

**EXECUTIVE  
BOARD  
MEETING**

EBS/19/83  
Correction 2

October 28, 2019

To: Members of the Executive Board

From: The Secretary

Subject: **Democratic Republic of São Tomé and Príncipe—Request for a 40-Month  
Arrangement Under the Extended Credit Facility**

Board Action:

The attached correction to EBS/19/83 (9/19/19) has been provided by the staff:

**Factual Errors Not  
Affecting the  
Presentation of Staff's  
Analysis or Views**

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Questions:

Ms. Li, AFR (ext. 36227)  
Mr. Srour, AFR (ext. 36184)



**benchmarks** (MEFP Tables 3 and 4). In light of the country's fragility, conditionality is prioritized and selective. Critical unmet structural benchmarks under the 2015–18 ECF arrangement, such as implementing a VAT and strengthening central bank governance, were re-introduced. Other benchmarks seek to contain EMAE's large losses, improve monetary operations and financial sector oversight, empower women economically, and promote inclusive growth. Prior actions for program approval include the adoption of (i) a government decree to align the 2019 budget with the program and necessary legislation to introduce revenue measures agreed (including an oil tax surcharge, a reduction in tax allowances, and an increase in sales tax on telecommunication) and the revised VAT law in line with IMF recommendation (MEFP ¶16-18), (ii) a management improvement plan and least cost energy-production plan for EMAE, and (iii) a monthly budget allocation plan for the remainder of 2019.

**35. Continued, hands-on capacity development is essential to build capacity and address fragility and risk.** Technical assistance in the near term will focus on tax administration, in preparation for the introduction of the VAT; public financial management to avert further expenditure slippages and accumulation of arrears; monetary policy implementation to design appropriate instruments to reduce excess liquidity; and implementation of the recommendations of the safeguards assessment (Annex VI).

**36. Staff consider that the capacity to repay the IMF is adequate** (Table 8). Requisite financing assurances exist, and the program is fully financed as there are firm commitments in place for financing over the next 12 months and good prospects thereafter. Repayments to the IMF will remain below 0.7 percent of exports of goods and services during the program period and peak at 1.9 percent of exports of goods and services in 2028. The program would play a catalytic role and would stimulate some donors' support (Text Table 3).

**Text Table 3. IMF Disbursement and Official Inflows**

	2019	2020	2021	2022	2019-22
<b>Proposed IMF program</b>					
in million SDR	1.9	3.8	3.8	3.8	13.3
in million USD	2.7	5.3	5.3	5.3	18.6
<b>Official external inflow (in million dollars) 1/</b>					
Total	31.9	44.4	44.5	44.5	165.3
Grants	25.2	37.8	37.0	36.3	136.3
Budget support grants	8.4	8.4	8.4	8.4	33.7
European Union (EU)	3.4	3.4	3.4	3.4	13.7
World Bank	5.0	5.0	5.0	5.0	20.0
Project grants (excluding HIPC)	17	29	29	28	103
Concessional loans	6.6	6.6	7.5	8.2	28.9

1/ Including from the World Bank, African Development Bank, EU, and European Investment Bank.