consultant) transactions on essential goods and petroleum products, as well as any transactions with a discrepancy between the tax owed and the tax ultimately paid. In other words, the detailed data set excludes transactions on which arithmetic or recording errors were (perhaps inadvertently) made and not subsequently corrected, and also transactions subject to total or partial exemptions.

68. Table 2 contains a summary of the data on detailed transactions organized according to the proposed new classification scheme: category 1, with a proposed import duty rate of 5 percent; category 2, with a 10 percent rate; and category 3, with a rate of 20 percent. Noteworthy is the effect of the relatively high rates currently imposed on alcoholic beverages: omitting the latter reduces the declared value of category 3 items by 88 percent and collections for category 3 by 92 percent. Table 3 suggests that the detailed transactions data represent some 8 percent of total imports in 1997 but close to 30 percent of import and consumption taxes²¹ collected, evidence that some agents or sectors pay significantly higher rates of taxes than the rest of the economy or even their direct competitors.²²

69. There is considerable evidence of significant levels of customs exemptions, and, although some of these have been negotiated bilaterally in the context of the investment code, the data available suggest that the government itself is the single largest beneficiary,

¹⁹ Table 1 includes the details for the computation of São Tomé and Príncipe's scores.

²⁰ Even excluding the consumption tax, which ranges from 0 to 130 percent.

²¹ Excluding petroleum products, basic foodstuffs, and investment goods, both in the detailed transactions data and in the total imports and source of fiscal revenue.

²² Some hotels, for example, have successfully negotiated a 50 percent reduction in the duties and taxes payable on imported wines, whereas their competitors continue to be subject to the full rates.

with approximately 50 percent of exemptions accruing to the public sector.²³ Fiscal losses from exemptions represented close to 90 percent of taxes actually collected at customs for 1998 and the first semester of 1999 (Table 4). Along with the considerable evidence of significant amounts of tax evasion that the very low collection rates shown in Table 3 suggest, there is also evidence of a considerable degree of underinvoicing. A comparison of the declared value in the detailed transaction data set (likely the upper range of the actual declared values) with an export unit price published by the National Institute of Statistics of Portugal suggests underinvoicing, on average, of some 85 percent (likely an understatement) of the unit price.

70. As suggested by Pritchett and Sethi (1994) for Kenya, Pakistan, and Jamaica, higher tariff rates increase tariff revenue in ever-decreasing amounts (and may even result in an absolute decrease); more specifically, the relationship between the collected rate and the official rate tends to be nonlinear, so that a 10 percent increase at higher rates results in a much smaller increase in the collection rate than a similar increase at lower rates. The explanation must be that higher rates (and wider dispersion) significantly increase the marginal return to evasion, underinvoicing, and exemption-seeking activities, efforts likely aided by weaknesses in customs administration. Pritchett and Sethi (1994) suggest the following relationship on tax efficiency rates (the ratio of the rate of collection with respect to the statutory rate):

Efficiency Rates
(In percent)

Tariff Rate	Tax Efficiency Rate
5	96.3
10	99.9
20	81.4
30	53.4

71. This hypothesis is broadly consistent with the 8.1 percent rate of collection on import duties shown in Table 3, which is equivalent to an efficiency rate of approximately 23 percent, given that (1) only 15 percent of the transactions recorded in the detailed data set attract an import duty rate less than 20 percent, and (2) 75 percent of the transactions attract a combined tariff and sales tax rate in excess of 30 percent.²⁴

²³ The authorities are preparing a census of all exemptions, and they intend to more closely monitor quantity limits and expiry dates.

²⁴ Assuming that efficiency rates are rate specific instead of good specific would allow us to use the expected efficiency rate to estimate the possible effect on tax collections.

E. Tariff Reform and the Impact on Fiscal Revenue

72. The new customs taxation scheme would replace the existing regime of trade taxes with an import duty comprising only three rates: 5, 10, and 20 percent. Given the relatively high rates of taxes paid on alcoholic beverages and petroleum products, the authorities intend to make the proposed changes revenue neutral for these products by applying the appropriate level of specific consumption taxes. At present, basic foodstuffs and pharmaceuticals are charged only the 3.5 percent customs duty rate (*Emolumentos Gerais Aduaneiros*), but, under the new scheme, these products would attract the minimum import duty rate of 5 percent. Weighted by the number of items in each of the three categories (according to the four-digit Harmonized Commodity Description and Coding System), the average import duty in São Tomé and Príncipe will now be 10.3 percent. The following table summarizes the proposed regime.

São Tomé and Príncipe: Customs Duty Structure, 2000
(In percent)

Category	Import Duty Rate
Basic foods, pharmaceuticals, fuels, and agricultural inputs	5
Food, paper products, textile raw materials, and equipment goods	10
Final consumption goods (including some agricultural products)	20

Source: The São Tomé and Príncipe authorities.

73. The sales tax, which, given the high degree of import penetration and the high level of informality in the domestic production sector, has an impact broadly similar to that of a general value-added tax (VAT), would also continue to be collected at customs. Two scenarios are evaluated for the structure of the sales tax: (1) the status quo, and (2) the use of four rates: 0, 5, 10, and 15 percent. For the latter case, the zero rate would be reserved for basic foodstuffs and pharmaceuticals; the 5 percent rate would be applied to other products that currently attract a sales tax rate of 5 or less percent; the 10 percent rate would be applied to products currently taxed at between 5 percent and 10 percent; and the 15 percent rate would be applied to all other products. In addition, the 5 percent sales tax would be applied to domestic services, such as hotels and restaurants.²⁵

74. The consumption taxes to be applied to specific products, including the motor vehicle tax (*Imposto sobre Veículos*), will be set as follows:

²⁵ Application of the sales tax to domestic services would help ensure consistency with the World Trade Organization and would also represent a first step toward a full credit-based VAT system, the immediate implementation of which is difficult, given the limited administrative capacity and training currently available.

São Tomé and Príncipe: Customs Duty Structure and Consumption Taxes

Category	Current	Consumption Taxes (In percent)	
	Customs tax total	Import duty rate	Consumption tax
Tobacco ^{1/}	166 – 313	20	55
Alcoholic beverages	67 – 275	20	25 – 55
Fuels	14 – 328	5	9 – 323
Motor vehicles ^{2/}	Specific taxes	20	10 – 35

Source: São Tomé and Príncipe authorities.

^{1/} At present, official imports of tobacco are negligible (despite the wide availability of tobacco products).

^{2/} At present, the motor vehicle tax is a specific tax determined as a function of the size and age of the vehicle. Although this tax is reviewed annually, the current tax levels are relatively low; for example, a vehicle over 1,900 cubic centimeters and less than 6 years old attracts a tax of Db 6,000 (the equivalent of less than one U.S. dollar).

75. Table 5 displays the projected impact of these changes on customs revenue for 1997 and the first semester of 1999. These initial calculations assume revenue neutrality for alcoholic beverages and fuels, do not take account of the effect of extending the current sales tax to domestic services, and do not include any behavioral assumptions: in particular, we assume no change in the rate of evasion or underinvoicing,²⁶ no change in the level of imports (i.e., no elasticity-type effects owing to price changes), no change in the level and extent of exemptions, and a constant rate of collection (or level of efficiency at customs).

76. Our estimates indicate that, as a worst-case scenario (that is, assuming no further improvement in the rate of compliance or strengthening of customs management), a loss of fiscal revenue on the order of 10 percent can be expected. In the circumstances, it is quite likely that measures envisaged by customs management to strengthen administration and intensify collection should recoup these potential losses, and, with the current economic recovery holding, collections on import taxes are projected to increase in 2000 over the 1999 outcome.

77. In conclusion, the proposed tariff reform should enhance the degree of transparency in customs procedures and begin reducing the effective rate of protection under which the São Tomé and Príncipe economy has been developing. At the same time, the risks that the reform will cause to fiscal revenue losses are very limited.

²⁶ In addition to generally strengthening management and improving the training available to the staff, the authorities are working closely with the chamber of commerce to increase the rate of compliance with customs law. In particular, customs management has elaborated a plan to closely monitor invoicing practices through periodic updating of Portugal's unit export prices, a practice that addresses the key issue of underinvoicing.

78. The next stage of reform should envisage a further reduction in the level of import taxes; a reclassification of goods as a function of their economic nature (along the lines of the proposed CEMAC scheme); and an extension of the embryonic general sales tax (possibly moving toward a VAT system) in order to reduce further the treasury's dependence on trade taxes.

79. In addition, to rationalize procedures at customs and facilitate data gathering, it is recommended that customs use treasury checks (*chèques du Trésor*) for the (exempt) imports of foreign-financed project goods. São Tomé and Príncipe should also consider joining the World Customs Organization (WCO) and the World Trade Organization (WTO) in order to benefit from the expertise available, as well as from the documentation, regulations, and staff training. Joining the WCO will allow São Tomé and Príncipe to endorse the International Convention on the Harmonized Commodity Description and Coding System, designed to harmonize customs and trade procedures and to facilitate data sharing,²⁷ joining the WTO will grant it access to that organization's dispute resolution mechanism.

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²⁷ São Tomé and Príncipe is one of the few countries worldwide yet to accede to these two international organizations.

Table 1. Sub-Saharan Africa Selected Countries: Trade Restrictiveness Measures, 1998-99

	São Tomé and Príncipe	Angola	Benin	Cameroon 1/	Republic of Congo
Unweighted average tariff (percent)	27.0	18.5	13.1	18.8	18.8
Nontariff barriers	Not significant	Cumbersome	State trading in cotton	Not significant	Not significant
Export taxes (percent)	5 - 8	Yes	No	10	13
Exp. Surrender requirement	Eliminated	Yes	Yes	Yes	Yes
PDR restrictiveness rankings					
Overall	5	10	5	3	3
Nontariff barriers	1	3	2	1	1
Tariff barriers	4	5	2	3	3
	Côte d'Ivoire	Equatorial Guinea	Gabon 2/	Ghana 3/	Nigeria 4/
Unweighted average tariff (percent)	15.0	18.8	18.8	14.2	26.3
Nontariff barriers	Imp./exp. Monopolies	Not significant	Not significant	Export control of cocoa	15 prohibited items
Export taxes (percent)	Yes	...	Yes	Yes	No
Exp. Surrender requirement	Yes	...	Yes	Yes	Yes
PDR restrictiveness rankings					
Overall	9	4	4	5	7
Nontariff barriers	3	1	1	2	2
Tariff barriers	3	4	4	2	4

Sources: Sharer and others (1998); and staff calculations.

1/ In Cameroon, an export tax of 10 percent is levied on coffee, cocoa, cotton, rubber, sugar, palm oil, and medicinal plants; a specific tax CFAF 4,000 a ton is levied on bananas. An export tax of 17.5 percent is applied to timber, and a rate of 12.5 percent is applied to processed woods.

2/ In Gabon, export taxes are levied on mining products (0.5 percent) and forest products (5 percent to 11 percent).

3/ In Ghana, exporters are generally allowed to retain up to 35 percent of their export proceeds in foreign exchange accounts. However, the retention ratio is 60 percent for Ashanti Gold Mining Company, 20 percent for log exporters, and 2 percent for the Cocoa Board. The retention ratio for nontraditional exports is 100 percent, and proceeds are generally channeled through banks other than the Bank of Ghana.

4/ In Nigeria, all oil exploration and oil-producing companies, as well as oil services companies, must sell their foreign exchange earnings to the Central Bank of Nigeria at the prevailing autonomous foreign exchange market (AFEM) rate. Non-oil exporters are permitted to sell their export proceeds to authorized dealer banks at AFEM rates.

Table 2. São Tomé and Príncipe: Detailed Customs Transactions Data, 1997

Category 1/	Number of Transactions	Tariff and Tax Rates (In percentage terms)					Customs Valuation (In millions of dobras)		
		Transaction tax	Import duty	Customs duty	Consumption tax	Cumulative 2/	Declared Value	Taxes due	Taxes collected
1	88	8.0	10.1	4.9	7.7	32.4	1,126	326	325
2	153	8.0	12.6	4.9	11.3	39.7	944	346	345
3	45	8.0	25.7	5.0	35.1	89.3	815	746	746
Adjusted 3/	34	8.0	24.8	5.0	14.1	57.3	96	58	58
Total	286	8.0	13.9	4.9	13.9	45.2	2,885	1,418	1,416
Adjusted total 3/	275	8.0	13.3	4.9	10.5	39.5	2,165	730	728

Source: São Tomé and Príncipe authorities.

1/ The division into categories reflects the proposed new import duty structure: 5 percent for category 1; 10 percent for category 2; and 20 percent for category 3. Includes only transactions for which taxes due equaled taxes collected and, in any case, excludes transactions on petroleum products and basic foodstuffs.

2/ Consumption tax is imposed on the after-tax valuation, taking into account the first three sets of taxes collected at customs.

3/ Category 3, excluding alcoholic beverages.

Table 3. São Tomé and Príncipe: Data Coverage for 1997 Detailed Customs Transactions
(In millions of dobras, unless otherwise specified)

Revenue collected from detailed customs transactions	1,418
In percent of adjusted revenue	28.5
Import revenue 1/	8,920
Less: petroleum-related	3,568
basic foodstuffs	383
Adjusted revenue	4,969
Value of imports due to detailed customs transactions	2,885
In percent of adjusted imports	8.1
Total imports of goods	84,872
Less: petroleum-related	17,423
basic foodstuffs	10,951
investment goods	20,990
Adjusted imports	35,508
Collected rate (in percent of imports per balance of payments)	
Import duties	8.1
Consumption tax	7.2

Source: São Tomé and Príncipe authorities.

1/ Receipts due to the four taxes collected at customs; from budget execution data.

Table 4. São Tomé and Príncipe: Value of Exemptions Granted at Customs, 1998-99
(In millions of dobras, unless otherwise specified)

	January-December 1998			Composition (In percent)	January-June 1999	
	Tax due	Tax paid	Losses		Losses	Composition (In percent)
Total 1/	17,169	74	17,094	100.0	18,333	100.0
Diplomatic corps	1,494	0	1,494	8.7	930	5.1
Development projects	3,801	38	3,763	22.0	1,980	10.8
Customs	2	1	1	0.0	0	0.0
Investment code	2,775	11	2,764	16.2	2,329	12.7
Technical assistance	32	0	32	0.2	73	0.4
Nongovernmental organizations	546	1	546	3.2	440	2.4
Government	6,677	3	6,675	39.0	8,211	44.8
Public enterprises	681	0	680	4.0	2,321	12.7
Emigrants	144	19	125	0.7	42	0.2
Others	1,016	1	1,015	5.9	2,006	10.9
Memorandum items:						
Import and consumption taxes collected			19,394		15,090	
Imports of goods			116,380		76,650	
Effective collection rate 2/			16.7		19.7	
Effective exemption rate 2/			14.7		23.9	

Source: São Tomé and Príncipe authorities.

1/ The increase in the exemption rate in the first semester of 1999, along with the increase in the collection rate, is likely to have been predominantly a result of improved administrative procedures implemented in 1999.

2/ In percent of imports of goods.

Table 5. São Tomé and Príncipe: Projected Impact of Reforms on Customs Revenue, 1997-99
(In millions of dobras, unless otherwise specified)

	1997	1999 Jan.-June
Customs revenue (import duties and consumption tax)	8,920.0	8,134.0
Effect on revenue collection from:		
Change in import duty rates 1/	-1,365.0	-1,038.8
New regime for basic foodstuffs and pharmaceuticals	136.6	213.0
Efficiency improvement 2/	1,393.8	...
New sales tax regime	73.9	56.1
Improvement in collections from ENCO 3/	178.4	...
Postreform adjusted revenue	9,159.2	7,364.3
In percent of customs revenue	102.7	90.5

Sources: São Tomé and Príncipe authorities; and staff calculations.

1/ Assuming revenue neutrality for petroleum-related receipts.

2/ The 3 percent improvement in effective collection rates noted in Table 4; assumed to be fully incorporated in 1999 (actual) data.

3/ Observed after the privatization of ENCO in 1998; assumed to be fully incorporated in 1999 (actual) data.

III. MONETARY POLICY, THE EXCHANGE RATE AND INFLATION²⁸

A. Introduction

80. During 1994-97, the monetary environment in São Tomé and Príncipe was characterized by high inflation, a large depreciation of the exchange rate, and an increasing importance of foreign currency deposits (FCDs) in the domestic banking system. Moreover, data available show that the real exchange rate (RER) depreciated significantly during that period. Data show that the exchange rate depreciation was substantially larger than the measured rise in prices. The depreciation of the RER in 1994-97 forms a departure from the period 1988-93, when the RER remained roughly constant. Recent developments are analyzed in the context of a simple theoretical framework that is estimated using monthly data from January 1992 to May 1998. In Section B, monetary and exchange rate developments in the period 1992-98 are discussed. In Sections C and D, a framework that analyzes the effects of monetary policy on prices, the exchange rate, and (the importance of) FCDs is developed and estimated. In Section E, conclusions are drawn, and some policy implications are suggested. It is argued that the high degree of dollarization and substitution between dobra-denominated and dollar-denominated assets severely limits the effectiveness of monetary policy.

B. Monetary and Exchange Rate Developments: 1992-98

81. After a few years of relatively prudent fiscal and monetary policy, government finances deteriorated again in 1994, with domestic financing of the budget deficit rising sharply. Owing to the strong monetary expansion, inflationary pressures built up. However, because of lags in the transmission mechanism between money and prices, inflationary pressures only materialized later in 1994 and peaked in early 1995, even though macroeconomic performance improved somewhat in 1995 (a tighter fiscal policy and low net bank lending to the government). In 1996 and—more importantly, in 1997—an expansionary fiscal stance and accommodating monetary policy resulted in an even larger rise in inflation. While year-on-year M1 growth peaked at 97 percent in April 1997, year-on-year inflation reached 87 percent in February 1998. At the end of 1997, the central bank mopped up a great deal of liquidity by changing the regulations on reserve requirements.²⁹ In addition, the central bank rediscount rate became positive in real terms in 1998. The improvement in the fiscal outturn and tightening in monetary conditions for the first half of 1998 served to further temper the rise in prices.

²⁸ Prepared by Aloysius Kuijs.

²⁹ From November 1997 onward, reserves of both domestic and foreign deposits were required to be constituted in local currency, and, from March 1998 on, government's bank deposits became subject to a 100 percent reserve requirement. These changes forced the commercial banks to buy dobras to be deposited at the central bank.

82. FCDs have traditionally been held at local banks. However, the data on FCDs are properly incorporated in the monetary accounts only from 1994 onward. The importance of FCDs is a good indicator of the (lack of) confidence in the domestic currency. The level of FCDs decreased in 1995, in response to the improvement in macroeconomic conditions and reduction in inflation during that year. However, in 1996, with the relaxation of fiscal and monetary policies and the pickup in inflation, FCDs, expressed as a percentage of M2, rose rapidly from 32 percent in January 1996 to 45 percent in February 1998. During the first half of 1998, the drop in inflation did not immediately result in a fall in the level of FCDs. However, with the resumption of monetary stability since 1998, a reduction in importance of FCDs can be expected.

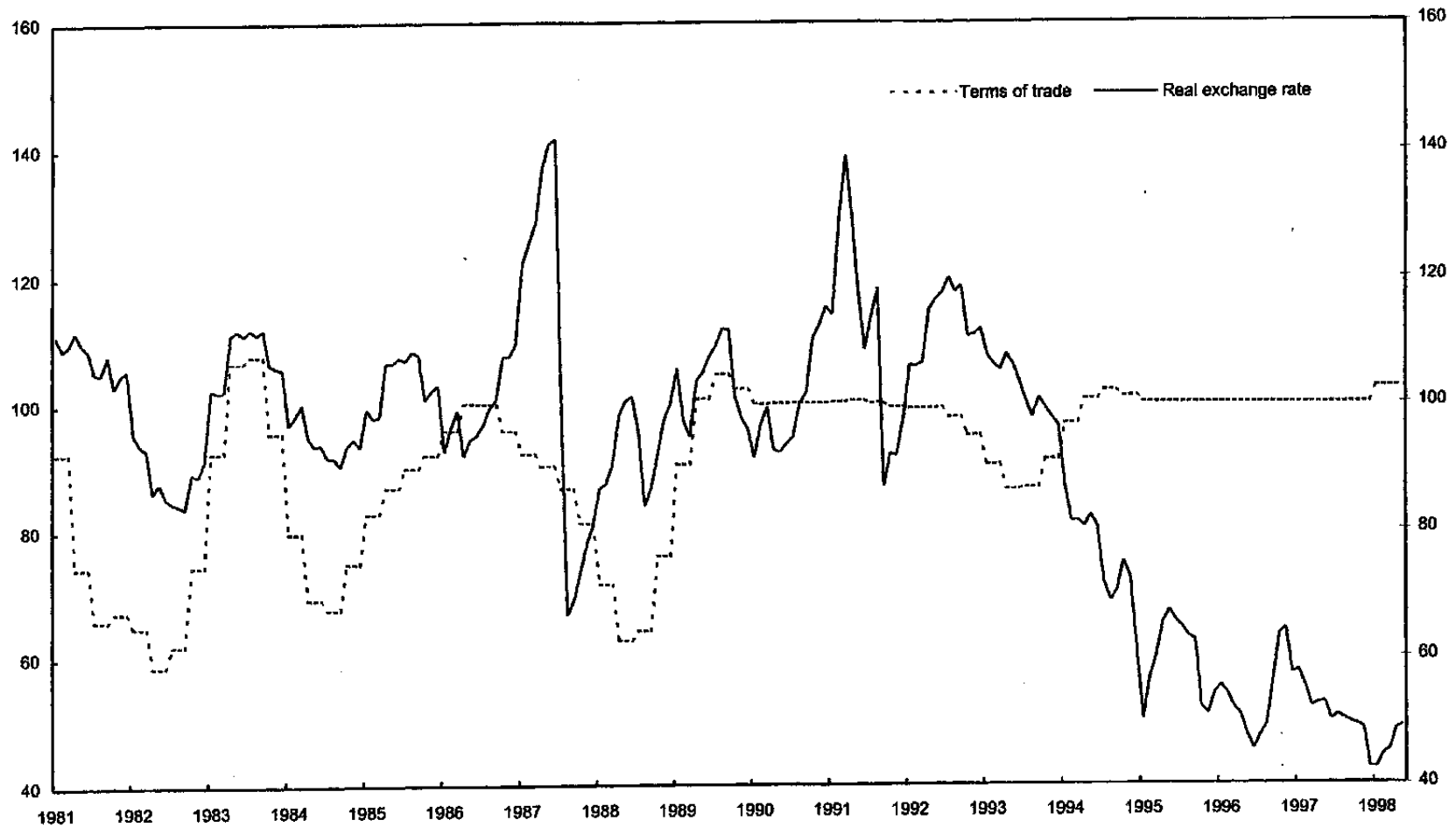
83. The response of the exchange rate to the relaxation of macroeconomic policies from 1994 through end-1997—and, indeed, the subsequent stabilization of the dobra in 1998—was particularly noteworthy. In 1994–97, the nominal exchange rate depreciated more significantly than prices rose. The real exchange rate (expressed as the ratio of domestic consumer prices to the prices of imports of goods in dobras) depreciated by some 56 percent between end-1993 and end-1997 (Figure 5).

84. Several possible explanations for this weakening of the RER have to be discarded. First, a negative terms of trade shock is unlikely to have been the cause. The terms of trade, as calculated by the IMF (taken from the World Economic Outlook database), in fact improved slightly in 1994–98, owing to the favorable price movement for cocoa. Moreover, exports made up a small portion of total current account earnings.³⁰ Hence, only a modest part of foreign exchange earnings was affected by terms of trade movements. Second, a widening gap between gross domestic product and gross domestic expenditure cannot have been the main reason for the weakening of the real exchange rate.³¹ The ratio of gross domestic expenditure (GDP + imports - exports) to GDP rose by only 4 percent during 1994–97, clearly not a large enough increase to be a determining factor in the weakening of the RER. Third, although measurement errors cannot be ruled out, and the increase in the consumer price index is reported to have been underestimated before 1996, in early 1996 the methodology used to measure inflation had improved. Nevertheless, from early 1996 through late 1997, the real exchange rate depreciated by a further 23 percent over the inflation rate.

³⁰ Some 28 percent in 1997. Exports of goods constituted only 12 percent of total current account earnings. The dominant part of current account earnings stems from official transfers.

³¹ In the case of an increasing divergence between national production and national expenditure (part of which is on imports), a depreciation of the RER restores equilibrium on the foreign exchange market by making imports more expensive and exports more competitive. Diverging productivity trends (between a country and its trading partners) could also induce RER changes. However, the movement registered since 1994 is too abrupt and substantial to be explained by such factors.

Figure 5. São Tomé and Príncipe: Real Exchange Rate and Terms of Trade, January 1981 - May 1998
(Index, 1990=100)



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

85. In view of favorable terms of trade, the weakening of the real exchange rate during 1994-97 was mainly due to the reduction of confidence in the dobra arising from expansionary fiscal and monetary policies and attendant high inflation. In addition to a "portfolio" effect, expansionary monetary policy has a substitution/confidence effect: in an environment of rapid money growth and rising inflation, there is a strong tendency to substitute dobras for dollars.

C. Theoretical Framework

86. It is assumed that there exists a stable long-run money demand function. Money demand is taken to be a function of the volume of transactions in the economy and inflation—with the latter proxying the opportunity costs of holding money. Money supply, a policy variable, is exogenous. In the long run, with equilibrium in the money market, money demand is equal to money supply. However, at any particular time, the stance of monetary policy is reflected in an excess or a shortage of money. Once a long-run money demand function has been estimated, the stance of monetary policy can be expressed as the difference between the actual money stock and the demand for money (as modeled):

$$M^d = f(D, INF), \quad (1)$$

where M^d is money demand, D represents nominal domestic demand (GDP+exports+imports), and INF denotes inflation. An important choice is whether to use $M1$ or $M2$. In São Tomé and Príncipe, quasi money consists mainly of FCDs. FCDs are likely to fuel inflation to a much lesser extent than dobra-denominated money. Therefore, $M1$ is used. D is used instead of GDP because D more closely approximates the level of transactions in the economy. The difference between D and GDP is very large in São Tomé and Príncipe, mainly owing to large external transfers, and is not constant over time. The stance of monetary policy, or excess money supply, can be written as

$$ECMm = M - M^d, \quad (2)$$

where $ECMm$ is excess money supply. As mentioned in Section A, The importance of FCDs is expected to be a function of inflation:

$$FCDM2 = f(INF), \quad (3)$$

where $FCDM2$ is the ratio of FCDs to total $M2$.

87. The RER is defined as $CPI/(PM*ER)$, where CPI is the consumer price index, PM is the price of imports of goods, and ER is the exchange rate (in dobras per dollar). Testing

whether the RER has been stationary is testing whether the purchasing power parity (PPP) holds in the long run. Although it is argued above that the RER has depreciated substantially during 1994-97, it is still postulated that the PPP (that is, constant RER) holds in the long run. As shown in Figure 5, the RER remained remarkably stationary from the start of the 1980s until 1993. Moreover, unless the RER movement is caused by supply and/or productivity factors, a secular decline in the real exchange rate is not sustainable:

$$ECMrer = cpi - er - pm , \quad (4)$$

where lower-case variables are in logarithm.

In order to determine the channels through which the exchange rate and the price level are affected by monetary policy, the following dynamic equations for these two variables are estimated, using the two ECM variables defined above:

$$dcpi = f (ECMrer , ECMm , dcpil , derl , dml , seas) , \quad (5)$$

$$der = f (ECMrer , ECMm , dcpil , derl , dml , seas) , \quad (6)$$

where the prefix d stands for the first difference, x(l) indicates a vector of lagged values, and seas is a (potential) seasonal effect. These equations postulate that the price level and the nominal exchange rate tend to respond to deviations from the PPP (ECMrer) and to the stance of monetary policy (ECMm). Given the manner in which the ECM variables are defined, the signs of their impact are expected to be as follows: a loose monetary policy stance (ECMm>0) is expected to drive up the price level and weaken the exchange rate, whereas a tight monetary policy stance (ECMm<0) is expected to lead to a fall in the price level and/or a depreciation of the exchange rate. Dynamic effects of the price level, the exchange rate, and money growth are also to be expected. In light of the argument that expansionary monetary policy has caused the RER to depreciate, it is expected that the monetary policy stance has a larger effect on the (nominal) exchange rate than on the price level. That is, the coefficient of ECMm in equation (6) is expected to be higher than the one in equation (5).

D. Estimation

88. The co-integration estimation procedure has become common. For a discussion of the methodology, the reader is referred to Engle and Granger (1987) and Johansen (1988). Unit root tests have been carried out to determine the order of integration of the variables. As indicated in Table 6, all variables are nonstationary, integrated of order one -I(1).³² For the set of variables (er, cpi, pm, INF, m, and d), the Johansen procedure was used to determine

³² The variable pm is I(0) at the 5 percent significance level, but I(1) at the 1 percent level.

the number of co-integrating vectors; the trace statistic indicated that there is only one co-integrating vector (Table 7). Using the knowledge that the RER is not stationary over the estimation period (January 1992–May 1998),³³ we assume that the one co-integrating vector represents the money demand function. For this to be true, the vector should include only m , d , cpi , and INF . Although the imposition of a zero coefficient for er and pm was not formally accepted, those restrictions were imposed on the grounds that the estimated co-integrating vector (the money demand equation) has stationary residuals, which is evidence of a proper co-integrating vector. As is shown in Table 7, after the imposition of those two restrictions, the co-integrating vector takes the form of a money demand function whose coefficients have correct signs and orders of magnitude. Moreover, the impact of the restricted vector on the price level and the exchange rate has the correct sign. The final money demand equation is³⁴

$$m^d = 1.29 * (d * cpi) - 0.47 * INF + 3.64 . \quad (7)$$

(52.6) (-5.4) (42.8)

89. The elasticity of money demand with respect to nominal demand ($d*cpi$) is, although larger than one, within the range found for other countries. The negative effect of inflation on money demand is large and highly significant: a 10 percentage point rise in the inflation rate is estimated to reduce money demand by 4.7 percent. The residuals of this equation are stationary at the 5 percent significance level.³⁵ The ECM variable measuring the stance of monetary policy on the basis of the money demand equation, according to equation (2), is shown in Figure 6. The movement of the ECM variable is in line with the discussion of the stance of monetary policy during 1994-97 (Section B). The estimated dynamic equations for the price level and the exchange rate are

$$dcpi = - 0.02*ECMrer(-1) + 0.08*ECMm(-1) + 0.20*dcpi(-1) \quad (8)$$

(-2.8) (2.8) (1.9)

$$- 0.25*dcpi(-2) + 0.09*der(-4) + 0.21*dm - 0.02*S_3 ,$$

(-2.4) (2.3) (4.1)(-2.1)

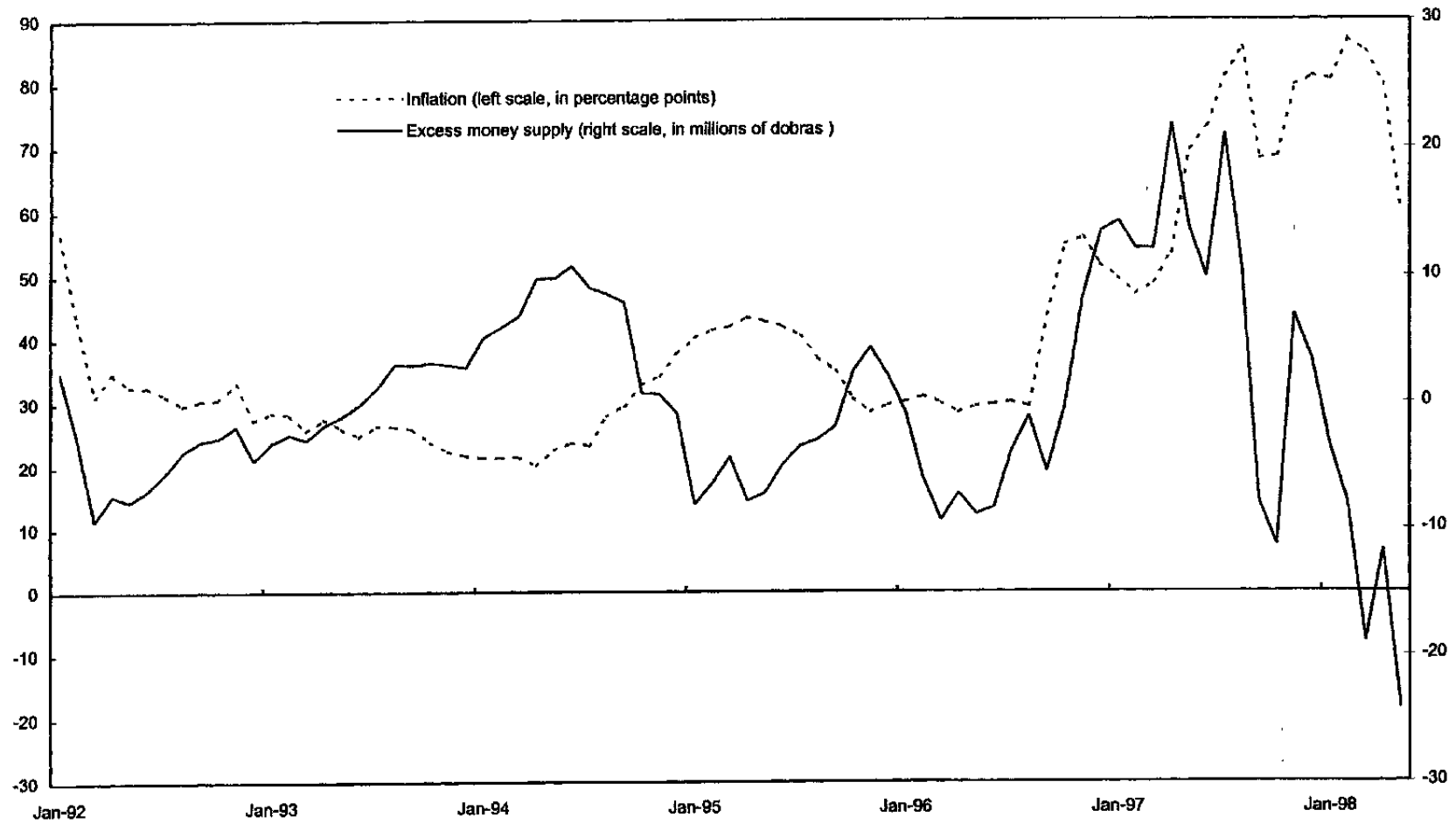
$R^2 = 0.426$ s.e. = 0.02 D.W. = 1.97

³³ This implies 77 observations, of which 2 were lost owing to the inclusion of lags.

³⁴ The numbers in parentheses represent t -statistics.

³⁵ The unit root augmented Dickey-Fuller test statistic is -2.44, compared with a 5 percent critical value of -1.95.

Figure 6. São Tomé and Príncipe: Monetary Policy Stance and Inflation, January 1992 - May 1998



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

$$\begin{aligned} \text{der} &= 0 \cdot \text{ECMrer}(-1) + 0.23 \cdot \text{ECMm}(-1) + 0.30 \cdot \text{der} & (9) \\ & \quad (2.8) \quad (2.7) \\ & -0.32 \cdot \text{der}(-1) + 0.042, \\ & \quad (-2.9) \quad (5.1) \end{aligned}$$

$$R^2 = 0.24 \quad \text{s.e.} = 0.05 \quad \text{D.W.} = 2.06$$

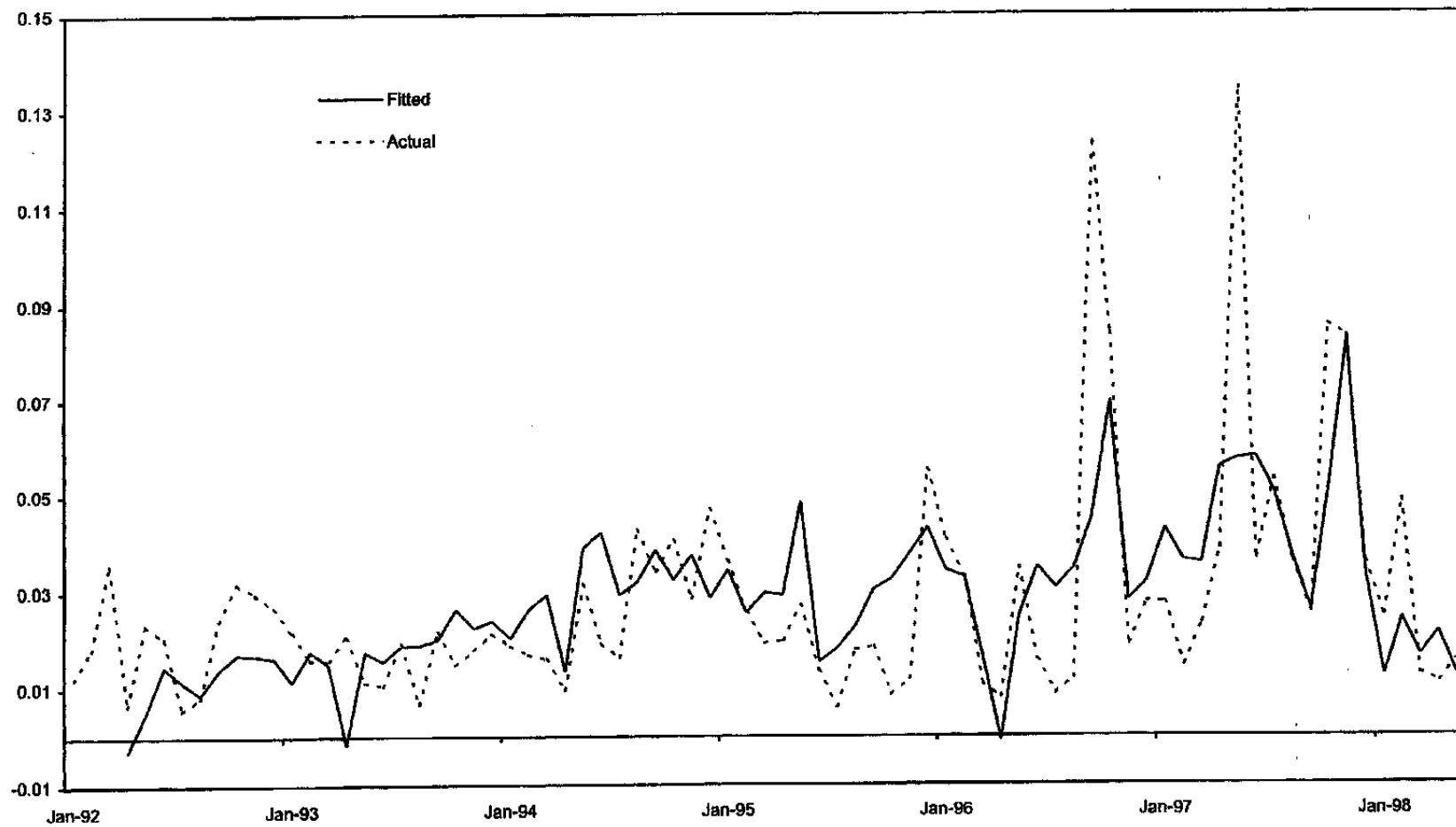
where S_3 is a dummy for the month of March. Overall, the equations are in line with expectations. An expansionary monetary policy stance leads to a rise in the price level and a depreciation of the exchange rate. Moreover, the effect on the exchange rate is larger, which implies that the above-mentioned hypothesis on the effect of monetary policy on the RER is confirmed. The ECM variable representing PPP has an impact on the price level, but, somewhat surprisingly, its impact on the exchange rate is not significant. Hence, when the PPP relationship is perturbed because of a shock, the PPP is restored through an adjustment of the domestic price level, but not through an adjustment of the (nominal) exchange rate. As regards dynamic effects, an increase in M1 has an immediate impact on the price level, but not on the exchange rate, and a depreciation of the exchange rate leads, with a lag of four months, to a rise in the price level. As evidenced by the size of the standard errors, the fit of the price equation is substantially better than that of the exchange rate equation. The residuals of both equations are stationary at the 1 percent significance level, and, as the Durbin-Watson statistic indicates, there is no serial correlation of the residuals. However, as is shown in Figures 7 and 8, a few large outliers (possibly caused by data inconsistencies) distort the distribution of the residuals. To the extent that the equations fail to pass other diagnostic tests, this is due to these outliers. After the inclusion of two dummies to account for the largest two outliers in both equations, the equations passed all diagnostic tests (Table 8).

E. Conclusions and Policy Implications

90. As long as the dobra remains the main form of legal tender for domestic transactions, there will be demand for dobra-denominated money. However, as the above analysis has shown, owing to the high degree of dollarization in São Tomé and Príncipe, the demand for dobra-denominated money is highly sensitive to the stance of monetary policy. When monetary expansion is too rapid, as it was in 1996–97, the sharp reduction in the willingness to hold dobras leads to an equally sharp depreciation of the exchange rate and a strong increase in the importance of FCDs. With FCDs reaching more than 40 percent of M2 (at the end of 1997 and beginning of 1998) and dollar notes circulating widely as well, the control of the monetary authorities over monetary conditions is limited.

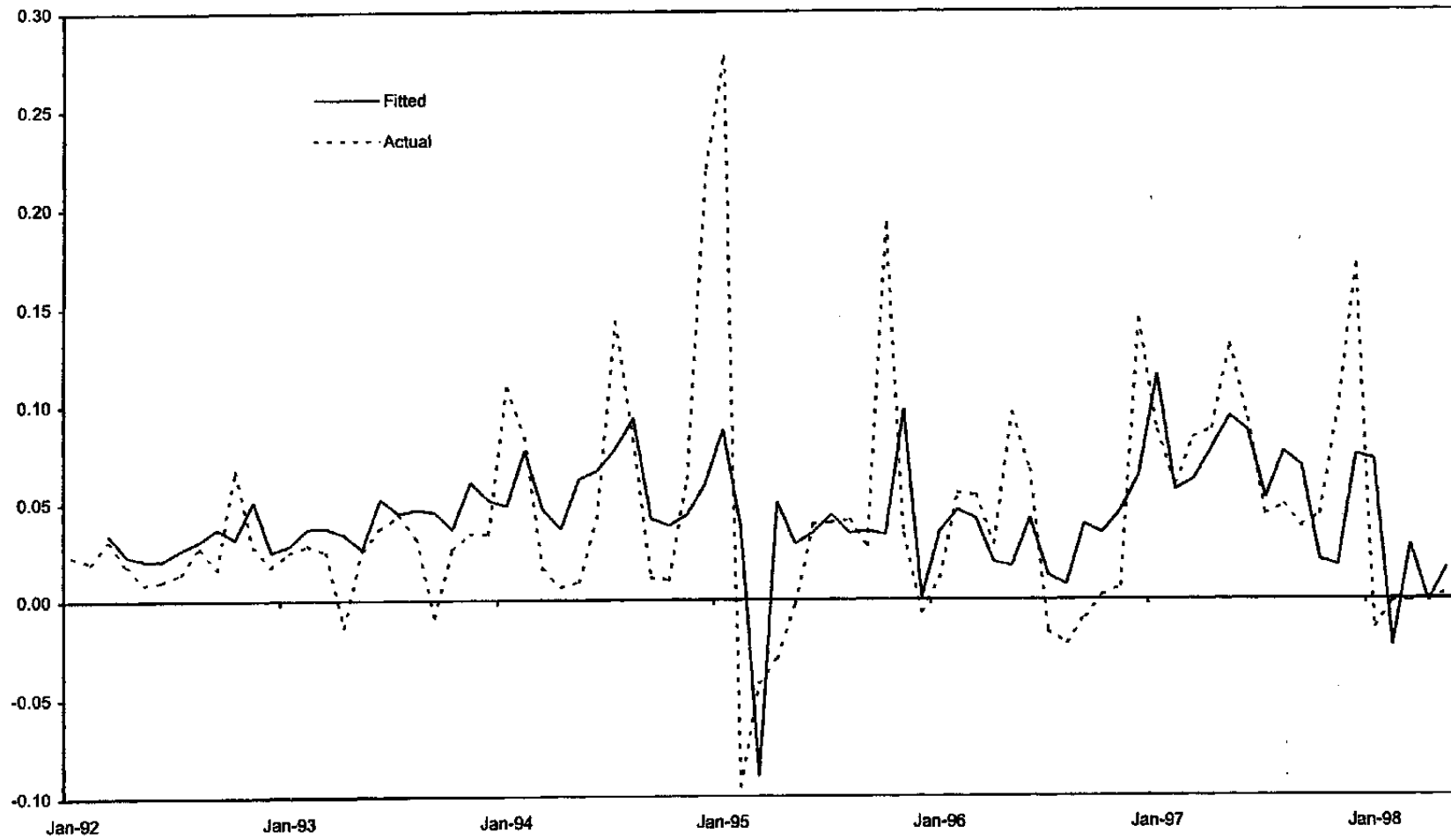
91. In general, the main economic advantage of having a national currency is that the monetary authorities can respond to shocks impinging on the economy by adjusting the exchange rate (or allowing it to adjust), the (short-term) interest rate, or monetary aggregates, thereby limiting the cost of shocks in terms of output and employment. As shown above, in São Tomé and Príncipe the ability to affect real dobra-denominated monetary aggregates is

Figure 7. São Tomé and Príncipe: Actual and Fitted Values of Consumer Price Index, January 1992 - May 1998



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

Figure 8. São Tomé and Príncipe: Actual and Fitted Values of Nominal Exchange Rate, January 1992 -May 1998



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

limited by the sensitivity of prices and foreign currency holdings to the monetary stance. Nevertheless, the exchange rate is particularly sensitive to monetary policy, so that the authorities can affect the RER, at least in the short to medium run. This ability to affect the RER provides, in principle, for a useful policy tool. In the absence of a manufacturing sector in São Tomé and Príncipe, the importance of real exchange rate developments should be reviewed mainly for the emerging tourism sector. The question is whether the ability of monetary authorities to affect the real exchange rate constitutes a major policy advantage in the current economic structure.

92. The costs of maintaining a national currency backed by an independent monetary policy in a small country such as São Tomé and Príncipe are high. The operational expenses of the central bank are high relative to GDP, and banks devote substantial resources to exchange rate related activities, at the expense of the allocation of savings and credit. In addition, the economy suffers from the costs of a national currency, while the central bank's ability to use monetary policy effectively is limited by the high degree of dollarization and substitution between currencies. In the circumstances, two opposing policy options should be explored further. If the authorities deem the ability to respond to shocks as important, the strategy should be to strive to increase control over monetary conditions. However, if the ability to respond to shocks is judged as relatively unimportant, either the adoption of a currency board, the full dollarization of the economy, or a peg to the euro—for example, through the arrangements of neighboring CEMAC countries—could be considered.

References

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- Johansen, Soren, 1988, "Statistical Analysis of Cointegration Vectors", *Journal of Economic Dynamics and Control*, Vol. 12 (June-September), pp. 231–54.

Table 6. Order of Integration: Unit Root ADF Test Statistics

	Level		First Difference	
	Lag	Test statistic	Lag	Test statistic
<i>er</i>	2	4.49	3	-2.60 **
<i>cpi</i>	1	5.05	1	-2.66 **
<i>pm</i>	6	-2.52 *	5	-5.10 **
<i>INF</i>	1	-0.48	0	-6.67 **
<i>m</i>	2	5.48	2	-2.76 **
<i>d</i>	6	0.30	5	-3.84 **

Notes: Variables are as defined in the text.

Asterisks * and ** denote rejection of the null hypothesis of a unit root at the 5 percent and 1 percent significance levels, respectively.

Table 7. Co-integration Analysis, January 1992 - May 1998

Hypothesis	$r = 0$	$r \leq 1$	$r \leq 2$	$r \leq 3$	$r \leq 4$	$r \leq 5$
Trace statistic 1/	103.30 **	50.84	27.79	12.48	2.29	0.04
95 percent critical value	94.20	68.50	47.20	29.70	15.40	3.80
Normalize around m						
	Standardized eigenvectors					
	<i>er</i>	<i>cpi</i>	<i>pm</i>	<i>INF</i>	<i>m</i>	<i>d</i>
	4.093	-8.229	6.515	7.800	1.000	-5.663
Restrictions: <i>pm</i> and <i>d</i> are weakly exogenous: chi-square(2) = 14.57 [0.000] **.						
	Standardized eigenvectors					
	<i>er</i>	<i>cpi</i>	<i>pm</i>	<i>INF</i>	<i>m</i>	<i>d</i>
	4.068	-8.229	5.754	7.723	1.000	-5.972
Restriction:						
Coefficient of <i>pm</i> is 0: chi-square (1) = 8.1 [0.004]**.						
Coefficients of <i>er</i> is 0: chi-square (1) = 14.5 [0.000]**.						
	Standardized eigenvectors					
	<i>er</i>	<i>cpi</i>	<i>pm</i>	<i>INF</i>	<i>m</i>	<i>d</i>
	0.000 [0.00]	-1.277 [0.12]	0.000 [0.00]	1.532 [0.32]	1.000 [0.00]	-1.446 [0.74]
	Standardized impact coefficients					
	<i>er</i>	<i>cpi</i>	<i>pm</i>	<i>INF</i>	<i>m</i>	<i>d</i>
	0.040 [0.03]	0.028 [0.01]	0.000 [0.00]	-0.047 [0.03]	-0.065 [0.02]	0.000 [0.00]

Notes: Variables are as defined in the text. Asterisks * and ** denote rejection of the null hypothesis at the 5 percent and 1 percent significance levels, respectively. Numbers between square brackets denote standard errors.

1/ Adjusted for the number of degrees of freedom.

Table 8. Diagnostic Tests for Dynamic Equations

	Consumer Price Index Equation	Exchange Rate Equation
AR 1-4 ^{1/}	F(5, 59) = 1.1536 [0.3428]	F(5, 63) = 2.9351 [0.0191] *
ARCH 4 ^{2/}	F(5, 54) = 1.9439 [0.1021]	F(5, 58) = 1.0831 [0.3794]
Normality ^{3/}	Chi ² (2) = 6.6672 [0.0357] *	Chi ² (2) = 6.5919 [0.0370] *
X _i ² ^{4/}	F(15, 48) = 1.1534 [0.3389]	F(9, 58) = 0.702216 [0.7042]
X _i *X _j ^{5/}	F(36, 27) = 2.177 [0.0195] *	F(12, 55) = 1.0902 [0.3865]
Reset ^{6/}	F(1, 63) = 5.5291 [0.0218] *	F(1, 67) = 1.5744 [0.2139]

Note: Asterisks * and ** denote rejection of the null hypothesis at the 5 percent and 1 percent significance levels, respectively.

- 1/ Test for serial correlation of residuals (H0: no autocorrelation).
- 2/ Test for autoregressive conditional heteroscedasticity (H0: no heteroscedasticity).
- 3/ Test for normality of distribution of residuals (H0: normality).
- 4/ Test for heteroscedasticity (H0: no heteroscedasticity).
- 5/ White's cross-product test for heteroscedasticity (H0: no heteroscedasticity).
- 6/ Test for general misspecification of equation (H0: no misspecification).

IV. DEBT SUSTAINABILITY ANALYSIS^{36 37}

93. This chapter provides an analysis of São Tomé and Príncipe's prospects for attaining external debt sustainability in the context of 20-year macroeconomic and balance of payments projections. São Tomé and Príncipe's level of debt—relative to its poor resource endowment and narrow productive base—constitutes a very heavy burden, compared with other heavily indebted poor countries (HIPC). The projections indicate that, even with the pursuit of sound macroeconomic and structural adjustment policies, together with the support of the donor community and full exploitation of traditional mechanisms for bilateral debt relief, São Tomé and Príncipe's debt burden will not be brought to a sustainable level through the end of the projection period. However, São Tomé and Príncipe could qualify for the enhanced HIPC Initiative and reach the decision point in early 2003, and thus benefit from more extensive debt-relief operations from bilateral and multilateral creditors. The projections show that the impact of debt relief under the HIPC Initiative from bilateral creditors only would not suffice to achieve external sustainability, because about 60 percent of São Tomé and Príncipe's debt is due to multilateral creditors. Alternative projections illustrate the dramatic impact of oil production on debt sustainability. Qualification for assistance under the enhanced HIPC Initiative would be justified under the assumptions but would critically depend on the timing of oil extraction and the weight given to medium-term projections of external indebtedness indicators.

A. Structure of External Debt

94. At end-1998, the stock of São Tomé and Príncipe's external debt totaled an estimated US\$293 million, or about 721.3 percent of GDP. Of this amount, US\$80.3 million was principal and interest in arrears, including some US\$47.7 million in short-term debt arrears and US\$7.1 million owed to BADEA, a multilateral lender³⁸. The present value of total external debt amounted to about US\$191.4 million, implying an average grant element of 34.6 percent³⁹. The structure and degree of concessionality of São Tomé and Príncipe's debt are presented in the table below. Fifty-seven percent of medium- and long-term debt was owed to multilateral creditors (including the Fund), with the bulk of the loans coming from

³⁶ Prepared by Vincent Moissinac.

³⁷ The debt sustainability analysis was prepared in collaboration with the authorities and World Bank staff.

³⁸ In February 1999, the Arab Bank for Economic Development in Africa (BADEA) agreed to reschedule São Tomé and Príncipe's arrears and current maturities falling due in 1999, therefore, helping settle all arrears to multilateral creditors. This rescheduling was made on concessional terms (34 percent net present value reduction).

³⁹ The average grant element in total external debt excluding arrears was estimated at 47.3 percent.

the African Development Fund (AfDF) and IDA. The present value of multilateral debt amounted to 698.3 percent of exports of goods and nonfactor services, well above the sustainability thresholds for total external debt. One-third of the bilateral medium- and long-term debt was in arrears. São Tomé and Príncipe has never availed itself of Paris Club debt relief and does not have an agreed cutoff date.

95. São Tomé and Príncipe continues to rely heavily on external assistance and its already high external debt continues to increase. New disbursements, mostly from the AfDF on highly concessional terms, amounted to US\$5 million in 1998 and are estimated to have reached about US\$9 million in 1999. The authorities' debt-management strategy has suffered from a weak capacity to select projects based on (socio) economic return and from poor policy coordination among planning directorates in various ministries.

Structure of External Debt, End-1998
(in millions of U.S dollars, unless otherwise specified)

	Total Debt (including arrears)	Percent of Total	Arrears	Grant Element 1/
Total outstanding debt	292.6	100.0	80.3	34.6
Medium- and long-term debt	244.9	83.7	32.6	41.3
Multilateral	167.4	57.2	7.1	51.2
<i>Of which:</i> IDA	61.9	21.2	0.0	54.4
AfDF	86.9	29.7	0.0	54.9
BADEA	8.4	2.9	7.1	0.8
IMF	0.1	0.0	0.0	4.8
Official bilateral	77.5	26.5	25.6	20.1
Paris Club	60.0	20.5	20.5	16.0
<i>Of which:</i> Portugal	30.2	10.3	1.7	23.1
France	8.3	2.8	0.0	24.7
Germany	13.0	4.4	13.0	0.0
Non-Paris Club	17.5	6.0	5.0	34.4
<i>Of which:</i> China	11.8	4.0	0.0	50.3
<i>Of which:</i> Russia	3.8	1.3	3.8	0.0
Short-term debt 2/	47.7	16.3	47.7	0.0

1/ In percent of face value, including arrears.

2/ All short-term debt is official bilateral. It includes arrears worth US\$ 19 million in dispute with Italy.

B. Medium-Term Projections

Baseline assumptions

96. The baseline adjustment scenario is predicated on diversifying the good and service export base and attaining fiscal consolidation, thus gradually reducing domestic absorption to a level more consistent with the country's income. It assumes annual real GDP growth of 4 percent, implying a per capita growth of 1.7 percent. This growth rate is sustainable if further public investment and structural reforms are made to support the sectors that have started reinvigorating the economy in 1998-99, namely, the emerging food crop, construction, and tourism sectors. Critical conditions for strengthening these sectors are

coordinated rural infrastructure and agricultural policies and an administrative and legal environment that promotes private investment, including foreign direct investment. The primary fiscal surplus is projected to rise from 2 percent of GDP in 1999 to 5 percent of GDP in 2002. The international reserves position of the central bank is expected to strengthen in 2000, as most of the exceptional transfers coming from oil exploration contracts should be sterilized.

97. The sharp drop in world cocoa prices in 1999 has been particularly damaging for São Tomé and Príncipe. However, the shock is expected to be temporary, and the sharp drop of the estimated volume of exports for 1999 (14 percent) reflects inventory buildup. As a result, exports are expected to grow by 16.5 percent in 2000 and 4.4 percent per annum on average in 2001 and 2002. Although substantial investment is not expected in that sector in the 2003–10 period, the productivity of plantations coming to full maturity should improve, and growth of cocoa exports is projected at 2.9 percent. Beyond 2010, growth is projected to temper because of increases in fallow land and aging cocoa trees. Other agricultural exports are expected to grow above the GDP rate during the 1998–2002 period (6.6 percent). Because of the rapid diversification in agriculture and enhanced rural infrastructure policies, nontraditional exports of goods are projected to increase by 4.3 percent during 2000–02 and 4.2 percent during 2003–10. External receipts from tourism are estimated to have doubled to US\$9 million in 1999 and are projected to keep rising at a 5 percent rate until 2002 on the basis of the expected stepped-up foreign investment in tourism.

98. Total imports are projected to increase from US\$39.3 million in 1999 to US\$57.0 million in 2002, reflecting the import content of public investment projects and foreign direct investments, as well as the additional investment goods that are expected to be imported for oil-exploration purposes. Beyond 2002, the baseline scenario assumes that no commercial oil field is discovered. Imports would fall to US\$49.8 million in 2003 and then increase in U.S. dollar terms at an average assumed rate of 0.5 percent in 2003–10.

99. The current account deficit (excluding official transfers) is projected to widen from 57 percent of GDP in 1999 to 66 percent of GDP in 2002, and then, to progressively narrow to 27 percent of GDP in 2018. Official transfers would increase through 2002, mainly because of disbursements on the special grants from Taiwan Province of China and transfers related to oil concession rights, and to stabilize (in dollar terms) thereafter. The capital account surplus is expected to increase until 2002 because of oil exploration and then promptly fall; it will continue to slowly decline as amortization on the rescheduled debt increases. Given São Tomé and Príncipe's heavy debt burden and the international context of enhanced debt forgiveness, new borrowing is assumed to be highly concessional: 60 percent of new borrowing is expected to be extended by multilateral creditors, with a grant element of 67 percent, and the remaining 40 percent by official bilateral creditors, with a grant element of 62 percent.

Debt Sustainability Baseline Assumptions, 2000–18

	2000-2002	2003-2010	2011-2018
	(Average annual growth rates, in percent)		
Real GDP	3.7	4.0	4.0
Cocoa export volume	8.3	2.7	1.1
Nontraditional exports (real)	4.3	4.2	3.4
Non-cocoa goods	4.0	4.0	4.0
Tourism	5.0	4.2	3.0
Other services	3.0	4.0	4.0
Imports of goods and services (US dollar)	13.1	0.6	2.6
	(In percent of GDP)		
Domestic absorption	160.8	136.3	125.6
Government revenue	21.0	23.0	23.0
Domestically financed primary expenditure	17.4	18.0	18.0

HIPC eligibility and impact of expected reschedulings

100. The baseline scenario assumes a three-year flow rescheduling on Naples terms (67 percent of net present value (NPV) reduction) from official bilateral creditors on arrears and maturities falling due during 2000–02. For illustrative purposes, a stock-of-debt operations on Naples terms has been assumed in January 2003,⁴⁰ in order to assess medium- and long-term debt sustainability after full use of traditional mechanisms. The impact of the debt relief in the baseline scenario would amount to a regularization of arrears in 2000, a reduction in scheduled obligations during 2000-02, and progressive improvements in the key indicators of external indebtedness (Table 13). Importantly, however, this scenario calls for cash payments throughout the projection period significantly higher than those that São Tomé and Príncipe has made in recent years, substantially raising the country's financing requirements. This increase stems from the stream of moratorium interest generated by the regularization of arrears and the amortization profile of the existing stock of multilateral debt. Under the baseline scenario, the ratio of the net present value of public debt to exports would decline from 1,450 percent in 1999 to 794 percent in 2002, 543 percent in 2005⁴¹, and 330 percent in 2018. Assessed against the sustainability indicator used under the enhanced HIPC Initiative—a ratio of net present value of debt to exports of goods and services of

⁴⁰ Assuming Board approval of the proposed Poverty Reduction and Growth Facility (PRGF) arrangement and a three-year track record of program implementation, São Tomé and Príncipe could reach its decision point under the enhanced HIPC Initiative by early 2003.

⁴¹ Assuming a three-year second period, São Tomé and Príncipe could reach the completion point under the enhanced HIPC Initiative by early 2006. As the completion point would be floating, it could be reached at an earlier date, depending on the strength of the track record.

150 percent—the full use of traditional mechanisms would not be enough to bring the debt burden of São Tomé and Príncipe to a sustainable level.

101. Assuming two successive three-year flow reschedulings from bilateral creditors—the first on Naples terms for maturities falling due in 2000–02 and the second on Cologne terms (up to 90 percent NPV reduction) for maturities falling due in 2003–05, followed by a stock-of-debt operation on Cologne terms at the beginning of 2006—the ratio of the net present value of debt to exports would decline to 653.5 percent in 2005 and 306 percent in 2018. The debt-service ratio (after debt relief) is projected to decline from 45.3 percent in 1999 to 18.9 percent in 2005 and 16.4 percent by 2018. Relative to government revenue, the net present value of debt is expected to decrease from 2,174 percent in 1999 to 1,286 percent in 2002, 1,010 percent in 2005, and 716 percent by 2018; meanwhile, debt service, as a ratio of government revenue, would decrease from 82 percent in 1999 to 47 percent in 2002 and 31.5 percent in 2005, and would stabilize around 40 percent after 2013. Even successive flow and stock-of-debt operations by official bilateral creditors are not sufficient to reduce the debt burden of São Tomé and Príncipe to a sustainable level. This situation reflects both the concessional rescheduling of outstanding arrears and the small share of future bilateral maturities in total debt. In comparison with 1999, projected cash payments are expected to increase significantly, reaching US\$5.5 million in 2010 and US\$9.2 million in 2018. Significant residual financing gaps, after debt relief, are projected to remain throughout the projection period, culminating at a level equivalent to 6.5 percent of GDP in 2008.

C. Potential Impact of Oil Production on the Ability of São Tomé and Príncipe to Repay Its Debt.

102. Under the alternative scenario, it is assumed that an oil field will come onstream in 2005, with crude output increasing from 10,000 barrels per day in 2005 to 120,000 barrels per day in 2009. Reflecting oil development investments, imports would continue to increase through 2007, and the external current account deficit to widen through 2004. However, the projected foreign exchange revenue is high in relation to the size of the economy and the external debt. The external current account would be in balance in 2008 and would shift to sizable surpluses thereafter.

Debt Sustainability Alternative Assumptions, 2000–18

	2000-2002	2003-2010	2011-2018
Real GDP growth	3.7	35.6	-6.3
Oil export volume (in thousands of barrels per day)	0.0	213.6	200.8
	(Average annual growth rates, in percent)		
Real non-oil GDP	3.7	4.0	4.0
Cocoa export volume	8.3	2.7	1.1
Nontraditional exports (real)	4.3	4.2	3.4
Noncocoa goods	4.0	4.0	4.0
Tourism	5.0	4.2	3.0
Other services	3.0	4.0	4.0
Imports of goods and services (US dollar)	13.1	14.0	-5.0
	(In percent of GDP)		
Domestic absorption	160.8	109.9	48.7
Government revenue	21.0	15.6	31.7
Domestically financed primary expenditure	17.4	4.6	4.6

103. HIPC eligibility for São Tomé and Príncipe and the ability to repay its debt are assessed through two different debt-to-export ratios. First, the ratio of the present value of debt to gross exports is computed. This ratio better captures debt sustainability if the oil sector is connected to domestic economic activity. Alternatively, the ratio of the present value of debt to the sum of non-oil exports and oil-related government revenue is computed. This ratio better captures the ability of São Tomé and Príncipe to repay its debt if the oil sector develops as an enclave.

104. Under the alternative scenario, assuming a three-year flow rescheduling during 2000-02 on Naples terms from bilateral creditors, followed by a stock-of-debt operation on Naples terms at the beginning of 2003, the ratio of the net present value of debt to export would decline to 278 percent in 2005 and to 72 percent in 2018. Because the decision point (early 2003) comes before oil production begins, São Tomé and Príncipe would qualify for the HIPC Initiative with the same ratio as in the baseline scenario. The timing of oil production and the time horizon used to assess debt sustainability are critical to establish eligibility. The present value of debt-to-gross export ratio would fall to 86 percent as early as end-2006. Debt would become sustainable later in 2010 if the oil sector is considered as an enclave (the associated ratio is 135 percent).

105. Regarding the balance of payments, there are no more financing gaps starting in 2004, and foreign assets are expected to accumulate with the creation of a special reserve fund for future generations. A 6 percent rate of return is assumed on these assets. The annual surpluses directed toward the special reserve fund would become massive with respect to debt-service cash payments, beginning at US\$1.2 million in 2004 and culminating at US\$154 million in 2012.

106. Oil production would have a dramatic impact on the assessment of debt sustainability for São Tomé and Príncipe if the decision point (currently expected for early 2003) were to be significantly delayed. However, even under the alternative scenario of a successful oil discovery, São Tomé and Príncipe's external debt burden would continue to be unsustainable through 2005; the country should therefore qualify under the enhanced HIPC Initiative.

(In millions of U.S. dollars, unless otherwise specified)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Trade balance	-29.8	-24.8	-24.7	-25.0	-23.3	-24.0	-24.7	-25.2	-25.3	-25.8	-26.2	-26.6	-27.2	-27.8	-28.4	-29.0	-29.6
Exports, f.o.b.	7.0	7.7	8.5	9.2	9.7	10.2	10.7	11.2	11.8	12.3	12.8	13.3	13.8	14.3	14.9	15.5	16.1
Cocoa	5.8	6.4	7.1	7.8	8.2	8.6	9.0	9.4	9.8	10.2	10.6	10.9	11.3	11.7	12.0	12.4	12.9
Other	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.9	2.0	2.1	2.2	2.4	2.5	2.7	2.9	3.0	3.2
Imports, f.o.b.	-36.8	-32.5	-33.2	-34.2	-33.1	-34.2	-35.4	-36.5	-37.3	-38.1	-39.0	-39.9	-41.0	-42.2	-43.3	-44.5	-45.7
Food	-4.9	-4.9	-5.0	-5.2	-5.4	-5.6	-5.8	-6.0	-6.3	-6.5	-6.8	-7.0	-7.3	-7.6	-7.8	-8.1	-8.5
Investment goods	-18.5	-20.8	-21.2	-21.8	-20.2	-20.8	-21.4	-21.8	-21.9	-22.0	-22.1	-22.2	-22.5	-22.7	-22.9	-23.1	-23.3
Petroleum products	-3.6	-3.8	-4.0	-4.2	-4.5	-4.8	-5.0	-5.3	-5.7	-6.0	-6.4	-6.8	-7.2	-7.6	-8.1	-8.6	-9.1
Petroleum-related investment	-6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-3.1	-3.1	-3.0	-3.0	-3.0	-3.0	-3.2	-3.3	-3.4	-3.6	-3.8	-3.9	-4.1	-4.3	-4.4	-4.6	-4.8
Services and income (net)	-9.6	-6.4	-5.7	-5.0	-5.2	-4.4	-3.6	-2.9	-2.0	-1.3	-0.5	0.4	1.4	2.5	3.7	5.0	5.8
Exports of services	15.4	16.5	17.7	18.9	20.1	21.4	22.7	24.2	25.7	27.2	28.7	30.3	32.0	33.8	35.7	37.7	39.3
Travel and tourism	11.4	12.3	13.2	14.0	14.9	15.9	16.9	18.0	19.1	20.2	21.2	22.4	23.6	24.9	26.2	27.6	29.1
Other services	4.0	4.3	4.5	4.8	5.1	5.5	5.8	6.2	6.6	7.0	7.4	7.9	8.4	9.0	9.5	10.1	10.2
Imports of nonfactor services	-20.2	-19.1	-19.5	-19.7	-20.7	-21.1	-21.5	-22.0	-22.6	-23.2	-23.8	-24.5	-25.1	-25.8	-26.5	-27.3	-28.1
Freight and insurance	-8.1	-7.2	-7.3	-7.5	-7.3	-7.5	-7.8	-8.0	-8.2	-8.4	-8.6	-8.8	-9.0	-9.3	-9.5	-9.8	-10.1
Technical assistance	-5.8	-5.4	-5.4	-5.1	-6.0	-5.7	-5.6	-5.5	-5.5	-5.5	-5.6	-5.6	-5.6	-5.6	-5.6	-5.6	-5.6
Other	-6.3	-6.6	-6.8	-7.1	-7.5	-7.8	-8.1	-8.5	-8.8	-9.2	-9.6	-10.0	-10.5	-10.9	-11.4	-11.9	-12.4
Interest due	-4.9	-3.8	-3.9	-4.1	-4.6	-4.7	-4.8	-5.0	-5.2	-5.3	-5.4	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5
Scheduled	-2.5	-2.0	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4	-1.3	-1.3	-1.2	-1.1	-1.0	-0.9	-0.8	-0.7	-0.6
New debt	-0.6	-0.5	-0.6	-0.6	-0.7	-0.8	-0.9	-1.0	-1.1	-1.2	-1.2	-1.3	-1.4	-1.5	-1.6	-1.6	-1.7
Reschedulings	-1.1	-0.9	-0.9	-0.9	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1	-1.1	-1.1	-1.0	-1.0	-0.9	-0.9
Late interest (arrears and residual gap)	-0.5	-0.4	-0.6	-0.7	-0.9	-1.0	-1.2	-1.4	-1.6	-1.8	-1.9	-2.0	-2.1	-2.2	-2.2	-2.2	-2.2
Private transfers (net)	0.6	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1
Current account, excluding official transfers	-38.8	-29.7	-29.0	-28.4	-27.0	-26.8	-26.7	-26.4	-25.8	-25.4	-24.9	-24.4	-23.9	-23.4	-22.7	-22.0	-21.8
Official transfers (net)	14.8	14.3	14.3	13.9	13.3	13.6	13.8	13.9	13.9	13.9	14.0	14.0	14.1	14.1	14.2	14.2	14.3
Public investment projects	13.0	12.5	12.5	12.0	11.4	11.6	11.8	11.8	11.8	11.8	11.8	11.7	11.8	11.8	11.8	11.8	11.8
Aid in kind	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.5
Stabilization System for Export Earnings grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current account, including official transfers	-24.1	-15.4	-14.6	-14.5	-13.6	-13.2	-12.9	-12.5	-11.9	-11.5	-11.0	-10.4	-9.9	-9.3	-8.5	-7.8	-7.5
Medium- and long-term capital (net)	13.1	6.9	6.9	6.7	5.5	5.2	5.0	4.9	4.7	4.7	3.8	3.6	3.4	3.7	4.2	5.5	5.3
Project loans	9.1	9.6	9.5	10.0	9.5	9.7	9.8	9.9	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Nonproject loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct foreign investment	4.1	3.3	3.4	3.5	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.3	4.4	4.6	4.7
Petroleum-related investment	7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (corrected for IMF-SAP and Cape Verde)	-3.9	-6.0	-6.0	-6.7	-7.6	-8.1	-8.5	-8.8	-9.0	-9.1	-10.1	-10.3	-10.6	-10.5	-10.0	-8.9	-9.2
Of which: reschedulings	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.4	-0.5	-0.7	-0.8	-1.0	-1.2	-1.4	-1.7	-2.0	-2.3	-2.6
Short-term capital and errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-9.0	-8.5	-7.7	-7.8	-8.2	-8.0	-7.9	-7.6	-7.2	-6.8	-7.2	-6.8	-6.5	-5.6	-4.3	-2.3	-2.3
Financing	2.0	3.9	3.9	4.1	4.9	3.5	2.7	2.7	3.0	3.6	4.1	4.7	4.8	4.3	3.6	2.1	2.2
Net change in reserves (increase -)	-4.1	-1.8	-0.5	-0.6	0.1	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.8	-0.9	-0.9	-0.9	-1.0	-1.0
Medium- and long-term arrears (net, decrease -)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term arrears (net, decrease -)	0.0	0.0	0.0	0.0	0.0	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 use of Fund resources	2.6	1.3	0.9	-0.2	-0.7	-1.2	-1.8	-1.9	-1.8	-1.2	-0.7	-0.1	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief on interest and principal payments	3.5	4.5	4.4	4.9	5.5	5.5	5.4	5.4	5.4	5.5	5.6	5.6	5.7	5.2	4.5	3.1	3.2
Financing gap	7.0	4.6	3.9	3.7	3.3	4.5	5.2	4.9	4.2	3.2	3.0	2.1	1.7	1.2	0.7	0.1	0.1
Memorandum items:																	
GDP (in millions of dollars)	441,896	486,086	534,694	588,164	646,980	711,678	782,846	861,131	947,244	1,041,968	1,146,165	1,260,781	1,386,859	1,525,545	1,678,100	1,845,910	2,030,501
Debt-service ratio (before debt relief) 1/	39.0	36.3	34.1	35.4	38.1	39.4	40.1	39.3	37.5	34.6	33.8	31.3	29.9	27.6	24.8	20.9	20.1
Debt-service ratio (after debt relief) 2/	27.1	21.7	20.8	20.4	19.9	19.1	18.6	18.3	18.7	19.6	22.3	23.1	22.9	22.3	21.8	21.1	20.7
Debt service actually paid	26.3	20.1	18.6	17.8	16.9	15.9	15.0	14.4	14.5	15.1	17.8	18.5	18.3	17.8	17.4	16.9	16.7
Current account, excluding official transfers (in percent of GDP)	-62.6	-46.3	-41.3	-38.3	-35.5	-34.5	-33.6	-32.5	-31.1	-29.9	-28.6	-27.4	-26.3	-25.1	-23.9	-22.6	-21.9
Current account, including official transfers (in percent of GDP)	-37.4	-24.0	-20.9	-19.6	-17.9	-17.0	-16.2	-15.4	-14.3	-13.5	-12.6	-11.7	-10.9	-9.9	-9.0	-8.0	-7.5

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

1/ Includes amortization to the IMF, excludes arrears.

2/ Includes amortization to the IMF and cash settlement of arrears.

(In millions of U.S. dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average	
																					1999-2008	2009-2018
1. Debt service on outstanding debt (1P+1I)	5.3	5.8	5.9	8.2	7.9	7.8	8.4	9.1	9.4	9.6	9.5	9.4	9.1	9.6	9.5	9.3	8.7	7.7	6.1	5.8	7.7	8.5
1P Principal	3.0	3.6	3.7	6.0	5.9	5.9	6.6	7.3	7.8	8.1	8.1	8.0	7.8	8.5	8.4	8.4	7.8	7.0	5.4	5.2	5.8	7.5
Multilateral	2.1	2.7	3.1	3.5	3.3	3.2	3.4	3.7	4.1	4.6	4.5	4.5	4.3	5.0	4.9	4.9	5.0	5.0	5.0	5.0	3.4	4.8
IDA	0.4	0.5	0.7	1.1	1.1	1.0	1.1	1.1	1.3	1.4	1.5	1.6	1.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	1.0	2.0
ADB	0.8	0.8	1.0	1.1	1.1	1.1	1.2	1.4	1.7	2.0	2.0	2.0	2.4	2.5	2.6	2.6	2.6	2.6	2.6	2.6	1.2	2.4
IMF	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BADEA	0.3	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.1
Others	0.5	0.5	0.6	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.2
Official bilateral	0.9	0.9	0.7	2.6	2.6	2.6	3.2	3.7	3.7	3.5	3.5	3.5	3.5	3.5	3.5	2.9	2.9	2.0	0.4	0.2	2.4	2.7
Paris Club	0.6	0.6	0.6	2.5	2.5	2.5	2.5	2.5	2.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.0	0.4	0.2	1.9	1.9
ODA	0.4	0.5	0.5	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.0	0.4	0.2	1.8	1.9
Non-ODA	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Other official bilateral	0.3	0.3	0.8	0.0	0.0	0.1	0.6	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	0.6	0.0	0.0	0.0	0.0	0.5	0.8
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1I Interest	2.3	2.2	2.2	2.1	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.3	1.2	1.1	0.9	0.8	0.7	0.7	0.6	2.0	1.0
Multilateral	1.2	1.2	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.6	1.1	0.8
IDA	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.4	0.3
ADB	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.6	0.4
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BADEA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Others	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Official bilateral	1.1	1.1	1.0	1.0	0.9	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.9	0.2
Paris Club	1.1	1.1	1.0	1.0	0.9	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.9	0.2
NPRD	1.1	1.1	1.0	1.0	0.9	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.9	0.2
ODA	1.0	1.0	1.0	1.0	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.8	0.2
Non-ODA	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other official bilateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Debt service on new borrowing (2P+2I)	0.1	0.2	0.3	0.4	0.5	0.6	0.8	1.4	2.0	2.6	3.0	3.1	2.8	2.5	2.1	2.2	2.4	2.6	2.8	3.0	0.9	2.7
2P Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.7	1.2	1.7	2.0	2.0	1.6	1.2	0.8	0.8	0.9	1.1	1.2	1.3	0.4	1.3
2I Interest	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9	0.9	1.0	1.1	1.2	1.2	1.3	1.4	1.5	1.6	1.6	1.7	0.5	1.4
3. Debt service on reschedulings (3P+3I)	0.0	0.9	0.9	0.9	1.8	1.8	1.8	1.9	2.0	2.1	2.3	2.5	2.7	2.9	3.2	3.5	3.8	4.1	4.5	4.9	1.4	3.5
3P Principal	0.0	0.1	0.1	0.1	0.2	0.3	0.3	0.4	0.5	0.6	0.8	1.0	1.2	1.5	1.8	2.1	2.5	2.9	3.4	3.9	0.2	2.1
Paris Club	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.3	0.4	0.5	0.6	0.8	0.9	1.1	1.3	1.6	1.8	0.1	0.9
Non-Paris Club	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.4	0.5	0.6	0.8	0.9	1.0	1.2	1.4	1.6	1.8	2.0	0.2	1.2
3I Interest	0.0	0.8	0.8	0.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.3	1.2	1.2	1.1	1.2	1.3
Paris Club	0.0	0.3	0.3	0.3	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.5	0.6	0.7
Non-Paris Club	0.0	0.5	0.5	0.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.7
4a Debt service relief (flow operations)	1.1	1.7	1.7	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0
4P Principal	0.2	0.7	0.7	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
4I Interest	0.9	1.1	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
4b Debt service relief (stock operations)	0.0	0.0	0.0	0.0	4.5	4.4	4.9	5.5	5.5	5.3	5.3	5.4	5.4	5.5	5.5	5.6	5.2	4.4	3.0	3.1	3.0	4.8
4P Principal	0.0	0.0	0.0	0.0	2.7	2.7	3.3	3.9	4.0	3.9	4.0	4.1	4.3	4.4	4.6	4.7	4.4	3.7	2.4	2.5	2.1	3.9
4I Interest	0.0	0.0	0.0	0.0	1.8	1.7	1.6	1.5	1.5	1.4	1.3	1.2	1.2	1.1	1.0	0.9	0.8	0.7	0.6	0.5	1.0	0.9
5. Net change in arrears (5P+5I)	0.0	78.2	81.3	84.4	87.7	91.2	94.7	98.4	102.2	106.2	110.3	114.6	119.0	123.6	128.4	133.4	138.5	143.9	149.4	155.2	82.4	131.6
5P Principal	0.0	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4	55.3	61.4
5I Interest, including late interest	0.0	16.8	19.9	23.0	26.3	29.8	33.3	37.0	40.8	44.8	48.9	53.2	57.6	62.2	67.0	71.9	77.1	82.5	88.0	93.8	27.2	70.2
6. Debt relief on arrears (6P+6I)	0.0	38.1	39.5	41.1	42.7	44.3	46.1	47.9	49.7	51.6	53.6	55.7	57.8	60.0	62.3	64.7	67.2	69.8	72.4	75.2	40.1	63.9
6P Principal	0.0	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1	28.0	31.1
6I Interest, including late interest	0.0	6.9	8.4	9.9	11.5	13.2	14.9	16.7	18.6	20.5	22.5	24.5	26.7	28.9	31.2	33.6	36.0	38.6	41.3	44.1	12.1	32.7
Memorandum items:																						
7. Total debt service before debt relief	5.4	6.1	6.2	8.6	8.5	8.4	9.2	10.5	11.4	12.2	12.5	12.5	11.9	12.1	11.6	11.6	11.1	10.3	8.9	8.8	8.7	11.1
7P Principal (1P+2P)	3.0	3.6	3.7	6.0	5.9	5.9	6.7	8.0	9.0	9.8	10.0	10.0	9.4	9.7	9.2	9.2	8.8	8.0	6.6	6.5	6.2	8.8
Principal excluding IMF	2.9	3.6	3.7	6.0	5.9	5.9	6.6	7.3	7.8	8.1	8.2	8.3	8.3	9.1	9.1	9.2	8.8	8.0	6.6	6.5	5.8	8.2
7I Interest (1I+2I)	2.4	2.5	2.5	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.4										

Table 12 - São Tomé and Príncipe: Key Indicators of External Indebtedness -- Baseline Scenario and Enhanced HIPC Initiative Debt-Relief Operations, 1998-2018 /1

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(In millions of U.S. dollars)																				
1. Nominal debt stock	292.6	295.6	275.2	285.3	293.9	297.8	301.7	304.8	257.4	261.6	264.8	267.7	270.4	273.7	276.8	280.4	283.9	287.3	290.5	293.4	296.2
Multilateral	167.4	170.3	177.9	184.4	190.5	193.1	195.8	198.1	200.0	201.0	201.0	200.8	200.5	200.9	201.1	201.9	202.7	203.4	204.1	204.7	205.3
Official bilateral	125.2	125.2	97.3	100.9	103.4	104.6	105.9	106.6	57.3	60.5	63.8	66.9	69.9	72.9	75.8	78.6	81.3	83.9	86.3	88.7	91.0
Of which Paris Club	65.1	65.7	49.2	49.3	48.2	46.2	44.3	42.3	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.0	9.0	8.9	8.8	8.7	8.6
Of which post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal debt before rescheduling /2	292.6	298.5	311.4	323.8	334.3	340.7	347.2	353.1	358.2	362.5	366.2	369.8	373.3	377.6	381.8	386.8	391.9	397.7	404.4	412.7	421.3
2. NPV of debt	191.4	198.0	150.9	158.3	162.8	165.7	169.4	172.2	135.8	136.4	138.5	140.3	142.2	144.7	147.0	149.9	152.8	155.8	158.6	161.4	164.2
Multilateral	81.8	82.7	88.0	92.5	97.0	99.4	102.1	104.6	106.4	107.4	107.2	107.0	107.4	107.7	108.5	109.4	110.3	111.1	111.9	112.7	
Official bilateral	109.6	115.4	62.9	65.8	65.9	66.2	67.3	67.6	29.3	29.0	31.0	33.1	35.2	37.2	39.3	41.4	43.4	45.5	47.5	49.5	51.5
Of which Paris Club	55.5	57.8	35.4	36.1	33.9	32.5	31.3	30.1	5.5	4.1	4.2	4.3	4.5	4.6	4.7	4.8	4.9	5.0	5.1	5.2	5.2
Of which post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPV of debt before rescheduling /2	191.4	196.9	206.7	216.3	224.1	230.0	236.1	241.6	246.3	250.2	253.4	256.4	259.4	263.2	266.9	271.2	275.6	280.7	286.8	294.5	302.6
	(In percent of exports of goods and services)/3																				
NPV of debt /4	1,634.6	1,450.1	963.0	855.7	793.5	736.3	693.0	653.5	481.4	454.5	435.2	416.4	398.4	383.8	369.9	358.6	347.8	337.2	326.7	316.3	305.9
Of which multilateral	698.3	605.3	561.4	500.2	472.5	442.0	417.6	396.8	377.4	358.0	337.7	318.2	299.9	285.0	271.0	259.6	249.0	238.7	228.8	219.2	209.9
Debt service /5	...	45.3	28.2	26.5	26.4	20.3	18.8	18.9	21.6	23.6	25.4	24.9	23.6	21.1	20.8	19.0	18.2	17.7	17.3	16.8	16.4
Of which multilateral	...	20.2	21.6	21.5	21.5	19.4	17.7	17.7	19.3	21.3	23.1	22.4	21.0	18.3	17.9	15.8	14.9	14.4	13.8	13.3	12.7
	(In percent of government revenue)/6																				
NPV of debt /4	2,432.3	2,173.9	1,481.8	1,383.8	1,286.2	1,122.6	1,049.9	1,009.3	777.9	764.0	758.2	751.1	743.8	739.9	734.9	732.4	730.1	727.3	724.0	720.2	716.0
Of which multilateral	1,039.1	907.4	863.8	808.8	765.9	673.9	632.7	612.8	609.9	601.7	588.3	573.9	559.9	549.5	538.4	530.2	522.6	514.9	507.1	499.2	491.3
Debt service /5	...	82.1	51.2	47.5	47.1	33.6	30.7	31.4	37.0	42.0	46.8	47.5	46.6	42.8	43.5	40.7	40.1	40.1	40.2	40.2	40.3
Of which multilateral	...	36.6	39.2	38.5	38.3	32.0	28.9	29.4	33.1	37.8	42.5	42.7	41.4	37.2	37.3	34.0	32.9	32.5	32.1	31.7	31.3
	(In percent of GDP, unless otherwise specified)																				
Nominal debt stock	721.3	636.0	550.5	523.8	501.4	464.1	430.0	410.9	339.2	337.0	333.5	329.5	325.4	322.0	318.3	315.2	312.0	308.5	304.9	301.1	297.2
Of which multilateral	412.6	361.5	355.9	338.5	325.1	301.0	279.0	267.1	263.6	259.0	253.1	247.2	241.2	236.3	231.2	226.9	222.7	218.5	214.3	210.1	205.9
NPV of debt	471.8	420.4	301.9	290.6	277.8	258.2	241.5	232.1	178.9	175.7	174.4	172.7	171.1	170.2	169.0	168.5	167.9	167.3	166.5	165.6	164.7
Of which multilateral	201.5	175.5	176.0	169.9	165.4	155.0	145.5	141.0	140.3	138.4	135.3	132.0	128.8	126.4	123.8	122.0	120.2	118.4	116.6	114.8	113.0
Memorandum items:																					
Grant elements in total stock of debt/7	34.6	33.9	45.2	44.5	44.6	44.4	43.8	43.5	47.2	47.8	47.7	47.6	47.4	47.2	46.9	46.6	46.2	45.8	45.4	45.0	44.6
Projected cash payments (in millions of U.S. dollars)	5.6	3.9	5.2	5.4	5.9	4.9	4.9	5.0	5.0	5.0	5.0	5.1	5.4	6.0	7.4	8.1	8.4	8.6	8.8	9.0	9.2

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

Footnotes:

- 1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.
- 2/ For countries that have already received a stock-of-debt operation, the figures before and after rescheduling are the same.
- 3/ As defined in IMF *Balance of Payments Manual*, (5th ed.), 1993.
- 4/ Based on a three-year average of exports on the previous year (e.g. export average over 1997-99 for NPV of debt-to-exports ratio in 1999).
- 5/ After debt relief, excludes changes in arrears.
- 6/ Revenues are defined as central government revenues, excluding grants.
- 7/ in percent of face value.

Table 13 - São Tomé and Príncipe: Key Indicators of External Indebtedness – Baseline Scenario and Traditional Debt-Relief Operations, 1998-2018 /1

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(In millions of U.S. dollars)																				
1. Nominal debt stock	392.6	295.6	275.2	285.3	293.9	264.0	269.6	274.9	279.8	283.9	286.9	289.5	291.9	294.8	297.3	300.3	303.0	305.5	307.7	309.5	311.1
Multilateral	167.4	170.3	173.9	184.4	190.5	192.2	194.9	197.2	199.1	200.0	200.0	199.8	199.5	199.9	200.1	200.8	201.7	202.4	203.1	203.7	204.2
Official bilateral	125.2	125.2	97.3	100.9	103.4	71.8	74.7	77.7	80.8	83.8	86.9	89.7	92.4	94.9	97.2	99.4	101.4	103.1	104.6	105.8	106.8
Of which Paris Club	65.1	65.7	49.2	49.3	48.2	20.4	20.4	20.4	28.3	20.3	20.2	20.1	20.0	19.8	19.5	19.1	18.7	18.2	17.5	16.7	15.8
Of which post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal debt before rescheduling /2	292.6	298.5	311.4	323.8	334.3	339.8	346.3	352.1	357.2	361.6	365.3	368.8	372.3	376.6	380.8	385.8	390.9	396.6	403.3	411.6	420.3
2. NPV of debt	191.4	198.0	150.9	158.3	162.8	135.9	138.6	143.1	147.2	150.4	152.7	154.8	156.7	159.2	161.5	164.2	167.0	169.5	171.9	174.1	176.0
Multilateral	81.8	82.7	88.0	92.5	97.0	99.4	102.1	104.6	106.4	107.4	107.4	107.2	107.0	107.4	107.7	108.5	109.4	110.3	111.1	111.9	112.7
Official bilateral	109.6	115.4	62.9	65.8	65.9	36.5	36.5	38.6	40.7	43.0	45.3	47.5	49.7	51.8	53.8	55.7	57.6	59.3	60.8	62.2	63.4
Of which Paris Club	55.5	57.8	35.4	36.1	33.9	13.4	11.8	12.1	12.3	12.6	12.9	13.1	13.3	13.5	13.6	13.6	13.6	13.5	13.3	12.9	12.4
Of which post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPV of debt before rescheduling /2	191.4	196.9	206.7	216.3	224.1	230.0	236.1	241.6	246.3	250.2	253.4	256.4	259.4	263.2	266.9	271.2	275.6	280.7	286.8	294.5	302.6
	(In percent of exports of goods and services)/3																				
NPV of debt /4	1,634.6	1,450.1	963.0	855.7	793.5	607.1	570.8	543.5	525.2	504.4	483.1	462.2	442.0	425.2	409.2	395.6	382.6	367.5	356.6	343.5	330.4
Of which multilateral	698.3	605.3	561.4	500.2	472.5	444.0	420.4	399.4	379.8	360.3	339.9	320.2	301.8	286.9	272.8	261.4	250.7	240.4	230.4	220.8	211.4
Debt service /5	...	45.3	28.2	26.5	26.4	23.7	21.9	21.9	23.4	25.3	27.1	26.7	25.6	23.2	23.0	21.2	20.6	20.2	19.8	19.5	19.2
Of which multilateral	...	20.2	21.6	21.5	21.5	19.4	17.8	17.8	19.3	21.3	23.1	22.4	21.0	18.3	17.9	15.9	15.0	14.4	13.8	13.3	12.8
	(In percent of government revenue)/6																				
NPV of debt /4	2,432.3	2,173.9	1,481.8	1,383.8	1,286.2	921.3	859.1	839.0	843.3	842.5	836.3	828.3	819.9	814.3	807.4	802.6	797.5	791.6	784.6	776.6	767.7
Of which multilateral	1,039.1	907.4	863.8	808.8	765.9	673.9	632.7	612.8	609.9	601.7	588.3	573.9	559.9	549.5	538.4	530.2	522.6	514.9	507.1	499.2	491.3
Debt service /5	...	82.1	51.2	47.5	47.1	39.0	35.6	36.0	39.9	44.8	49.6	50.7	50.2	46.8	47.8	45.3	45.0	45.4	45.9	46.3	46.8
Of which multilateral	...	36.6	39.2	38.5	38.3	31.9	28.8	29.2	33.0	37.7	42.4	42.5	41.2	37.0	37.1	33.8	32.8	32.4	32.0	31.6	31.1
	(In percent of GDP, unless otherwise specified)																				
Nominal debt stock	721.3	636.0	550.5	523.8	501.4	411.5	384.2	370.6	368.8	365.7	361.3	356.4	351.2	346.7	341.9	337.5	332.9	328.1	323.0	317.6	312.0
Of which multilateral	412.6	361.5	355.9	338.5	325.1	299.6	277.7	265.9	262.4	257.7	251.9	245.9	240.0	235.1	230.1	225.7	221.6	217.4	213.2	209.0	204.9
NPV of debt	471.8	420.4	301.9	290.6	277.8	211.9	197.6	193.0	194.0	193.8	192.3	190.5	188.6	187.3	185.7	184.6	183.4	182.1	180.5	178.6	176.6
Of which multilateral	201.5	175.5	176.0	169.9	165.4	155.0	145.5	141.0	140.3	138.4	135.3	132.0	128.8	126.4	123.8	122.0	120.2	118.4	116.6	114.8	113.0
Memorandum items:																					
Grant elements in total stock of debt/7	34.6	33.9	45.2	44.5	44.6	48.3	49.6	47.9	47.4	47.0	46.8	46.5	46.3	46.0	45.7	45.3	44.9	44.5	44.1	43.8	43.4
Projected cash payments (in millions of U.S. dollars)	5.6	3.9	3.2	3.4	5.9	5.7	5.7	5.8	5.6	5.5	5.5	5.7	6.1	6.7	8.2	9.0	9.4	9.7	10.0	10.4	10.7

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

Footnotes:

- 1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.
- 2/ For countries that have already received a stock-of-debt operation, the figures before and after rescheduling are the same.
- 3/ As defined in IMF Balance of Payments Manual, (5th ed.), 1993.
- 4/ Based on a three-year average of exports on the previous year (e.g. export average over 1997-99 for NPV of debt-to-exports ratio in 1999).
- 5/ A net debt relief, excludes changes in arrears.
- 6/ Revenues are defined as central government revenues, excluding grants.
- 7/ In percent of face value.

(In millions of U.S. dollars, unless otherwise specified)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Trade balance	-29.8	-47.3	-102.7	-209.5	-59.1	-186.0	121.2	414.1	480.2	472.0	477.7	415.5	318.5	197.5	153.1	125.9	96.4
Exports, f.o.b.	7.0	7.7	8.5	15.1	160.7	168.3	450.9	615.7	625.0	617.6	624.3	492.9	397.1	277.1	233.9	207.8	179.6
Cocoa	5.8	6.4	7.1	7.8	8.2	8.6	9.0	9.4	9.8	10.2	10.6	10.9	11.3	11.7	12.0	12.4	12.9
Oil	0.0	0.0	0.0	75.9	331.0	358.1	440.2	604.4	613.2	605.3	611.4	479.6	383.3	262.8	219.0	192.4	163.5
Other	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.9	2.0	2.1	2.2	2.4	2.5	2.7	2.9	3.0	3.2
Imports, f.o.b.	-36.8	-55.0	-111.2	-294.6	-419.8	-554.3	-329.7	-301.5	-144.8	-145.6	-146.5	-77.4	-78.5	-79.7	-80.8	-82.0	-83.2
Food	-4.9	-4.9	-5.0	-5.2	-5.4	-5.6	-5.8	-6.0	-6.3	-6.5	-6.8	-7.0	-7.3	-7.6	-7.8	-8.1	-8.5
Investment goods	-18.5	-20.8	-21.1	-21.8	-20.2	-20.8	-21.4	-21.8	-21.9	-22.0	-22.1	-22.2	-22.5	-22.7	-22.9	-23.1	-23.3
Petroleum products	-3.6	-3.8	-4.0	-4.2	-4.5	-4.8	-5.0	-5.3	-5.7	-6.0	-6.4	-6.8	-7.2	-7.6	-8.1	-8.6	-9.1
Petroleum-related investment	-6.6	-22.5	-78.0	-260.5	-198.8	-320.1	-294.3	-165.1	-107.5	-107.5	-107.5	-37.5	-37.5	-37.5	-37.5	-37.5	-37.5
Other	-3.1	-3.1	-3.0	-3.0	-3.0	-3.0	-3.2	-3.3	-3.4	-3.6	-3.8	-3.9	-4.1	-4.3	-4.4	-4.6	-4.8
Services and income (net)	-9.6	-10.9	-40.7	-80.2	-121.0	-146.4	-121.7	-131.6	-73.0	-72.1	-71.1	-45.1	-44.0	-42.8	-41.6	-40.3	-39.5
Exports of services	15.4	16.5	17.7	18.9	20.1	21.4	22.7	24.2	25.7	27.2	28.7	30.3	32.0	33.8	35.7	37.7	39.3
Travel and tourism	11.4	12.3	13.2	14.0	14.9	15.9	16.9	18.0	19.1	20.2	21.2	22.4	23.6	24.9	26.2	27.6	29.1
Other services	4.0	4.3	4.5	4.8	5.1	5.5	5.8	6.2	6.6	7.0	7.4	7.9	8.4	9.0	9.5	10.1	10.2
Imports of services	-20.2	-23.6	-47.5	-60.2	-77.0	-124.1	-115.8	-137.1	-80.1	-80.7	-81.3	-62.0	-62.6	-63.3	-64.0	-64.8	-65.6
Freight and insurance	-8.1	-11.7	-7.3	-7.5	-7.3	-7.5	-7.8	-8.0	-8.2	-8.4	-8.6	-8.8	-9.0	-9.3	-9.5	-9.8	-10.1
Technical assistance	-5.8	-5.4	-5.4	-5.1	-6.0	-5.7	-5.6	-5.5	-5.5	-5.5	-5.6	-5.6	-5.6	-5.6	-5.6	-5.6	-5.6
Petroleum-related services	0.0	0.0	-28.0	-40.5	-56.3	-103.1	-94.3	-115.1	-57.5	-57.5	-57.5	-37.5	-37.5	-37.5	-37.5	-37.5	-37.5
Other	-6.3	-6.6	-8.8	-7.1	-7.5	-7.8	-8.1	-8.3	-8.8	-9.2	-9.6	-10.0	-10.5	-10.9	-11.4	-11.9	-12.4
Interest due	-4.9	-3.8	-10.9	-38.9	-64.1	-43.7	-28.6	-18.6	-18.6	-18.6	-18.5	-13.5	-13.4	-13.4	-13.3	-13.2	-13.2
Scheduled	-2.5	-2.0	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4	-1.3	-1.3	-1.2	-1.1	-1.0	-0.9	-0.8	-0.7	-0.6
New debt	-0.6	-0.3	-0.6	-0.6	-0.7	-0.8	-0.9	-1.0	-1.1	-1.2	-1.2	-1.3	-1.4	-1.5	-1.6	-1.6	-1.7
Reschedulings	-1.1	-0.9	-0.9	-0.9	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1	-1.1	-1.1	-1.1	-1.0	-0.9	-0.9
Late interest (arrear and residual gap)	-0.5	-0.4	-0.6	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum-related interest payments	0.0	0.0	-7.0	-35.0	-60.0	-40.0	-25.0	-15.0	-15.0	-15.0	-15.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0
Returns on the Special Reserve Fund	0.0	0.0	0.0	0.0	0.0	0.7	2.8	5.3	10.2	16.7	25.0	34.2	41.6	47.4	50.5	53.0	55.2
Private transfers (net)	0.6	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1
Current account, excluding official transfers	-38.8	-56.7	-142.0	-288.2	-178.5	-330.8	1.1	284.3	408.9	401.7	408.4	372.2	276.4	156.6	110.5	87.6	58.0
Official transfers (net)	14.8	14.3	14.3	13.9	13.3	13.6	13.8	13.9	13.9	13.9	14.0	14.0	14.1	14.1	14.2	14.2	14.3
Public investment projects	13.0	12.5	12.5	12.0	11.4	11.6	11.8	11.8	11.8	11.8	11.8	11.7	11.8	11.8	11.8	11.8	11.8
Aid in kind	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.5
Stabilization System for Export Earnings grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current account, including official transfers	-24.1	-42.4	-127.6	-274.3	-165.2	-317.2	14.9	298.2	422.9	415.6	422.4	386.2	290.5	170.7	127.7	101.8	73.2
Medium- and long-term capital (net)	15.1	33.9	125.0	273.1	182.2	348.0	23.2	-220.6	-317.4	-279.7	-272.9	-268.5	-198.8	-122.5	-80.0	-68.1	-46.2
Project loans	9.1	9.6	9.5	10.0	9.5	9.7	9.8	9.9	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Nonproject loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct foreign investment	4.1	3.3	3.4	3.5	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.3	4.4	4.6	4.7
Petroleum-related investment (net)	7.9	27.0	118.1	266.4	176.8	342.9	20.2	-225.3	-322.1	-284.4	-276.7	-272.1	-202.2	-126.2	-94.2	-73.6	-51.5
Amortizations (corrected for IMF-SAF and Cape Verde)	-5.9	-6.0	-6.0	-6.7	-7.6	-8.1	-8.5	-8.8	-9.0	-9.1	-10.1	-10.3	-10.6	-10.5	-10.0	-9.9	-9.2
Of which: reschedulings	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.4	-0.5	-0.7	-0.8	-1.0	-1.2	-1.4	-1.7	-2.0	-2.3	-2.6
Short-term capital and errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-9.0	-8.5	-2.6	-1.2	17.1	30.8	40.1	77.6	105.5	135.9	149.5	117.7	91.7	48.2	37.7	33.7	27.1
Financing	2.0	3.9	3.9	4.1	4.9	3.5	2.7	2.7	3.0	3.6	4.1	4.7	4.8	4.3	3.6	2.1	2.2
Net change in reserves (increase -)	-4.1	-1.8	-0.5	-0.6	0.1	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.8	-0.9	-0.9	-1.0	-1.0	-1.0
Medium- and long-term arrears (net; decrease -)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term arrears (net; decrease -)	0.0	0.0	0.0	0.0	0.0	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 use of Fund resources	2.6	1.3	0.0	-0.2	-0.7	-1.2	-1.8	-1.9	-1.8	-1.2	-0.7	-0.1	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief on interest and principal payments	3.5	4.5	4.4	4.9	5.5	5.4	5.4	5.4	5.4	5.5	5.6	5.6	5.7	5.2	4.5	3.1	3.2
Special Reserve Fund	0.0	0.0	-1.2	-2.9	-21.9	-34.3	-42.8	-80.3	-108.5	-139.4	-153.6	-122.4	-96.5	-52.5	-41.3	-35.9	-29.2
Financing gap (= in a surplus)	7.0	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																	
GDP (in millions of dollars)	441,896	486,086	538,694	1,189,932	3,639,373	3,994,467	5,122,332	7,268,332	7,936,555	8,460,790	9,204,139	8,057,007	7,226,453	5,831,236	5,336,246	5,489,715	5,361,232
Debt-service ratio (before debt relief) 1/	39.0	36.3	34.1	9.4	2.9	2.9	2.6	2.0	1.9	1.8	1.9	2.2	2.7	3.6	3.8	3.6	4.1
Debt-service ratio (after debt relief) 2/	27.1	21.7	41.5	39.0	17.2	11.6	6.3	3.1	3.1	3.3	3.4	3.5	4.3	6.0	7.0	7.7	8.8
Debt service actually paid	26.5	20.1	45.7	37.5	16.4	11.6	6.3	3.1	3.1	3.3	3.4	3.5	4.3	6.0	7.0	7.7	8.8
Current account, excluding official transfers (in percent of GDP)	-62.6	-88.4	-202.3	-192.1	-41.8	-75.9	0.2	41.5	58.7	58.2	58.5	65.5	58.3	44.0	36.1	30.2	22.4
Current account, including official transfers (in percent of GDP)	-37.4	-46.1	-181.9	-182.8	-38.7	-72.8	2.9	43.5	60.7	60.2	62.5	67.9	61.2	48.0	40.6	35.1	27.8

Sources: S&P Trade and Private authorities, and staff estimates and projections.

1/ Includes amortization to the IMF, excludes arrears, includes oil-related private debt service.

2/ Includes amortization to the IMF, cash settlement of arrears, and oil-related private debt service.

Table 15 - São Tomé and Príncipe: Key Indicators of External Indebtedness -- Oil Scenario and Enhanced HIPC Initiative Debt-Relief Operations, 1998-2018 /1

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(In millions of U.S. dollars)																				
1. Nominal debt stock	292.6	295.6	275.2	285.3	293.9	297.8	301.7	304.8	257.4	261.6	264.8	267.7	270.4	273.7	276.8	280.4	283.9	287.3	290.5	293.4	296.2
Multilateral	167.4	170.3	177.9	184.4	190.5	193.1	195.8	198.1	200.0	201.0	201.0	200.8	200.5	200.9	201.1	201.9	202.7	203.4	204.1	204.7	205.3
Official bilateral	125.2	125.2	97.3	100.9	103.4	104.6	105.9	106.6	57.3	60.5	63.8	66.9	69.9	72.9	75.8	78.6	81.3	83.9	86.3	88.7	91.0
Of which Paris Club	65.1	65.7	49.2	49.3	48.2	46.2	44.3	42.3	9.1	9.1	9.1	9.1	9.1	9.1	9.0	9.0	8.9	8.8	8.7	8.6	
Of which post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Of which ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Nominal debt before rescheduling /2	292.6	298.5	311.4	323.8	334.3	340.7	347.2	353.1	358.2	362.5	366.2	369.8	373.3	377.6	381.8	386.8	391.9	397.7	404.4	412.7	421.3
2. NPV of debt	191.4	198.0	150.9	158.3	162.8	165.7	169.4	172.2	135.8	136.4	138.5	140.3	142.2	144.7	147.0	149.9	152.8	155.8	158.6	161.4	164.2
Multilateral	81.8	82.7	88.0	92.5	97.0	99.4	102.1	104.6	106.4	107.4	107.4	107.2	107.0	107.4	107.7	108.5	109.4	110.3	111.1	111.9	112.7
Official bilateral	109.6	115.4	62.9	65.8	65.9	66.2	67.3	67.6	29.3	29.0	31.0	33.1	35.2	37.2	39.3	41.4	43.4	45.5	47.5	49.5	51.5
Of which Paris Club	55.5	57.8	35.4	36.1	33.9	32.5	31.3	30.1	5.5	4.1	4.2	4.3	4.5	4.6	4.7	4.8	4.9	5.0	5.1	5.2	
Of which post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Of which ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
NPV of debt before rescheduling /2	191.4	196.9	206.7	216.3	224.1	230.0	236.1	241.6	246.3	250.2	253.4	256.4	259.4	263.2	266.9	271.2	275.6	280.7	286.8	294.5	302.6
	(In percent of exports of goods and services) ³																				
Oil sector connected to the economy																					
NPV of debt /4	1,634.6	1,450.1	963.0	855.7	793.5	736.3	693.0	333.4	79.6	46.8	33.4	28.0	24.2	22.4	22.6	24.7	28.5	37.0	47.1	58.5	66.9
Of which multilateral	698.3	605.3	561.4	500.2	472.5	442.0	417.6	202.4	62.4	36.8	25.9	21.4	18.2	16.6	16.6	17.9	20.4	26.2	33.0	40.6	45.9
Debt service	...	45.3	28.2	26.5	26.4	20.3	18.8	5.1	1.7	1.9	1.8	1.4	1.4	1.3	1.3	1.6	2.0	2.8	3.3	3.7	4.2
Of which multilateral	...	20.2	21.6	21.5	21.5	19.4	17.7	4.8	1.5	1.7	1.6	1.2	1.2	1.1	1.1	1.3	1.6	2.2	2.6	2.9	3.3
Oil sector as an enclave																					
NPV of debt /4	1,634.6	1,450.1	963.0	855.7	793.5	736.3	648.0	570.5	337.0	257.4	202.8	156.2	122.3	96.7	83.8	82.7	90.8	114.3	142.8	174.0	188.3
Of which multilateral	698.3	605.3	561.4	500.2	472.5	442.0	390.5	346.4	264.2	202.7	157.4	119.3	92.0	71.8	61.4	59.9	65.0	80.9	100.0	120.6	129.2
Debt service /5	...	45.3	28.2	26.5	26.4	20.3	15.8	15.4	11.8	10.8	10.6	7.4	6.0	4.6	4.4	5.0	5.9	8.6	9.7	10.3	11.1
Of which multilateral	...	20.2	21.6	21.5	21.5	19.4	14.8	14.4	10.6	9.7	9.7	6.7	5.3	4.0	3.8	4.2	4.8	7.0	7.8	8.1	8.6
	(In percent of government revenue) ⁶																				
NPV of debt /4	2,432.3	2,173.9	1,481.8	1,383.8	1,286.2	1,122.6	1,049.9	1,009.3	777.9	764.0	758.2	751.1	743.8	739.9	734.9	732.4	730.1	727.3	724.0	720.2	716.0
Of which multilateral	1,039.1	907.4	863.8	808.8	765.9	673.9	632.7	612.8	609.9	601.7	588.3	573.9	559.9	549.5	538.4	530.2	522.6	514.9	507.1	499.2	491.3
Debt service /5	...	82.1	51.2	47.5	47.1	33.6	30.7	31.4	37.0	42.0	46.8	47.5	46.6	42.8	43.5	40.7	40.1	40.1	40.2	40.2	40.3
Of which multilateral	...	36.6	39.2	38.5	38.3	32.0	28.9	29.4	33.1	37.8	42.5	42.7	41.4	37.2	37.3	34.0	32.9	32.5	32.1	31.7	31.3
	(In percent of GDP, unless otherwise specified)																				
Nominal debt stock	721.3	636.0	550.5	523.8	501.4	464.1	430.0	203.1	60.3	60.0	51.0	39.0	38.8	39.7	39.6	49.3	59.9	80.7	92.4	101.3	112.6
Of which multilateral	412.6	361.5	355.9	338.5	325.1	301.0	279.0	132.0	46.9	46.1	38.7	29.3	28.8	29.1	28.8	35.5	42.7	57.2	65.0	70.6	78.0
NPV of debt	471.8	420.4	301.9	290.6	277.8	258.2	241.5	114.7	31.8	31.3	26.7	20.5	20.4	21.0	21.0	26.4	32.2	43.8	50.5	55.7	62.4
Of which multilateral	201.5	175.5	176.0	169.9	165.4	155.0	145.5	69.7	24.9	24.7	20.7	15.6	15.4	15.6	15.4	19.1	23.1	31.0	35.4	38.6	42.8
Memorandum items:																					
GDP per capita	289.6	328.2	339.8	361.1	379.1	404.9	432.0	901.4	2,501.6	2,491.1	2,898.4	3,731.5	3,696.9	3,575.8	3,529.4	2,803.2	2,281.2	1,670.2	1,438.7	1,294.4	1,146.9
Grant elements in total stock of debt /7	34.6	33.9	45.2	44.5	44.6	44.4	43.8	43.5	47.2	47.8	47.7	47.6	47.4	47.2	46.9	46.6	46.2	45.8	45.4	45.0	44.6
Projected cash payments (in millions of U.S. dollars)	5.6	3.9	5.2	5.4	5.9	4.9	4.9	5.0	5.0	5.0	5.0	5.1	5.4	6.0	7.4	8.1	8.4	8.6	8.8	9.0	9.2

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

Footnotes:

- 1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.
2/ For countries that have already received a stock-of-debt operation, the figures before and after rescheduling are the same.
3/ As defined in IMF *Balance of Payments Manual*, (5th ed.), 1993.
4/ Based on a three-year average of exports on the previous year (e.g. export average over 1997-99 for NPV of debt-to-exports ratio in 1999).
5/ After debt relief; excludes changes in arrears.
6/ Revenues are defined as central government revenues, excluding grants.
7/ In percent of face value.

Table 16 - São Tomé and Príncipe: Key Indicators of External Indebtedness - Oil Scenario and Traditional Debt-Relief Operations, 1998-2018 /1

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(In millions of U.S. dollars)																				
1. Nominal debt stock	292.6	295.6	275.2	285.3	293.9	264.0	269.6	274.9	279.8	283.9	286.9	289.5	291.9	294.8	297.3	300.3	303.0	305.5	307.7	309.5	311.1
Multilateral	167.4	170.3	177.9	184.4	190.5	192.2	194.9	197.2	199.1	200.0	200.0	199.8	199.5	199.9	200.1	200.8	201.7	202.4	203.1	203.7	204.2
Official bilateral	125.2	125.2	97.3	100.9	103.4	71.8	74.7	77.7	80.8	83.8	86.9	89.7	92.4	94.9	97.2	99.4	101.4	103.1	104.6	105.8	106.8
Of which Paris Club	65.1	65.7	49.2	49.3	48.2	20.4	20.4	20.4	20.3	20.3	20.2	20.1	20.0	19.8	19.5	19.1	18.7	18.2	17.5	16.7	15.8
Of which post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal debt before rescheduling /2	292.6	298.5	311.4	323.8	334.3	339.8	346.3	352.1	357.2	361.6	365.3	368.8	372.3	376.6	380.8	385.8	390.9	396.6	403.3	411.6	420.3
2. NPV of debt	191.4	196.0	150.9	158.3	162.8	135.9	138.6	143.1	147.2	150.4	152.7	154.8	156.7	159.2	161.5	164.2	167.0	169.5	171.9	174.1	176.0
Multilateral	81.8	82.7	88.0	92.5	97.0	99.4	102.1	104.6	106.4	107.4	107.4	107.2	107.0	107.4	107.7	108.3	109.4	110.3	111.1	111.9	112.7
Official bilateral	109.6	115.4	62.9	65.8	65.9	36.3	36.5	38.6	40.7	43.0	45.3	47.5	49.7	51.8	53.8	55.7	57.6	59.3	60.8	62.2	63.4
Of which Paris Club	55.5	57.6	35.4	36.1	33.9	13.4	11.8	12.1	12.3	12.6	12.9	13.1	13.3	13.5	13.6	13.6	13.6	13.5	13.3	12.9	12.4
Of which post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPV of debt before rescheduling /2	191.4	196.9	206.7	216.3	224.1	230.0	236.1	241.6	246.3	250.2	253.4	256.4	259.4	263.2	266.9	271.2	275.6	280.7	286.8	294.5	302.6
	(In percent of exports of goods and services)/3																				
Oil sector connected to the economy																					
NPV of debt /4	1,634.6	1,450.1	963.0	855.7	793.5	607.1	570.8	278.1	86.4	51.6	36.8	30.9	26.6	24.7	24.9	27.1	31.2	40.3	51.1	63.2	71.9
Of which multilateral	698.3	605.3	561.4	500.2	472.5	444.0	420.4	203.1	62.5	36.9	25.9	21.4	18.2	16.7	16.6	17.9	20.4	26.2	33.0	40.6	46.0
Debt service	...	45.3	28.2	26.5	26.4	23.7	21.9	5.9	1.8	2.1	1.9	1.5	1.5	1.4	1.5	1.8	2.2	3.1	3.7	4.2	4.9
Of which multilateral	...	20.2	21.6	21.5	21.5	19.4	17.8	4.8	1.5	1.7	1.6	1.2	1.2	1.1	1.1	1.3	1.6	2.2	2.6	2.9	3.3
Oil sector as an enclave																					
NPV of debt /4	1,634.6	1,450.1	963.0	855.7	793.5	607.1	533.5	477.0	367.0	284.8	224.4	172.7	135.1	106.6	92.3	90.8	99.3	124.7	155.3	188.4	202.7
Of which multilateral	698.3	605.3	561.4	500.2	472.5	444.0	392.9	348.4	265.4	203.4	157.8	119.6	92.2	71.9	61.5	60.0	65.1	81.1	100.3	121.1	129.8
Debt service /5	...	45.3	28.2	26.5	26.4	23.7	18.4	17.8	12.8	11.5	11.3	7.9	6.5	5.1	4.9	5.6	6.6	9.8	11.1	11.9	12.9
Of which multilateral	...	20.2	21.6	21.5	21.5	19.4	14.9	14.5	10.6	9.7	9.6	6.7	5.3	4.0	3.8	4.2	4.8	7.0	7.7	8.1	8.6
	(In percent of government revenue)/6																				
NPV of debt /4	2,432.3	2,173.9	1,481.8	1,383.8	1,286.2	921.3	859.1	839.0	843.1	842.5	836.3	828.3	819.9	814.3	807.4	802.6	797.5	791.6	784.6	776.6	767.7
Of which multilateral	1,039.1	907.4	861.8	808.8	765.9	673.9	632.7	612.8	609.9	601.7	588.3	573.9	559.9	549.5	538.4	530.2	522.6	514.9	507.1	499.2	491.3
Debt service /5	...	82.1	51.2	47.5	47.1	39.0	35.6	36.0	39.9	44.8	49.6	50.7	50.2	46.8	47.8	45.3	45.0	45.4	45.9	46.3	46.8
Of which multilateral	...	36.6	39.2	38.5	38.3	31.9	28.8	29.2	33.0	37.7	42.4	42.5	41.2	37.0	37.1	33.8	32.8	32.4	32.0	31.6	31.1
	(In percent of GDP, unless otherwise specified)																				
Nominal debt stock	721.3	636.0	550.5	523.8	501.4	411.5	384.2	183.2	65.6	65.2	55.2	42.2	41.9	42.7	42.6	52.8	63.9	85.8	97.9	106.8	118.2
Of which multilateral	412.6	361.5	355.9	338.5	325.1	299.6	277.7	131.4	46.6	45.9	38.5	29.1	28.6	29.0	28.6	33.3	42.5	56.9	64.6	70.3	77.6
NPV of debt	471.8	420.4	301.9	290.6	277.8	211.9	197.6	95.4	34.5	34.5	29.4	22.6	22.5	23.1	23.1	28.9	35.2	47.6	54.7	60.1	66.9
Of which multilateral	201.5	175.5	176.0	169.9	165.4	155.0	145.5	69.7	24.9	24.7	20.7	15.6	15.4	15.6	15.4	19.1	23.1	31.0	35.4	38.6	42.8
Memorandum items:																					
GDP per capita	289.6	328.2	339.8	361.1	379.1	404.9	432.0	901.4	2,501.6	2,491.1	2,898.4	3,731.5	3,696.9	3,575.8	3,529.4	2,803.2	2,381.2	1,670.2	1,438.7	1,294.4	1,146.9
Grant elements in total stock of debt /7	34.6	33.9	45.2	44.5	44.6	48.5	48.6	47.9	47.4	47.0	46.8	46.5	46.3	46.0	45.7	45.3	44.9	44.5	44.1	43.8	43.4
Projected cash payments (in millions of US dollars)	5.6	3.9	5.2	5.4	5.9	5.7	5.7	5.8	5.6	5.5	5.5	5.7	6.1	6.7	8.2	9.0	9.4	9.7	10.0	10.4	10.7
Residual (financing gap (-) is a surplus)	0.0	0.0	1.4	3.3	5.0	5.3	-0.4	-2.1	-21.3	-33.8	-42.3	-79.7	-107.8	-138.6	-152.8	-121.5	-95.4	-51.4	-40.0	-34.5	-27.7

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

Footnotes:

- 1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.
 2/ For countries that have already received a stock-of-debt operation, the figures before and after rescheduling are the same.
 3/ As defined in IMF Balance of Payments Manual, (5th ed.), 1993.
 4/ Based on a three-year average of exports on the previous year (e.g. export average over 1997-99 for NPV of debt-to-exports ratio in 1999).
 5/ After debt relief, excludes changes in arrears.
 6/ Revenues are defined as central government revenues, excluding grants.
 7/ In percent of face value.

São Tomé and Príncipe: Summary of Tax System, December 1999

Tax	Nature of Tax	Exemptions or Deductions	Rates
1. Taxes on income, profit, and capital gains			
1.1 Individual			
1.1.1 Income tax (<i>Imposto sobre salários</i>) (Decree-Law 64/97).	Levied on all domestically earned income, in cash and in kind. The tax is withheld at source and payable within the first eight days of the month after the income was paid. It is levied on all individuals, including nonresidents who earn income in the country.	<p>Earned annual income up to Db 480,000.</p> <p>Salary supplements, up to 10 percent of the fixed monthly salary.</p> <p>Expense allowances and per diem and representation allowances, up to the limits set for government employees.</p> <p>Income of clergy from exercise of their spiritual functions.</p> <p>Personnel of diplomatic and consular missions or in the service of international or foreign organizations.</p>	Flat 13 percent tax; Db 5,000 monthly deductible.

Tax	Nature of Tax	Exemptions or Deductions	Rates
1.2 Corporate			
1.2.1 Profit tax (<i>Imposto sobre o rendimento</i>) (Decree-Law 9/93 of March 5, 1993; Decree-Law 84/93 of December 31, 1993; Decree-Law 46/93 of August 10, 1993; Decree-Law 58/95 of December 31, 1995; Decree-Law 40/96 of October 29, 1996).	Levied on all domestic income from any commercial, industrial, or agricultural business or independent profession, even if occasional or temporary.	<p>Profits from investment of dividends from mutual aid societies and nonprofit cooperatives.</p> <p>Fifty percent of profits from agricultural activities.</p> <p>Special exemptions granted in the context of the investment code.</p>	<p>For commercial, industrial, and service businesses, flat 30 percent rate on taxable profit; an additional 15 percent rate on taxable profits in excess of Db 3 million.</p> <p>For independent professionals, five-bracket schedule applicable to taxable profit, with</p> <ul style="list-style-type: none"> • progressive rates from 5 percent to 30 percent for taxable profit from Db 60,001 to Db 3,000,000; and • flat rate of 30 percent for taxable profit above Db 3,000,000, plus 15 percent surcharge on portion of taxable profit in excess of Db 3,000,000. <p>Revenue obtained from rental of urban property is taxed at a rate of 20 percent.</p> <p>Six progressive taxes ranging from Db 3,000 to Db 150,000.</p>
1.2.2 Minimum tax (<i>Valor minimo</i>) (Decree-Law 58/95 of December 31, 1995).	<p>This presumptive tax on profits, which replaces the <i>contribuição industrial fixa</i>, must be paid during the first half of the year by all commercial, industrial, and artisanal businesses, as well as by self-employed professionals.</p> <p>The minimum tax is deductible from the profit tax when the latter is positive.</p>	None.	

São Tomé and Príncipe: Summary of Tax System, December 1999

Tax	Nature of Tax	Exemptions or Deductions	Rates
2. Taxes on property			
2.1 Urban property tax (<i>Contribuição predial urbana</i>) (Legislative Act 450 of September 8, 1954; Decree-Law 57/81 of November 28, 1981; Decree-Law 16/93 of March 5, 1993; Decree-Law 45/93 of August 10, 1993; Decree-Law 84/93 of December 31, 1993; Decree-Law 40/96 of October 29, 1996).	Levied on all urban property, including <ul style="list-style-type: none"> • permanent buildings intended for housing, commercial, or industrial purposes other than exploitation of land, and the land on which the buildings are located; and • land for construction when declared as such by the owner or by law. 	<p>Central government properties.</p> <p>For two years, permanent buildings for use as dwellings by owners or their families, including buildings replacing demolished buildings, provided the construction period does not exceed 24 months.</p> <p>Owners of property whose total income does not exceed Db 2,000.</p> <p>All property owned by religious entities pursuant to their purposes.</p>	<p>Fifteen percent on registered value corrected according to the following factors:</p> <ul style="list-style-type: none"> • Factor of 8 for property registered before Dec. 31, 1970; • Factor of 4 for property registered between Jan. 1, 1971 and Dec. 31, 1980; • Factor of 2 for property registered between Jan. 1, 1981 and Dec. 31, 1990; • Factor of 1.5 for property registered between Jan. 1, 1991 and Apr. 30, 1993; and • Factor of 1 for property registered after May 1, 1993.

São Tomé and Príncipe: Summary of Tax System, December 1999

Tax	Nature of Tax	Exemptions or Deductions	Rates
<p>2.2 Motor vehicle tax (<i>Imposto sobre veículos</i>) (Decree-Law 13/93 of March 5, 1993; Decree-Law of December 31, 1993).</p>	<p>Levied on motor vehicles equipped with engines larger than 50cc, either registered in the country or starting 180 days within entry into the country, that circulate or are parked in public thoroughfares or places.</p>	<p>The central government and any of its agencies, organizations, or services, except state-owned and mixed enterprises.</p> <p>Citizens of countries giving reciprocal treatment.</p> <p>Personnel of diplomatic and consular missions, pursuant to agreements.</p> <p>International or foreign organizations, pursuant to agreements.</p> <p>Driver-training vehicles.</p> <p>Duly registered rental vehicles.</p> <p>Duly registered boats used in artisanal fishing.</p> <p>New vehicles purchased after October 31, 1997.</p> <p>Farm tractors.</p> <p>Motorcycles used for transporting freight.</p>	<p>The taxes are reviewed annually, and vary according to the size and the age of the vehicle:</p> <ul style="list-style-type: none"> • Vehicles over 50cc up to 500cc are taxed Db 500 if less than 6 years old, and Db 1,000 if more than 6 years old. • Vehicles over 500cc up to 1,300cc are taxed Db 2,500 if less than 6 years old, and Db 4,000 if more than 6 years old. • Vehicles over 1,300cc up to 1,900cc are taxed Db 4,000 if less than 6 years old, and Db 6,000 if more than 6 years old. • Vehicles over 1,900cc are taxed Db 6,000 if less than 6 years old, and Db 10,000 if more than 6 years old. <p>For recreational boats, tariffs are as follows:</p> <ul style="list-style-type: none"> • For recreational boats up to 25hp, tariffs are Db 500 if up to 6 years old, and Db 1,000 if more than 6 years old. • For each 10 hp or fraction over 25hp, there are additional tariffs of Db 500 for boats up to 6 years old, and Db 1,000 for boats more than 6 years old.

Tax	Nature of Tax	Exemptions or Deductions	Rates														
3. Domestic taxes on goods and services																	
3.1 Excise tax (<i>Imposto sobre o consumo</i>) (Decree-Law 20/76 of June 30, 1976; Decree-Law 47/91 of October 17, 1991; Decree-Law 14/93 of March 5, 1993; Decree-Law 41/93 of July 27, 1993; Decree-Law 53/95 of November 17, 1995).	<p>Levied on the value of goods listed in the schedules annexed to Decree-Laws 14/93 and 41/93, with the following valuation methods:</p> <ul style="list-style-type: none"> • The factory gate selling price is applied to locally produced goods not distributed by an associated or subsidiary enterprise. • The distributor's selling price less 20 percent is used if the producer is associated with the distributor or the subsidiary enterprise. • The domestic value, import taxes included, is applied in the case of imports. • If the producer sells his goods directly to consumers, the factory gate price cannot, for purposes of the excise tax, be less than the price charged to the consumer less 20 percent. <p>The tax is chargeable to</p> <ul style="list-style-type: none"> • the producer, in the case of locally produced goods; and • the importer, in the case of imports. 	<p>Locally produced goods exported or re-exported directly from the industrial establishment.</p> <p>Raw materials, equipment, and finished or semifinished products, whether locally produced or imported, for use in industrial, agricultural, or fishing activities, including artisanal fishing, or for incorporation into locally produced items.</p> <p>Imported or locally produced materials for packaging of agricultural exports.</p> <p>Alcohol needed in industrial processes. Gasoline for vehicles of diplomats, subject to reciprocity, and of officials of international organizations.</p> <p>Gasoline for aviation equipment for public use.</p>	<p>General tax of 15 percent, with the following exceptions, as listed in the schedules annexed to Decree-Laws 14/93 and 41/93:</p> <table border="1" data-bbox="1619 521 1913 873"> <thead> <tr> <th data-bbox="1619 553 1717 578"><i>Products</i></th> <th data-bbox="1808 521 1913 578"><i>Rates (percent)</i></th> </tr> </thead> <tbody> <tr> <td>Petroleum goods</td> <td>15–130</td> </tr> <tr> <td>Motor vehicles</td> <td>15–50</td> </tr> <tr> <td>Soft drinks</td> <td>10–15</td> </tr> <tr> <td>Alcoholic drinks</td> <td>60–130</td> </tr> <tr> <td>Tobacco</td> <td>100–250</td> </tr> <tr> <td>Books, basic food, construction material, pharmaceuticals</td> <td>0</td> </tr> </tbody> </table>	<i>Products</i>	<i>Rates (percent)</i>	Petroleum goods	15–130	Motor vehicles	15–50	Soft drinks	10–15	Alcoholic drinks	60–130	Tobacco	100–250	Books, basic food, construction material, pharmaceuticals	0
<i>Products</i>	<i>Rates (percent)</i>																
Petroleum goods	15–130																
Motor vehicles	15–50																
Soft drinks	10–15																
Alcoholic drinks	60–130																
Tobacco	100–250																
Books, basic food, construction material, pharmaceuticals	0																

Tax	Nature of Tax	Exemptions or Deductions	Rates
4. Taxes on international trade and transactions			
4.1 Transaction tax (<i>Contribuição industrial variável</i>) (Legislative Act 2 of January 20, 1925; Legislative Act 551 of July 30, 1949; Decree-Law 47/91 of October 17, 1991; Decree-Law 6/95 of May 26, 1995; Decree-Law 40/96 of October 29, 1996.	Charged to entities and individuals covered by Schedule A annexed to the decree.	Goods exempted from import duties.	Single rate of 8 percent.
4.2 Import duty (<i>Direitos de importação</i>) (Legislative Act 739 of December 5, 1966; Legislative Act 745 of December 24, 1966; Decision 10/85 of April 22, 1985; Decree-Law 6/95 of May 26, 1995; Decree-Law 53/95 of November 17, 1995).	<p>Levied on the customs value of imports determined on the assumption that</p> <ul style="list-style-type: none"> • the goods are delivered to the buyer at the port of entry; • the seller's price is the c.i.f. price, that is, it includes all costs related to the sale of the good and its delivery at the port of entry; • the buyer pays the applicable duty and any other taxes that are excluded from the base price; • if the goods being valued are manufactured under a patented process of registered design or mark, or bear a foreign trademark or brand name, or are imported to be sold under the same trademark even after additional finishing, the base price includes the royalty for use of the patent, registered design, trademark, or brand name; and 	<p>Goods imported by official agencies as specified in Decree 41024 of March 23, 1957 are exempt. Examples are as follows:</p> <ul style="list-style-type: none"> • aircraft and aircraft engines for use in civil aviation; • equipment, machinery, and accessories for use in any public service; • fixed plant and rolling stock for railroads, hoists, and floating docks and cranes imported by the port and railroad agencies; • electrical equipment for postal, telegraph, and telephone stations; • construction materials and electrical equipment, and machinery and apparatus imported by the government for use in water and electricity distribution system or sewer systems or by 	<p>A mix of ad valorem and specific rates, depending on the nature of the product. Examples are as follows:</p> <ul style="list-style-type: none"> • wheat, rice, and flour (exempt); • meat (8.85 percent); • live animals (7.35 percent); • butter (10 percent); • milk (exempt); • oil (3 percent); • salt and sugar (1 percent); • fresh fruits (1 percent); • coffee (10 percent); • tea (5 percent); • wine (6 percent); • other alcoholic beverages (35–50 percent); • tobacco (Db 564.22 per kilogram); • pharmaceuticals (exempt); • most mineral and chemical products (5–6 percent);

Tax	Nature of Tax	Exemptions or Deductions	Rates
<p>4.3 Customs duty (<i>Emolumentos gerais aduaneiros</i>) (Decree 31 883 of April 18, 1942; Decree-Law 7/72 of June 22, 1972; Decree-Law 6/95 of May 26, 1995).</p>	<p>Levied on imports.</p>	<ul style="list-style-type: none"> • specific duties levied on the weight of goods are calculated on the basis of their gross, net, or actual weight, as stated in the tariff and its instructions. • public works agencies for carrying out work on such systems or any other work required for the country's development and the equipping of ports; and • fertilizers and seeds imported by agricultural agencies. <p>Enterprises engaged in the production of items included in the preceding list are exempt from duty as well. Also exempt are products for use by new industries of strategic economic interest.</p> <p>The government may exempt goods under temporary import or reimport arrangements. Many exemptions are negotiated bilaterally in the context of the investment code.</p> <p>Imports of immigrants may also be exempted.</p> <p>The government may exempt certain imports, such as capital goods and certain basic foodstuffs.</p>	<ul style="list-style-type: none"> • gasoline (86 percent), diesel (34 percent), and kerosene (14 percent); • perfumes (45 percent); • most textile products (5-30 percent); • most metals (8-50 percent); • electric equipment (3-20 percent); • cars and buses (10-12 percent); • tractors (2 percent); and • motorcycles and trucks (5-10 percent). <p>Flat tax of 3.5 percent.</p>

São Tomé and Príncipe: Summary of Tax System, December 1999

Tax	Nature of Tax	Exemptions or Deductions	Rates
4.4 Export tax (<i>Imposto geral de exportação</i>) (Decree-Law 17/93 of March 5, 1993; Decree-Law 6/95 of May 26, 1995).	Levied on agricultural exports.	Exports whose customs value does not exceed Db 20,000.	Ad valorem rates: <ul style="list-style-type: none"> • cocoa, 10 percent; • coffee, 8 percent; • copra, 9 percent; • palm kernels, 8 percent; and • other, 15 percent.
4.5 Lighthouse tax (<i>Imposto de farolagem</i>) (Legislative Act 25 of December 24, 1933).	Levied on all ships entering domestic harbors and used to defray the costs of lighthouses, lighted beacons, and light buoys. The tax is administered by the National Port Enterprise (ENAPORT); its budgetary significance is virtually nil.	None.	Rates range from Db 150 to Db 650 per ship, depending on nationality of ship and time of day.
4.6 Harbor tax (<i>Taxas de porto</i>) (Decree-Law 22/89 of December 19, 1989).	Levied for use of port facilities, and on material procured by the port authorities.	Scientific missions, domestic ships, and fishing boats pay only 50 percent of the tax. The following equipment is exempted: <ul style="list-style-type: none"> • government and military boats; • merchandise in transit; • merchandise shipped between domestic harbors; • passengers' luggage; and • mail. Exemptions are also granted by ENAPORT on a case-by-case basis.	Mostly specific tariffs, which vary with the weight, volume, and quantity of merchandise, the type of service, and time of utilization of service. For materials procured by the port authorities, a tax of 1 percent of the c.i.f. value, and an additional tax of 30 percent.

Tax	Nature of Tax	Exemptions or Deductions	Rates	
5. Other taxes				
5.1 Inheritance and gift tax (<i>Imposto sobre as sucessões e doações</i>) (Decree 22 of June 22, 1988; Decree-Law 42/93 of August 10, 1993).	<p>Levied on all conveyance of movable property, real estate property, value, or title. Chargeable to the recipient.</p> <p>The tax base is determined by the value of the conveyed goods or property, after deduction of the transferor's debts and other costs set forth in the regulations.</p>	Transfers of less than Db 5,000. Also exempt is the gratuitous conveyance of movable or real estate property to descendants or to nonprofit organizations.	Progressive rates between 7 percent and 25 percent, based on the value of the goods or property conveyed and the degree of kinship between the descendant and the heirs.	
5.2 Real estate transfer tax (<i>Sisa sobre a transmissão de imobiliários por título oneroso</i>) (Decree 22 of June 22, 1988; Decree-Law 42/93 of August 10, 1993).	<p>Levied on all onerous conveyances of real estate and chargeable to the purchaser.</p> <p>Taxable transactions include specifically</p> <ul style="list-style-type: none"> • sales or bartering of real property, subject to prior authorization of the Planning Minister under Article 1 of Decree-Law 48/75 of June 19, 1975; • acquisitions of shares in companies other than business corporations that own real property, if through such acquisition one partner becomes the holder of at least 75 percent of the company's capital or the number of partners is reduced to two and the two are husband and wife married with community property; and 	<p>The state.</p> <p>Nonprofit organizations.</p> <p>Recipients of real estate who are descendants, ascendants, husbands, wives, brothers or sisters, for property valued at less than Db 30,000.</p>	<p><i>Property</i></p> <p>Rural property</p> <p>Urban property</p> <p>Barter deeds</p>	<p><i>Rate</i></p> <p>10 percent</p> <p>10 percent</p> <p>5 percent</p>

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Tax	Nature of Tax	Exemptions or Deductions	Rates
<p>5.3 Stamp tax (<i>Imposto de selo</i>) (Decree-Law 12/76 of April 19, 1976 and annexed schedule; Decree-Law 40/88 of December 20, 1988; Decree-Law 15/93 of March 5, 1993; Decree-Law 81/93 of December 31, 1993; Decree-Law 12/96 of April 19, 1996).</p>	<ul style="list-style-type: none"> • purchases of freehold of leaseholders and redemptions of property seized in tax enforcement proceedings. The tax base is the value of the conveyance or the assessed income from the property as shown in the real property register, whichever is higher, or determined through direct assessment. <p>Levied through</p> <ul style="list-style-type: none"> • revenue stamps (<i>selos fiscais</i>); • stamped forms (<i>papel selado</i>); • stamped bills (<i>letras seladas</i>); • revenue stamps (<i>selos de verba</i>); • collection advice stamps; • customs stamps; • check stamps; • pharmaceutical stamps; and • miscellaneous stamps. <p>The state has a claim on the stamp tax upon assessment and payment, when it is due on acts and contracts subject to it, and when products subject to it are exhibited or sold.</p>	<p>The state.</p> <p>Religious institutions.</p> <p>Some items in the schedule annexed to the regulations.</p>	<p>Examples:</p> <ul style="list-style-type: none"> • stamped forms, Db 50; • revenue stamps, Db 1 to Db 1,500; • stamped bills, Db 1 to Db 500; and • check stamps, Db 3 for local payment and Db 15 for payment abroad.
<p>5.4 Special tax (<i>Imposto especial</i>) (Decree-Law 22793 of June 30, 1933).</p>	<p>Surtax on the total amount of the following taxes, fees, and other government revenues:</p> <ul style="list-style-type: none"> • import tax; • rural property tax; • justice, port, and customs duties; • enforced collection proceeds; and • tax violation proceeds. 	<p>None.</p>	<p>Single rate of 20 percent.</p>

Tax	Nature of Tax	Exemptions or Deductions	Rates
5.5 Stamp tax (<i>Imposto do selo de assistência</i>) (Decree-Law 44/T/75 of June 6, 1975; Decree-Law 11/86 of March 31, 1986).	Tax on customs clearance and receipts, licenses, and certificates.	Same as stamp tax.	For customs clearance and receipts, specific tax for low values, from Db 2 to Db 10; and ad valorem rate of 0.15 percent for values above Db 10,000. Specific tax of Db 15 for licenses and Db 10 for certificates.
5.6 Military tax (Decree 17 695 of December 21, 1929; Decree 29 115 of November 12, 1938; Decree 32 745 of April 10, 1943; Decree-Law 86/93 of December 31, 1993).	Due by all nationals who are not doing military service.	Disabled nationals. Students, until the end of their studies. Anyone who is currently part of military or paramilitary services, or who served in the army for at least five years.	Db 750 or Db 1,000, depending on income levels.
5.7 Justice tax (Decree-Law 18/87 of August 31, 1987).	Due on the value of settlement for fiscal cases.		Flat rate of 10 percent.

Source: São Tomé and Príncipe authorities.

Exchange and Payments System

(As of June 30, 1999)

Exchange arrangement

1. The currency of São Tomé and Príncipe is the São Tomé and Príncipe dobra. Since 1998, the official exchange rate has been determined as a daily average of exchange rates in the *bureaux de change*, parallel market, and commercial banks.⁴² On June 30, 1999, the exchange rate (middle rate) for the U.S. dollar, the intervention currency, was Db 7,200 per US\$1. Rates for certain other currencies are determined on the basis of the exchange rates of the U.S. dollar for the currencies concerned.
2. Foreign exchange transactions are divided into three categories for the purpose of assessing charges on purchases and sales of foreign exchange: import payments, transactions in foreign checks, and collection of export proceeds.
3. On import-related exchange transactions, the arrangements are as follows: when a letter of credit is opened, a stamp duty of 0.25 percent of the import value and a postage levy of US\$2 are levied.⁴³
4. On foreign checks for collection, the commercial banks charge a postage levy of US\$2 for each transaction. For collection of export proceeds, a commission of 0.125 percent is charged—with a minimum of US\$25 and a maximum of US\$300—when the letter of credit is opened, and a fee of 0.125 percent is charged when the funds are received. A postage levy of Db 39,000 is also charged.
5. There are no arrangements for forward cover against exchange rate risk operating in the official or the commercial banking sector.

⁴²The weights are based on the recorded dollar value of the previous day's transactions in the commercial and *bureaux de change* markets, and an estimate of the dollar value of transactions in the parallel market. According to the central bank data, the vast majority of foreign exchange transactions are effected through the commercial banks, while the market share of the *bureaux de change* is virtually nil.

⁴³ A commission of 0.5 percent of the import value, payable to the Central Bank of São Tomé and Príncipe (BSCTP), was eliminated in 1999.

Administration of control

6. Current account transactions are free of restrictions, following the promulgation of a new law on foreign exchange transactions in August 1999. Previous restrictions were eliminated as follows:
 - allocations of foreign exchange for imports of certain essential goods were eliminated in February 1999;
 - limits on payments for certain invisibles were eliminated in February 1999; and
 - multiple currency practices were eliminated through 1998 and 1999, and the spread between the official and parallel market exchange rates has been kept at less than 1.5 percent.

Export surrender requirements were also eliminated in September 1998.

7. Import and export licenses are recorded, strictly for statistical purposes, by the Directorate of External Commerce.
8. Arrears are maintained with respect to public external debt-service-obligations.

Bilateral agreements

9. The bilateral payment agreement with Cape Verde was terminated, and the corresponding debt to Cape Verde, which amounted to US\$1.65 million, was rescheduled on July 21, 1995 through an agreement between the Central Bank of Cape Verde and the BCSTP. The debt is being reimbursed in equal quarterly installments, the last installments falling due in March 2000. A bilateral payment arrangement with the Central Bank of Angola is partially operative.

Imports and import payments

10. All registered importers (including productive entities) are permitted to engage in import activity. Import licenses are automatically granted by the Directorate of External Commerce. When importers open letters of credit, the commercial bank (BISTP) requires them to lodge a deposit⁴⁴ in domestic currency equivalent to 0 percent to 100 percent of the value of the letters of credit, depending on the creditworthiness of the operator.

⁴⁴Currently, the BISTP does not remunerate these deposits, but it also chooses not to remunerate any other type of deposits.

Payments for invisibles

11. All payments related to invisibles are subject to a stamp tax of 0.5 percent. In addition, commercial banks charge a commission of US\$2 for clients (and US\$4 for nonclients).

Exports and export proceeds

12. For the purpose of collecting information, all exports require the completion of registration forms, as set out in Advance Export Registration Bulletins, which specify the quantity and c.i.f. or f.o.b. value of the export shipment. The previous mandatory surrender requirements were eliminated in September 1998.

Proceeds from invisibles

13. Travelers may bring in any amount of foreign exchange.

Capital

14. Inward foreign investments are governed by the investment code, which was implemented on October 15, 1992. Foreign capital investments, excluding the extraction of hydrocarbons and other mining industries, are permitted on the same basis as domestic investment. Repatriation of profits is permitted for up to 15 percent of the value of the investment a year. Transfers are permitted for repayment of financing under agreements with the government and for the amortization of private sector investments in activities considered to be in the national interest. Nonresidents holding foreign currency accounts can freely transfer funds abroad. Personnel under technical assistance programs are allowed to transfer their savings in accordance with the terms of their contracts.

Table 17. São Tomé and Príncipe: Gross Domestic Product and Expenditure at Current Prices, 1994-99

(In millions of dobras, unless otherwise specified)

	1994	1995	1996	1997	1998	1999 Est.
Primary sector	9,249	17,070	24,583	49,537	59,884	69,260
Agriculture	8,223	15,210	21,688	43,537	51,270	57,106
Fisheries	1,026	1,860	2,895	6,000	8,614	12,155
Secondary sector	7,290	12,689	18,671	32,961	46,838	56,658
Manufacturing and energy	1,943	2,648	5,249	10,890	15,630	18,459
Construction	5,004	9,431	12,487	22,071	31,208	38,199
Tertiary sector	19,756	34,854	55,647	117,502	174,278	208,190
Commerce and transport	7,850	14,482	22,711	48,396	69,261	78,638
Public administration	8,088	13,211	21,788	46,000	65,688	76,901
Financial institutions	2,041	4,591	8,672	17,536	25,041	29,373
Other services	1,777	2,570	2,476	5,570	14,287	23,278
Gross domestic product	36,295	64,613	98,900	200,000	281,000	334,109
Consumption	42,635	71,958	112,496	232,962	300,689	362,599
Private	31,044	54,131	85,618	169,100	228,613	263,184
Public 1/	11,591	17,827	26,879	63,862	72,076	99,415
Gross fixed capital formation	15,096	44,004	55,540	98,296	100,587	133,574
Private	5,444	22,615	26,703	54,000	44,960	46,775
Public 1/	9,652	21,390	28,837	44,296	55,627	86,799
Change in inventory	0	0	0	0	0	0
Gross domestic expenditure	57,731	115,963	168,037	331,257	401,276	496,173
Resource balance	-21,436	-51,350	-69,137	-131,257	-120,276	-162,064
Exports of goods and nonfactor services	8,601	13,322	23,449	56,647	83,365	116,954
Imports of goods and nonfactor services 1/	30,037	64,672	92,585	187,905	203,641	279,018
Memorandum items:						
Gross domestic savings	-6,340	-7,345	-13,596	-32,962	-19,689	-28,490
Private domestic savings	849	463	536	1,713	1,970	11,163
Public domestic savings	-7,189	-7,808	-14,133	-34,675	-21,659	-39,653
Gross national savings	2,899	17,834	24,700	91,095	41,398	48,809
Private national savings	-4,693	-14,338	-18,932	-38,745	-63,587	-51,140
Public national savings	7,592	32,171	43,632	129,839	104,985	99,948
GDP deflator (annual percentage change)	73.5	74.5	50.8	100.2	37.1	16.0
Nominal GDP (annual percentage change)	77.3	78.0	53.1	102.2	40.5	18.9
Real GDP (annual percentage change)	2.2	2.0	1.5	1.0	2.5	2.5

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

1/ Starting in 1995, public consumption, public investment, and imports include technical assistance and other expenditure for projects managed directly by foreign donors. These data are not available for previous years.

Table 18. São Tomé and Príncipe: Gross Domestic Product and Expenditure at Current Prices, 1994-99

(In percent of GDP)

	1994	1995	1996	1997	1998	1999 Est.
Primary sector	25.5	26.4	24.9	24.8	21.3	20.7
Agriculture	22.7	23.5	21.9	21.8	18.2	17.1
Fisheries	2.8	2.9	2.9	3.0	3.1	3.6
Secondary sector	20.1	19.6	18.9	16.5	16.7	17.0
Manufacturing and energy	6.3	5.0	6.2	5.4	5.6	5.5
Construction	13.8	14.6	12.6	11.0	11.1	11.4
Tertiary sector	55.4	53.9	56.3	58.8	62.0	62.3
Commerce and transport	21.6	22.4	23.0	24.2	24.6	23.5
Public administration	22.3	20.4	22.0	23.0	23.4	23.0
Financial institutions	5.6	7.1	8.8	8.8	8.9	8.8
Other services	5.9	4.0	2.5	2.8	5.1	7.0
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0
Consumption	117.5	111.4	113.7	116.5	107.0	108.5
Private	85.5	83.8	86.6	84.5	81.4	78.8
Public 1/	31.9	27.6	27.2	31.9	25.6	29.8
Gross fixed capital formation	41.6	68.1	56.2	49.1	35.8	40.0
Private	15.0	35.0	27.0	27.0	16.0	14.0
Public 1/	26.6	33.1	29.2	22.1	19.8	26.0
Change in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Gross domestic expenditure	159.1	179.5	169.9	165.6	142.8	148.5
Resource balance	-59.1	-79.5	-69.9	-65.6	-42.8	-48.5
Exports of goods and nonfactor services	23.7	20.6	23.7	28.3	29.7	35.0
Imports of goods and nonfactor services 1/	82.8	100.1	93.6	94.0	72.5	83.5
Memorandum items:						
Gross domestic savings	-17.5	-11.4	-13.7	-16.5	-7.0	-8.5
Private domestic savings	2.3	0.7	0.5	0.9	0.7	3.3
Public domestic savings	-19.8	-12.1	-14.3	-17.3	-7.7	-11.9
Gross national savings	8.0	27.6	25.0	45.5	14.7	14.6
Private national savings	-12.9	-22.2	-19.1	-19.4	-22.6	-15.3
Public national savings	20.9	49.8	44.1	64.9	37.4	29.9

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

1/ Starting in 1995, public consumption, public investment, and imports include technical assistance and other expenditure for projects managed directly by foreign donors. These data are not available for previous years.

Table 19. São Tomé and Príncipe: Gross Domestic Product and Expenditure at Constant Prices, 1994-99

	1994	1995	1996	1997	1998	1999 Est.
(In millions of 1991 dobras)						
Gross domestic product	11,947	12,186	12,368	12,492	12,804	13,124
Consumption	14,647	14,069	14,372	15,112	14,911	15,124
Private	10,070	10,284	9,888	9,631	10,095	9,423
Public 1/	4,577	3,785	4,485	5,480	4,816	5,700
Gross fixed capital formation	4,130	5,631	4,727	4,366	2,913	3,726
Change in inventory	0	0	0	0	0	0
Gross domestic expenditure	18,777	19,700	19,099	19,478	17,823	18,850
Resource balance	-6,830	-7,514	-6,731	-6,986	-5,020	-5,726
Exports of goods and nonfactor services	1,689	1,230	1,303	1,404	1,609	2,204
Imports of goods and nonfactor services 1/	8,519	8,744	8,034	8,390	6,628	7,929
(Annual percentage change)						
Gross domestic product	2.2	2.0	1.5	1.0	2.5	2.5
Consumption	-2.2	-3.9	2.2	5.1	-1.3	1.4
Private	-8.7	2.1	-3.8	-2.6	4.8	-6.7
Public 1/	15.9	-17.3	18.5	22.2	-12.1	18.4
Gross fixed capital formation	18.9	36.4	-16.0	-7.6	-33.3	27.9
Gross domestic expenditure	1.8	4.9	-3.0	2.0	-8.5	5.8
Resource balance	-1.1	-10.0	10.4	3.8	-28.2	14.1
Exports of goods and nonfactor services	-26.7	-27.2	5.9	7.8	14.6	37.0
Imports of goods and nonfactor services 1/	-6.0	2.6	-8.1	4.4	-21.0	19.6

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

1/ Starting in 1995, public consumption, public investment, and imports include technical assistance and other expenditure for projects managed directly by foreign donors. These data are not available for previous years.

Table 20. São Tomé and Príncipe: Land Distribution, 1993-99

	1993	1994	1995	1996	1997	1998	1999
	(In hectares)						
Total area redimensioned 1/	4,361.6	8,553.6	6,743.9	5,662.4	6,342.9	3,013.3	1,394.7
Small farms (3-10 hectares)	1,591.5	3,083.0	2,571.0	2,657.2	2,472.3	1,158.8	278.0
Medium-sized farms (10-50 hectares)	1,287.0	792.9	2,233.0	387.0	1,691.6	294.5	119.0
Forest and other noncultivable areas	1,483.1	4,677.7	1,939.9	2,618.2	2,178.9	1,560.0	997.7
	(In percent of total area redimensioned, unless otherwise indicated)						
Total area redimensioned	100	100	100	100	100	100	100
Small farms (3-10 hectares)	36	36	38	47	39	38	20
Medium-sized farms (10-50 hectares)	30	9	33	7	27	10	9
Forest and other noncultivable areas	34	55	29	46	34	52	72
Memorandum item:							
Number of beneficiary families	843	859	917	730	1,151	665	213

Source: São Tomé and Príncipe authorities.

1/ The land distribution project was initiated in 1993 with the objective of distributing 20,000 hectares from government agricultural estates to small and medium-sized farms. At end-1992, the government estates covered approximately 65,367 hectares, of which 33,821 hectares were cultivated.

Table 21. São Tomé and Príncipe: Production of Principal Agricultural Crops, 1992-98

(In metric tons)

	1992	1993	1994	1995	1996	1997	1998
							Est.
Export crops							
Cocoa	3,688	4,305	3,392	3,845	3,500	3,138	3,928
Copra	679	678	572	501	507	433	162
Coffee	14	20	22	29	20	45	36
Food crops							
Ananas	...	...	...	...	...	...	1,507
Cane	...	...	...	...	...	...	20,085
Bananas	12,000	13,000	13,650	12,685	13,500	25,000	34,596
Breadfruit	1,470	1,800	1,500	1,600	1,800	2,000	2,500
Palm oil	1,500	875	731	720	1,179	1,183	980
Taro	6,000	7,000	8,500	8,245	10,000	15,000	20,964
Maize	4,000	4,000	4,300	4,000	4,500	4,000	1,352

Source: São Tomé and Príncipe authorities.

Table 22. São Tomé and Príncipe: Energy Production and Consumption, 1992-98

	1992	1993	1994	1995	1996	1997	1998
(In thousands of kilowatt-hours)							
Electricity production 1/	19,551	20,181	20,564	18,664	20,328	22,794	27,154
Hydroelectricity	6,286	6,768	4,894	3,263	5,056	6,157	7,409
Thermoelectricity	13,265	13,413	15,670	15,401	15,272	16,637	19,745
Electricity consumption	12,452	14,135	11,931	13,580	14,444	15,166	16,083
Residential	6,226	6,796	6,749	6,939	7,380	7,750	8,217
Industrial and other 2/	6,226	7,339	5,182	6,641	7,064	7,417	7,866
(In millions of dobras)							
Electricity production 1/	619.8	925.6	1,029.3	...	...	...	...
Hydroelectricity	225.1	...	...	...	...	...	...
Thermoelectricity	394.7	...	...	...	...	...	...
Electricity consumption	544.9	571.1	1,463.2	2,397.8	4,967.8	10,553.9	18,500.0
Residential	193.4	217.0	619.8	994.8	2,030.3	4,313.2	7,560.0
Industrial and other 2/	351.5	354.1	843.5	1,402.9	2,937.5	6,240.7	10,937.8
(Dobras per kilowatt-hour)							
Electricity production 1/	31.7	45.9	50.1	...	...	...	...
Hydroelectricity	35.8	...	...	...	...	...	...
Thermoelectricity	29.8	...	...	...	...	...	...
Electricity consumption	46.9	45.9	103.5	201.0	365.8	730.7	1,150.1
Residential	34.7	34.9	91.2	147.4	292.6	584.4	920.0
Industrial and other 2/	58.2	56.9	114.9	270.8	442.3	883.6	1,390.6

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

1/ Production exceeds consumption owing to losses in distribution.

2/ Including the government.

Table 23. São Tomé and Príncipe: Imports of Petroleum Products, 1992-98

	1992	1993	1994	1995	1996	1997	1998 Est.
(In thousands of liters)							
Volume of imports							
Gasoline	4,019	3,298	3,414	4,542	4,610	4,571	4,827
Diesel	7,920	7,237	8,410	10,211	9,683	9,546	10,816
Kerosene 1/ Jet A-1	4,034	3,753	2,217	3,047	4,609	1,838	1,771
	...	...	...	...	...	2,903	2,549
(In millions of U.S. dollars)							
Value of imports, c.i.f.	2.7	2.3	2.2	2.6	3.8	4.1	2.0
Gasoline	0.6	0.5	0.6	0.7	0.9	1.2	0.5
Diesel	1.5	1.2	1.3	1.4	1.9	2.4	1.0
Kerosene	0.6	0.6	0.4	0.5	1.0	0.5	0.5
(Dobras per liter)							
Average retail price							
Gasoline	300	370	434	753	1,035	2,017	3,000
Diesel	168	230	286	483	734	1,275	2,300
Kerosene	97	100	109	267	402	833	1,600
Jet A-1	143	240	200	252	402	833	1,455
(U.S. dollars per liter)							
Average retail price							
Gasoline	0.94	0.86	0.59	0.53	0.47	0.44	0.44
Diesel	0.52	0.54	0.39	0.34	0.33	0.28	0.34
Kerosene	0.30	0.23	0.15	0.19	0.18	0.18	0.21
Jet A-1	0.45	0.56	0.27	0.18	0.18	0.18	0.21
World price, c.i.f							
Gasoline	0.14	0.15	0.20	0.22	0.26	0.25	0.17
Diesel	0.17	0.17	0.19	0.21	0.24	0.23	0.16
Kerosene	0.18	0.18	0.20	0.22	0.26	0.25	0.17
Import price, c.i.f							
Gasoline	0.15	0.15	0.16	0.15	0.20	0.27	0.12
Diesel	0.19	0.16	0.16	0.14	0.19	0.25	0.11
Kerosene	0.15	0.16	0.16	0.16	0.22	0.27	0.11

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

1/ Kerosene and Jet A-1 imports are reported together before 1997.

Table 24. São Tomé and Príncipe: Cost Structure of Petroleum Products, 1998

	Gasoline		Diesel		Kerosene		Jet A-1	
	In percent of c.i.f cost	Dobras per liter	In percent of c.i.f cost	Dobras per liter	In percent of c.i.f cost	Dobras per liter	In percent of c.i.f cost	Dobras per liter
Average import cost, c.i.f.	1.00	831	1.00	762	1.00	762	1.00	954.00
Import duty	0.66	549	0.54	411	0.10	76	0.06	57.00
Sales tax	0.53	441	0.09	69	0.04	30	0.00	0.00
Road maintenance tax	0.04	32	0.04	29	0.00	0	0.00	0.00
ENCO's handling and distribution costs 1/	0.48	402	0.47	360	0.34	256	0.18	172.00
ENCO's wholesale margin	0.10	83	0.09	69	0.05	42	0.00	0.00
Retail margin	0.10	83	0.09	69	0.07	55	0.00	0.00
Contribution to operating expenses	0.70	580	0.70	530	0.50	378	0.29	272
Average retail price	3.61	3,000	3.02	2,300	2.10	1,600	1.53	1,455
Memorandum items:								
Total imports (in thousands of liters; excluding EMAE) 2/		4,827		5,379		1,771		2,549
				(In millions of dobras)				
EMAE's consumption value		0		4,250		0		0
Contribution to operating expenses		2,799		2,853		670		693
Import duty due		2,648		2,213		135		145
Sales tax due		2,126		369		54		0

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

1/ ENCO, the fuel importing company.

2/ EMAE, the water and electricity company.

Table 25. São Tomé and Príncipe: Components of the Official Consumer Price Index, 1995-98 1/

(1996=100; end of period)

	Weights (in percent)	1995	1996	1997	1998
Food, beverages, and tobacco	71.87	80.43	124.90	219.62	261.94
Clothing	5.25	83.03	111.96	185.90	286.43
Housing and energy	10.16	80.59	125.39	267.10	312.36
Furniture, electrical equipment, and other housing equipment	2.75	83.03	122.23	252.20	328.46
Health services	1.29	86.38	107.60	241.90	359.51
Transport and communications	6.42	93.23	126.35	233.50	245.66
Entertainment and cultural activities	0.73	82.69	120.10	140.14	208.46
Education	0.42	78.46	119.30	211.23	279.62
Hotels and restaurants	0.65	83.55	105.60	146.70	239.40
Other	0.46	84.26	108.90	169.50	277.66
General index	100.00	81.60	123.81	223.43	270.00

Source: São Tomé and Príncipe authorities.

1/ Until 1996, data for the official consumer price index were subject to serious deficiencies in measurement and coverage and therefore should be interpreted with caution.

Table 26. São Tomé and Príncipe: Monthly Movements in the Official Consumer Price Index, January 1993-December 1998 1/

	1993	1994	1995	1996	1997	1998
	(1996 = 100)					
January	38.4	46.6	65.3	86.8	127.2	229.8
February	39.0	47.4	67.0	89.2	129.2	241.2
March	39.6	48.1	68.3	90.2	132.2	244.3
April	40.4	48.6	69.7	90.9	137.4	247.0
May	40.9	50.2	71.6	93.2	156.5	250.8
June	41.3	51.1	72.6	94.7	162.4	253.7
July	42.1	52.0	73.0	95.6	171.3	256.0
August	42.4	54.2	74.3	96.8	177.5	257.3
September	43.3	56.1	75.7	105.4	182.0	259.4
October	44.0	58.4	76.3	114.9	198.3	261.8
November	44.8	60.1	77.2	118.5	215.5	265.2
December	45.7	63.0	81.6	123.8	223.4	270.0
Annual average	41.8	53.0	72.7	100.0	168.2	253.1
	(Annual percentage change)					
Rate of inflation						
End of period	21.8	37.7	29.5	51.7	80.5	20.9
Annual average	25.5	26.6	37.3	37.5	67.7	50.9

Source: São Tomé and Príncipe authorities.

1/ Until 1996, data for the official consumer price index were subject to serious deficiencies in measurement and coverage and therefore should be interpreted with caution.

Table 27. São Tomé and Príncipe: Monthly Movements in Components of the Official Consumer Price Index, December 1996-December 1998

	Weight (in percent)	1996 Dec.	1997 Dec.	1998											
				Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
				(1996=100)											
Food, beverages, and tobacco	71.9	124.9	219.6	225.3	240.2	243.3	242.6	245.0	246.4	250.0	249.9	251.5	254.7	259.9	261.9
Clothing	5.3	112.0	185.9	188.4	188.6	193.2	202.3	210.3	213.2	218.3	233.4	246.9	241.4	246.4	286.4
Housing and energy	10.2	125.4	267.1	287.6	290.0	293.8	297.7	298.1	303.9	302.0	305.5	306.1	312.2	306.3	312.4
Furniture, electrical equipment, and other housing equipment	2.8	122.2	252.2	261.3	276.4	284.4	316.8	311.5	329.8	334.7	341.4	325.3	319.8	334.5	328.5
Health services	1.3	107.6	241.9	243.9	234.9	251.4	286.5	292.0	282.9	292.9	292.9	323.8	321.3	329.7	359.5
Transport and communications	6.4	126.4	233.5	229.9	229.9	229.1	234.8	260.4	271.0	257.2	257.4	258.8	258.0	245.7	245.7
Entertainment and cultural activities	0.7	120.1	140.1	142.5	142.5	143.3	166.0	169.2	171.6	182.5	179.7	181.0	186.6	186.5	208.5
Education	0.4	119.3	211.2	211.2	211.2	211.2	219.9	210.6	214.2	209.2	209.2	233.6	243.4	281.5	279.6
Hotels and restaurants	0.7	105.6	146.7	148.3	153.3	157.0	169.1	169.1	173.0	198.6	198.6	195.8	199.4	216.9	239.4
Other	0.5	108.9	169.5	173.5	180.1	172.7	231.2	251.3	253.3	263.4	264.6	262.1	259.9	259.8	277.7
General index	100.0	123.8	223.4	229.8	241.2	244.3	247.0	250.8	253.7	256.0	257.3	259.4	261.8	265.2	270.0
				(Percentage change)											
Cumulative rate of inflation		51.7	80.5	2.8	7.9	9.4	10.6	12.3	13.6	14.6	15.2	16.1	17.2	18.7	20.8
Average annual inflation		37.5	67.7	...	...	...	...	...	...	...	...	...	...	...	50.9

Source: São Tomé and Príncipe authorities.

Table 28. São Tomé and Príncipe: Financial Transactions of the Central Government, 1993-98

(In millions of dobras)

	1993	1994	1995	1996	1997	1998
Total revenue and grants	7,102	11,186	25,777	36,547	86,773	81,747
Tax revenue	2,669	3,626	6,329	8,912	21,236	36,635
Consumption taxes	1,060	1,272	1,839	2,179	4,186	9,280
Import taxes	975	1,275	1,954	2,568	4,701	10,114
Export taxes	66	207	616	816	1,874	2,956
Other taxes	568	872	497	774	1,575	14,285
Nontax revenue	1,025	1,191	4,357	4,368	10,009	17,867
<i>Of which: transfers from enterprises</i>	596	415	668	534	2,058	4,085
Grants	3,408	6,369	15,091	23,268	55,528	27,245
Total expenditure and net lending	13,982	26,787	49,972	68,387	140,174	167,518
Current expenditure	6,673	11,285	15,480	26,796	55,675	80,709
Personnel costs	1,093	1,879	2,163	4,140	11,709	18,930
<i>Of which: wages and salaries</i>	680	867	927	1,295	8,151	12,885
Goods and services	523	1,334	2,322	3,443	7,004	9,240
Interest on external debt due	2,347	3,982	7,782	9,747	22,356	33,667
Interest on internal debt due	0	0	0	120	168	1,143
Transfers	493	854	1,015	6,018	8,892	8,441
Defense	0	413	717	1,225	1,630	655
Other current expenditures 1/	2,177	2,745	1,276	1,499	3,320	7,783
Redeployment fund	41	79	206	604	596	850
Capital expenditure 2/	7,309	15,502	34,563	41,591	84,499	87,328
Financed by the treasury	564	1,099	3,039	893	2,471	7,177
Recorded by extraordinary funds	0	0	0	0	0	15,557
Foreign-financed	6,745	14,403	31,524	40,698	82,028	64,594
Net lending	0	0	-72	0	0	-519
Overall fiscal balance	-6,881	-15,601	-24,195	-31,839	-53,401	-85,771
Change in arrears (net; reduction -)	2,062	3,955	5,433	4,899	20,979	21,110
External arrears (net; reduction -)	2,008	3,004	4,800	6,981	17,566	24,523
Domestic arrears (net; reduction -)	54	951	633	-2,083	3,413	-3,413
Overall fiscal balance (cash basis)	-4,819	-11,646	-18,763	-26,941	-32,423	-64,661
Financing	4,819	11,646	18,763	26,941	32,423	64,661
External (net)	4,267	8,016	18,616	15,972	53,358	14,873
Disbursements (projects)	4,385	8,345	18,900	18,862	28,544	37,349
Amortization (net)	-715	-9,040	-39,348	-2,890	-5,156	-22,476
Scheduled	-3,263	-4,586	-6,915	-6,948	-17,794	-27,432
Net change in arrears (reduction -)	2,547	-4,453	-32,433	4,058	12,638	4,956
Debt relief	597	8,711	39,064	0	0	0
Domestic (net)	552	3,630	146	10,968	-20,935	49,788
Banking credit	552	3,586	574	2,896	6,597	6,270
Use of counterpart funds	0	44	-428	8,072	-1,751	0
Privatization proceeds	0	0	0	0	0	15,809
Oil concession rights proceeds	0	0	0	0	13,939	27,709

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

1/ Includes payments to embassies, as well as recurrent costs of projects in agriculture and social sectors.

2/ Includes outlays for technical assistance and other expenditures on social projects not associated with capital formation.

Table 29. São Tomé and Príncipe: Central Government Revenue, 1993-98

(In millions of dobras)

	1993	1994	1995	1996	1997	1998
Total revenue and grants	7,102	11,186	25,777	36,547	86,773	81,747
Tax revenue	2,669	3,626	6,329	8,912	21,236	36,635
Direct taxes	328	517	1,505	2,809	9,170	11,995
Profit taxes	119	148	829	1,084	4,810	6,074
Income taxes	128	324	594	1,490	4,090	5,468
Other	81	45	82	235	270	453
Indirect taxes	2,341	3,109	4,823	6,102	12,066	24,640
Import taxes	975	1,275	1,954	2,568	4,701	10,114
Export taxes	66	207	616	816	1,874	2,956
Consumption taxes	1,060	1,272	1,839	2,179	4,186	9,280
On imported goods	715	1,123	1,569	2,178	4,168	9,219
On domestic goods	345	149	270	1	18	61
Other	240	355	414	539	1,305	2,290
Nontax revenue	1,025	1,191	4,357	4,368	10,009	17,867
Transfers from enterprises	596	415	668	534	2,058	4,085
Fishing royalties	338	535	974	2,121	3,471	5,204
Other	91	241	2,716	1,713	4,480	8,578
Grants	3,408	6,369	15,091	23,268	55,528	27,245

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

Table 30. São Tomé and Príncipe: Central Government Expenditure, 1993-98

(In millions of dobras)

	1993	1994	1995	1996	1997	1998
Total expenditure and net lending	13,982	26,787	49,971	68,387	140,174	167,518
Current expenditure	6,673	11,285	15,480	26,796	55,675	80,709
Personnel costs	1,093	1,879	2,163	4,140	11,709	18,930
Wages and salaries	680	867	927	1,295	8,151	12,885
Local	528	695	885	1,295	7,262	10,786
Embassies	18	37	41	0	889	2,099
Bonuses and allowances 1/	134	135	0	0	0	0
Travel	278	519	583	1,544	2,779	4,373
Family allowances	2	1	1	3	0	0
Other personnel expenditures 1/	94	443	590	1,207	290	1,023
Social security payments	40	49	63	91	489	649
Goods and services	523	1,334	2,322	3,443	7,004	9,240
Durable goods	18	35	58	1,495	429	361
Nondurable goods	227	389	575	905	544	1,378
Petroleum products	68	104	157	219	282	432
Other	158	285	417	686	262	946
Services	278	910	1,689	1,043	6,031	7,501
Of which: electricity	49	600	541	39	2,970	4,555
transport and communications	149	141	221	190	1,967	2,154
Interest on external debt due	2,347	3,982	7,782	9,747	22,356	33,667
Interest on internal debt due	0	0	0	120	168	1,143
Transfers	493	854	1,015	6,018	8,892	8,441
Public entities	172	269	536	1,309	5,813	1,749
Public enterprises	130	255	0	3,070	913	2,217
Private sector	52	112	329	529	1,525	2,600
Private institutions	6	5	7	17	18	51
Individuals	47	107	322	512	1,507	2,549
External	138	217	150	1,109	641	1,875
Other current expenditures	2,177	3,158	1,994	2,844	4,950	8,438
Embassies	145	228	240	387	...	1,629
Defense	0	413	717	1,225	1,630	655
Extraordinary expenditures	1,450	1,725	0	0	351	540
Other 2/	582	792	1,036	1,232	2,969	5,614
Redeployment fund	41	79	206	604	596	850
Capital expenditure 3/	7,309	15,502	34,563	41,591	84,499	87,328
Financed by the treasury	564	1,099	3,039	893	2,471	7,177
Financed by extraordinary funds	0	0	0	0	0	15,557
Financed by external sources	6,745	14,403	31,524	40,698	82,028	64,594
Net lending	0	0	-72	0	0	-519
Memorandum item:						
Total expenditure and net lending, excluding foreign-financed capital expenditure	7,237	12,384	18,448	27,689	58,146	87,367

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

1/ Includes bonuses and allowances, except in 1993 and 1994, where they were recorded in wages and salaries.

2/ Includes recurrent costs of projects in agriculture and social sectors, as well as defense expenditures for 1993.

3/ Includes outlays for technical assistance and other expenditures on social projects not associated with capital formation.

Table 31. São Tomé and Príncipe: Fiscal Indicators, 1993-98

	1993	1994	1995	1996	1997	1998
	(Annual percentage change)					
Total revenue and grants	66.5	57.5	130.4	41.8	137.4	-5.8
Tax revenue	37.2	35.9	74.5	40.8	138.3	72.5
Direct taxes	66.2	58.0	190.9	86.6	226.4	30.8
Indirect taxes	33.9	32.8	55.1	26.5	97.7	104.2
<i>Of which:</i> import taxes	29.3	30.7	53.3	31.4	83.1	115.1
export taxes	-35.0	215.8	197.8	32.4	129.6	57.7
Nontax revenue	2.4	16.1	266.0	0.3	129.1	78.5
<i>Of which:</i> transfers from enterprises	4.0	-30.4	60.9	-20.0	285.2	98.5
Grants	158.7	86.9	136.9	54.2	138.6	-50.9
Total expenditure	35.1	91.6	86.6	36.9	105.0	19.5
Current expenditure	51.4	69.1	37.2	73.1	107.8	45.0
<i>Of which:</i> personnel costs	4.4	71.9	15.1	91.4	182.8	61.7
goods and services	7.2	155.2	74.1	48.3	103.4	31.9
interest on external debt due	46.6	69.6	95.4	25.3	129.4	50.6
Capital expenditure	23.0	112.1	123.0	20.3	103.2	3.3
	(In percent of total revenue and grants)					
Total revenue and grants	100.0	100.0	100.0	100.0	100.0	100.0
Tax revenue	37.6	32.4	24.6	24.4	24.5	44.8
Direct taxes	4.6	4.6	5.8	7.7	10.6	14.7
Indirect taxes	33.0	27.8	18.7	16.7	13.9	30.1
<i>Of which:</i> import taxes	13.7	11.4	7.6	7.0	5.4	12.4
export taxes	0.9	1.9	2.4	2.2	2.2	3.6
Nontax revenue	14.4	10.6	16.9	12.0	11.5	21.9
<i>Of which:</i> transfers from enterprises	8.4	3.7	2.6	1.5	2.4	5.0
Grants	48.0	56.9	58.5	63.7	64.0	33.3
	(In percent of total expenditure and net lending)					
Total expenditure and net lending	100.0	100.0	100.0	100.0	100.0	100.0
Current expenditure	47.7	42.1	31.0	39.2	39.7	48.2
<i>Of which:</i> personnel costs	7.8	7.0	4.3	6.1	8.4	11.3
goods and services	3.7	5.0	4.6	5.0	5.0	5.5
interest on external debt due	16.8	14.9	15.6	14.3	15.9	20.1
Capital expenditure	52.3	57.9	69.2	60.8	60.3	52.1
Financed by the treasury	4.0	4.1	6.1	1.3	1.8	4.3
Financed by extraordinary funds	0.0	0.0	0.0	0.0	0.0	9.3
Financed by external sources	48.2	53.8	63.1	59.5	58.5	38.6
	(In percent of GDP)					
Total revenue and grants	34.7	30.8	39.9	37.0	43.4	29.1
<i>Of which:</i> tax revenue	13.0	10.0	9.8	9.0	10.6	13.0
Total expenditure and net lending	68.3	73.8	77.3	69.1	70.1	59.6
Current expenditure	32.6	31.1	24.0	27.1	27.8	28.7
Capital expenditure	35.7	42.7	53.5	42.1	42.2	31.1
Primary current balance 1/	-22.1	-32.0	-25.4	-22.5	-15.4	-18.1
Primary overall balance 2/	-5.8	-9.9	0.0	-4.7	-2.2	0.7
Overall balance (commitment basis)	-33.6	-43.0	-37.4	-32.2	-26.7	-30.5

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

1/ Excluding interest obligations, including grants.

2/ Excluding interest obligations, grants, and foreign-financed capital expenditures.

Table 32. São Tomé and Príncipe: Public Investment Program, 1992-98

	1992	1993	1994	1995	1996	1997	1998
(In millions of U.S. dollars)							
Total investment	18.1	17.3	21.2	24.4	18.9	18.7	13.2
Public administration	0.6	0.2	0.7	1.1	0.5	0.6	1.0
Agriculture	8.3	9.2	8.5	7.8	6.9	7.2	3.5
Water and sewage 1/	0.2	0.9	1.3	1.1	0.8	0.3	0.2
Education	0.8	1.6	4.1	5.6	2.3	2.5	1.0
Energy 1/	0.3	2.2	1.3	4.1	3.5	0.8	1.3
Housing	0.3	0.2	0.2	0.1	0.4	0.4	0.1
Fisheries	0.2	0.2	0.3	0.5	0.6	0.6	0.2
Health	0.4	0.6	0.6	2.3	3.0	4.2	2.4
Transport and telecommunications	7.1	2.3	4.0	1.7	1.0	1.6	3.4
Other	0.0	0.0	0.0	0.0	0.0	0.5	0.1
Financing	18.1	17.3	21.2	24.4	18.9	18.7	13.2
Foreign	16.3	15.7	19.7	22.2	18.5	18.2	10.2
Grants	3.9	5.5	8.3	8.9	9.9	12.0	4.6
Loans	12.4	10.2	11.4	13.3	8.6	6.2	5.6
Domestic	1.8	1.6	1.5	2.2	0.4	0.5	3.0
Counterpart funds	0.1	0.0	0.0	0.3	0.2	0.1	2.1
Budget	1.7	1.6	1.5	1.9	0.2	0.4	0.9
(In percent of total investment)							
Total investment	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Public administration	3.1	1.0	3.5	4.7	2.4	3.1	5.5
Agriculture	45.8	52.9	40.2	32.0	36.4	38.7	18.8
Water and sewage 1/	0.8	5.2	6.3	4.5	4.2	1.4	1.1
Education	4.3	9.3	19.4	23.0	12.4	13.6	5.4
Energy 1/	1.4	12.7	6.1	17.0	18.3	4.3	7.0
Housing	1.5	1.1	1.0	0.4	2.2	2.0	0.4
Fisheries	1.0	1.3	1.5	2.1	3.1	3.3	1.1
Health	2.3	3.4	3.0	9.4	16.0	22.5	12.9
Transport and telecommunications	39.1	13.1	19.0	7.0	5.0	8.5	18.3
Financing	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foreign	90.0	90.5	92.9	91.2	97.9	97.3	77.1
Grants	21.6	31.7	39.1	36.5	52.4	64.1	24.7
Loans	68.4	58.9	53.8	54.7	45.4	33.2	29.9
Domestic	10.0	9.5	7.1	8.8	2.1	2.7	22.9
Counterpart funds	0.6	0.2	0.0	1.2	1.2	0.6	15.9
Budget	9.4	9.2	7.1	7.6	1.1	2.1	7.0

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

1/ Until 1992, the energy sector was included in the water and sewage sector.

Table 33. São Tomé and Príncipe: Status of Public Enterprises, November 1999

(In billions of dobras, unless otherwise specified)

	Government Ownership (In percent of total)	Total Assets	Number of Employees	Net Profits	Status
Nonagricultural enterprises					
Africa Fishing, SA	49	...	...	...	Decision pending
Água Grande (textiles)	...	...	...	...	Privatized in 1998
Air São Tomé (national airline) 1/ 2/	35	8.9	70	-0.80	Cabinet decision pending Divestiture planned for 2000
Compensadora (insurance)	...	...	...	...	Liquidated
Correios (postal services) 3/	100	0.63	60	0.04	Strategic public enterprise
CST (telecommunications) 1/	49	57	123	4.00	51% Radio Marconi S.A. (Portugal Telecom)
Cunha Gomes, SA 1/ 4/	30	2.2	8	Loss	Cabinet decision pending Divestiture planned in 2000
EMAE (water and electricity) 3/	100	48.5	287	1.30	Strategic public enterprise
EMOLVE (edible oil)	100	...	...	...	Cabinet decision pending To be privatized in 2000
ENAMED (pharmaceuticals)	100	...	10	...	Liquidated in April 1999
ENAPORT (ports) 1/	100	3.6	131	0.10	Strategic public enterprise
ENASA (air traffic security) 1/	100	18.5	120	0.10	Strategic public enterprise
ENCAR (meat distribution)	100	...	...	...	Subdivided and privatized
ENCO (petroleum products) 1/ 5/	51	43	32	2.60	Since April 98: 40% Sonangol 9% local shareholders
Optica Nacional (eye glasses) 6/	...	...	...	...	Deactivated
Pousada Boa Vista (hotel) 3/	100	4.3	38	...	To be privatized in 2000

Table 33. São Tomé and Príncipe: Status of Public Enterprises, November 1999 (concluded)

(In billions of dobras, unless otherwise specified)

	Government Ownership (In percent of total)	Total Assets	Number of Employees	Net Profits	Status
Agricultural enterprises					
Bela Vista	100	...	...	...	Leasing contract
Agostinho Neto	100	...	...	...	Leasing contract
Diogo Vaz	100	...	...	...	Leasing contract
Monte Café	100	...	200	...	To be privatized in 2000
Porto Alegre	100	...	...	...	Leasing contract
Porto Real	100	...	...	...	Free trade zone
Santa Margarida	100	...	...	...	Under lease contract
Sundi	100	...	...	...	Free trade zone
Uba Budo	100	...	...	...	Under lease

Source: São Tomé and Príncipe authorities; and financial information supplied by enterprises.

1/ Latest financial statements available: 12/31/98.

2/ Other shareholders: TAP Air Portugal 40 percent, Golfo Internacional Air Services 24 percent, Mistral Voyages 1 percent.

3/ Figures as of 1997.

4/ Other shareholders: Cunha Gomes S.A. 40 percent, Paulo Henriques Batista Patricio 10 percent, Colquímica S.A. 10 percent, Aureliano Veloso 10 percent.

5/ Net profit includes nine months only.

6/ Part of ENAMED.

Table 34. São Tomé and Príncipe: Monetary Survey, 1994-98 1/

	1994	1995	1996	1997	1997 Adj. 2/	1998 Est.
(In millions of dobras; end of period)						
Net foreign assets	5,575	12,867	23,453	109,021	108,185	113,062
Central bank	-1,760	377	573	53,086	53,093	66,677
Commercial banks	7,335	12,491	22,880	55,935	55,092	46,385
Net domestic assets	9,164	10,094	15,763	-34,652	-36,134	-23,348
Net domestic credit	12,274	11,418	17,699	-23,309	-25,725	-3,089
Net credit to government	-2,312	-3,113	8,896	-35,256	-33,123	-19,998
Net credit to government, excluding counterpart funds	6,755	7,829	18,562	-14,656	-12,523	4,272
Claims	8,551	10,290	28,743	28,939	29,462	35,266
Budgetary deposits	-1,796	-2,462	-10,182	-43,595	-41,985	-30,994
In domestic currency	...	-2,462	-8,752	-2,351	-835	-3,137
In foreign currency	...	0	-1,430	-41,244	-41,150	-27,857
Counterpart funds	-9,067	-10,942	-9,666	-20,600	-20,600	-24,271
Net claims on other public institutions	...	...	...	...	...	-1,200
Credit to the economy	14,587	14,531	8,803	11,947	7,398	18,109
Other items (net)	-3,110	-1,324	-1,936	-11,343	-10,409	-20,259
Revaluation accounts	-2,792	2,018	4,825	21,841	21,841	2,111
Other	-318	-3,342	-6,760	-33,184	-32,250	-22,370
Broad money	14,739	22,961	39,216	74,369	72,051	89,714
Money	8,916	14,251	23,267	40,860	38,997	45,257
Currency in circulation	3,760	4,794	6,845	14,823	14,823	18,677
Demand deposits	5,156	9,457	16,422	26,037	24,174	26,580
Quasi money	5,823	8,710	15,949	33,509	33,054	44,457
Time deposits (local currency)	90	99	745	389	191	3,001
Time deposits in foreign exchange	5,733	8,611	15,204	33,120	32,863	41,456
(Changes from the beginning of the year in millions of dobras)						
Net foreign assets	...	7,292	10,586	85,568	84,732	4,877
Net domestic assets	...	929	5,669	-50,415	-51,897	12,786
Net domestic credit	...	-857	6,281	-41,008	-43,424	22,636
Net credit to government	...	-801	12,009	-44,152	-42,019	13,125
Net credit to government excluding counterpart funds	...	1,074	10,733	-33,218	-31,085	16,795
Credit to the economy	...	-56	-5,728	3,144	-1,405	10,711
Broad money (M2)	...	8,222	16,255	35,153	32,835	17,663
Domestic M2	...	5,344	9,662	17,237	15,176	9,070
Currency in circulation	...	1,034	2,051	7,978	7,978	3,854
Deposits in local currency	...	4,310	7,611	9,259	7,198	5,216
Deposits in foreign currency	...	2,878	6,593	17,916	17,659	8,593

Table 34. São Tomé and Príncipe: Monetary Survey, 1994-98 1/ (concluded)

	1994	1995	1996	1997	1997 Adj. 2/	1998 Est.
	(Changes in percent of beginning of period money stock, unless otherwise specified)					
Net foreign assets 2/	...	49.5	46.1	218.2	216.1	6.8
Net domestic assets	...	6.3	24.7	-128.6	-132.3	17.7
Net domestic credit	...	-5.8	27.4	-104.6	-110.7	31.4
Net credit to government	...	-5.4	52.3	-112.6	-107.1	18.2
Net credit to government, excluding counterpart funds	...	7.3	46.7	-84.7	-79.3	23.3
Credit to the economy	...	-0.4	-24.9	8.0	-3.6	14.9
Credit to the economy (annual increase)	...	-0.4	-39.4	35.7	-38.1	144.8
Broad money (M2)	...	55.8	70.8	89.6	83.7	24.5
Domestic M2	...	36.3	42.1	44.0	38.7	12.6
Currency in circulation	...	7.0	8.9	20.3	20.3	5.3
Deposits in local currency	...	29.2	33.1	23.6	18.4	7.2
Deposits in foreign currency	...	19.5	28.7	45.7	45.0	11.9
	(Annual percentage change)					
Net credit to government	...	34.6	-385.7	-496.3	-6.0	-39.6
Budgetary deposits	...	37.1	313.6	328.2	-3.7	-26.2
Credit to the economy	...	-0.4	-39.4	35.7	-38.1	144.8
Domestic M2	...	59.34	67.33	71.79	-5.00	23.14
Currency in circulation	...	27.5	42.8	116.6	0.0	26.0
Deposits in local currency	...	82.2	79.6	53.9	-7.8	21.4
Deposits in foreign currency	...	50.2	76.6	117.8	-0.8	26.1

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

1/ As of December 1995, central bank stock data reflect regularization and liquidation of the outstanding operations of the former National Bank (BNSTP), as well as more accurate estimates of foreign assets and liabilities.

2/ Beginning in 1997(Adj.), the obligations of the liquidated bank CNPC vis-à-vis the central bank have been taken over by the government.

Table 35. São Tomé and Príncipe: Summary Accounts of the Central Bank, 1994-98

(In millions of dobras; end of period)

	1994	1995	1996	1997	1997 Adj. 1/	1998 Est.
Net foreign assets	-1,760	377	573	53,086	53,093	66,677
Foreign assets	5,719	8,950	14,204	86,603	86,610	66,687
Foreign liabilities	-7,479	-8,573	-13,631	-33,517	-33,517	-10
Net domestic assets	11,150	10,085	18,372	-7,617	-8,010	-18,305
Net domestic credit	17,374	10,250	14,745	-22,354	-23,681	-18,993
Net credit to government	-382	-42	12,783	-24,243	-23,731	-17,837
Claims	8,551	10,290	28,743	28,939	30,778	38,941
Deposits	-8,933	-10,333	-15,960	-53,182	-54,509	-56,778
<i>Of which: counterpart funds</i>	-8,933	-10,333	-10,521	20,600	-20,600	-24,271
Net claims on nonfinancial public enterprises	7,837	7,837	0	0	0	-1,200
Claims on private sector	0	80	204	50	50	44
Claims on financial institutions	9,919	2,375	1,757	1,839	0	0
Other items (net)	-6,224	-165	3,626	14,737	15,671	688
Revaluation accounts	1,594	2,018	5,432	21,841	21,841	2,111
Other	-7,817	-2,183	-1,806	-7,104	-6,170	-1,423
Base money	9,391	10,462	18,944	45,469	45,083	48,372
Currency outside banks	3,760	4,794	6,845	14,823	14,823	18,677
Reserve deposits (including cash holdings)	5,631	5,668	12,099	30,646	30,260	29,695

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

1/ Beginning in 1997(Adj.), the obligations of the liquidated bank CNPC vis-à-vis the central bank have been taken over by the government.

Table 36. São Tomé and Príncipe: Summary Accounts of Banking Institutions, 1994-98

(In millions of dobras; end of period)

	1994	1995	1996	1997	1997 Adj. 1/	1998 Est.
Net foreign assets	7,335	12,491	22,880	55,935	55,092	46,385
Foreign assets	7,335	12,491	22,880	55,935	55,092	46,385
Foreign liabilities 2/	0	0	0	0	0	0
Net domestic assets	3,644	5,676	9,490	3,611	2,136	24,652
Reserves	4,763	5,488	12,730	30,646	30,596	30,127
Cash on hand	496	221	716	1,540	1,535	2,249
Local currency deposits at the central bank	757	1,198	6,623	26,421	26,381	25,549
Foreign currency deposits at the central bank	3,044	4,069	5,390	2,685	2,680	2,329
Deposits in other domestic financial institutions	466	0	0	0	0	0
Credit from the central bank	0	-250	-1,150	-1,200	0	0
Net domestic credit	4,820	3,543	4,711	-1,616	-2,044	17,743
Net credit to government 3/	-1,930	-3,071	-3,888	-13,513	-9,392	-322
Credit to the economy	6,750	6,614	8,599	11,897	7,348	18,065
Other items (net)	-5,939	-3,105	-6,801	-24,219	-26,416	-23,218
Money	10,979	18,167	32,371	59,546	57,228	71,037
Demand deposits in local currency	5,156	9,457	16,422	26,037	24,174	26,580
Deposits in foreign exchange	5,733	8,611	15,204	33,120	32,863	41,456
Time deposits in local currency	90	99	745	389	191	3,001

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

1/ Excluding CNPC, which was liquidated in 1997.

2/ Deposits by nonresidents, previously treated as foreign liabilities, are now included in deposits.

3/ Beginning in 1997(Adj.), includes nonbudgetary counterpart funds.

Table 37. São Tomé and Príncipe: Structure of Interest Rates, 1992-98 1/

(In percent per annum; end of period)

	1992	1993	1994	1995	1996	1997	1998
Deposits							
Sight deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Term deposits							
30-90 days	30.0	...	...	...	30.0	40.5	30.0
90-180 days	35.0	...	...	...	31.0	41.5	31.0
180-365 days	39.0	...	...	...	33.0	43.5	32.0
Over one year	...	...	...	...	36.0	46.5	34.0
Credits							
Commercial and industrial credits							
30-90 days	37.0	37.0	30.0	52.0	38.0	...	...
90-180 days	37.0	37.0	30.0	52.0	38.0	56.0	43.0
180-365 days	40.0	40.0	30.0	52.0	40.0	57.6	45.0
Over one year	44.0	44.0	30.0	52.0	42.0	59.6	48.0
Short-term crop credit	36.0	36.0	36.0	30.0	...	55.5	41.5
Housing loans	40.0	40.0	25.0	52.0	...	...	...
Medium-term investment credit and other	...	...	...	...	...	...	...
Discount/reference rate	45.0	30.0	32.0	50.0	35.0	55.0	29.5
Memorandum items:							
Deposits of 180-365 days' maturity (in real terms) 2/	9.2	...	...	...	-12.3	-20.5	9.2
Commercial and industrial credits of 180-365 days' maturity (in real terms) 2/	10.0	5.5	-25.9	11.0	-7.7	-12.7	20.0

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

1/ Between November 12, 1993 and May 1, 1996, commercial banks were free to set their lending rates, subject to a 22 percent maximum. The lending and deposit rates indicated for 1996 are maximum and minimum rates, respectively.

2/ Real interest rates calculated on the basis of end-of-period rates of inflation, as estimated by staff.

Table 38. São Tomé and Príncipe: Balance of Payments, 1992-98

(In millions of U.S. dollars, unless otherwise specified)

	1992	1993	1994	1995	1996	1997	1998 Est.
Trade balance	-17.2	-20.4	-18.5	-18.3	-14.9	-13.9	-12.1
Exports, f.o.b.	5.2	5.2	5.9	5.1	4.9	5.3	4.7
Cocoa	4.2	4.2	5.0	4.7	4.8	4.6	4.6
Other	1.0	1.0	0.9	0.4	0.2	0.8	0.2
Imports, f.o.b.	-22.5	-25.6	-24.3	-23.4	-19.8	-19.2	-16.8
Food	-4.6	-5.6	-5.2	-5.9	-4.7	-3.8	-4.3
Investment goods	-7.5	-9.1	-9.8	-9.9	-5.9	-5.6	-8.2
Petroleum products	-2.2	-1.8	-1.8	-2.1	-3.0	-3.8	-1.9
Other	-8.1	-9.1	-7.5	-5.6	-6.2	-6.0	-2.5
Services and income (net)	-18.1	-16.9	-16.3	-23.3	-21.2	-19.8	-10.3
Exports of services	5.0	5.4	5.9	4.3	5.7	7.1	7.3
Travel and tourism	...	2.2	2.7	2.8	3.0	4.0	4.1
Other services	...	3.1	3.2	1.5	2.7	3.1	3.2
Imports of nonfactor services	-18.1	-16.8	-16.7	-22.1	-22.2	-22.1	-12.6
Freight and insurance	-5.6	-6.4	-6.1	-5.9	-5.0	-5.1	-4.2
Technical assistance	-5.5	-3.8	-4.6	-10.2	-9.5	-10.0	-2.8
Other	-6.9	-6.6	-6.0	-6.1	-7.7	-7.0	-5.5
Interest due	-4.9	-5.5	-5.5	-5.5	-4.7	-4.8	-5.0
Private transfers (net)	1.1	1.5	3.4	0.6	0.5	0.8	0.5
Current account (net) before official transfers	-34.2	-35.9	-31.3	-41.1	-35.6	-32.9	-21.8
Official transfers (net)	10.9	11.5	14.7	22.7	21.6	31.3	13.3
Public investment projects	3.9	5.5	8.3	8.9	9.9	12.0	3.9
Aid in kind	3.7	3.5	4.0	3.7	0.5	2.8	1.5
Stabilization system for export earnings	0.0	0.0	0.0	2.0	0.8	0.2	0.1
Other	3.3	2.4	2.5	8.1	10.3	16.3	7.8
Current account (net) after official transfers	-23.3	-24.4	-16.6	-18.4	-14.0	-1.6	-8.5
Medium- and long-term capital (net)	13.1	8.8	7.0	10.8	11.8	2.7	5.5
Project loans	12.4	10.2	11.4	13.3	8.6	6.2	5.4
Nonproject loans	6.4	2.2	0.1	0.2	3.7	0.0	0.0
Direct foreign investment	1.3	4.0	1.8	1.9	2.4	0.4	4.2
Amortization	-7.0	-7.6	-6.3	-4.6	-2.9	-3.9	-4.1
Short-term capital and errors and omissions	-1.0	0.2	1.9	0.2	-2.6	0.0	-3.2
Overall balance	-11.2	-15.3	-7.7	-7.4	-4.8	1.1	-6.3
Financing	8.1	13.9	-4.2	-22.6	4.8	-1.1	6.2
Net change in reserves (increase -)	2.0	4.7	-2.1	-0.4	0.1	-7.4	2.7
Medium- and long-term arrears (net; decrease -)	4.1	7.2	6.6	-21.9	5.0	6.5	3.7
Short-term arrears (net; decrease -)	2.0	2.0	-8.5	0.0	0.0	0.0	0.0
Structural Adjustment Facility (net)	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.2
Financing gap	3.1	1.4	11.9	29.9	0.0	0.0	0.0
Debt relief	3.1	1.4	11.9	29.9	0.0	0.0	0.0
Memorandum items:							
Debt-service ratio (before debt relief) 1/ 2/	116.5	124.7	101.0	110.3	73.5	71.8	77.7
Debt service actually paid 1/ 3/	26.9	23.8	15.6	21.8	24.4	18.0	39.4
Current account (in percent of GDP) 4/	-75.1	-75.3	-63.3	-90.3	-79.3	-74.8	-53.9
Current account (in percent of GDP) 5/	-51.2	-51.2	-33.6	-40.5	-30.8	-3.6	-21.1

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

1/ In percent of exports of goods and services.

2/ Includes amortization to the IMF; excludes arrears.

3/ Includes obligations to the IMF and cash settlement of arrears.

4/ Before grants.

5/ After grants.

Table 39. São Tomé and Príncipe: Composition of Exports, 1992-98

	1992	1993	1994	1995	1996	1997	1998
(In millions of U.S. dollars)							
Value	5.23	5.15	5.86	5.10	4.94	5.34	4.75
Cocoa	4.23	4.15	4.97	4.71	4.76	4.59	4.58
Copra	0.33	0.00	0.00	0.00	0.00	0.00	0.00
Coffee	0.05	0.05	0.05	0.04	0.00	0.04	0.00
Other	0.62	0.95	0.84	0.36	0.18	0.71	0.17
(In metric tons)							
Cocoa	4,363	3,725	3,716	3,400	3,170	2,840	3,800
Copra	1,350	0	14	0	0	0	10
Coffee	22	...	...	...	...	...	...
Other	785	...	...	...	...	...	...
(U.S. dollars per kilogram)							
Cocoa	0.97	1.12	1.34	1.40	1.50	1.61	1.25
Copra	0.24	...	0.04	...	...	...	...
Coffee	2.27	...	...	...	...	...	...
Other	1.04	...	...	...	...	...	...

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

Table 40. São Tomé and Príncipe: Composition of Imports, 1992-98

	1992	1993	1994	1995	1996	1997	1998
(In millions of U.S. dollars)							
Total imports, c.i.f.	28.1	32.0	30.4	29.3	24.8	24.0	24.4
Foodstuffs	5.8	7.1	6.5	7.4	5.9	4.7	7.1
<i>Of which: grants</i>	3.7	3.5	4.0	3.7	0.5	...	1.5
Petroleum products	2.8	2.2	2.2	2.6	3.8	4.8	2.6
Investment goods	9.4	11.4	12.2	12.4	7.4	7.0	7.5
Other	10.1	11.3	9.4	7.0	7.6	7.5	7.2
(In percent of total)							
Total imports, c.i.f.	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foodstuffs	20.6	22.1	21.5	25.1	23.8	19.6	27.4
<i>Of which: grants</i>	13.1	11.1	13.1	13.1	2.0	...	5.8
Petroleum products	10.0	6.8	7.2	8.7	15.4	20.0	10.0
Investment goods 1/	33.5	35.7	40.2	42.2	29.8	29.2	29.0
Other	36.0	35.4	31.0	23.9	30.7	31.2	27.8

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

1/ Owing to improved data classification between investment and "other" goods for 1996 and 1997, these two categories are not comparable to previous years.

Table 41. São Tomé and Príncipe: Destination of Exports, 1992-98

	1992	1993	1994	1995	1996	1997	1998
(In millions of U.S. dollars)							
Total exports, f.o.b.	5.2	5.2	5.9	5.1	4.9	5.3	4.7
China, People's Republic of	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Germany	0.8	0.0	0.0	0.0	1.0	0.3	0.6
Netherlands	1.8	4.3	5.1	3.6	3.2	2.7	2.9
Portugal	0.1	0.0	0.0	0.1	0.1	0.3	1.3
Other	2.3	0.9	0.8	1.4	0.6	2.0	0.0
(In percent of total)							
Total exports, f.o.b.	100.0	100.0	100.0	100.0	100.0	100.0	100.0
China, People's Republic of	3.9	0.0	0.0	0.0	0.0	0.0	0.0
Germany	15.4	0.0	0.0	0.0	20.9	5.7	12.5
Netherlands	34.6	82.7	86.4	70.5	63.9	50.9	60.9
Portugal	1.9	0.7	0.6	1.9	2.0	5.7	26.6
Other	44.2	16.6	13.0	27.6	13.2	37.7	0.0

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

Table 42. São Tomé and Príncipe: Origin of Imports, 1992-98

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996	1997	1998
Total imports, c.i.f.	28.1	32.0	30.4	29.3	24.8	24.0	24.4
Angola	1.3	2.3	1.5	1.3	3.3	1.6	2.8
Belgium	1.2	2.1	2.3	1.9	2.5	1.4	1.8
China, People's Republic of	0.5	0.5	0.3	0.0	0.3	0.0	0.3
France	1.9	2.0	3.1	4.9	2.0	4.3	0.0
Gabon	0.9	2.0	0.6	0.2	0.1	0.2	0.6
Germany	0.1	0.4	0.8	0.6	0.3	0.4	0.5
Italy	0.1	1.7	0.5	2.1	0.7	0.1	0.4
Japan	2.0	3.1	1.6	4.2	2.5	0.8	2.2
Netherlands	1.0	0.3	0.7	0.8	0.2	0.0	1.0
Portugal	10.9	11.3	8.6	11.2	7.2	6.3	10.1
Spain	1.9	0.2	0.1	0.1	0.5	0.0	1.2
United Kingdom	0.0	0.1	0.3	0.2	1.1	0.0	1.0
Russian Federation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	6.4	5.9	10.0	2.0	4.1	8.9	2.5

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

Table 43. São Tomé and Príncipe: Export, Import, and Terms of Trade Indices, 1992-98 1/

	1992	1993	1994	1995	1996	1997	1998	1999 Est.
	(1987=100)							
Export unit value index	63.0	72.5	86.9	91.0	97.7	105.2	108.9	58.5
Import unit value index 2/	88.1	91.3	92.9	83.6	81.3	78.6	70.9	79.3
Terms of trade	71.6	79.4	93.5	108.8	120.2	133.8	153.7	73.8
	(Annual percentage change)							
Terms of trade	-7.2	11.0	17.8	16.3	10.4	11.4	14.8	-52.0

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

1/ In U.S. dollar terms.

2/ Calculated using export unit value indices of partner countries.

Table 44. São Tomé and Príncipe: Indicators of External Public Debt, 1992-99 1/

	1992	1993	1994	1995	1996	1997	1998 Est. 2/	1999 Est.
(In millions of U.S. dollars; end of period)								
Disbursed medium- and long-term debt outstanding	178.5	197.4	214.1	226.8	234.0	235.5	244.9	248.0
<i>Of which</i> : arrears	37.4	44.6	51.2	23.6	29.3	29.6	32.7	27.7
Short-term debt outstanding	37.8	39.8	31.3	26.8	31.8	31.8	47.7	47.5
<i>Of which</i> : arrears	37.8	39.8	31.3	26.8	31.8	31.8	47.7	47.5
<i>Of which</i> : Italy	...	...	...	...	...	...	19.3	18.0
Total external debt outstanding	216.3	237.2	245.4	253.6	265.8	267.3	292.6	295.6
<i>Of which</i> : arrears	75.2	84.4	82.5	50.3	61.1	61.4	80.3	75.2
Debt service due on medium- and long-term debt	11.9	13.1	11.8	10.4	7.9	8.9	10.0	8.3
Interest	4.9	5.5	5.5	5.5	4.7	4.8	5.0	4.8
Amortization	7.0	7.6	6.3	4.9	3.2	4.1	5.0	3.5
Debt relief 3/	3.1	1.4	11.9	29.9	0.0	0.0	0.0	7.8
(In percent of exports of goods and services)								
External debt service								
Before rescheduling	116.1	124.7	101.0	110.3	73.5	71.8	83.1	49.7
After rescheduling	86.2	111.4	98.5	99.3	73.5	71.8	83.1	45.3
Cash settlements 4/	26.8	23.8	16.6	24.4	26.6	19.7	46.8	23.6
Nominal value of external debt	1,595.0	1,459.0	1,422.0	1,616.0	1,446.0	1,441.9	1,634.6	1,450.1
(In percent of GDP)								
Total external debt outstanding (end of period, including arrears)	475.8	498.1	495.2	557.4	592.1	608.5	721.3	636.0

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

1/ Includes IMF.

2/ Beginning in 1998, all arrears on debt to Germany are classified as medium and long-term debt. Beginning in 1998, includes arrears to Italy, a loan which remains in dispute.

3/ Current maturities and arrears rescheduled, refinanced, or forgiven.

4/ Includes changes in arrears.

Table 45. São Tomé and Príncipe: Outstanding External Medium- and Long-Term Public Debt, 1992-99

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996	1997	1998 Est.	1999 Est.
Total 1/	178.5	197.4	214.1	226.8	234.0	235.5	244.9	248.0
<i>Of which: arrears</i>	37.4	44.6	51.2	23.6	29.3	29.6	32.7	27.7
Multilateral creditors 2/	108.4	122.4	136.1	155.2	162.2	158.3	167.4	170.3
<i>Of which: arrears</i>	0.1	1.1	2.4	5.0	5.7	5.2	7.1	0.0
World Bank	32.0	38.3	46.7	55.3	59.5	57.4	61.9	65.4
African Development Bank Group 3/	60.5	66.8	72.2	80.9	83.8	81.3	86.9	84.4
Arab Bank for Economic Development in Africa	8.5	8.6	8.6	8.4	8.5	8.6	8.4	8.2
Other	7.5	8.7	8.6	10.6	10.5	11.0	10.1	12.3
Official bilateral creditors	39.3	42.8	44.1	71.6	71.7	77.4	77.5	77.7
<i>Of which: arrears</i>	12.7	14.4	15.9	18.6	23.5	24.4	32.7	35.1
China, People's Republic of	5.3	5.4	6.0	5.7	5.7	11.2	11.8	11.8
France	7.7	8.6	9.1	9.8	9.2	8.0	8.3	7.1
Germany 4/	11.0	12.2	12.7	8.9	8.9	9.0	13.0	13.5
Russian Federation	8.6	8.9	9.0	10.6	11.1	11.9	3.9	4.0
Other 5/	6.7	7.7	7.3	36.6	36.8	37.3	40.5	41.2
Financial institutions	25.5	26.2	27.5	0.0	0.0	0.0	0.0	0.0
<i>Of which: arrears</i>	19.2	23.1	26.5	0.0	0.0	0.0	0.0	0.0
Portugal	25.3	26.2	27.5	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Suppliers' credits	5.4	6.0	6.4	0.0	0.0	0.0	0.0	0.0
<i>Of which: arrears</i>	5.4	6.0	6.4	0.0	0.0	0.0	0.0	0.0
Portugal	1.1	1.3	1.3	0.0	0.0	0.0	0.0	0.0
Other	4.3	4.8	5.0	0.0	0.0	0.0	0.0	0.0

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

1/ Debt with maturity of more than one year.

2/ Includes IMF.

3/ Includes African Development Fund.

4/ Beginning in 1998, all arrears on debt to Germany are classified as medium and long-term debt.

5/ Includes debt to Portuguese financial institutions assumed by the Portuguese government, and rescheduled, in March 1995.

Table 46. São Tomé and Príncipe: Exchange Rates, 1989-98

	Nominal Effective Exchange Rate Index 1/ (1992 = 100) (period average)	Official Rate (Db/US\$) (period average)	Bureau de Change Rate (Db/US\$) (period average)	BISTP Rate (Db/US\$) (period average)	BCE (Db/US\$) (period average)	Parallel Market Rate (Db/US\$) (period average)	Differential Between the Official and Parallel Rate 2/
Annual							
1989	254.8	124.7	...	...	...	182.0	46.0
1990	212.0	143.3	...	...	...	207.0	44.5
1991	169.1	201.6	...	...	...	256.0	27.0
1992	100.0	320.4	...	...	...	330.0	3.0
1993	86.5	429.9	...	...	...	555.0	29.1
1994	57.0	732.6	812.9	...	...	904.0	23.4
1995	27.5	1,420.3	1,444.0	1,393.0	...	1,530.0	7.7
1996	18.2	2,203.2	2,316.0	2,210.0	2,250.0	2,346.0	6.5
1997	10.1	4,552.5	4,495.9	4,565.3	4,414.2	4,611.2	1.3
1998	6.4	6,885.7	2,913.3	6,918.4	6,880.4	7,013.4	1.9
Quarterly							
1990 Q1	222.5	140.7	...	...	...	192.0	36.5
Q2	213.0	146.9	...	...	...	212.0	44.3
Q3	206.0	145.9	...	...	...	210.0	43.9
Q4	206.5	139.8	...	...	...	215.0	53.8
1991 Q1	210.5	142.9	...	...	...	215.0	50.5
Q2	191.5	173.8	...	...	...	230.0	32.3
Q3	158.6	214.7	...	...	...	267.0	24.4
Q4	115.6	275.0	...	...	...	313.0	13.8
1992 Q1	109.6	291.8	...	...	...	315.0	8.0
Q2	103.9	308.3	...	...	...	315.0	2.2
Q3	93.9	323.5	...	...	...	325.0	0.5
Q4	92.6	358.0	...	...	...	363.0	1.4
1993 Q1	91.2	389.3	...	...	...	463.0	18.9
Q2	87.8	406.2	...	...	...	550.0	35.4
Q3	85.0	446.8	...	...	...	604.0	35.2
Q4	82.0	477.2	592.2	...	...	601.0	25.9
1994 Q1	71.9	585.4	648.8	...	...	657.0	12.2
Q2	66.8	624.6	749.8	...	...	792.0	26.8
Q3	51.0	788.5	858.0	...	...	1,000.0	26.8
Q4	38.1	932.0	994.9	...	...	1,167.0	25.2
1995 Q1	29.4	1,337.6	1,354.0	1,313.0	...	1,400.0	4.7
Q2	30.6	1,234.9	1,272.0	1,221.0	...	1,290.0	4.5
Q3	28.0	1,365.9	1,408.0	1,343.0	...	1,550.0	13.5
Q4	22.0	1,742.9	1,742.0	1,694.0	...	1,881.0	7.9
1996 Q1	21.5	1,874.7	1,991.7	1,884.0	...	2,053.7	9.5
Q2	18.0	2,219.6	2,427.6	2,220.6	2,103.4	2,439.1	9.9
Q3	17.0	2,309.1	2,349.1	2,306.8	2,326.4	2,346.3	1.6
Q4	16.5	2,409.2	2,494.2	2,426.9	2,410.0	2,546.3	5.7
1997 Q1	13.7	3,090.0	3,034.6	3,124.4	3,123.5	3,118.7	0.9
Q2	10.6	4,091.4	3,970.0	4,085.6	3,548.5	4,178.7	2.1
Q3	9.0	4,937.3	4,820.0	4,961.1	4,939.5	4,959.9	0.5
Q4	7.3	6,091.3	6,158.9	6,090.0	6,045.3	6,187.6	1.6
1998 Q1	6.6	6,893.3	...	6,918.9	6,896.9	7,047.0	2.2
Q2	6.5	6,896.3	...	6,941.2	6,907.1	7,166.7	3.9
Q3	6.5	6,868.5	4,820.0	6,912.6	6,884.2	6,939.8	1.0
Q4	6.2	6,884.7	6,833.3	6,901.0	6,833.3	6,900.0	0.2

Sources: São Tomé and Príncipe authorities; and staff calculations.

1/ Trade weighted.

2/ In percent of the official rate.