

# Debt Management Performance Assessment (DeMPA)

## São Tomé e Príncipe



September 2011

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## LIST OF ACRONYMS

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ACE	Assesores de Comercio Exterior
AfDF	African Development Bank
CB-STP	Central Bank of São Tomé and Príncipe
COMSEC	Commonwealth Secretariat
DeM	Debt Management
DeMPA	Debt Management Performance Assessment
DMFAS	Debt Management and Financial Analysis System
DPI	Debt Performance Indicators
DRI	Debt Relief International
DRS	Debtor Reporting System
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
GAO	General Accounting Office
GDDS	General Data Dissemination System
GNI	Gross National Income
HIPC	Highly Indebted Poor Countries
IADs	Internal Audit Departments
IDA	International Development Association
IGF	Inspecção Geral de Finanças (Internal Audit Office)
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
MDRI	Multilateral Debt Relief Initiative
OPDM	Office for Public Debt Management
PEFA	Public Expenditure Financial Accountability
PI	Performance Indicator
PIUs	Project Implementation Units
MoFIC	Ministry of Finance and International Cooperation
MoPD	Ministry for Planning and Development
SAFINHO	Public Finance Payment and Accounting System

STA	Single Treasury Account
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCfDM	Technical Committee for Debt Management
TdC	Tribunal de Contas (Government Accounting Office)
UCA	Unidade de Coordenação das Ajudas (Unit for International Aid Cooperation)

## 1. EXECUTIVE SUMMARY

During May 13-27, 2011, a World Bank team comprising Mr. Wilfried Engelke, Senior Economist (mission lead), Ms. Marie-Helene Le Manchec (external consultant), Mr. Per-Olof Jönsson (debt management expert, external consultant) and Mr. Juan Carlos Vilanova (Debt Relief International) traveled to São Tomé e Príncipe to undertake an update of the Debt Management Performance Assessment (DeMPA) of 2008 by using the DeMPA methodology<sup>1</sup> to assess government debt management (DeM) performance.

The mission had meetings with several officials from the Ministry of Finance and International Cooperation (MoFIC), in particular with staff from the Treasury Department, including the Office for Public Debt Management (OPDM), the Budget Directorate, the International Cooperation Department, as well as the Internal Audit Department. Meetings were also held with the Ministry for Planning and Development, Directorate for Planning (PRSP), the Ministry of Foreign Affairs, the Central Bank of São Tomé e Príncipe, as well as with representatives from the Government Accounting Office (Tribunal de Contas, TdC), the autonomous supreme audit institution; and with representatives of the international donor community present in São Tomé e Príncipe, as well as managers from private banks (see Annex 1 for a list of officials and business representatives met).

The assessment reveals that some progress has been made since 2008 when a debt management assessment was conducted in São Tomé e Príncipe. Progress was noted especially in the area of preparing a new legal framework for debt management (DPI 1) through the preparation of a new and comprehensive public debt framework law, which promises to bring the pillars of public debt management in São Tomé e Príncipe in line with good practices. With other administrative decisions, the application of the new legal framework will also impact the managerial structures (DPI 2) and the quality of debt management (cross-cutting impact). Nonetheless, the progress achieved so far has been incremental and the impact of the new law – while presumed to be positive and providing for clarification in many debt management areas – still has to show over the next few years. As of this year, and at the time of the 2011 assessment, most of the minimum requirements set out by the DeMPA standards (indicated in the December 2009 version of the DeMPA tool) are not met. The gap between existing practices and the minimum requirements is narrow in some areas. Among the areas for improvement where relatively small steps could achieve good results, the mission identified the informing of the National Assembly of debt management status reports (DPI 4) and developing procedure manuals for debt administration and improving the security of data storage (DPI 12). Elaborating a debt management strategy, which is aligned with a medium term poverty reduction and

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<sup>1</sup> The Debt Management Performance Assessment Tool as well as the accompanying Guide, which provides supplemental information and detailed descriptions of individual indicators can be downloaded from:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,contentMDK:21707750~menuPK:4876300~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html>

development strategy, would be – following the approval of the new debt law – a key reform and anchor for the country's debt policies.

#### Technical Assistance in Debt Management

The MoFIC is currently receiving technical assistance from the Commonwealth Secretariat (COMSEC) to implement the CS-DRMS debt management system at the OPDM and at the Central Bank. Debt Relief International (DRI) has provided capacity-building activities for MoFIC staff, including training courses in debt sustainability analysis (DSA) and related subjects. DRI also organized a seminar for the development of a debt management strategy. A World Bank-financed project to develop the legal framework in public financial management as well as an integrated Budget and Treasury information system is currently being implemented. The integrated system has been set up within the MoFIC, and the roll out to the line ministries has been completed in 2011.

The Government of Portugal through its Ministry of Finance has initiated in 2009 a three-year technical assistance program with the MoFIC. The project covers several activities, including debt management. Specifically, the program provides for on-the-job training of São Tomean staff in the Portuguese debt office, as well as assistance for setting up the legal and administrative framework for the issuance and management of treasury bills.

## **2. BACKGROUND**

### 2.1 Country Background

São Tomé and Príncipe is an archipelago of just over 1,000 square kilometers, one of the smallest economies in Africa with about 160,000 inhabitants and a gross national income (GNI) per capita of US\$1,140 (2009). The country faces many development challenges due to its small size and insular location, limited institutional capacity, and aid dependency. As with other small island economies, STP has limited options to exploit economies of scale in economic activities, giving government services more than the typical stabilizing function.

Following independence from Portugal in 1975, São Tomé e Príncipe adopted a socialist approach toward development involving state ownership of most enterprises, especially of the cocoa plantations, then the backbone of the São Tomean economy. In the late 1980s, the country opted for a transformation of its political and economic system in favor of democracy and a market based approach toward development. A program of privatization and other market-oriented reforms was implemented, but results were mixed and external indebtedness continued to grow, reaching 861 percent of exports at end-1999, while prices for cocoa remained depressed.

In 2000, São Tomé and Príncipe reached the decision point under the Highly Indebted Poor Countries (HIPC) initiative and began receiving substantial debt relief from its main creditors, including the World Bank and the African Development Bank. Following successful reform implementation, the country reached the Completion Point under the HIPC initiative in March 2007 and benefitted from 100 percent debt relief from Paris Club Creditors and the same from the World Bank, the African Development Bank (AfDB), and the IMF under the Multilateral Debt Relief Initiative (MDRI).

As a result, the debt service-to-export ratio declined from 24.5 percent in 2007 to 7.9 percent in 2010, with the stock of debt declined from 110 percent of GDP to 49 percent. MDRI in particular brought substantial debt service savings, since 54 percent of total debt before the HIPC Completion Point was with IDA, AfDF, and the International Monetary Fund (IMF).

Although growth averaged 6 percent between 2001 and 2009, compared to an average of 1.4 percent over the 1990-2000 period, growth is fuelled by the anticipation of petroleum exploration, translating into construction activities and a widening of tourism services, all led by foreign direct investments. If oil is not found, growth is unlikely to be sustainable. Although cacao produced in São Tomé e Príncipe is renowned for its quality, the primary sector accounts today for about 20 percent of GDP, and its share has declined over the last two decades, mainly due to the reduction in cocoa production when STP lost its competitive position after independence.

São Tomé e Príncipe has remained thus far heavily dependent on foreign assistance. The dependency would be reduced with oil production established, with growth of the tourism sector, and in general if a diversification of its export base could be achieved. The most recent Bank-Fund Debt Sustainability Analysis (DSA) concluded that a broader export base, e.g., through oil exports, and corresponding additional revenues would be critical for maintaining debt sustainability. In their absence, there would be a high risk of a return to a situation of unsustainable debt.

The World Bank is currently involved in supporting the country's reform program in public financial management and the elaboration of a medium term poverty reduction strategy, jointly with the IMF and UNDP. Following continued progress in public finance administration reforms, two budget support operations have been implemented since 2007. The World Bank has also provided direct assistance under its Capacity Building Technical Assistance project for the purchase of the CS-DRMS debt management system and training on using the new software.

The years since 1999 have seen a build-up in capacity in the area of government debt management. The OPDM was created in 2004, taking over the responsibility for debt management from the Central Bank. The OPDM currently counts four staff members: a director, two technicians and an administrative assistant. As a result of MDRI, the activity of the office is quite limited and it follows approximately 20 multilateral loans. Most bilateral debt has been cancelled, with some active debt contracts remaining, mainly owed to Angola, Taiwan, Republic of China, Portugal and Nigeria.<sup>2</sup>

Domestic debt instruments have thus far not been introduced by the government.<sup>3</sup> The issuance of bills would be an advantage, not only for widening the options for public debt, facilitating a smoothening of the expenditure profile, and broadening thereby instruments for financial sector development, but also for better targeted monetary policies, which currently rely largely on variations of the level of reserve requirements. The form of domestic credit used normally by the Treasury for cash management purposes is advances from the Central Bank that are nearly always fully

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<sup>2</sup> See also the most recent joint IMF-World Bank Debt Sustainability Analysis of 3 February, 2010 (IMF Country Report No. 10/100 of April 2010).

<sup>3</sup> The issuance of treasury bills would, however, become possible under the new debt framework law.

repaid by the end of the fiscal year. The pegging of the Dobra to the Euro since early 2010 has further limited this option.

## 2.2 Assessment and Scoring Methodology

The DeMPA tool assesses 35 dimensions of government debt management and closely related areas, organized into 15 debt management performance indicators (DPIs), which encompass the complete spectrum of government debt management operations, as well as the overall environment in which these operations are conducted. While the DeMPA does not specify recommendations on reforms and/or capacity and institution building, each dimension stipulates a minimum level that should be met. Consequently, if the assessment shows that the minimum requirements are not met, this clearly indicates an area requiring attention and possibly reform.

The DeMPA focuses on central government debt management activities and closely-related functions, such as the issuance of loan guarantees, on-lending, cash flow forecasting and cash balance management. Thus, the DeMPA does not assess the ability to manage the wider public debt portfolio, including implicit contingent liabilities (such as liabilities of the pension system) or the debt of state-owned enterprises (SOEs), if these are not guaranteed by the central government.

The scoring methodology assesses each dimension and assigns a score of either “A”, “B”, or “C” based on the criteria listed. The evaluation starts by verifying whether the minimum requirement for a dimension is met, corresponding to a score of “C”. Meeting the minimum requirements is the necessary condition for effective performance under the dimension being assessed. If the minimum requirements set out in “C” are not met, then a score of “D” is assigned. In the cases where a dimension cannot be assessed, a score of “N/R” (not rated or assessed) is assigned. The “A” score reflects sound practice for that particular dimension of the indicator. The “B” score is an intermediate score, falling between the minimum requirements and sound practices.

## 2.3 Public Expenditure and Financial Accountability (PEFA) Assessment – January 2010

A Public Expenditure and Financial Accountability (PEFA) assessment for São Tomé e Príncipe was finalized in January 2010 by ACE (Assesores de Comercio Exterior S.L.). The assessment was conducted with support of the European Union in coordination with the PEFA secretariat at the World Bank. The PEFA covers developments in public financial management up to end 2009. The PEFA assessment goes well beyond debt management operations, which is the focus of DeMPA, but there are important overlaps. It will be noted that the PEFA assessment evaluated public financial management practices over the past years and thus did not capture ongoing reforms. Therefore, even for the overlapping areas the PEFA and DeMPA, scores might differ.

Regarding areas directly relevant to DeMPA indicators, the PEFA report indicates generally weak ratings (score D or D+) concerning the Performance Indicators (PI) related to the (i) availability of a multi-year perspective in fiscal planning (PI-12); (ii) recording and management of cash balances, debt and guarantees (PI-17), (iii) effectiveness of internal audit (PI-22), (iv) quality and timeliness of in-year budget

reports (PI-24), and (v) the timeliness of annual financial statements (PI-25); and (vi) the scope, nature and follow up of external audits of central government entities (PI-26). The PEFA rates as satisfactory the comprehensiveness of budget documentation (PI-6) and the public access to key fiscal information (PI-10). The DeMPA assessment mirrors these scores.

In the currently prevailing debt management environment in São Tomé e Príncipe the DeMPA concludes that most dimensions do not meet the minimum requirements. This overall conclusion confirms the PEFA results. Despite of this result, the technical assistance received during the recent years had a positive impact on many aspects of debt management in São Tomé e Príncipe and influenced positively the DeMPA results. There are various areas where rather small steps could improve the DeMPA rating.

### 3. PERFORMANCE ASSESSMENT

#### Summary of Performance Indicator Assessment

Performance Indicators and Dimensions		Score
DPI-1 Legal Framework	The existence, coverage and content of the legal framework.	C
DPI-2 Managerial Structure	The managerial structure for borrowings and debt-related transactions.	D
	The managerial structure for preparation and issuance of loan guarantees.	N/R
DPI-3 DeM Strategy	The quality of the DMS document.	D
	The decision-making process, updating, publication of the DeM strategy.	N/R
DPI-4 Evaluation of DeM Operations	Level of disclosure of government DeM activities, central government debt, evaluation of outcomes, and compliance with the government's DMS.	D
DPI-5 Audit	Frequency of internal/external audit of central government DeM activities, policies, operations, publication of external audit reports.	D
	Degree of commitment to address the outcomes from audits.	N/R
DPI-6 Coordination with Fiscal Policy	Provision of accurate/ timely forecasts on total and debt service.	D
	Availability of key fiscal variables and frequency of DSA.	D
DPI-7 Coordination with Monetary Policy	Separation between monetary policy operations and DeM transactions.	N/R
	Coordination, regular information sharing on debt transactions and government's cash flows with the central bank.	D
	Extent of a limit to direct access of resources from the Central Bank.	C
DPI-8 Domestic Market Borrowing	Market-based mechanisms to issue debt, preparation and publication of a borrowing plan for government bonds— wholesale and retail markets.	N/R
	Availability and quality of documented procedures for domestic borrowing.	N/R
DPI-9	Assessment of most beneficial/cost-effective borrowing	D

External Borrowing	terms/conditions.	
	Availability and quality of documented procedures for external borrowings.	D
	Degree of involvement of legal advisers before signing the loan contract.	C
DPI-10 Loan guarantees, On-lending, Derivatives	Availability and quality of documented policies and procedures for approval and issuance of central government loan guarantees.	N/R
	Availability/quality of documented policies/procedures for on-lending.	N/R
	Availability/quality of DeM system, procedures for derivatives.	N/R
DPI-11 Cash Flow Forecasting and Cash Balance Management	Effectiveness of forecasting aggregate cash balances.	D
	Effectiveness of managing cash balance in government bank account(s), including integration with domestic borrowing program.	D
DPI-12 Debt Administration and Data Security	Availability/quality of documented procedures for processing debt service.	D
	Availability/quality of documented procedures for debt data recording, validation, storing of agreements and debt administration.	D
	Availability/quality of documented procedures for controlling access to government debt recording and management systems.	D
	Frequency and off-site, secure storage of debt recording system backups.	D
DPI-13 Segregation of Duties, Staff Capacity, and Business Continuity	Segregation of duties, presence of risk-monitoring and compliance function.	D
	Staff capacity and human resource management.	D
	Operational risk management plan, business-continuity, disaster- recovery.	D
DPI-14 Debt Records	Completeness and timeliness of central government debt records.	D
	Complete records of all holders of govt. securities in secure registry system.	N/R
DPI-15 Debt Reporting	Meet statutory/contractual reporting requirements of central govt. debt.	D
	Meet statutory/ contractual reporting requirements for total nonfinancial public sector debt and loan guarantees.	D
	Quality/timeliness of debt statistical bulletin covering central government debt.	D

### 3.1 Governance and Strategy Development

#### DPI-1 Legal Framework

Dimension	Score
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The existence, coverage, and content of the legal framework.	C
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The 2008 DeMPA report concluded that the legislation did not provide a sufficiently strong borrowing mandate and the issuance of government guarantees was guided by unclear policies. The legal framework for debt management was thus deemed not meeting the minimum requirement. The delegation of authority to approve borrowings is defined in the Constitution of 2003, which authorizes the President of the Republic to ratify international treaties (Article 82) and the Government—i.e., the Council of Minister headed by the Prime Minister—to negotiate and conclude international agreements and conventions (Article 111). Further clarification on delegation of authority to approve borrowings on behalf of the central government within the executive branch is provided in the Organic Law no. 12/2010, which clarifies the mandate and delegation of the government as a collective political unit as well as of its members, including the responsibilities of the Prime Minister. The Public Management System law, known as the SAFE Law<sup>4</sup>, underlines (Article 16) the responsibilities of the Minister of Finance for each contract, which implies assumption of financial obligations by the State. There is the presumption that Ministers can sign a loan agreement should the Minister be authorized – specifically or through his governmental mandate - by the Prime Minister, and the Minister of Finance agrees to the loan agreement (preavio).<sup>5</sup> The process of mobilizing and negotiating external loans has, however, not fully been clarified. Given the reform of 2010, which aims to integrate the aid coordination function into the Ministry of Finance and clarifies the Government's prime functions (organic law of the government, law no. 12/2010, Article 24), the Minister of Finance is tasked with a leading role, policy-wise and process-wise, in public borrowings. The presumption is that the commandate of the Ministry of Foreign Affairs in dealings with international contracts is limited to safeguarding the political aspects whereas the Ministry of Finance is to safeguard the financial interests of São Tomé and Príncipe. As domestic borrowing in the conventional sense does not exist yet in São Tomé e Príncipe, no institution has been so far appointed to issue domestic debt.

The purpose for contracting external public loans is referred to in the annual budget law (Article 7) and limited to financing the country's investment program. The 2011 budget law constrains foreign loan financing by stipulating (i) that the Government is not allowed to borrow funds beyond the level authorized in that law (Article 7); (ii) can contract external loans to finance projects already identified in the Public Investment Program and co-finance related-capital expenditure in the budget; and (iii) the financing terms and overall contracted volume need to be in line with the country's debt servicing capacity, suggesting a level of interest rates and a repayment period in line with such a capacity. Domestic financing is allowed by the SAFE law to finance the budget deficit through credit operations, including through bank credit, up to a ceiling of 10 percent of the previous year's revenues, without clarifying whether the ceiling applies to all deficit-related borrowing or only to bank loans (Article 25).

The requirement to develop a debt management strategy, and the obligation to conduct external audits of debt management operations do not yet constitute explicit

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<sup>4</sup> Law N° 3/07 of February 12, 2007, on the "Sistema de Administração Financeira do Estado" (SAFE).

<sup>5</sup> Law for the 2011 Budget, Article 7; and the SAFE law, Article 16, on concluding international contracts with financial implication.

elements of the current legislation, although the various applicable laws and secondary legislation provide for legal references, yet without providing for clear guidance and for comprehensiveness. The objectives for borrowing are clarified in the budget law.

The SAFE law requires the Government to provide quarterly information to the National Assembly on the status of the budget implementation as well as to publish the report after informing the National Assembly (Article 36). Although information on budget implementation is reported to the National Assembly, the information on debt is not sufficient for an external assessment.

The management of public debt has been granted to the OPDM, which is a section within the Treasury Department. It exercises its role in collaboration with the Budget Department and the Central Bank.

The current legislation does not discuss explicitly the provision of government loan guarantees. The SAFE stipulates only that (i) any international contract implying financial obligations for the State, and that (ii) borrowing by financially autonomous public entities and external borrowing by public enterprises require the prior approval (preavio) by the Ministry of Finance (Articles 16 and 42).

The authorization to borrow within the executive branch and the basic borrowing purposes are clarified in the primary and secondary legislation. Issuance of loan guarantees, in a broad sense, is covered by the same legislation although a more explicit treatment would be preferable. As result, the minimum requirements for this indicator are met and the score C is given.

#### DPI-2 Managerial Structure

Dimension	Score
The managerial structure for central government borrowings and debt-related transactions.	D
The managerial structure for preparation and issuance of central government loan guarantees.	N/R

The 2008 report indicated that coordination among the different entities in charge of issuing and managing debt was weak, notably on the borrowing plan and the sharing of disbursement information. The minimum requirements were therefore not met for the first dimension. As issuance of guarantees was not regarded as an on-going activity, the second dimension was not rated.

#### Dimension 1

The issuance and management of public debt are undertaken by different entities in São Tomé e Príncipe. While the tasks of the “middle office” remain undefined, the roles and functions of the “front and back offices” are distributed as follows:

The Prime Minister and the Minister of Finance have the lead in undertaking borrowing transactions. If a line Minister wishes a project to be financed, he submits a “budget proposal” to the Budget Department, which ensures its consistency with the credit allocation and the debt ceiling quoted in the budget law for that specific line ministry. Following a budget arbitration session, where the cost of the project is discussed with the line Minister, the Minister of Finance and the Budget Director, the Prime Minister or

the Ministry of Finance will seek external financing if needed. According to the mandate of the OPDM, the office should participate in the negotiation of debt agreements - as well as any other contractual changes impacting public debt related obligations (such as rescheduling).<sup>6</sup> In practice, participation is not always ensured.

“Back office” activities are assumed by the OPDM, which is the main entity for debt management, with assistance from the Budget Department, Treasury Department and the Central Bank.<sup>7</sup> The OPDM is in charge of managing public debt, including planning and recording of transactions as well as following up on debt service obligations and arrears, should they arise. The Budget Department ensures that the total of payment orders remains within the debt service allocation quoted in the annual budget. After controlling the conformity of all documents attached to a payment order, the Treasury Department issues the payment order and sends it to the Central Bank, which executes payments. The OPDM collects disbursements information by contacting line ministries and obtaining information directly from the creditors. The Treasury is in charge of forwarding debt and debt service data to the IMF under its contractual disclosure requirements related to the Extended Credit Facility arrangement and the conduct of Article IV consultation. The OPDM sends the required debt data to the World Bank in the framework of the Debtor Reporting System.

There is lack of coordination across the debt management entities, within and outside the Ministry of Finance. Examples include lack of timely sharing of loan agreements and disbursements details with the OPDM for their effective recording. The OPDM has received recently a loan agreement, which was signed with Belgium two years ago. It has not yet received loan agreements reportedly signed with Nigeria and Angola in 2008 and 2009, respectively. There is no procedure in place that requires public institutions to share information on disbursements with the OPDM.

In light of the continuous lack of coordination among the key entities managing debt transaction, the first dimension of this indicator is rated D.

## Dimension 2

Currently, no loan guarantee is outstanding. The two loans for which the government had granted a guarantee previously have been fully repaid. However, the terms of reference of the OPDM do not include the management of guarantees granted by the central government.

As no loan guarantee exists, and there is no intention to issue guarantees without revised legislation, the absence of delegated responsibility to OPDM, or any other Government entity, for preparation and issuance of guarantees cannot be rated.

## DPI-3 Debt Management Strategy

Dimension	Score
The quality of the debt management strategy document.	D

<sup>6</sup> Decree N°32/2009 of September 22, 2009 (Article 11, paragraph b) pertaining to the roles and function of the Treasury, including those of the Office for Public Debt Management.

<sup>7</sup> Decree N°32/2009 of September 22, 2009 (Articles 3-11).

The decision-making process, updating and publication of the debt management strategy.	N/R
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The previous DeMPA report concluded that despite the existence of certain elements of a debt management strategy, these were not sufficient for meeting the minimum requirements. As such, the first dimension was rated D and the second dimension could not be rated.

Since the previous evaluation, no management debt strategy has been formulated. Consequently, the first and second dimensions would continue to be rated D and N/R, respectively.

#### DPI-4 Evaluation of Debt Operations

Dimension	Score
A report providing details of government debt management activities and outstanding central government debt is submitted annually to the parliament or congress.	D

The 2008 DeMPA evaluation reported that the OPDM produced an annual report of good quality, which was meeting the minimum requirement of that indicator. Since then, the DeMPA methodology for assessing that indicator has been revised and requires now that the report is sent to the National Assembly. Should the same methodology be applied in 2008, the rating would have been D.

The OPDM continues to prepare on a quarterly, semi-annually and annual basis a debt report, which provides information on debt management activities carried out and total outstanding debt. This report is sent to the Treasury, but not to the National Assembly.

As mentioned under DPI-1, the SAFE law requests that the Government provides quarterly information on the implementation of the budget to the National Assembly. The Government is fulfilling its budget implementation reporting requirement but the reports do not contain sufficient debt information. The information included in its reports contains only the amount of debt service paid compared to that paid during the same period of the previous year.

Despite the quality of the report prepared by the OPDM, it is not shared with the National Assembly, and the debt information sent to the National Assembly in the context of reporting on the execution of the budget is not deemed sufficient. As a result, this indicator does not meet the minimum requirement and is therefore rated D.

#### DPI-5 Audit

Dimension	Score
Frequency of internal and external audit of central government debt management activities, policies, and operations, as well as publication of external audit reports.	D
Degree of commitment to address the outcomes from internal and external audits.	N/R

The 2008 DeMPA rated the first dimension D due to the absence of external performance auditing. Since 2008 no external or internal performance auditing of DeM activities has been carried out and thus the degree of commitment from the Government to address the outcomes of any such audits could not be assessed.

#### Dimension 1

The Government Accounting Office, the Tribunal de Contas (TdC), is the supreme audit institution in São Tomé e Príncipe and is a member of INTOSAI (International Organization of Supreme Audit Institutions). The Tribunal was established in 2003 based on legislation from 1999. It has a staff of 45 inspectors, of which 20 are trained auditors. The TdC budget is prepared and proposed by the Government. One of its core functions is to audit the General Accounts. However, since its inception the TdC has never received any General Accounts to audit. The auditors have been trained in performance auditing in general, and the Tribunal has in addition the possibility to hire external consultants to perform part of the auditing.

The 2008 DeMPA *reported that* the Tribunal was planning to conduct an audit of Government debt policies in 2008. However, the plan was never realized due to reduction in the budget of the TdC. In addition, the law regulating its operations was revised preventing the Tribunal from receiving budget resources for contracting out such an audit. The Tribunal claims that it plans to audit Government DeM operations during 2012.

As no external audit of debt management activities, policies, and operations has been conducted thus far, the minimum requirement for the first dimension has not been met.

#### Dimension 2

The MoFIC has an internal audit function, the Inspeção Geral de Finanças (IGF), which is working in accordance with a decree of 2006, no. 56/2006. It audits government entities, public enterprises and also private enterprises in their interaction with the public sector. The internal audit function has a staff of 22 inspectors. It has a governing body consisting of the Director and the two section heads. The internal audit prepares an annual work plan, which is approved by the Minister. The audit is not oriented towards financial auditing since the Government has not presented any General Accounts for a long time. Instead, the internal audit is oriented towards the delivery of public services, revenue collection, and public and private enterprises.

The internal audit unit (IGF) has not conducted any audit of DeM activities and there is no plan to do such an audit or to train the inspectors in DeM auditing. Thus, since there has been no external or internal performance audit of DeM activities the Government's commitment to address the outcomes of any such audits cannot be assessed.

### 3.2 Coordination with Macroeconomic Policies

#### DPI-6 Coordination with Fiscal Policy

Dimension	Score
Coordination with fiscal policy through the provision of accurate and timely forecasts on total central government–debt service under different scenarios.	C
Availability of key macro variables and an analysis of debt sustainability, and	D

the frequency with which it is undertaken.	
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The DeMPA 2008 rated this indicator D, for each for its 2 dimensions, on the grounds that debt service forecasts were provided but no debt stock data. In addition, no debt sustainability analysis (DSA) was undertaken, neither was a medium term fiscal framework elaborated. Since 2008, there has not been a change in substance from the authorities' point of view. However, the DeMPA requirements have changed and no longer include a requirement for a debt stock forecast. Should the current methodology have been applied 2008 the rating would have been C on the first dimension.

#### Dimension 1

As part of the yearly budget preparation the OPDM presents forecasts of debt service to the budget department with details of the payments, both in domestic and in foreign currency, broken down by interest and capital. The debt payment forecast is updated on a monthly basis. The minimum requirements for the first dimension are met.

#### Dimension 2

The Ministry for Planning and Development since mid 2010 is the institution, which is mandated to forecast economic aggregates and trends for the medium term, based on which it is tasked to also develop a poverty reduction strategy. The last medium-term poverty reduction strategy dates back to 2005. Preparations are on-going in order to issue a new medium term development strategy by end 2011. At present, a medium-term fiscal and macroeconomic framework is prepared jointly with the IMF during its semi-annual missions. These scenarios are not widely shared with other Government entities; however, the key entities (Treasury, Revenue Authority, and Central Bank) do share this information. While there is some verification of actual economic outcomes, the key macroeconomic variables are verified on the occasion of the IMF mission and with the help of the respective IMF team.

An annual DSA is conducted jointly by the IMF and the World Bank with the assistance of the authorities. Although staff of the Central Bank and OPDM has been trained in preparing DSA using the DebtPro application as well as the joint IMF-World Bank Debt Sustainability framework for Low-Income Countries, the lack of a comprehensive medium term macroeconomic framework – as a base for any DSA - has so far prevented the preparation of debt sustainability scenarios.

Thus, the minimum requirements for this indicator have not been met.

#### DPI-7 Coordination with Monetary Policy

Dimension	Score
Clarity of separation between monetary policy operations and DeM transactions.	N/R
Coordination through regular information sharing on current and future debt transactions and the central government's cash flows with the central bank.	D
Extent of the limit to direct access of resources from the central bank.	C

The DeMPA 2008 rated this indicator C. Two of the three dimensions for this indicator changed in the meantime: (i) information sharing between the institutions conducting

fiscal and monetary policies distinguishes now between sharing for monetary policy purposes on the one hand, and DeM transactions on the other; and (ii) the DeMPA requires now a minimum frequency of information exchange between the Central Bank and the fiscal policy authorities of at least once a month.

#### Dimension 1

The Central Bank Law (Organic Law of the Central Bank, Law No. 8 of August 3, 1992) provides for a clear separation between monetary policy operations conducted through the Central Bank and public debt management operations motivated by fiscal objectives. However, domestic debt operations, except for credit from the Central Bank, are currently not supported by the given legal framework. Raising short term debt on the domestic market for the conduct of monetary policy is therefore not a policy option. Since the pegging of the Dobra to the Euro in early 2010, monetary policy is largely limited to variations of reserve requirements to which banks are subjected.

This dimension is hence not rated as currently no debt operations in the domestic financial market are conducted.

#### Dimension 2

The Treasury Department of the Ministry of Finance is preparing monthly, quarterly, and annual cash flow forecasts, which are not shared with the Central Bank. Although the breadth and frequency of information shared between the Ministry of Finance and the Central Bank has improved compared to 2008, it covers debt management information only implicitly. Coordination meetings with the Central Bank on the government cash flow are not held regularly but only irregularly, or as the need may arise (policy indicators), and definitely during the time of IMF missions (twice a year).

Since information on government cash and debt flows is not shared at least on a monthly basis, the minimum requirements for the second dimension are not met.

#### Dimension 3

Central Bank credit to the government is clearly limited by law. The Central Bank law of 1992 allows advances to the Government of up to 5 per cent of the tax receipts of the previous year.<sup>8</sup> Credit is only allowed for the short term and must be repaid within the current fiscal year but can be extended to a second year against payment of interest rates at the Bank's discount rate.<sup>9</sup> The agreement applied since January 2010 with the Central Bank of Portugal about the currency peg of the Dobra to the Euro prohibits any advance from the Central Bank to the government. As a result, the treasury account must at all times be balanced or have a surplus, which has been the case over the last four years, prior to the agreement on the currency peg.

Given the legal guidance on Central Bank credit to the government and the practice in São Tomé e Príncipe over the last years, this dimension meets the minimum

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<sup>8</sup> In contradiction to the Central Bank Law, the SAFE law allows advances to the government of up to 10 per cent.

<sup>9</sup> Central Bank Law of 1992 (Lei Organico), Article 26. A second year of credit requires the Central Bank to charge interest rates. The practice in São Tomé e Príncipe is repayment within the current fiscal year.

requirement and is rated C. A higher rating cannot be considered since the credit is not limited to a maximum period of three months but could be extended for a period of up to 2 years.

### 3.3 Borrowing and Related Financing Activities

#### DPI-8 Domestic Borrowing

Dimension	Score
The extent to which market-based mechanisms are used to issue debt; the publication of a borrowing plan for T-bills and T-bonds; and the preparation of an annual plan for the aggregate amount of local currency borrowing in the domestic market, divided between the wholesale and retail markets.	N/R
The availability and quality of documented procedures for local currency borrowing in the domestic market.	N/R

The DeMPA 2008 did not rate this indicator as domestic debt was not issued. There is no change since 2008.

The Government lacks presently the option to borrow domestically as mentioned in the discussion of DPI 7. Thus, no market based funding is taking place and neither of the two dimensions under this indicator is assessed.

#### DPI-9 External Borrowing

Dimension	Score
Degree of assessment of the most beneficial or cost-effective borrowing terms and conditions (lender or source of funds, currency, interest rate, and maturity).	D
Availability and quality of documented procedures for external borrowings	D
Availability and degree of involvement of legal advisers before signing of the loan contract.	C

The DeMPA 2008 rated this indicator D, in the absence of legal documentation and procedures about contracting external debt as well as the absence of legal advisers in the debt contracting process.

##### Dimension 1

A yearly borrowing plan is not prepared; neither are borrowing terms systematically assessed within a wider debt policy or strategy framework, although the SAFE law requires the Government to analyze the economic efficiency and efficacy of borrowing. The degree of concessionality of the borrowing is generally verified by the OPDM.

Currently, São Tomé and Príncipe is engaged in a reform program supported under the IMF's Extended Credit Facility (ECF), which requires a degree of at least 50 percent concessionality, a degree that only few creditors are willing to grant. In this context, it is important to bear in mind that most of the external aid flows contracted during the last years came in the form of grants.

In the absence of a yearly borrowing plan for external borrowing and an assessments of the most beneficial or cost-effective terms and conditions for external borrowing this dimension is rated D.

## Dimension 2

Concerning the 2nd dimension of this indicator there is no change compared to the 2008 assessment. There are no specific documented procedures for assuming external borrowings, except from those given in the legislation or the guidelines for the operation of the Debt Committee of 1998, which has never been operational. The dimension requires specific borrowing procedures and these do not exist in a documented form. Thus, the minimum requirements for the second dimension are not met.

## Dimension 3

Legal advice is sought in the negotiating process of a borrowing contract. The Minister of Finance typically asks for advice from his legal advisor before giving his opinion on a borrowing request,<sup>10</sup> although, there are no procedural requirements documented.<sup>11</sup> Thus, the minimum requirements for this dimension are met.

## DPI-10 Loan Guarantees, On-lending and Debt-related Transactions

Dimension	Score
Availability and quality of documented policies and procedures for approval and issuance of central government loan guarantees.	N/R
Availability and quality of documented policies and procedures for on-lending of borrowed funds.	N/R
Availability of a debt management system with functionalities for handling derivatives, as well as availability and quality of documented procedures for the use of derivatives.	N/R

The 2008 DeMPA did not assess any of the dimensions under this indicator since there were no on-going activities in these areas.

## Dimension 1

The Government is currently not issuing loan guarantees and has no outstanding loan guarantee. The DeMPA report of 2008 referred to two cases of domestic loan guarantees in favor of the state-owned Water and Electricity Company. Both loans

<sup>10</sup> It needs to be noted, however, that instances of public borrowing have been rare over the last few years, amounting to roughly one case a year since 2007. Most of the financing needs of São Tomé e Príncipe are currently satisfied through grants.

<sup>11</sup> As mentioned earlier, some donors request an opinion by the attorney general before loans are made effective. However, this opinion only pertains to the internal procedures and does not consider the contract itself.

have been repaid in the meantime. The only guarantee being reported to the mission was a trade credit guarantee. But this type of guarantee is not covered by the DeMPA.

The current legislation contains few provisions on guarantee issuance and there is no documentation available on policies and procedures. The mission is of the view that approved and documented policies and procedures typically cannot be expected to be available for activities that are not conducted or where there is no firm plan to start such operations. Policies and procedures have to be regularly updated reflecting the actual operations and this is a cumbersome and unnecessary process for a purely hypothetical activity. Thus, the first dimension is not assessed.

#### Dimension 2

The Government is currently not on-lending any funds and it has no outstanding on-lending contracts.

Since on-lending is not an on-going or planned activity, the mission is of the opinion that this dimension should not be assessed.

#### Dimension 3

The Government has not conducted any derivative transactions. Therefore, the third dimension cannot be assessed.

### DPI-11 Cash Flow Forecasting and Cash Balance Management

Dimension	Score
Effectiveness of forecasting the aggregate level of cash balances in government bank accounts.	D
Effectiveness of managing the aggregate cash balance in government bank account(s), including the integration with the domestic debt borrowing program.	D

The 2008 DeMPA came to the conclusion that the Government was not meeting the minimum requirements for the first and second dimension, due to the lack of cash flow forecasts on a weekly basis and the absence of remuneration of government funds held at the Central Bank. The previous DeMPA assessed also the reconciliation of bank accounts used for debt management operations but there is no corresponding requirement in the current DeMPA methodology (December 2009).

#### Dimension 1

The Treasury is responsible for budget execution and the government's banking arrangements. Budget execution is facilitated through the electronic Public Finance Payment and Accounting System (SAFINHO). Treasury uploads monthly payment limits in the system and the line ministries request their payments through it. Payment requests are checked regarding whether they are within the set budget limit and whether funds are available in the Single Treasury Account (STA) at the Central Bank. The payment request will lead to a payment from the Treasury by debiting the STA and crediting the bank account of the beneficiary. The payment order to the Central Bank is still in form

of a physical document. Treasury monitors the balance on the STA on a daily basis through bank statements obtained from the Central Bank.

Treasury is not utilizing any credit from the Central Bank or other domestic financing sources in order to manage the cash flows. Thus, the revenues, including the funds from foreign currency accounts converted into Dobras and the balance of the STA, must be sufficient to pay for the expenditures. In practice, this financing constraint often leads to payment arrears.

The Treasury has recently started to program expenditures through an annual cash plan, which is updated on a monthly basis. Revenues, including external assistance and expenditures are forecast with support from the line ministries, resulting in a comprehensive cash plan. The cash plan is used for the monthly releases of budget funds to the line ministries. The plan represents a significant improvement compared with the situation prevailing when the previous DeMPA was conducted. However, a comparison between forecasts and outcomes until April of the current year shows that the forecasting errors are large, both for domestic and external revenues. Given the limited ability to finance public expenditures, actual expenditures are dependent on a volatile revenue stream. The forecasting errors for expenditures are therefore significant, especially for capital expenditures.

The cash flow forecasting cannot be considered reasonably reliable, nor is it broken down on a weekly basis. Thus, the minimum requirements for the first dimension are not met.

## Dimension 2

Besides the STA, the Treasury also maintains other bank accounts at the Central Bank. Donor funds are, e.g., deposited into the Treasury's foreign currency bank accounts at the Central Bank. Treasury transfers funds from these bank accounts into the STA when needed for government expenditures. Treasury bank accounts are not remunerated by the Central Bank. The Treasury is currently not making investment decisions concerning excess liquidity in its accounts as no income can be earned. As a consequence the minimum requirements for the second dimension of this indicator are not met.

### 3.4 Operational Risk Management

#### DPI-12 Debt Administration and Data Security

Dimension	Score
Availability and quality of documented procedures for the processing of debt service.	D
Availability and quality of documented procedures for debt data recording and validation, as well as storage of agreements and debt administration records.	D
Availability and quality of documented procedures for controlling access to central government's debt data recording and management system.	D
Frequency and off-site secure storage, secure storage of debt recording and management backups.	D

The previous DeMPA assessment concluded that the minimum requirements in all four dimensions were not met because there were no documented procedures manuals for payment processing, data registration, and controlling access to data recording. Moreover, there was no control for accessing the database and security copies were not stored in a secure location. Since 2008, the situation has not altered.

#### Dimension 1

Although written manual procedures for processing debt service payments do not exist, there is a well-established debt service payment cycle based on established practice. The debt unit sends a payment request, along with supporting documents, to the Treasury Department. Once the request is verified and authorized by its Director, the request is sent to the Budget Department to be recorded and checked whether it is within the budgeted amount. It is then returned to the Treasury, which sends it to the Central Bank for effecting the payment. The process includes a verification by two persons at a minimum. However, actual payments can be subjected to considerable delay, up to two months, because of liquidity constraints, regardless of procedures applied.

In light of the absence of written manuals concerning procedures for processing debt service payments and delays in effecting debt service payments, the minimum requirements for the first dimension are not met, and the score D is given.

#### Dimension 2

Similar to the first dimension, there is no written procedures manual for debt data recording. Under the current practice, a staff member of the debt unit updates the debt database in the form of an Excel-based sheet. The country does not yet possess a dedicated debt recording system. Nor does any other staff member check the accuracy of the recording. Furthermore, the storing facilities do not have any security measures and they are not kept at a location protected against theft or fire.

Given that there is no procedure manual for the recording of debt data and storage of agreements, given also that debt administration records and underlying agreements are not filed in a secure location, the minimum requirements are not met. The score D is given to the second dimension.

#### Dimension 3

Similar to the two previous dimensions, there is no written procedures manual for controlling the access to the debt database. The latter is kept on a computer at the OPDM. All staff of the OPDM has access to the computer, which does not require a password, although only one staff member is responsible for maintaining the database.

In the absence of a procedures manual for effective access, the minimum requirement is not met justifying the score D.

#### Dimension 4

The backup of the data reflecting the budget implementation status is done every month by the MoFIC's staff and stored in a secure and secret location. Backing up of the debt database is done on an ad-hoc basis using a USB external drive, which is not well protected since it is not kept in a secure location.

As current practices do not meet the minimum requirement for this dimension the score is D.

### DPI-13 Segregation of Duties, Staff Capacity, and Business Continuity

Dimension	Score
Segregation of duties for some key factors as well as the presence of a risk monitoring and compliance function.	D
Staff capacity and human resource management.	D
Presence of an operational risk management plan, including business-continuity and disaster-recovery arrangements.	D

The previous DeMPA assessment concluded that the minimum requirements, in all three dimensions, were not met because the number of staff was not sufficient to have a clear division of labor and establish certain control procedures. In addition, the terms of reference for the different positions are not reviewed, neither updated periodically, and there is no business continuity plan in place.

#### Dimension 1

Although the head of the OPDM supervises whether the unit's activities are in compliance with statutory and contractual obligations, it is done on an ad-hoc basis and this responsibility is not specifically detailed in the Terms of Reference for the unit.

In terms of debt management responsibilities, there is a clear separation of "front office" activities – carried out by sector Ministries or other entities<sup>12</sup>, and "back office" activities that are largely carried out by the OPDM, with the Treasury Department and Central Bank roles being limited to their responsibilities for the debt service payments. Staff at the OPDM is in charge of both recording the debt data and initiating debt service payments, whereas the Treasury Department and Central Bank executes the related transaction. There is currently no clear distinction between staff entering payment data and staff verifying payment data entries.

As risk monitoring responsibilities are not clearly included in the terms of reference of the OPDM staff, and the same staff member conducts data recording and initiates payment orders while there is no separate function for verifying or controlling the data entries, the minimum requirements are not met, and this dimension is scored D.

#### Dimension 2

Since the last DeMPA evaluation in 2008, one additional staff member has been hired at the OPDM, bringing the total number of available staff to four. The new recruitment could lead to some revised division of labor at the office, thereby allowing for some improved operational control. However, the new staff is still undergoing training. In addition, the work at the debt unit is inhibited by capacity constraints in conducting debt sustainability, risk and financial analyses. The OPDM staff duties and responsibilities

<sup>12</sup> Most, if not all of the financing seeking activities initiated or carried out by sector ministries, are not credit arrangements but grant financing.

are clearly described, except for the newly hired staff member.<sup>13</sup> Lastly, the job descriptions have not been reviewed or updated since 2004.

In the light of the preceding, the minimum requirement for this second dimension has not been met, and the score of D is assigned.

The Unit of International Cooperation at the MoFIC does currently not have enough staff to assume the responsibilities as front office. Staff will also need to be trained. The staff members of the debt unit and the international cooperation unit are not sufficiently trained in debt management principles, loan analysis and risk and financial indicator analysis. Job descriptions are not updated periodically.

### Dimension 3

Neither at the level of the Ministry of Finance, nor at the level of the OPDM, is there a business continuity and disaster recovery plan. Therefore the minimum requirement for this dimension is not met.

### DPI-14 Debt Records

Dimension	Score
Completeness and timeliness of central government debt records.	D
Complete and up-to-date records of all holders of government securities in a secure registry system.	N/R

The 2008 DeMPA concluded that the Government was not meeting the minimum requirements for the first dimension due to time delays in compiling the debt records. The second dimension was not assessed due to the absence of domestic securities to be recorded in a registry system.

### Dimension 1

The structure and composition of the Government debt is not very complex, neither are there many active credits. About 20 external loans are active and there are no outstanding guarantees. Only three loans are currently disbursing. However, due to the lack of coordination within the Government, (DPI 2 and DPI 12), and the lack of procedure manuals, the debt records are not complete or comprehensive for these 20 loans. The mission was told that for a few loans, documentation was not available at the OPDM, and in some cases OPDM staff had become aware of loan arrangements from public media and not from Government sources.

Moreover, the debt database lacks also comprehensiveness. The database shows the loan number, creditor, currency, title, stock of debt (current and arrears), and projected annual debt service. However, it does not include all loans, data on disbursements, and actual debt service paid. The debt service projections show only estimated annual amounts due to creditors as opposed to showing actual monthly payment with the due dates. It does not cover all outstanding public loans as the

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<sup>13</sup> See Decree N° 21/2004 of December 7, 2004, which lays out the responsibilities OPDM and describes the composition of the Debt Unit.

OPDM does not receive all loan agreements on a timely basis.<sup>14</sup> There is no annual reconciliation process with all creditors.<sup>15</sup> Debt is reconciled on a case-by-case basis and triggered by creditors sending payment notifications with a reference to the outstanding stock of debt.

As the OPDM is not systematically informed about disbursements, disbursement notifications in conjunction with internal records are not the prime source of updating the debt database. Instead the database is mainly updated by way of the semi-annually payment requests received from creditors. This practice, in addition to the incompleteness of credit records, prevents any meaningful reconciliation of internal and external sources of information and causes delays in effective debt service recording.<sup>16</sup>

Due to the incompleteness of the debt records and the time delays in the compilation of the records, the Government does not meet the minimum requirements on the first dimension.

The draft debt law contains provisions in chapter IX on the management of the debt data base and in other chapters, which will improve the coordination in debt contracting, administration and loan disbursements, including requirements for project implementation units to submit to the MoFIC information on disbursements, when requested to do so.

## Dimension 2

The Government has not issued any domestic securities. There is therefore not any registry system for securities. Hence, the second dimension of this indicator cannot be assessed.

### DPI-15 Debt Reporting

Dimension	Score
Meeting of statutory and contractual requirements of central government debt to all domestic and external entities.	D
Meeting of statutory and contractual reporting requirements for total nonfinancial public sector debt and loan guaranteed to all domestic and external entities.	D
Quality and timeliness of the publication of a debt statistical bulletin (or its equivalent) covering central government debt.	D

The 2008 DeMPA came to the conclusion that the Government was meeting the minimum requirements on the first dimension, since the Government was meeting the contractual reporting requirements and no statutory reporting requirements were

<sup>14</sup> Some of the records pertaining to credit arrangements entered during recent times are not with the OPDM, respectively it took years to share these with the OPDM, leaving the OPDM records incomplete for an extended time.

<sup>15</sup> The last full reconciliation took place at the occasion of reaching the HIPC Completion Point in 2007.

<sup>16</sup> The World Bank has also provided direct assistance under its Capacity Building Technical Assistance project for the purchase of the CS-DRMS debt management system and training on using the new software.

identified. For the second dimension no reporting requirements were identified. Thus this dimension was not rated. The third dimension was rated D due to the absence of a statistical debt bulletin.

#### Dimension 1

According to the SAFE law, the Government is required to prepare once a year the State's General Accounts, containing e.g., the information on revenues, expenditures and financing for the budget, including a statement of assets and liabilities existing at the beginning and end of the fiscal year. The General Accounts shall be submitted to the General Accounting Office (Tribunal de Contas) no later than April 30, after the conclusion of the fiscal year (end of year). The report and the opinion of the General Accounting Office should be sent to the National Assembly by 31 July of each year. However, no General Accounts have been produced by the Government since 1991.<sup>17</sup>

The IMF staff report "First Review Under the Three Year Arrangement Under the Extended Credit Facility Arrangement" of 2010, Report no 10/100, contains under statistical issues the following comment: "The main areas that need to be strengthened at the Ministry of Planning and Finance (MPF) are (i) monitoring of expenditures on projects financed by donors; and (ii) financing operations."

The debt information provided by the Government to the World Bank is considered to have quality problems. As a result, the World Bank considers the published data "preliminary".

As the Government does not fulfill the statutory reporting requirement to the National Assembly on the annual budget implementation, and the quality of the contractually-required reporting to the IMF and the World Bank on government debt is considered weak, the minimum requirements for the first dimension are not met. The difference in rating compared with the 2008 DeMPA is due to the fact that the previous mission did not identify the reporting requirements in the SAFE Law. In addition, at the time of the previous mission, the IMF had not explicitly commented on the quality of debt data in its reports, nor did the World Bank have any complaints about the quality of the debt data provided by the Government.

#### Dimension 2

The contractual and statutory debt reporting requirements to the World Bank and the IMF comprise all forms of external public debt. The reporting requirements under the contractual obligations to the World Bank (IBRD General Conditions and the IDA General Conditions) apply once loan agreements are signed and the loan is not yet fully reimbursed. The reporting requirements to the IMF on the country's debt situation are stated in the IMF's Articles of Agreement and apply equally to all IMF member countries. The relevant services at the Bank do not confirm that São Tomé and Príncipe meet this requirement on a timely basis and at an acceptable level of reporting quality. Thus, the minimum requirements for this second dimension are not met causing a D rating.

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<sup>17</sup> Upon IMF recommendation, a Directorate for Accounting has recently been established within MoFIC.

### Dimension 3

The OPDM prepares reports on the debt on a quarterly, semi-annually and annual basis. The reports contain information on DeM activities carried out and provide very detailed information on debt service and debt flows. The reports also contain information on outstanding debt, but only on an aggregate basis (including debt ratios) and without details in terms of currency, interest rate or residual maturity. In addition, the reports are not published. The minimum requirements for the third dimension of the indicator are therefore not met.

## Annex 1: LIST OF PEOPLE MET

<u>Name</u>	<u>Title</u>	<u>Organization</u>
Americo d'Oliveira dos Ramos	Minister	Ministry of Finance and International Cooperation
Maria dos Santos Torres	Director of the Debt Management Department (OPDM)	Ministry of Finance and International Cooperation
Carlos Alberto Costa	Debt Analyst	Ministry of Finance and International Cooperation
Carlos Castro	Chief of the Bilateral Cooperation Unit at the Aid Coordination Department	Ministry of Finance and International Cooperation
Luis Vaz de Sousa Bastos	Director of International Cooperation	Ministry of Finance and International Cooperation
Francisco Costa Alegre	Officer in the Directorate for International Cooperation	Ministry of Finance and International Cooperation
Ginesio da Mata	Director of the Budget	Ministry of Finance and International Cooperation
Ana Maria Conceição Silveira	Director of Treasury and State Assets (Patrimony)	Ministry of Finance and International Cooperation
Joana Damiana da Graça Varela	Director of Accounting	Ministry of Finance and International Cooperation
Velmiro Costa	Directorate of the Treasury and State Assets, Chief of the Department for Treasury and Account Management	Ministry of Finance and International Cooperation
Justino Mota	Chief of Financial Operations Department	Ministry of Finance and International Cooperation
Natacha Amadora Vaz	Legal Advisor to the Minister of Finance	Ministry of Finance and International Cooperation
Felipe Muniz	Director of Planning	Ministry of Planning and Development
Ernestina Menezes	Director of Public Administration	Ministry of Justice and Public Administration
Armindo de Brito Fernandes	Secretary General	Ministry of Foreign Affairs
Calixto Moniz	Department for Macroeconomic Projections	Central Bank of São Tomé e Príncipe

Maria de Farias Fortes	Debt Administrator	Central Bank São Tomé e Príncipe
Jose Antonio de Monta Cristo	Deputy of the Government Accounting Office	Government Accounting Office (Tribunal das Contas)
Isabel Maria Cunha	Chief of the Office of the President of the Government Accounting Office	Government Accounting Office
Bernardino Araujo	Legal Advisor	Government Accounting Office

#### Deputies

Alcino Martinho de Barros Pinto	President, Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly
José da Graça Diogo	Vice-President, Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly
Francisco da Silveira Rita	Vice-President, Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly
António da Trindade Afonso Ramos	Secretary, Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly
Octavio Boa Morte	Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly
Alexandre da Conceição Guadalupe	Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly
Adilson Cabral Managem	Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly
Dionisio Fernandes	Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly
Guilherme Octaviano Viegas dos Ramos	Member of the 2 <sup>nd</sup> Committee (Financial Affairs) of the National Assembly	National Assembly

#### Development Partners

Gana Fofang	Resident Coordinator	United Nations Development Programme
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Idrissa Sanoussi	Economist	United Nations Development Programme
Abdoulaye Konaté	Senior Economist	United Nations Development Programme
Fernando Ramos Machado	Ambassador of Portugal	Embassy of Portugal

Banks

Jose Martinho	Financial Director	Banco Equador
David Mata	Director-General	Banco Equador
Joao Cristovao	President	Banco International de S. Tomé e Príncipe
Acacio Elba Bonfim	Executive Manager (Adminstrador Executivo)	Banco International de S. Tomé e Príncipe
Alfred Ksongo	Director General	Ecobank

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