

SU/22/50

March 31, 2022

**The Acting Chair's Summing Up**  
**Democratic Republic of São Tomé and Príncipe - 2022 Article IV Consultation, Fourth**  
**Review Under the Extended Credit Facility Arrangement, Requests for Waivers of**  
**Nonobservance of Performance Criteria, Modification of Performance Criteria, and**  
**Financing Assurances Review**  
**Executive Board Meeting 22/30**  
**March 30, 2022**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the authorities' continued strong commitment to their program despite many challenges, including from the pandemic and recent floods. They underscored that uncertainties and downside risks remain, and that steadfast commitment to implement structural reforms and to maintain fiscal discipline are key to maintaining macroeconomic stability, achieve inclusive green growth, and reduce poverty.

Directors considered gradual, growth-friendly fiscal consolidation as critical for addressing immediate social and economic needs while preserving debt sustainability. They noted the authorities' commitment to the fuel price adjustment mechanism, while targeting support to the most vulnerable. Directors emphasized the importance of implementing a medium-term fiscal framework and strengthening expenditure controls to create space for infrastructure and social spending. They encouraged steadfast implementation of measures to boost domestic revenue mobilization, particularly implementation of the VAT in 2022. They also called for closer monitoring of state-owned enterprises in the energy sector. Directors welcomed efforts to strengthen fiscal transparency and governance, and encouraged the authorities to reduce delays in the publication of COVID-19 expenditure data.

Directors encouraged continued modernization of the monetary and financial legal frameworks. Given inflationary pressures, they welcomed the use of active liquidity management to anchor the peg to the Euro and support access to credit and economic recovery. They underscored the need to further develop the Banco Central São Tomé and Príncipe's capacity to actively manage risks and vulnerabilities in the financial sector, and were encouraged by the recent submission to Parliament of the new central bank organic law. Making progress on the Financial Institutions Law would also strengthen supervision.

Directors emphasized the need to accelerate the pace of structural reforms to support growth and improve external competitiveness. Efforts to improve climate-resilient infrastructure, strengthen human capital, deepen financial sector development, and improve the business climate were encouraged. On the energy sector, Directors underscored that

enhancing governance and efficiency of public enterprises would contribute to providing lower-cost and reliable electricity supply.

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