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INTERNATIONAL DEVELOPMENT ASSOCIATION

SÃO TOMÉ AND PRÍNCIPE

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative—Decision Point Document

Prepared by the Staff of the Fund and IDA[1]

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I. INTRODUCTION

1. This paper presents a decision point assessment of São Tomé and Príncipe's eligibility for assistance under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). The Executive Boards of the IMF and IDA discussed the preliminary HIPC document for São Tomé and Príncipe on November 22, 2000.[2] They agreed that the country is eligible for assistance under the Initiative in view of its exceptionally heavy and unsustainable debt burden, its status as a Poverty Reduction and Growth Facility (PRGF)-eligible and IDA-only country, and the authorities' strong commitment to reform, as witnessed by (a) the adoption of an interim poverty reduction strategy paper (PRSP), which both Boards considered an adequate basis for concessional assistance in April 2000;[3] and (b) the country's satisfactory track record for macroeconomic management and structural reform under Fund- and IDA-supported programs.

2. With respect to timing, the Boards agreed that São Tomé and Príncipe could reach its decision point under the Initiative before end-2000, contingent upon the completion of the first semiannual review of the PRGF-supported program and the establishment of a special treasury account at the central bank to track savings arising from possible assistance under the enhanced HIPC Initiative.

3. During the discussion of the preliminary HIPC Initiative document, Directors noted that, while progress had been made in implementing important macroeconomic and structural reforms in recent years—under the government policy framework in 1998, the staff-monitored program in 1999, and, since January 2000, under a PRGF-supported program—poverty remained widespread in São Tomé and Príncipe, and weak institutional and administrative capacity continued to pose major challenges. They expressed concern over the short track record under the PRGF-supported program.

4. Therefore, Directors emphasized the importance of strong performance between the decision and completion points and of the observance of the completion point triggers. They agreed with the thrust of the staff proposals on the key measures to be implemented as conditions for reaching the completion point. In addition to measures in the areas of governance, public expenditure management, and the social sectors, these are the adoption of a full-fledged PRSP, and the satisfactory implementation of the PRGF-supported program. In the framework of the poverty reduction strategy, they considered it important that São Tomé and Príncipe make sustained progress in improving the monitoring of the budgetary process, strengthening the public accounts audit function, and delivering key social services to the

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[2] EBS/00/225, dated November 14, 2000, and IDA/SecR2000-202, dated November 15, 2000.

[3] EBD/00/29, dated April 6, 2000 and correction 1, and IDA/SecM2000-167, dated April 12, 2000.

most vulnerable groups, given the very weak overall social indicators and the high incidence of poverty.

5. Following the Boards' discussion of the preliminary HIPC Initiative document, the authorities established a special treasury account at the central bank to track savings arising from possible HIPC Initiative assistance. They also finalized discussions with Fund staff on the first semiannual review of the PRGF-supported program and with Fund and Bank staffs on the floating completion point triggers. The authorities, in conjunction with civil society, are developing a poverty reduction strategy. This is expected to lead to the preparation of a progress report on the implementation of the interim PRSP by April 2001 and the finalization of a full-fledged PRSP by end-2001. Satisfactory implementation of the poverty reduction strategy for at least one year is proposed as one of the conditions for São Tomé and Príncipe to reach the completion point under the enhanced HIPC Initiative.

6. The remainder of this paper is organized as follows. Section II presents São Tomé and Príncipe's record of economic management and structural reforms, discusses the broad outline of the authorities' medium-term policy agenda sector by sector, and describes in detail the key measures to be taken in the interim period between the decision and completion points. Section III presents the results of the debt sustainability analysis (DSA), including the possible HIPC Initiative assistance implied by this analysis. Section IV outlines the profile and modalities of assistance and potential use of enhanced HIPC Initiative resources, as well as a monitoring mechanism. Section V discusses the completion point triggers and the authorities' views. Section VI indicates possible issues for discussion by Executive Directors.

II. Recent Developments and Poverty Reduction Strategy

A. Poverty Outcomes and Living Standards[4]

7. Poverty is widespread in São Tomé and Principe and has worsened dramatically in recent years, as economic growth remained low, and the purchasing power of incomes suffered under high inflation and fast depreciation of the local currency until 1997. Income per capita dropped from US$390 in 1993 to about US$300 in 1999. As indicated in the interim poverty reduction strategy paper (PRSP), the proportion of the population living under the poverty line (with income less than US$220 a year) was estimated at 40 percent in 1994. About 33 percent of the population lived in extreme poverty (with income less than

[4] Research and evaluation capacity in the case of São Tomé and Príncipe is very weak, both on the national and the international sides. The World Bank did not have significant operations in the country between 1992 and end-2000. Other donors (e.g., the United Nations Development Program (UNDP), the World Health Organization (WHO), the International Fund for Agricultural Development (IFAD), European Union (EU), and African Development Bank (AfDB)) have had limited project work. This paper therefore relies heavily on the interim PRSP and sectoral strategies prepared by the authorities with the help of donors.

US$171 a year, a level insufficient to cover 50 percent of minimum household food requirements). The three most vulnerable groups, as identified in the latest population census (1991), are plantation workers, female-headed households, and isolated old people.

8. The interim PRSP identified the unfavorable socioeconomic environment, inadequate past policies, and governance problems as the most important causes of poverty in São Tomé and Príncipe. At the same time, the heavy external public debt burden forced the authorities to reduce social spending. The government has emphasized its commitment to the reduction of poverty. Public actions to achieve this goal and the spending of possible enhanced HIPC Initiative assistance will initially be guided by the interim PRSP and the sectoral strategies the government has prepared with donor assistance. Later on, the full-fledged PRSP (scheduled to be completed by end-2001) will provide the basis for the poverty reduction strategy. The government's strategy aims at increasing real GDP growth through the implementation of sound macroeconomic policies, increasing access to education and health facilities, improving infrastructure, and strengthening basic institutions. The following sections describe the achievements and challenges in these priority areas.

B. Policy Reform Track Record

9. During the 1980s, São Tomé and Príncipe experienced a major economic and financial crisis. With adverse external shocks and inappropriate economic policies, economic performance was very weak, and income per capita fell drastically. A large, foreign-financed public investment program did not produce the hoped-for economic returns. As a result, the external public debt soared relative to GDP to become a particularly heavy and unsustainable burden during the second half of the decade. To reverse the situation, the authorities launched an ambitious recovery and economic development program in 1990, with support from the donor community. The program was not successful between 1990 and 1997, owing to weak institutional capacity, continued external shocks, and expansionary fiscal and monetary policies. In the circumstances, the new government that came to power in 1997 realized that restoring macroeconomic stability was a necessary condition for reversing the economic decline and improving social conditions. In 1998, São Tomé and Príncipe adopted a government policy framework and, in 1999, a Fund staff-monitored program, under which the authorities focused their reform efforts on fiscal consolidation and a tight monetary policy in the context of a flexible, market-based exchange rate regime. Satisfactory implementation of macroeconomic and structural adjustment policies under both the policy framework and the staff-monitored program was a prerequisite for the resumption of IMF and IDA financial support.

10. The authorities demonstrated a strong commitment to reform, and São Tomé and Príncipe was successful in reducing financial imbalances, liberalizing the economy, and promoting real GDP growth. With respect to São Tomé and Príncipe's macroeconomic performance, real GDP growth increased from 1 percent in 1997 to 2.5 percent annually during 1998-99, while the 12-month consumer price inflation rate fell from over 80 percent at end-1997 to 13 percent at end-1999 (Table 1). In the fiscal area, the primary budget balance (excluding foreign-financed investments) switched from a deficit of over 2 percent of

GDP in 1997 to a surplus of 1.3 percent of GDP in 1999. On the structural front, the government implemented a broad reform agenda that included the elimination of price controls and the liberalization of the exchange and trade system. As a result, the index of trade policy restrictiveness fell from 10 (restrictive) in 1997 to 5 (moderately restrictive) in 1999 (Box 1).[5]

11. Building on the considerable progress made during 1998-99, the authorities embarked, in January 2000, on a medium-term program in support of which the Fund approved a three-year arrangement under the PRGF, and IDA approved a Public Resource Management Credit (PRMC) and a Technical Assistance Project. Budgetary support is also being provided by the African Development Bank (AfDB) and the European Union (EU). In addition, Paris Club creditors agreed on a three-year flow rescheduling on Naples terms in May 2000, and a United Nations Development Program (UNDP)-sponsored donors' roundtable held in October 2000 helped mobilize financing in support of the government's strategies and policy priorities.

12. Policy performance during the first ten months of 2000 under the PRGF- and IDA-supported program was broadly satisfactory, and the program is on track. Most quantitative and structural performance criteria and benchmarks were observed, and the first semiannual review under the PRGF arrangement approved in April 2000 is scheduled to be considered by the Fund Executive Board in December 2000, together with this HIPC Initiative decision point document. The track record under the PRGF- and IDA-supported program will reach one year by end-December 2000. Under the PRGF-supported program, important progress has been made toward macroeconomic stability and economic liberalization: (a) real GDP growth is expected to reach 3 percent in 2000, reflecting stronger performance in tourism, trade, construction, and noncocoa agricultural output; (b) inflation is expected to decline to 9 percent by end-2000; and (c) the primary budget surplus is projected to increase to 2.1 percent of GDP in 2000.

[5] The index of trade policy restrictiveness was reduced further to 3 (moderately open) in February 2000, following the elimination of export taxes and the streamlining of the customs tariff structure.

Table 1. São Tomé and Príncipe: Selected Economic Indicators, 1987-2000

	1987-96 Annual Average	1997	1998	1999 Est.	2000 Prog.
	(Annual percentage change, unless otherwise specified)				
Real GDP growth	0.9	1.0	2.5	2.5	3.0
Consumer prices (end of period)	42.8	81.1	20.8	12.6	9.0
Broad money	40.4	94.5	24.5	-2.8	16.8
Credit to government (net) 1/	60.3	-113.4	18.2	-17.8	-19.5
Exchange rate (dobras per U.S. dollar; period average) 2/	572	4,553	6,927	7,093	7,958
Exchange rate (dobras per U.S. dollar; end of period) 2/	2,833	6,970	6,885	7,300	8,617
Spread between official and parallel exchange rates (in percent; end of period)	6.5	2.5	1.5	1.0	2.4
	(In percent of GDP, unless otherwise specified)				
Overall fiscal balance (commitment basis)	-36.0	-26.7	-30.5	-25.9	-18.2
Primary budget balance (commitment basis; excluding foreign-financed investment)	-16.9	-2.2	0.7	1.3	2.1
Current account balance					
(excluding official transfers)	-68.2	-74.8	-53.9	-58.0	-49.4
(including official transfers)	-43.2	-3.6	-21.1	-26.2	-24.8
External public debt Outstanding	437.0	608.5	728.5	624.1	625.7
Net present value of external public debt (before debt relief) 3/	1,508	1,442	1,766	1,395	1,267
External debt-service ratio (before debt relief)	95.6	71.8	83.1	49.8	33.6

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

1/ In percent of broad money at beginning of period.

2/ For 2000, exchange rate average is for January-October, and end of period is end-October.

3/ In percent of three-year average exports of goods and services.

Box 1. Major Structural Reforms, 1997-2000

Agriculture
1998 Agricultural product prices and marketing liberalized.
Governance and civil service reform
1997 Civil service regulations revised.
1998 Plans for administrative reform prepared.
1999 New organizational and staffing plans for each of the ten ministries adopted.
Treasury bond fraud attempt investigated; detailed report on 1994 fraudulent transfer of foreign assets published, with legal action taken against accused.
Foreign asset accounts of central bank independently audited.
Public enterprise divestitures and private sector development
1997 National Savings and Loan Institution (CNPC) liquidated.
1998 Petroleum distribution company (ENCO) partially privatized.
Two government-owned hotels placed under private management.
System of three-year rolling public investment program initiated.
2000 Privatization program for large plantations adopted.
Decree-law simplifying real property and land ownership proposed.
Price liberalization
1997 Price controls eliminated and domestic trade liberalized.
Mechanisms to adjust retail petroleum prices in line with world prices introduced.
Liberalization trade and exchange systems liberalization
1998 Quantitative restrictions on imports eliminated.
1999 Requirement to surrender export receipts to the central bank abolished.
Practice of allocating foreign exchange for consumer staple imports abolished.
All nontariff import barriers removed and current account transactions liberalized.
2000 Export taxes eliminated and a comprehensive customs tariff reform implemented. The index of trade policy restrictiveness fell from 10 (restrictive) in 1997 to 5 in 1999, and finally to 3 (moderately open) in 2000.
Oil sector
1999 Administrative unit to oversee government policy in the oil sector established.
2000 Law governing petroleum exploration and production adopted.

C. Sources of Growth

13. Projections of sectoral contributions to growth are shown in Table 2. Economic growth in São Tomé and Príncipe will have to rely heavily on growth in the agricultural sector, which will remain over the medium term the most important sector in terms of income, employment, and export earnings. Agricultural growth depends on improvements in rural infrastructure, extension services, and marketing of produce, both domestically and for exports. At least in the short term, agricultural growth will remain low. Despite cocoa's importance in terms of cropped area and the difficulties in marketing other crops, growth will have to come mainly from new crops. Because of marketing problems (especially in storage and transportation), food crop production is projected to increase by 3.5 percent a year, and agriculture as a whole will grow only at about a 2.9 percent rate in the medium term.

Table 2: São Tomé and Príncipe: Sectoral Contributions to Real GDP Growth, 1999-2003
(Growth from previous year in percent)

	1999	2000	2001	2002	2003
Gross domestic product at market prices	2.5	3.0	4.0	5.0	5.0
Primary sector	4.5	2.6	2.7	2.8	2.9
Of which: food	5.0	3.5	3.5	3.5	3.5
Secondary sector	2.3	3.4	4.2	4.3	4.3
Of which: construction	2.0	4.0	5.0	5.0	5.0
Tertiary sector	1.3	3.1	4.8	6.6	6.6
Of which: tourism	2.5	5.0	7.0	7.0	7.0
public administration	1.8	4.0	5.0	5.0	5.0

14. The second-most-important economic sector is construction, which is projected to grow by 4 percent in 2000 and 5 percent thereafter. This is linked to planned foreign-financed public investments in infrastructure. The tourism sector has the potential to become the country's engine of growth. Tourism development will hinge on the expansion of hotel and air transport capacity, together with market promotion and the reduction of the high incidence of malaria. It should be noted that tourist arrivals have shown a strong increase in the last couple of years, but the sector still contributes only a very small share to the GDP (increasing from 3.5 percent to 3.8 percent between 2000 and 2003).

D. Macroeconomic Objectives and Policies

15. Within the 2000-02 framework, the macroeconomic objectives for 2001-02 are (a) to reduce inflation to 5 percent in 2001 and 3 percent in 2002 on an end-of-year basis; and (b) to contain the external current account deficit (excluding official transfers) at 57 percent of GDP (or below 23 percent of GDP, including official transfers) in 2002. Real GDP growth is projected to increase gradually from 2.5 percent in 1999 to 5 percent by 2002, allowing per capita income to rise by 2.7 percent a year. Private investment is expected to increase to 21 percent of GDP, and the program seeks to raise national savings to 23 percent of GDP by 2002.

16. To achieve these objectives, the authorities will continue to focus on the pursuit of (a) a prudent fiscal policy aimed at increasing the primary budget surplus (excluding possible HIPC Initiative-financed expenditure) to 3.4 percent of GDP by 2002, while allocating

increased funding to education, health, and tax administration; (b) an appropriately tight monetary policy to lower inflation and improve international reserves in the context of a flexible, market-based exchange rate regime; and (c) the deepening of structural reforms to promote private sector development and investment.

Box 2. Social Sector Status Indicators

Health

Malaria, diarrhea, and acute respiratory infections account for about 80 percent of deaths. Malaria alone accounts for 72 percent of morbidity among the population as a whole. Malnutrition affects 17 percent of children under 5. The HIV/AIDS prevalence in São Tomé and Príncipe is not well known. While 18 cases were reported by 1995, there were reportedly about 70 cases through 1999.

The health sector's weaknesses stem from a precipitous decline in financial resources allocated to the sector (government spending per capita fell from US$11 to US$2 between 1990 and 1997), and the misallocation of resources within the sector (spending is heavily biased toward tertiary level health care), weak management capacity, and insufficient or inappropriate staffing.

In the seven districts, 30 health centers exist, while 31 are needed (assuming an adequate provision of basic health care requires 1 health center per 5,000 inhabitants). However, the unequal geographical distribution of the centers means that 11 additional centers are needed to improve coverage up to a minimum standard in all areas. The country is served by 47 physicians, 19 of whom are in the central hospital, and 167 nurses. The government estimates that an additional 9 physicians and 33 other medical personnel are needed.

Education

The public education system consists of primary schools (five years), secondary schools (five years), a polytechnic, and a teacher training institute. Beyond the fifth grade, schools are only available in urban areas.

Of the adult population (above15 years), 20 percent are illiterate and 17 percent have never received formal education as of 1999. Primary education is completed by only 15 percent of pupils (the first four years by 37.6 percent), secondary education is completed by 6 percent, and higher education by 1.8 percent.

The gross rate of enrollment in primary education was 70 percent in 1999. With a repetition rate of 31 percent, the net rate of enrollment is very low. The main cause is the massive dropout rate (34 percent) from the fourth to the fifth level, partly because of the lack of schools in rural areas.

According to the Ministry of Education, by end-1999, there were 71 primary schools, 10 secondary schools, 1 high school, and 1 technical and vocational school (polytechnic center). With a student-class ratio of 70, classrooms were used in three shifts (of four hours each), affecting about 40 percent of pupils. The Ministry of Education has insufficient funds to maintain and equip existing schools. Only about half of primary school teachers have formal education.

Owing to the paucity of educational inputs and teacher training, the quality of education has deteriorated. Repetition and dropout rates are high.

E. Social Sectors

17. Social indicators in São Tomé and Príncipe, as shown in Table 3, bear witness to the long economic decline the country has experienced since the 1980s, which has only halted with the recent improvement in macroeconomic performance. Social sectors, in particular health and education, continued to suffer from a profound financial and administrative crisis through the 1990s. The current status of health, education, and related infrastructure is summarized in Box 2. The following sections describe briefly the main medium-term objectives for these sectors and identify priority actions for possible assistance under the enhanced HIPC Initiative. These actions provide the basis for the completion point triggers described in Section V.

Table 3. São Tomé and Príncipe: Social Indicators, 1993-99

	1993	1995	1999 Estimate
Population (in thousands)	122	127	145
Population growth (in percent)	2.5	2.4	2.4
GNP per capita (in U.S. dollars)	390	357	299
Health indicators			
Mortality rate for children under 5 years (per 100,000 live births)	...	106	125
Maternal mortality (per 100,000)	...	79	122
Education indicators (in percent)			
Gross primary school enrollment rate	82.5	82.0	70.0
Primary school dropout rate	...	30.0	34.0
Primary school repetition rate	...	30.0	31.2

Sources: São Tomé and Príncipe's authorities; and World Health Organization.

Health

18. As indicated in the interim PRSP, the overall objectives are to reduce the mortality rate for children under 5 to 100 per 100,000 by 2002 from 125 per 100,000 in 1999, and the maternal mortality rate to 105 per 100,000 by 2002 from 122 per 100,000 in 1999. In order to achieve these objectives, the national policy on health for the period 2000-05 centers on four priority areas: (a) preventing and combating major illnesses (i.e., malaria, respiratory illnesses, acute diarrhea, tuberculosis, HIV/AIDS, and other sexually transmitted diseases); (b) improving primary health care by intensifying public information, education, and communication (IEC) campaigns, developing basic infrastructure, and improving the quality of preventive health care; (c) upgrading the management of the central hospital

(administrative and financial autonomy) and providing better facilities and diagnostic support services; and (d) reorganizing the supply and distribution of essential drugs and upgrading health workers' training programs and career prospects. In order to increase the capacity and effectiveness of health services, the government is working together with WHO and other donors to produce a national health care development plan, including a national health map, and has committed itself to undertaking a public expenditure review in the health sector.

19. In addition, a new program to roll back malaria will be implemented with assistance from the WHO, the United Nations Children's Fund (UNICEF), and the World Bank. Portugal and the United States have also announced that they will contribute technically and financially to the new malaria control program. Technical teams from these two countries recently visited São Tomé and Príncipe to assess the extent of the malaria problem. Finally, the AfDB has begun to fund an environmental hygiene project at the district level through an intensification of education and information campaigns, and distribution of insect-proof mosquito nets.

20. Moreover, with donor assistance, including possible assistance under the enhanced HIPC Initiative, the government plans to build 11 health centers, which are needed to raise coverage to a minimum standard (of 1center per 5,000 inhabitants) in all areas, in addition to maintaining the existing 30 centers at an adequate level of operability. The government estimates that an additional 9 physicians and 33 other medical personnel are needed to adequately staff the health system.

21. In water and sanitation, the objective is to increase access to safe drinking water through rehabilitation of the waterworks system. A water and public sanitation master plan has been developed to guide policy in the sector. The government intends to focus its activities on strategic and regulatory issues, and encourage private sector participation.

Education

22. The government's overall objectives in the education sector, as stated in the interim PRSP, are (a) to eliminate the necessity to use classrooms in three shifts in primary school in 2002 (thereby increasing the average school day to seven hours in 2002 from four hours in 1999); (b) to increase the gross primary school enrollment rate to 90 percent in 2002 (from 70 percent in 1999); (c) to lower the primary school repetition and dropout rates to 20 percent and 15 percent, respectively (from 31 percent and 34 percent, respectively, in 1999); and (d) to increase the adult literacy rate to 86 percent in 2002 (from 80 percent in 1999). In order to achieve these objectives, the government intends to introduce equality of access to the educational system and improve conditions in the system, namely, by renovating and expanding existing schools, building new classrooms, increasing teaching materials, and training teachers.

23. More specifically, the government intends (a) to build and equip 40 new classrooms for primary education (which should increase the number of classrooms sufficiently to eliminate the three-shift system); (b) to build and equip 15 new classrooms for secondary

education; (c) to hire, train, or retrain 120 teachers; and (d) to create a grant mechanism for minimum school materials for the poorest primary school students. Regarding institutional reforms, the government aims at (a) introducing entrance exams in the seventh grade; (b) reviving the former literacy program (adult education); (c) developing a modular vocational training program; (d) enhancing apprenticeship training on a broad scale; and (e) institutionalizing teachers' status and parents' associations. The government is also committed to improving the measurement and evaluation of educational inputs and outputs by strengthening the planning and statistics units and conducting a sectoral public expenditure review. The three-year HIPC Initiative-related spending plan could help cover these programs.

24. A basic education law on extending mandatory primary education to six years will be submitted to parliament shortly. The government has already adopted a decree to add a twelfth grade to secondary schools and relaunched the former adult literacy program. These actions, along with higher allocations, would help increase the quality of education.

F. Other Sectors

Agriculture

25. The two islands of São Tomé and Príncipe provide good conditions for agriculture, although a large part of the arable land is situated on steep hills. Rainfall conditions show an extreme variation over the small terrain of the islands (between 1,000 and 7,000 millimeters per year), creating distinct climatic zones.

26. The history of the country has important implications for the current condition of agriculture and the potential for agricultural development. Following the arrival of Portuguese settlers in the fifteenth century, the landscape of São Tomé and Príncipe was transformed into large-scale plantations, first for the production of sugar and later for coffee and cocoa. The predominance of plantations means that the islands do not have a tradition of private, small-scale agriculture.

27. After independence in 1975, the plantations were run by the government. Since then, land redistribution has created about 6,300 smallholders with two or three hectares each and about 170 medium-sized holdings of 10 to 200 hectares, a few of which were in existence before the 1993 land distribution began. This change has turned many of the former plantation workers into family farmers who lack experience in managing and operating farms. In addition, research, extension, input supply, marketing, and credit systems have not yet been created to service them adequately. Many farm families lack the financial and physical assets needed to develop their plots. Rural infrastructure is very weak, with many feeder roads impassable, and rural schools and health centers are scarce. Where they exist, they are often in very bad condition.

28. Exports of cocoa, the country's dominant crop, which has been in decline even before independence, are estimated at about 3,800 tons in 2000, down from 30,000 tons at its peak in the early twentieth century. However, 60 percent of the arable land is still planted with

cocoa, much of it now in the hands of the family farms, and at least in the short-to-medium term, cocoa will remain the main production and export crop, and the main source of rural incomes. Noncocoa production has increased, and prices for fresh produce in local markets have declined. In 2000, trade accords with Gabon and Angola led to a small, but promising, start in nontraditional agricultural exports.

29. The government's rural development strategy has four main goals: (a) improving the living conditions of the rural population; (b) increasing and diversifying agricultural production; (c) developing food production for domestic consumption; and (d) promoting the preservation and rational management of natural resources.

30. In the area of agricultural diversification, the government will increase its efforts to assist farmers by promoting an environment that facilitates the development of new products, such as black pepper, coconut, oil palm, fragrances, food crops, and edible fruits. With regard to the coffee industry, research is being conducted with a view of defining future development possibilities for the industry.

31. Food crop production will be encouraged through improved marketing and transport conditions, and the development of product storage and packaging capacities, which should create the necessary conditions for a substantial export flow of crop products aimed particularly at markets in Luanda and Libreville.

32. The transformation from large, state-owned plantations to smallholder production and a few medium-sized agricultural enterprises has created a need for appropriate research and extension services. In this respect, the government relies in large measure on major ongoing projects, financed by donors, to provide farm support in the form of inputs, materials, extension services, and credit facilities to the 6,300 smallholders who have benefited from land distribution. The government has proposed to create a single supply agency under private management.

33. Regarding livestock, the government will encourage development based on small ruminants, poultry, pork farming, and the development of cattle-rearing, oriented toward meat production. The government will also seek to promote the development of private veterinary services.

34. Management of fisheries resources will focus on two key areas: (a) improved control of fisheries' potential; and (b) monitoring of industrial fisheries—particularly in light of the new three-year fishing accord with the European Union, which became effective in June 1999. In addition, the government intends to promote the development of artisanal fisheries by strengthening fishermen's production capacities and professional organizations, developing fisheries' products, and promoting the creation of mutual savings and loan banks for fishermen and tradesmen. In the area of forestry preservation, the government will carry out an inventory of available wood resources and limit areas to be opened for forestry exploitation, introduce a follow-up mechanism (parcels to be monitored, measures designed to increase the number of trees and forests), support private and public programs for the

development of nurseries, and for the replanting of shade-cover. Planting of secondary forests with the appropriate species for the production of good quality wood is also encouraged.

35. Rural roads are often eroded because of the steep terrain and heavy rainfall in large parts of the islands; therefore, major road investments and maintenance expenditures are needed to facilitate the distribution of farm inputs, evacuate produce economically, and reduce the virtual isolation of some rural communities. This is a prerequisite for increasing agricultural surplus production.

36. Lack of rural credit has been increasingly singled out as a major obstacle, and low payback rates have greatly reduced the significance of the rural savings and loan organizations (*caixas rurais*). However, improved income from farmers and the modernization of agriculture should raise demand for credit. The International Fund for Agriculture Development (IFAD) is helping develop a microcredit scheme under its rural development project.

Tourism

37. The tourism potential of the country is significant, given its relative geographical proximity to Europe (compared with other tourist destinations, for example, in the Indian Ocean or the Far East), to the oil-rich Gulf of Guinea, and to southern Africa; its history of peace and security; and its unique fauna and flora. Tourism development in the past was hampered by inadequate policies and the high incidence of malaria. Currently, there are a handful of hotels operating on the islands, only three of which can be considered world class. Moreover, the country is serviced by one weekly flight from Portugal, four weekly flights from Gabon, and two weekly flights from Angola, making traveling to the islands expensive and time-consuming.

38. The rapid development of tourism would need decisive support from the authorities, with a particular emphasis on advertising the country and providing infrastructure. An expansion of the airport facilities would have to be of particular priority, but this would be ineffective without a major increase in the frequency of flight connections to the country. With donor assistance, the government will prepare a tourism development strategy by end-June 2001.

Oil prospects

39. Although initial seismic exploration shows that sizable oil resources may be found in offshore areas to the northwest of São Tomé and Príncipe, the country's oil prospects remain highly uncertain. No exploration wells have been drilled so far, and only slow progress has been made in the delimitation of maritime borders with Nigeria, with the signing of a draft agreement for the creation of a joint development zone (JDZ) in the disputed area. Details for the JDZ are under negotiation, and a final agreement is expected by end-2000. Oil

exploration could then start in 2002 or 2003, and, provided a commercially viable discovery is made, oil production could start in 2006.

40. Projections show that potential oil revenue could lead to large surpluses in the government balance and the balance of payments. The authorities of São Tomé and Príncipe recognize the importance of creating well ahead of the actual start-up of production an adequate institutional structure to address transparency and accountability issues regarding government oil revenues and expenditures; macroeconomic stability; and long term, intergenerational equity.

41. The proposed structure and procedures for the collection and use of future government oil revenue will consist of three elements:

- An investment fund administered by a major international investment bank will be set up to receive government oil revenue in excess of the absorptive capacity for future generations (Fund for Future Generations). The fund manager will be chosen in a public tender. Capital and dividends will remain in the fund until the depletion of oil resources.

- To ensure transparency and accountability, an escrow account in an international bank will be set up to receive government oil revenue (royalties and dividends). The authorities will seek agreement on this jointly with the Nigerian authorities and the oil company holding the resource development license. From the international escrow account, the share of government oil revenue will be transferred into a special treasury account at the central bank. Both the international escrow account and the account at the Central Bank of São Tomé and Príncipe will be audited annually by internationally reputable auditors, and the auditors' report will be submitted to parliament.

- An oversight committee will be established to (a) control the administration of the joint development zone jointly with representatives from Nigeria (e.g., negotiations with foreign oil companies concerning exploration, development, and production); (b) manage government oil revenue flows from oil production; and (c) manage the uses of oil revenue. The oversight committee will include representatives from the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Infrastructure and Natural Resources, and the Central Bank of São Tomé and Príncipe. Regarding revenue management, the committee will propose annually to the government and parliament the share of government oil revenue to be used to fund government current and capital expenditures, on the one hand, and the share to be invested in the Fund for Future Generations, on the other. These shares will be based on estimates of the absorptive capacity of the economy (defined as the level of expenditure compatible with macroeconomic stability, and with maintenance of competitiveness of the non-oil sectors, so as to avoid "Dutch Disease" effects), and on considerations of intergenerational equity.

42. The authorities adopted in 2000 a law governing petroleum exploration and production, setting up an administrative unit for petroleum matters in the Office of the Prime Minister and creating the basis for a reserve fund in which oil revenue would be paid for future generations. The adoption and implementation of a capacity building program to manage oil resources and the establishment of a petroleum revenue oversight and control committee, in line with the elements described in paragraph 41 above, constitute one of the floating completion point triggers under the enhanced HIPC Initiative. The elaboration of a petroleum management strategy in the form of a national plan submitted to and adopted in law by parliament, and prepared in consultation with the staffs of the Fund and IDA, will be crucial.

Public enterprise reform and private sector development

43. The government is determined to pursue the implementation of its public enterprise reform and divestiture program through privatization, liquidation of nonperforming public enterprises for which buyers cannot be found,[6] and financial rehabilitation of public utilities, including by periodically adjusting rates to reflect the cost and efficiency gains of producing these services. The government will also ensure that the accounts of all public enterprises are audited annually by reputable accounting firms. In the area of private sector development, the government will implement the Foreign Investment Advisory Service (FIAS) recommendations in order to strengthen the legal and institutional framework for private investment and conduct a study of the telecommunications sector, with a view to promoting private sector investment.

Environment

44. Out of 75 sites in Africa, São Tomé and Príncipe is home to the second-most-important primary forest region. Many bird and animal species are endemic to the country, and new species are still being identified on the sparsely inhabited island of Príncipe. The beaches of São Tomé and Príncipe are also nesting sites for endangered sea turtles. The preservation of these natural resources is of worldwide interest.

45. Much of São Tomé and Príncipe's land is steeply sloped and receives heavy tropical rainfalls. In these conditions, perennial tree crops are vital for the prevention of soil erosion. Yet, wood consumption in São Tomé and Príncipe is far greater than the estimated sustainable production (consumption is around 200,000 cubic meters a year, and sustainable

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[6] The public enterprise sector comprises 22 companies, of which 8 are in the rural sector. The government will (a) liquidate 2 companies, a meat processing concern (ENCAR) and a medicine distribution company (ENAMED); and (b) privatize 9 others, a hotel (Pousada Boa Vista), a palm-oil development company (EMOLVE), a construction material distribution company (Cunha Gomes), the national airline (Air São Tomé), the water and electricity utility (EMAE), the coffee plantation (Monte Café), and 3 cocoa plantations (Santa Margarida, Uba Budo, and Sundi).

production is estimated at 90,000 cubic meters), and the newly created small-scale farmers are replacing perennial cocoa with annual food crops. The construction and better maintenance of rural access roads will reduce the relative isolation of rural communities, open land for logging, and increase the marketability of wood. The goal of erosion prevention should be of the highest priority for São Tomé and Príncipe.

46. The potential for oil development, together with plans for the construction of a regional supply center for oil operations in the free trade zone on Príncipe Island, pose another danger to the environment in the country and surrounding waters.

47. The government is working on a national strategy for the protection of the environment and sustainable development. Legislation pertaining to the protection of forests has been drafted with the help of the United Nations Environment Program (UNEP) and adopted by parliament in 1998. Concrete steps to raise awareness of the value of trees are already being taken in rural communities, and these protected areas are being policed better.

Institutions, governance, and fight against corruption

48. The government is determined to improve the delivery of public services, and strengthen transparency, accountability, and overall governance. In this area, priority actions focus on enhancing financial and economic management capacity, reforming the public administration, and strengthening the judicial system. Particular attention will be given to the improvement of public expenditure management, tax administration, and the oversight of public sector agencies and enterprises. The government has decided to increase the transparency of its financial operations through such measures as annual independent external audits of the accounts of the central bank, public enterprises, and oil operations if and when they materialize, and the strengthening of the internal accountability systems in such important departments as the Finance Directorate and Customs. Public procurement procedures will be revised according to internationally accepted standards, and practices will be evaluated regularly.

49. In the area of institutional development, efforts will focus on restructuring the public administration. The government has taken initial steps toward improving public sector management, entailing the adoption in 1999 of new organizational and staffing plans for all ministries and the revision of civil service regulations. Regarding judicial reform, the priority actions focus on (a) updating the legislative framework; (b) enhancing the organization and functionality of judicial institutions; and (c) strengthening the skills of judicial officials.

III. Debt Sustainability Analysis and Possible HIPC Initiative Assistance

50. **Debt sustainability analysis (DSA).** The DSA was prepared jointly by the authorities and the staffs of the IMF and IDA and examines the evolution of São Tomé and Príncipe's

key external debt indicators over the next 20 years. The calculations are based on external public and publicly guaranteed debt outstanding and disbursed at end-1999.[7] A loan-by-loan debt reconciliation has been fully completed for creditors accounting for 97 percent of the total debt. Complete reconciliation is pending only with the former Yugoslavia.[8]

51. **Baseline debt sustainability analysis**. The DSA presented in this section is derived from that in the preliminary HIPC document and is summarized in Tables 5-20, and Figures 1-5. Under the enhanced HIPC Initiative, the baseline DSA simulates the full application of traditional debt-relief mechanisms, involving a 67 percent reduction in net present value (NPV) terms on pre-cutoff-date eligible debt (and a rescheduling of official development assistance (ODA) debt) at end-1999 with comparable treatment from non-Paris Club bilateral creditors.[9] The macroeconomic projections assume the continuation of the sound economic and financial policies implemented since 1998, further structural reforms, and the improvement of key social indicators through the implementation of the poverty reduction strategy outlined in the interim PRSP. The main assumptions underlying the baseline DSA are summarized in Annex I and Table 6 .

52. **Possible assistance under the enhanced HIPC Initiative.** Table 10 shows that São Tomé and Príncipe will require assistance of about US$97 million in end-1999 NPV terms (or about US$200 million in nominal terms) to reduce its debt burden to the threshold of 150 percent of exports at the decision point.[10] Based on proportional burden sharing, the

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[7] The NPV of debt was calculated using end-1999 exchange rates, and the discount rates are the average currency-specific commercial interest reference rates (CIRRs) for the six-month period ended December 31, 1999 (Table 11). The NPV of debt-to-exports ratio is measured using the backward-looking three-year average of exports of goods and services. The debt service-to-exports ratio is measured in relation to current-year exports. The NPV of debt-to-revenue ratio in the base year is based on a conversion of 1999 government revenue at the end-1999 exchange rate.

[8] In the case of the former Yugoslavia, the DSA has adopted the higher amount recorded by the creditor, as in the preliminary document (US$5 million, compared with US$4 million according to the authorities). While debt outstanding to Italy has been reconciled (US$17 million), the creditor authorities are determining whether these are commercial or official claims. These claims, which were not treated in the 2000 Paris Club rescheduling, have been included in the DSA as official debt.

[9] São Tomé and Príncipe has had one Paris Club flow rescheduling, which was concluded in May 2000 on Naples terms (with a 67 percent reduction in NPV terms). Creditors agreed to reschedule all arrears on eligible debt outstanding at end-March 2000 and on current maturities from April 2000 to April 2003 (the first phase is applicable through end-April 2001). Following the rescheduling, and after assuming the application of comparable treatment from all other official bilateral creditors, there are no arrears at the decision point. Belgium was a *de minimis* creditor for the rescheduling. Consistent with the terms of Russia's participation as a Paris Club creditor agreed in 1997, the simulation of traditional debt-relief mechanisms is applied after a 70 percent up-front reduction of all debt outstanding after conversion at the Russian ruble-U.S. dollar rate of 0.6.

[10] The potential assistance levels under both the export and fiscal criteria are very similar, but since the export criterion provides approximately US$2 million more in assistance, this is used for calculations of assistance and debt projections.

largest share of HIPC Initiative assistance would be provided by multilateral creditors (US$68 million, or 70 percent of total assistance), mostly IDA and the AfDB,[11] while Paris Club creditors would account for about 67 percent of total bilateral assistance (equivalent to US$20 million). The implied common reduction factor for all creditors would be 83 percent of their exposure (in NPV terms) remaining at end-1999 after the full use of traditional debt-relief mechanisms, reflecting the exceptionally heavy debt burden faced by São Tomé and Príncipe.

53. **Sensitivity analysis.** The São Tomé and Príncipe economy is vulnerable to external shocks related to the prospects for oil production, the concentration of exports in the cocoa sector, dependence on tourism receipts, and the terms of future borrowing. The baseline scenario excludes petroleum production and revenues, but this is subject to considerable uncertainty, including with the respect to the outcome of negotiations with Nigeria on territorial claims, the level and timing of foreign direct investment, the terms of possible production-sharing agreements, and the size of potential oil reserves. In addition, given the significance of official assistance for external financing, the concessionality of external borrowing is an important variable. Moreover, the economic growth rates underlying the baseline scenario are critically dependent on tourism revenues and a diversification of agricultural production.

54. In light of this, the staffs explored the sensitivity of the DSA results to three alternative scenarios featuring positive and negative shocks, namely, (a) commercially viable oil production from 2006 onward; (b) lower growth rates, assuming a lack of agricultural diversification and no takeoff of the tourism sector; and (c) less concessional assistance, with a reduction in the average grant element from 70 percent to 35 percent. As indicated in Table 18, under the oil development scenario, the NPV of debt-to-exports ratio, after the full use of traditional debt-relief mechanisms, would continue to remain above the threshold of 150 percent through 2006, and the debt service-to-exports ratio would remain above 20 percent through 2005, however, these ratios would decline sharply thereafter. If economic growth were to average 2 percent over the projection period (as compared with 4 percent in the baseline scenario), the NPV of debt-to-exports ratio would average 185 percentage points above the baseline throughout the projection period. Less concessional borrowing would result in an NPV of debt-to exports ratio that is higher than under the baseline scenario by 26 percentage points on average during the projection period. The debt-service ratios accompanying these scenarios are summarized in Figure 4.

[11] There was no debt outstanding to the IMF at end-December 1999, and the Fund will therefore not be providing assistance to São Tomé and Príncipe under the enhanced HIPC Initiative.

IV. Modalities of Assistance and Potential Use of HIPC Initiative Resources

A. Modalities and Impact of HIPC Initiative Assistance

55. **Consultations with creditors.** The staffs of IDA and the Fund have initiated consultations with the multilateral creditors of São Tomé and Príncipe and the Paris Club regarding the action these creditors would take under the enhanced HIPC Initiative. All multilateral development banks (MDBs) indicated their agreement in principle to deliver their share of debt relief during the last MDBs' meeting on October 23, 2000. [12] Paris Club creditors have also indicated their willingness in principle to provide debt relief on Cologne terms.

56. Assumptions on the modalities and delivery of assistance are as follows:

- **Floating completion point**. Given the limited institutional and administrative capacity in São Tomé and Príncipe, it is assumed that the conditions for the floating completion point could be fulfilled within three years from the decision point, that is, by December 2003 (Box 3).

- **Paris Club creditors** are expected to deliver interim assistance through a flow rescheduling on Cologne terms (90 percent in NPV reduction) following the decision point, with delivery of the remaining required assistance at the completion point through a stock-of-debt operation on Cologne terms. On the basis of the present calculations, it is expected that US$1 million in nominal terms would be provided during the interim period.[13] The remaining assistance would require a full cancellation of all pre-cutoff-date non-ODA debt, with the residual delivered on pre-cutoff-date ODA debt at the completion point.[14]

- **Non-Paris Club official bilateral creditors** would be expected to provide treatment comparable to that of Paris Club creditors.

- **IDA**'s assistance amounts to US$24 million in NPV terms, or approximately US$46 million in debt service savings, to be delivered from January 1, 2001 to November, 2024. Given the country's limited debt servicing capacity, it is proposed that during the interim

[12] See the Chairman's summary of the meeting (IDA/SecM2000-594).

[13] For all bilateral creditors, interim assistance is the relief resulting from the difference between a flow rescheduling on Cologne terms and an otherwise identical rescheduling on Naples terms, between the decision and completion points.

[14] After the delivery of the full amount of enhanced HIPC Initiative assistance, the staff estimates US$3 million of ODA debt would remain at the completion point.

period, IDA provides 90 percent debt service relief and utilizes donor resources from the HIPC Trust Fund to cover the remaining 10 percent of the debt service due, so that from the decision point to the completion point, no debt service payments would be due on amounts disbursed and outstanding as of end-1999. Of the required assistance from IDA, 16 percent would be delivered during the interim period. From the completion point onward, IDA will provide relief at 90 percent until November 2024. Average annual debt service savings would amount to US$1.8 million per year over the delivery period (Table 19).

- **The African Development Bank (AfDB)** would deliver US$34 million in assistance in NPV terms from the decision point onward by providing a reduction of 81 percent of AfDB debt service.[15] Approximately 11 percent of the assistance would be delivered during the interim period. Nominal assistance from the AfDB is estimated at about US$2 million per year on average over the 2001–19 period.

- **The International Fund for Agricultural Development (IFAD)** has agreed to deliver its relief from the completion point through a 100 percent forgiveness of debt service. In the case of São Tomé and Príncipe, this implies total debt service relief of US$7 million (or US$3 million in NPV terms) between 2004 and 2019.

- **Other multilateral creditors.** Possible cash flow savings from the **European Union, Organization of Petroleum Exporting Countries(OPEC) Fund,** and **Arab Bank for Economic Development in Africa (BADEA)** would amount to about US$10 million, equivalent to US$7 million in NPV terms. [16]

57. **Impact of enhanced HIPC Initiative assistance.** After possible assistance under the enhanced HIPC Initiative, and based on the above assumptions (including on new borrowing), the ratio of NPV of debt to exports would fall to 146 percent by 2003 and average 189 percent between 2010 and 2019.[17] The ratio of debt service paid to exports, after enhanced HIPC Initiative assistance, would fall from 24 percent in 1999 to an average of 7 percent during 1999-2009 and to an average of 10 percent during 2010-19. As a percentage of government revenue, this ratio would fall from 44 percent in 1999 to 12 percent during

[15] The AfDB's modalities for delivering HIPC Initiative assistance were endorsed by its Executive Board in June 2000, when it was agreed to provide 80 percent relief on debt service due. However, in the case of São Tomé and Príncipe, a marginally higher (81 percent) reduction is required for the AfDB to deliver its full share of assistance.

[16] Given the large common reduction factor and in order to deliver the full share of assistance of the three institutions, it is assumed that the assistance is delivered through a 100 percent reduction of debt service, starting during the interim period.

[17] The difference in the NPV of debt-to-export ratio in the outer years of the projection period, compared with the preliminary HIPC document, reflects upward revisions in new borrowing.

1999-2009, before increasing to 19 percent during 2010-19.[18] Nominal debt-relief savings over the next 20 years are expected to total US$131 million, or approximately US$6.5 million annually, of which 68 percent would be delivered by multilateral institutions. Debt relief from 2001 to 2007 would be equivalent to 9 percent of GDP a year. On the basis of the assumptions noted above, total interim HIPC Initiative debt- service relief would amount to an average of about US$4.5 million (about 35 percent of government revenue) a year during 2001-03 (Figures 2, 3, and 5, and Tables 4 and 18).[19]

B. Key Poverty Alleviation Activities to Benefit from HIPC Initiative Assistance

58. The substantial debt-service savings arising from assistance under the enhanced HIPC Initiative will be used to overcome the severe structural obstacles to social development in São Tomé and Príncipe. In line with the floating completion point triggers, budgetary programs in each of the priority sectors have been identified by the authorities. These spending programs are additional to projected government expenditure and are indicative and subject to revision following the priorities identified in the PRSP process. Given the severe financing constraints under which the government is operating, expenditures without HIPC Initiative assistance would not be sufficient to increase service delivery beyond the current low levels. The additional budgetary programs included in the HIPC spending program involve interim expenditure allocations for ministries, although a participatory framework for revenue use and program implementation will be outlined in early 2001, when the HIPC Initiative resource monitoring procedures will be established as part of the PRSP process. More specifically, the programs include the following:

- **Education sector.** Elimination of the triple-shift classrooms; school rehabilitation; school and classroom construction and adequate provision for regular maintenance; and improvements in teacher training programs (total allocation: US$2.6 million over 2001-03);

- **Health sector.** Construction, rehabilitation, and maintenance of health facilities; fight against malaria; provision of medical supplies and basic drugs; vaccination programs for children; and improvement of service at regional facilities (total allocation: US$1.7 million over 2001-03);

- **Basic infrastructure.** Rehabilitation of urban services, in particular provision of water and waste collection; as well as rehabilitation and maintenance of urban and rural roads (US$1.7 million over 2001-03);

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[18] The rise in debt-service ratios between 2006 and 2010 reflects largely payments due on new borrowing, including the PRGF arrangement approved in April 2000.

[19] Interim assistance under the enhanced HIPC Initiative is estimated at US$3.7 million, US$5 million, and US$4.7 million in 2001-03, respectively.

- **Economic management.** Capacity building in planning, analysis, and project preparation and monitoring in the Ministry of Planning and Finance (the unit in charge of the coordination of the public investment programming in the Directorate of Finance) and the Ministries of Education and Health (planning and statistics units); training of tax administration officers; establishment and funding of the HIPC Initiative resource monitoring committee to ensure an efficient and transparent use of resources; and development of a medium-term expenditure framework (US$400,000over 2001-03);

- **Governance.** Judicial reform (including the establishment of the Auditor General's Office and the tribunal for arbitration in business and contract matters); training of magistrates; reform of the procurement code and enforcement practices; and strengthening of public resource management, particularly in the petroleum sector (total allocation : US$500,000 over 2001-03).

59. In view of the relatively low absorptive capacity, it is projected that about 25 percent of the possible debt-service savings under the enhanced HIPC Initiative would be spent in 2001, increasing to about 50 percent in 2002 and about 75 percent in 2003, with the remainder to be held as government deposits at the central bank. With the full PRSP, the authorities will develop a medium-term expenditure framework (MTEF) costing the sectoral strategies for education and health, with assistance from IDA. With the development of the MTEF the budgetary projections presented above could be revised, as needed; the MTEF will also establish the implementation framework for the targeted programs. The HIPC Initiative-related expenditures will be integrated in the government's budget, starting with the budget for 2001; they will be recorded in the budget with specific codes and be subject to the existing budgetary control procedures at the commitment, payment order, and payment stages.

Table 4. São Tomé and Príncipe: Debt Service Before and After HIPC Initiative Assistance, 1997-2003[1/]

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

	1997	1998	1999	2000	2001	2002	2003
		Est.			Prog.		Proj.
Debt service due before debt relief	8.9	10.0	8.2	6.0	6.2	8.6	8.7
Debt service due after full use of traditional debt-relief mechanisms 1/	8.9	10.0	8.2	4.3	6.0	6.6	6.5
Debt service due after enhanced HIPC Initiative 1/	2.5	5.6	3.9	4.3	2.1	1.3	1.4
Interim enhanced HIPC Initiative assistance	...	...	...	...	3.7	5.0	4.7
Social spending (as percent of GDP) 2/	17.4	11.9	17.4	17.5	18.8	20.4	21.3
Memorandum items:							
Debt-service ratio after full use of traditional debt-relief mechanisms (percent) 3/	19.7	46.8	23.8	24.2	29.9	29.6	26.0
Debt-service ratio after enhanced HIPC Initiative assistance (percent) 3/	19.7	46.8	23.8	24.2	10.4	6.1	5.7
Debt service-to-government revenue ratio, after full use of traditional debt-relief mechanisms (percent)	35.7	71.6	43.0	40.7	49.7	47.8	43.4
Debt service-to-government revenue ratio, after enhanced HIPC Initiative assistance (percent)	35.7	71.6	43.0	40.7	17.4	9.8	9.6
Exports of goods and services 4/	12.4	12.0	16.5	17.8	20.2	22.2	24.9
Government revenue 5/	6.9	7.9	8.9	10.5	12.2	13.7	14.9

1/ In 2000, debt service due after Paris Club flow rescheduling, and assuming comparable treatment by non-Paris Club bilateral creditors.

2/ Government spending on health and education, including enhanced HIPC Initiative spending during 2001-03.

3/ As percentage of exports of goods and services.

4/ Current year exports.

5/ From 1999 onward, government revenue is converted at the end-1999 exchange rate.

C. Monitoring and Control Mechanisms

60. Effective use of debt-relief assistance remains a key objective of the enhanced HIPC Initiative. The authorities have adopted mechanisms to monitor and ensure an efficient and transparent use of possible interim assistance under the enhanced HIPC Initiative, as part of the general effort to develop the capacity to track poverty-related public spending. This is in line with the commitment of São Tomé and Príncipe's authorities to continue their efforts to strengthen expenditure management and control, and improve service delivery in the priority areas of health, education, and poverty alleviation. Regarding, more specifically, the tracking of expenditure financed out of resources becoming available under the enhanced HIPC Initiative, the mechanisms adopted by the authorities will be centered on:

- a special treasury account at the central bank which was established in November 2000 and where the budgetary savings from the Initiative will be deposited; its proceeds will be integrated into the government's budget, beginning with the 2001 budget, for priority education, health and other poverty-related expenditure identified in the HIPC Initiative spending plan and in line with the interim PRSP and sectoral strategies;

- the establishment in January 2001 of a monitoring committee consisting of the Ministries of Planning and Finance, Health, Education, and Infrastructure, the Central Bank of São Tomé and Príncipe, and representatives of the donor community, which will monitor the progress on poverty related spending; and

- the preparation of quarterly financial and technical reports and annual audits. These reports will be discussed by the monitoring committee and made public through the media (newspapers, radio and television). The dialogue with the World Bank on public expenditure management is being reinforced, including with the introduction of annual consultations, to help the authorities improve the social and poverty impact of the use of public resources.

61. To improve budgetary procedures further and strengthen São Tomé and Príncipe's ability to tracking public expenditure in general, the authorities aim at centralizing the programming and execution of foreign-financed capital expenditure under the control of the Ministry of Planning and Finance (a completion point trigger). Specifically, all project implementation accounts, which represented about 60 percent of all government expenditure in 1999, should be centralized under the control of the treasury. In addition, the Auditor General's Office (AGO) (as well as the tribunal for arbitration in business and contract matters) should be made operational by the completion point. In the circumstances, the books of government financial operations would be properly closed every year in a timely fashion, audited by the AGO, and the AGO's audit report submitted to parliament. By the completion point under the enhanced HIPC Initiative, when São Tomé and Príncipe has strengthened the administrative capacity to track expenditure in general, the special arrangement put in place for tracking HIPC Initiative-related spending will be phased out.

V. Floating Completion Point and Authorities' Views

A. The Floating Completion Point

62. Although São Tomé and Príncipe's track record under the PRGF- and IDA-supported program is limited and falls short of the normal three years required for a decision point, the authorities' performance of policy implementation has been satisfactory during the last three years. In view of the government's strong commitment to reform and the country's exceptionally heavy and unsustainable debt burden, Executive Directors agreed that São Tomé and Príncipe could reach the decision point in December 2000, contingent on the completion of the first review of the PRGF-supported program and the establishment of a special treasury account at the central bank to track savings arising from possible HIPC Initiative assistance. The special treasury account has been established, and the Fund Board is expected to consider the first review of the PRGF-supported program, along with this HIPC decision point document.

63. Following the guidance of the Boards at the preliminary assessment of São Tomé and Príncipe's eligibility for assistance under the enhanced HIPC Initiative, IMF and IDA staffs have discussed with the authorities of São Tomé and Príncipe, and confirmed the agreement in principle reached earlier on the floating completion point triggers. The rationale of these triggers and their links with the country's interim PRSP were discussed in the preliminary HIPC Initiative document. Box 3 presents a list of these triggers.

B. The Authorities' Views

64. The authorities welcome the link between the assistance under the enhanced HIPC Initiative and poverty reduction under the PRSP approach. In this context, the authorities are determined to successfully complete the current economic and financial program supported by the PRGF in order to establish a solid economic basis for undertaking wide-reaching social policies in the sectors of health, education, and basic infrastructure. Poverty reduction will, therefore, be at the heart of the reform program, which will be facilitated, inter alia, by the availability of HIPC Initiative resources.

65. Beyond confirming their commitment to reforms, the authorities would like to stress that the success of economic and social reforms would depend not only on the debt relief, but also on additional resources from bilateral and multilateral donors. They would also like to encourage creditors to provide debt relief in as timely a manner as possible. For its part, the government will ensure that the expenditures financed by debt relief will be successfully channeled into poverty relief and growth promotion, and with monitoring in a manner acceptable to creditors, and that the debt relief is used effectively. In this vein, the São Tomé and Príncipe authorities have favorably welcomed the enhanced HIPC Initiative and consider

Box 3. Floating Completion Point Triggers

Poverty reduction strategy paper

1. A full poverty reduction strategy paper (PRSP) has been prepared through a participatory process and satisfactorily implemented, as evidenced by a joint staff assessment of the country's first annual progress report.

Macroeconomic measures

2. There has been continued maintenance of macroeconomic stability, as evidenced by the satisfactory implementation of the medium-term program supported by the IMF under the Poverty Reduction and Growth Facility (PRGF).

Governance/public expenditure management

3. Substantial progress has been made in strengthening public expenditure management and the use of HIPC Initiative assistance:

- The sectoral strategies for health and education have been costed in the context of the development of a medium-term expenditure framework (MTEF).
- The control and monitoring mechanism to ensure an efficient and transparent use of HIPC Initiative interim assistance (as per paragraphs 60-61) has been satisfactorily implemented.
- The programming and execution of foreign-financed capital expenditure have been placed under the control of the Ministry of Planning and Finance.

4. A capacity-building program to manage oil resources has been adopted and implemented, and a petroleum revenue oversight and control committee has been established.

5. The Auditor General's Office (*Tribunal de Contas*) and the tribunal for arbitration in business and contract matters have been made operational.

Social sectors

6. At least 40 new classrooms in primary schools and 15 classrooms in secondary schools have been built and equipped, and 120 primary school teachers have been recruited, trained, or retrained (compared with the 1999 base), in accordance with the interim PRSP and the national education program.

7. At least eight primary health care centers have been built and equipped, and the immunization rate for children has increased (for measles, DPT3—diphtheria, tetanus, pertussis—and polio) to 85 percent (from 69 percent in 1999), in accordance with the interim PRSP and the national health strategy.

8. The child (under 5) morbidity rate caused by malaria (WHO definition and measurement) has been reduced to 60 per 10,000 (from 86 per 10,000 in 1999), in the context of the program to roll back malaria.

it as a historic chance to assist in the economic renewal of poor countries. In the case of São Tomé and Príncipe, the authorities would like to draw the attention of the international community to the heavy burden of external debt, which, at more than 600 percent of GDP in nominal terms in 1999, is a major impediment to the economic takeoff of the country. Accordingly, the authorities are looking forward to the accelerated implementation of the Initiative.

VI. Issues for Discussion

66. Executive Directors' views and guidance are sought on the following issues:

- **Eligibility and decision point**. The staff and management believe that São Tomé and Príncipe qualifies for assistance under the enhanced HIPC Initiative and recommend approval of a decision point. Do Executive Directors agree?

- **Amount and delivery of assistance**. In order to reduce the NPV of debt-to-exports ratio to 150 percent, the total assistance required under the enhanced HIPC Initiative is US$97 million in NPV terms. Of this amount, US$24 million is to be provided by IDA. Do Executive Directors agree?

- **Floating completion point.** In line with the objectives of the enhanced HIPC Initiative, the staff and management recommend that São Tomé and Príncipe reach the completion point under the enhanced HIPC Initiative upon the fulfillment of the set of policy measures described in Box 3. Do Executive Directors agree that the conditions set out in Box 3 are appropriate triggers for São Tomé and Príncipe's floating completion point?

Table 5. São Tomé and Príncipe: Selected Economic and Financial Indicators, 1999-2003

	1999	2000		2001		2002		2003
	Est.	Prog.	Rev. Prog.	Prog.	Rev. Prog.	Prog.	Rev. Prog.	Proj.
				(In units indicated)				
Production								
Cocoa export volume (in thousands of metric tons)	3.3	3.8	3.8	4.0	3.8	4.1	3.8	3.8
Cocoa export unit value (in US dollars per kilogram)	0.9	1.1	1.0	1.3	1.1	1.4	1.2	1.3
Gross domestic product (in billions of dobras)	334.1	369.5	369.5	408.7	408.2	441.9	455.0	494.4
At constant prices (percentage change)	2.5	3.0	3.0	4.0	4.0	4.0	5.0	5.0
Gross domestic product deflator (percentage change)	16.0	7.4	7.4	6.3	6.3	4.0	6.2	3.5
Consumer prices (percentage change; end of period)	12.6	5.0	9.0	3.0	5.0	3.0	3.0	3.0
Consumer prices (percentage change; average)	16.3	7.4	10.7	4.3	6.9	3.0	4.0	4.0
				(Annual percentage change, unless otherwise specified)				
External sector								
Exports, f.o.b.	-17.3	28.5	11.2	21.3	33.2	14.4	16.6	23.5
Imports, c.i.f.	30.3	25.2	-1.7	17.3	18.8	15.7	7.9	13.8
Exchange rate (in dobras per US dollar; period average) 1/	7,093	...	8,083	...	...	...	...	...
Exchange rate (in dobras per US dollar; end of period) 1/	7,300	...	8,359	...	...	...	...	...
Real effective exchange rate	12.8	...	...	...	...	...	...	...
Terms of trade	-50.0	10.6	-1.5	24.9	6.1	13.1	11.6	5.2
Money and credit (end of period)								
Net domestic assets 2/	-15.3	-22.8	-23.6	...	-9.5	...	...	...
Credit to government (net) 2/	-17.8	-27.2	-19.5	...	-12.9	...	...	...
Credit to the economy 2/	7.5	4.3	2.3	...	3.2	...	...	...
Broad money	-2.8	5.0	16.8	...	10.7	...	...	...
Velocity (ratio of GDP to average broad money)	3.8	3.9	3.9	...	3.7	...	...	...
Central bank discount rate (in percent; end of period)	17.0	...	...	...	...	...	...	...
Commercial bank lending rate (in percent; end of period) 1/	38.0 to 44.0	...	33.0 to 39.0	...	...	...	...	...
Commercial bank deposit rate (in percent; end of period) 1/	24.0 to 28.0	...	19.0 to 23.0	...	...	...	...	...
				(In percent of GDP, unless otherwise specified)				
National accounts								
Consumption	109.3	104.9	104.9	97.0	105.9	97.7	105.3	102.2
Gross investment	40.0	49.3	39.3	59.3	44.1	61.2	45.1	52.3
Public investment	26.0	23.3	22.8	31.1	24.1	30.8	24.1	21.6
Private investment	14.0	26.0	16.5	28.2	20.0	30.5	21.0	30.7
Of which: oil sector	0.0	6.0	0.0	9.2	0.0	13.5	0.0	9.4
Gross domestic savings	-9.3	-4.9	-5.1	3.0	-5.9	2.3	-4.8	-2.2
Public savings	-11.9	-11.8	-10.3	-2.5	-9.8	-0.9	-9.4	-10.9
Private savings	2.6	7.0	5.2	5.5	3.9	3.3	4.6	8.7
Gross national savings	13.8	24.0	14.5	21.2	22.4	20.2	22.7	25.0
Government budget								
Total revenue and grants	43.9	46.5	43.8	46.2	53.6	46.8	52.9	52.9
Of which: grants	24.6	26.2	23.0	25.2	31.9	25.2	30.9	30.9
Total expenditure	69.8	68.1	62.0	64.5	66.7	62.5	68.4	68.2
Of which: noninterest current expenditure	15.8	15.6	16.8	14.9	16.6	13.9	20.9	21.5
Overall balance (commitment basis)	-25.9	-21.5	-18.2	-18.2	-13.0	-15.9	-15.5	-15.2
Primary balance (incl. HIPC Initiative spending) 3/	1.3	2.3	2.1	3.4	0.8	5.0	-1.3	-1.9
Primary balance (excl. HIPC Initiative spending) 3/	1.3	2.3	2.1	3.4	2.7	5.0	3.4	4.3
External sector								
Current account balance (excluding official transfers)	-58.0	-62.0	-49.4	-64.0	-56.5	-66.2	-55.8	-59.8
Current account balance (including official transfers)	-26.2	-25.2	-24.8	-38.1	-21.8	-41.0	-22.4	-27.3
Total external debt outstanding 4/	624.1	...	625.7	...	...	...	...	...
Net present value of total debt 4/	404.3	...	421.4	...	...	...	...	...
Net present value of total debt 4/ 5/	1,394.6	...	1,266.7	...	...	...	...	...
				(In millions of U.S. dollars, unless otherwise specified)				
External sector								
Export earnings	3.9	5.0	4.4	6.1	5.8	7.0	6.8	8.4
Of which: cocoa	2.9	4.0	3.3	5.0	4.0	5.8	4.6	4.9
Overall balance	-2.7	-0.8	0.0	-6.6	-2.4	-9.0	-7.0	-12.0
Outstanding medium- and long-term debt	294.0	...	...	...	...	...	...	...
Of which: arrears	74.0	...	...	...	...	...	...	...
Gross foreign reserves (in months of following year's imports of goods and services)	3.1	4.0	4.2	4.2	4.8	5.6	5.3	5.6
External debt service								
Before debt relief 5/	49.8	43.6	33.6	39.7	30.6	48.2	38.9	34.8
Actual debt service paid 5/	23.8	...	...	...	...	...	...	...

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

1/ The rate for 2000 is at end-September.

2/ In percent of broad money at beginning of period.

3/ Excluding interest obligations, grants, and foreign-financed capital outlays.

4/ Includes arrears to Italy on a loan that remains in dispute.

5/ In percent of exports of goods and services.

Table 6. São Tomé and Príncipe: Main Assumptions on Macroeconomic Framework, 1997-2019
(Baseline scenario assuming oil exploration does not lead to commercial discovery)

(In percent of GDP, unless otherwise indicated)

	1997	1998	1999 Est.	2000	2001	2002	2003	2004	2005	2006	2007	2010	2019	1998-08 Average	2009-19 Average
								Projected							
Economic growth and inflation															
Real GDP percentage change	1.0	2.5	2.5	3.0	4.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.1	4.0
Oil production volume (in thousands of barrels per day)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real GDP per capita (percentage change)	-1.0	0.5	0.5	1.0	2.0	2.9	2.9	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.0
Average inflation (in percent)	69.0	44.8	16.3	9.0	6.9	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	9.0	3.0
National accounts															
Gross domestic investment	49.1	35.8	40.0	39.3	44.1	45.1	52.3	84.9	71.0	40.7	41.0	37.4	35.3	48.7	36.4
Of which: private	27.0	16.0	14.0	16.5	20.0	21.0	30.7	63.2	49.6	19.5	19.8	16.8	17.2	26.4	17.0
Of which: oil sector	0.0	0.0	0.0	0.0	0.0	0.0	8.7	44.0	30.4	0.0	0.0	0.0	0.0	7.6	0.0
Gross national savings	45.5	14.7	13.8	14.5	22.4	22.7	25.0	13.6	16.0	19.1	21.3	24.4	19.0	18.6	22.6
Public sector															
Government revenue, excluding grants	15.6	19.4	19.3	20.8	21.7	22.0	22.0	21.9	21.4	22.0	22.7	22.6	20.8	21.5	21.4
Noninterest current expenditure	16.6	16.3	15.8	16.8	16.6	20.9	21.5	23.0	22.5	22.2	22.4	21.4	19.9	20.0	20.6
Capital expenditures	42.2	31.1	42.3	38.7	38.1	35.5	33.9	31.3	30.5	31.0	31.3	31.4	20.1	34.1	26.5
Primary balance	-2.2	0.7	1.3	2.1	0.8	-1.3	-1.9	-3.5	-3.4	-2.9	-3.0	-3.0	3.5	-1.3	-0.5
Overall government balance 1/	-26.7	-30.5	-25.9	-18.2	-13.0	-15.5	-15.2	-25.6	-24.1	-22.7	-22.9	-23.1	-15.3	-21.5	-19.8
Balance of payments															
Exports of goods and services 2/	28.3	29.7	35.0	38.4	42.6	41.9	43.4	43.4	45.8	48.5	51.6	58.2	73.7	43.1	66.2
Imports of goods and services 2/	94.0	72.5	84.1	82.7	92.6	91.9	97.9	133.1	119.6	89.7	90.7	89.4	105.0	95.2	96.1
Current account balance, incl. off. transfers	-3.6	-21.1	-26.0	-24.8	-21.8	-22.4	-27.3	-71.3	-55.0	-21.7	-19.7	-13.1	-16.3	-30.0	-13.0
Current account balance, excl. off. transfers	-74.8	-53.9	-57.8	-49.4	-56.5	-55.8	-59.8	-94.9	-79.0	-46.4	-44.4	-36.3	-35.6	-58.3	-34.5
Gross official reserves 3/	5.1	2.9	3.4	4.2	4.8	5.3	5.6	5.5	5.3	5.0	4.8	4.5	4.5	4.7	4.5
Exports volume growth (percentage change) 4/	-6.1	30.6	10.4	2.5	3.7	5.1	9.8	4.4	-1.5	3.6	-0.6	-2.4	-1.7	6.2	-1.9
Imports volume growth (percentage change) 4/	0.1	-2.7	25.3	-14.5	3.9	7.9	9.6	38.6	-6.6	-14.9	-0.1	1.6	-1.9	4.4	-0.2
Terms of trade (percentage change)	11.4	11.9	-50.0	-1.5	6.1	11.6	5.2	4.8	4.4	-1.2	1.0	1.3	0.2	-0.6	0.6
Memorandum items:															
Government revenue	15.6	19.4	19.3	20.8	21.7	22.0	22.0	21.9	21.4	22.0	22.7	22.6	20.8	21.5	21.4
Government noninterest current expenditure	16.6	16.3	15.8	16.8	16.6	20.9	21.5	23.0	22.5	22.2	22.4	21.4	19.9	20.0	20.6
Government capital expenditure	42.2	31.1	42.3	38.7	38.1	35.5	33.9	31.3	30.5	31.0	31.3	31.4	20.1	34.1	26.5
Government primary balance	-2.2	0.7	1.3	2.1	0.8	-1.3	-1.9	-3.5	-3.4	-2.9	-3.0	-3.0	3.5	-1.3	-0.5
Overall government balance	-26.7	-30.5	-25.9	-18.2	-13.0	-15.5	-15.2	-25.6	-24.1	-22.7	-22.9	-23.1	-15.3	-21.5	-19.8
Private per capita consumption (in U.S. dollar)	152	202	230	236	257	278	280	303	316	324	332	362	546	282.1	433.6
Gross national income per capita	243	274	299	315	348	376	390	408	430	451	474	542	742	387.4	630.4

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

1/ Commitment basis.
2/ Exports (imports) of goods and services as defined in the IMF *Balance of Payments Manual* (5th edition. 1993) as a percentage of GDP.
3/ In months of following year's imports of goods and services excluding oil sector imports.
4/ Total merchandise exports (imports).

Table 7. São Tomé and Príncipe: Main Assumptions on Macroeconomic Framework, 1997-2019
(Alternative scenario assuming the coming onstream of an oil field in 2006)

(In percent of GDP, unless otherwise indicated)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2010	2018	2019	1998-08	2009-19
			Est.						Projected						Average	
Economic growth and inflation																
Real GDP (percentage change)	1.0	2.5	2.5	3.0	4.0	5.0	5.0	6.0	9.0	72.1	184.7	1.3	-6.0	5.2	16.4	-0.1
Of which: non-oil GDP	1.0	2.5	2.5	3.0	4.0	5.0	5.0	6.0	9.0	6.5	6.0	6.0	6.0	6.0	7.3	1.2
Oil production volume (in thousands of barrels per day)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.3	37.5	60.0	5.0	5.0	0.0	37.2
Real GDP per capita (percentage change)	-1.0	0.5	0.5	1.0	2.0	2.9	2.9	3.9	6.9	68.7	179.1	-0.7	-7.9	3.2	72.4	-0.3
Average inflation (in percent)	69.0	44.8	16.3	9.0	6.9	4.0	3.0	4.5	6.0	6.0	6.0	6.0	3.0	3.0	10.2	4.5
National accounts																
Gross domestic investment	49.1	35.8	40.0	39.3	44.1	45.1	52.3	84.5	308.1	170.9	58.4	21.5	22.8	22.5	83.2	22.7
Of which: private	27.0	16.0	14.0	16.5	20.0	21.0	30.7	62.9	289.1	160.4	54.6	18.3	15.9	16.0	65.3	18.1
Of which: oil sector	0.0	0.0	0.0	0.0	0.0	0.0	8.7	42.9	244.1	135.7	46.6	14.3	1.1	1.0	46.0	9.8
Gross national savings	45.5	14.7	13.8	14.5	22.4	22.7	25.0	21.0	14.6	42.5	71.4	76.1	37.0	35.4	30.5	62.7
Public sector																
Government revenue, excluding grants	15.6	19.4	19.3	20.8	21.7	22.0	22.0	21.3	20.4	16.9	11.9	34.9	24.5	23.9	19.9	31.0
Of which: oil revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3	8.5	31.8	3.0	3.0	2.9	19.9
Of which: oil reserve fund interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	17.0	16.3	0.0	8.6
Noninterest current expenditure	16.6	16.3	15.8	16.8	16.6	20.9	21.5	21.0	18.8	10.5	3.9	3.4	10.0	9.7	15.1	5.9
Capital expenditures	42.2	31.1	42.3	38.7	38.1	35.5	33.9	30.8	27.3	16.9	6.6	6.5	16.0	15.2	28.0	10.3
Primary balance	-2.2	0.7	1.3	2.1	0.8	-1.3	-1.9	-2.4	-1.0	1.2	5.1	25.8	0.4	0.7	1.8	16.0
Overall government balance 1/	-26.7	-30.5	-25.9	-18.2	-13.0	-15.5	-15.2	-20.6	-20.2	-11.0	0.6	23.6	-4.4	-3.9	-14.4	12.8
Balance of payments																
Exports of goods and services 2/	28.3	29.7	35.0	38.4	42.6	41.9	43.4	42.9	42.5	63.1	85.5	85.2	44.0	43.1	50.0	69.1
Imports of goods and services 2/	94.0	72.5	84.1	82.7	92.6	91.9	97.9	127.6	351.5	196.3	67.2	29.9	47.4	47.1	119.0	37.3
Current account balance, incl. off. transfers	-3.6	-21.1	-26.0	-24.8	-21.8	-22.4	-27.3	-63.5	-307.5	-169.4	-19.9	27.8	5.7	5.0	-62.8	18.3
Current account balance, excl. off. transfers	-74.8	-53.9	-57.8	-49.4	-56.5	-55.8	-59.8	-89.8	-327.3	-176.5	-21.8	27.0	4.3	3.7	-85.2	17.3
Gross official reserves 3/	5.1	2.9	3.4	4.2	4.8	5.3	5.6	5.5	5.3	5.0	4.8	4.5	4.5	4.5	4.7	4.5
Exports volume growth (percentage change) 4/	-6.1	30.6	10.4	2.5	3.7	5.1	9.8	6.8	2.3	579.8	416.8	0.0	-39.2	0.4	98.8	-12.8
Imports volume growth (percentage change) 4/	0.1	-2.7	27.2	-14.5	3.9	7.9	9.6	31.7	248.3	8.0	-15.8	1.6	-6.3	3.6	24.5	-0.5
Terms of trade (percentage change)	11.4	-11.2	-44.7	-1.5	6.1	11.6	5.2	-0.2	4.4	-1.8	2.1	1.0	0.4	0.3	-2.6	0.7
Memorandum items:																
Government oil revenue 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.7	11.2	41.9	23.9	25.1	4.2	34.7
Government non-oil revenue 6/	15.6	19.4	19.3	20.8	21.7	22.0	22.0	21.3	20.4	21.9	14.2	12.9	24.6	23.7	19.3	20.7
Of which: income from oil reserve fund 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	19.4	18.5	0.1	15.6
Government noninterest current expenditure 6/	16.6	16.3	15.8	16.8	16.6	20.9	21.5	21.0	18.8	16.9	16.2	14.3	11.4	11.1	17.9	12.7
Government capital expenditure 6/	42.2	31.1	42.3	38.7	38.1	35.5	33.9	30.8	27.3	27.3	27.3	27.3	18.3	17.3	32.7	22.9
Government primary balance 6/	-2.2	0.7	1.3	2.1	0.8	-1.3	-1.9	-2.4	-1.0	1.9	20.9	107.9	0.5	0.8	7.6	55.9
Overall government balance 6/	-26.7	-30.5	-25.9	-18.2	-13.0	-15.5	-15.2	-20.6	-20.2	-17.7	2.5	98.7	-5.0	-4.4	-11.5	48.7
Private per capita consumption (in U.S. dollar)	152	202	230	236	257	278	280	315	379	453	483	650	1035	1094	332.9	843.8
Gross national income per capita	243	274	299	315	348	376	390	429	490	922	2628	3496	1735	1791	856.3	2798.1

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

1/ Commitment basis.
2/ Exports (imports) of goods and services as defined in the IMF *Balance of Payments Manual* (5th edition. 1993) as a percentage of GDP.
3/ In months of following year's imports of goods and services excluding oil sector imports.
4/ Total merchandise exports (imports).
5/ In percent of oil exports.
6/ In percent of non-oil GDP.

Table 8. São Tomé and Príncipe: Main Assumptions on Macroeconomic Framework, 1997-2019
(Alternative scenario assuming very low economic growth)

(In percent of GDP, unless otherwise indicated)

	1997	1998	1999 Est.	2000	2001	2002	2003	2004	2005	2006	2007	2010	2019	1998-08 Average	2009-19 Average
								Projected							
Economic growth and inflation															
Real GDP percentage change	1.0	2.5	2.5	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.2	2.0
Real GDP per capita (percentage change)	-1.0	0.5	0.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Average inflation (in percent)	69.0	44.8	16.3	9.0	6.9	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	9.0	3.0
National accounts															
Gross domestic investment	49.1	35.8	40.0	39.3	42.0	44.4	52.4	87.3	74.0	42.5	43.0	40.7	42.0	49.5	41.2
Of which: private	27.0	16.0	14.0	16.5	19.0	21.0	30.7	65.0	51.7	20.0	20.0	17.0	17.0	26.7	17.0
Of which: oil sector	0.0	0.0	0.0	0.0	0.0	0.0	8.7	45.0	31.7	0.0	0.0	0.0	0.0	7.8	0.0
Gross national savings	45.5	14.7	13.8	14.6	19.4	19.6	25.8	12.6	14.6	16.8	17.9	16.1	0.5	17.1	10.6
Public sector															
Government revenue, excluding grants	15.6	19.4	19.3	20.8	21.5	21.2	20.8	21.4	21.4	21.5	21.4	20.7	16.0	20.9	18.1
Noninterest current expenditure	16.6	16.3	15.8	16.8	16.4	20.4	20.8	23.1	22.7	22.4	22.7	22.4	23.0	20.0	22.5
Capital expenditures	42.2	31.1	42.3	38.7	37.6	34.4	32.4	30.9	30.8	30.8	30.8	30.8	19.1	33.7	25.7
Primary balance	-2.2	0.7	1.3	2.1	0.7	-1.5	-2.2	-4.0	-3.5	-3.0	-3.0	-3.0	3.5	-1.4	-0.5
Overall government balance 1/	-26.7	-30.5	-25.9	-18.2	-13.1	-15.9	-16.0	-26.9	-25.2	-24.1	-24.8	-26.7	-26.4	-22.4	-26.5
Balance of payments															
Exports of goods and services 2/	28.3	29.7	35.0	38.4	40.3	38.2	37.4	37.4	38.8	40.4	42.3	47.5	56.6	38.4	52.6
Imports of goods and services 2/	94.0	72.5	84.1	82.6	90.7	89.4	89.7	129.9	117.2	85.7	87.3	90.9	113.2	92.6	99.8
Current account balance, incl. off. transfers	-3.6	-21.1	-26.0	-24.7	-22.6	-24.8	-26.6	-74.6	-59.4	-25.7	-25.2	-24.6	-41.5	-32.4	-29.7
Current account balance, excl. off. transfers	-74.8	-53.9	-57.8	-49.2	-56.9	-57.1	-57.7	-97.9	-83.7	-50.8	-50.7	-49.8	-66.4	-60.6	-54.7
Gross official reserves 3/	5.1	2.9	3.4	4.3	5.3	6.2	6.3	5.5	5.3	5.0	4.8	4.5	4.5	4.9	4.5
Exports volume growth (percentage change) 4/	-6.1	30.6	10.4	2.5	-15.9	-8.9	-9.3	2.5	-4.4	-0.3	-2.4	-4.0	-3.7	0.5	-3.6
Imports volume growth (percentage change) 4/	0.1	-2.7	25.3	-14.7	-4.6	6.9	5.5	46.7	-8.7	-18.0	-1.8	0.1	-1.7	3.2	-1.2
Terms of trade (percentage change)	11.4	11.9	-50.0	-1.5	6.1	11.6	6.2	4.3	5.1	0.9	1.0	1.9	0.9	-0.2	1.2
Memorandum items:															
Government revenue	15.6	19.4	19.3	20.8	21.5	21.2	20.8	21.4	21.4	21.5	21.4	20.7	16.0	20.9	18.1
Government noninterest current expenditure	16.6	16.3	15.8	16.8	16.4	20.4	20.8	23.1	22.7	22.4	22.7	22.4	23.0	20.0	22.5
Government capital expenditure	42.2	31.1	42.3	38.7	37.6	34.4	32.4	30.9	30.8	30.8	30.8	30.8	19.1	33.7	25.7
Government primary balance	-2.2	0.7	1.3	2.1	0.8	-1.3	-1.9	-4.0	-3.5	-3.0	-3.0	-3.0	3.5	-1.3	-0.5
Overall government balance	-26.7	-30.5	-25.9	-18.2	-13.1	-15.9	-16.0	-26.9	-25.2	-24.1	-24.8	-26.7	-26.4	-22.4	-26.5
Private per capita consumption (in U.S. dollar)	152	202	230	236	264	288	279	319	327	330	331	362	472	285.7	401.7
Gross national income per capita	243	274	299	315	348	376	390	415	428	436	443	472	506	379.6	491.1

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

1/ Commitment basis.
2/ Exports (imports) of goods and services as defined in the IMF *Balance of Payments Manual* (5th edition. 1993) as a percentage of GDP.
3/ In months of following year's imports of goods and services excluding oil sector imports.
4/ Total merchandise exports (imports).

Table 9. São Tomé and Príncipe: Nominal and Net Present Value (NPV) of Public External Debt Outstanding Before and After Application of Traditional Debt-Relief Mechanisms
(In millions of U.S. dollars, at end-December 1999)

	Nominal Debt at End-1999 1/			NPV of Debt at End-1999 1/			NPV of Debt after the Application of Traditional Debt-Relief Mechanisms 2/		
	US$ millions	Percent of total debt	Percent of category	US$ millions	Percent of total debt	Percent of category	US$ millions	Percent of total debt	Percent of category
Total public and publicly guaranteed debt	294	100		190	100		118	100	
Multilateral creditors	168	57	100	82	43	100	82	70	100
IDA	61	21	36	29	15	35	29	24	35
African Development Bank	89	30	53	41	22	51	41	35	51
European Union	1	0	1	1	1	1	1	1	1
International Fund for Agricultural Development	7	2	4	3	2	4	3	3	4
Arab Bank for Economic Development in Africa	8	3	5	6	3	7	6	5	7
Organisation of Petroleum Exporting Countries	2	1	1	2	1	2	2	2	2
Bilateral creditors	126	43	100	109	57	100	36	30	100
Paris Club	81	27	64	71	37	65	24	20	67
Pre-cutoff date	81	27	64	71	37	65	24	20	67
Of which: ODA	11	4	9	9	5	8	7	6	19
Belgium	1	0	1	1	0	1	1	1	2
France	7	2	5	5	3	5	3	3	9
Germany	13	5	11	13	7	12	4	4	12
Italy	17	6	13	17	9	15	5	5	15
Portugal	29	10	23	21	11	19	6	5	18
Russia	11 3/	4	9	11 3/	6	10	1	1	3
Spain	3	1	3	3	2	3	3	2	8
Non-Paris Club official bilateral	45	15	36	38	20	35	12	10	33
Pre-cutoff date	45	15	36	38	20	35	12	10	33
Of which: ODA	17	6	14	10	5	9	3	2	7
Algeria	1	0	1	1	1	1	0	0	1
Angola	22	8	18	22	12	21	7	6	21
Cape Verde	0	0	0	0	0	0	0	0	1
China	17	6	13	9	5	9	2	2	7
Yugoslavia, former	5	2	4	5	3	4	2	1	4

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

1/ Includes US$74 million of arrears.

2/ Assumes full use of traditional debt-relief mechanisms, that is, a Paris Club stock-of-debt operation on Naples terms at end-December 1999, and at least comparable treatment by other official bilateral and commercial creditors.

3/ The data for Russia are before the application of the 70 percent up-front discount agreed in the context of Russia's participation in the Paris Club.

Table 10. São Tomé and Príncipe: Estimated Enhanced HIPC Initiative Assistance 1/
(In millions of U.S. dollars in end-December 1999 net present value (NPV) terms, unless otherwise indicated) 2/

	Total	Multilaterals	Bilaterals	Common Reduction Factor 3/ (in percent)	Memo Item: Required NPV Debt Reduction on Comparable Treatment of Bilateral Debt Based on Overall Exposure 4/ (in Percent)
Debt relief	97	68	29	83	
NPV of debt 5/ 6/	118	82	36		
Three-year export average	14				
NPV of debt-to-exports ratio (percent) 7/	861				
Memorandum items:					
NPV of debt of Paris Club creditors:	24				94
Of which: pre-cutoff-date non-ODA 8/	17				105
NPV of debt of non-Paris Club creditors	12				94
Of which: pre-cutoff-date non-ODA	9				102

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

1/ Assumes proportional burden sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches" (EBS/97/127; 7/7/97, and IDA/SEC M97-306;7/7/97), that is, after full application of traditional debt-relief mechanisms.

2/ Using six-month backward-looking discount rates at end-1999 and end-December 1999 exchange rates.

3/ Each creditor's NPV reduction at the decision point as a percentage of the NPV of its exposure at the decision point.

4/ Includes traditional debt relief: a hypothetical stock-of-debt operation on Naples terms with comparable treatment from non-Paris Club bilateral creditors.

5/ Applies a hypothetical stock-of-debt operation on Naples terms at end-December 1999.

6/ Based on latest data available at the decision point after full application of traditional debt-relief mechanisms.

7/ Based on the three-year backward-looking average of exports of goods and services (that is, 1997-99).

8/ The cutoff date for the Paris Club is April 1, 1999.

Table 11. São Tomé and Príncipe: Discount Rate and Exchange Rate Assumptions
(At end-December 1999)

Currency Name	Discount Rate 1/	Exchange Rate 2/
Algerian dinar	5.6	69.3
Austrian schilling	5.5	13.7
Belgian franc	5.5	40.2
Canadian dollar	6.7	1.4
Chinese yuan	5.6	8.3
Danish krone	5.3	7.4
European currency unit	5.5	1.0
Finnish markka	5.5	5.9
French franc	5.5	6.5
Deutsche mark	5.5	1.9
Pound sterling	6.7	0.6
Italian lira	5.5	1927.4
Japanese yen	2.0	102.2
Norwegian krone	6.6	8.0
Portuguese escudo	5.5	200.3
Russian ruble	5.6	0.6
Spanish peseta	5.5	165.6
Special drawing rights	5.6	0.7
Swedish krona	5.8	8.5
Swiss franc	4.3	1.6
U.S. dollar	7.0	1.0

Sources: OECD; and IMF, *International Financial Statistics.*

1/ The discount rates used are the average commercial interest reference rates (CIRRs) for the respective currencies over the six-month period ended December-1999. For all currencies for which the CIRRs are not available, the SDR rate is used as a proxy.

2/ Local currency unit per one US dollar.

Table 12. São Tomé and Príncipe: Balance of Payments, 1999-2019

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2019
Trade balance	-18.0	-17.2	-19.8	-20.9	-23.1	-33.6	-32.0	-26.0	-26.9	-28.5	-27.2	-28.8	-36.6	-42.7
Exports, f.o.b.	3.9	4.4	5.8	6.8	8.4	9.0	9.7	10.1	10.5	11.0	11.4	11.6	12.9	14.1
Cocoa	2.9	3.3	4.0	4.6	4.9	5.3	5.7	5.8	6.0	6.1	6.3	6.3	6.3	6.3
Other	1.0	1.1	1.8	2.2	3.4	3.7	4.0	4.3	4.6	4.9	5.1	5.3	6.6	7.8
Imports, f.o.b.	-21.9	-21.6	-25.6	-27.6	-31.4	-42.6	-41.7	-36.1	-37.5	-39.5	-38.6	-40.4	-49.5	-56.9
Food	-4.8	-4.3	-5.1	-5.4	-5.7	-5.8	-6.2	-6.5	-6.9	-7.3	-6.8	-7.3	-10.3	-12.5
Investment goods	-10.8	-9.3	-12.3	-13.2	-14.4	-15.7	-16.8	-18.3	-18.9	-20.0	-19.5	-20.0	-21.1	-21.9
Petroleum-related investment	0.0	0.0	0.0	0.0	-2.0	-11.0	-7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum products	-3.8	-6.2	-6.2	-5.8	-6.0	-6.5	-7.0	-7.2	-7.4	-7.6	-7.3	-7.7	-10.3	-12.3
Other	-2.6	-1.7	-2.0	-3.2	-3.3	-3.6	-3.7	-4.0	-4.3	-4.7	-5.0	-5.4	-7.8	-10.2
Services and income (net)	-9.9	-6.3	-7.6	-9.2	-11.9	-26.9	-20.6	-6.1	-4.7	-3.7	-1.3	0.0	7.2	8.1
Exports of services	12.6	13.4	14.4	15.4	16.5	18.4	20.5	22.8	25.4	27.9	30.7	33.4	47.1	55.6
Travel and tourism	9.2	9.9	10.6	11.4	12.3	13.8	15.5	17.3	19.3	21.1	23.2	25.4	36.4	42.6
Other services	3.4	3.6	3.8	4.0	4.3	4.5	5.0	5.6	6.1	6.8	7.5	8.0	10.7	13.0
Imports of nonfactor services	-17.8	-16.8	-18.2	-21.0	-24.8	-41.3	-37.0	-24.8	-25.8	-27.2	-27.5	-28.8	-35.2	-42.6
Freight and insurance	-4.5	-4.3	-5.0	-6.4	-7.3	-9.8	-9.6	-8.3	-8.6	-9.1	-8.5	-8.9	-10.9	-12.5
Technical assistance	-7.4	-6.4	-7.4	-8.1	-7.7	-7.6	-7.7	-8.1	-8.3	-8.6	-8.9	-9.1	-9.4	-9.4
Petroleum-related services	0.0	0.0	0.0	0.0	-3.0	-16.5	-11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-5.8	-6.1	-5.8	-6.5	-7.0	-7.4	-7.9	-8.4	-8.9	-9.5	-10.1	-10.8	-15.0	-20.7
Interest due	-4.7	-3.0	-3.7	-3.7	-3.7	-3.9	-4.1	-4.2	-4.3	-4.5	-4.6	-4.6	-7.2	-5.0
Private transfers (net)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.9
Current account, excluding official transfers	-27.3	-22.9	-26.8	-29.5	-34.4	-59.8	-52.0	-31.5	-31.0	-31.5	-27.9	-28.1	-28.6	-33.7
Official transfers (net)	15.0	11.4	16.5	17.7	18.7	14.9	15.8	16.8	17.2	17.5	17.4	18.0	18.3	18.3
Public investment projects	9.3	8.7	12.2	13.8	16.3	12.5	13.4	14.6	15.1	15.4	15.3	15.9	16.3	16.3
Aid in kind	2.4	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
EU Budget Support	0.0	0.0	1.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	3.4	1.0	1.4	1.3	0.9	0.9	0.9	0.7	0.7	0.6	0.6	0.6	0.5	0.5
Current account, including official transfers	-12.3	-11.5	-10.3	-11.8	-15.7	-45.0	-36.2	-14.7	-13.8	-13.9	-10.5	-10.1	-10.2	-15.5
Medium- and long-term capital (net)	9.6	11.5	7.9	4.8	3.7	32.3	22.2	-0.2	-0.6	-0.6	0.1	0.0	0.9	2.7
Project loans	9.6	8.1	4.8	3.8	1.8	5.8	5.1	4.6	4.5	4.7	5.3	5.2	5.3	5.3
Nonproject loans	0.0	3.0	3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct foreign investment	3.0	3.7	4.3	4.0	8.2	32.9	24.8	3.2	3.3	3.5	3.6	3.8	4.6	5.5
Of which: petroleum related	0.0	0.0	0.0	0.0	5.4	30.0	21.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-3.1	-3.3	-4.4	-6.2	-6.4	-6.4	-7.7	-8.0	-8.4	-8.7	-8.8	-9.0	-9.0	-8.1
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
Overall balance	-2.7	0.0	-2.4	-7.0	-12.0	-12.7	-14.0	-14.9	-14.3	-14.5	-10.3	-10.1	-9.4	-12.8
Financing	2.7	0.1	-18.3	-0.2	-1.3	-1.2	-0.6	-0.5	-1.3	-0.2	-3.1	-2.9	-1.4	-0.8
Change in reserves (increase -)	-1.2	-4.5	-4.3	-2.8	-2.6	-1.1	-0.4	0.2	0.0	1.6	-1.2	-1.2	-1.4	-0.8
Medium- and long-term arrears (net; decrease -)	-3.5	-32.5	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	-22.3	-16.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of Fund resources (net)	-0.1	2.6	2.6	2.6	1.3	0.0	-0.2	-0.7	-1.2	-1.8	-1.9	-1.8	0.0	0.0
Other	-0.3	-0.3	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 received	7.8	57.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap 1/	0.0	0.0	20.7	7.2	13.3	13.8	14.6	15.4	15.6	14.7	13.4	13.1	10.7	13.6
Memorandum items:														
Exchange rate (in dobras per US dollars, average) 2/	7,093	7,958	...	...	...	...	...	...	...	...	...	...	...	...
GDP (in billions of dobras)	334	370	408	455	495	531	571	613	657	702	752	799	1,059	1,305
Debt-service ratio (before debt relief) 3/	49.8	34.0	31.1	39.5	35.6	31.7	33.1	32.8	32.8	32.7	31.8	30.7	21.6	18.6
Debt-service ratio (after debt relief, including HIPC Initiative assistance) 3	45.5	24.2	10.9	6.6	6.5	3.5	3.5	5.5	7.1	8.7	9.9	10.5	9.4	11.8
Debt service actually paid 3/	23.8	24.2	10.9	6.6	6.5	3.5	3.5	5.5	7.1	8.7	9.9	10.5	9.4	11.8
Current account excluding official transfers (in percent of GDP)	-58.0	-49.4	-56.5	-55.8	-59.8	-98.3	-81.9	-47.6	-45.0	-44.0	-37.5	-36.7	-32.6	-35.2
Current account including official transfers (in percent of GDP)	-26.2	-24.8	-21.8	-22.4	-27.3	-73.9	-56.9	-22.2	-20.0	-19.5	-14.1	-13.2	-11.7	-16.1
Gross reserves (in millions of US dollars)	10.9	15.4	19.7	22.5	25.1	26.2	26.6	26.4	26.4	24.8	26.0	27.1	33.1	38.1
Gross reserves (in months of following year's imports)	3.2	4.2	4.8	5.3	5.6	5.5	5.3	5.0	4.8	4.5	4.5	4.5	4.5	4.5

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

1/ Assuming a decision point under the HIPC Initiative in December 2000, the financing gap in 2001-02 could be covered by debt relief, which includes possible HIPC Initiative assistance.

2/ For 2000, the exchange rate is the average for January-October.

3/ In percent of exports of goods and services.

Table 13. São Tomé and Príncipe: Net Present Value (NPV) of Debt Before and
After Traditional Debt Relief Mechanisms and After Enhanced HIPC Initiative Assistance, 1999-2019 1/
(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Before debt relief																					
NPV of total debt	190	196	200	202	203	204	204	207	206	206	208	211	214	217	220	224	229	234	242	251	260
NPV of existing debt	190	191	192	191	189	188	185	182	178	174	169	165	161	155	150	145	141	136	133	131	128
Multilateral creditors	82	82	83	82	82	82	82	82	81	79	78	76	75	73	71	69	67	64	62	59	57
Bilateral creditors	109	109	110	109	107	106	103	100	97	95	92	89	86	82	79	76	74	72	72	71	71
New borrowing	0	4	8	12	14	16	19	26	28	33	39	46	54	62	70	79	88	97	108	120	132
NPV of total debt-to-exports (in percent) 2/	1,395	1,267	1,102	1,009	906	821	741	687	625	574	534	502	475	450	425	407	396	389	387	386	386
NPV of existing debt-to-exports (in percent) 2/	1,395	1,239	1,059	951	844	756	673	603	539	483	434	393	356	322	291	264	244	227	214	201	190
After the traditional debt relief mechanisms 3/																					
NPV of total debt	118	123	127	131	134	137	140	147	150	153	158	164	171	177	183	190	196	203	210	218	225
NPV of existing debt	118	118	119	120	120	121	121	122	121	120	119	118	117	115	113	111	108	105	102	98	94
Multilateral creditors	82	82	83	82	82	82	82	82	81	79	78	76	75	73	71	69	67	64	62	59	57
Bilateral creditors	36	36	37	37	38	39	39	40	41	41	42	42	42	42	42	42	42	41	40	39	37
New borrowing	0	4	8	12	14	16	19	26	28	33	39	46	54	62	70	79	88	97	108	120	132
NPV of total debt-to-exports (in percent) 2/	861	794	700	654	598	552	510	488	454	426	406	391	379	367	354	345	340	338	336	335	334
NPV of existing debt-to-exports (in percent) 2/	861	767	657	597	536	487	442	403	367	335	306	282	260	239	219	202	188	176	163	151	139
After HIPC Initiative assistance 4/																					
NPV of total debt	190	142	124	134	33	35	38	45	49	53	60	67	75	83	91	100	109	119	130	141	153
NPV of existing debt	190	138	116	122	19	19	20	20	20	20	21	21	21	21	21	21	21	21	21	21	21
Multilateral creditors	82	73	75	79	15	16	16	16	17	17	17	17	17	17	18	18	18	18	18	18	18
Bilateral creditors	109	65	41	43	4	4	4	4	4	4	4	4	4	4	4	4	3	3	3	3	3
New borrowing	0	4	8	12	14	16	19	26	28	33	39	46	54	62	70	79	88	97	108	120	132
NPV of total debt-to-exports (in percent) 2/	1,395	921	685	666	146	142	140	151	147	147	153	159	166	172	176	182	189	198	208	217	227
NPV of existing debt-to-exports (in percent) 2/	1,395	894	641	609	84	77	71	66	61	57	53	50	47	44	41	39	37	36	34	33	32
After HIPC Initiative assistance (assumed committed unconditionally) 5/																					
NPV of total debt	20	24	28	31	33	35	38	45	49	53	60	67	75	83	91	100	109	119	130	141	153
NPV of existing debt	20	20	20	20	19	19	20	20	20	20	21	21	21	21	21	21	21	21	21	21	21
Multilateral creditors	14	15	15	15	15	16	16	16	17	17	17	17	17	17	18	18	18	18	18	18	18
Bilateral creditors	6	6	5	5	4	4	4	4	4	4	4	4	4	4	4	4	3	3	3	3	3
New borrowing	0	4	8	12	14	16	19	26	28	33	39	46	54	62	70	79	88	97	108	120	132
NPV of total debt-to-exports (in percent) 2/	150	157	153	155	146	142	140	151	147	147	153	159	166	172	176	182	189	198	208	217	227
NPV of existing debt-to-exports (in percent) 2/	150	130	110	98	84	77	71	66	61	57	53	50	47	44	41	39	37	36	34	33	32
Memorandum items:																					
Exports of GNFS, three-year average 6/	14	15	18	20	22	25	27	30	33	36	39	42	45	48	52	55	58	60	62	65	67

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

1/ Refers to public and publicly guaranteed external debt. Existing debt is as of December 31, 1999.
2/ In terms of a simple historical three-year average of exports of goods and services.
3/ Assumes full use of traditional debt-relief mechanisms, i.e., a Paris Club stock-of-debt operation on Naples terms (67 percent NPV reduction) at end-December 1999, and at least comparable treatment by all other bilateral and commercial creditors.
4/ The completion point is assumed to be reached by December 2003; HIPC assistance is assumed to be committed and delivered unconditionally thereafter. The NPV of debt for 2000, 2001 and 2002 shows only the effect of interim shows only the effect of interim assistance (see text for detailed assumptions).
5/ The NPV of debt for 1999, 2000, 2001 and 2002 shows the impact of relief assumed to be delivered during the interim period and after the completion point. The NPV is discounted back to the base year, i.e., December 1999.
6/ Backward-looking average (i.e., average over 1997-99 for exports in 1999).

Table 14. São Tomé and Príncipe: Projected Debt Service Before and After Traditional Debt Relief Mechanisms and After Enhanced HIPC Initiative Assistance, 2000-19
(In millions of U.S. dollars, unless otherwise indicated)

	Projected																			
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Before debt relief																				
Debt Service of total debt 1/	6.0	6.2	8.6	8.7	8.7	10.0	10.8	11.8	12.7	13.4	13.8	13.5	13.8	13.3	13.5	13.0	13.3	12.0	12.5	13.0
Debt Service of existing debt	5.9	6.0	8.4	8.4	8.4	9.6	9.7	10.0	10.2	10.1	10.0	9.7	10.1	9.6	9.6	8.4	8.3	6.3	6.1	5.8
Multilateral Creditors	3.9	4.3	4.7	4.4	4.5	4.7	4.9	5.3	5.7	5.6	5.7	5.5	6.0	5.9	6.0	6.0	5.9	5.9	5.8	5.8
Bilateral Creditors	2.0	1.8	3.7	4.0	3.9	4.9	4.9	4.8	4.6	4.5	4.3	4.2	4.1	3.7	3.6	2.4	2.4	0.4	0.2	0.0
New Borrowing	0.1	0.2	0.2	0.3	0.3	0.4	1.1	1.8	2.5	3.3	3.8	3.7	3.7	3.7	4.0	4.5	5.1	5.7	6.4	7.1
Multilateral	0.1	0.1	0.2	0.2	0.2	0.3	0.9	1.6	2.3	3.0	3.5	3.4	3.2	3.2	3.4	3.9	4.4	4.9	5.5	6.1
Bilateral	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.4	0.5	0.6	0.6	0.7	0.8	0.9	1.0
Debt service of total debt-to-export ratio 2/	33.6	30.6	38.9	34.8	31.7	33.1	32.8	32.8	32.7	31.8	30.7	27.9	26.7	24.0	23.5	21.6	21.4	18.5	18.5	18.6
Debt service of existing debt-to-export ratio 2/	33.1	29.9	37.9	33.8	30.5	31.9	29.5	27.9	26.3	24.0	22.21	20.16	19.61	17.33	16.59	14.02	13.24	9.70	8.99	8.38
After the traditional debt relief mechanisms 3/																				
Debt Service of total debt 1/	5.8	6.0	6.6	6.5	6.6	6.8	7.8	9.0	10.3	11.1	11.8	11.6	12.3	12.3	12.8	13.6	14.5	15.4	16.3	17.2
Debt Service of existing debt	5.7	5.9	6.3	6.2	6.2	6.5	6.7	7.2	7.8	7.8	8.0	7.9	8.6	8.6	8.8	9.0	9.4	9.6	9.8	10.1
Multilateral Creditors	3.9	4.3	4.7	4.4	4.5	4.7	4.9	5.3	5.7	5.6	5.7	5.5	6.0	5.9	6.0	6.0	5.9	5.9	5.8	5.8
Bilateral Creditors	1.9	1.6	1.6	1.8	1.8	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.6	2.7	2.9	3.0	3.5	3.8	4.0	4.3
New Borrowing	0.1	0.2	0.2	0.3	0.3	0.4	1.1	1.8	2.5	3.3	3.8	3.7	3.7	3.7	4.0	4.5	5.1	5.7	6.4	7.1
Debt service of total debt-to-export ratio 2/	32.6	29.9	29.6	26.0	23.9	22.7	23.7	25.0	26.4	26.3	26.3	24.2	23.7	22.3	22.2	22.6	23.3	23.7	24.1	24.6
Debt service of existing debt-to-export ratio 2/	32.2	29.1	28.6	24.9	22.8	21.5	20.5	20.1	19.9	18.6	17.8	16.4	16.6	15.6	15.3	15.0	15.1	14.8	14.6	14.4
After HIPC Initiative assistance 4/																				
Debt Service of total debt 1/	...	2.1	1.3	1.4	1.0	1.0	1.8	2.6	3.4	4.1	4.7	4.7	4.7	4.7	5.0	5.6	6.2	6.8	7.5	8.2
Debt Service of existing debt	...	2.0	1.1	1.2	0.6	0.7	0.7	0.8	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1
Multilateral Creditors	...	1.4	0.5	0.5	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Bilateral Creditors	...	0.6	0.6	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
New Borrowing	...	0.2	0.2	0.3	0.3	0.4	1.1	1.8	2.5	3.3	3.8	3.7	3.7	3.7	4.0	4.5	5.1	5.7	6.4	7.1
Debt service of total debt-to-export ratio 2/	...	10.4	6.1	5.7	3.5	3.5	5.5	7.1	8.7	9.9	10.5	9.7	9.1	8.6	8.7	9.4	9.9	10.5	11.1	11.8
Debt service of existing debt-to-export ratio 2/	...	9.7	5.1	4.7	2.4	2.2	2.3	2.3	2.3	2.1	2.0	2.0	2.0	1.9	1.8	1.8	1.7	1.7	1.6	1.6
Memorandum items:																				
Total cash flow relief	...	3.7	5.0	4.7	5.6	5.8	6.0	6.5	6.9	7.0	7.1	6.9	7.5	7.6	7.8	8.0	8.4	8.5	8.8	9.0
Multilateral Creditors	...	2.9	4.2	3.9	4.0	4.2	4.3	4.7	5.0	5.0	5.0	4.7	5.2	5.1	5.1	5.1	5.0	5.0	5.0	5.0
Bilateral Creditors 5/	...	0.8	0.8	0.8	1.6	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.4	2.5	2.7	2.8	3.3	3.5	3.8	4.0

Sources: São Tomé and Príncipe's authorities; and staff estimates and

1/ Includes projected debt service on disbursed amounts at end-December 1999 plus projected new borrowing as of 2000.

2/ In terms of current-year exports of goods and services.

3/ Reflects the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable action from all other bilateral creditors in December 1999.

4/ After assumed assistance under the enhanced HIPC Initiative (see text for detailed assumptions).

5/ The bilateral interim assistance is the difference between a Naples flow rescheduling (i.e., traditional debt relief) and a Cologne flow rescheduling.

Table 15. São Tomé and Príncipe: Financial Operations of the Central Government, 1999-2003

	1999	2000						2001				2002	2003
	Est.	Jan.-Jun.		Jan.-Sep.		Jan.-Dec.		Jan-Mar.	Jan-Jun.	Jan.-Dec.		Rev	Proj
		Prog.	Est.	Prog.	Est.	Prog.	Rev. Prog	Rev. Prog	Rev. Prog.	Prog.	Rev. Prog.	Prog	
						(In billions of dobras)							
Total revenue and grants	146.8	80.2	48.3	120.8	105.3	171.9	161.8	34.1	61.9	189.0	218.9	240.9	261.6
Total revenue	64.6	34.0	29.5	51.5	53.3	75.3	76.8	17.7	37.8	85.8	88.8	100.1	108.8
Tax revenue	54.1	27.9	19.7	43.0	36.7	60.4	58.5	12.9	27.6	68.8	67.5	75.5	82.9
Consumption taxes	14.6	7.5	4.8	12.8	8.7	17.4	15.4	3.1	7.2	19.8	17.5	20.1	22.4
Import taxes	18.3	9.0	5.7	14.5	13.7	20.7	21.7	4.2	9.6	23.5	26.4	28.5	30.3
Export taxes	1.8	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Profit taxes	7.1	6.0	4.1	7.9	4.2	10.5	7.0	1.1	3.8	11.9	7.9	9.0	10.1
Personal income taxes	4.8	3.6	2.7	5.3	6.7	8.0	9.4	2.6	3.9	9.1	10.1	11.6	12.9
Other taxes	7.5	1.9	2.2	2.5	3.3	3.9	4.9	1.9	3.1	4.4	5.5	6.4	7.1
Nontax revenue	10.6	6.0	9.8	8.4	16.6	14.9	18.3	4.8	10.2	17.1	21.3	24.6	25.9
Of which: transfers from enterprises	4.8	1.9	1.4	2.9	4.7	5.1	5.6	1.2	2.4	5.7	6.2	6.9	7.5
fishing royalties	0.9	2.9	3.1	3.4	5.7	4.9	5.8	1.0	1.9	...	6.0	6.1	6.2
Grants	82.2	46.2	18.8	69.3	52.0	96.7	84.9	16.4	24.1	103.2	130.1	140.7	152.8
Of which: nonproject grants	14.7	8.5	3.4	10.8	5.3	12.9	13.1	4.4	6.5	13.1	25.3	22.2	12.9
Total expenditure and net lending	233.2	122.2	75.1	183.8	167.6	251.6	229.1	45.1	80.2	265.8	272.1	311.2	337.0
Current expenditure	90.9	43.9	44.0	65.1	66.6	92.9	86.8	22.9	46.7	99.2	100.4	127.9	138.9
Of which: noninterest current expenditure	52.9	24.9	25.5	37.1	44.5	57.8	62.1	14.4	32.0	61.0	67.8	95.1	106.3
Personnel costs	25.2	13.4	13.7	19.9	22.0	27.1	28.9	7.7	15.4	28.6	30.8	33.4	34.4
Of which: wages and salaries	20.8	10.8	11.0	17.3	18.5	22.8	23.3	6.5	11.0	23.9	25.1	27.1	28.4
Goods and services	12.7	5.4	4.8	6.7	8.3	10.5	13.1	3.6	8.0	11.4	15.3	16.6	17.3
Interest on external debt due	36.9	18.5	18.5	27.1	22.2	33.9	23.5	8.6	14.7	37.1	31.5	31.6	31.4
Interest on internal debt due	1.1	0.6	0.0	0.9	0.0	1.1	1.1	0.0	0.0	1.1	1.1	1.1	1.1
Transfers	6.1	1.6	2.9	3.6	4.2	7.4	7.4	0.8	2.8	8.0	8.2	8.9	9.2
Other	7.6	4.0	3.7	6.5	8.8	11.8	11.8	1.2	4.8	11.8	12.3	13.4	13.9
Of which: defense	1.1	0.8	0.3	1.3	0.7	1.8	1.8	...	...	...	...	.	.
Redeployment fund	1.2	0.4	0.5	0.4	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.1
Capital expenditure	141.4	78.6	31.1	119.1	100.9	159.3	142.9	13.2	24.4	166.6	155.7	161.7	167.6
Financed by the treasury	7.4	6.3	2.8	7.2	4.4	9.0	7.0	1.7	3.8	11.0	9.8	10.9	11.9
Financed by external sources	134.1	72.3	28.3	111.9	96.5	150.3	135.9	11.5	20.6	155.6	145.9	150.8	155.7
HIPC Initiative-financed social expenditures	...	...	...	...	...	...	...	0.9	1.1	...	7.9	21.6	30.5
Public service restructuring 1/	...	..	..	...	...	...	...	8.0	8.0	...	8.0	...	..
Net lending 2/	0.9	-0.3	0.0	-0.5	0.0	-0.6	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (commitment basis, including grants)	-86.5	-42.0	-26.8	-63.0	-62.3	-79.6	-67.4	-11.0	-18.3	-74.6	-53.2	-70.3	-75.4
Change in arrears (net; decrease -)	24.7	-72.9	-81.6	-72.9	-86.7	-72.9	-87.2	-28.6	-28.6	0.0	-28.6	0.0	0.0
External arrears (net; decrease -)	24.7	-72.9	-83.5	-72.9	-87.2	-72.9	-87.2	-28.6	-28.6	0.0	-28.6	0.0	0.0
Domestic arrears (net; decrease -)	0.0	0.0	1.9	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (cash basis)	-61.8	-115.0	-108.4	-136.0	-149.0	-152.6	-154.6	-39.6	-46.9	-74.6	-81.8	-70.3	-75.4
Financing	61.8	-311.1	108.4	-309.0	149.0	-301.8	154.6	-113.5	-114.5	23.4	-96.2	7.7	-39.3
External (net)	56.3	-328.4	101.8	-317.4	137.1	-313.4	169.2	-116.5	-115.0	38.5	-83.2	7.3	-38.9
Disbursements (projects)	75.4	34.6	14.0	51.2	49.8	60.9	64.1	-0.5	3.0	65.5	41.1	32.3	15.8
Program financing (loans)	0.0	0.0	0.0	0.0	0.0	0.0	25.8	8.6	14.0	2.2	28.0	28.0	0.0
Amortization (net)	-72.8	-363.1	-348.4	-368.6	-366.9	-374.3	-374.9	-124.6	-132.0	-27.0	-152.3	-52.9	-54.7
Scheduled	-24.8	-14.4	-14.4	-20.0	-18.2	-25.7	-25.9	-10.3	-17.7	0.0	-37.9	-52.9	-54.7
Net change in arrears (decrease -)	-48.0	-348.7	-334.0	-348.7	-348.7	-348.7	-349.0	-114.3	-114.3	0.0	-114.3	0.0	0.0
Debt relief 3/	53.7	0.0	436.2	0.0	454.2	0.0	454.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic (net)	5.5	17.4	6.6	8.4	11.9	11.7	-14.6	3.0	0.5	-15.1	-13.0	0.4	-0.4
Bank net credit	-16.0	2.7	4.2	-6.2	9.5	-25.3	-17.0	3.0	0.5	-15.1	-13.0	0.4	-0.4
Of which: HIPC-Initiative account	...	...	...	...	...	...	...	-6.0	-7.4	...	-23.8	-21.6	-10.2
Oil concession rights proceeds	21.5	14.6	2.4	14.6	2.4	37.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap 4/	0.0	426.0	0.0	445.0	0.0	454.3	0.0	153.1	161.3	51.2	178.0	62.6	114.7
Memorandum items:													
Domestically financed primary expenditure 5/ 6/	60.3	31.1	28.4	44.3	48.9	66.8	69.1	17.0	36.9	72.0	85.5	106.1	118.2
Primary balance (commitment basis) 5/ 6/	4.3	2.9	1.1	7.2	4.4	8.5	7.7	0.7	0.9	13.8	3.3	-5.9	-9.4
Quasi-fiscal balance of the central bank	0.3	...	...	...	..	...	...	...	...	...	...	...	...
External debt-service cash payments	31.3	25.0	14.2	31.5	22.1	36.4	31.5	8.7	14.0	49.1	34.4	21.9	23.7
						(In percent of GDP, unless otherwise indicated)							
Total revenue	19.3	...	...	...	...	20.4	20.8	...	...	21.0	21.7	22.0	22.0
Of which: tax revenue	16.2	...	...	...	...	16.4	15.8	...	...	16.8	16.5	16.6	16.8
Total expenditure and net lending	69.8	...	...	..	...	68.1	62.0	...	.	64.5	66.7	68.4	68.2
Of which: education	...	...	...	...	...	8.5	8.5	...	...	9.5	9.3	10.1	10.9
health	...	...	..	...	...	9.0	9.0	...	...	9.0	9.5	10.3	10.4
defense	0.9	...	...	...	...	...	...	...	...	...	...	...	...
Current expenditure	27.2	...	...	...	...	25.1	23.5	...	...	23.7	24.6	28.1	28.1
Of which: personnel costs	7.5	...	...	...	...	7.3	7.8	...	...	7.0	7.5	7.3	7.0
Capital expenditure	42.3	...	...	...	...	43.1	38.7	...	...	40.8	38.1	35.5	33.9
Domestically financed primary expenditure 5/ 6/	18.0	...	...	...	...	18.1	18.7	...	...	17.6	20.9	23.3	23.9
Of which: current expenditure	15.8	..	...	. .	..	15.6	16.8	...	. .	14.9	16.6	20.9	21.5
Primary balance 5/ 6/	1.3	...	...	..	...	2.3	2.1	. .	..	3.4	0.8	-1.3	-1.9
Primary balance (excluding HIPC-financed exp.) 5/	1.3	...	...	...	...	2.3	2.1	...	...	3.4	2.7	3.4	4.3
Quasi-fiscal balance of the central bank	0.1	. .	...	...	..	0.0	0.0	...	...	0.0	0.0	0.0	0.0
Overall balance (commitment basis, including grants) 6/	-25.9	...	...	...	..	-21.5	-18.2	..	...	-18.2	-13.0	-15.5	-15.2
Overall balance (commitment basis, excluding grants) 6/	-50.5	..	..	..	...	-47.7	-41.2	...	...	-43.5	-44.9	-46.4	-46.2
Gross domestic product (in billions of dobras)	334.1	...	...	...	...	369.5	369.5	...	...	408.7	408.2	455.0	494.4

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

1/ Severance packages totaling Db 8 billion to be financed by a Structural Adjustment Facility grant from the European Union in 2001.

2/ Includes net proceeds from the liquidation of the Caixa Nacional de Poupança e Crédito.

3/ For 1999, rescheduling of arrears on debt service to the Arab Bank for Economic Development in Africa in February 1999. For 2000, Paris Club debt rescheduling of May 16, 2000.

4/ Assuming a decision point under the enhanced HIPC Initiative in December 2000, the financing gap in 2001-02 could be covered by debt relief, including possible HIPC Initiative assistance.

5/ Excluding interest obligations, grants, and foreign-financed capital outlays.

6/ Includes HIPC Initiative-financed social expenditures.

Table 16: São Tomé and Príncipe: Enhanced HIPC Initiative-Related Spending, 2001-03

	2001	2002	2003
	(In percent of enhanced HIPC Initiative-related spending)		
Health, water, sanitation, and housing	25	26	23
Education and training	44	34	39
Infrastructure	11	25	28
Economic management	20	4	3
Justice and governance	0	10	7
	(In percent of GDP, unless otherwise specified)		
Health, water, sanitation, and housing	0.5	1.3	1.4
Education and training	0.8	1.6	2.4
Infrastructure	0.2	1.2	1.7
Economic management	0.4	0.2	0.2
Justice and governance	0.0	0.5	0.4
Memorandum items:			
Enhanced HIPC Initiative interim assistance	7.8	9.5	8.2
Enhanced HIPC Initiative-related spending	1.9	4.7	6.2
Ratio of enhanced HIPC Initiative-spending to total enhanced HIPC Initiative assistance (in percent)	25	50	75
Changes in deposits in the enhanced HIPC Initiative special treasury account	5.8	4.7	2.1
Government spending on education	9.3	10.1	10.9
Of which: enhanced HIPC Initiative-related spending	0.8	1.6	2.4
Government spending on health	9.5	10.3	10.4
Of which: enhanced HIPC Initiative-related spending	0.5	1.3	1.4

Sources: São Tomé and Príncipe's authorities; and IMF and World Bank staffs.

Table 17. São Tomé and Príncipe: Fiscal Impact of the Enhanced HIPC Initiative, 2001-03

	2001	2002	2003
	(In millions of U.S. dollars)		
Interest due before debt relief 1/	2.5	2.5	2.3
Interest due after possible enhanced HIPC Initiative debt relief	0.2	0.1	0.1
Enhanced HIPC Initiative relief to be provided on interest	1.7	1.9	1.8
Amortization due before debt relief 1/	3.7	6.1	6.3
Amortization due after possible enhanced HIPC Initiative debt relief	1.9	1.2	1.4
Enhanced HIPC Initiative relief to be provided on amortization	2.0	3.1	2.9
Enhanced HIPC Initiative assistance to be provided as grants	3.7	5.0	4.7
Enhanced HIPC Initiative assistance to be provided as exceptional financing	0.0	0.0	0.0
Total enhanced HIPC Initiative assistance	3.7	5.0	4.7
Net cash flow to the budget from enhanced HIPC Initiative assistance	3.7	5.0	4.7
Memorandum items:			
Flows of other donor assistance	24.5	24.7	20.5
Total net external flows (net external financing less debt service due)	22.4	23.3	19.1
	(In percent of GDP)		
Total expenditures (including enhanced HIPC Initiative-related spending)	66.7	68.4	68.2
Baseline social expenditure projections before possible enhanced HIPC Initiative debt relief	17.5	17.5	17.5
Education	8.5	8.5	8.5
Health	9.0	9.0	9.0
Social expenditure projections after possible enhanced HIPC Initiative debt relief	18.8	20.4	21.3
Education	9.3	10.1	10.9
Health	9.5	10.3	10.4
Primary balance before enhanced HIPC Initiative-related spending	2.7	3.4	4.3
Primary balance after enhanced HIPC Initiative-related spending	0.8	-1.3	-1.9
Movement of funds in enhanced HIPC Initiative special treasury account (period change, net)	5.8	4.7	2.1
Enhanced HIPC Initiative assistance not accounted for (i.e., no counterpart fund)	0	0	0
Total assistance to be released under the enhanced HIPC Initiative 2/	7.8	9.5	8.2
Memorandum items:			
Tax revenue (in percent of GDP)	16.5	16.6	16.8
Overall fiscal balance before enhanced HIPC Initiative-related spending (in percent of GDP)	-43.0	-41.6	-40.0
Overall fiscal balance after enhanced HIPC Initiative-related spending (in percent of GDP)	-44.9	-46.4	-46.2

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

1/ Before any debt relief.
2/ Funds released by the enhanced HIPC Initiative are determined from the difference in the primary balance before and after HIPC Initiative-related spending plus the change in the enhanced HIPC Initiative special treasury account plus enhanced HIPC Initiative relief not accounted for.

Table 18. São Tomé and Príncipe: Key Public External Debt Sustainability Indicators, 1999-2019

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2019	1999-2000	2001-09	2010-19
	Est.						Projections									Averages	
	(In percent, unless otherwise indicated)																
Key ratios before any debt relief 1/																	
Debt-to-GDP	624.1	625.7	604.1	530.4	477.1	435.7	393.2	354.3	319.3	288.3	259.4	235.1	143.5	100.9	624.9	406.9	157.8
Net present value (NPV) of debt-to-GDP	404.3	421.4	421.9	382.6	353.5	331.7	307.8	291.0	270.2	252.7	238.4	227.3	185.7	171.3	412.8	316.6	193.2
NPV of total debt-to-exports 2/	1,394.6	1,266.7	1,102.2	1,008.8	905.6	821.4	741.4	687.5	625.4	574.1	534.3	502.2	396.4	385.5	1,330.7	777.9	420.4
NPV of total debt-to-revenue	2,151.9	1,861.6	1,648.0	1,474.6	1,361.6	1,278.3	1,194.8	1,114.9	1,013.5	935.9	890.3	855.1	734.8	718.4	2,006.7	1,212.4	780.5
Debt-service of total debt-to-exports 3/	49.8	33.6	30.6	38.9	34.8	31.7	33.1	32.8	32.8	32.7	31.8	30.7	21.6	18.6	41.7	33.2	23.1
Debt-service of total debt-to-revenue	92.9	56.9	50.9	62.8	58.2	54.4	58.5	58.0	57.9	57.8	57.1	56.0	41.6	35.8	74.9	57.3	45.2
Key ratios after traditional debt relief 4/																	
NPV of debt-to-GDP	249.5	264.3	268.1	248.1	233.4	223.0	211.8	206.5	196.0	187.3	181.2	177.1	159.4	148.5	256.9	217.3	161.8
NPV of total debt-to-exports 2/	860.7	794.4	700.4	654.2	598.0	552.1	510.1	487.9	453.6	425.6	406.2	391.2	340.3	334.3	827.5	532.0	352.0
NPV of total debt-to-revenue	1,328.0	665.4	590.5	539.6	482.9	441.7	402.7	369.3	337.0	309.1	283.8	262.8	180.9	134.1	996.7	417.4	191.2
Debt-service of total debt-to-exports 3/	49.8	32.6	29.9	29.6	26.0	23.9	22.7	23.7	25.0	26.4	26.3	26.3	22.6	24.6	41.2	25.9	23.7
Debt-service of total debt to revenue	92.9	55.3	49.7	47.8	43.4	41.1	40.1	42.0	44.1	46.6	47.3	48.0	43.6	47.5	74.1	44.7	46.3
Sensitivity analysis																	
With oil production																	
NPV of total debt-to-exports 2/	860.7	794.4	700.4	654.2	598.0	552.1	510.1	289.5	91.3	51.4	35.2	31.7	37.1	106.1	827.5	386.9	51.2
Debt-service of total debt-to-exports 3/	49.8	32.6	29.9	29.6	26.0	23.9	22.7	8.2	2.4	2.4	2.1	2.2	4.0	9.2	41.2	16.4	4.6
New borrowing on less concessional terms																	
NPV of total debt-to-exports 2/	860.7	813.1	733.6	697.1	644.5	602.4	560.9	523.3	487.2	456.5	432.1	416.5	354.1	338.3	836.9	570.8	366.7
Debt-service of total debt-to-exports 3/	49.8	36.7	36.6	35.8	32.8	30.2	33.2	35.6	35.2	34.6	33.1	27.5	25.9	27.0	43.3	34.1	26.6
Lower growth rate																	
NPV of total debt-to-exports 2/	860.7	794.4	718.7	697.0	669.2	642.0	617.5	611.6	592.1	576.6	571.0	568.9	600.7	701.2	827.5	632.9	612.0
Debt-service of total debt-to-exports 3/	49.8	32.6	31.7	32.6	30.2	28.5	28.1	30.4	33.1	35.7	36.6	37.5	37.6	46.9	41.2	31.9	39.0
Key ratios after HIPC Initiative assistance 5/																	
NPV of debt-to-GDP	404.3	306.3	262.0	252.7	56.8	57.5	58.0	63.8	63.7	64.9	68.2	72.1	88.6	101.0	355.3	105.3	86.9
NPV of total debt-to-exports 2/	1,394.6	920.8	684.6	666.2	145.5	142.4	139.7	150.7	147.4	147.4	152.8	159.2	189.0	227.3	1,157.7	264.1	189.3
NPV of total debt-to-revenue	2,151.9	1,353.2	1,023.6	973.8	218.8	221.5	225.2	244.5	238.9	240.2	254.5	271.1	350.5	423.4	1,752.5	404.6	353.0
Debt-service of total debt-to-exports 3/	23.8	24.2	10.4	6.1	5.7	3.5	3.5	5.5	7.1	8.7	9.9	10.5	9.4	11.8	24.0	6.7	9.9
Debt-service of total debt-to-revenue	44.3	40.9	17.4	9.8	9.6	6.0	6.2	9.7	12.6	15.4	17.7	19.2	18.1	22.7	42.6	11.6	19.4
Key ratios after HIPC Initiative assistance (assumed committed unconditionally) 6/																	
NPV of debt-to-GDP	43.5	52.3	58.7	58.9	56.8	57.5	58.0	63.8	63.7	64.9	68.2	72.1	88.6	101.0	47.9	61.2	86.9
NPV of total debt-to-exports 2/	150.0	157.2	153.3	155.4	145.5	142.4	139.7	150.7	147.4	147.4	152.8	159.2	189.0	227.3	153.6	148.3	189.3
NPV of total debt-to-revenue	231.5	231.0	229.2	227.2	218.8	221.5	225.2	244.5	238.9	240.2	254.5	271.1	350.5	423.4	231.2	233.3	353.0
	(In millions of U.S. dollars)																
Memorandum items:																	
GDP	47.1	46.4	47.5	52.9	57.5	61.5	66.2	71.2	76.4	81.7	87.4	92.9	123.1	151.7	46.8	66.9	120.8
Exports of goods and services 7/	13.7	15.4	18.2	20.1	22.4	24.8	27.5	30.1	33.0	35.9	39.0	42.0	57.7	67.4	14.5	27.9	55.5
Exports of goods and services 8/	16.5	17.8	20.2	22.2	24.9	27.4	30.1	32.9	36.0	39.0	42.1	45.0	60.0	69.8	17.1	30.5	58.2
Government revenue 9/	8.9	10.5	12.2	13.7	14.9	16.0	17.1	18.6	20.4	22.1	23.4	24.7	31.1	36.2	9.7	17.6	29.7

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

1/ Reflect debt-service scheduled.

2/ In terms of a simple historical three-year average of exports of goods and services.

3/ In terms of current-year exports of goods and services.

4/ Reflects the external debt situation after the full use of traditional debt-relief mechanisms from Paris Club creditors at end-1999, and assuming at least comparable treatment from all other bilateral creditors.

5/ After assumed assistance under the enhanced HIPC Initiative. Projections assume completion point assistance in 2003 (see text for detailed assumptions). The debt service ratios for 1999 and 2000 reflect debt-service actually paid.

6/ The NPV of debt for 1999, 2000, 2001 and 2002 shows the impact of relief assumed to be delivered during the interim period and after the completion point. The NPV is discounted back to the base year, i.e., December 1999.

7/ Simple historical three-year average of exports of goods and services.

8/ Current-year exports of goods and services.

9/ Government revenue is converted using the end-1999 exchange rate.

Table 19. São Tomé and Príncipe: Possible Delivery of IDA Assistance Under the HIPC Initiative 1/
(In millions of US dollars, unless otherwise indicated)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt service to IDA before HIPC 2/	1.17	1.55	1.46	1.43	1.56	1.56	1.71	1.85	1.90	2.04	2.19	2.57
Debt service to IDA after HIPC	0.00	0.00	0.00	0.15	0.16	0.16	0.17	0.19	0.19	0.21	0.22	0.26
Relief in nominal terms	1.17	1.55	1.46	1.28	1.40	1.40	1.53	1.66	1.70	1.83	1.97	2.31
Relief in NPV terms	1.12	1.42	1.27	1.05	1.09	1.03	1.07	1.10	1.06	1.08	1.10	1.23
Percentage reduction in nominal debt service 3/	100	100	100	90	90	90	90	90	90	90	90	90
Percentage of NPV relief 4/	5	6	5	4	5	4	5	5	4	5	5	5

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Debt service to IDA before HIPC 2/	2.55	2.54	2.52	2.50	2.49	2.47	2.45	2.44	2.42	2.40	2.39	2.37
Debt service to IDA after HIPC	0.26	0.26	0.26	0.26	0.25	0.25	0.25	0.25	0.25	0.25	0.24	0.46
Relief in nominal terms	2.29	2.28	2.26	2.25	2.23	2.22	2.20	2.19	2.17	2.16	2.14	1.91
Relief in NPV terms	1.15	1.09	1.02	0.96	0.90	0.85	0.80	0.75	0.71	0.67	0.63	0.53
Percentage reduction in nominal debt service 3/	90	90	90	90	90	90	90	90	90	90	90	81
Percentage of NPV relief 4/	5	5	4	4	4	4	3	3	3	3	3	2

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

1/ The IDA assistance is assumed to be delivered from January 2001 to November 2024 covering 90 percent of debt-service due. During the interim period 100 percent debt-service relief will be provided with 10% of this debt service relief to be covered from donor resources in the HIPC Trust Fund.
2/ The projected debt service is based on disbursed amounts at end-December 1999.
3/ Debt-service relief as a percent of debt service due.
4/ Debt relief as a percent of total relief to be provided (in NPV terms).

Table 20. HIPC Initiative: Status of Country Cases Considered Under the Enhanced HIPC Initiative, December 4, 2000

Country	Decision Point	Completion Point	Target NPV of Debt-to- Export (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Uganda					1,003	183	820	160	517	50	1,950
Original framework	Apr. 97	Apr. 98	202		347	73	274	69	160	20	650
Enhanced framework	Feb. 00	May 00	150		656	110	546	91	357	37	1,300
Decision point reached under enhanced framework											
Benin	Jul. 00	Floating	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
Original framework	Sep. 97	Sep. 98	225		448	157	291	29	53	14	760
Enhanced framework	Feb. 00	Floating	150		854	268	585	55	141	30	1,300
Burkina Faso					398	56	342	42	162		700
Original framework	Sep. 97	Jul. 00	205		229	32	196	22	91	27	400
Enhanced framework	Jul. 00	Floating	150		169	24	146	20	71	27	300
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Guyana					585	220	365	74	68		1,030
Original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24	440
Enhanced framework	Nov. 00	Floating	150	250	329	129	200	40	41	40	590
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	900
Mali					523	162	361	58	182		870
Original framework	Sep. 98	Sep. 00	200		121	37	84	14	44	9	220
Enhanced framework	Sep. 00	Floating	150		401	124	277	44	138	28	650
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100
Mozambique					1,970	1,235	736	140	434		4,300
Original framework	Apr. 98	Jun. 99	200		1,716	1,076	641	125	381	63	3,700
Enhanced framework	Apr. 00	Floating	150		254	159	95	16	53	9	600
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800
Total assistance provided/committed					**11,343**	**5,070**	**6,175**	**883 4/**	**2,928**		**20,020**
Preliminary HIPC document issued 5/											
Chad	...	...	150		157	34	123	15	65	27	250
Ethiopia	...	...	200		636	225	411	22	214	23	1,300
Gambia, The 6/	...	...	150		67	17	49	2	22	27	90
Guinea 6/	...	...	150		545	215	328	31	152	32	800
Guinea-Bissau 6/	...	...	150		400	198	202	11	93	85	755
Madagascar	...	...	150		880	502	378	23	264	41	2,000
Malawi	...	...	150		629	163	466	29	323	43	1,100
Nicaragua	...	...	150		2,507	1,416	1,091	32	188	66	5,000
Niger			150		521	211	309	28	170	54	940
Rwanda	...	...	150		447	56	391	43	227	71	800
Sao Tome & Principe			150		97	29	68	--	24	83	200
Zambia	...	...	150		2,499	1,121	1,326	608	497	62	4,500

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.

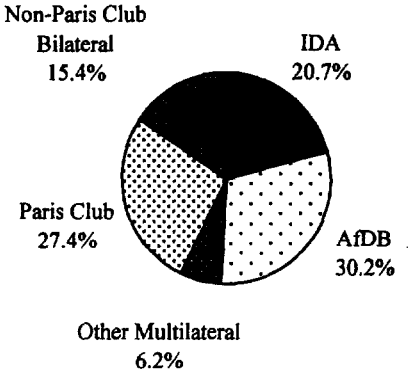
4/ Equivalent to SDR 677.9 million at an SDR/USD exchange rate of 0.7676.

5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance level for Ethiopia is based on the original framework and applied at the completion point; for the other countries, targets are based on the enhanced framework and assistance levels are at the assumed decision point.

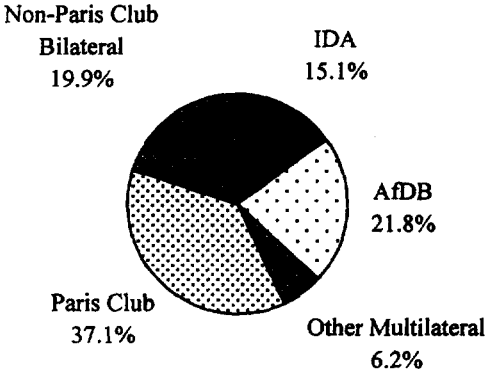
6/ Data reflect Decision Point documents which have been issued but not yet approved by the Board.

Figure 1. São Tomé and Príncipe: Stock of External Debt, End-December 1999 1/

Nominal Value of Debt: US$294 million



Net Present Value of Debt: US$190 million



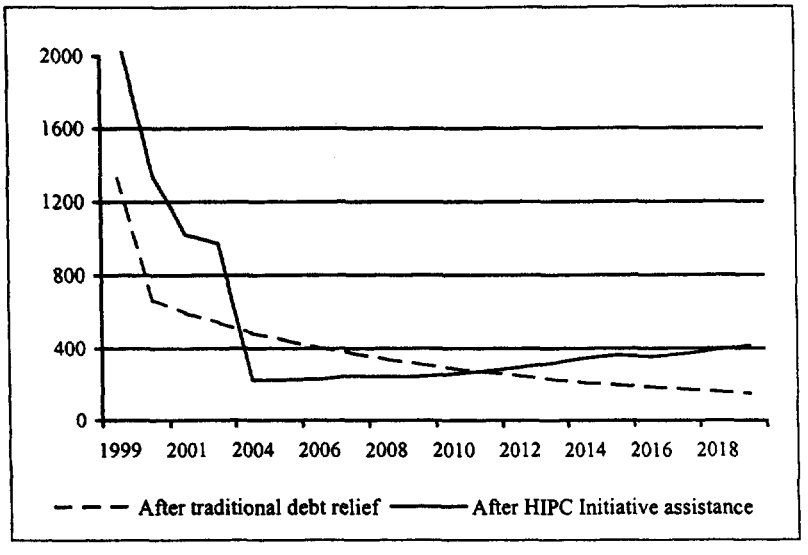
Sources: São Tomé and Príncipe's authorities; and staff estimates.

1/ Before the full use of traditional debt-relief mechanisms.

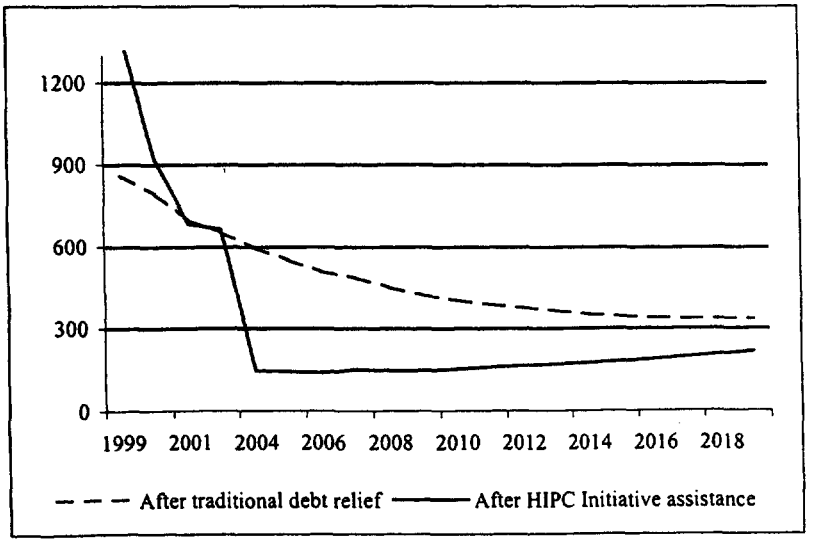
Figure 2. São Tomé and Príncipe: Net Present Value (NPV) of Debt Ratio after Traditional Debt Relief and Enhanced HIPC Initiative Assistance, 1999-2019

(In percent)

NPV of Debt-to-Revenue Ratio After Traditional Debt Relief and After Enhanced HIPC Initiative Assistance

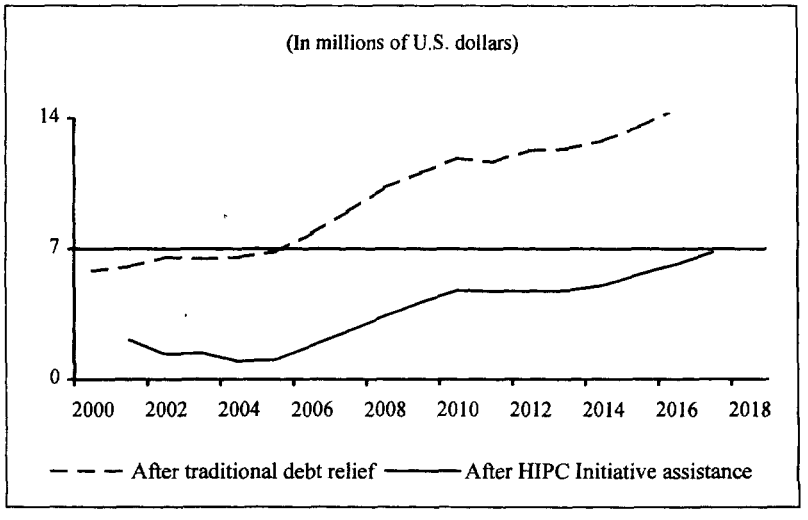


NPV of Debt-to-Exports Ratio After Traditional Debt Relief and After Enhanced HIPC Initiative Assistance

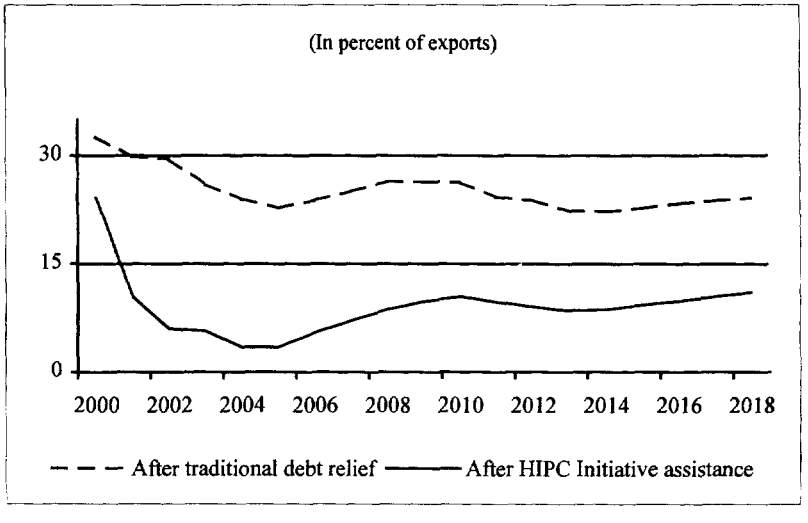


Sources: São Tomé and Príncipe's authorities; and staff estimates and projections.

Figure 3. São Tomé and Príncipe:
Debt Service After Traditional Debt Relief
and Enhanced HIPC Initiative Assistance, 2000-19



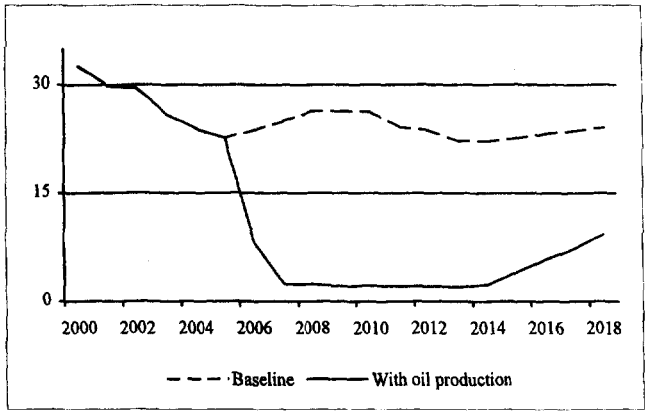
Debt Service After Traditional Debt Relief
and After HIPC Initiative Assistance



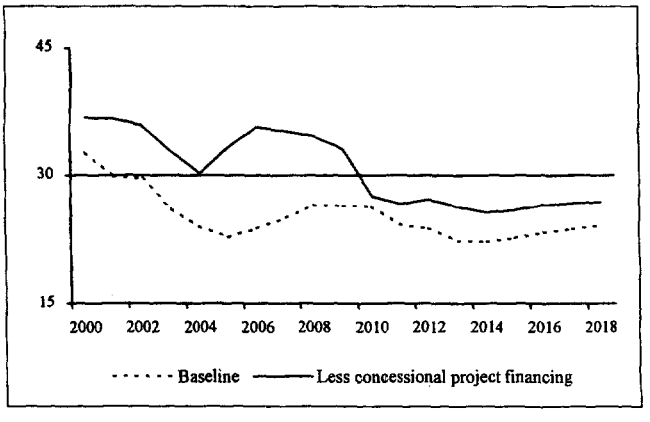
Sources: São Tomé and Príncipe's authorities; and staff estimates and projections.

Figure 4. São Tomé and Príncipe: Debt Service Sensitivity Analyses, 2000-19
(In percent of current-year exports)

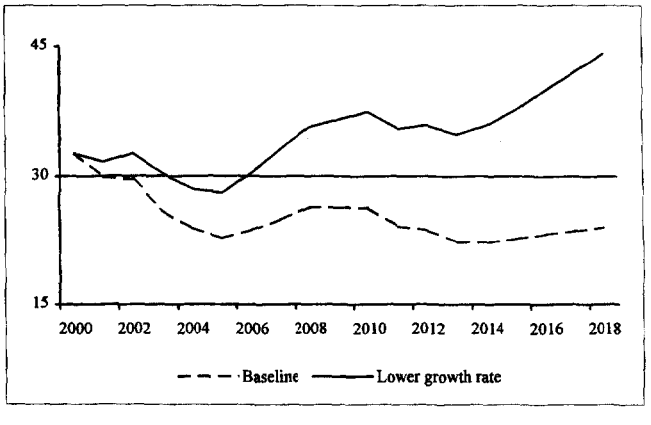
Debt Service with Oil Production 1/



Debt Service with Less Concessional Financing 1/



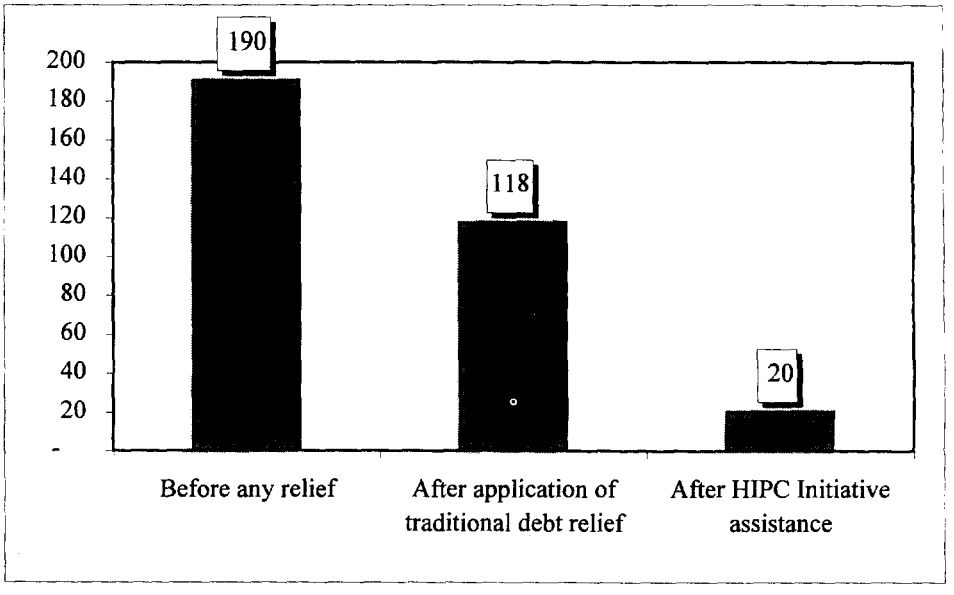
Debt Service with Lower Growth 1/



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

1/ After the full application of traditional debt-relief mechanisms.

Figure 5. São Tomé and Príncipe: Comparison of Net Present Value of Debt
Before and After Enhanced HIPC Initiative Assistance
(in millions of U.S. dollars, end-December 1999 in NPV terms)



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

São Tomé and Príncipe: Main Assumptions for the Debt Sustainability Analysis (DSA)

The following long-term macroeconomic assumptions have been used for the 20-year DSA projections, under the baseline scenario (assuming that oil exploration during 2003-05 does not lead to commercial discovery).

Growth

- Real GDP is projected to grow by an average of 4 percent a year during 2000-2019, driven by expansion of noncocoa agriculture, construction, and tourism, while cocoa production stagnates.

- Gross domestic investment (excluding oil exploration), would remain at about 40 percent of GDP during 2000-05. Government investment is projected to average 20 percent of GDP through 2009, of which foreign-financed investment would fall from 90 percent in 2000 to less than 20 percent in 2009.

Fiscal and monetary policy

- A prudent fiscal policy supports growth by increasing the primary budget surplus (excluding HIPC Initiative-related spending) from about 2 percent of GDP in 2000 to 6 percent of GDP during 2005-09. Including HIPC Initiative spending, there would be a primary budgetary deficit of 3 percent during 2005-09.

- Monetary policy is expected to lower average annual inflation to 3 percent a year during 2004-19.

Balance of payments

- In the baseline balance of payments projections, export volumes increase by about 3 percent over the projection period, with higher growth in the period through 2009 on account of non-cocoa agricultural goods. Import volume is projected to increase by 4 percent a year, in line with real GDP growth.

- After a decline of 50 percent in 1999 and 1.5 percent in 2000, the terms of trade are expected to improve through 2003 with a recovery in cocoa prices, and to remain stable thereafter.

- The external current account deficit (excluding official transfers) is expected to improve from an average deficit of 57 percent over 2000-09 to 34 percent in the following decade. Financing gaps (averaging $5 million a year) are expected to remain throughout the projection period.

- Even though official project grants and loans will decline from an average of 20 percent of GDP over the first ten years of the projection period to 3 percent over the last decade, São Tomé and Príncipe is expected to continue requiring concessional assistance in order to meet its financing needs. Thus, new financing is assumed to have a grant element of over 60 percent on average, with most loans assumed to be contracted on IDA terms.

- The import cover of official reserves increases from 3 months in 1999 to 6 months by 2003 and declines thereafter to average 4.5 months.

- The non-oil baseline scenario assumes that oil exploration investments start in 2003, but no commercial discovery is made and the program is abandoned at end-2005. Investments will be around 30 percent of GDP annually.

Sensitivity analysis

An alternative scenario assumes that São Tomé and Príncipe will develop a significant oil field during 2006-16. Under this scenario:

- Real GDP growth would average 4.5 percent per year during 2004-05 and non oil GDP will grow at 5 percent thereafter. Oil production would increase GDP more than fifteen fold between 2006 and 2011.

- Gross domestic investment would increase from 40 percent of GDP in 2000 to about 300 percent in 2005.

- The coming on stream of oil production in 2006 would bring very large budget surpluses over the period 2006-16.

- Merchandise exports during 2006-19 would be 40 times their level of 1999-2005, while annual merchandise imports after the beginning of oil related investment in 2003 are projected to increase almost fourfold compared with the 1999-2003 period.

- The current account deficit (excluding official transfers) is expected to turn around from an average deficit of 63 percent of GDP between 1998-2008 to a surplus of 18 percent of GDP during 2009-19.

The third scenario takes a pessimistic view of growth prospects in São Tomé and Príncipe, and assumes that economic growth averages 2 percent of GDP over the projection period. The scenario leads to per capita incomes at the end of the projection horizon which are about 50 percent lower than in the baseline scenario. Also, in this scenario increasing external financing gaps show the unsustainability of the country in the absence of growth.

The final scenario assumes that new borrowing would be on less concessional terms.

São Tomé and Príncipe: External Debt Management Practices

1. São Tomé and Príncipe's public external debt is managed primarily at the Central Bank of São Tomé and Príncipe, in the External Debt Coordination Unit. Although the law gives clear mandate to the Ministry of Finance to manage the external debt, and there have been efforts to establish an External Debt Unit in the Directorate of Finance, the administrative capacity in the Ministry of Finance remains limited. In terms of procedures, the central bank sends at the beginning of every month to the Ministry of Finance a statement of all maturities falling due during the month, as well as payment orders for ministerial approval, and once approved, the treasury authorizes the central bank to make the actual payment. Although the flow of debt information between the different departments at the Ministry of Finance and the central bank is generally good, this practice is often time consuming and results in delays in the approval process. Therefore, the staffs recommend that the debt service payments procedures be streamlined and ministerial approval of payments orders be provided in a timely manner.

2. In order to coordinate the different institutions dealing with external debt and its macroeconomic impact, the council of ministers passed a decree in 1999 to create a debt management committee, as well as its attendant technical group (to address technical debt issues). The debt management committee is comprised of the Minister of Finance, the Governor and Vice Governor of the Central Bank, the Director of Finance, the director of International Cooperation, the Department of Economic Studies of the Central Bank, and the heads of the debt units at the central bank and the Ministry of Finance.

3. Until November 1998, the central bank used the Debt Management and Financial Analysis System, a computerized debt system developed by the United Nations Conference on Trade and Development (UNCTAD). Since then, the system has been defective, and, therefore, debt outstanding and projected debt service payments are computed on an Excel spreadsheet both at the Ministry of Finance and at the central bank. In June 1999, both agencies acquired the Debt-Pro software system, and used it to prepare for São Tomé and Príncipe's first Paris Club rescheduling in May 2000. However, since this is a debt sustainability analysis (DSA) simulator and not a debt management software, it is essential that the Ministry of Finance and the central bank switch from a spreadsheet approach to a computerized debt management system as early as possible. Donor support for such technical assistance would be crucial.

4. São Tomé and Príncipe has benefited from technical assistance in debt management from Debt Relief International, through its Capacity Building Program. It has also participated in regional and national workshops on exercises.

5. In São Tomé and Príncipe, all new public and publicly guaranteed loans have to be signed and approved by the Minister of Finance. Under the PRGF arrangement, the government is committed to contracting new borrowing only at very concessional terms, and has observed this commitment in 2000. Efforts to place the programming and execution of foreign-financed public investments under the control of the Ministry of Finance should help strengthen this oversight and overall debt management in São Tomé and Príncipe.

São Tomé and Príncipe: Selected Poverty and Living Standard Indicators, 1996-99

(Latest single year, 1996-99; in percent, unless otherwise specified)

	São Tomé and Príncipe	Sub-Saharan Africa
Population (in millions, 1999)	0.14	642
Urban population (in percent of total, 1999)	41.8	34
Population growth (1999)	2.4	2.4
Fertility rate (1997)	4.7	5.4
GNP per capita in U.S. dollars (1999)	298.9	500.0
Infant mortality rate (per 100,000, 1999)	65.0	91.8
Under-5 child mortality rate (per 100,000, 1999)	125.0	151.0
Maternal mortality (per 100,000 live births, 1999)	122.0	...
Total mortality rate (per 1,000 inhabitants, 1997)	8.5	14.0
Malaria cases (per 1,000 inhabitants, 1999)	235.0	...
HIV/AIDS prevalence (per 100,000 inhabitants, 1999)	10.0	8.0
Access to safe water (1996)	82.0	43.0
Literacy rate (1999)	80.0	61.0
Gross primary school enrollment (1999)	70.0	78.0
Female primary school enrollment (1999)	70.1	71.0

Sources: São Tomé and Príncipe authorities; World Bank; African Development Bank; and United Nations Development Program.