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July 19, 2018

**Statement by Mr. Meyer and Mr. Lieber on Democratic Republic of São Tomé and
Príncipe
(Preliminary)
Executive Board Meeting
July 23, 2018**

We thank Messrs. Sembene and Carvalho da Silveira for their candid Buff statement and staff for their insightful report. We take positive note that the Sao Tomean economy has grown robustly in the past three years and that progress has been made on fiscal consolidation and structural reforms in 2017. This said, the country – being classified as “in debt distress” – still faces a high debt level and structural challenges which need to be addressed decisively.

While program performance does not look satisfactory at first glance with three out of five end-December 2017 PCs being missed, we acknowledge the extenuating circumstances, as explained by staff, and the authorities’ resolve demonstrated by the implementation of prior actions and their broader commitment to corrective measures and the program. Against this backdrop, **we can go along with the completion of the fifth ECF review and call on the authorities to fully observe the program targets going forward**, including the two important (rephased) structural benchmarks on reforming the state-owned utility company and strengthening banking supervision.

In the following, **we highlight some of staff’s policy recommendations, which we overall agree with, mainly for emphasis:**

- Steadfast implementation of identified revenue-enhancing measures and prudent expenditure management are essential to improve the fiscal position and reduce public debt.
- We fully concur that non-concessional loans should be eschewed and external concessional borrowing be limited, while continued efforts are needed to resolve external arrears and disputed debt with creditors.

- Continued fiscal consolidation and structural reforms are also needed with a view to strengthening the external position and improving the competitiveness of the economy, thereby promoting inclusive growth and reducing poverty.
- The international reserves position should be closely monitored and boosted.
- We welcome the authorities' intention to take steps in due course to roll back measures that contribute to exchange restrictions and multiple currency practice, while taking into account external stability considerations, as indicated in Messrs. Sembene's and Carvalho da Silveira's Buff statement.

Finally, we take note of the extensive technical assistance provided to Sao Tome and Principe and encourage further efforts by the authorities to improve the country's economic data.